1979

Accounting trends and techniques, 33rd annual survey, 1979 edition

American Institute of Certified Public Accountants

1979 Accounting Trends & Techniques

AICPA

Thirty-Third Edition 1979

Accounting Trends & Techniques

Annual Survey of Accounting Practices Followed in 600 Stockholders' Reports

AICPA

American Institute of Certified Public Accountants

Thirty-Third Edition **1979**

Accounting Trends & Techniques

Thirty-third annual cumulative survey of the accounting aspects of the annual reports of 600 industrial and commercial corporations to which are added excerpts from and comments upon unusual accounting treatments found in additional reports. The reports analyzed are those with fiscal years ended not later than February 3, 1979.

Edited by:

Jack Shohet, CPA
Manager,
Technical Information Division

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—1979, Thirty-third 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 24, 1978 and February 3, 1979.

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. 400 of the companies were listed in the twenty-first (1967) edition and each retained the number assigned in that edition. The other 200 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 853 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 American Institute of Certified Public Accountants has established the National Automated Accounting Research System (NAARS) as an additional means of information retrieval. NAARS includes a computerized data bank consisting of the full text of several thousand company annual reports to stockholders supplemented by a literature file of authoritative pronouncements. Information may be retrieved through individual computer terminal subscription or by requesting Institute personnel to perform searches on an AICPA terminal. For further information concerning NAARS, contact Hortense Goodman, American Institute of Certified Public Accountants, 1211 Avenue of the Americas, New York, NY 10036. Telephone (212) 575-6393.

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, Director, Technical Information Division
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

TABLE 1-1: INDUSTRY CLASSIFICATIONS

	1978	1977	1976	1975
Foods:				
Meat products	10	9	9	9
Dairy products	5	5	5	5
Canning, etc.	7	9	9	10
Packaged and bulk	19	20	19	19
Baking	4	5	5	5
Sugar, confections, etc.	7	6	7	7
Beverages	5	6	6	6
Tobacco products	6	7	7	7
Textiles	32	30	29	30
Paper products	15	15	16	16
Printing, publishing	8	7	8	8
Chemicals	23	23	25	25
Drugs, cosmetics, etc.	24	21	20	19
Petroleum	26	25	27	27
Rubber products, etc.	8	9	9	9
Shoes - manufacturing, merchandising, etc.	7	8	8	8
Building:				
Cement	3	3	4	4
Roofing, wallboard	11	12	11	12
Heating, plumbing	6	7	7	7
Other	16	18	17	18
Steel and Iron	18	21	23	23
Metal - nonferrous	20	17	18	19
Metal fabricating	18	11	9	11
Machinery, equipment and supplies	34	33	37	37
Electrical equipment, appliances	22	20	17	17
Electrical, electronic equipment	25	34	37	37
Business equipment and supplies	17	17	15	13
Containers - metal, glass, etc.	12	8	8	8
Autos and trucks (including parts, accessories)	20	23	23	23
Aircraft and equipment, aerospace	12	17	16	16
Railway equipment, shipbuilding, etc.	7	7	7	7
Controls, instruments, medical equipment, watches and clocks, etc.	12	15	16	14
Merchandising:				
Department stores	12	12	12	12
Mail order stores, variety stores	2	2	2	3
Grocery stores	17	14	15	15
Other	8	10	10	10
Motion pictures, broadcasting	6	6	6	6
Widely diversified, or not otherwise classified	96	88	81	78
Total Companies	**600**	**600**	**600**	**600**

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 a 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—80% on the New York and 10% 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 value of revenue.

TABLE 1-2: REVENUE OF SURVEY COMPANIES

	1978	1977	1976	1975
Less than $100,000,000	90	101	106	101
Between $100,000,000 and $500,000,000	139	153	159	178
Between $500,000,000 and $1,000,000,000	100	96	97	98
Between $1,000,000,000 and $2,000,000,000	110	110	113	102
More than $2,000,000,000	161	140	125	121
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.

In order to make the Securities and Exchange Commission reporting requirements similar to those set forth by the Financial Accounting Standards Board in *Statement of Financial Accounting Standards No. 14,* the SEC issued *Regulation S-K* which requires a presentation of business segment information rather than line of business information.

Examples of items 2, 3, 4, and 7 follow. Examples of business segment disclosures are presented on pages 15-39.

Five Year Summary of Operations

DEL MONTE CORPORATION (MAY)

Five-Year Summary of Operations

	1978	1977	1976	1975	1974
Summary of operations for the year:					
Sales and operating revenues	$1,575,260	$1,483,809	$1,430,424	$1,279,274	$1,042,608
Cost of products sold and operating expenses	1,217,639	1,140,788	1,105,791	986,717	805,649
Selling, general and administrative expenses	236,375	222,602	210,566	184,861	154,287
Interest expense	31,598	34,785	38,306	34,926	22,251
Earnings before income taxes	89,648	85,634	75,761	72,770	60,421
Federal, state and foreign taxes on income	38,233	35,203	23,098	24,139	21,827
Earnings for year	51,415	50,431	52,663	48,631	38,594
Earnings per share of capital stock(2)	4.27	4.19	4.39	4.05	3.21
Fully diluted earnings per share(3)	4.07	4.00	4.18	3.86	3.08
Cash dividends paid	19,248	17,734	16,504	15,306	14,115
Dividends per share of capital stock	1.60	1.48	1.38	1.28	1.18
Included in earnings are the following non-operating gains or (losses):					
Foreign currency gains (losses)	$ (1,500)	$ 300	$ 9,900	$ 1,100	$ 1,100
Gain from liquidation of LIFO inventories	2,700	6,800	1,200	2,300	1,800
Gain from sale of real estate	7,600	3,900	3,700		
Gain from fire insurance recovery		3,000			
Gain (loss) on sale of subsidiaries and affiliates	1,100	2,200			(1,400)
Provision for possible losses on advances to suppliers	(2,000)		(4,300)		
Provision for settlement of anti-trust suits					(1,900)
Total before income taxes	7,900	16,200	10,500	3,400	(400)
Related income taxes	(4,400)	(5,100)	(2,100)	(1,200)	200
Net	$ 3,500	$ 11,100	$ 8,400	$ 2,200	$ (200)

Notes:

(1)Dollar amounts shown in thousands, except for per share data.

(2)Earnings per share of capital stock based on weighted average number of shares outstanding during the year.

(3)In calculating fully diluted earnings per share, it is assumed that all of the outstanding convertible debentures issued in March, 1969 were converted to capital stock at the beginning of the year.

(4)Financial data for 1974-1977 restated to reflect 1978 retroactive change in accounting for leases in accordance with Statement of Financial Accounting Standards No. 13.

LAFAYETTE RADIO ELECTRONICS CORPORATION (JUN)

Consolidated Summary of Operations

	Years ended June 30,				
	1978(a)	1977(b) (Revised)(c)	1976	1975	1974
Net sales	$75,889,000	$88,439,000	$99,425,000	$92,329,000	$87,960,000
Cost and expenses:					
Cost of sales (including applicable occupancy and buying costs)	58,979,000	64,892,000	67,615,000	62,518,000	59,196,000
Selling, administrative and general	28,017,000	29,951,000	25,675,000	25,058,000	23,523,000
Interest expense	1,025,000	808,000	73,000	460,000	203,000
Total costs and expenses	88,021,000	95,651,000	93,363,000	88,036,000	82,922,000
(Loss) income before income taxes (benefit)	(12,132,000)	(7,212,000)	6,062,000	4,293,000	5,038,000
Income taxes (benefit):					
Current	(3,478,000)	(3,357,000)	3,093,000	2,143,000	2,219,000
Deferred	(615,000)	(234,000)	54,000	31,000	328,000
	(4,093,000)	(3,591,000)	3,147,000	2,174,000	2,547,000
Net (loss) income	$ (8,039,000)	$ (3,621,000)	$ 2,915,000	$ 2,119,000	$ 2,491,000
(Loss) earnings per share	$ (3.69)	$ (1.65)	$ 1.33	$ .91	$ 1.04
Cash dividends per share	$ —	$ .26	$ .26	$ .06½	$ —

(a)In 1978 the fiscal year ended July 1.
(b)In 1977 the fiscal year ended July 2.
(c)Subsequent to the issuance of its year ended July 2, 1977 financial statements the Company discovered a computational error in the amount of $1,046,000 in the inventory used to determine the cost of sales. Accordingly, the 1977 financial statements have been restated. The effect of the correction of the error resulted in an increase in the 1977 net loss from $3,101,000 to $3,621,000 or from $1.42 to $1.65 per share.

LIGGETT GROUP INC. (DEC)

Summary of Operations

	1978	1977	1976	1975	1974
Net sales	$970,695	$877,848	$857,778	$810,181	$758,113
Operating income	89,469	48,191	99,039	91,409	86,151
Interest income	4,536	279	153	173	240
Interest expense	14,552	15,675	15,277	14,097	13,584
Income taxes	44,454	24,413	37,726	36,156	31,534
Earnings (loss) from continuing operations before extraordinary items	23,451	(513)	37,333	35,795	31,997
Discontinued operations (loss)	33,369	3,117	1,654	2,069	(2,165)
Earnings before extraordinary items	56,820	2,604	38,987	37,864	29,832
Extraordinary items	—	—	—	375	1,235
Net earnings	56,820	2,604	38,987	38,239	31,067
Net earnings applicable to common stock	55,368	1,088	37,585	36,793	29,609
Earnings (loss) per common share					
Primary					
Earnings (loss) from continuing operations	2.49	(.23)	3.99	3.83	3.39
Earnings before extraordinary items	6.26	.12	4.17	4.06	3.15
Net earnings	6.26	.12	4.17	4.10	3.29
Assuming full dilution					
Earnings (loss) from continuing operations	2.48	(.23)	3.94	3.74	3.33
Earnings before extraordinary items	6.12	.12	4.12	3.96	3.10
Net earnings	6.12	.12	4.12	4.00	3.23
Dividends per common share	2.50	2.50	2.50	2.50	2.50
Average number of shares outstanding (in thousands)					
Primary	8,838	9,012	9,012	8,978	8,995
Assuming full dilution	9,156	9,012	9,278	9,372	9,408

NEW ENGLAND NUCLEAR CORPORATION (FEB)

Five Year Summary of Operations

	(Dollars in thousands except amounts per share)				
	1978	1977	1976	1975	1974
Net sales	$50,687	$40,667	$34,422	$27,901	$22,869
Cost of goods sold	22,515	17,852	15,476	12,350	9,523
Selling, general and administrative expenses	14,717	12,189	10,389	8,524	6,594
Research and development	3,003	2,628	1,908	1,669	1,169
	40,235	32,669	27,773	22,543	17,286
Operating income	10,452	7,998	6,649	5,358	5,583
Interest and dividend income (expense), net	(98)	7	6	213	319
Income before income taxes	10,354	8,005	6,655	5,571	5,902
Income taxes—Note 1	5,131	4,083	3,398	2,720	2,963
Net income	$ 5,223	$ 3,922	$ 3,257	$ 2,851	$ 2,939
Income per share	$ 3.54	$ 2.71	$ 2.26	$ 1.98	$ 2.03
Cash dividends per share	$ .535	$ .425	$ .325	$ .30	$ .15
Common and common equivalent shares (in thousands)—Note 2	1,475	1,450	1,443	1,440	1,451

NOTES

1. Income taxes are stated after applicable investment tax credits of $417,000 in 1978, $143,000 in 1977, $176,000 in 1976, $118,000 in 1975, and $29,000 in 1974.

2. Common and common equivalent shares include shares issuable (computed by the treasury stock method) for options outstanding. A summary of the calculation of common and common equivalent shares outstanding, in thousands, is as follows:

	1978	1977	1976	1975	1974
Outstanding at beginning of year	1,443	1,434	1,418	1,410	1,386
Issued during year—weighted average	6	2	4	2	10
Issuable under options—common equivalents	26	14	21	28	55
Total	1,475	1,450	1,443	1,440	1,451

NL INDUSTRIES, INC. (DEC)

Five Year Summary of Operations

In thousands (except per share amounts)

	1978	1977	1976	1975	1974
Revenues:					
Net sales	$1,892,608	$1,621,841	$1,489,541	$1,479,620	$1,750,829
Equity in partially-owned companies	8,763	6,180	8,519	10,829	6,847
Other income (loss), net	(6,192)	(4,032)	11,512	13,966	(3,832)
	1,895,179	1,623,989	1,509,572	1,504,415	1,753,844
Costs and expenses:					
Cost of goods sold	1,364,575	1,198,512	1,101,539	1,138,895	1,347,125
Selling, general and administrative	399,170	274,824	253,493	232,690	228,744
Interest	34,565	28,287	28,260	29,719	30,569
Minority interest	1,921	1,992	1,296	1,659	1,831
	1,740,231	1,503,615	1,384,588	1,402,963	1,608,269
Income from continuing operations before income taxes	154,948	120,374	124,984	101,452	145,575
Provision for income taxes	68,672	53,955	51,796	41,723	65,526
Income from continuing operations	86,276	66,419	73,188	59,729	80,049
Income (loss) from discontinued operations	—	—	(103)	1,978	5,762
Net income	$ 86,276	$ 66,419	$ 73,085	$ 61,707	$ 85,811
Income per share of common stock:					
Primary:					
Income from continuing operations	$ 2.52	$ 2.03	$ 2.36	$ 1.94	$ 2.62
Income from discontinued operations	—	—	—	.06	.19
Net income	$ 2.52	$ 2.03	$ 2.36	$ 2.00	$ 2.81
Fully Diluted:					
Income from continuing operations	$ 2.52	$ 2.03	$ 2.25	$ 1.86	$ 2.50
Income from discontinued operations	—	—	—	.06	.18
Net income	$ 2.52	$ 2.03	$ 2.25	$ 1.92	$ 2.68
Dividends paid on common shares	$ 39,013	$ 38,912	$ 26,631	$ 24,929	$ 24,116
Per common share	1.20	1.20	1.05	1.00	1.00
Working capital	395,327	358,106	357,087	352,522	318,817
Property, plant and equipment, net	718,898	567,069	508,669	467,299	426,466
Capital expenditures	151,385	119,434	99,156	96,589	67,156
Depreciation	56,436	48,876	44,345	40,865	35,780
Total assets	1,715,342	1,352,431	1,219,725	1,194,525	1,127,029
Shareholders' equity	747,896	703,899	614,309	566,179	527,888

THE SUPERIOR OIL COMPANY (DEC)

Summary of Operations

	1978	1977	1976	1975	1974
	Amounts in thousands, except per share data				
Operating Revenues	730,942	545,166	441,461	382,856	333,119
Operating Expenses					
Operating costs	133,239	98,325	83,341	76,895	64,533
Geological, geophysical, engineering and other	83,893	61,897	33,866	32,596	30,669
Intangible drilling and development costs	226,954	126,859	101,128	85,325	58,335
Depletion, depreciation and amortization	67,341	40,081	36,272	33,120	31,253
Abandonments	19,261	6,315	15,684	18,158	8,476
General and administrative	45,139	33,976	24,871	22,168	16,398
Taxes (other than income)	25,687	23,449	21,531	19,289	18,094
	601,514	390,902	316,693	287,551	227,758
Income from Operations	129,428	154,264	124,768	95,305	105,361
Other Income (Expense)					
Dividends and miscellaneous income	9,381	18,326	9,505	34,726	14,284
Equity in affiliates	(2,092)	(9,953)	4,199	4,368	3,432
Interest expense	(28,826)	(7,452)	(10,045)	(11,588)	(14,242)
	(21,537)	921	3,659	27,506	3,474
Income Before Income Taxes, Minority Interest and Extraordinary Items	107,891	155,185	128,427	122,811	108,835
Income taxes	(56,264)	(72,605)	(59,533)	(54,804)	(33,077)
Minority interest in subsidiaries	(20,751)	(20,040)	(18,497)	(15,539)	(14,761)
Income Before Extraordinary Items	30,876	62,540	50,397	52,468	60,997
Extraordinary Items					
Reduction in Federal income taxes					
Refund of gas sales	10,000	—	—	—	—
Use of prior years' loss carryforwards	—	—	—	—	7,000
Equity in extraordinary items of affiliated company	—	—	1,047	2,874	—
Net Income	40,876	62,540	51,444	55,342	67,997
Per Share Data					
Income before extraordinary items	7.71	15.63	12.58	13.08	15.15
Extraordinary items	2.50	—	.26	.71	1.74
Net income	10.21	15.63	12.84	13.79	16.89
Average shares outstanding	4,004,608	4,001,406	4,005,796	4,012,050	4,026,092
Cash dividends	2.50	1.90	1.80	1.60	1.40

Management's Analysis of Summary of Operations

ALLIS-CHALMERS CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE SUMMARY OF OPERATIONS

The summary of operations (page 44) outlines the Company's consolidated performance for the past five years. Because of the diversity of the Company's lines of products, it is more meaningful to comment on changes in line items presented in the consolidated summary of operations on a consolidated basis. Reference is made to the tables that present the sales and operating profits by industry segments and the more detailed discussions on our businesses in the Operations section and the notes to financial statements.

1978 Compared with 1977

Sales in 1978 were $1.762 billion, up 14.6% from the previous record high of $1.538 billion in 1977. Net income was $76.0 million in 1978 and $67.0 million in 1977. Earnings per common and common equivalent share were $6.18 in 1978 and $5.52 in 1977.

Sales in 1978 increased in all major industry segments. Within Process Equipment, sales of liquids and gases processing products increased $97 million over 1977, including $77 million of American Air Filter sales since its acquisition; solids processing products experienced varied demand conditions, with sales activity in the aggregate and coal processing markets and processing equipment markets in Europe/Canada/Australia up $45 million over 1977 offset by a $33 million decline in sales of minerals processing products; agricultural equipment sales increased marginally, while strong marketing efforts resulted in higher dealer retail sales; demand for lift trucks and gains in markets for outdoor power equipment provided an increase of $30 million for material handling and outdoor power products; sales of Siemens-Allis, a company jointly owned by Siemens AG of West Germany and Allis-Chalmers, were up $42 million, compared with the 1977 sales of the Company's former electrical products. Markets outside the United States continued to account for approximately one-fourth of the Company's total sales in 1978 and 1977.

Cost of sales increased as a result of sales volume to $1.356 billion in 1978, compared with $1.191 billion in 1977. Cost of sales approximated 77% of sales for both 1978 and 1977. On a percentage basis, an increase in depreciation from increased capital expenditures and acquisitions in recent years was approximately offset by decreases in costs of materials, labor and services.

Selling, general and administrative expense of $243 million in 1978 and $214 million in 1977 was 13.8% and 13.9% of sales, respectively.

Finance and waiver charges on receivables sold to finance subsidiaries of $48 million increased $16.3 million in 1978 over 1977 as a result of higher receivable levels financed by Allis-Chalmers Credit Corporation and continuation of the Company's interest waiver marketing programs.

During 1978, interest expense amounted to $19.9 million, up 55.6% from the $12.8 million in 1977. The increase resulted from a new $50 million long-term borrowing in May 1978, short-term borrowing in the fourth quarter to finance an acquisition and interest expense of acquired companies.

Interest earned, other income and deductions increased $1.6 million, primarily from a $5.2 million after tax gain on the acquisition by Siemens Corporation of a 20% interest in Siemens-Allis, offset by minority interest in earnings of consolidated subsidiaries of $2.5 million.

Equity in income of unconsolidated subsidiaries increased $6.2 million, principally from pretax earnings of the Company's finance subsidiaries of $3.9 million resulting from all-time high receivable levels and increased income from the parent company for interest waiver programs partially offset by additional interest expense, and inclusion in 1977 of a $1.4 million after tax loss related to the Company's 23% share of Fiat-Allis operations.

The Company's effective income tax rates for 1978 and 1977 approximate 42% and 43%, respectively. The principal factors reducing the respective provisions below the federal rate of 48% were 1978 provisions by foreign subsidiaries at local statutory rates, investment tax credits recognized in both years and in 1977, the reduction of the provision by $6.2 million as a result of liquidating a foreign subsidiary.

1977 Compared with 1976

Sales in 1977 were $1.538 billion, compared with $1.519 billion in 1976. Net income was $67.0 million in 1977 and $58.7 million in 1976. Earnings per common and common equivalent share were $5.52 in 1977 and $4.51 in 1976.

Within Process Equipment, sales of the aggregate and coal processing and fluids processing products increased $11 million over 1976, offset by a decline in sales of minerals processing products of $51 million, reflecting a general downturn in the mining industry; agricultural equipment sales declined slightly from 1976 because of production lost to strikes in early 1977 and a general softening in the agricultural economy; improved market opportunities for lift trucks and related material handling equipment and powered lawn and garden products resulted in a sales increase of $38 million in 1977 over 1976; electrical products maintained a steady growth rate in 1977 reflecting increased sales of $22 million over 1976.

Cost of sales of $1.191 billion decreased 1.7% or $20 million in 1977, compared with $1.211 billion in 1976, reflecting the effectiveness of the Company's cost reduction and quality assurance programs, changes in product mix and in 1976 a pretax provision of $10.7 million for increased costs due to inflated material costs and changes in sourcing of turbine components. Significant items offsetting this increase were foreign exchange losses of $2.7 million in 1977 compared with $.5 million in 1976 and additional depreciation expense of $4 million in 1977 as a result of increased capital expenditures; provisions for plant rearrangement and product discontinuance of $6.0 million in 1977 including estimated costs for relocating and rearranging certain manufacturing operations, cost of product discontinuance as a result of liquidating a foreign subsidiary, and a credit of $2.4 million relating to adjustment of a 1975 provision for the estimated cost of ceasing manufacture of large power transformers.

Selling, general and administrative expense of $214 million was 13.9% of sales in 1977, compared with $194 million or 12.8% in 1976.

Finance and waiver charges on receivables sold to finance subsidiaries of $31 million increased $10.1 million over 1976, due primarily to an increase of $8 million in the Company's interest waiver programs.

Interest expense declined $1.5 million as a result of repayments of long-term debt.

Equity in income of unconsolidated subsidiaries decreased $.6 million in 1977 over 1976. Principal items were $4.0 million pretax earnings of the Company's finance subsidiaries resulting from additional interest income received from the parent company for interest waiver programs and increased receivable levels, partially offset by additional interest expense; $1.3 million from reduced preproduction costs in 1977 applicable to a Canadian affiliate; and a $6.8 million reduction in the Company's income from equity in Fiat-Allis operations in 1977 compared with 1976, primarily due to 1976 including $4.3 million income related to the full year 1975 operations of Fiat-Allis B.V. and its substantial foreign currency translation losses in 1977 compared with 1976.

The Company's effective income tax rate for 1977 approximated 43%, compared with 48% for 1976. The income tax provision was reduced $6.2 million in 1977 as a result of liquidating a foreign subsidiary, which was the major factor reducing the effective tax rate below the federal statutory rate.

ASHLAND OIL, INC. (SEP)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE SUMMARY OF OPERATIONS

Comparison of 1978 and 1977

Revenues. Sales and operating revenues increased $374.3 million or 7% in 1978 reflecting improvements in all business segments. Petroleum revenues, accounting for 61% of consolidated revenues, increased 4% on a slight decrease in volumes and a 6% increase in prices. Chemical revenues increased 10% on a 2% decrease in sales volumes and a 7% increase in prices. Revenues from Exploration improved 11% reflecting increases in both volumes and prices. Construction revenues increased 20% reflecting an increase in activities and a return to normal shipbuilding operations following settlement of a strike. Ashland Canada's revenues increased 4% due primarily to higher volumes and prices in its oil and gas operations. Revenues from Coal operations increased 28% reflecting higher volumes and prices.

Costs and expenses. Total costs and expenses increased $428.8 million or 9% due primarily to increases in costs of raw materials, excluding crude costs, and operating expenses of $276.5 million or 12%, including maintenance and transportation costs and a provision for valuation loss on a very large crude carrier. Crude oil costs increased $80.1 million or 5%, reflecting lower entitlement receipts of $103.5 million as compared with $139.4 million in 1977.

Selling, administrative and general expenses increased $38 million or 12%, as a result of the continuing inflationary pressure on wages and other payroll costs.

Depreciation, depletion and amortization increased $20.8 million or 16% as a result of increased capital expenditures in prior periods.

Exploration expenses increased $6.9 million or 12% primarily as a result of the provision for the valuation loss on the investment in oil shale.

Interest expense increased $13.3 million or 28%, reflecting the full year's impact of the higher level of debt assumed in 1977.

Income taxes. Income taxes increased $61.2 million or 44%. United States income taxes increased $54.2 million or 53% due primarily to the taxes on the gain on the sale of Ashland Oil Canada Limited less the provisions for valuation losses on the possible disposition of a very large crude carrier and investment in oil shale. Foreign income taxes increased $7 million or 20% reflecting primarily higher levels of oil and gas production by Ashland Canada.

Net income. Net income from operations for 1978 was $160.7 million, or $5.27 per share, a decrease of 2% from $164.3 million and $5.60 per share in 1977. After reflecting the gain and provisions mentioned above, net income was $244.8 million, equal to $8.27 per share. The primary factors contributing to the decline in net operating income were: (a) depressed margins and weather-oriented problems during the first two quarters of fiscal 1978; (b) the extended coal strike of the United Mine Workers which began on December 6, 1977 and lasted 110 days; (c) higher cost of crude oil, other raw materials and operating expenses; (d) increased depreciation, depletion and amortization; and (e) higher interest costs on long-term debt. This decline was almost overcome during the second half as all segments operated at high levels, led by higher Petroleum and Chemical sales volumes and margins and a recovery in Coal operations following the strike.

Comparison of 1977 and 1976

Revenues. Sales and operating revenues increased $645.2 million or 15% in 1977. This growth was achieved primarily as a result of a 5% gain in petroleum sales volumes and an 11% increase in the prices received for these products. Chemical operations reported a 17% improvement in sales volumes but product prices declined an average of 4%. Exploration and construction operations reported only slight gains over last year. Ashland Canada's revenues improved significantly due to higher volumes, which increased 29%, and higher prices in its oil and gas division. Coal sales increased $103.3 million reflecting a significant increase in tons sold.

Costs and expenses. Total costs and expenses increased $626.8 million or 15% due primarily to larger sales volumes, increases in crude oil and other raw material costs and increases in operating expenses, including maintenance and repairs and transportation rentals. Crude oil costs for the year were partially offset by receipts of entitlements of $139.4 million as compared with entitlement receipts of $144.3 million in 1976.

Selling, administrative and general expenses increased $36.6 million or 13% due primarily to the impact of inflation on selling and payroll costs and the higher level of revenues.

Depreciation, depletion and amortization increased $21.3 million or 20% due primarily to capital expenditures made in prior years.

Interest expense increased $9.9 million or 26% because of additional borrowings to fund capital investments and acquisitions of resource properties.

Income taxes. Income taxes decreased $4.2 million or 3% due to a larger United States investment tax credit and additional tax credits allowed Ashland Canada for certain exploration expenses.

Net income. Net income for 1977 was $164.3 million, or $5.60 per share, an increase of 16% from $141.3 million, or $5.07 per share earned in 1976. The primary factors contributing to the improvement of 1977 earnings were: (a) petroleum volumes and sales realizations increased; (b) Canadian operational results improved significantly due to higher volumes and prices in its oil and gas division; (c) coal operations had a substantial increase in number of tons sold along with higher prices per ton sold; and (d) exploration and chemical operations' earnings were slightly higher than 1976. However, these positive factors more than offset the 12% decline in construction operations which were hampered by bad weather and a strike.

CBS INC. (DEC)

ANALYSIS OF THE SUMMARY OF OPERATIONS

For a complete understanding of the Company's operations, this analysis should be read in conjunction with the Letter to Shareholders, the Financial Statements and the additional information on pages 6 through 21 of this Report.

1978 vs. 1977

In 1978 revenues increased by $463.8 million or 16 percent while pretax income increased by $23.9 million or 7 percent. Net income and income per common share increased by 9 percent and 10 percent, respectively. The difference in growth rate between pretax income and net income was attributable primarily to an increase in income from equity-basis investments, which is recorded net of taxes. The difference in growth rate between net income and income per common share was attributable primarily to a reduction in the weighted average number of shares outstanding caused by the purchase of treasury shares in the middle of 1977.

CBS/Broadcast Group

Broadcasting revenues increased $143.6 million or 12 percent in 1978. Revenue growth occurred in all divisions in the Broadcast Group with the Television Network leading the way. Continuing strong demand for broadcasting time was the major factor in this growth. In the Television Stations Division, WBBM-TV Chicago and WCBS-TV New York made the largest contributions. The Radio Division's AM and FM stations made significant contributions.

Profits of the Broadcast Group increased $7.6 million or 3 percent. The difference between the growth in revenues and the growth in profits is almost entirely attributable to the increase in program costs in the Television Network. This increase was offset somewhat by improved margins in the Television Stations and Radio Divisions.

CBS/Records Group

Both the domestic and international divisions of the Records Group contributed to the 1978 revenue gain of $158.8 million or 20 percent. Pretax profits of the Group grew by $9.8 million or 12 percent. The difference between the growth in revenues and the growth in profits was caused by a statutory increase in copyright royalties paid to music publishers, increased marketing costs, and manufacturing cost increases due to capacity constraints and a strike at one of the domestic record plants. These cost factors were partially offset by a $7.6 million increase in equity income from an investment in Japan.

CBS/Columbia Group

1978 revenues of the Columbia Group grew by $133.4 million or 29 percent, while profits grew by $7.1 million or 27 percent, led by the Columbia House Division. During the year the CBS Toys Division was greatly enlarged by the Company's acquisition of Gabriel Industries.

CBS/Publishing Group

Publishing Group revenues increased by $40.7 million or 10 percent while profits rose by $12.0 million or 45 percent. All divisions contributed to the revenue increase with the Educational Publishing Division and the Consumer Publishing Division leading the way. Profits increased at a significantly higher rate than revenues primarily because of the increased sales in these two divisions and certain cost economies related thereto. The Publishing Group also benefited from a reduction in amortization of acquisition costs; this amortization was higher in 1977, the year in which Fawcett Publications was acquired.

Other Information

Interest income declined significantly due to lower cash balances (see page 35 for a discussion of cash flow). The Company's effective income tax rate approximated the statutory rate in 1978 and was slightly lower than the rate in 1977. This was primarily attributable to the increase in income from equity-basis investments.

In addition the Company incurred higher advertising costs to help generate the increased revenues. Increases in other costs such as depreciation, payroll taxes, rent, and maintenance and repairs were also experienced as a result of the Company's expansion.

1977 vs. 1976

In 1977 revenues increased by $551.8 million or 24 percent and pretax income increased by $30.9 million or 9 percent. Net income and income per common share increased by 11 percent and 13 percent, respectively. The difference in the growth rate between pretax income and net income was attributable to a slight decline in the effective tax rate caused principally by increased investment tax credits and favorable settlements of audits for prior years. Income per common share rose at a higher rate than net income due to a reduction in the weighted average number of shares outstanding caused by the purchase of treasury shares in the middle of 1977.

CBS/Broadcast Group

Revenues in the Broadcast Group increased $139.2 million or 13 percent. Pretax profits increased $2.5 million or 1 percent. The strong revenue gains were experienced in the Television Network and the Radio Divisions. These were offset somewhat by a weakness in the television spot market which affected the Television Stations Division. Pretax profits did not increase at the same rate as revenues primarily because of significantly higher program and program development costs in the Television Network coupled with the previously mentioned weakness in the television spot market.

CBS/Records Group

Revenues of the Records Group increased $172.1 million or 28 percent while profits increased $16.7 million or 25 percent. This growth was shared by both the domestic and international divisions. The rate of growth in pretax profits was slightly less than the revenue growth due primarily to higher artist and promotion costs.

CBS/Columbia Group

Columbia Group revenues rose by $66.2 million or 17 percent, led by the Specialty Stores Division (formerly the Retail Stores Division). Pretax profits increased by $4.0 million or 18 percent, led by the Columbia House Division.

CBS/Publishing Group

Publishing Group revenues increased $177.5 million or 79 percent. This was primarily attributable to the contribution of the Fawcett Publications properties which CBS acquired at the beginning of 1977. Pretax profits of the Publishing Group increased $2.7 million or 11 percent due primarily to the performance of the Educational Publishing and the Professional Publishing Divisions. There was little profit contribution from Fawcett due to the amortization of acquisition costs during the year.

Other Information

The Company's effective income tax rate in 1977 approximated the statutory rate, and the income tax increase of $12.9 million in 1977 reflected higher pretax income. The Company incurred higher advertising costs in 1977 compared to 1976 to help generate the increased revenues. Increases in other costs, such as depreciation, payroll taxes and rent, were also experienced as a result of the Company's expansion.

GENESCO, INC. (JUL)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS

Net Sales

Sales for 1978 reflect only a three percent increase over 1977 primarily because of the divestment program approved in August 1977 (see Note 2 on page 14). Sales of ongoing operations increased eight percent due principally to increases in unit sales of men's branded footwear, tailored clothing and slacks. These increases reflect consumer acceptance of the Company's branded products. Specialty and variety retailing sales increased only three percent due to the closing of unprofitable stores. The table on page 8 sets forth comparative sales information in more detail.

The reduction in sales for fiscal 1977 compared to fiscal 1976 was due to a decline in consumer spending and the divestment of two women's footwear retailing operations in the last quarter of fiscal 1976.

Gross Margin

The improvement in gross margin in fiscal 1978 reflects the effect of increased wholesale and retail sales as well as increased wholesale margins due primarily to increased emphasis on branded goods in the men's apparel segment. Foreign currency translation losses reduced gross margin by $4,328,000 in 1978 compared to $2,295,000 in 1977.

The reduction in fiscal 1977 compared to fiscal 1976 is attributed to markdowns of finished goods inventory in excess of normal levels due to reduced sales volume and underabsorption of overhead due to reduced levels of production. It was further reduced by a roll-back of earnings by the Canadian Anti-inflation Board and by a government ordered recall of children's sleepwear treated with Tris (a flame retardant chemical).

Selling, General and Administrative Expenses

Operating expenses decreased slightly in 1978 compared to 1977 due primarily to the inclusion in 1977 of expenses amounting to $16,806,000 relating to operations being divested (see "Net Sales" above). Foreign currency translation reduced operating expenses $2,293,000 in fiscal 1978 compared to $403,000 in 1977.

The decrease in expenses in fiscal 1977 compared to 1976 was due principally to the reduction in wholesale sales and the divestment of two women's retailing operations in the last quarter of fiscal 1976.

Interest Expense

Interest expense increased 14% in fiscal 1978 over fiscal 1977 due to an increase of 24% in average short-term interest rates. Average short-term debt decreased three percent in fiscal 1978; however, long-term debt of GFC increased $30 million in December 1976. Funds from borrowings by GFC are used to purchase customer obligations from Genesco.

The increase in interest expense for fiscal 1977 compared to fiscal 1976 is principally due to higher interest rates on borrowings of long-term debt by Genesco and Genesco Financial Corporation which replaced existing indebtedness.

Income Taxes

The decrease in the tax provision for fiscal 1978 compared to fiscal 1977 is primarily due to a write-off at the end of fiscal 1977 of net operating loss carryforward benefits of U.S. operations. (See Note 13 "Income Taxes.") Income taxes were adjusted in the 4th quarter of 1978 by $857,000 as a result of a reduction in the Canadian tax provision made during the first three quarters.

Nonconsolidated Companies

The reduction in losses of nonconsolidated companies in fiscal 1977 compared to fiscal 1976 is due to the retirement in 1976 of debt of a nonconsolidated subsidiary and to liquidation of an unprofitable nonconsolidated subsidiary in fiscal 1976.

MUNSINGWEAR, INC. (DEC)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE SUMMARY OF EARNINGS

Business

The Company's business is made up of men's, boys' and women's wearing apparel. On August 22, 1978, the Company completed the purchase of the assets of the South Robeson Knitting Operation of the Val D'Or Industries Division of Consolidated Foods Corporation. South Robeson Mills, Inc., located at Fairmont, North Carolina, is being operated as a subsidiary of Munsingwear and is manufacturing a quality line of men's, boys' and women's knit sport shirts for sale to national chains and better discount stores.

Year Ended December 31	Net Sales	Earnings (loss) from continuing Operations before Income Taxes
1978	$121,262,000	$5,256,000
1977	115,702,000	7,522,000
1976	104,984,000	3,408,000
1975	98,391,000	4,582,000
1974	97,675,000	(265,000)

A breakdown of sales by classes of products is as follows:

Classes of Products	Percent of Net Sales 1978	1977	1976	1975	1974
Munsingwear, Inc.					
Men's and Boys'	54.0%	58.7%	59.5%	58.7%	60.9%
Women's	43.3	41.3	40.5	41.3	39.1
South Robeson Mills, Inc.	2.7	—	—	—	—
	100.0%	100.0%	100.0%	100.0%	100.0%

Net Sales

Sales increased 4.8% in 1978 over 1977 and 10.2% in 1977 over 1976. These increases in sales are attributable to increased volume of many of the Company's products and to the introduction of new products. Part of the increase in volume over these years also reflects the inflationary pressure in existence throughout this period. Part of the sales increase in 1978 came from the operations of South Robeson Mills, Inc. from August 22 through December 31, 1978. Please refer to the President's letter and to the divisional commentaries for additional information on sales of the various product lines.

Cost of Sales

In 1978 cost of sales increased 2.2% as a percent of sales over 1977. The main cause of this increase is continuing inflationary pressures. We continue to experience increases in raw material, labor, insurance, transportation, payroll taxes, and energy costs. Price adjustments did tend to offset some of these cost increases in 1978. Controlling production to keep inventories in line also affected this increase. The operation of South Robeson Mills, Inc. from August 22 to December 31, 1978, added to this increase. Cost of sales in 1977 decreased by 1.0% as a percent of sales over 1976. This was due to selective price increases which were made on all product lines during 1977 an also reflected increased sales in higher profit margin lines. This reduction in cost of sales was accomplished even though there were increases in production costs.

Interest Expense

Interest expense was $222,000 higher than in 1977 as a result of more borrowings and higher interest rates in 1978. In June of 1978 the Company negotiated a $4,500,000 term loan agreement with one of our major line banks. Proceeds were used to purchase the assets of South Robeson Mills, Inc. In 1977 interest expense was $461,000 higher than in 1976 because of greater borrowings and higher interest rates.

Income Taxes

The effective tax rate in 1978 was 44.6%. This compares with an effective tax rate of 46.7%. The reduction is due to the investment tax credit being greater in relation to the 1978 tax provision. (See Footnote 4 to financial statements for more detail.)

Net Earnings

Net earnings decreased in 1978 as compared with 1977. Several factors affected 1978 earnings, one of which was the smaller sales increase. Another major factor was the continuing inflationary pressure on expenses. Refer to the Cost of Sales section for the comments on increased cost of sales as a percent of net sales. Refer to Interest Expense section for comments on increased interest expense. Operating expenses increased with the largest increases in sales and administrative expenses. Much of this increase is due to inflationary factors affecting such things as payroll, payroll taxes, pension contributions, and energy related expenses. Sales expense was also affected by the increased sales volume. The operations of South Robeson Mills, Inc. from August 22 to December 31 also had the effect of increasing operating expenses.

An improvement in earnings was achieved in 1977 over 1976. One of the major reasons for the improvement in earnings was the significant increase in sales. Refer to the Cost of Sales section for comments on the decrease in cost of sales as a percent of net sales. This was accomplished even though we experienced increases in interest and operating expense. The largest increases in operating expenses were in advertising and sales. The increase in advertising expense reflected the greater cost of advertising as well as more emphasis on consumer and trade advertising. The sales expense increase was a direct result of the increased sales volume.

RALSTON PURINA COMPANY (SEP)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

The following comments should be read in conjunction with the business segment information on the preceding page and the summary of operating results included on pages 32 and 33.

Net sales increased in each of the five years ended September 30, 1978, with the largest increase being $639.6 million or 26.3% in 1974. The increase during that year was principally attributable to higher selling prices related to high raw material costs, particularly agricultural commodities. Percentage increases in sales for the other four years ranged from a low of 2.5% in 1975 to a high of 10.7% in 1977.

Net sales increased $302.1 million or 8.0% in fiscal 1978 and $362.5 million or 10.7% in fiscal 1977. Each of the Company's business segments contributed increased sales during these two years except Agricultural Products which had a sales decline of less than 1% in 1978.

Consumer Products sales were up $257.7 million or 19.6% in 1978, and $156.8 million or 13.6% in 1977, with about one-third of the 1978 increase applying to floriculture operations and other acquisitions. Sales of tuna and pet foods in 1978 and of pet foods in 1977 increased on higher volumes and unit sales prices in each year. Agricultural Products sales decreased $5.5 million or .3% in fiscal 1978 and increased $143.5 million or 7.7% in fiscal 1977. The sales decrease in 1978 reflects reduced sales prices of animal and poultry feeds related to lower raw material costs, and the divestment of domestic poultry product operations in October 1977; the increase in 1977 was attributable primarily to higher sales prices related to increased raw material costs. Restaurant sales improved $49.9 million or 11.5% in 1978 and $62.2 million or 16.6% in 1977, due to additional restaurants operated and higher sales per restaurant.

Cost of products sold increased in each of the past five years, with the largest increase being $561.6 million or 27.8% in fiscal 1974. As a percentage of sales, these costs were 84.0% in 1974, 82.4% in 1975, 80.5% in 1976, 80.9% in 1977 and 80.7% in 1978. High raw material costs, coupled with price control regulations under the Economic Stabilization Program, contributed to the higher percentage in fiscal 1974. The percentages of product costs to sales during the past three years were in line with those experienced for several years prior to the price control period.

Expenses—Administrative, research, distribution and general expenses increased $47.9 million or 11.6% in fiscal 1978 and $27.7 million or 7.2% in fiscal 1977. These increases resulted principally from additional advertising and promotion expenditures, which were up $21.1 million in 1978 and $18.2 million in 1977, and higher salaries and employee benefit costs. Administrative, research, distribution and general expenses were 11.3% of sales in 1978 as compared with 11.0% in 1977. Interest expense, which was up $.4 million or 1.1% in 1978, increased $2.0 million or 5.6% in 1977 on higher interest rates and increased short-term borrowings in the foreign area. Income taxes reflect the statutory federal and state income tax rates in each year, less applicable tax credits, primarily investment tax credits.

Earnings after taxes increased in each of the past five years. The earnings increases were $11.9 million or 8.3% in fiscal 1978 and $17.2 million or 13.7% in 1977. Other increases during the five-year period were $13.1 million or 16.9% in 1974, $8.7 million or 9.6% in 1975 and $26.4 million or 26.6% in 1976.

Consumer Products' operating profit decreased $4.8 million or 2.6% in fiscal 1978 as improved earnings in ready-to-eat cereal and pet foods were more than offset by adverse results in floriculture and tuna operations. The floriculture business acquired in September 1977 was affected by problems related to the acquisition, and tuna operations suffered from intense price competition within the industry and high costs. The operating profit of Consumer Products increased $36.4 million or 24.3% in fiscal 1977 as pet food results improved substantially. Pet food margins, which were reduced in 1974 due to high ingredient costs and price control regulations, have improved significantly since that year. The operating profit of Agricultural Products increased $17.6 million or 18.4% in fiscal 1978, reflecting improved results on higher volumes of animal and poultry feeds, particularly outside the United States. In fiscal 1977, Agricultural Products' operating profit decreased $9.5 million or 9.0%, principally due to losses in domestic poultry products operations and to lower earnings in foreign animal and poultry feed operations which were adversely affected by price controls and currency devaluations. The Company sold its remaining poultry processing operations and related facilities in the United States in October 1977. Restaurant's operating profit decreased $2.6 million or 5.8% in fiscal 1978. Specialty dinner houses achieved high volumes and margins, while the extraordinarily severe winter and higher meat and labor costs adversely affected the earnings of the fast-food restaurants. In fiscal 1977, Restaurant's operating profit increased $3.5 million or 8.4% on higher sales volumes, offset in part by lower margins due principally to higher labor costs.

Other factors important to the comparability of earnings during the past five years included unusually high soybean processing margins which benefited earnings in fiscal 1974 and depressed conditions in the poultry industry which adversely affected earnings in the same year.

Description of Company's Business

G. C. MURPHY COMPANY

FINANCIAL REVIEW

Description of Business

G. C. Murphy Company is a general merchandise retailer operating 480 stores in 24 states and the District of Columbia, principally in the Mid-East, North Central and Gulf Coast regions of the United States. The Company employs approximately 18,000 employees on a full- or part-time basis. This number varies according to seasonal requirements.

Conventional Stores—These stores are operated under the Murphy name. The Company's 374 Murphy stores range in size from approximately 5,000 to 40,000 square feet of selling area and are located principally in Pennsylvania, Indiana and contiguous states as well as in the Mid-Atlantic and Gulf Coast regions of the country. About 44% of the Company's conventional stores are in shopping centers; the remainder are situated in downtown urban or smaller community locations. Many of these stores are located in communities where the Company has operated for a considerable period of time.

Murphy's Marts—The Company has 90 Murphy's Marts in operation at January 25, 1979. Marts range in size from approximately 32,000 to 72,000 square feet of selling area, exclusive of leased departments. In general, the present and planned Marts are single-floor stores located in high-traffic suburban sites in free-standing form or in shopping centers, all of which provide large adjacent parking lots. Murphy's Marts offer a much more extensive selection of apparel, home entertainment and home improvement merchandise than the conventional stores. Typically, space is leased to operators of special departments such as shoes and automobile accessories. Murphy's Marts are generally accompanied by a supermarket operation which maintains separate check-out facilities. The size and merchandise composition of each Mart is determined by an analysis of the needs of the community to be served.

Other Stores—The Company also operates 14 junior department stores under the Terry Farris and Bruners names and 2 specialty apparel stores under the Cobbs name.

Food Service—Restaurants, cafeterias or snack bars are operated in 223 of the Company's larger stores.

Store Trends—During the last 5 years, 80 of the 88 new stores opened by the Company have been Marts. During this period, Mart sales have increased from 19% of total sales to 49% of total sales, reflecting the emphasis on larger stores. The Company expects to continue to open substantially more Marts than conventional stores in future years.

Merchandise—Merchandise is purchased from over 13,000 domestic and foreign suppliers, most of whom have served the Company for many years. The Company carries many nationally known brands, but private brands account for approximately 15% of merchandise sales.

Distribution Facilities—The Company operates approximately 1.4 million square feet of distribution center facilities located in Indianapolis, Indiana; Monroe, Louisiana; Jersey City, New Jersey; McKeesport, Pennsylvania and Fredericksburg, Virginia. These facilities utilize extensive mechanical and automated handling equipment in order to achieve a steady flow of merchandise to all stores.

MONSANTO COMPANY (DEC)

FINANCIAL REVIEW

Description of Business

The Monsanto Company was founded in St. Louis, Missouri in 1901. Today it is the fourth largest U.S. chemical company with annual sales of $5.0 billion. Of this amount, approximately two-thirds of sales are made in the United States with the remainder in other areas of the world.

The Company manufactures and sells a diversified line of products including chemical, plastic, agricultural, man-made fiber and electronic products that are derived from petroleum, natural gas, phosphate ore and other raw materials. The Company has 64 plants in the United States and, either directly or through affiliated companies, has investments in twenty other countries around the world.

Monsanto's worldwide businesses are managed by five operating companies, an International Division, fourteen corporate staff departments and the majority-owned Fisher Controls Corporation of Delaware. The five operating companies have a high degree of line and staff authority and operate their businesses on a worldwide basis. The five operating companies are organized on the basis of market-focus and, as such, they serve the following markets:

Agricultural Chemicals	Plastics & Resins
Chemical Intermediates	Textile Fibers
Industrial Chemicals	

Fisher Controls is a self-contained enterprise serving the worldwide process controls market.

The demand for Monsanto's products comes from many sectors of the economies in which the Company operates. In general, Monsanto sells little of its product to end-users but, rather, supplies materials to other industries which, in turn, manufacture the end product. For 1978, Monsanto's sales—based on the industries served—were broken down as follows:

	1978 Sales
Agriculture, Food Processing	17%
Motor Vehicles	16
Construction & Equipment	13
Clothing	11
Carpets, Textile Home Furnishings	8
Pharmaceuticals, Soaps & Toiletries	7
Appliances, Furniture & Fixtures	6
Chemical Industry	4
Packaging	4
Other	14
	100%

Market Price and Dividend Data

AMERICAN SEATING COMPANY (DEC)

Market and Dividend Information

The Company's Common Stock was listed on the New York Stock Exchange until July 19, 1977 when it was transferred to the American Stock Exchange with the same trading symbol of AMZ. Following is a summary of the range of market prices and dividends paid on the Company's Common Stock during 1977 and 1978:

	Quarter	Dividends Paid	High	Low
1977	1	.10	12⅜	9⅞
	2	.10	14⅞	11⅝
	3	.10	13⅛	11¼
	4	.10	14⅝	12¾
1978	1	.10	15½	13½
	2	.10	18¾	15
	3	.10	16⅞	14½
	4	.10	15⅛	12¾

The Company's Preferred Stock is closely held and is not publicly traded. Cash dividends of $1.125 per share of Class A Preferred Stock, and $1.00 per share of Class B Preferred Stock were paid in each of the quarters of 1977 and 1978.

THE BRISTOL BRASS CORPORATION (DEC)

Market and Dividend Information

On April 7, 1978, the Company took a major step forward through the listing of its common stock on the American Stock Exchange. Prior to this date, the shares were traded in the Over-the-Counter Market. The high and low sales price and dividends per share of the stock during the past two years were as follows:

	Sales Price of Common Shares				Dividends Declared	
	1978		1977			
Quarter	High	Low	High	Low	1978	1977
First	11⅝	9⅛	7½	6½	$.125	$.10
Second	15⅝	10⅜	7⅜	6⅞	.125	.10
Third	17¼	13¼	9⅜	6⅞	.15	.10
Fourth	14⅜	11½	10⅝	8⅜	.15	.125

THE CONTINENTAL GROUP, INC. (DEC)

Common and Preference Stock Information

The principal market for the Company's Common Stock and $2.00 Cumulative Convertible Preference Stock, Series A, is The New York Stock Exchange. In addition, the Common Stock is listed on leading exchanges in Canada, England, Germany and Switzerland. Quarterly data on the Common Stock is listed in the following table:

	Common Stock Price		Dividends Per Common Share	Net Earnings Per Common Share
Quarter	High	Low		
1978				
1st	$34⅜	$28⅞	$ .55	$ .64
2nd	31⅞	29	.55	1.62
3rd	33⅛	28⅜	.55	1.07
4th	31½	26	.55	.14
Total			$2.20	$3.47
1977				
1st	$37¼	$33½	$ .50	$ .94
2nd	37⅜	35½	.50	1.30
3rd	36¾	31¼	.50	1.51
4th	34⅞	30¼	.55	.70
Total			$2.05	$4.45

The Series A Preference Stock, which was issued in connection with the acquisition of Continental Financial Services, traded between $25⅛ and $27 in the second half of 1977, and between $23¼ and $25½ during 1978. An initial quarterly dividend on the Series A Preference Stock of $.42 per share was paid on September 15, 1977, and regularly quarterly dividends of $.50 per share have been paid in subsequent quarters.

On July 19, 1978, Continental's Board of Directors approved a $20 million three-year Common Stock Purchase Program. The shares will be used to meet requirements for the issuance of common stock under the Company's employee benefit plans. During 1978, 224,000 common shares were purchased in the open market at a total cost of $6.6 million under this program.

H. J. HEINZ COMPANY (APR)

FINANCIAL REVIEW

Stock Market Information

H. J. Heinz Company common stock is listed and traded principally on the New York Stock Exchange under the symbol HNZ. Approximately 5,000,000 shares of the company's common stock were traded during each of the past two years. The following table shows the dividends paid per common share and the price range of the common stock for each quarter of the past two years. The closing price of the common stock on the New York Stock Exchange on May 3, 1978 was $39.

Common Stock	Dividends Per Share	Stock Price Range High	Low
1978 by Quarter			
First	$ .30	$36¾	$28¾
Second	.36	37¼	33⅜
Third	.36	36¼	33¼
Fourth	.40	40	33¾
Total	$1.42		
1977 by Quarter			
First	$ .22⅔	$33¾	$29⅞
Second	.27	33⅛	26½
Third	.27	34⅛	27
Fourth	.30	33¾	28
Total	$1.06⅔		

H. J. Heinz Company 3.65% cumulative preferred stock does not have voting rights. Dividends of $.9125 have been paid in each quarter during the past two years.

H. J. Heinz Company $3.50 second cumulative preferred stock has voting rights on an equal basis with the common stock. Dividends of $.875 have been paid in each quarter during the past two years.

H. J. Heinz Company $1.70 third cumulative preferred stock is listed and traded principally on the New York Stock Exchange under the symbol HNZ PR. Approximately 450,000 shares of this stock were traded during 1978, compared with 700,000 shares traded during 1977. Dividends of $.425 have been paid in each quarter during the past two years. Each share entitles the holder to one-half vote. The following table shows the price range of the stock for each quarter for the past two years. The closing price of the stock on the New York Stock Exchange on May 3, 1978 was $33½.

$1.70 Third Cumulative Preferred Stock	Stock Price Range High	Low
1978 by Quarter		
First	$31¾	$28½
Second	33¾	30⅞
Third	33¼	29½
Fourth	33½	28¾
1977 by Quarter		
First	$29⅞	$27¾
Second	29⅜	25½
Third	29½	25⅝
Fourth	31⅝	28¾

The company's capital stock is described in more detail in note 4 of the Notes to Consolidated Financial Statements.

OUTBOARD MARINE CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 20 (in part): Quarterly Information (Unaudited)—The price range at which the Company's common stock traded on the New York Stock Exchange and the dividends paid per share during the past eight fiscal quarters are as follows:

Quarter Ended	Market Price High	Low	Dividends Paid
September 30, 1978	$23½	$19	$.35
June 30, 1978	23	19	.35
March 31, 1978	20⅝	18¾	.35
December 31, 1977	21⅞	19	.35
September 30, 1977	25	21	.35
June 30, 1977	25¾	22⅝	.35
March 31, 1977	27¾	23⅝	.35
December 31, 1976	28	21⅜	.35

TECUMSEH PRODUCTS COMPANY (DEC)

Information Concerning Equity Securities

The Company has only one class of equity securities issued and outstanding, viz. Common Stock, $1.00 par value. Shares of such stock are not listed on any National Securities Exchange but are traded only in the Over-the-Counter market.

Below are the high and low bid and asked prices for shares of the Company's stock and dividends paid thereon for each quarter during 1977 and 1978:

	Price Per Share				Dividends
	High		Low		Paid Per
Quarter Ended	Bid	Asked	Bid	Asked	Share
March 31, 1977	$59	$61	$49	$51	$ .60
June 30, 1977	63	65	53	55	.60
September 30, 1977	67	69	54	56	.60
December 31, 1977	57	59	51	53	2.10
March 31, 1978	60	62	51	53	.60
June 30, 1978	60	62	53½	55½	.60
September 30, 1978	63½	65½	55	57	.70
December 31, 1978	57½	59½	50	52	2.70

SEGMENT INFORMATION

Effective for fiscal years beginning after December 15, 1976, *Statement of Financial Accounting Standards No. 14* requires that financial statements presented in conformity with generally accepted accounting principles include specified information relating to a reporting entity's: operations in different industries, foreign operations and export sales, and major customers. Statement No. 14 describes the information to be presented and the formats for presenting such information. *Statement of Financial Accounting Standards No. 21,* issued in April 1978, amends Statement No. 14 by stating that the requirements of Statement No. 14 do not apply to nonpublic enterprises.

Table 1-3 shows the type of segment information most frequently presented as an integral part of the 1978 financial statements of the survey companies.

TABLE 1-3: SEGMENT INFORMATION

	Number of Companies 1978	1977
Industry segments		
Revenue	445	324
Operating income or loss	397	287
Identifiable assets	444	307
Depreciation expense	439	303
Capital expenditures	432	299
Geographic areas		
Revenue	205	169
Operating income or loss	168	118
Identifiable assets	205	161
Depreciation expense	24	19
Capital expenditures	26	19
Export sales	101	59
Sales to major customers	85	59

Industry Segments

BUCYRUS-ERIE COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

NOTE L—Industry segment information: The Company designs, manufactures and sells products in three industries; mining machinery, construction machinery and industrial products. Operating earnings represent total revenue less operating expenses. Interest expense, general corporate expenses, nonoperating revenue, income taxes and equity in net earnings of Ruston-Bucyrus, Limited have not been included in the computation of operating earnings.

Identifiable assets by industry are those assets that are used in the Company's operations in each industry segment. Corporate assets are principally cash and marketable securities.

The Company had export shipments from its United States operations amounting to $171.1 million in 1978 and $212.3 million in 1977. Export shipments by geographic area in 1978 and 1977 consisted of the following: Eastern Hemisphere $100.00 million and $102.5 million, respectively, and Western Hemisphere $71.1 million and $109.8 million, respectively.

Industry segment information is as follows:

	Mining Machinery 1978	1977	Construction Machinery 1978	1977	Industrial Products 1978	1977	Consolidated 1978	1977
	(Dollars in millions)							
Net shipments	$379.2	$424.1	$122.4	$101.7	$21.9(a)	$20.8(a)	$523.5	$546.6
Operating earnings	$79.1	$76.1	$ 4.4	$ 7.2	$ 2.0	$ 1.4	$ 85.5	$ 84.7
Interest expense							(8.6)	(8.6)
General corporate expenses							(5.3)	(5.6)
Nonoperating revenue							22.1	14.8
Earnings before income taxes and equity in net earnings of Ruston-Bucyrus, Limited							$ 93.7	$ 85.3
Identifiable assets at year end	$258.5	$250.9	$146.3	$127.4	$13.4	$12.3	$418.2	$390.6
Investment in Ruston-Bucyrus, Limited							29.6	25.2
Corporate assets							210.5	205.7
Total assets at year end							$658.3	$621.5
Capital expenditures	$ 11.3	$ 16.6	$ 4.0	$ 2.1	$ .5	$ 1.8	$ 16.8(b)	$23.5(b)
Depreciation	$ 10.4	$ 9.0	$ 1.8	$ 1.6	$ .5	$ .5	$ 13.7(c)	$11.8(c)

(a)Intersegment shipments of $0.8 million in 1978 and $1.2 million in 1977 have been eliminated in consolidation.
(b)Includes corporate capital expenditures of $1.0 million in 1978 and $3.0 million in 1977.
(c)Includes corporate depreciation of $1.0 million in 1978 and $0.7 million in 1977.

AMERICAN CYANAMID COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of dollars)

Note 12: Information about Operations by Businesses and Geographic Areas in accordance with the provisions of Statement of Financial Accounting Standards No. 14 for the years ended December 31, 1978 and 1977 are summarized below:

Businesses:	Agriculture	Medical	Specialty Chemicals	Consumer Products	Formica Brand Products	Corporate	Consolidated
1978							
Net sales	$611,613	$559,880	$821,628	$356,829	$395,795		$2,745,745
Operating earnings	82,523	85,405	79,656	30,276	32,498		310,358
General corporate expenses						$(32,062)	(32,062)
Interest (expense) income, net						(39,221)	(39,221)
Earnings of consolidated companies before taxes on income							239,075
Equity in net earnings of associated companies	421	5,857	661		(71)		6,868
Identifiable assets	535,577	344,299	758,085	135,183	304,537		2,007,681
Equity in net assets of and advances to associated companies	2,159	14,406	39,653		1,792		58,010
Corporate assets						390,458	390,458
Total assets at December 31, 1978							2,526,149
Depreciation and depletion	20,271	16,338	61,378	3,772	13,526	4,865	120,150
Capital additions	41,598	32,204	134,636	6,165	23,037	13,394	251,034
1977							
Net sales	$555,068	$484,044	$735,322	$320,732	$317,145		$2,412,311
Operating earnings	79,067	70,242	65,890	33,513	27,595		276,307
General corporate expenses						$(26,777)	(26,777)
Interest (expense) income, net						(33,159)	(33,159)
Earnings of consolidated companies before taxes on income							216,317
Equity in net earnings of associated companies	437	3,254	4,524		(1,086)		7,129
Identifiable assets	422,294	324,373	627,612	124,560	266,913		1,765,752
Equity in net assets of and advances to associated companies	1,994	12,036	40,216				54,246
Corporate assets						402,253	402,253
Total assets at December 31, 1977							2,222,251
Depreciation and depletion	12,961	14,847	57,593	3,452	11,367	4,150	104,370
Capital additions	39,892	29,026	121,933	6,442	26,530	11,628	235,451

The company is engaged primarily in the manufacture and sale of a highly diversified line of agricultural, medical, specialty chemicals, consumer and Formica brand products.

Total sales between businesses were approximately $87,400 in both 1978 and 1977. These intersegment sales, which are made at cost, were not significant for any of the businesses except medical ($23,900 for 1978 and $27,800 for 1977) and specialty chemicals ($62,100 for 1978 and $58,900 for 1977).

Operating earnings consist of total net sales less operating expenses. In computing operating earnings, none of the following items has been added or deducted: general corporate expenses, interest expense, interest income, equity in net earnings of associated companies, and income taxes.

Identifiable assets are those assets that are used in the company's operations in each business or geographic area. Corporate assets are primarily cash, marketable securities and construction in progress.

Intergeographic sales are made at prices which provide reasonable and appropriate returns based upon the respective properties employed and the businesses conducted, and applicable eliminations have been applied to the intergeographic transactions.

Geographic areas:	United States	Other Western Hemisphere	Eastern Hemisphere	Adjustments and Eliminations	Consolidated
1978					
Net sales to unaffiliated customers	$1,791,052	$353,949	$600,744		$2,745,745
Intergeographic sales	111,244	32,041	9,428	$(152,713)	
Total net sales	1,902,296	385,990	610,172	(152,713)	2,745,745
Operating earnings	151,412	43,404	115,542		310,358
General corporate expenses					(32,062)
Interest (expense) income, net					(39,221)
Earnings of consolidated companies before taxes on income					239,075
Equity in net earnings of associated companies	4,035	358	2,475		6,868
Identifiable assets	1,429,005	262,500	386,176		2,077,681
Equity in net assets of and advances to associated companies	22,397	1,916	33,697		58,010
Corporate assets					390,458
Total assets at December 31, 1978					2,526,149
1977					
Net sales to unaffiliated customers	$1,612,832	$333,942	$465,537		$2,412,311
Intergeographic sales	93,464	27,345	7,501	$(128,310)	
Total net sales	1,706,296	361,287	473,038	(128,310)	2,412,311
Operating earnings	155,917	44,892	75,498		276,307
General corporate expenses					(26,777)
Interest (expense) income, net					(33,159)
Earnings of consolidated companies before taxes on income					216,371
Equity in net earnings of associated companies	4,078	437	2,614		7,129
Identifiable assets	1,247,454	188,728	329,570		1,765,752
Equity in net assets of and advances to associated companies	19,321	1,994	32,931		54,246
Corporate assets					402,253
Total assets at December 31, 1977					2,222,251

CORNING GLASS WORKS (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Information By Industry Segment—As described on page 4, products have been grouped into industry segments in compliance with Statement on Financial Accounting Standards No. 14. Information by industry segment for 1977 and 1978 is as follows (in thousands):

	Consumer Products	Consumer Durable Components	Capital Goods Components	Health And Science	General Corporate	Consolidated
1978						
Net sales	$331,128	$373,657	$301,560	$245,383		$1,251,728
Income from operations	$ 63,819	$ 91,457	$ 57,034	$ 31,791	$(123,527)*	$ 120,574
Total assets at year end	$167,488	$186,286	$155,202	$148,392	$ 567,073†	$1,224,441
Depreciation expense	$ 12,029	$ 17,188	$ 11,283	$ 8,249	$ 7,455	$ 56,204
Additions to plant & equipment	$ 24,991	$ 21,063	$ 26,202	$ 10,370	$ 20,606	$ 103,232
1977						
Net sales	$298,142	$336,052	$264,095	$221,341		$1,119,630
Income from operations	$ 57,006	$ 73,749	$ 45,447	$ 25,783	$ (87,347)*	$ 114,638
Total assets at year end	$149,275	$173,261	$127,898	$151,399	$ 479,419†	$1,081,252
Depreciation expense	$ 9,142	$ 16,700	$ 9,795	$ 7,865	$ 6,158	$ 49,660
Additions to plant & equipment	$ 9,719	$ 19,066	$ 12,388	$ 11,301	17,126	$ 69,600

*Since corporate research and development projects are designed to benefit a broad range of products and processes, crossing industry segment lines, most of these costs have not been identified with industry segments. Administrative expenses approximating $15 million which are included in general corporate expenses in 1978 were allocated to industry segments in 1977.

†Includes cash, short-term investments and investments in associated companies.

Note 2: International Activities—Information by geographic area for 1977 and 1978 is presented below in the manner required by Statement of Financial Accounting Standards No. 14. Operations are presented on a source basis, with exports shown in their area of origin and research and development expenses are presented in the area the activity was performed.

Dollars in thousands	United States	Europe	Other	Eliminations and Unallocated Amounts	Consolidated
Operations					
Sales to unaffiliated customers	$912,627	$264,912	$74,189		$1,251,728
Transfers between areas	24,496	4,293		$ (28,789)	
1978 Total sales	$937,123	$269,205	$74,189	$ (28,789)	$1,251,728
Sales to unaffiliated customers	$824,143	$234,004	$61,483		$1,119,630
Transfers between areas	19,772	4,892		$ (24,664)	
1977 Total sales	$843,915	$238,896	$61,483	$ (24,664)	$1,119,630
Income from Operations:					
1978	$101,235	1,991	$17,348		$ 120,574
1977	$ 97,057	$ 3,802	$13,779		$ 114,638
Net Assets at year end					
1978					
Assets					
Current assets	$426,311	$149,427	$52,407	$ (13,394)	$ 614,751
Noncurrent assets	310,789	75,756	24,429	198,716*	609,690
	$737,100	$225,183	$76,836	$185,322	$1,224,441
Liabilities					
Current liabilities	139,040	89,815	18,541	(9,408)	237,988
Noncurrent liabilities	170,102	69,559	5,075		244,736
1978 Net assets	$427,958	$ 65,809	$53,220	$194,730	$ 741,717
1977					
Assets					
Current assets	$370,318	$137,768	$41,087	$ (9,937)	$ 539,236
Noncurrent assets	284,557	62,798	25,533	169,128*	542,016
	$654,875	$200,566	$66,620	$159,191	$1,081,252
Liabilities					
Current liabilities	112,687	73,186	14,666	(3,690)	196,849
Noncurrent liabilities	160,969	57,817	3,925	(4,748)	217,963
1977 Net assets	$318,219	$ 69,563	$48,029	$167,629	$ 666,440

*Primarily investments in nonconsolidated affiliated companies.

Transfers between areas are accounted for at prices approximating prices to unaffiliated customers.

AVON PRODUCTS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Industry Segment Data—The Company's business is primarily comprised of two industry segments, the production and sale of cosmetics, fragrances and toiletries; and of jewelry. The Company's operations are carried on in four geographic areas, the United States, Europe, Latin America and several other foreign countries.

Operating profit is total revenues less cost of goods sold, and marketing, distribution and administrative expenses. Interest income, interest expense and other income (deductions)—net, which are included in earnings before taxes, are excluded from operating profit.

The identifiable assets of industry segments and geographic areas are those assets used in the Company's operation of each segment and area. General corporate assets are short-term investments.

Industry Segment Data

	Year Ended December 31 (in millions)				
	Net Sales	Operating Profit	Identifiable Assets	Depreciation Expense	Additions To Property
Industry Segments					
1978					
Cosmetics, fragrances and toiletries	$1,609.5	$353.9	$ 760.5	$17.6	$58.1
Jewelry	362.4	91.9	141.5	2.4	15.3
All other	42.8	(7.4)	14.9	.5	1.4
General corporate	.0	(4.2)	309.2	.0	.0
Consolidated	$2,014.7	$434.2	$1,226.1	$20.5	$74.8
1977					
Cosmetics, fragrances and toiletries	$1,356.4	$302.2	$ 585.8	$17.0	$28.8
Jewelry	260.2	74.4	79.2	1.9	5.0
All other	31.9	(12.2)	13.4	.7	.8
General corporate	.0	(3.2)	360.4	.0	.0
Consolidated	$1,648.5	$361.2	$1,038.8	$19.6	$34.6
Geographic Areas					
1978					
United States	$1,181.4	$286.1	$ 442.7	$11.2	$34.6
Europe	370.1	67.2	181.5	4.2	15.6
Latin America	298.6	64.2	185.9	3.0	12.2
All other foreign	194.8	25.9	106.8	2.1	12.4
Total International	863.5	157.3	474.2	9.3	40.2
General corporate	.0	(4.2)	309.2	.0	.0
Eliminations	(30.2)	(5.0)	.0	.0	.0
Consolidated	$2,014.7	$434.2	$1,226.1	$20.5	$74.8
1977					
United States	$ 973.8	$247.9	$ 323.0	$11.5	$20.5
Europe	306.4	46.5	137.7	4.2	4.0
Latin America	229.6	49.9	144.5	2.4	6.7
All other foreign	153.9	22.3	73.2	1.5	3.4
Total International	689.9	118.7	355.4	8.1	14.1
General corporate	.0	(3.2)	360.4	.0	.0
Eliminations	(15.2)	(2.2)	.0	.0	.0
Consolidated	$1,648.5	$361.2	$1,038.8	$19.6	$34.6

AMERICAN HOSPITAL SUPPLY CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note F: Market Segments and International Operations—Although American is in one line of business—health care, its business is divided into four domestic market segments and an international segment. American is organized into operating businesses, substantially equivalent to those market segments, whose principal products and services are summarized as follows.

The Hospital segment manufactures and distributes medical and surgical supplies equipment and provides educational and management services for hospitals and other health care institutions. The Science segment manufactures and distributes various laboratory supplies and equipment, and also distributes a wide variety of laboratory products of other manufacturers. The Medical Specialties/Dental segment manufactures and distributes medical and dental instruments, equipment and devices. The Pharmaceutical segment manufactures and distributes nutritional, irrigating and intravenous fluids and other pharmaceutical products. The International segment manufactures and distributes health care supplies and equipment to selected world markets.

Net sales and operating earnings of American's market segments for 1978 and 1977 are included in the table on page 35. Capital expenditures, depreciation and amortization expense and identifiable assets for each market segment are presented for 1978 and 1977 in the table below.

	1978			1977		
$ in millions	Capital expenditures	Depreciation and amortization expense	Identifiable assets	Capital expenditures	Depreciation and amortization expense	Identifiable assets
Market segments:						
Hospital	$28.4	$11.7	$ 365.1	$28.6	$ 9.3	$ 299.9
Science	10.6	4.2	269.4	8.1	3.5	227.6
Medical Specialties/Dental	6.6	4.1	137.7	4.8	3.8	119.8
Pharmaceutical	13.5	7.8	167.8	21.5	6.2	146.4
	59.1	27.8	940.0	63.0	22.8	793.7
International:						
Foreign-based	8.0	2.6	173.7	6.5	3.0	136.4
Corporate and other	6.7	1.3	77.2	6.2	.9	114.1
Consolidated totals	$73.8	$31.7	$1,190.9	$75.7	$26.7	$1,044.2

Investments in affiliated companies carried on the equity basis (principally foreign-based) are not vertically integrated operations and are excluded from the international segment (see Note A).

Net sales and identifiable assets for each separate geographic area outside the U.S. were less than 10 percent of respective consolidated amounts for 1978 and 1977. International operations, excluding Canada, did not exceed 10 percent of consolidated net sales or net earnings or 12 percent of consolidated net assets for the three prior years.

Page 35: Market Segment Net Sales and Earnings

Net Sales $ in millions	1978	1977	1976	1975	1974
Market Segments:					
Hospital	$ 720.1	$ 615.0	$ 553.1	$ 495.2	$ 424.0
Science	477.1	409.3	381.8	327.1	284.5
Medical Specialties/Dental	186.4	160.1	131.3	114.5	106.9
Pharmaceutical	162.7	146.3	129.8	91.1	74.8
	1,546.3	1,330.7	1,196.0	1,027.9	890.2
International:					
Foreign-based	248.6	195.7	180.4	159.3	138.4
Domestic export	73.3	67.3	72.3	67.0	52.0
Intersegment export eliminations	(41.1)	(31.0)	(26.2)	(19.9)	(19.2)
	280.8	232.0	226.5	206.4	171.2
Eliminations and Adjustments:					
Domestic export	(32.2)	(36.3)	(46.1)	(47.1)	(32.8)
Between market segments	(53.2)	(38.2)	(33.3)	(27.5)	(27.3)
Net sales	$1,741.7	$1,488.2	$1,343.1	$1,159.7	$1,001.3

Earnings $ in millions	1978	1977	1976	1975	1974
Market Segments:					
Hospital	$ 85.4	$ 73.4	$ 64.0	$ 50.2	$ 37.8
Science	43.0	41.5	39.7	33.8	27.7
Medical Specialties/Dental	18.5	14.8	15.9	16.5	15.9
Pharmaceutical	13.7	22.4	21.4	6.2	10.0
	160.6	152.1	141.0	106.7	91.4
International:					
Foreign-based	25.5	13.1	5.7	10.3	11.0
Domestic export	14.2	10.8	14.6	12.9	10.0
Intersegment export eliminations	(1.1)	(1.1)	(1.3)	(.1)	.2
	38.6	22.8	19.0	23.1	21.2
Eliminations and Adjustments:					
Domestic export	(13.1)	(9.7)	(13.3)	(12.8)	(10.2)
Between segments, unallocated interest, corporate overhead and other	(38.8)	(31.0)	(29.1)	(19.4)	(16.1)
Earnings before income taxes	$ 147.3	$ 134.2	$ 117.6	$ 97.6	$ 86.3

The above table presents net sales and operating earnings of American's market segments for the five years ended December 31, 1978. Domestic exports have been included in domestic market segments, and are also reported separately with the foreign-based operations to present the total extent of American's international operations. Domestic exports are the only significant transfers between geographic areas.

Market segment net sales include both sales to unaffiliated customers and intersegment sales (which are not significant to any segment). Market segment earnings represent operating earnings which have not been reduced by general corporate expenses and interest expense. These expenses have been included as an adjustment to reflect earnings before income taxes.

GULF RESOURCES & CHEMICAL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 9: Segment Reporting—Information by industry and geographic area as of December 31, 1978 and 1977, and for the years then ended is as follows (in thousands):

1978	Total Revenue	Operating Profit	Identifiable Assets	Depreciation, Depletion and Amortization	Capital Expenditures	Equity in Net Income (Loss) of Unconsolidated Investees	Investment in Net Assets of Unconsolidated Investees
Coal—	$120,500	$21,100	$ 90,884	$7,772	$ 9,688	$ —	$ —
—Intersegment items	—	(308)	—	—	—	—	—
Lead, Zinc, Silver	158,204	(910)	137,069	4,340	3,167	(43)	282
Lithium	42,035	9,798	33,620	1,642	2,319	58	174
Industrial Explosives—	36,667	3,840	27,398	1,660	1,721	148	284
—Intersegment items	2,777	308	—	—	—	—	—
Fertilizer and Salt	23,644	3,346	29,075	1,357	2,404	—	—
Oil and Gas	4,166	952	11,265	1,096	3,283	—	—
Specialty Clays	—	—	9,440	—	8,574	—	—
Adjustments and Eliminations:							
Equity in unconsolidated investees	144	144	31,406				
Interest expense	—	(17,063)	—				
Intersegment sales	(2,777)	—	—				
General corporate items	4,750	(1,975)	38,194				
Consolidated Totals	$390,110	$19,232	$408,351				
1977							
Coal	$ 98,162	$14,741	$ 85,929	$7,699	$11,060	$ —	$ —
Lead, Zinc, Silver	130,214	(6,663)	122,541	3,816	9,873	(14)	325
Lithium	41,269	9,918	29,480	1,523	1,589	35	116
Industrial Explosives	35,359	1,287	26,125	1,403	2,627	301	398
Fertilizer and Salt	19,325	2,798	25,251	1,258	807	—	—
Oil and Gas	4,807	1,805	9,041	1,112	984	—	—
Adjustments and Eliminations:							
Equity in unconsolidated investees	(43)	(43)	32,368				
Interest expense	—	(13,884)	—				
General corporate items	1,825	(2,593)	65,091				
Consolidated Totals	$330,918	$ 7,366	$395,826				

Total revenue by industry includes the total revenues as reported by each segment less all equity in income from unconsolidated investees.

Operating profit is basically income before taxes on income except that equity in income from unconsolidated investees, interest expense and general corporate income and expenses have not been added or deducted.

Identifiable assets by industry are those assets that are used in Gulf's operations in each industry. Corporate assets are principally cash, temporary cash investments and income tax refund receivable.

Intersegment sales reflect sale of industrial explosives to the coal operations on an arms-length basis. Such intersegment sales were immaterial in 1977.

Of total revenues in 1978, $308,093,000 were generated domestically. Export sales were generated as follows: $43,632,000 from Canada; $9,490,000 from Europe; $3,945,000 from Asia; $7,523,000 from the Far East and $6,232,000 from other foreign sources. Of total revenues in 1977, $254,148,000 were generated domestically. Export sales were generated as follows: $34,565,000 from Canada; $12,271,000 from Europe; $4,153,000 from Asia; $5,074,000 from the Far East and $6,282,000 from other foreign sources. Included in revenues from the coal operations for 1978 are sales to a Canadian utility customer of $41,500,000.

WALT DISNEY PRODUCTIONS (SEP)

Consolidated Statement of Income

	1978	1977
Revenues		
Entertainment and recreation ...	$508,444,000	$445,165,000
Motion pictures	152,135,000	118,058,000
Consumer products and other...	80,564,000	66,602,000
Total revenues	741,143,000	629,825,000
Costs and Expenses of Operations		
Entertainment and recreation ...	402,492,000	353,103,000
Motion pictures	98,016,000	71,964,000
Consumer products and other...	43,095,000	35,258,000
Total costs and expenses of operations	543,603,000	460,325,000
Operating Income Before Corporate Expenses		
Entertainment and recreation ...	105,952,000	92,062,000
Motion pictures	54,119,000	46,094,000
Consumer products and other...	37,469,000	31,344,000
Total operating income before corporate expenses	$197,540,000	$169,500,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6: Information About the Company's Operations in Different Business Segments—The Company operates in three business segments: Entertainment and Recreation, Motion Pictures and Consumer Products and Other. These business segments are described in the Summary of Significant Accounting Policies on page 33 of this report.

The Consolidated Statement of Income presents the revenue and operating income by business segment. Additional financial information relative to business segments follows:

Total revenues of $741,143,000 ($629,825,000—1977) includes foreign revenues (considered as export sales) related to the following geographic areas:

	1978	1977
Europe	$ 66,824,000	$ 41,562,000
Western Hemisphere (excluding the United States)	18,545,000	14,538,000
Other	11,202,000	11,619,000
	$ 96,571,000	$ 67,719,000

Capital expenditures and depreciation expense of property, plant and equipment by business segment were:

	Capital Expenditures	Depreciation Expense
1978		
Entertainment and recreation ...	$ 43,705,000	$ 37,936,000
Motion pictures	1,428,000	705,000
Consumer products and other...	32,000	241,000
Corporate	202,000	132,000
	$ 45,367,000	$ 39,014,000
1977		
Entertainment and recreation ...	$ 42,741,000	$ 36,372,000
Motion pictures	1,297,000	655,000
Consumer products and other...	329,000	212,000
Corporate	150,000	121,000
	$ 44,517,000	$ 37,360,000

Amortization expense of film production costs (classified under Motion Pictures) was $40,088,000 and $24,730,000 for fiscal years 1978 and 1977 respectively.

Identifiable assets by business segment are:

	1978	1977
Entertainment and recreation ...	$ 676,038,000	$661,900,000
Motion pictures	95,979,000	104,334,000
Consumer products and other...	20,978,000	18,721,000
Corporate	290,146,000	179,520,000
	$1,083,141,000	$964,475,000

Corporate assets are principally cash and short term investments.

NL INDUSTRIES, INC. (DEC)

BUSINESS SEGMENTS:

As described in the Operations Review, the Company operates principally in three industries—Petroleum Services, Chemicals and Metals. As required by the Financial Accounting Standards Board, financial data for the Company's operations in these three industries and the major geographical areas in which it operates are shown on pages 24 and 25 for the years ended December 31, 1978 and December 31, 1977.

Sales between industry groups and geographic areas as well as sales to affiliated units are accounted for at values which approximate similar sales to unaffiliated customers. Operating profit (revenue less operating expenses) does not include deductions for general corporate expenses (net), interest expense or income taxes. Assets shown by industry grouping and geographical area are those assets that are used in the Company's operations in each such industry and area. Corporate assets, which are not allocated, represent principally cash (including, in 1978, $74,436,000 for payment of the Well Services acquisition) and property. Certain financial data for companies consolidated on an equity basis is included for each applicable industry group and geographical area.

INFORMATION CONCERNING THE COMPANY'S OPERATIONS BY INDUSTRY GROUPS

(In thousands)

December 31, 1978

	Sales		Operating			Capital
	Customer	Affiliated	Profit	Assets	Depreciation	Expenditures
Petroleum Services Operations:						
Services and Equipment	$ 685,734	$ 75,523	$140,146	$ 625,001	$19,628	$101,969
Equity in Partially-owned Companies	—	—	3,288	40,326	—	—
Eliminations	—	(74,518)	—	—	—	—
	685,734	1,005	143,434	665,327	19,628	101,969
Chemicals Operations:						
Specialty Chemicals	178,456	25,764	24,812	107,062	4,824	10,059
Titanium Pigments	351,971	80,554	4,944	311,288	13,184	11,768
Equity in Partially-owned Companies	—	—	160	3,110	—	—
Eliminations	—	(104,987)	—	—	—	—
	530,427	1,331	29,916	421,460	18,008	21,827
Metals Operations:						
Fabricated Products	380,135	24	41,476	164,317	7,244	15,955
Recycled Lead	255,024	16,083	2,529	78,878	1,668	5,616
Equity in Partially-owned Companies	—	—	5,315	64,350	—	—
Eliminations	—	(5,782)	—	—	—	—
	635,159	10,325	49,320	307,545	8,912	21,571
Magnesium	41,288	2,260	(10,538)	149,305	8,630	5,137
Adjustments and Eliminations	—	(14,921)	—	—	—	—
General Corporate	—	—	(22,619)	171,705	1,258	881
Interest Expense	—	—	(34,565)	—	—	—
Consolidated	$1,892,608	$ —	$154,948	$1,715,342	$56,436	$151,385

December 31, 1977

	Sales		Operating			Capital
	Customer	Affiliated	Profit	Assets	Depreciation	Expenditures
Petroleum Services Operations:						
Services and Equipment	$ 509,308	$ 48,114	$112,227	$ 336,324	$15,042	$ 49,305
Equity in Partially-owned Companies	—	—	2,239	26,616	—	—
Eliminations	—	(47,412)	—	—	—	—
	509,308	702	114,466	362,940	15,042	49,305
Chemicals Operations:						
Specialty Chemicals	169,328	26,937	26,498	131,087	4,518	10,783
Titanium Pigments	320,287	84,636	7,750	313,206	11,406	16,964
Equity in Partially-owned Companies	—	—	105	624	—	—
Eliminations	—	(109,232)	—	—	—	—
	489,615	2,341	34,353	444,917	15,924	27,747
Metals Operations:						
Fabricated Products	363,272	616	34,292	181,307	6,865	11,704
Recycled Lead	242,535	21,820	4,836	71,324	1,542	8,586
Equity in Partially-owned Companies	—	—	3,836	60,576	—	—
Eliminations	—	(8,442)	—	—	—	—
	605,807	13,994	42,964	313,207	8,407	20,290
Magnesium	17,111	4,234	(23,941)	147,959	8,554	19,911
Adjustments and Eliminations	—	(21,271)	—	—	—	—
General Corporate	—	—	(19,181)	83,408	949	2,181
Interest Expense	—	—	(28,287)	—	—	—
Consolidated	$1,621,841	$ —	$120,374	$1,352,431	$48,876	$119,434

INFORMATION CONCERNING THE COMPANY'S OPERATIONS BY GEOGRAPHICAL AREAS

(In thousands)

December 31, 1978

	Sales		Operating			Capital
	Customer	Affiliated	Profit	Assets	Depreciation	Expenditures
United States	$1,449,606	$85,671	$159,256	$1,069,204	$42,543	$115,408
Equity in Partially-owned Companies	—	—	4,543	57,509	—	—
Eliminations	—	(40,898)	—	—	—	—
	1,449,606	44,773	163,799	1,126,713	42,543	115,408
Europe	292,157	90,150	18,471	248,077	8,890	15,234
Equity in Partially-owned Companies	—	—	1,902	11,348	—	—
Eliminations	—	(60,075)	—	—	—	—
	292,157	30,075	20,373	259,425	8,890	15,234
Canada	71,896	6,542	8,872	30,943	1,279	3,137
Equity in Partially-owned Companies	—	—	1,041	8,151	—	—
	71,896	6,542	9,913	39,094	1,279	3,137
All Other	78,949	17,847	16,770	87,627	2,466	16,725
Equity in Partially-owned Companies	—	—	1,277	30,778	—	—
	78,949	17,847	18,047	118,405	2,466	16,725
Adjustments and Eliminations	—	(99,237)	—	—	—	—
General Corporate	—	—	(22,619)	171,705	1,258	881
Interest Expense	—	—	(34,565)	—	—	—
Consolidated	$1,892,608	$ —	$154,948	$1,715,342	$56,436	$151,385

December 31, 1977

	Sales		Operating			Capital
	Customer	Affiliated	Profit	Assets	Depreciation	Expenditures
United States	$1,232,757	$79,163	$107,725	$ 843,959	$36,513	$ 88,099
Equity in Partially-owned Companies	—	—	3,039	53,843	—	—
Eliminations	—	(49,689)	—	—	—	—
	1,232,757	29,474	110,764	897,802	36,513	88,099
Europe	260,024	90,192	31,003	237,625	7,671	18,032
Equity in Partially-owned Companies	—	—	1,465	8,680	—	—
Eliminations	—	(46,316)	—	—	—	—
	260,024	43,876	32,468	246,305	7,671	18,032
Canada	71,333	4,723	9,941	36,940	1,291	2,460
Equity in Partially-owned Companies	—	—	896	7,439	—	—
	71,333	4,723	10,837	44,379	1,291	2,460
All Other	57,727	11,401	12,993	62,696	2,452	8,662
Equity in Partially-owned Companies	—	—	780	17,841	—	—
	57,727	11,401	13,773	80,537	2,452	8,662
Adjustments and Eliminations	—	(89,474)	—	—	—	—
General Corporate	—	—	(19,181)	83,408	949	2,181
Interest Expense	—	—	(28,287)	—	—	—
Consolidated	$1,621,841	$ —	$120,374	$1,352,431	$48,876	$119,434

SUN CHEMICAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of dollars except per share data)

Note 12: Segment and geographic data—The Company and its subsidiaries operate internationally in four industry segments:

Graphic arts materials—Printing inks for every major printing process; and organic pigments used in printing inks, paints, plastics, textiles and cosmetics.

Geographic equipment—Including decorators for cylindrical metal and plastic containers; electronic color scanners; printing platemakers; and ink curing apparatus.

Instruments—For use in commercial and government aircraft; and electro-optical sighting and tracking devices.

Diversified products—Including specialty chemicals for the textile, paper and graphic arts industries; flexible laminates used in electrical shielding, insulation and reinforced vinyl fabrics; and cigarette lighters for automobiles, trucks and other vehicles.

Intersegment and interarea sales are generally made at prevailing market prices. Operating income includes all costs and expenses directly related to the segment or geographic area. Corporate items include general corporate expenses, net interest expense and equity in the net earnings of affiliated companies. Identifiable assets are those directly used by the segment or geographic area involved. Corporate assets consist primarily of cash, non-trade receivables and investments.

Affiliated companies accounted for by the equity method are located principally in Europe and operate primarily in the graphic arts materials and graphic equipment businesses. The Company's investment in these businesses was $12,044 at December 31, 1978, and $8,713 at December 31, 1977.

No single commercial customer had more than 4% of net sales in either year. Export sales were less than 10% of net sales in both years. The largest single contract with any one U.S. government agency accounted for 4% and 6% of net sales in 1978 and 1977. Prime and subcontracts with all government agencies accounted for 7% and 9% of net sales in 1978 and 1977.

A summary of the Company's operations by segment and geographic area follows:

Operations by industry segment:

Year ended December 31, 1978:	Graphic arts materials	Graphic equipment	Instruments	Diversified products	Corporate	Eliminations	Consolidated
Sales to unaffiliated customers	$261,471	$29,057	$50,935	$52,139	$ —	$ —	$393,602
Intersegment sales and transfers	—	—	—	1,930	—	(1,930)	—
Total sales	261,471	29,057	50,935	54,069	—	(1,930)	393,602
Operating income	25,907	4,949	6,791	7,623	(10,602)	—	34,668
Identifiable assets	158,481	20,889	30,779	20,191	62,267	—	292,607
Capital expenditures	20,827	2,077	3,739	2,828	765	—	30,236
Depreciation expense	4,851	274	448	645	304	—	6,522
Year ended December 31, 1977:							
Sales to unaffiliated customers	$218,093	$26,517	$45,074	$47,826	$ —	$ —	$337,510
Intersegment sales and transfers	—	293	—	2,389	—	(2,682)	—
Total sales	218,093	26,810	45,074	50,215	—	(2,682)	337,510
Operating income	22,368	5,027	5,548	6,769	(9,875)	—	29,837
Identifiable assets	131,695	19,591	17,570	16,173	28,632	—	213,661
Capital expenditures	10,073	298	304	927	183	—	11,785
Depreciation expense	4,086	362	323	713	209	—	5,693

Operations by geographic area:

Year ended December 31, 1978:	United States	Europe	Other foreign	Corporate	Eliminations	Consolidated
Sales to unaffiliated customers	$327,794	$46,831	$18,977	$ —	$ —	$393,602
Interarea sales and transfers	1,804	43	—	—	(1,847)	—
Total sales	329,598	46,874	18,977	—	(1,847)	393,602
Operating income	38,553	4,099	2,618	(10,602)	—	34,668
Identifiable assets	175,802	35,845	18,693	62,267	—	292,607
Year ended December 31, 1977:						
Sales to unaffiliated customers	$283,155	$36,897	$17,458	$ —	$ —	$337,510
Interarea sales and transfers	1,755	—	—	—	(1,755)	—
Total sales	284,910	36,897	17,458	—	(1,755)	337,510
Operating income	34,910	1,727	3,075	(9,875)	—	29,837
Identifiable assets	140,346	27,236	17,447	28,632	—	213,661

THE WILLIAMS COMPANIES (DEC)

Consolidated Statement of Income

	1978	1977
	($000)	
Revenues:		
Fertilizer		
Agrico Chemical Company ..	$ 717,563	$ 592,713
Energy		
Williams Pipe Line Company	116,505	100,660
Williams Exploration Company	169,185	96,619
Total energy.............	285,690	197,279
Metals		
Edgcomb Metals Company ..	513,083	269,571
Intercompany eliminations	(19,328)	(8,235)
Total revenues	1,497,008	1,051,328
Profit center costs and expenses:		
Costs and operating expenses..	1,174,290	790,501
Selling, general and administrative expenses	157,296	98,526
Other expenses—net............	742	7,088
Total profit center costs and expenses	1,332,328	896,115
Operating profit:		
Fertilizer		
Agrico Chemical Company ..	60,225	78,574
Energy		
Williams Pipe Line Company	56,975	49,842
Williams Exploration Company	18,045	12,017
Total energy.............	75,020	61,859
Metals		
Edgcomb Metals Company ..	29,435	14,780
Total operating profit....	164,680	155,213
Interest accrued......................	(80,969)	(66,512)
Interest capitalized	1,399	2,111
Investing income (Note 3)...........	7,453	9,756
Share of Peabody Holding Company, Inc.'s net loss (Notes 3 and 11)	(15,000)	(2,064)
General corporate expenses........	(10,639)	(7,550)
Other income (expenses)—net	(389)	2,029
Income from continuing operations before income taxes.............	66,535	92,983
Provision for income taxes (Note 4)	37,001	30,886
Income from continuing operations.	$ 29,534	$ 62,097

FINANCIAL INFORMATION BY PROFIT CENTER

(Millions)	1978	1977
Identifiable assets		
Agrico Chemical Company	$ 834.7	$ 794.9
Williams Pipe Line Company....	348.6	340.1
Williams Exploration Company..	306.4	270.3
Edgcomb Metals Company	236.4	122.0
Investments (including Peabody Holding Company, Inc.)	223.5	268.4
General corporate and other....	74.5	63.9
Discontinued and conveyed operations.......................	57.0	116.1
Consolidated	$2,081.1	$1,975.7
Additions to property, plant and equipment		
Agrico Chemical Company	$ 42.0	$ 52.1
Williams Pipe Line Company....	17.5	34.3
Williams Exploration Company..	52.0	61.3
Edgcomb Metals Company	13.7	6.2
General corporate and other....	3.3	43.4
Discontinued and conveyed operations.......................	3.4	7.5
Consolidated	$ 131.9	$ 204.8
Depreciation and depletion attributable to continuing operations		
Agrico Chemical Company	$ 42.9	$ 37.3
Williams Pipe Line Company....	10.9	10.1
Williams Exploration Company..	16.3	10.2
Edgcomb Metals Company	3.0	2.5
General corporate and other....	2.9	2.4
Consolidated	$ 76.0	$ 62.5

Foreign Operations

BAKER INTERNATIONAL CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6: Industry Segment Information—The Company operates principally in four industry segments, three of which provide equipment and services to the petroleum industry:

Drilling Products and Services—Production and sale of equipment and services used in the drilling of oil and gas wells.

Completion and Production Products and Services—Production and sale of equipment and services used (after the oil or gas well is drilled) to achieve safety, long-term productivity, and to provide structural integrity to protect against pressure and corrosion damage.

Remedial and Stimulation Products and Services—Production and sale of equipment and services used when chemical, mechanical or other stimulation of a well is required to achieve, restore, or increase commercial production of oil or gas.

Mining Products—Manufacture and sale of equipment for the mining and mineral processing industries.

In addition to the four industry segments described above, the Company manufactures and sells other equipment and services for the petroleum industry (included under "Other Petroleum" in the following tables) and also to industries not related to the petroleum or mining industries (included under "Other Industries" in the following tables).

Summarized financial information concerning these industry segments and the geographic areas in which the Company operates at September 30, 1978 and for the year then ended is shown in the following tables.

Operations by Industry Segment	Drilling	Completion & Production	Remedial & Stimulation	Other Petroleum	Total Petroleum	Mining Industry	Other Industries	Eliminations	Consolidated
				(In thousands of dollars)					
Revenues from unaffiliated customers:									
Sales	$287,977	$181,783	$ 33,354	$20,649	$523,763	$64,331	$71,378		$659,472
Services and rentals	127,867	45,836	71,587	4,752	250,042	530	8,978		259,550
Intersegment sales	12,867	274		47	13,188	591		$(13,779)	
Total revenues	$428,711	$227,893	$104,941	$25,448	$786,993	$65,452	$80,356	$(13,779)	$919,022
Operating income	$ 82,713	$ 35,313	$ 22,402	$ 2,605	$143,033	$ 5,122	$12,992	$ (139)	$161,008
Corporate and net interest expenses									(25,960)
Income before income taxes									135,048
Income taxes									(57,878)
Net income									$ 77,170
Identifiable assets	$416,812	$226,099	$ 90,664	$20,054	$753,629	$43,360	$79,506	$ (4,521)	$871,974
Corporate assets									17,219
Total									$889,193
Capital expenditures	$ 79,404	$ 23,429	$ 20,629	$ 1,380	$124,842	$ 1,987	$ 9,915	—	$136,744
Depreciation and amortization	$ 15,876	$ 8,522	$ 4,860	$ 489	$ 29,747	$ 1,344	$ 3,934	—	$ 35,025

Operations by Geographic Area	U.S.	Canada	Latin America	Western Europe	Middle East & N. Africa	Other	Eliminations	Total
				(In thousands of dollars)				
Revenues from unaffiliated customers:								
Sales	$508,023	$27,869	$30,414	$ 31,334	$25,930	$35,902		$659,472
Services and rentals	182,998	19,963	8,742	18,243	19,280	10,324		259,550
Transfers between geographic areas	21,473	45	516	3,606		124	$(25,764)	
Total revenues	$712,494	$47,877	$39,672	$ 53,183	$45,210	$46,350	$(25,764)	$919,022
Operating income	$130,498	$ 8,618	$ 8,184	$ 4,492	$ 5,747	$ 4,255	$ (786)	$161,008
Corporate and net interest expenses								(25,960)
Income before income taxes								135,048
Income taxes								(57,878)
Net income								$ 77,170
Identifiable assets	$653,625	$28,615	$37,843	$101,926	$39,425	$27,551	$(17,011)	$871,974
Corporate assets								17,219
Total								$889,193
Export sales of domestic companies		$ 6,585	$31,819	$ 15,548	$19,285	$22,598	—	$ 95,835

Intersegment sales and transfers between geographic areas are priced at the estimated fair value of the products or services negotiated between the selling and receiving units. Operating income is total revenues less operating expenses but before deduction of general corporate expenses, interest expense and income taxes. Identifiable assets are those assets that are used by the Company's operations in each industry segment or are identified with the Company's operations in each geographic area. Corporate assets consist principally of cash.

At September 30, 1978 and 1977, assets and liabilities of subsidiaries, divisions and branches located in foreign countries were as follows:

	1978	1977
Current assets	$154,725,000	$108,262,000
Property—net	68,436,000	50,665,000
Other long-term assets	12,199,000	7,601,000
Total assets	$235,360,000	$166,528,000
Less:		
Current liabilities	$ 69,227,000	$ 44,258,000
Long-term liabilities	9,113,000	13,869,000
Total liabilities	78,340,000	58,127,000
Net assets	$157,020,000	$108,401,000

Net exchange losses resulting from the translation of foreign currencies have been included in the determination of net income and were not material in 1978 and 1977.

CLARK EQUIPMENT COMPANY (DEC)

FINANCIAL REVIEW

Industry Segments

	1978	1977	1976	1975 (unaudited)	1974
Sales to unaffiliated customers:					
Axles and transmissions	$ 236.9	$ 224.8	$ 219.0	$ 245.3	$ 222.0
Material handling equipment	630.1	499.2	482.1	492.2	480.3
Construction machinery	636.3	583.2	532.3	601.3	506.2
Other industries	—	1.3	27.6	85.8	162.0
Transfers between industry segments:					
Axles and transmissions	151.3	128.1	98.2	105.5	93.7
Eliminations	(151.3)	(128.1)	(98.2)	(105.5)	(93.7)
Consolidated sales	$1,503.3	$1,308.5	$1,261.0	$1,424.6	$1,370.5
Operating profit:					
Axles and transmissions	$ 55.2	$ 47.3	$ 44.7	$ 42.8	$ 31.9
Material handling equipment	76.9	56.4	55.3	29.9	51.9
Construction machinery	48.2	47.7	40.8	53.5	39.5
Other industries and eliminations	(.3)	(1.3)	.3	6.6	7.8
	180.0	150.1	141.1	132.8	131.1
Equity in income of:					
Finance subsidiaries	28.8	23.7	19.7	22.2	22.8
Minority-owned associated companies	4.7	1.2	(5.4)	.7	2.7
General corporate expense	(39.0)	(31.8)	(34.5)	(30.9)	(37.1)
Interest expense	(23.0)	(27.3)	(34.1)	(48.2)	(39.8)
Income before income taxes	$ 151.5	$ 115.9	$ 86.8	$ 76.6	$ 79.7
Depreciation:					
Axles and transmissions	$ 18.5	$ 15.8	$ 14.3	$ 8.4	$ 6.5
Material handling equipment	9.7	9.8	8.5	6.8	5.0
Construction machinery	10.3	10.2	9.2	7.0	5.6
Other industries	—	—	1.8	1.3	1.6
	$ 38.5	$ 35.8	$ 33.8	$ 23.5	$ 18.7
Capital expenditures:					
Axles and transmissions	$ 20.8	$ 36.7	$ 14.8	$ 31.2	$ 23.4
Material handling equipment	13.8	18.9	13.0	11.4	30.0
Construction machinery	8.2	11.4	12.1	17.8	17.6
Other industries	—	—	2.8	.4	1.4
	$ 42.8	$ 67.0	$ 42.7	$ 60.8	$ 72.4
Identifiable assets:					
Axles and transmissions	$ 250.8	$ 217.8	$ 201.4	$ 188.9	$ 198.3
Material handling equipment	250.2	230.7	222.2	261.1	301.6
Construction machinery	245.5	259.5	272.9	283.0	289.6
Other industries and eliminations	(5.5)	(2.6)	2.0	17.4	59.7
	741.0	705.4	698.5	750.4	849.2
Investments and advances to:					
Finance subsidiaries	125.0	106.6	96.8	90.1	74.6
Minority-owned associated companies	26.1	30.4	29.3	28.9	21.0
Corporate assets	82.8	81.7	75.5	46.6	61.0
Total assets	$ 974.9	$ 924.1	$ 900.1	$ 916.0	$1,005.8

Geographic Areas

	1978	1977	1976	1975 (unaudited)	1974
Sales to unaffiliated customers:					
United States	$1,031.4	$ 891.8	$ 833.1	$ 951.5	$ 977.3
Canada	79.6	71.3	67.5	78.5	68.4
Europe	192.2	177.8	199.1	254.0	204.9
South America	154.1	126.2	121.1	107.6	89.9
Australia	36.2	34.1	34.7	32.9	30.0
Other	9.8	7.3	5.5	.1	—
Transfers between geographic areas:					
United States	96.3	104.7	96.2	120.5	81.1
Canada	27.5	40.7	27.5	16.2	16.6
Europe	4.4	2.6	.4	—	—
South America	4.3	—	—	—	—
Other	.2	1.5	—	—	—
Eliminations	(132.7)	(149.5)	(124.1)	(136.7)	(97.7)
Consolidated sales	$1,503.3	$1,308.5	$1,261.0	$1,424.6	$1,370.5
Operating profit:					
United States	$ 116.9	$ 113.1	$ 86.0	$ 94.6	$ 94.8
Canada	6.6	5.9	6.8	5.2	10.2
Europe	24.2	12.9	15.1	15.8	8.1
South America	29.2	18.3	29.6	16.6	13.1
Australia	1.8	1.0	2.7	2.2	2.2
Other	.9	(.4)	.5	(.9)	4.3
Eliminations	.4	(.7)	.4	(.7)	(1.6)
	180.0	150.1	141.1	132.8	131.1
Equity in income of:					
Finance subsidiaries	28.8	23.7	19.7	22.2	22.8
Minority-owned associated companies	4.7	1.2	(5.4)	.7	2.7
General corporate expense	(39.0)	(31.8)	(34.5)	(30.9)	(37.1)
Interest expense	(23.0)	(27.3)	(34.1)	(48.2)	(39.8)
Income before income taxes	$ 151.5	$ 115.9	$ 86.8	$ 76.6	$ 79.7
Identifiable assets:					
United States	$ 439.3	$ 411.5	$ 396.9	$ 457.2	$ 524.9
Canada	32.2	39.2	32.4	29.6	31.0
Europe	130.8	122.5	120.3	136.8	169.7
South America	123.8	117.3	127.6	105.0	101.0
Australia	28.8	32.8	30.1	34.3	29.4
Other	1.0	1.3	1.1	.4	.1
Eliminations	(14.9)	(19.2)	(9.9)	(12.9)	(6.9)
	741.0	705.4	698.5	750.4	849.2
Investments and advances to:					
Finance subsidiaries	125.0	106.6	96.8	90.1	74.6
Minority-owned associated companies	26.1	30.4	29.3	28.9	21.0
Corporate assets	82.8	81.7	75.5	46.6	61.0
Total assets	$ 974.9	$ 924.1	$ 900.1	$ 916.0	$1,005.8

Industry Segment Discussion

The axle and transmission operations involve the production and sale of axles and transmissions for industrial and truck equipment use. The axles, transmissions and related components are also transferred to other industry segments and used in the production of material handling equipment and construction machinery.

The material handling equipment segment involves the production and sale of electric and gas powered lift trucks and automated handling systems. Also included in the segment are sales and income from industrial truck branch operations which sell and rent the segment's products to outside customers.

The construction machinery segment includes the production and sale of tractor shovels, scrapers, and log loaders, hydraulic cranes, lattice boom cranes, and Melroe Bobcat series of skid-steer front-end loaders and farming products.

Total sales by industry segment include both sales to unaffiliated customers, as reported in the Company's consolidated income statement, and intersegment transfers of components produced for other Clark industry segments. The selling price of intersegment transfers is determined on the basis of a formula negotiated between the segments.

Included in other industries and eliminations are (charges)/credits to reconcile the industry operating profit information with consolidated amounts of $(0.1), $0.2, $0.5, $(0.4) and $0.6 million, which relate to the net change in intersegment operating profit in beginning and ending inventories during 1978, and each of the four previous years, respectively.

In computing operating profit, none of the following items has been added or deducted but they are shown separately to reconcile to consolidated pre-tax income: general corporate expense, interest expense, equity in income of finance subsidiaries and minority-owned associated companies.

Identifiable assets by industry are those assets that are used in the Company's operations in each industry and include $1.4, $1.3, $1.5, $2.0 and $1.6 million representing intersegment operating profit in inventory and $4.7, $3.7, $3.3, $3.9 and $5.4 million of intercompany receivables generated from intersegment transactions at December 31, 1978, and each of the four previous years, respectively. These amounts have been included in eliminations to reconcile industry information with consolidated amounts. Corporate assets are principally cash and fixed assets maintained for general corporate purposes.

There was no single customer from which at least 10% of total revenue was derived during the years 1974-1978.

Geographic Area Discussion

Total sales by geographic area include both sales to unaffiliated customers, as reported in the Company's consolidated income statements and transfers between geographic areas. The selling price of transfers between geographic areas is determined on the basis of a formula negotiated between the segments.

The elimination to reconcile the geographic area operating profit information with consolidated amounts of $.04, $(0.7), $0.4, $(0.7) and $(1.6) million in 1978, and each of the four previous years, respectively, represents the net change in intergeographic area operating profit in beginning and ending inventories. In computing operating profit, none of the following items has been added or deducted: general corporate expense, interest expense, and equity in income of finance subsidiaries and minority-owned associated companies.

Identifiable assets by geographic area are those assets that are used in the Company's operations in each area and include $4.8, $5.2, $4.5, $4.9 and $4.2 million, representing intersegment operating profit in inventory and $10.1, $14.0, $5.4, $8.0 and $2.7 million of intersegment receivables at December 31, 1978, and each of the four previous years, respectively, which have been shown as eliminations to reconcile geographic area information with consolidated amounts. Corporate assets are principally cash and fixed assets maintained for general corporate purposes.

Of the $1,031.4, $891.8, $833.1, $951.5 and $977.3 million United States sales to unaffiliated customers in 1978, and each of the four previous years, $106.0, $97.5, $113.7, $127.7 and $85.2 million respectively, are export sales, principally to Europe and South America.

In 1978 foreign finance companies accounted for $17.9 million of revenue, $1.3 million of operating profit and $143.9 million of total assets of the combined finance operations, of which $11.1, $0.7 and $90.7 million, respectively, relate to operations in Europe. In 1977, foreign finance companies accounted for $16.6 million of revenue, $2.0 million of operating profit and $135.1 million of total assets of the combined finance operations, of which $9.9, $1.6 and $81.3 million, respectively, relate to operations in Europe. Operating profit represents income before income taxes.

FRANKLIN MINT CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Business Segments—The company's business activities in 1978 consisted of five segments: Numismatics (commemorative and art medals and ingots and foreign coin-of-the-realm); Metallic Products (principally plates, spoons, jewelry and sculptured figures); Fine Books; Porcelain; and Other Products (including philatelic products, crystal, furniture and graphic art prints). The 1977 business segment information has been restated to differentiate Numismatic from other Metallic Products. Porcelain product sales were not significant in 1977 and their results are included in the Other Products category.

Identifiable assets by segment are those assets that are used in the operation of each segment. The difference between total identifiable assets and total assets in the consolidated balance sheet represents general corporate assets including cash and temporary cash investments, refundable Federal income tax (1977), net property and plant at corporate headquarters, and certain prepaid expenses and other assets. The difference between total capital expenditures, net, and total depreciation expense and the amounts shown under Business Segment information represents net property and plant and related depreciation at corporate headquarters.

Transfers between geographic areas are accounted for at price sufficient to recover a reasonable profit margin.

The company's operations by business segment are as follows:

(dollars in thousands)

	Numismatic	Metallic Products	Fine Books	Porcelain Products	Other Products	Consolidated
1978						
Net sales	$ 91,657	$60,203	$40,832	$38,630	$34,414	$265,736
Operating income	9,771	8,448	7,358	7,022	1,852	34,451
Identifiable assets	75,132	48,582	23,924	21,716	12,797	182,151
Capital expenditures	716	591	331	216	34	1,888
Depreciation	1,987	1,399	151	533	408	4,478
1977						
Net sales	$134,025	$65,290	$40,842	$ —	$49,638	$289,795
Operating income	11,619	7,096	7,963	—	1,765	28,443
Identifiable assets	104,964	44,556	29,508	—	21,923	200,951
Capital expenditures	4,036	1,540	660	—	1,504	7,740
Depreciation	2,118	969	253	—	985	4,325

The company's operations by geographic area are as follows:

(dollars in thousands)

	United States	Europe	Far East	Canada/ Mexico	Eliminations	Consolidated
1978						
Net sales	$153,762	$62,637	$32,375	$16,962	$ —	$265,736
Intersegment transfers	17,375	3,973	1,088	78	(22,514)	—
	$171,137	$66,610	$33,463	$17,040	$(22,514)	$265,736
Operating income	17,040	6,337	7,703	3,371		34,451
Identifiable assets	123,183	37,318	13,888	7,762		182,151
1977						
Net sales	$182,750	$58,567	$28,543	$19,935	$ —	$289,795
Intersegment transfers	20,408	1,619	75	736	(22,838)	—
	$203,158	$60,186	$28,618	$20,671	$(22,838)	$289,795
Operating income	18,875	740	5,301	3,527		28,443
Identifiable assets	136,272	41,641	12,265	10,773		$200,951

A reconciliation of operating income to income before taxes and extraordinary credit is as follows:

(dollars in thousands)

	1978	1977
Operating income	$34,451	$28,443
Corporate expenses	(5,305)	(6,313)
Interest expense	(2,862)	(4,952)
Productivity sharing	(3,017)	(1,790)
Provision for discontinuance of operations in Italy	(2,700)	—
Income before income taxes and extraordinary credit	$20,567	$15,388

KIMBERLY-CLARK CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 18: Product Class and Geographic Data—The business and products of the company are described on the inside front cover. Certain information concerning the company's consolidated operations by product class and geographic area, and data for equity companies are presented below:

Consolidated Operations by Product Class

(Millions)	Sales 1978	Sales 1977	Operating Profit 1978	Operating Profit 1977	Assets 1978	Assets 1977	Depreciation/ Depletion 1978	Depreciation/ Depletion 1977	Capital Expenditures 1978	Capital Expenditures 1977
Consumer and Service Class	$1,231.9	$1,116.1	$147.5	$128.1	$ 706.0	$ 610.1	$ 25.6	$ 22.7	$ 63.3	$ 42.9
Newsprint, Pulp and Forest Products Class	426.3	387.6	58.1	64.3	711.7	668.1	28.6	19.9	53.0	154.1
Paper and Specialties Class	315.3	276.1	49.6	39.8	199.5	180.5	6.7	6.4	9.3	15.0
Other Class	17.0	12.6	.3	2.3	20.4	11.6	.2	.2	5.0	.5
Combined	1,990.6	1,792.5	255.5	234.6	1,637.7	1,470.2	61.0	49.2	130.6	212.6
Interclass sales	(80.0)	(67.1)								
Unallocated expenses			(14.1)	(10.3)						
Unallocated assets, depreciation and capital expenditures					222.8	200.0	2.8	2.2	2.5	10.0
Interclass assets					(34.7)	(18.9)			(.7)	—
Consolidated	$1,910.6	$1,725.5	$241.5	$224.3	$1,825.8	$1,651.3	$ 63.8	$ 51.4	$132.5	$222.6

Consolidated Operations by Geographic Area

(Millions)	Sales 1978	Sales 1977	Operating Profit 1978	Operating Profit 1977	Assets 1978	Assets 1977	Net Income 1978	Net Income 1977	Kimberly-Clark's Share of Net Income 1978	Kimberly-Clark's Share of Net Income 1977
United States	$1,259.2	$1,148.0	$188.8	$166.7	$ 805.9	$ 741.1	$114.4	$ 95.3	$114.4	$ 95.3
Canada	286.2	283.2	13.9	30.5	521.7	480.0	2.5	20.0	(1.2)	15.9
Europe	339.8	276.0	37.7	24.7	251.6	213.8	8.7	3.1	7.1	1.1
Latin/South America	20.1	20.6	3.8	4.0	19.9	14.5	3.6	3.6	2.8	2.9
Far East	48.1	39.2	11.4	8.7	37.0	29.7	6.8	4.7	5.0	3.5
Combined	1,953.4	1,767.2	255.5	234.6	1,636.1	1,479.0	$136.0	$126.6	$128.1	$118.6
Intergeographic sales	(42.8)	(41.7)								
Unallocated expenses			(14.1)	(10.3)						
Unallocated assets					222.8	200.0				
Intergeographic assets					(33.0)	(27.7)				
Consolidated	$1,910.6	$1,725.5	$241.5	$224.3	$1,825.8	$1,651.3				

Sales of products between classes and geographic areas are made at market prices and are referred to as interclass sales and intergeographic sales.

Assets reported by product class and geographic area represent both those directly used and an allocated portion of those jointly used. These assets include receivables from other product classes or geographic areas and are referred to as interclass or intergeographic assets. Certain assets and expenses cannot be associated with class or geographic areas. These assets and expenses are referred to appropriately as unallocated assets or unallocated expenses.

Summarized financial information for equity companies is presented below.

Equity Companies:

(Millions)	December 31, 1978 Europe and Africa	Latin/ South America	Far East and Australia	Total	December 31, 1977 Europe and Africa	Latin/ South America	Far East and Australia	Total
Current assets	$21.8	$119.4	$ 73.9	$215.2	$19.6	$ 76.0	$ 53.5	$149.0
Total assets	49.6	237.6	146.1	433.2	46.3	183.2	120.6	350.1
Current liabilities	14.9	43.7	75.8	134.4	13.2	33.0	54.6	100.9
Long-term debt	4.8	54.6	1.7	61.1	5.8	33.0	3.9	42.7
Other liabilities	4.1	3.5	3.7	11.2	3.8	4.6	3.4	11.8
Stockholders' equity	25.8	135.8	64.9	226.5	23.5	112.5	58.7	194.7
Net sales	62.0	210.9	219.9	492.8	59.0	158.2	165.1	382.3
Operating profit	8.6	50.9	33.6	93.1	6.4	34.0	23.0	63.5
Net income	4.5	25.0	16.7	46.1	2.9	14.1	10.0	27.1
Kimberly-Clark's share of net income	1.7	10.7	8.3	20.7	1.1	6.0	5.0	12.1

Export Sales

DRESSER INDUSTRIES, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note O: Information by Industry Segment and Geographic Area—The tables that follow present the Company's operations by industry segment and by geographic area. The descriptions of the industry segments are included on pages 12 to 26 of this report and such descriptions are included herein by reference.

Total revenues include sales and services to unaffiliated customers and either intersegment sales and services or intergeographic area sales and services. The intersegment and intergeographic area sales and services are accounted for at prices which approximate arm's length market prices. No single customer accounted for 10% or more of total sales and service revenues.

Operating profit is total revenues less total operating expenses. General corporate expenses, interest expense, income taxes and equity in undistributed earnings of unconsolidated subsidiaries and affiliates have been excluded in determining operating profit. Identifiable assets are those assets that are identified with particular segments or geographic areas. Corporate assets are principally cash and short-term investments.

The Company's net income from and investment in the net assets of unconsolidated subsidiaries and affiliates is not significant to any segment or geographic area.

The financial information by industry segment for the year ended October 31, 1978 is summarized as follows (in millions):

	Industry Segments						
	Petroleum Operations	Energy Processing & Conversion	Refractories & Minerals Operations	Construction & Mining Equipment	Industrial Specialty Products	Adjustments & Eliminations	Consolidated
Sales and service revenues to unaffiliated customers	$883.7	$704.9	$340.1	$561.8	$563.5	$ —	$3,054.0
Intersegment sales and service revenues	2.4	4.3	4.1	5.0	8.9	(24.7)	—
Total sales and service revenues	$886.1	$709.2	$344.2	$566.8	$572.4	$(24.7)	$3,054.0
Operating profit	$146.7	$144.6	$ 40.9	$ 56.7	$ 57.3	$ (.5)	$ 445.7
Equity in net income of unconsolidated subsidiaries and affiliates							2.7
General corporate expenses							(49.0)
Interest expense, net							(20.7)
Earnings before taxes							$ 378.7
Identifiable assets	$593.6	$276.1	$221.8	$456.6	$313.3	$(12.8)	$1,848.6
Equity investments							48.0
Corporate assets							458.7
Total assets							$2,355.3
Capital expenditures	$ 54.5	$ 12.4	$ 26.0	$ 12.1	$ 13.5		$ 118.5
Corporate capital expenditures							4.3
Total capital expenditures							$ 122.8
Depreciation, depletion and amortization	$ 35.3	$ 10.6	$ 15.1	$ 21.5	$ 13.3		$ 95.8
Corporate depreciation, depletion and amortization							4.7
Total depreciation, depletion and amortization							$ 100.5

The financial information by geographic area for the year ended October 31, 1978 is summarized as follows (in millions):

	Geographic Area						
	United States	Canada	Latin America	Europe	Mid East Far East & Africa	Adjustments & Eliminations	Consolidated
Sales and service revenues to unaffiliated customers	$2,345.0	$131.1	$111.1	$280.7	$186.1	$ —	$3,054.0
Intergeographic area sales and service revenues	92.7	20.1	10.7	35.2	7.0	(165.7)	—
Total sales and service revenues	$2,437.7	$151.2	$121.8	$315.9	$193.1	$(165.7)	$3,054.0
Operating profit	$ 346.8	$ 8.7	$ 17.5	$ 48.4	$ 24.4	$ (.1)	$ 445.7
Equity in net income of unconsolidated subsidiaries and affiliates							2.7
General corporate expenses							(49.0)
Interest expense, net							(20.7)
Earnings before taxes							$ 378.7
Identifiable assets	$1,419.5	$108.1	$ 66.7	$226.6	$119.9	$ (92.2)	$1,848.6
Equity investments							48.0
Corporate assets							458.7
Total assets							$2,355.3

United States export sales by geographic area are as follows (in millions):

Canada	$ 47.8
Latin America	95.6
Europe	42.4
Mid East, Far East and Africa	188.3
Total	$374.1

FMC CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (in part): Industry segments—FMC operates worldwide in six industry segments: Food and Agricultural Machinery and Chemicals; Industrial Chemicals; Material and Natural Resource Handling Equipment; Construction and Power Transmission Products; Government and Municipal Equipment; and Special Products. The operations in each of these segments are described on pages 20 and 21 of this annual report.

Industry segment sales include both sales to unaffiliated customers and intersegment sales which are recorded at normal selling prices. Such intersegment sales are not significant to the total revenue of any individual industry segment. Operating profit is defined as total revenue less operating expenses. In computing operating profit, none of the following items has been added or deducted: general corporate income and expenses, interest expense, income taxes, equity in net earnings of affiliated companies, loss from discontinued operations, or minority interest. Identifiable assets by industry segment are those assets that are used in FMC's operations in each segment. Corporate assets are principally marketable securities and investments in affiliated companies.

No single customer accounted for more than 10% of sales in 1978. Sales to various agencies of the U.S. Government in the aggregate totaled $286,929,000 in 1978 and $232,067,000 in 1977. These sales are made primarily by the Government and Municipal Equipment segment.

Note 13 (in part): Operations by geographic area—Export sales to unaffiliated customers are summarized by destination of sale as follows:

(Dollars in thousands)

	Latin America and Canada	Western Europe	Middle East and Africa	Asia and others	Total
1978	$108,566	136,433	163,791	65,558	$474,348
1977	$ 83,192	96,845	127,314	77,579	$384,930

The net assets and net income of consolidated foreign subsidiaries (including investments in, and equity in earnings of, foreign affiliates) were as follows:

	1978	1977
	(Dollars in thousands)	
Net assets at year-end	$165,297	$147,415
Net income	$ 15,727	$ 12,893

Dividends of $6,404,000 in 1978 and $6,502,000 in 1977 were received from such foreign operations. Foreign currency exchange adjustments amounted to a pre-tax loss of $8,355,000 in 1978 and $8,765,000 in 1977. Income taxes have not been provided for the equity in undistributed earnings of foreign subsidiaries ($61,000,000 at December 31, 1978). See Note 1.

GRUMMAN CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 13: Segment Information—The operations of the Company are in four industry segments: Aircraft and Space, Special Vehicles, Energy, and Services and Other. In view of the acquisition of Grumman Flxible (buses) and the disposition of Grumman American Aviation (general aviation) in 1978, the reportable industry segments have been revised to better describe the Company's overall activities. The segment data for the years 1974 through 1978 contained in the Financial Review has been presented on a comparable basis. In accordance with the provisions of Financial Accounting Standards Board Statement No. 14, "Financial Reporting for Segments of a Business Enterprise," the following data on Identifiable Assets, Capital Expenditures, and Depreciation and Amortization for each segment is presented for 1978 and 1977. Sales and operating profit by industry segment are shown on page 25 of this report and information therein for 1978 and 1977 is considered an integral part of this note.

	1978 (In Thousands)		
	Identifiable Assets	Capital Expenditures	Depreciation and Amortization
Aircraft and Space	$314,621	$15,466	$13,777
Special Vehicles	133,820	8,719	2,441
Energy	19,789	470	215
Services and Other	185,280	4,699	3,446
	653,510	29,354	19,879
Eliminations	46,773		
Total	$606,737	$29,354	$19,879

	1977 (In Thousands)		
	Identifiable Assets	Capital Expenditures	Depreciation and Amortization
Aircraft and Space	$314,815	$13,425	$13,633
Special Vehicles	43,735	1,062	498
Energy	12,723	371	144
Services and Other	137,437	6,399	3,443
	508,710	21,257	17,718
Eliminations	38,693		
Total	$470,017	$21,257	$17,718

Total sales to the United States Government and its agencies (including sales to foreign governments through foreign military sales contracts with U.S. Government agencies) for the years 1978 and 1977 amounted to $1,175,852,000 and $1,248,287,000, respectively. Export sales for 1978 and 1977 amounted to $316,336,000 and $384,189,000, respectively, of which a significant portion were through foreign military sales contracts with the U.S. Government. A summary of export sales by geographic areas is as follows:

	(In Thousands) 1978	1977
Middle East	$301,198	$376,757
Europe	5,407	3,626
Western Hemisphere	9,265	2,326
Africa/Asia	466	1,480
	$316,336	$384,189

Major Customers

EASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7: Business Segments—A description of the nature and products of the Company's business segments is included in the Operations Review section of this report on pages 8 to 12.

The following comments regarding accounting policies by business segment are provided as a supplement to Note 1 of this report which summarizes significant accounting policies for the consolidated entity: (1) all inventories are valued using the last-in, first-out (LIFO) method except for 83% in 1978 and 85% in 1977 of the Hand Tools segment inventories which are valued using the average cost method since such inventories have been custom manufactured for a major customer, Sears, Roebuck & Co.; (2) revenues and costs applicable to the Engineering Services segment long-term contracts are recognized on the percentage-of-completion accounting method. Intersegment sales are accounted for on the same basis used to price sales to unaffiliated customers.

Hand tools segment sales included $101,652,000 and $100,168,000 to Sears, Roebuck & Co. in 1978 and 1977, respectively.

Reference is made to the 9 Year Summary of Operations on pages 24 and 25 of this report for 1978 and 1977 segment sales, operating profits and identifiable assets information. Segment information regarding capital expenditures and depreciation expense is included in the Financial Review section beginning on page 13 of this report.

THE ARUNDEL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note I (in part): Information About the Company's Operations in Different Industries

	Years Ended December 31, 1978	1977
Net sales to unaffiliated customers:		
Construction Materials	$34,041,517	$31,091,195
Construction	33,482,815	23,371,983
Real Estate	10,590,082	4,047,969
Net Sales	$78,114,414	$58,511,147
Operating Profit:		
Construction Materials	$ 3,180,125	$ 3,254,982
Construction	1,867,596	3,286,941
Real Estate	7,495,098	2,709,253
Operating Profit	12,542,819	9,251,176
General corporate expenses	(1,580,628)	(1,402,432)
Interest expense	(3,464,975)	(1,846,184)
Other income (expense), net	(43,777)	124,488
Earnings from continuing operations before income taxes	$ 7,453,439	$ 6,127,048
Identifiable assets:		
Construction Materials	$24,372,559	$24,515,224
Construction	16,410,015	11,475,648
Real Estate	29,647,799	5,139,252
	70,430,373	41,130,124
General corporate assets	5,065,272	5,539,428
Assets of discontinued segment	—	26,630,212
Total Assets	$75,495,145	$73,299,764
Depreciation and depletion:		
Construction Materials	$ 2,110,146	$ 1,926,510
Construction	84,245	54,720
Real Estate	57,174	56,893
	2,251,565	2,040,123
General corporate assets	180,805	159,283
Total Depreciation and Depletion	$ 2,432,370	$ 2,199,406
Capital expenditures:		
Construction Materials	$ 2,607,360	$ 1,749,900
Construction	554,295	106,184
Real Estate	1,341,529	654,496
	4,503,184	2,510,580
General corporate	5,690	36,120
Total Capital Expenditures	$ 4,508,874	$ 2,546,700
Sales to domestic government agencies included in total sales:		
Construction Materials	$ 227,561	$ 135,974
Construction	31,470,000	22,150,000
Real Estate	7,222,204	303,150
	$38,919,765	$22,589,124

Total revenue by industry includes sales to unaffiliated customers and the Company's proportionate share of revenues from construction joint ventures.

Operating profit is total revenue less operating expenses and includes the Company's proportionate share of operating profits from construction joint ventures. In computing operating profit, none of the following items has been added or deducted: general corporate expenses, interest expense, other expense, income taxes or the loss from discontinued operations of the Real Estate Division.

Identifiable assets by industry are those assets that are used in the Company's operations in each industry. Corporate assets are principally cash and office facilities.

HONEYWELL, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 18: Segment Information—Honeywell is engaged in four industry segments—Environmental Systems and Controls, Industrial Systems and Controls, Aerospace and Defense, and Information Systems

Environmental Systems and Controls include products and services related to building automation, fire and security protection, and energy management in residential and commercial markets. Industrial Systems and Controls provides control devices, analog and microprocessor based instruments and computer based systems for data acquisition, monitoring and control of industrial and electric utility processes and components. Aerospace and Defense includes the design, development and production of guidance systems and controls for military and commercial aircraft, space vehicles, missiles, naval vessels and military vehicles. Information Systems includes products and services related to electronic data processing systems for business, governmental and scientific applications.

Following is financial information relating to industry segments. Revenue includes external revenue only. Intersegment revenue is not significant. Corporate assets are principally cash, time deposits and marketable securities, and investments and advances.

	1978	1977
	($000)	
Revenue		
Environmental systems and controls	$ 886.5	$ 779.6
Industrial systems and controls	711.5	553.9
Aerospace and defense	656.2	540.7
Information systems	1,293.6	1,036.9
	$3,547.8	$2,911.1
Operating profit		
Environmental systems and controls	$ 132.4	$ 115.2
Industrial systems and controls	107.0	75.3
Aerospace and defense	43.1	38.4
Information systems	105.7	79.4
Operating profit	388.2	308.3
General corporate expense	(31.1)	(28.3)
Interest expense	(53.4)	(52.8)
Equity income	18.5	8.3
Income before income taxes	$ 322.2	$ 235.5
Identifiable assets		
Environmental systems and controls	$ 487.0	$ 421.0
Industrial systems and controls	496.1	368.8
Aerospace and defense	236.0	136.7
Information systems	1,096.1	943.0
Corporate	510.9	559.8
	$2,826.1	$2,429.3
Capital expenditures		
Environmental systems and controls	$ 31.6	$ 29.1
Industrial systems and controls	29.1	20.9
Aerospace and defense	22.9	17.4
Information systems:		
Equipment for lease to others	260.7	250.9
Other property	37.1	26.8
Corporate	16.9	18.4
	$ 398.3	$ 363.5
Depreciation		
Environmental systems and controls	$ 19.4	$ 16.2
Industrial systems and controls	14.0	12.6
Aerospace and defense	10.6	9.5
Information systems:		
Equipment for lease to others	173.8	170.8
Other property	24.6	26.4
Corporate	5.7	6.8
	$ 248.1	$ 242.3
U.S. government contract revenue		
Environmental systems and controls	$ 35.4	$ 37.0
Industrial systems and controls	23.1	23.3
Aerospace and defense	388.8	324.6
Information systems	139.1	118.1
	$ 586.4	$ 503.0

ST. JOE MINERALS CORPORATION (DEC)

BUSINESS SEGMENT INFORMATION (IN PART)

1978

	Coal	Lead	Zinc	Oil & Gas	International Minerals	Other	Total
				(In thousands)			
Net Sales:							
Domestic Operations:							
Domestic Sales	$283,783	$168,252	$133,055	$ 16,519	—	$ 7,412	$609,021
Export Sales(a)	149,511	5,873	1,711	—	—	—	157,095
Intersegment Sales(b)	1,962	2,622	1,191	—	—	(5,775)	—
Foreign Operations(c)	—	—	—	24,239	$ 8,080	—	32,319
Total(d)	$435,256	$176,747	$135,957	$ 40,758	$ 8,080	$ 1,637	$798,435
Operating Profit (Loss)(e):							
Domestic Operations	$ 9,575	$ 79,474	$(10,674)	$ (749)	—	$(1,107)	$ 76,519
Foreign Operations(c)	—	—	—	12,571	$ 403	—	12,974
Total	$ 9,575	$ 79,474	$(10,674)	$ 11,822	$ 403	$(1,107)	$ 89,493
Assets at December 31(f):							
Domestic Operations	$300,785	$111,257	$159,072	$100,423	—	$48,952	$720,489
Foreign Operations	—	—	—	147,974	$43,339	—	191,313
Total	$300,785	$111,257	$159,072	$248,397	$43,339	$48,952	$911,802
Depletion, Depreciation and Amortization	$ 25,043	$ 5,360	$ 5,720	$ 15,746	$ 38	$ 1,157	$ 53,064
Capital Expenditures	$ 57,516	$ 7,381	$ 12,338	$ 68,025	$14,905	$ 921	$161,086

(a)Export sales by geographical area are as follows:

	1978	1977
	(In thousands)	
Far East	$ 70,656	$104,941
Europe	47,320	67,597
South America	37,428	38,147
Other	1,691	1,707
Total	$157,095	$212,392

(b)Intersegment sales are based on prices approximating current market values.

(c)Canadian operations

(d)Net sales include coal sales to Duke Power Company of $85,380,000 and $79,848,000 in 1978 and 1977, respectively.

(e)Operating profit is calculated as net sales plus/minus all items of income/expense directly associated with the business segment. In computing operating profit, none of the following items has been added or deducted: corporate overhead expenses, exploration, interest income/expense, dividends from unconsolidated subsidiaries, income taxes and sundry income/expense. A reconciliation of operating profit to income before income taxes follows:

	1978	1977
	(In thousands)	
Operating Profit	$89,493	$ 99,156
Unallocated Income (Expense)	(27,143)	11,387
Income Before Income Taxes	$62,350	$110,543

(f)Identifiable assets by industry are those assets that are used in the Corporation's operations in each segment of business. Corporate assets included under the caption "Other" are $40,837,000 and $32,760,000 for 1978 and 1977, respectively.

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 1-4 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 fourteen survey companies used a 52-53 week fiscal year.

During 1978, seven companies changed the date of their fiscal year end. Examples of such changes and examples of fiscal year definitions follow.

TABLE 1-4: MONTH OF FISCAL YEAR END

	1978	1977	1976	1975
January	25	22	21	22
February	14	12	13	14
March	12	16	19	16
April	9	7	7	7
May	11	10	11	10
June	38	38	37	36
July	13	15	13	12
August	19	19	16	17
September	44	43	41	38
October	30	32	31	30
November	12	13	10	12
Subtotal	**227**	**227**	**219**	**214**
December	373	373	381	386
Total Companies	**600**	**600**	**600**	**600**

Change in Date of Fiscal Year Ending

ALBERTSON'S, INC.

Consolidated Balance Sheets

	February 1, 1979	January 28, 1978

Consolidated Earnings

	53 Weeks Ended February 1, 1979	52 Weeks Ended January 28, 1978

Consolidated Changes in Financial Position

	53 Weeks Ended February 1, 1979	52 Weeks Ended January 28, 1978

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fiscal Year End—The Company has changed its fiscal year end from the Saturday nearest to January 31 to the Thursday nearest to January 31. Unless the context otherwise indicates, reference to a fiscal year of the Company refers to the calendar year in which such fiscal year commences.

DART DRUG CORPORATION

Consolidated Balance Sheets

	January 31, 1978 (Note 12)	March 31, 1977

Consolidated Statements of Income and Retained Earnings

	Ten Months Ended January 31, 1978 (Note 12)	Year Ended March 31, 1977

Consolidated Statements of Changes in Financial Position

	Ten Months Ended January 31, 1978 (Note 12)	Year Ended March 31, 1977

Note 12: Change in Fiscal Year—The Company changed its fiscal year-end from March 31 to January 31, effective January 31, 1978. Accordingly, the accompanying 1978 consolidated financial statements present the results of operations for the ten months ended January 31, 1978.

HERMAN MILLER, INC.

Consolidated Balance Sheet

	June 3, 1978	May 31, 1977

Consolidated Statement of Income

For the years ended June 3, and May 31,

Consolidated Statement of Changes in Financial Position

For the years ended June 3, and May 31,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Significant Accounting and Reporting Policies

Fiscal Year-End—In fiscal 1978, the Company elected to change its accounting policies to record its quarterly operations on a thirteen-week basis. In accordance with this policy, the Company's current fiscal year-end has been changed from May 31 to a year ending the Saturday nearest May 31. This change did not have a material effect on the accompanying financial statements for the year ended June 3, 1978.

MARSHALL FIELD & COMPANY

Consolidated Balance Sheet

	February 3, 1979	January 31, 1978

Consolidated Statement of Income and Retained Earnings

	Fiscal Year Ended	
	February 3, 1979	January 31, 1978

Consolidated Statement of Changes in Financial Position

	Fiscal Year Ended	
	February 3, 1979	January 31, 1978

NOTES TO FINANCIAL STATEMENTS

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

Change in Fiscal Year—Effective February 1, 1978, the Company changed its fiscal year from a calendar month basis ending January 31 to the 52- or 53-weeks ending on the Saturday closest to January 31.

SCOTT PAPER COMPANY

ACCOUNTING POLICIES

Fiscal Year—During 1978 the Company changed its accounting period from the calendar year to a fiscal year ending on the last Saturday in December so that future quarterly accounting periods will be of equal duration in most years. As a result of this change, fiscal year 1978 ended on December 30, 1978. This change had no material effect upon the Company's 1978 financial statements.

UNITED BRANDS COMPANY

Consolidated Balance Sheet

	June 30, 1978	Dec. 31, 1977

Consolidated Statement of Income and Income Retained in the Business

	Six Month Fiscal Period Ended	Year Ended	
	June 30, 1978	June 30, 1978 (Unaudited)	Dec. 31, 1977

Consolidated Statement of Changes in Financial Position

	Six Month Fiscal Period Ended	Year Ended	
	June 30, 1978	June 30, 1978 (Unaudited)	Dec. 31, 1977

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Summary of Accounting Policies

Fiscal Year—In 1978, the Company elected to change its year-end from a December 31 calendar year to a June 30 fiscal year. Results are subject to significant seasonal variations and therefore the results of any six month period are not necessarily indicative of the results of operations for a full year. The unaudited pro forma consolidated statements of income and changes in financial position for the year ended June 30, 1978 are based on historical financial statements adjusted to give effect to income taxes that would have been accrued if the year ended June 30, 1978 was the taxable year of the Company.

Definition of Fiscal Year

AMERICAN STORES COMPANY (MAR)

NOTES TO FINANCIAL STATEMENTS

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

Definition of Fiscal Year—The company's fiscal year ends on the Saturday nearest to March 31. Fiscal year 1978 ended April 1, 1978; fiscal year 1977 ended April 2, 1977. Both of these years comprised 52 weeks.

BROWN GROUP, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (in part): Accounting Policies

Accounting Period—The Corporation's fiscal year is the 52 or 53 week period ending the Saturday nearest to October 31.

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fiscal Year—The Company's fiscal year ends on the Sunday nearest to December 31. The fiscal year 1978 ended December 31, 1978 and fiscal year 1977 ended January 1, 1978. Both fiscal years comprised 52 weeks.

GRANITEVILLE COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Fiscal Year—The Company's fiscal year ends on the Sunday closest to December 31. Fiscal years ended December 31, 1978, and January 1, 1978, were comprised of fifty-two weeks.

H. J. HEINZ COMPANY (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Significant Accounting Policies

Fiscal Year—The company operates on a fiscal year ending on the Wednesday closest to April 30. The 1978 fiscal year, which ended on May 3, 1978, included 53 weeks, while the 1977 fiscal year ended on April 27, 1977 and included 52 weeks.

ROUNDING OF AMOUNTS

Table 1-5 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.

TABLE 1-5: ROUNDING OF AMOUNTS

	1978	1977	1976	1975
To nearest dollar	161	184	200	226
To nearest thousand dollars:				
Omitting 000	254	233	211	188
Presenting 000	139	146	157	161
To nearest million dollars	46	37	32	25
Total Companies	**600**	**600**	**600**	**600**

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.

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 requirements for presenting comparative statements to mean that notes for both years must also be presented.

Table 1-6 summarizes the manner in which financial statements refer to notes. Notes on specific topics are illustrated in this publication in the sections dealing with such topics.

TABLE 1-6: NOTES TO FINANCIAL STATEMENTS

	1978	1977	1976	1975
General and direct references	343	336	346	330
General reference only	247	255	235	236
Direct reference only	7	7	14	29
No reference to notes	3	2	5	5
Total Companies	**600**	**600**	**600**	**600**

DISCLOSURE OF ACCOUNTING POLICIES

APB Opinion No. 22 states a conclusion of the Accounting Principles Board "that information about the accounting policies adopted by a reporting entity is essential for financial 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 1-7 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.

CONSOLIDATED FOODS CORPORATION (JUN)

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Policies

Consolidation

The consolidated financial statements include the accounts of the corporation and all subsidiaries except Consolidated Foods Credit Corporation which is reflected in the accounts using the equity method of accounting. All significant intercompany transactions of consolidated subsidiaries are eliminated.

The financial statements of businesses which are acquired in exchange for the common stock of Consolidated Foods Corporation and accounted for as poolings of interests are retroactively included in the accompanying consolidated financial statements.

The net assets of businesses purchased are recorded at their fair market value at the respective dates of acquisition, and accordingly, the consolidated financial statements include the operations of such businesses from their dates of acquisition.

Intangible Assets

The excess of cost over the fair market value of tangible net assets of certain businesses acquired prior to November 1, 1970, (approximately $63 million) is not being amortized. The remaining intangible assets are being amortized on a straight-line method over periods not in excess of 40 years.

Translation of Foreign Currencies

Financial statements of foreign subsidiaries are translated in accordance with Statement of Financial Accounting Standards No. 8.

Inventory Valuation

Inventories are valued at the lower of cost (principally first in, first out) or market. The costs of finished goods and work in process inventories include manufacturing labor and overhead components.

Property

Property is stated at cost and depreciation is computed using principally the straight-line method over estimated useful lives which range from 3 to 50 years for buildings and improvements and 3 to 25 years for machinery and equipment. The cost of additions and improvements which substantially extend the useful life of a particular asset is capitalized. Repair and maintenance costs are charged to expense. Upon sale, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Income Taxes

Income taxes are provided based on the income reported in the financial statements. Investment tax credits are recognized as a reduction of the provision for income taxes in the year in which they are available for tax purposes.

Federal income taxes are provided on undistributed earnings of foreign subsidiaries which are not considered permanently reinvested. If the earnings of foreign subsidiaries which are considered to be permanently reinvested were remitted, the Federal income taxes due under current tax law would not be material.

Pension Plans

The corporation has various pension and retirement plans which cover substantially all employees. Various actuarial methods are used to determine the annual provision for pension expense; the most prevalent method being the aggregate method which does not deal separately with past-service cost, but includes such cost in normal cost. The provision for pension expense is sufficient to cover normal cost and interest on and amortization of past-service costs over a period not exceeding 40 years. The corporation's policy is to fund the pension costs accrued.

TABLE 1-7: DISCLOSURE OF ACCOUNTING POLICIES

	Number of Companies			
	1978	1977	1976	1975
Consolidation basis	589	584	584	578
Depreciation methods	589	581	586	583
Inventory pricing	555	557	556	556
Interperiod tax allocation	544	546	543	557
Property	514	504	505	497
Employee benefits	355	360	360	359
Amortization of intangibles	309	320	307	333
Earnings per share calculation	311	295	299	234
Translation of foreign currency	213	238	301	401
Leasing transactions	116	N/C	N/C	N/C

N/C — Not Compiled.

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 its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Inventories—Substantially all inventories are stated at the lower of last-in, first-out cost or market. If the first-in, first-out method of inventory accounting had been used by the Corporation, inventories would have been approximately $24,937,000 and $21,690,000 higher than reported at October 31, 1978 and October 31, 1977, respectively.

For federal income tax purposes, certain inventories have a tax basis which is approximately $1,430,000 lower than the amount included in the financial statements. This difference arose from the acquisition of Electric Hose & Rubber Company discussed in Note D.

Property, Plant and Equipment—Property, plant and equipment are stated at cost. Depreciation expense is calculated principally on the straight-line method and includes amortization of certain leased assets that have been capitalized as described in Note I. 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 allowance is adjusted with the difference being charged or credited 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 or 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 statement purposes.

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 $9,100,000 and $7,600,000 for the years ended October 31, 1978 and October 31, 1977, 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; the preferred dividend requirement is deducted from net earnings.

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 Note C. The conversions are assumed as of the beginning of the year and interest (net of tax) on the debentures is added to net earnings. Also, the preferred dividend requirement is not deducted from net earnings in computing fully diluted earnings per share.

MILTON ROY COMPANY

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation and foreign exchange

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. All significant intercompany accounts and transactions have been eliminated in consolidation.

Assets and liabilities of foreign subsidiaries, excluding inventories and property, plant and equipment, are translated at rates of exchange in effect at the close of the period. Inventory and property, plant and equipment are translated at approximate rates in effect when the respective assets were acquired. Revenues and expenses are translated at the weighted average of exchange rates in effect during the year except for cost of goods sold and depreciation which are translated at approximate rates of exchange in effect when the respective assets were acquired. Foreign currency exchange gains and losses are credited or charged against current earnings.

Marketable equity securities

Marketable equity securities 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.

Inventories

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

Property, plant and equipment

Property, plant and equipment is stated at cost. Expenditures for renewals and improvements that significantly add to productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to income currently. When depreciable properties are retired or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income.

Non-cancellable financing leases are capitalized at the present value of future minimum lease payments and amortized on a straight-line basis over the term of the lease. Depreciation is provided over the estimated useful lives of the individual assets by accelerated methods in the United States and Canada and by the straight-line method in other countries. The estimated useful lives used in the computation of depreciation were as follows:

Land improvements	5-20 years
Buildings and improvements	10-45 years
Machinery and equipment	3-15 years
Leasehold improvements	2-20 years

Amortization of goodwill

Costs of investments in purchased companies in excess of the underlying fair value of net assets at dates of acquisition are recorded as goodwill and amortized over 6 to 40 years on a straight-line basis.

Research and development

Research, engineering and product development expenses are charged to income as incurred.

Retirement plan costs

Substantially all retirement and pension obligations, under various domestic and foreign (including prevailing social law) plans, are provided for by current funding.

Income taxes

Deferred income taxes are provided for timing differences between financial and taxable income. Investment tax credits are accounted for under the "flow-through" method which recognizes the benefit in the year in which the assets which give rise to the credit are placed in service.

The Company has provided for estimated income taxes on that portion of the undistributed earnings of its Domestic International Sales Corporation (DISC) and its foreign subsidiaries reasonably expected to be paid out as dividends in future years. It does not provide for income taxes on that portion of undistributed earnings of subsidiaries and affiliates which is considered to be permanently invested in foreign or DISC operations.

Net income per common share

Net income per common share is obtained by dividing net income by the weighted average number of common shares outstanding plus common share equivalents resulting from dilutive stock options. Primary and fully diluted earnings per share are essentially the same.

RAYBESTOS-MANHATTAN, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A—Summary of Accounting Policies

A summary of the Company's significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows:

1. Principles of Consolidation

The Company consolidates the accounts of all wholly-owned domestic and foreign subsidiaries. All significant inter-company accounts and transactions have been eliminated. The Company accounts for its joint ventures on the equity basis. The Company's fiscal year ends on the Sunday nearest December 31.

2. Translation of Foreign Currencies

Current assets (except for inventories), current liabilities and long-term liabilities are translated at the rates of exchange in effect at the balance sheet date. Inventories, long-term assets and capital are translated at historical rates. Revenue and expense accounts are translated at an average of exchange rates which were in effect during the year except for depreciation and amortization which are translated at the rates which were in effect when the respective assets were acquired. The resulting foreign currency translation losses approximating $122,000 in 1978 and $287,000 in 1977 are included in other income, net.

3. Inventories

Inventories are stated at the lower of cost or market value. Costs are determined generally on the average method for raw materials and supplies and the first-in, first-out method for work in process and finished goods inventories (Note D).

4. Depreciation

Depreciation has been provided generally on the sum-of-the-years-digits or the double declining-balance methods for acquisitions subsequent to December 31, 1953 and on the straight-line method for prior acquisitions (Note E).

5. Employees' Retirement Plans

The Company and its subsidiaries have several pension plans covering substantially all of their employees. The Company's policy is to fund pension costs accrued, which includes amortization of prior service costs principally over a period of 40 years, except for The Milford Rivet & Machine Company plan which is being amortized over a period of 25 years (Note F).

6. Research and Development Costs

Costs of research and new product development were charged to continuing operations as incurred and amounted to approximately $5,448,000 in 1978 and $4,401,000 in 1977.

7. Investment Credits

The Company accounts for investment tax credits under the flow through method. Under this method, credits are recognized as a reduction of income tax expense in the year in which the credit is utilized for tax purposes. The investment credit amounted to approximately $1,229,000 in 1978 and $1,051,000 in 1977.

8. Deferred Taxes

Deferred income taxes include principally the difference between book and tax pension expenses, deferred termination pay and various other expenses that are not currently deductible for tax purposes (Note I).

No provision has been made for the United States income taxes that would accrue on the accumulated earnings of foreign subsidiaries and joint ventures to the extent that these earnings are considered indefinitely invested and are not available for dividend distribution.

ACCOUNTING CHANGES

Table 1-8 summarizes the nature of accounting changes disclosed by the survey companies in 1978 and the frequency with which such accounting changes were disclosed. As indicated in Table 1-8, the accounting change most frequently disclosed by the survey companies in 1978 concerned leases. *Statement of Financial Accounting Standards No. 13,* issued in November 1976 by the Financial Accounting Standards Board, superseded all previously issued APB Opinions as the authoritative pronouncement on accounting for leases by both lessees and lessors. Statement No. 13 requires that a lessee must capitalize capital leases, as defined, entered into on or after January 1, 1977 and that all capital leases, including those entered into before January 1, 1977, must be capitalized for financial statements for fiscal years beginning after December 31, 1980. With regard to financial statements filed with the Securities and Exchange Commission, the SEC requires that capital leases entered into prior to January 1, 1977 must be capitalized (unless a violation of a restrictive clause in an existing loan indenture would result) for financial statements for fiscal years ending after December 24, 1978.

APB Opinion No. 20 "defines various types of accounting changes and establishes guides for determining the manner of reporting each type." Examples of accounting changes 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 1-8: ACCOUNTING CHANGES

	Number of Companies			
	1978	**1977**	**1976**	**1975**
Lease capitalization	98	97	N/C	N/C
Actuarial cost methods or assumptions	32	37	75	62
LIFO method adopted or extended	14	10	13	32
Oil and gas operations	9	N/C	N/C	N/C
Change in reporting entity	3	7	14	13
Other	17	40	139	195

N/C — Not Compiled.

Change in Accounting Estimates

CELANESE CORPORATION (DEC)

NOTES

Accounting Changes (in part)

Depreciation—The Corporation has adopted the straight-line method of depreciation for U.S. machinery and equipment acquired subsequent to 1977. Also, in the fourth quarter, the Corporation reduced further the maximum estimated useful life for all U.S. machinery and equipment from 10 years to 9½ years. These changes in depreciation policy are in recognition of the significant progress achieved since accelerated depreciation and shorter useful lives were adopted by the Corporation in 1974. Accumulated depreciation at the end of 1977 for Celanese was over 60% of gross depreciable property, plant and equipment compared with about 46% in 1968. In addition, in 1977, the depreciation rate for all property, plant and equipment was 8.3%, the second highest of all major U.S. chemical companies. In 1978, the rate was 8.5%.

The shortening of the maximum estimated useful life for U.S. machinery and equipment reduced 1978 net income for the fourth quarter and full year by $.23 per share or $3 million. The change to the straight-line method, which is the one used by most companies in the chemical industry and industry as a whole, increased 1978 net income for the fourth quarter and full year by $.15 per common share, or $2 million. Prior 1978 quarterly results have not been restated because the effect was immaterial.

MEREDITH CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Property, Plant and Equipment—A comparative summary of property, plant and equipment follows:

	1978	1977
	(in thousands)	
Land and land improvements	$ 3,817	$ 4,448
Buildings and improvements	22,744	19,510
Machinery and equipment	78,900	59,506
Leasehold improvements	596	165
Construction in progress	1,903	9,393
	107,960	93,022
Less accumulated depreciation	48,222	42,663
	$ 59,738	$50,359
Depreciation expense for the year	$ 7,644	$ 4,699

During the fourth quarter of fiscal 1978, the Company determined that certain press equipment would not be utilized throughout the originally estimated life. Accordingly, the estimated life was revised and this resulted in an additional charge to depreciation of $1,412,000, which reduced 1978 net earnings by approximately $706,000 and net earnings per share by approximately 23 cents.

OLIN CORPORATION (DEC)

STATEMENT OF ACCOUNTING POLICIES

Pension Plans—The company's pension plans are non-contributory, costs are funded currently, and vested benefits thereunder have been fully funded. Substantially all employees are covered under such plans. Pension costs amounted to $18,100,000 in 1978 and $19,200,000 in 1977. Effective July 1, 1978, the investment return rate used in the actuarial assumptions was revised. The effect of this change was to increase net income by $1,500,000 or $.06 per share.

REPUBLIC GYPSUM COMPANY (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Excess of cost over net assets of acquired business—Excess of cost over net assets of acquired business was related to the Company's mobile home operation. Prior to 1978 amortization was provided by the straight line method over a ten-year period beginning in 1974.

As a result of a review made during the second quarter of 1978, management determined that the remaining period of amortization should be reduced effective October, 1977, to eighteen months and as a result of a review made at year-end management determined that because of continued losses incurred by the mobile home operation and uncertainties associated with its future the remaining unamortized balance of $234,986 should be charged to operations in the current period. The effect of the reduced amortization period and charge to operations of the unamortized balance was to reduce income before extraordinary credit and net income for the year ended June 30, 1978, by $415,040 ($.41 per share).

Change in Accounting Principles

CELANESE CORPORATION (DEC)

Statements of Income

(millions, except per share amounts)

	1974	1975	1976	1977	1978
Income before cumulative effect of change in accounting principle	98	50	69	70	112
Cumulative effect of change in accounting principle	—	—	—	—	43
Net income	$ 98	$ 50	$ 69	$ 70	$ 155
Per share of common stock					
Income before cumulative effect of change in accounting principle:					
Primary	$6.78	$3.30	$4.67	$4.70	$ 7.61
Fully diluted	6.52	3.22	4.51	4.56	7.36
Net income:					
Primary	6.78	3.30	4.67	4.70	10.62
Fully diluted	6.52	3.22	4.51	4.56	10.24
Dividends	2.40	2.80	2.80	2.80	2.85
Pro forma income with 1978 change in accounting principle applied retroactively					
Net income	$ 97	$ 55	$ 74	$ 78	$ 112
Per share of common stock:					
Primary	6.68	3.67	5.04	5.27	7.61
Fully diluted	6.42	3.58	4.86	5.11	7.36

NOTES

Accounting changes (in part)

Investment Tax Credits (ITC)—Celanese has changed from the deferral to the flow-through method of accounting for investment tax credits. Previously, when the credits were temporary in nature, their effect was reflected in income over the estimated useful life of the asset on which the ITC was earned. Variations in income because of ITC rate changes, suspensions or cessations were minimized under the deferral method. The cumulative total of ITC earned but not reflected in income as of a given date was carried on the balance sheet under the heading "Deferred investment tax credits." The change to the flow-through method recognizes that these credits now have been made permanent by the U.S. government and will be reflected in earnings on a current basis as the tax benefit is received. This method has been the predominant one in use by most industrial corporations for some years.

This change in accounting, which has no effect on cash flow, increased 1978 net income for credits earned during 1978 by $.56 per common share, or $8 million, which is reflected as a reduction in the provision for income taxes in the Consolidated Statement of Income. In addition, the change increased reported net income for 1978 for credits earned but not reflected in income in prior years by $3.01 per share, or $43 million (after minority share of $4 million). This amount is shown in the 1978 income statement and is includable in 1978 first-quarter results as "Cumulative effect of change in accounting principle."

Summary financial information that reflects the effect of the change on income for years prior to 1978 is shown at the bottom of the income statement under the heading "Pro forma income with 1978 change in accounting principle applied retroactively." Celanese believes that comparisons of results on this basis are more meaningful and accordingly has restated certain previously published prior years' financial information included in this report. All such changes have been indicated.

FEDDERS CORPORATION (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Summary of significant accounting policies

Principles of consolidation—The accompanying consolidated financial statements include the accounts of the Company and all its subsidiaries. All intercompany accounts and transactions are eliminated.

In 1978, the Company adopted the policy of including Fedders Financial Corporation (FFC), a wholly owned subsidiary, on a consolidated basis. (FFC was previously accounted for by the equity method.) This change was made because management believes it results in a more meaningful presentation of the Company's financial position and results of operations of Fedders business activities after recent changes in FFC's operations. The change in consolidation policy had no effect on 1978 or previously reported net earnings, although certain individual financial statement categories were restated to give retroactive effect to this policy.

VARIAN ASSOCIATES, INC. (SEP)

Consolidated Statements of Income

(Dollars in thousands except per share amounts)

	1978	1977
Earnings Before Cumulative Effect of Changes in Accounting Principle	$11,775	$12,405
Cumulative Effect on Prior Years of Changes in Accounting Principle	337	—
Net Earnings	$12,112	$12,405
Net Earnings Per Share		
Continuing operations	$ 1.58	$ 1.58
Discontinued operations, net of taxes	—	.06
Cumulative effect on prior years of changes in accounting principle	.04	—
Net Earnings per Share	$ 1.62	$ 1.64
Pro Forma Amounts Assuming New Accounting Principles Are Applied Retroactively		
Net income	$11,775	$12,892
Earnings per share	$ 1.58	$ 1.71

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Accounting Changes

Investment Tax Credit—During 1978, the Company adopted the flow-through method of accounting for investment tax credit. The flow-through method more clearly reflects the results of operations and provides a current and more uniform recognition of investment tax credit for book and tax purposes. As a result of adopting the flow-through method, the deferred investment tax credit balance at September 30, 1977 was credited to income, increasing net earnings for 1978 by $1.3 million, or $.17 per share.

Patent Costs—During 1978, the Company adopted the policy of charging all costs of internally developed patents to current operations. Purchased patents will continue to be capitalized and amortized over their useful lives. Under this more conservative method of valuing patent costs, the Company maintains a uniform recognition of patent costs for book and tax purposes. As a result of this change in accounting principle, the unamortized patent costs balance at September 30, 1977 of $1.9 million was charged to income, decreasing net earnings after taxes for 1978 by $1.0 million, or $.13 per share.

These changes increased 1978 net earnings by $.3 million, or $.04 per share, and are not applicable to prior years which have not been restated. Further, the cumulative effect on prior years (to September 30, 1977) of these changes of accounting principle is summarized below:

(Dollars in millions)

	Earnings (Loss) Before Taxes	Income Tax Benefit	Net Earnings (Loss)
Investment Tax Credit	$ —	$1.3	$1.3
Patent Costs	(1.9)	.9	(1.0)
Total	$(1.9)	$2.2	$ .3

WINNEBAGO INDUSTRIES, INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Inventories—Effective February 26, 1978, the method of determining the cost of all inventories was changed from the first-in, first-out (FIFO) method to the last-in, first-out (LIFO) method. The change was made because, in the opinion of the Company's management, the change will more clearly reflect operations by matching current costs with current revenues.

Because Internal Revenue Service regulations bar the Company from adopting (LIFO) prior to the beginning of its income tax year, the Company could not adopt (LIFO) prior to February 26, 1978. The Company will file an income tax return for the period from February 26, 1978, to August 26, 1978, so that the financial reporting year and the income tax year will then coincide.

The cumulative effect of the change on the year ended August 26, 1978 and the pro forma results of operations for the year ended August 27, 1977 had this principle been followed in prior periods, have not been presented because it is assumed that the (FIFO) inventory at February 25, 1978, is also the beginning inventory for the (LIFO) method.

The effect of the change on the three months and nine months ended May 27, 1978, was to decrease net income $100,325. The effect on the year ended August 26, 1978, was to decrease net income and per share amounts by $196,715 and $.01. The use of the (LIFO) method of determining inventory cost had the effect of decreasing inventories $378,298 at August 26, 1978, as compared to what they would have been under the (FIFO) method.

It is not practicable to separate the inventory into its components (raw material, work-in-process and finished products) due to the use of the dollar value LIFO method.

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 being followed. In most cases this can be made apparent by the headings or other information in the statements, but in other cases a footnote is required.

Paragraphs 2 and 3 of *ARB No. 51* and paragraph 8, Chapter 12 of *ARB No. 43* describe the conditions under which a subsidiary should or might not be consolidated.

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

Table 1-9 summarizes the consolidation policies of the survey companies for significant subsidiaries and shows the type of subsidiary commonly excluded from consolidation. For the purpose of the aforementioned tabulations a subsidiary is a company described in an annual report as a subsidiary or as more than 50 percent owned by its parent company. Notes to financial statements discussing consolidation policies follow.

TABLE 1-9: CONSOLIDATION POLICIES

	1978	1977	1976
Nature of Subsidiaries Not Consolidated			
Finance related			
Credit	94	97	93
Insurance	31	35	36
Leasing	18	17	20
Banks	6	10	10
Real estate	25	30	33
Foreign	33	37	38
Number of Companies			
Consolidating all significant subsidiaries	428	423	411
Consolidating certain significant subsidiaries	163	167	178
Not presenting consolidated financial statements	9	10	11
Total Companies	**600**	**600**	**600**

All Subsidiaries Consolidated

ABBOTT LABORATORIES (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 parent company and all subsidiaries. All intercompany transactions have been eliminated in the consolidated financial statements. The accounts of foreign subsidiaries are consolidated as of November 30.

ANCHOR HOCKING CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 1 (in part): Significant Accounting Policies

Principles of Consolidation—The consolidated financial statements include the accounts of Anchor Hocking Corporation and its subsidiaries, all of which are wholly-owned. All material inter-company transactions have been eliminated.

BEMIS COMPANY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Accounting Policies:

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

BRUNSWICK CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Summary of accounting policies

Principles of consoiidation—The consolidated financial statements include the accounts of Brunswick Corporation and all of its domestic and foreign subsidiaries (the Company). Investments in affiliates (33⅓% to 50% owned) are reported using the equity method. Many foreign subsidiaries and affiliates have fiscal years ending November 30. All transactions among Brunswick Corporation and its subsidiaries are eliminated in the consolidated financial statements.

DEL MONTE CORPORATION (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Accounting Policies (in part)

Consolidation—The financial statements of the Corporation and all its domestic and foreign subsidiary companies have been consolidated; intercompany transactions and balances have been eliminated. Investments in affiliated companies are carried at equity.

PORTEC, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In part): Accounting Policies

Consolidation—The consolidated financial statements include the accounts of all subsidiaries. The Australian, Brazilian and United Kingdom subsidiaries are consolidated on the basis of November 30 fiscal years.

THE SUPERIOR OIL COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Principles of Consolidation—The consolidated financial statements include the accounts of all domestic and foreign subsidiaries owned more than fifty percent including Canadian Superior Oil Ltd. (Canadian Superior) which was 50.1 percent owned (49.7 percent direct and 0.4 percent indirect) at December 31, 1978. The minority interest shareholders' equity in the net assets of Canadian Superior was $163,236,000 and $135,104,000 at December 31, 1978 and 1977, respectively. Minority shareholders' equity at December 31, 1977 includes $14,864,000 applicable to Alminex Limited (Alminex) as discussed in Note 4. The minority interest shareholders' equity in the net income of Canadian Superior and Alminex has been deducted in arriving at Superior's consolidated net income. All significant intercompany accounts and transactions have been eliminated.

Superior's investments in all other companies owned twenty percent or more are stated at cost as adjusted for Superior's share of reported earnings or losses less amortization of excess costs. Investments in all other companies are carried at cost.

Certain prior year amounts have been reclassified to conform to the 1978 presentation.

All Significant Subsidiaries Consolidated

BLISS & LAUGHLIN INDUSTRIES INCORPORATED (DEC)

FINANCIAL REVIEW

Principles of Consolidation—The consolidated financial statements include all subsidiaries except BLI Mortgage Company. Investments in affiliates, which consist of BLK Steel Inc. (a 50% joint venture) and Adamios Atlas, S.A. (a 49% joint venture), and BLI Mortgage Company (included in other realty assets) are stated at cost plus equity in undistributed earnings since acquisition. Separate financial statements for these affiliates and BLI Mortgage Company are not included in this report because they are not significant.

The Company translates the accounts of foreign subsidiaries and affiliates to U.S. dollars by following, in all material respects, the policy of translating monetary items at the current rate of exchange at the end of the year and nonmonetary items (inventory and fixed assets) at the rate of exchange in effect at the time the items were acquired. Income statement items, with the exception of cost of sales and depreciation expense, are translated at the average rate for the year. The resulting translation loss charged to income in 1978 was $521,000. In 1977 the amount was not material.

All intercompany transactions, including profits and losses, have been eliminated in consolidation.

FOSTER WHEELER CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

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

Principles of Consolidation—The consolidated financial statements include the accounts of Foster Wheeler Corporation and all significant domestic and foreign subsidiary companies.

In connection with the acquisition of a subsidiary in 1976, the Corporation may be required to issue additional shares of common stock if certain earnings goals are achieved in 1977 to 1979. The maximum number of shares to be issued is 62,532 of which 5,081 shares and 3,792 shares were issued in 1978 and 1977, respectively.

Finance-Related Subsidiaries Not Consolidated

CARRIER CORPORATION (OCT)

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 all significant domestic and foreign operating subsidiaries. All material intercompany balances and transactions have been eliminated.

The operating results of Carrier Distribution Credit Corporation (CDCC), a wholly owned finance subsidiary which purchases certain trade accounts and notes from the corporation, are included in consolidated earnings on an equity basis with a corresponding increase in the related investment account. The balance sheets of CDCC as of October 31, 1978 and 1977, are set forth on page 38.

THE CHARTER COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 1 (in part): Accounting Policies

A. Basis of Financial Presentation—The accompanying consolidated financial statements include the accounts of The Charter Company and its majority-owned subsidiaries ("Company") other than Charter Security Life Insurance Company ("Charter Security") which is accounted for by the equity method. Investments in unconsolidated affiliated companies, 20% or more owned, are accounted for by the equity method. All significant intercompany accounts and transactions have been eliminated in consolidation.

Certain 1977 figures have been reclassified to conform with the presentation adopted in 1978.

CONTINENTAL OIL COMPANY (DEC)

ACCOUNTING POLICIES

Principles of Consolidation—The consolidated financial statements include the accounts of the Company and majority owned subsidiaries, except for wholly owned finance and insurance subsidiaries which were organized to finance certain receivables and provide certain insurance coverage for the Company and subsidiaries and are accounted for under the equity method.

Continental follows the practice of including in net income its equity in earnings or losses of affiliates in which Continental owns 20% or more of the outstanding voting stock and of corporate joint ventures, and recording investments in these companies at cost adjusted for Continental's equity in their earnings or losses.

GAMBLE-SKOGMO, INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Principles of Consolidation—The consolidated financial statements include all accounts of the merchandising operations and real estate subsidiaries whose properties are utilized in merchandising operations. Finance, insurance, and leasing subsidiaries and several other small non-merchandising subsidiaries are not consolidated. Investments in unconsolidated subsidiaries and investee company are carried at underlying equity values. Condensed, combined financial information for the unconsolidated merchandise-related finance companies is presented in Note 12. Financial statements for the other unconsolidated financial service subsidiaries (Aristar Holdings, Inc. and subsidiaries) are presented elsewhere in this annual report.

In addition to the restatement for the change in method of accounting, certain 1977 balances have been reclassified to conform to the 1978 presentation.

GULF OIL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 1 (in part): Summary of Accounting Policies

Principles of Consolidation—The accounts of Gulf Oil Corporation and all subsidiary companies more than 50-percent owned are included in the consolidated financial statements except for a subsidiary engaged in insurance activities and a domestic finance subsidiary. The insurance and finance subsidiaries (affiliated companies) and all other investments 20-to-50-percent owned (associated companies) are accounted for on the equity method. The only significant majority-owned subsidiary is Gulf Canada Limited in which the Company has a 68-percent interest.

Intercompany transactions are eliminated in consolidation.

ROCKWELL INTERNATIONAL CORPORATION (SEP)

NOTES TO FINANCIAL STATEMENTS

Note 1 (in part): The consolidated financial statements include the accounts of the Company and all significant majority-owned subsidiaries. The Company's finance subsidiaries are not consolidated since their operations are not similar to those included in the consolidation. Intercompany balances and transactions are eliminated in consolidation.

TIME INCORPORATED (DEC)

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (in part)—The consolidated financial statements include the accounts of the Company and its significant majority-owned subsidiaries (with the exception of Lumbermen's Investment Corporation, which has not been consolidated because its mortgage banking and real-estate investment operations are dissimilar to the other operations of the Company). Unconsolidated subsidiaries and companies 20 percent to 50 percent owned are reflected in the financial statements on the equity basis. The Company's equity in their income or loss before income taxes and net income or loss, respectively, is included in Other Income—Net, with the exception of the 50 percent owned Georgia Kraft Company, which is recorded as a reduction of manufacturing costs.

Real Estate Subsidiaries Not Consolidated

CULBRO CORPORATION (DEC)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation—The consolidated financial statements include the accounts of all subsidiaries of the Corporation except for a wholly owned domestic real estate development company and a 40% owned Jamaican real estate affiliate, which are accounted for on the equity basis.

THE SINGER COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 1 (in part): Summary of Accounting Policies

Principles of Consolidation—The accompanying financial statements include the accounts of all subsidiaries other than the Company's wholly owned finance subsidiaries and Singer Housing Company and consolidated subsidiaries, which are reported in the financial statements as investments carried on the equity basis. Other investments in which the Company exercises significant management influence are also reported on the equity basis and, accordingly, the Company's share of their results of operations is included in income. All other investments are carried at cost.

All significant intercompany transactions are eliminated in consolidation.

WEYERHAEUSER COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 1 (in part): Consolidation—The consolidated financial statements include all domestic and foreign subsidiaries except the Company's real estate and related finance and construction subsidiaries which are carried at equity. Significant intercompany transactions and accounts are eliminated. Consolidated financial statements of Weyerhaeuser Real Estate Company and subsidiaries are presented separately on pages 47 through 55.

Foreign Subsidiaries Not Consolidated

DRESSER INDUSTRIES, INC. (OCT)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation—All majority-owned subsidiaries, other than financial service, insurance 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 not recognized until remitted.

ELTRA CORPORATION (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 Corporation and all controlled subsidiaries, except those engaged in equipment leasing which are carried on the equity method and certain foreign subsidiaries, as described in the following paragraph. All significant intercompany transactions have been eliminated.

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

Note 2—Foreign Subsidiaries:

Consolidated:

Consolidated foreign subsidiaries are located in the United Kingdom, West Germany and Canada and, considered as a group, had net assets summarized as follows:

	September 30, 1978	1977
Working capital	$55,707,000	$44,202,000
Fixed assets—net	23,021,000	19,954,000
Long-term debt	(7,887,000)	(6,306,000)
Liability for German pensions	(6,861,000)	(6,335,000)
Other—net	(4,814,000)	(1,162,000)
Net assets	59,166,000	50,353,000
Minority interests	(9,121,000)	(6,501,000)
Net assets attributable to Corporation's interest	$50,045,000	$43,852,000

The consolidated foreign subsidiaries, as a group, contributed to consolidated net sales and consolidated net income as follows:

	1978	1977
Net sales	$209,381,000	$170,905,000
Net income	8,723,000	3,744,000

Not Consolidated:

Based on unaudited financial statements at recent dates, the net assets of foreign subsidiaries not consolidated, applicable to the Corporation's interests, exceeded cost of investments as of September 30, 1978 by approximately $11,295,000. Combined earnings from operations and divi-

TABLE 1-10: BUSINESS COMBINATIONS

	1978	1977	1976	1975
Poolings of Interests				
Prior year's financial statements restated	31	31	24	18
Prior year's financial statements not restated	25	17	19	13
Total	**56**	**48**	**43**	**31**
Purchase Method	**149**	**118**	**103**	**75**

dends remitted to the Corporation were:

	1978	1977
Earnings	$1,618,000	$1,584,000
Dividends	453,000	848,000

FREEPORT MINERALS COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

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

Basis of Consolidation. Freeport Minerals Company consolidates in its financial statements major subsidiaries except Freeport Indonesia, Incorporated, and Freeport Queensland Nickel, Incorporated, whose operations are located in foreign countries and are accounted for under the equity method.

Investments in affiliates that are 20 to 50 percent owned are stated at cost plus equity in their undistributed earnings since acquisition.

PIONEER HI-BRED INTERNATIONAL, INC. (AUG)

NOTES TO FINANCIAL STATEMENTS

Note 1 (in part): Nature of Business and Significant Accounting Policies

Principles of consolidation—The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Norand Corporation, Green Meadows, Ltd. and Pioneer Hi-Bred Limited (a Canadian Company). All significant intercompany accounts and transactions have been eliminated in consolidation. The accounts, which are not material, of Pioneer Hi-Bred Limited have been translated in accordance with the method prescribed in Statement of Financial Accounting Standards No. 8.

The Company carries its investment in five foreign subsidiaries located in Australia, Brazil, India, France and Nicaragua (which in the aggregate do not constitute a significant subsidiary) at cost plus equity in undistributed net income. The accounts, which are not material, of the Company's five foreign subsidiaries have been translated in accordance with the method prescribed in Statement of Financial Accounting Standards No. 8.

BUSINESS COMBINATIONS

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

> The Board concludes that the purchase method and the pooling of interests method are both acceptable in accounting for business combinations, although not as alternatives in accounting for the same business combination. A business combination which meets specified conditions requires accounting by the pooling of interests method. A new basis of accounting is not permitted for a combination that meets the specified conditions, and the assets and liabilities of the combining companies are combined at their recorded amounts. All other business combinations should be accounted for as an acquisition of one or more companies by a corporation. The cost to an acquiring corporation of an entire acquired company should be determined by the principles of accounting for the acquisition of an asset. The 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 1-10 shows that in 1978 the survey companies reported 56 business combinations accounted for as a pooling of interests of which 25 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 interests usually commented that the reason for not doing so was immateriality. Examples of poolings of interests and purchases follow.

POOLINGS OF INTERESTS

AMERICAN MICROSYSTEMS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Business Combination—In August 1978, the company acquired Millennium Systems, Inc. (Millennium) in exchange for 500,000 shares of AMI common stock. The principal business of Millennium is the development, manufacture and marketing of instruments which support the design, manufacture and maintenance of microprocessor-based products.

The acquisition has been accounted for as a pooling of interests and, accordingly, all prior financial statements have been restated to include Millennium. The unaudited results of operations of the separate companies for periods prior to the combination are summarized as follows:

	(In thousands)	
	Net Sales	Net Income
Six months ended July 1, 1978:		
AMI	$35,763	$2,670
Millennium	3,880	425
	$39,643	$3,095

Year ended December 31, 1977:		
AMI	$71,148	$2,783
Millennium	5,069	582
	$76,217	$3,365

Net income for the above periods has been restated for the effect of capitalizing equipment leases. (See "Leases" note.)

DAYTON HUDSON CORPORATION (JAN)

NOTES TO FINANCIAL STATEMENTS

Note A (in part): Significant Transactions

Business Combination—Shareholders of the Company and Mervyn's, a retail chain based in Hayward, California, approved an agreement that provided for the merger of a wholly owned subsidiary of the Company with Mervyn's. The merger was effective May 28, 1978 and has been accounted for as a pooling of interests involving the combining of the account balances of the two companies and the exchange of approximately 7,553,000 shares of the Company's Common Stock for all outstanding shares of Mervyn's. The accompanying financial statements reflect the combination of the two companies.

Selected operating data of the separate companies for the interim period nearest the combination date, and of the Company for 1977 are as follows:

	First Quarter Ended (Unaudited)			
	April 29, 1978 Dayton Hudson	April 30, 1978 Mervyn's	Reclassification and Adjustments	As Restated*
Revenues	$481,252	$83,291	$2,452	$566,995
Gross Profit	$141,698	$28,734	—	$170,432
Net Earnings				
From Continuing Operations	$ 8,566	$ 3,071	$ (399)	$ 11,238
From Discontinued Operations	1,093	—	(163)	930
Consolidated	$ 9,659	$ 3,071	$ (562)	$ 12,168
Dividends	$ 5,671	—	—	$ 5,671

*Includes restatement for leases and Mervyn's start-up costs (Note R).

	1977
Revenues:	
Dayton Hudson, as previous reported	$2,125,669
Mervyn's, as previously reported (after reclassification)	369,055
As reported herein	$2,494,724
Net earnings:	
Dayton Hudson, as previously reported	$ 80,901
Mervyn's, as previously reported	17,768
	98,669
Lease capitalization restatement (Note G)	(733)
As reported herein	$ 97,936

ELI LILLY AND COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note B: Acquisition—In December, 1978, the Company exchanged 2,317,450 shares (.85 of a share for each share acquired) of its common stock for all the outstanding shares of Cardiac Pacemakers, Inc. (CPI). CPI is engaged primarily in the business of designing, developing, manufacturing, and marketing implantable cardiac pacemakers powered by lithium batteries. The acquisition has been accounted for under the pooling of interests method and, accordingly, the Company's 1977 consolidated financial statements have been restated to include the accounts and operations of CPI.

Net sales and net income included in the consolidated statements of income and reinvested earnings for 1977 and 1978 are as follows:

	Net Sales	Net Income
Year Ended December 31, 1977		
As previously reported	$1,518,012,000	$218,684,000
CPI	32,205,000	4,798,000
Combined	$1,550,217,000	$223,473,000
Year Ended December 31, 1978		
Lilly	$1,804,557,000	$271,811,000
CPI	47,533,000	5,664,000
Combined	$1,852,090,000	$277,475,000

Earnings per share were reduced by 3 cents in 1977 and by 4 cents in 1978 through dilution.

THE PENN TRAFFIC COMPANY (JAN)

NOTES TO FINANCIAL STATEMENTS

Note 2: Pooling of Interests Combination—On February 2, 1979, the businesses of The Penn Traffic Company and Quality Markets, Inc. were combined in a transaction accounted for as a pooling of interests. Penn Traffic issued 307,833 shares of its common stock, using a 3.5 exchange ratio, for all the outstanding capital stock of Quality. Quality, a supermarket company presently operating 20 stores in Northwestern Pennsylvania and Southwestern New York, had its accounting years ending on December 31. Accordingly, the pooled results combine Quality's calendar year amounts with Penn Traffic's fiscal year amounts. Effective January 1, 1979, Quality's calendar year-end was changed to coincide with Penn Traffic's fiscal year-end. Quality's results for the five weeks ended February 3, 1979 were charged directly to retained earnings. Sales of Quality during this period were approximately $5,317,000.

All financial information presented has been restated for the combination as if the two companies constituted a single entity during such periods. Net sales, gross margin and net income for each company and consolidated were:

	Penn Traffic	Quality Markets	Consolidated
		(In thousands)	
53 Weeks Ended February 3, 1979:			
Net sales	$280,077	$50,148	$330,225
Gross margin	$ 56,967	$ 8,800	$ 65,767
Net income	$ 5,158	$ 775	$ 5,933
52 Weeks Ended January 28, 1978:			
Net sales	$242,980	$42,971	$285,951
Gross margin	$ 49,074	$ 7,491	$ 56,565
Net income	$ 3,847	$ 630	$ 4,477

PURCHASES

ALLIS-CHALMERS CORPORATION (DEC)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Intangible Assets from Acquisitions—The excess of purchase price paid over the value of net assets of businesses acquired is being amortized principally over 40 years on the straight-line method.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Business Acquisitions—Effective October 2, 1978, the Company acquired for cash all of the outstanding shares of American Air Filter Company, Inc., a manufacturer of products and systems designed to improve and control the quality of environmental air. The total acquisition cost including capitalized expenses was $153 million, of which $30 million was provided from the proceeds of a private placement of Series D cumulative nonconvertible preferred stock and the balance from internally available cash and short-term borrowings. The excess of the total acquisition cost over the fair value of net assets acquired of $41.2 million is being amortized over 40 years.

The acquisition has been accounted for as a purchase and results of operations of American Air Filter since date of acquisition are included in the consolidated financial statements. Unaudited pro forma consolidated results of operations for the years ended December 31, 1978 and 1977 as though American Air Filter had been acquired as of January 1, 1977 follow:

	1978	1977
Sales (thousands)	$1,983,269	$1,799,285
Net income (thousands)	$ 73,556	$ 66,945
Earnings per common and common equivalent share	$6.03	$5.52

The above amounts reflect adjustments for amortization of goodwill, additional depreciation on revalued purchased assets, imputed interest costs on borrowed funds, Series D nonconvertible preferred stock dividend requirements and nonrecurring merger costs incurred by American Air Filter prior to the acquisiion.

During 1978 three other companies were acquired for cash totaling $2,109,100, short-term notes of $4,168,000 and 55,769 shares of Allis-Chalmers Series E nonvoting cumulative convertible $100 par value preferred stock. The acquired companies manufacture and repair electrical equipment, motors and mining equipment. Total acquisition costs of $11,854,000 exceeded the value of net assets acquired by approximately $1 million which is being amortized over 20-40 years. Net assets and operating results of the acquired companies are not material to the consolidated financial statements and have been included therein since dates of acquisition.

The final purchase price for all the outstanding shares of Sala International of Sweden acquired in 1977 was determined during 1978 and amounted to $4.4 million, which did not exceed the fair value of net assets acquired.

ARVIN INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Acquisition—On April 21, 1978 the Company, through its subsidiary Arvin Systems, Inc., acquired all the outstanding common stock of Calspan Corporation and merged it into Arvin Systems. Calspan is a Buffalo, New York-based research and testing company. The acquisition price of $8,641,000, including expenses, was paid by the issue of $5,280,000 of new Arvin Series B $2.00 convertible preferred stock and the remainder in cash. The transaction has been accounted for as a purchase, and accordingly Calspan's operations have been included in the consolidated statement of operations from date of acquisition. The fair value of the net assets acquired exceeded the purchase price by approximately $5,523,000, with such excess being credited to property, plant and equipment.

On an unaudited pro forma basis, including the results of operations of Calspan as if it had been acquired at the beginning of 1977 (with appropriate adjustments for the purchase method of accounting), consolidated net sales for 1978 and 1977 would have approximated $498,000,000 and $492,000,000, respectively. Net earnings would not have been significantly different from reported amounts.

BELL INDUSTRIES (JUN)

SUMMARY OF ACCOUNTING POLICIES

Intangibles—The excess of purchase price paid over the fair value of net assets of purchased businesses (goodwill) is amortized on a straight-line basis over periods ranging to 30 years.

Deferred debt issuance expenses are amortized over the life of the outstanding debt.

Original issue discount is deducted from the principal amount of the debentures and is amortized over the life of the outstanding debentures on the interest method.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Business Combinations—Effective January 1978, the Company purchased substantially all of the net assets of Century Electronics, Inc. for $2.2 million cash and an agreement to make a future payment equal to one-half of the earnings in excess of a specified level for the succeeding five year period. Century is a distributor of electronic components with facilities located in Colorado, New Mexico and Utah. The business combination has been accounted for as a purchase and the excess ($1.0 million) of the consideration paid to date over the fair value of the net assets acquired is being amortized over 25 years. Any future payment made to the former owners of Century will be recorded as additional goodwill and will be amortized over its then remaining life. The results of operations of Century are included in the consolidated statement of income from the effective date of purchase.

The following unaudited pro-forma data present the results of operations of the Company as if Century had been acquired at the beginning of fiscal 1977:

	1977	1978
Net sales	$116,206,000	$134,982,000
Net income	$ 4,412,000	$ 5,128,000
Net income per share	$1.03	$1.19

The pro-forma data have been adjusted to reflect interest expense and depreciation and amortization of the fair value of acquired assets and goodwill.

DIAMOND INTERNATIONAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Acquisition of LMF Corporation and Subsidiaries—On November 15, 1978, the merger of LMF Corporation, a corporation engaged principally in the operation of lumber and building materials stores, into the Company became effective. Prior to the effective date of the merger, the Company purchased 196,063 shares of LMF common stock in the open market at a cost of $3,232,000. In addition, the Company purchased 556,202 shares of LMF common stock in the cash election portion of the merger transaction at a cost of $8,899,000. The Company has issued a total of 2,371,488 shares of Diamond Series A Preferred Stock in exchange for the remaining outstanding shares of LMF common stock.

The Diamond Series A Preferred Stock has been valued at $16.00 per share of which the $1 par value was credited to the preferred stock account and $15.00 to the capital in excess of par value account. Certain costs relating to the issuance and registration of the Diamond Series A Preferred Stock have been charged to capital in excess of par value.

The acquisition has been accounted for by the purchase method of accounting and accordingly, the results of operation of LMF and its subsidiaries have been included in income from the date of acquisition.

The aggregate purchase price of $51,309,000, including fees and expenses, exceeded the fair value of the net assets of LMF by $18,789,000. This excess is being amortized on a straight line basis over a 40 year period.

The following unaudited summary, prepared on a proforma basis, combines the consolidated results of operations of the Company for the years ended December 31, 1978 and 1977 with those of LMF for its fiscal years ended July 31, 1978 and 1977.

	1978	1977
	(In thousands of dollars)	
Revenues	$1,205,743	$1,060,309
Income Before Extraordinary Item	59,186	50,902
Net Income	50,181	50,902
Per Common Share:		
Income Before Extraordinary Item	$4.82	$4.12
Net Income	4.05	4.12

TWENTIETH CENTURY-FOX FILM CORPORATION (DEC)

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 $9,612,000 and $7,807,000 in 1978 and 1977, respectively.

Television stations' licenses, contracts and network affiliation agreements and the excess of cost over the net assets of acquired companies at the dates of acquisition are being amortized on the straight-line method generally over 40 years.

Note 2 (in part): Acquisitions—Effective June 28, 1978, a subsidiary of Fox acquired the Aspen Skiing Corporation (Aspen), the operator of four ski areas in Colorado, for an aggregate cost of approximately $49,350,000 which included the issuance of 637,329 shares of Fox $3 Cumulative Convertible Preferred Stock. The acquisition has been accounted for as a purchase and the excess of the purchase price over the fair value of the assets acquired and liabilities assumed of $15,767,000 is being amortized over 40 years.

On September 27, 1977, a subsidiary of Fox acquired all of the outstanding common stock of Coca-Cola Bottling Midwest Inc. (Midwest), a bottler engaged primarily in producing and marketing Coca-Cola and other soft drinks in most of Minnesota and in portions of North Dakota, Wisconsin, Montana and Wyoming, for an aggregate cost of $27,835,000.

The acquisition has been accounted for as a purchase, and the excess of the purchase price over the fair value of assets acquired and liabilities assumed of $8,147,000 is being amortized over 40 years.

The following table summarizes, on an unaudited pro forma basis, the revenues, net earnings and earnings per share of the Company as though Aspen and Midwest had been acquired on December 25, 1976.

	1978	1977
	(in thousands except earnings per share data)	
Revenue	$641,618	$571,083
Net earnings	$ 62,512	$ 53,713
Earnings per common share	$ 7.65	$ 6.65
Earnings per share—assuming full dilution	$ 7.30	$ 5.78

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 1-11 summarizes the various contingencies and commitments (except leases which are summarized in Table 2-27) disclosed in the 1978 annual reports of the survey companies. The balance sheets of 188 survey companies showed a caption, without an amount, for contingencies and/or commitments. Examples of contingency and commitment disclosures follow.

TABLE 1-11: CONTINGENCIES AND COMMITMENTS

	Number of Companies			
	1978	1977	1976	1975
Loss Contingencies				
Litigation	310	330	311	290
Guarantee of indebtedness	138	128	140	164
Possible tax assessment	97	88	87	74
Sale of receivables with recourse	60	65	69	68
Renegotiation of government contracts	45	46	21	N/C
Other—identified	52	33	35	36
Gain Contingencies				
Operating loss carryforward	75	73	64	65
Investment credit carryforward	54	41	51	45
Plaintiff litigation	14	30	26	35
Commitments				
Dividend restrictions	423	418	437	420
Plant expansion	93	109	102	93
Purchase agreements	23	39	60	67
Employment contracts	16	25	15	N/C
Additional payments in connection with an acquisition	7	16	25	49
Other—identified	19	25	20	N/C

N/C — Not Compiled.

LOSS CONTINGENCIES

Litigation

AMERICAN CAN COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 9: Litigation—The Company has been named in third-party complaints by certain chemical suppliers essentially seeking indemnification or contribution with respect to any liabilities of such suppliers for personal injuries to former employees of the Company from use of such chemicals during their employment. A court decision dismissing the Company in 1977 as a defendant has been appealed. The Company denies any liability to the suppliers in these actions. While the matter is not yet finally resolved, the Company expects these actions will be disposed of without adverse effect on its financial position or results of operations.

AMERICAN STORES COMPANY (MAR)

NOTES TO FINANCIAL STATEMENTS

Note 8: Litigation—In addition to various claims and lawsuits arising in the normal course of business, the company and its subsidiaries are party to several matters alleging violation of certain civil rights and antitrust statutes.

The annual report for the company's fiscal year ended April 2, 1977 noted the filing of ten antitrust suits brought by alleged cattle producers and feeders against the company and numerous other retail food companies and other defendants alleging violations of law in the purchase and sale of meat. During the company's fiscal year ended April 1, 1978, an additional eight such suits were filed against the company and other defendants. All cases have been consolidated for pre-trial proceedings in the U.S. District Court in Dallas, Texas. On December 27, 1977, eleven of these cases were dismissed by the court on the basis of the decision of the U.S. Supreme Court in *Illinois Brick Co. v. Illinois*. The remaining seven cases were not consolidated before the court at the time of this decision. Notices of Appeal have been filed in each of the dismissed cases. Congress is currently considering proposed legislation designed to reverse the decision of the Supreme Court in the *Illinois Brick* case which could have the effect of reinstating some or all of the cases dismissed on the basis of that decision.

Since the proceedings in these cases have not yet progressed beyond the early stages of discovery, management cannot predict the ultimate outcome. However, management believes that no basis exists for the allegations made against the company in these complaints and that it is unlikely that these law suits will materially affect the company's consolidated earnings and financial position.

CHICAGO PNEUMATIC TOOL COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Litigation—On January 10, 1979, Easco Corporation withdrew its suit against the company, originally filed on December 30, 1977 in connection with the company's purchase in 1977 of 280,000 shares of Easco common stock and the action was formally dismissed with approval of the court.

In November 1977, the company filed suit in the United States District Court for the District of Rhode Island seeking to recover approximately $495,000 from a former distributor for goods sold and delivered. In January 1978, the former distributor filed a counterclaim alleging violations by the company of the Federal antitrust laws, breach of contract, interference with contract, deceit, slander and unfair competition. The former distributor seeks "treble damages in an amount as yet undetermined, but which exceeds 20 million dollars" for the alleged antitrust violations, damages for the alleged common law violations in an amount not specified in the counterclaim, and punitive damages.

On June 28, 1978, suit was filed against the company in the United States District Court for the Southern District of New York by Upneumat International Corporation ("UP"). The suit alleges violations by the company of the Federal antitrust laws and unfair competition. The suit asks, among other things, that the company pay UP treble damages in an amount not less than $12,750,000, divest itself of all shares owned by the company of The Jacobs Manufacturing Company, Fox Valley Instrument Company and MATCO Tools Corporation, and that the company be permanently enjoined "from the actions and practices complained of . . ." by UP. On March 16, 1979, the company filed counterclaims against UP alleging, among other things, unfair competition, tortious interference with the company's business relationships, misappropriation of the company's common law and statutory rights in its trade secrets, trademarks, and confidential information, and fraud, all in conjunction with UP's activities in the United States, Japan, France, Canada and the United Kingdom. The company seeks actual and punitive damages in an amount not less than $1,000,000 each on various of its counterclaims, and that UP be permanently enjoined from conducting activities which unlawfully interfere with the company's business.

The Rhode Island and New York lawsuits noted above are in the pre-trial stage. After consultation with legal counsel the management of the company believes that the results of this litigation and other pending legal proceedings would not have a materially adverse effect on the company's financial condition.

COMBUSTION ENGINEERING, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 12: Pending Litigation—On May 8, 1975, three utility companies filed a complaint against the Company and certain other defendants alleging that the Company is liable for breach of contract, breach of warranties, negligence and other claims in connection with the supply and erection of a fossil fueled electric generating plant in New York known as the Roseton Plant. Damages are claimed against all defendants in an unspecific amount alleged to be in excess of $125 million, the major part of which appears to be for consequential damages. The case is in the pretrial discovery phase.

The Company is currently a defendant in a number of lawsuits involving personal injuries allegedly resulting from asbestos containing insulation products. The Company has not manufactured such products for a number of years.

Although the amount of liability, if any, at December 31, 1978, with respect to the actions described above and the other legal actions to which the Company and its subsidiaries are party cannot be ascertained, in the opinion of the Company, any resulting liability will not materially affect the Company's consolidated financial statements.

GAMBLE-SKOGMO, INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15: Commitments and Litigation—The company has guaranteed indebtedness of unconsolidated subsidiaries of approximately $48,604,000. In addition the company, as a result of a corporate reorganization in 1964, may be liable for the payment of $15,928,000 of long-term debt of an unconsolidated finance subsidiary. The company has also guaranteed loans and other debt with banks of $7,920,000 at January 27, 1979.

A number of lawsuits and inquiries and complaints from state regulatory agencies, are pending against Aldens, Inc., a subsidiary of the company. These proceedings relate to the legality of certain credit and finance charge practices. Notwithstanding the above, management is of the opinion that Aldens is presently in compliance with applicable state laws. If such lawsuits are tried and decided adversely, it is impossible to predict what amounts, if any, might be awarded, although a theoretical liability in the millions of dollars could be involved. Aldens has been unsuccessful in substantially all cases that have been finally adjudicated, but is vigorously defending each pending case. Management is of the opinion that ultimate resolution of the pending matters or possible litigation involving finance charges, taken in the aggregate, will not materially affect the company's financial position or results of operations.

In August and September 1978 Gamble purchased approximately 20% of the outstanding common stock of Garfinckel, Brooks Brothers, Miller & Rhoads, Inc. (Garfinckel). Garfinckel has commenced an action in the United States District Court for the District of Delaware to require devestiture of the common stock purchased to date and to obtain monetary damages of not less than $10,000,000 and certain other remedies. Gamble intends to defend its position vigorously and management of Gamble does not believe that the outcome of such proceedings would materially affect Gamble's financial position or results of operation.

GEARHART-OWEN INDUSTRIES, INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17 (in part): Commitments and Contingent Liabilities—In December, 1978, a Texas District Court rendered a verdict against the company awarding punitive damages in the amount of $900,000. As the question regarding punitive damages under umbrella coverage remains unsettled in Texas, the Companies' insurance carrier has denied liability. The Company has appealed the verdict to the Court of Civil Appeals, Eighth District, and is contesting the denial of liability by the insurance carrier. Management is unable to predict the outcome of the proceedings but believes the insurance carrier will be liable for the coverage or the judgment against the Company will be reversed on appeal and that the amount of loss that may be sustained, if any, would not materially affect the Companies' financial position or results of operations. No provision has been made in the accompanying financial statements to reflect the decision of the trial court.

At January 31, 1979, there were other lawsuits and claims pending against the Company. In the opinion of management, the ultimate liabilities, if any, resulting from such lawsuits and claims will not materially affect the consolidated financial position of the Company.

GEORGIA-PACIFIC CORPORATION (DEC)

FINANCIAL FOOTNOTES

Note 16 (in part): Litigation—The corporation is a codefendant with two other significant producers of plywood in the United States in numerous treble damage civil actions alleging an unlawful combination and conspiracy over a number of years to fix softwood plywood prices in violation of the Federal antitrust laws. Most of these are class actions, and the allegations are similar to those made in a Federal Trade Commission ("FTC") proceeding against major softwood plywood manufacturers, including the corporation, in which the FTC found an unfair trade practice in violation of Section 5 of the Federal Trade Commission Act (the corporation has appealed the FTC decision to the Federal courts). In addition, some of the actions make similar allegations with respect to lumber. These civil actions were brought on behalf of purchasers and users of softwood plywood (and, in some cases, lumber) in specific areas and throughout the United States. The specific allegations are (a) that certain freight charges were unlawfully included in sales prices, (b) that arbitrary association weights were used in computing freight charges, and (c) that a single basing point was used in the computation of delivered sales prices. The complaints seek injunctive relief and also state that the amount of damages is presently undetermined. All cases were consolidated for trial in New Orleans, Louisiana, and in November 1978 a jury delivered a verdict in favor of the plaintiffs. Specifically, the jury found that as the result of a conspiracy the corporation used "west coast freight" in the sale of plywood manufactured in the southern United States and that the purchasers of such plywood suffered financial injury amounting to the difference between actual freight charges from the southern mills and the west coast freight charges used in the pricing of the plywood. In addition, the jury found that as the result of a conspiracy the corporation used estimated plywood weights which were higher than the actual weight of certain plywood shipments from the mills in the western United States, and that the purchasers of such plywood suffered financial injury amounting to the difference between the amount of freight charges based on the estimated weights and the amount based on the actual weight of the plywood. The Court has indicated it will require several selected plaintiffs to proceed with proof of their individual damages. If damages can be proved by these selected plaintiffs, final judgment as to these individual claims against the corporation and the other two defendants will be entered by the Court. In that event, the corporation could appeal the judgment to the United States Court of Appeals for the Fifth Circuit and, if necessary, could seek review by the United States Supreme Court. Counsel has advised that, on appeal, there is a significant likelihood that any such judgment would be set aside or modified to substantially reduce the corporation's liability. However, if a judgment in favor of the plaintiffs is upheld or so modified on appeal, separate proceedings will have to be held to determine the amount of damages owing to each of the other hundreds of thousands of class members. If a judgment in favor of all or substantially all class plaintiffs should ultimately be upheld on appeal, the damages could be very substantial. Based on estimates of industry sales, the total damages after the required trebling under the relevant statute could be as much as $1.5 to $2 billion using the jury's measure of damages (which is not necessarily the measure which would ultimately be used). The corporation's management and counsel are not in a position to predict the extent of the corporation's liability, if any, in this matter. The corporation intends to continue vigorously defending these actions in additional proceedings.

KROEHLER MFG. CO. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (in part): Commitments and Contingencies—The company is defendant in a suit in which the plaintiffs (former employees of a plant closed in 1968) are seeking recovery of approximately $3,500,000 which the plaintiffs claim was wrongfully paid to the company upon termination of the pension plan covering such former employees. The principal issue relates to the question of whether certain results flow from actuarial errors. Legal counsel states that legal precedents which they have reviewed appear to support the company's position and they are reasonably confident that if these precedents are followed, the pending lawsuit should be defeated. Consequently, no provision has been made in the accounts for any liability for this suit. Any payments by reason of an adverse determination in this matter will be charged to earnings in the period of determination.

LIBBEY-OWENS-FORD COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note L: Litigation—On September 15, 1975, John Hancock Mutual Life Insurance Company filed suit in the Superior Court of Middlesex County, Massachusetts, against the Company and other parties associated with the design and construction of the 62-story John Hancock Tower in Boston, Massachusetts, which is reported to have cost in excess of $100,000,000. The complaint in the suit alleges negligence by the Company in the selection, design and manufacture of glass units installed in the Tower, and that the Company breached warranties allegedly made in connection with the sale of the units. The plaintiff asked for such damages as the court may determine, including the cost of labor and materials for removing and replacing all the glass units, additional design and engineering and construction costs, and increased operating expenses, deprivation of use of the Tower, diminution in value of the Tower and lost income on rentals from the Tower. The Company has filed its answer denying the allegations and has filed its counterclaim against the plaintiff and other defendants. The other parties have filed answers denying the Company's counterclaims and the allegations of the complaint against them. Discovery proceedings which commenced in 1976 are still in an early stage, and no depositions have yet been scheduled.

The Company is a defendant in several other lawsuits involving glass units similar to those originally supplied for the Hancock Tower. In each of these cases the Company has also denied liability. As previously reported, the effect of the settlement of one of these lawsuits during 1978 was not material to the consolidated net earnings or financial position of the Company.

While the ultimate outcome of the John Hancock and remaining cases cannot now be predicted, Management of the Company is of the opinion, based on facts now known to it, that it is unlikely the liability, if any, from these suits (to the extent not provided for by insurance or otherwise) will have a material adverse effect upon the Company's consolidated financial position as at December 31, 1978.

THE MEAD CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note K: Commitments and Contingent Liabilities

Litigation. The company, along with other paper companies, is a party to various actions and proceedings under the antitrust laws.

The company has submitted documents and employees have testified before a federal grand jury in Philadelphia investigating the paper industry. In addition, the company and thirteen other companies were indicted by a federal grand jury in Houston for the alleged fixing of prices of corrugated containers in violation of the Sherman Act.

The company and a number of other companies are defendants in a variety of class actions brought by private litigants including certain states in numerous federal courts alleging violation of the Sherman Act by fixing prices of folding cartons, corrugated containers, and fine paper. The company is also a defendant, along with other paper companies, in two other class actions. In one of these it is alleged that defendants combined and conspired with respect to kraft linerboard and corrugated boxes in violation of Section 1 of the Sherman Act and that defendants have monopolized the manufacture, distribution, sale, and shipment of corrugated boxes in violation of Section 2 of the Sherman Act; in the other, plaintiffs allege that defendants conspired, in restraint of trade, in the sale of bending boxboard and folding cartons in violation of Sections 1 and 2 of the Sherman Act.

In all of the foregoing private class actions, plaintiffs seek injunctive relief and dollar damages in unspecified amounts.

The company, Noranda Mines Limited, and British Columbia Forest Products Limited are defendants in an action by the United States alleging that the acquisition of Blandin Paper Company by British Columbia Forest Products Limited violates Section 7 of the Clayton Act and seeking divestiture.

All of these cases and proceedings are being actively defended by the company. Notwithstanding, the company charged operations for an additional $5,000,000 during 1978 resulting in a cumulative accrual of $15,000,000 to December 31, 1978, for these possible liabilities. In the opinion of management and legal counsel, the possible liability, if any, in excess of this amount would not materially affect the company's financial position or results of operations.

In addition, the company is involved in various litigation arising in the normal course of business. In the opinion of management and legal counsel, the company's recovery or liability, if any, in this pending litigation would not have a material effect on financial position or results of operations.

MEREDITH CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10: Possible Loss from Litigation—On August 15, 1978, a court in Los Angeles County, California, entered a judgment of approximately $7,400,000 against the defendants in the case of Ralph H. Andrews against Meredith Corporation and others. The suit was brought in 1973 by the owner of a television program packaging company who sold the business to the Company in 1970. The Company discontinued the operation of that business in 1972. The Company considers the judgment wholly unwarranted and will vigorously appeal. Also, trial on a previously filed cross-complaint by the Company against Ralph H. Andrews is still to be held. The ultimate outcome of these cases is impossible to predict or measure at this time. If the ultimate resolution of these cases results in a payment by the Company, such payment would not have a material effect on the Company's financial position and would be charged to operations and deducted for income tax purposes in the year of resolution.

MOTOROLA, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (in part): Contingencies—The company is one of 23 defendants named in a lawsuit commenced on September 20, 1974, by Zenith Radio Corporation ("Zenith") in the United States District Court for the Eastern District of Pennsylvania. Zenith's complaint alleged conspiracies and other violations of the United States antitrust and anti-dumping laws.

The complaint also challenges, under the U.S. antitrust laws, the purchase by subsidiaries of Matsushita Electric Industrial Co., Ltd., of Japan (collectively with such subsidiaries, "MEI") of certain assets and business of Motorola's Consumer Products Division home television receiver business. Prior to the consummation of such purchase, the U.S. Department of Justice, at the request of Motorola and MEI, investigated the antitrust implications of the transaction. During such investigation, the Department of Justice took no legal action to prevent the sale.

For all such alleged violations, Zenith claims monetary damages in the aggregate of more than $300 million (and the trebling of that amount). It seeks judgment against the defendants jointly and individually in that amount plus costs and plaintiff's attorney's fees. It also seeks divestiture by MEI of the assets purchased from Motorola.

In the event a divestiture is ordered or litigation damages are assessed against MEI arising out of such purchase, Motorola has agreed to share to a limited extent the loss, if any, incurred by MEI. The maximum loss for which Motorola could be responsible to MEI under this agreement is $20 million. Management believes that the company has acted properly throughout and has denied any conspiracy or other violation of law alleged by Zenith.

NEW ENGLAND NUCLEAR CORPORATION (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note H (in part): Commitments and Contingencies—The Company and its former subsidiary, Iso-Med, Inc., (liquidated January 31, 1976) are defendants among others in a suit for $56,500 general damages and $400,000 punitive damages alleging that they took over the assets and liabilities of a California corporation and are, therefore, liable for its debts. Outside counsel is of the opinion that the Company and Iso-Med have substantial defenses to this action and should prevail.

Estimated commitments in connection with planned expansion of facilities at February 28, 1978 aggregated $5,077,000.

SPARTON CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (in part): Commitments and contingent liability—The Company's Canadian subsidiary has two lawsuits pending against it aggregating approximately $2,850,000 for alleged breach of contract. The lawsuits are being defended on numerous grounds and, in addition, the subsidiary has filed a counterclaim. The ultimate outcome of the lawsuits cannot presently be determined and no provision for loss or recovery, if any, that may result has been made in the consolidated financial statements.

SQUIBB CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Contingencies and Litigation—Several products of the Company are currently under review by the Food and Drug Administration. Although the ultimate outcome cannot be predicted with any certainty, these proceedings will not, in the opinion of the management of the Company, result in a material adverse effect on the consolidated financial position of the Company and its subsidiaries.

The Company is continuing to participate with other pharmaceutical companies in programs to dispose of certain tetracycline anti-trust litigation attributable to prior years. Estimated amounts were provided in prior periods which, while no assurance can be given, management believes will be sufficient to dispose of such litigation, including legal and other related expenses, attributable to prior years.

Various other suits and claims are also pending against the Company and its subsidiaries, including product liability suits in which women have instituted actions against a number of pharmaceutical manufacturers, including a subsidiary of the Company, seeking to recover substantial damages for injuries suffered by them allegedly as a result of their mothers having taken diethylstilbestrol (a prescription drug) during pregnancy. Although the outcome of such suits and claims cannot be predicted with certainty, the disposition thereof will not, in the opinion of the management of the Company, result in a material adverse effect on the consolidated financial position of the Company and its subsidiaries.

STEELMET, INC. (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12: Contingencies—On November 6, 1978, a vendor filed suit alleging that a wholly-owned subsidiary of the Company had converted scrap metal owned by the plaintiff to its own use through certain of its employees. The plaintiff requests damages, pursuant to their complaint, in the amount of $523,000 plus interest and costs. In the alternative, plaintiff requests double damages in the amount of $1,046,000 plus interest and costs under a special provision of the State's general laws. The Company has filed an answer denying liability under all counts.

The Company has, for certain considerations, guaranteed a five year equipment lease for a maximum of $100,000.

TELEDYNE, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6: Commitments and Contingencies—Five lawsuits brought against the Company in the United States district courts in California, Michigan and Texas, alleging that the Company violated Federal securities laws and state laws in connection with certain repurchases or redemptions of its stock have been dismissed. Appeals in three of the actions have been dismissed or waived. The other two actions are on appeal to the United States Court of Appeals for the Ninth Circuit. One of the actions on appeal seeks an unspecified amount of money damages, the other seeks money damages aggregating more than $8,600,000, and punitive damages of $5,000,000. Another action alleging claims relating to certain repurchases of stock has been filed in the Chancery Court of Delaware and seeks compensatory and punitive damages in an indeterminate amount and alternatively, rescission. The Company believes that the allegations made in these complaints are not meritorious and that the Company has in all instances adequate legal defenses.

The Company has guaranteed the repayment of principal and interest of certain short-term notes payable of UIC Investments, Inc., a subsidiary of the Company's life and casualty insurance subsidiaries. The amount of notes payable outstanding at December 31, 1978 covered by these guarantees was $140,000,000.

Guarantee of Indebtedness of Others

THE DOW CHEMICAL COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note P: Contingent Liabilities—Suits have been started against the Company and certain subsidiaries because of alleged product damage and other claims. All suits are being contested and the amount of uninsured liability thereunder is considered to be adequately covered by provisions made.

The Company has contracted to purchase electricity and process steam from a nuclear power plant being constructed by Consumers Power Company at Midland, Michigan. If due to regulatory problems, (1) Consumers is unable to complete this plant, or (2) the Company terminates its purchase contract, the Company would be obligated to pay a termination fee, which as of December 31, 1978 is estimated at $127.5 million and $255.0 million, respectively.

A Canadian subsidiary has entered into a 20-year agreement to purchase substantially all of the output of an ethylene plant being constructed in the Province of Alberta. The owner of the plant, The Alberta Gas Ethylene Company, Ltd., has arranged to borrow up to $373.8 million which will be guaranteed as to principal and interest by the Company. At December 31, 1978, the borrowing amounted to $150.6 million to be repaid in monthly installments ending in 1998.

The Company has limited operations in Iran. No provision has been made in the accompanying financial statements for potential losses, if any, which may arise from recent political disturbances in that country.

GATX CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note K (in part): Commitments and Contingent Liabilities—At December 31, 1978, GATX has guaranteed $38,285,000 borrowed by the MTL Group and $24,159,000 borrowed by a foreign ship financing subsidiary. In addition, GATX has guaranteed a $3,000,000 bank borrowing of a third party in connection with the acquisition of certain tank storage terminal facilities.

In connection with certain borrowings of GATX Leasing, GATX has agreed to maintain ownership of at least 90% of each class of GATX Leasing outstanding stock and to cause GATX Leasing to maintain working capital (as defined) of not less than $1,000,000. GATX and GATX Leasing have complied with these requirements.

INLAND STEEL COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (in part): Commitments and Contingent Liabilities—The Company is a participant in two iron ore mining and pelletizing ventures which have incurred long-term debt in connection with the development or expansion of their respective facilities. The Company has obligations under the terms of the various debt agreements to guarantee payment of principal and interest. The Company's share of the principal payments of one of these ventures will approximate $1,000,000 annually over the next 13 years. The Company's share of the principal payments of the other venture will approximate $3,800,000 annually through 1980, $10,500,000 in 1981, and $6,700,000 annually from 1982 through 1998.

MARATHON OIL COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note J: Contingencies—The Company is contingently liable as guarantor of an unconsolidated finance subsidiary's obligations to banks and others totaling $44,761,000 (1977—$48,693,000). In addition, the Company has guaranteed the notes of affiliates to the extent of $21,059,000 (1977—$15,063,000). Underlying assets of the subsidiary and affiliates are of sufficient value to cover these obligations.

The Company's operations are subject to various governmental and regulatory controls, particularly those of the Department of Energy. The Federal Energy Administration, and now the Department of Energy, has been conducting a continuous audit of the Company's records since April, 1974. The Company believes it is in substantial compliance with all of the regulations as issued, and accordingly no adjustments would be required which would materially affect the financial position of the Company.

Other contingencies which may have an adverse effect on the Company but are, by their nature, unpredictable include various energy legislation proposals, suggestions of petroleum industry dismemberment, possible actions by certain foreign governments and increased taxation at the federal, state and local levels. The Company also has other contingent liabilities with respect to litigation, claims and contractual agreements arising in the ordinary course of business. In the opinion of management, such contingent liabilities will not result in any loss which would materially affect the Company's financial position.

NATIONAL DISTILLERS AND CHEMICAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollar amounts in thousands except for per share data)

Note 3 (in part): Investments in Associated Companies—National is contingently liable in respect of indebtedness of certain of the Associated Companies for moneys borrowed. A co-investor in an Associated Company has agreed to contribute up to one-half of any amount National may have to pay with respect to any liability representing borrowings of that Associated Company. At December 31, 1978, the maximum amount of National's contingent liability was estimated at $31,700, assuming the other investor in that Associated Company makes its required contribution should the liability arise. The comparable amount at December 31, 1977 was $28,500.

WHITE MOTOR CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note H (in part): Commitments and Contingencies—In 1975, Perkins Diesel Corporation, a wholly-owned subsidiary of Massey-Ferguson Limited, acquired all of the Corporation's interest in its uncompleted engine plant in Canton, Ohio, which was financed by industrial revenue bonds issued by the City of Canton. Although Perkins Diesel and Massey-Ferguson are unconditionally and primarily liable, the Corporation remains obligated under a guaranty agreement with the Trustee for payment of principal and interest on the bonds. At December 31, 1978, such principal and interest totaled approximately $52,007,000 due in installments through 1993. In addition, the Corporation has guaranteed that certain properties with a total book value to the Corporation of $30,800,000 transferred to Perkins will qualify as being eligible for investment tax credit.

Guarantees Other Than of Indebtedness

BOISE CASCADE CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 5 (in part): Leases and Contingent Liabilities—The Company is contingently liable for annual lease payments on leased properties of businesses sold. These contingencies approximate $3,500,000 per year through 1983, $1,000,000 per year for 1984-1988, $900,000 per year for 1989-1993, $700,000 per year for 1994-1998, with a total amount thereafter of $1,000,000. No significant payments were made by the Company on these contingencies in 1978.

At December 31, 1978, the Company was contingently obligated for $5,468,000 for receivables sold with recourse, loans of divested and unaffiliated companies and third-party customer financing related to the divestiture of the realty business.

COMPUGRAPHIC CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (in part): Contingent Liabilities—As of September 30, 1978, the Company was contingently liable to the extent of approximately $3,100,000 arising out of agreements with third parties in the event of default by customers under various lease agreements. In addition, the Company's German subsidiary was contingently liable in the amount of $750,000 for certain receivables which were sold with recourse.

In connection with the 11% Subordinated Note Agreement entered into by Graphic Credit, the Company has agreed, among other things, to maintain the required liquid net worth and fixed charge coverage of this subsidiary.

THE VENDO COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 19 (in part): Contingencies and Litigations: Trust Fund Guarantee—The Company closed its Kansas City plant in May of 1977. In connection with the plant closing, the Labor-Management Services Administration of the U.S. Department of Labor began an investigation into whether a minimum benefit, provided to eligible employees pursuant to a collective bargaining agreement between the Company and the United Steelworkers of America, was subject to the minimum funding and vesting requirements imposed by the Employee Retirement Income Security Act of 1974 ("ERISA"). The Company has taken the position that the minimum benefit was not subject to ERISA and that even if the benefit were subject to ERISA, the Company would not incur any additional liabilities to the eligible employees. The Labor Department has informally advised the Company that it does not intend to pursue this matter further. As of the expiration of the said labor agreement, representatives of the United Steelworkers of America agreed in writing with the Company that the Company had fulfilled all of its obligations with respect to the guarantee. By its terms the Agreement did not affect or diminish the right of any individual to institute any legal procedure or make any claim. The Union, in a letter dated January 16, 1979, has threatened to institute suit against the Company for approximately $575,000 on behalf of certain terminated union employees of the Kansas City plant. The Company intends to defend any such litigation vigorously. If such litigation were instituted, the Company and counsel believe the Company would have meritorious defenses, including defenses relating to limitation on any amount of liability that might be imposed. At the present time the Company cannot assess the probability of the Company's being held liable in any such litigation, but believes that the liability, if any, resulting therefrom would not materially affect the accompanying financial statements.

OWENS-ILLINOIS, INC. (DEC)

FINANCIAL REVIEW

Commitments and Contingencies. The Company is currently planning a development project beginning in 1979 for the construction of a new Corporate Headquarters Building and expects to lease the building under an operating lease from a third party. The total cost of this project, including furnishings and other related development costs, is expected to approximate $95 million.

The Company is committed to cause National Petro Chemicals Corporation (50% owned) to maintain working capital at a specified amount while any portion of certain National Petro notes are outstanding ($23.4 million outstanding at December 31, 1978). This commitment may be terminated at any time by purchase of 50% of the outstanding notes.

Owens-Illinois was contingently liable at December 31, 1978, under guarantees of loans and other obligations of other associates in the principal amount of $9.8 million.

The Company is a party to a substantial number of routine lawsuits incidental to its business, some involving substantial amounts, and is also a party to various governmental administrative proceedings and investigations relating principally to environmental, employment and antitrust matters. In addition, a number of antitrust suits are still pending against the Company, certain of which are or purport to be class actions against the Company and a substantial number of other corporations. It is not possible at the present time to estimate the ultimate legal and financial liability of the Company in respect of such litigation, proceedings and investigations; however, General Counsel believes that the ultimate liability will not be material in relation to the Company's consolidated financial statements.

TEXACO INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (in part): Contingent Liabilities—The Company and its subsidiary companies were contingently liable in the amount of $30,000,000 as guarantors on loans outstanding, principally of certain associated companies. Also, under long-term agreements with certain pipeline companies in which capital stock interests are held, the Company and certain of its subsidiary companies guarantee specified revenue from product shipments through the pipe lines and, in the event such companies are unable to meet debt obligations, funds may be advanced against future transportation charges. Texaco Inc., under an agreement with a company in which it has a stock interest, has agreed to ship sufficient quantities of crude oil through a deepwater offshore oil port in the United States to provide the revenue necessary to permit such company to meet certain debt obligations, and, in the event significant quantities are not shipped, to advance funds against future shipping charges. Furthermore, a subsidiary company has an agreement with a refining company in Sweden, in which it has a capital stock interest, to process crude oil or in lieu thereof to advance funds sufficient to enable the refining company to meet its debt obligations. Another subsidiary company has agreed to advance to a partnership, in which it has an interest, funds, if required, to complete a fluid catalytic cranking unit in the United Kingdom and upon completion to process petroleum products through the unit or in lieu thereof to advance funds sufficient to enable the partnership to meet its debt obligations. No loss is anticipated by reason of such obligations.

Proposed Tax Assessments

BRUNSWICK CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (in part): Internal Revenue Service examinations—The Internal Revenue Service has issued statutory notices of deficiency and Revenue Agents' Reports to the Company proposing deficiencies in income tax for the years 1962 through 1971 (and for the years 1972 and 1973 as described below). A substantial portion of the proposed deficiencies results from increases in the tax basis and useful lives assigned to repossessed bowling equipment and other deductions incurred in the Company's bowling business (primarily timing differences). In addition, there are significant amounts relating to various transactions between the Company and its foreign subsidiaries.

The original deficiencies proposed by the Internal Revenue Service for the years 1962 through 1971 aggregated approximately $81,000,000, plus interest, and a 5% penalty of approximately $4,000,000 for alleged negligence. However, these proposed deficiencies did not take into account all of the offsetting adjustments (increased tax deductions primarily for depreciation, cost of sales, and scrapping) to which the Company would have been entitled if the higher asset valuations asserted by the government were sustained. After taking these offsetting adjustments into account, the net deficiencies proposed by the government for the period 1962 through 1971 totalled approximately $35,000,000, plus interest, and a penalty of approximately $2,500,000.

In December, 1978, the Company reached agreement with the Regional representatives of the Internal Revenue Service on all issues for the years 1962 through 1971. The agreement requires payment by the Company of $11,700,000, plus interest, but allows the Company offsetting tax reductions of approximately $7,000,000 for 1972 and subsequent years. Furthermore, the penalty for alleged negligence is eliminated. The agreement is not binding on the Internal Revenue Service or the Company until approved by the Congressional Joint Committee on Taxation.

In addition, the Internal Revenue Service has issued a Revenue Agent's Report proposing aggregate deficiencies of $6,800,000, plus interest, for the years 1972 and 1973. If the government were to prevail on all issues for 1972 and 1973, the Company would be entitled to offsetting tax reductions of $1,500,000 during that period as a result of the 1962-1971 agreement, and additional offsetting tax reductions after 1973 of $3,000,000 as a result of 1972-73 proposed deficiencies. Therefore, after taking into account these offsetting adjustments, the Company's maximum potential tax liability for 1972 and 1973 is $2,300,000, plus interest.

The years 1974 and 1975 are currently under examination by the Internal Revenue Service.

EX-CELL-O CORPORATION (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (in part): Income Taxes—The Internal Revenue Service (IRS) has examined the Company's income tax returns for the fiscal years 1967 through 1971 and has proposed additional taxes for those years. The report of examination of the Company's returns for the fiscal years 1972 through 1975 has not been received, but the IRS has informally notified the Company that it will propose additional taxes for those years.

While there are various issues, the proposed additional taxes relate principally to adjustments in the timing of recognition of revenue and expensing of certain costs applicable to rental machines, the tax treatment of gains on sale of rental machines, and the deductibility of certain foreign sales commissions. The total of the proposed adjustments and related interest for the years 1967 through 1975 is approximately $14,000,000. The Company has appealed the assessments for the fiscal years 1967 through 1971. This appeal is under review by the IRS. The Company's action with respect to proposed additional taxes for fiscal years 1972 through 1975 will be determined after review of the IRS' report of examination.

Management believes that an adverse disposition of these matters would not have a significant effect on the Company's results of operations but that its cash and current and deferred income tax accounts would be affected.

MORSE ELECTRO PRODUCTS CORP. (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (in part): Income Taxes—The Company's Federal income tax returns for years prior to that ended March 31, 1968 are not subject to examination by the Internal Revenue

Service; however, net operating loss carryovers arising in such prior years and applied through the fiscal years ended March 31, 1969 have been reviewed. As a result of an examination by the Internal Revenue Service for 1969, the Company has received a notice proposing an assessment of $522,000 exclusive of interest and related state and local taxes. The Company is presently contesting the proposed assessment and, accordingly, no provision for such assessment has been made in the accompanying financial statements.

WINNEBAGO INDUSTRIES, INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (in part): Contingent Liabilities—The Internal Revenue Service has issued a Notice of Deficiency for $2,533,734 for the Company's fiscal year ended February 26, 1972. The Company has filed a petition in the United States Tax Court for a redetermination of the deficiency. The Company's Federal income tax returns for the years 1973 and 1974 have been examined by the Internal Revenue Service. Significant adjustments have been proposed by the Service for those years which result in proposed deficiencies of $26,259 for 1968, $4,311,637 for 1971, $1,322,351 for 1973, and $1,359,073 for 1974. The Company has filed a protest with respect to most of the proposed adjustments for 1973 and 1974. Additionally, the Company's Federal income tax returns for the years 1975 and 1976 are currently under examination. To date there have not been any proposed adjustments.

All of the proposed deficiencies for 1968 and 1971 and $2,025,093 of the determined deficiency for 1972 relate to the potential repayment by the Company of tax refunds received by the Company as the result of the carryback of the net operating loss and unused investment tax credit claimed by the Company in its income tax return for 1974. Of the remaining determined and proposed deficiencies, approximately $110,000 in 1972, $692,000 in 1973, and $2,524,000 in 1974 relate to the disallowance of legal fees, costs and other expenses in connection with, and amounts paid in settlement of litigation which was concluded in 1973. The examining agent requested, on two separate occasions, that the National Office of Internal Revenue Service revoke a ruling previously issued by said Office which held that the Company was entitled to deduct for Federal income tax purposes a $4,000,000 payment in settlement of litigation in 1973. The National Office of the Service on both occasions upheld its prior ruling. However, the local office of the Service and thus far, the Appellate Division of the Service have refused to allow the deduction. The ultimate resolution of the issue involved in connection with the settlement payment will affect the deductibility of the legal fees, costs and other expenses incurred by the Company in connection with such litigation. In the opinion of the Company's counsel, the ultimate deductibility by the Company of such amounts cannot be predicted with certainty at the present time. However, while it is possible that the disallowances with respect to such payments may exceed a nominal amount, such disallowances will be substantially less than the aggregate proposed amount of approximately $5,752,100.

Substantially all of the other proposed adjustments for the years 1972 through 1974 are timing differences (at issue is the year in which the item is deductible from or includable in taxable income). All of such issues have been tentatively settled with the Service and the Company has paid the tax deficiency for 1972 attributable thereto. Because of the complexity of the issues involved and although there is a tentative settlement, it is not possible now to determine the amount of tax deficiencies which will be ultimately payable with respect to the issues in 1973 and 1974. However, the Company believes that it has made adequate provision so that final settlement of its Federal income tax liability for the three years will not have any material adverse effect on its consolidated financial position at August 26, 1978.

Receivables Sold With Recourse

UNITED TECHNOLOGIES CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 13 (in part): Contingent Liabilities and Commitments—Sales to the United States Government and the return thereon are subject to the Renegotiation Act of 1951 through its expiration date, September 30, 1976. A large portion of the Corporation's U.S. Government sales since September 30, 1976 are subject to profit limitations of the Vinson Act. Renegotiation matters for all years through 1970 have been settled with determination that no refunds were required of the Corporation. Management believes that results for subsequent years should not require refunds under either the Renegotiation Act or the Vinson Act.

At December 31, 1978 the Corporation was contingently liable in the amount of $22,665,000, representing installment obligations sold and trade notes discounted by Otis Elevator Company and its subsidiaries.

WHITTAKER CORPORATION (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10: Lawsuits and Other Contingencies—There are various claims and suits pending against Whittaker. Based on an evaluation which included consultation with counsel concerning the legal and factual issues involved, management is of the opinion that such claims and suits will not have a material adverse effect on Whittaker's financial position.

The Internal Revenue Service has proposed certain adjustments for the years 1972 and 1973 which are being contested. Whittaker is of the opinion that any liability with respect to these proposed adjustments would not have a material adverse effect on Whittaker's financial position at October 31, 1978.

Whittaker has discounted certain notes receivable and conditional sales contracts and has guaranteed certain financing agreements. In connection therewith, Whittaker was contingently liable for approximately $16,000,000 at October 31, 1978.

Renegotiation

FAIRCHILD INDUSTRIES, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 6 (in part): Commitments and Contingent Liabilities—Renegotiation—Renegotiation refunds have been settled or clearances received through 1966. With respect to 1967, the Renegotiation Board (Statutory Board) issued its Final Determination in February 1977 that the Corporation realized excessive profits subject to renegotiation for that year of $2,400,000 which would be reduced by applicable state and federal income tax credits. The Corporation is of the opinion that no excessive profits were realized in 1967 and is contesting the Determination in the United States Court of Claims.

The Statutory Board has issued Final Determinations that the Corporation did not realize excessive profits for the years 1968 through 1971. The Corporation believes that no excessive profits were realized in 1972 and subsequent years to September 30, 1976, at which time the Renegotiation Act expired, or since October 1, 1976, under the Vinson-Trammell Act, which came into effect on the expiration of the Renegotiation Act.

INTERNATIONAL BUSINESS MACHINES CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Renegotiation—The income earned on certain business with the Federal government is subject to review by the Renegotiation Board under the Renegotiation Act of 1951. In January, 1979, the Board determined that IBM made "excessive profits" of $14 million in 1969 and $26.2 million in 1970. IBM disagrees with the Board's determinations and intends to contest them in the United States Court of Claims. After tax credits are applied, the refundable amounts would be reduced to $4.3 million for 1969 and $10.7 million for 1970. The years 1971 through September 1976, when the Renegotiation Act expired, are still subject to review.

TEXAS INSTRUMENTS INCORPORATED (DEC)

NOTES TO FINANCIAL STATEMENTS

Net Sales Billed Subject to Renegotiation—The Renegotiation Act of 1951 expired September 30, 1976. Renegotiation proceedings have been completed for all years through 1972. Approximately 20% of the company's total net sales billed were subject to renegotiation in each of the years 1973 through 1975, and for nine months of 1976. On January 8, 1979, the Western Regional Renegotiation Board made a recommendation to the Renegotiation Board that the company realized excessive profits for the year 1973. The company believes this recommendation has no basis in fact and that no material liability for refund under the Renegotiation Act exists for 1973 and subsequent years.

The company also believes the liability, if any, with respect to net sales billed in the fourth quarter of 1976, and in the years 1977 and 1978 under the Vinson-Trammell Act, which became effective October 1, 1976, is insignificant.

Unasserted Claim

ALLEGHENY LUDLUM INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15: Contingencies—On September 28, 1978 a Federal Grand Jury sitting in Pittsburgh, Pennsylvania handed up a one-count indictment indicting four companies and five individuals employed by those companies as defendants in a criminal case for violations of the antitrust laws; Titanium Metals Corporation of America ("TMCA"), a 50% owned affiliated company, was named as an unindicted co-conspirator in that action. As an unindicted co-conspirator, TMCA faces no criminal charges. On the same date, a civil action was filed by the United States of America, at Civil Action No. 78-1108, which named TMCA and the four companies as defendants, alleging violations of the antitrust laws. This action seeks only equitable relief. There are potential unasserted claims involving violations of the antitrust laws arising from the Grand Jury investigation, which potential unasserted claims were first brought to the attention of the management of TMCA in 1976. Management and legal counsel of TMCA are unable at this time to predict the extent of potential claims or the financial effect to TMCA, if any, should claims be asserted and determined adversely to TMCA, but the effect could be material to the financial position and results of operations of TMCA. In September, 1977 TMCA's management authorized and made provision for settlement offers with its customers in an amount up to $3,000,000. In January, 1978 the provision for settlement offers was increased to $5,000,000. The effect on Allegheny's 1977 financial statements was to reduce earnings from continuing operations by $1,253,000, or $.17 per share, with a corresponding reduction of Allegheny's investment in TMCA. Legal counsel of TMCA is unable at this time to give assurance that the ultimate liability will not exceed the amount provided.

In the opinion of legal counsel and management of Allegheny, any excess over the amount provided would not be material to the consolidated financial statements of Allegheny. Legal counsel of Allegheny has advised management of Allegheny that the activities of TMCA would not form a basis for sustaining an action against Allegheny merely because of its stock ownership of TMCA.

Government Regulations

THE CHARTER COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 13: Contingencies—Certain of the Company's petroleum operations are subject to regulations promulgated and administered by the Department of Energy ("DOE"). The complexity of these regulations results in many areas of uncertainty which require interpretation. The DOE may question, and in certain cases has questioned, various Company interpretations. If the Company's interpretations do not prevail, remedial actions and/or civil penalties could be assessed, which could have an adverse effect on the Company's operations. However, in management's opinion, the Company is in substantial compliance with the regulations as issued and resolution of compliance questions will not have a material adverse effect on the financial condition of the Company.

As the result of the current political instability in Iran, the Consortium members, including the Company, have not been receiving production from the concession area since December 1978. At the present time, the Company is unable to determine under what terms, if any, the Consortium members will again be able to purchase this production. If the new government of Iran does not honor or alters the concession with the Consortium, it may become necessary for the Company to adjust the carrying value of its investment in the Consortium.

At December 31, 1978, the Company was involved in certain other threatened claims and pending litigation not otherwise referred to herein. Based upon its knowledge of the facts and opinions of outside counsel, the Company believes the ultimate resolution of these claims and litigation should not have a material effect on the financial condition of the Company.

NATIONAL DISTILLERS AND CHEMICAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17–Contingencies: National has claims against others, and there are claims by others against it, in a variety of matters arising out of the conduct of National's business. The ultimate liability, if any, which might arise from a resolution of these claims would not, in the opinion of National's management, have a material adverse effect on National's financial position.

In early 1979, National received letters from a regional representative of the Department of Energy which set forth "potential alleged overcharges" over a 6-year period of approximately $67,000, excluding interest. The alleged overcharges are claimed to have been made in connection with sales of natural gas liquid products, primarily propane and butane, to a major oil company for resale. The representative's letter stated that the potential claims were preliminary and have not been reviewed by supervisory authorities in the Department of Energy. While the basis of the Government's claim was not expressly stated in the letter, the position taken at a pre-audit conference was that National's "net back" sales to such oil company did not come within the definition of "net back" sales in the applicable Department of Energy regulations. National, based upon consultations with outside counsel, Messrs. Baker & Botts, believes that its pricing to such oil company was in accordance with the regulations in question, and that its position, if challenged by the Department of Eenrgy, will prevail. National has already requested that the General Counsel of the Department of Energy confirm that National's interpretation of the "net back sale" regulations was proper. It is possible that a formal Notice of Probable Violation detailing the potential claims described in the letter could be issued by the Department of Energy. This Notice might also include interest on the alleged overcharges. National will contest any claims which may be brought and believes that the ultimate outcome will not have a material adverse effect on its financial condition. National will continue to sell the natural gas liquid products in accordance with its past practice, which could add to the alleged overcharges.

STANGE CO. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note J: Contingencies—In 1975, the Company filed a suit against a company seeking to recover aggregate accounts receivable of approximately $33,000. A counterclaim was filed by the defendant seeking to recover damages of approximately $2,400,000. The defendant essentially claimed that the Company was negligent in the manufacture of its product and that the product was defective. On September 26, 1978, the court dismissed with prejudice the complaint and counterclaim in this litigation. Therefore, a loss contingency no longer exists.

The U.S. Food and Drug Administration (FDA) monitors the safety of substances used in the food industry. Certain testing programs require extended periods of time before a determination by the FDA of substances it considers harmful is made. The Company is subject to FDA regulations. The FDA findings, from time to time, may result in capital expenditures to modify existing production processes, change substances, or may result in the possible discontinuance of a product.

Dependence Upon Few Customers

UNIVERSAL LEAF TOBACCO COMPANY, INCORPORATED (JUN)

NOTES TO FINANCIAL STATEMENTS

Note 10: Other—A material part of the Company's business is dependent upon a few customers, the loss of any one of whom would have a materially adverse effect on the Company. During the year ended June 30, 1978, three customers accounted for $145,852,000, $116,262,000 and $58,140,000 of revenues, excluding reimbursement for purchases of green tobacco on warehouse floors upon specific orders from customers. Sales represented by such reimbursements amounted to $307,942,000 of which $296,878,000 was to one of the above customers. Although there are no formal continuing contracts with these customers, the Company has done business with each for over twenty-five years.

At June 30, 1978, contingent obligations resulting from guarantees of lines of credit for foreign and domestic affiliates amounted to approximately $47,500,000. The maximum exposure related to any one affiliate at June 30, 1978 amounted to approximately $7,300,000.

Iran

DRAVO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Commitments and contingent liabilities (in part)—Gibbs & Hill, Inc., a wholly owned subsidiary, has a minority interest in an Iranian registered affiliate which is performing engineering design and construction management services for the installation of electric transmission lines and substations in Iran. Receivables due from the affiliate total $3.2 million, and

Gibbs & Hill has a contingent liability under a letter of credit issued by a United States bank for $2.6 million. Due to the country's recent political turmoil, Gibbs & Hill's United States expatriates have left Iran. Work on the contract is being continued by the affiliate's Iranian nationals, and management intends to resume U.S. expatriate participation in this contract when the civil and political situation stabilizes.

GAIN CONTINGENCIES

Operating Loss or Investment Credit Carryforwards

THE ARUNDEL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note J (in part): Income Taxes—At December 31, 1978, depending upon the outcome of the unresolved issues relating to the Internal Revenue Service examination, the Company has available as a loss carryforward a minimum of $5,600,000 for income tax purposes, of which $3,900,000 expires in 1983 and the balance expires in 1984. For financial reporting purposes, this loss carryforward approximates $650,000.

In addition, the Company has the following investment credit carryforwards available:

Date of Expiration	Investment Credit
1979	$ 87,000
1980	132,000
1981	305,000
1982	333,000
1983	103,000
1984	143,000
1985	105,000

In addition, the Company has new jobs credit carryforwards of $136,000 and $186,000 which expire in 1984 and 1985, respectively.

ASARCO INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (in part): Taxes on Income (in thousands)—Expiration of unused investment tax credit and foreign tax credit carry-forwards at December 31, 1978, on a tax and book basis is as follows:

Expiration Date	Investment Tax Credits		Foreign Tax Credits	
	Tax Basis	Book Basis	Tax Basis	Book Basis
1979	1,179	—	—	—
1980	2,786	2,315	7,486	—
1981	3,833	3,726	12,879	859
1982	15,243	11,334	19,798	20,284
1983	7,508	6,530	4,920	9,473
1984	6,883	6,883	—	—
1985	2,950	2,950	—	—

ATI, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4: Income Taxes—The Company has net operating loss carryovers for federal income tax purposes of approximately $6,185,000 available as deductions from future taxable income, if any. The amounts available for carryover are subject to audit by the Internal Revenue Service. The amounts available expire approximately as follows:

1979	$1,216,000
1980	110,000
1983	2,877,000
1984	904,000
1985	1,078,000
	$6,185,000

In addition, the Company has investment tax credit carryovers of approximately $375,000.

CLEVELAND CALENDERING & COATING CORP. (APR)

NOTES TO FINANCIAL STATEMENTS

Note K (in part): Income Taxes—At April 30, 1978, the Company had net operating loss carryforwards of approximately $3,690,000 available to be applied against future taxable income, if any; such carryforwards expire $765,000 in 1980, $1,710,000 in 1983, $340,000 in 1984 and $875,000 in 1985.

MICROFORM DATA SYSTEMS, INC. (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note E (in part): Income Taxes—As of July 28, 1978, the Company has a net operating loss carryover for federal income tax purposes of approximately $929,000. If not offset against taxable income, the net operating loss will expire as follows: 1979—$340,000; 1980—$281,000 and 1983—$308,000. Included in the carryover are preacquisition net operating losses ($790,000) of the Company's former subsidiary which was liquidated on December 31, 1976. The federal income tax benefit arising from this net operating loss will be credited to goodwill when utilized. Also, there is approximately $139,000 in the carryover resulting principally from issuance of restricted stock. The federal income tax benefit arising from this amount will be credited to additional paid-in capital as utilized. The tax benefit utilized and credited to paid-in capital in 1978 amounted to $186,000.

In addition to the loss carryovers noted above, as of July 28, 1978, the Company has deferred approximately $1,099,000 of product development costs for federal tax purposes. These costs are being amortized over five years and will reduce taxable income as follows: 1979—$338,000; 1980—$280,000; 1981—$280,000; 1982—$193,000 and 1983—$8,000. Certain other costs approximating $449,000 have also been deducted for financial statement purposes in the current and prior years. These costs will also reduce federal taxable income in future years when they are deducted for federal tax return purposes.

Investment tax credit carryovers of approximately $324,000 are available to reduce future federal income taxes. If not used the credits will expire as follows: 1979—$7,000; 1980—$9,000; 1981—$30,000; 1982—$60,000; 1983—$42,000; 1984—$43,000 and 1985—$133,000. Investment tax credits when utilized will be accounted for as a reduction of income tax in the period utilized (flow-through method).

In addition, the new jobs tax credit of $100,000 is available to reduce future federal taxable income. If not used, this credit will expire in 1985.

TEXASGULF INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (in part): Income Taxes—At December 31, 1978 the company had investment tax credit carryforwards of approximately $28,500,000 available as credits against future U.S. Federal income taxes. Of this amount approximately $1,200,000 expires in 1981, $8,800,000 in 1982, $13,500,000 in 1983, $3,500,000 in 1984 and $1,500,000 in 1985. The company also had investment tax credit carryforwards of approximately $13,050,000 (Canadian) available as credits against future Canadian Federal income taxes. Of this amount $9,450,000 expires in 1982 and $3,600,000 expires in 1983. The extent of utilization of the investment tax credit carryforwards is uncertain at this time.

Plaintiff Litigation

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9: Contingencies—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.

OUTBOARD MARINE CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 22 (in part): Commitments and Contingent Liabilities

(d) On March 1, 1978, the Company filed suit against the United States and Illinois Environmental Protection Agencies in the United States District Court for the Northern District of Illinois, Eastern Division, alleging that the agencies failed to perform certain statutory responsibilities and seeking to require them to study methods, procedures and means of pollutant removal and water quality restoration, and to determine what, if any, remedial actions are feasible and appropriate in the waterways adjacent to the Company.

On March 17, 1978, the United States of America on behalf of the U.S. Environmental Protection Agency filed a civil action against the Company in the same court, alleging that unpermitted discharges of polychlorinated biphenyls by the Company contaminated the bottom sediments of certain waterways adjacent to the Company's Waukegan, Illinois facility in violation of federal statutes and common law. The suit seeks to require the Company to study, remove and dispose of the alleged contaminated sediments and to pay a penalty of $10,000 per day for each day after October 18, 1972 on which the Company allegedly discharged polychlorinated biphenyls in violation of federal statutes.

On August 22, 1978, the State of Illinois filed a civil action against the Company in the same court alleging the same as the United States in the prior action and in addition that alleged polychlorinated biphenyl accumulations on the Company's property are transported by natural processes into the same adjacent waterways, all in violation of federal and state statutes and common laws. The suit seeks the same relief as the United States and in addition to require the Company to cease the alleged discharge of polychlorinated biphenyls, to remove or contain all contaminated soils on the Company's property and to pay a penalty of $10,000 for each violation of state statute and $1,000 per day for each day after July 1, 1970 that the alleged violations continued.

On November 16, 1978, the Company filed in connection with the March 17, 1978, United States suit a third-party action against Monsanto Company alleging that Monsanto as the Company's supplier of certain hydraulic fluids is responsible for any alleged effects of said fluids and all related costs to the Company.

All of the suits are in the pre-trial motion and discovery stage.

RELIANCE UNIVERSAL INC. (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note E (in part): Leases and Other Commitments and Contingencies—The zoning and operating permits for the Company's Belgium plant will expire in December, 1979. The Company is presently negotiating an extension of the permits; however, the Belgium plant will ultimately have to be relocated. The Company has filed a lawsuit against the seller of the plant alleging misrepresentation and seeking to recover damage in an amount not yet determined. The Company, on the basis of alleged misrepresentations, withheld the last two installments, of the original purchase price. Under court action, which is being appealed, the Company was obligated to deposit in an escrow account an amount equal to the unpaid installments plus interest pending the final outcome of the appeal. The amount of such deposit ($2,698,000) is included in cash and short-term investments and the unpaid obligation and accrued interest is included in note payable and accrued expenses, respectively, in the consolidated balance sheet.

TRIANGLE INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contingencies—At December 31, 1978 and 1977, there were contingent liabilities of subsidiaries in connection with customers' notes discounted and guaranteed in the amount of $62,000 and $2,393,000.

The Company had commenced two related antitrust suits against several major producers of copper. Two of these producers have filed counterclaims against the Company for price discrimination. In the opinion of management, the counterclaims are without merit.

COMMITMENTS

Obligations to Maintain Working Capital or Restrict Dividends

CARRIER CORPORATION (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12: Restrictions on earnings retained—Certain of the provisions of the revolving credit and term loan agreement, long-term debt agreements and preferred stock issues contain restrictions as to the payment of dividends and other distributions. Approximately $56,982,000 of earnings retained were free of such restrictions as of October 31, 1978.

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, additional indebtedness, prepayment of subordinated debentures, certain types of investments, and purchase of common stock of the Corporation. At December 30, 1978 the Corporation would have been prevented from paying its regular quarterly dividend by a formula restricting certain payments, including dividends, contained in the agreement pursuant to which $30,000,000 of the Corporation's 10% Senior Notes were issued to three institutional lenders. Such restriction was temporarily waived in February 1979 to permit the Corporation to make an aggregate of $3,600,000 of such payments, including dividends, from December 31, 1978 to August 15, 1979 at which time the original formula, unless amended prior thereto, will again apply. The 1977 Credit Agreement was also amended in February 1979 to permit the Corporation to pay quarterly cash dividends not to exceed $.35 per share.

EASCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (in part): Indebtedness and Dividend Restrictions—The loan and lease agreements require the Company to maintain certain working capital levels and ratios, and contain other provisions the more important of which restrict expenditures for the purchase of the Company's stock and payment of cash dividends, the creation of liens on certain property, the creation, incurrence or assumption of current or funded debt, and the acquisition or sales of investments. At December 31, 1978 the Company's working capital exceeded the amount required by approximately $38,880,000 and retained earnings of approximately $8,308,000 were unrestricted as to the payment of dividends and purchase of Company stock.

HART SCHAFFNER & MARX (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Long Term Debt (in part)—Under the most restrictive provisions of the Company's borrowing agreements, the Company may incur total funded debt up to approximately the amount of shareholders' equity. At November 30, 1978 senior funded debt was limited to approximately $178 million. In addition, at November 30, 1978 consolidated working capital was $194 million compared to $81 million required to be maintained by the Company. Consolidated retained earnings of $34,300,000 at November 30, 1978 plus 80% of earnings thereafter are available for the payment of future cash dividends.

PHILIP A. HUNT CHEMICAL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 4 (in part): Long Term Debt

	December 30, 1978	December 31, 1977
Term bank loan, due in installments 1978 through 1983 (interest at 8¼% to December 1978, 8¾% thereafter)	$2,170,000	$2,500,000
Revolving bank credit loan to be refinanced by a term loan on March 31, 1979, due in installments 1979 through 1984 (interest at 7¾% to March 1979, 8½% thereafter)	2,500,000	2,500,000
Industrial revenue bonds, 5½%, due in installments 1983 through 1992	1,000,000	1,000,000
Other	100,000	—
Total	5,770,000	6,000,000
Less current portion	815,000	330,000
Long-term debt	$4,955,000	$5,670,000

Maturities of long-term debt are:

1979	$ 815,000	
1980	968,000	
1981	967,000	
1982	985,000	
1983	1,010,000	
1984	225,000	
1985 through 1992	100,000	yearly

During 1977 the Company entered into the term bank loan and the revolving bank credit loan to finance construction of its new organic chemical processing plant in Rhode Island. The loan agreements require, among other things, 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.

IPCO HOSPITAL SUPPLY CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (in part): Long-Term Debt—The Company must comply with various restrictive covenants contained in the loan agreements relating to working capital, cash flow, capital expenditures, lease commitments, debt limits and the payment of cash dividends. Under the most restrictive of these covenants, the aggregate amount available as of June 30, 1978 for payment of cash dividends, distributions, acquisitions or investments cannot exceed $1,384,000. Subject to the above restrictions, the Board of Directors will determine the payment, if any, of future dividends or distributions, in light of conditions then existing, including the Company's earnings, financial condition and requirements, opportunities for reinvesting earnings, business conditions and other factors.

HERMAN MILLER, INC. (MAY)

Note 4 (in part): Long-Term Debt—In May, 1978, the Company refinanced its loan from Prudential and amended the terms of its term loan from Old Kent Bank. The underlying loan agreements (as amended) provide, among other things, various covenants and restrictions as discussed below. The Company agrees to maintain consolidated working capital of at least $25,000,000. Other funded indebtedness and liens on assets are not permitted except for such borrowings and related liens included in long-term debt as analyzed above and $2,300,000 expected to be borrowed for a new plant. In addition, payments under lease obligations for rental of certain real and personal property for terms of more than three years cannot exceed $1,600,000 per annum. The Company also agrees that current debt (primarily short-term bank borrowings) of the Company and Herman Miller of Canada, Ltd. will not exceed $12,000,000 through May 31, 1979, and $8,000,000 thereafter and current debt of foreign subsidiaries (excluding Herman Miller of Canada, Ltd.) will not exceed $5,000,000 provided that the Company and Herman Miller of Canada, Ltd. shall be free of such current debt for a period of 60 consecutive days in each fiscal year after 1978 and foreign subsidiaries (excluding Herman Miller of Canada, Ltd.) will be free of such current debt for a concurrent period of 60 consecutive days in each fiscal year after 1981. Cash dividends and/or purchases of the capital stock of Herman Miller, Inc. are limited to an amount of $600,000 plus 50% of consolidated net earnings, as defined in the agreements, commencing March 1, 1978. The amount of consolidated retained earnings free of restrictions under the agreements at June 3, 1978, was approximately $630,000.

THE NARDA MICROWAVE CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (in part): Long-Term Debt—The loan agreements require, among other things, that consolidated working capital be maintained at no less than $2,250,000 and contain certain restrictions as to the payments of cash dividends and corporate borrowings. Under the most restrictive provision, approximately $1,021,409 of retained earnings at June 30, 1978 is available for the payment of dividends.

PORTEC, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (in part): Long-Term Debt—Under the most restrictive provisions of debt outstanding at December 31, 1978, (a) the Company shall not permit the ratio of its consolidated total liabilities, as defined, to its consolidated tangible net worth to exceed 1.5:1, (b) the Company's consolidated working capital shall be at least $30,000,000 and the ratio of consolidated current assets to consolidated current liabilities shall be at least 2:1, (c) restricted investments and distributions, as defined and which include payment of cash dividends, shall not exceed, on a cumulative basis, $4,000,000 plus 75% of consolidated net income after December 31, 1977, (d) the Company shall not incur unsecured current debt, as defined, unless during the period of eighteen consecutive months preceding the day on which such current debt is incurred there was a period of sixty consecutive days on which the aggregate unpaid principal amount of such current debt did not exceed the lesser of (i) 10% of consolidated tangible net worth or (ii) the amount of additional senior funded debt which could have been issued or incurred on such day, (e) the Company shall not incur certain types of funded debt, as defined, which in the aggregate exceeds 40% of consolidated net tangible assets, as defined, or 10% of consolidated tangible net worth, as defined, and (f) the Company will not permit the present value of all employee benefits, vested under all pension plans maintained by the Company and its subsidiaries to exceed the present value of the assets allocable to such vested benefits by an amount greater than $5,000,000 in the aggregate. Under the most restrictive provisions of debt outstanding at December 31, 1978, retained earnings of $6,194,000 were free of restrictions.

Capital Expenditures

ADAMS-MILLIS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Commitments—At December 31, 1978, construction and installations in progress include $600,000 for a new plant. The total cost of that facility is expected to be $4,000,000.

GULF RESOURCES & CHEMICAL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 5 (in part): Commitments and Contingent Liabilities:

Capital Expenditures—Gulf estimates that capital expenditures aggregating approximately $17,300,000 will be required after December 31, 1978, to purchase certain oil and gas properties and to complete facilities and equipment purchases authorized. Substantial commitments have been made in connection therewith.

H. J. HEINZ COMPANY (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (in part): Other Matters—Contracts and purchase order commitments of approximately $39,000,000 at May 3, 1978 have been executed in connection with capital assets.

INLAND STEEL COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (in part): Commitments and Contingent Liabilities—The total amount of firm commitments of the Company and its subsidiaries to contractors and suppliers in connection with additions to property, plant and equipment approximated $145,000,000 on December 31, 1978.

ROHM AND HAAS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 20: Contingent Liabilities and Commitments—The company guarantees certain loans in the ordinary course of business primarily for the benefit of unconsolidated subsidiaries and affiliates. There are also various claims and suits pending against the company and its subsidiaries. It is believed that these contingent liabilities will have no material adverse effect upon the consolidated earnings or financial position of the company.

Capital expenditures are scheduled at approximately $73,000,000 for 1979. At December 31, 1978, construction commitments totaled approximately $8,000,000.

SAFEWAY STORES, INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note I: Other Commitments—The Company has commitments under contracts for the purchase of property and equipment and for the construction of buildings. Portions of such contracts not completed at year-end are not reflected in the financial statements. These unrecorded commitments amounted to approximately $81,000,000 at December 30, 1978.

STAUFFER CHEMICAL COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Commitments—Unexpended appropriations for the construction of additional facilities approximated $120,000,000 at December 31, 1978, Portions of these appropriations are covered by firm commitments.

Inventory Purchase Agreements

ARMCO (DEC)

NOTES TO OUR FINANCIAL STATEMENTS

Note 8: Commitments and Contingencies—In connection with certain debt financing of a subsidiary of Armco Financial Corporation, Armco Industrial Credit Corporation (AICC), Armco has agreed to cause AICC to maintain working capital of not less than $1,000,000 and equity of not less than $5,000,000. At Dec. 31, 1978, AICC had total debt outstanding of $135,645. Of this, $13,574,000 is not supported by Armco in any way.

As of Dec. 31, 1978, certain of Armco Financial Corporation's international finance leasing subsidiaries had total debt outstanding of $145,569,000. Of this debt, Armco has not guaranteed or supported $56,682,000.

Armco has guaranteed certain liabilities up to $45,500,000 for reinsurance written with certain reinsurance companies by a subsidiary of Armco Financial Corporation.

In addition, at Dec. 31, 1978, Armco guaranteed approximately $68,000,000 in debt of other companies in which Armco has an equity interest.

Armco's principal source of iron is Reserve Mining Company of Minnesota (Reserve). Until the outstanding principal amount of Reserve's first mortgage bonds (Series A, $39,182,000; Series B, $37,840,000) is paid in full, Armco and the other 50% shareholder of Reserve are obligated to take Reserve's production and pay its operating costs and interest charges. If Reserve does not make the necessary payments, each shareholder of Reserve is also obligated to pay one-half of amounts needed by Reserve for fixed sinking fund requirements and final maturity amounts on those bonds, and certain future capital replacements.

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 iron ore pellets by Eveleth Expansion Company. Eveleth has outstanding $185,000,000 worth of 9½% and $45,600,000 worth of 10% First Mortgage Bonds due in 1995. Armco is committed to advance up to 40% of the funds needed for the continued operation of Eveleth, including amounts for depreciation and amortization at least equal to the amounts required to pay principal and interest on such bonds.

Commitments for the purchase of property, plant and equipment (including unexpended amounts relating to projects substantially under way) amounted to approximately $70,566,000 at Dec. 31, 1978. Also see Note 9 with respect to other commitments.

RUSSELL STOVER CANDIES, INC. (AUG)

NOTES TO FINANCIAL STATEMENTS

Note G: Purchases and Purchase Commitments—Chocolate and other raw materials used by the Company are subject to severe price fluctuations. It is the present practice of the Company to stabilize the cost of these items, as far as possible, by covering a substantial portion of its estimated future requirements by purchase contracts at firm prices. As of August 31, 1978, the aggregate market values of the unrecorded purchase commitments under contract were in excess of the aggregate contract prices.

Supply Contracts

SUNSTAR FOODS, INC. (AUG)

FINANCIAL REVIEW

Commitments and Contingencies (in part)—The Company has entered into employment contracts with certain officers for terms of service to May 31, 1980. Aggregate annual compensation payable under the contracts is approximately $184,000. The contracts also provide for payments of bonuses to the offices based on certain percentages of operating income (as defined) in excess of prescribed levels. In addition, certain key employees are paid incentive compensation determined generally on a comparable basis. The aggregate bonuses paid for the year ended August 26, 1978 and May 31, 1977 to officers and key employees were approximately $5,000 and $88,000, respectively.

The Company has entered into long-term fruit supply contracts that will provide the equivalent fruit necessary to produce 15,500,000 pounds solid of orange and grapefruit concentrate over the next five years at the then agreed upon market prices. Based on the estimated minimum price for fruit for the next crop year (as determined at August 26, 1978), these commitments amount to approximately $12,400,000.

Employment Contracts

ATI, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9: Employment Agreement—The Company has an employment agreement with its President (expiring on December 31, 1980) providing, among other things, for a minimum annual compensation of $90,000 and deferred compensation, payable commencing January 1, 1981, in amounts of $30,000 for one year and $45,000 for four years thereafter. The Company also has employment agreements with certain other key employees.

STANGE CO. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note I (in part): Commitments—The Company has employment, consulting and noncompetition agreements with certain officers and employees of the Company. The agreements expire at various dates through 1983. The annual payments under all employment agreements aggregate approximately $320,000 in 1978, and $255,000 in 1977. In the event of total disability of certain officers and employees, any residual obligations, having an approximate aggregate maximum effect on earnings, net of income taxes, would be $520,000.

Additional Payments Based on Future Earnings of Acquired Companies

BELL INDUSTRIES (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Commitments and Contingencies (in part)—In connection with the acquisition of Doug Thorley Headers, which was purchased effective January 1976, the Company is contingently liable for an additional payment to the former owners, equal to Thorley's earnings in excess of a specified level for the three years ending December 31, 1978. Based on 2½ years' earnings to June 30, 1978, the Company will be required to pay $0.6 million; any payment made will be recorded as additional goodwill and amortized over the remaining life of the original goodwill.

Purchase Option

GENERAL MILLS, INC. (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note Thirteen: Other Commitments—At May 28, 1978, authorized but unexpended appropriations for property additions and improvements were $90.2 million.

In addition, there are options outstanding to purchase the remaining minority interests of some partially-owned companies. The options could have a maximum cost to General Mills of up to $57.6 million, the major portion of which could be payable with shares of common stock. In general, the option contracts provide for payments which are dependent upon average annual growth rates in after-tax earnings. The main option periods run from 1979 to 1986. In addition to these minority interests which may be purchased at General Mills' option, some minority interests have the right during the same time period to require General Mills to purchase their interests, at an estimated cost of up to $46.1 million.

See Note 2 for additional performance earnings payments which may become due in the future.

HARNISCHFEGER CORPORATION (OCT)

FINANCIAL NOTES

Note 12: Other Commitments and Contingent Liabilities—In October, 1974, the Corporation acquired a German consolidated subsidiary, Harnischfeger GmbH, through the purchase of a 51% common stock interest in the then formed company, from Thyssen Industrie AG (formerly Rheinstahl AG), for $391,000 cash, and agreed to purchase from Thyssen, 51% or 10,200 shares of the outstanding non-voting preference stock of the subsidiary for a price of DM 19,497,000 or $7,364,000 at the rate of exchange at that time. The stock purchase is to be completed not later than 1989, with minimum quarterly increments based on the amount of license fees receivable from the subsidiary and options for accelerated purchases, which may shorten this period. A fee is payable on the outstanding commitment. To date, the Corporation has purchased 7,465 shares for

$6,093,000 and the remaining commitment is 2,735 shares at a price of DM 5,228,000 or $2,987,000 at the current rate of exchange.

At October 31, 1978, contingent liabilities were approximately $36,100,000 representing primarily the recourse portion of receivables discounted with banks, and to a lesser extent, letters of credit and performance bonds.

LEVI STRAUSS & CO. (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Commitments—The Company has agreed to purchase, if so requested, its unregistered common stock held in trust under the Employee Retirement Plan. Such shares would be acquired at the market price. At November 26, 1978, 89,793 such shares were held in trust.

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 1-12 classifies disclosures of subsequent events included in the 1978 annual reports on the survey companies.

Examples of subsequent event disclosures follow.

TABLE 1-12: SUBSEQUENT EVENTS

	Number of Companies			
	1978	1977	1976	1975
Business combinations pending or effected	62	51	40	25
Sale of assets	19	14	20	33
Debt incurred, reduced or refinanced	17	33	26	38
Stock splits or dividends	16	7	18	14
Litigation	7	19	10	23
Other	39	19	41	96

Business Combinations

CARRIER CORPORATION (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17: Subsequent events (unaudited)—On December 8, 1978, the stockholders of Jenn-Air Corporation (Jenn-Air) approved the merger of Jenn-Air into a subsidiary of Carrier Corporation subject to certain conditions. The corporation will issue 3,270,645 shares of its common stock in connection with this merger. This merger will be accounted for as a pooling of interests; and accordingly, the consolidated financial statements for prior years will be restated to reflect the accounts of Jenn-Air.

The following table summarizes, on an unaudited pro forma basis, the combined results of operations as though Jenn-Air had been merged on November 1, 1976:

	1978	1977
	(in thousands of dollars except per share data)	
Net sales	$2,217,595	$1,375,132
Net income	100,242	61,658
Earnings per common share	$3.16	$2.17
Earnings per common share, assuming full dilution	$2.64	$2.16

The 1978 pro forma amounts are based on the corporation's audited results of operations for the twelve months ended October 31, 1978, and Jenn-Air's unaudited results of operations for the twelve months ended October 31, 1978. The 1977 pro forma amounts are based on the corporation's audited results of operations for the twelve months ended October 31, 1977, and Jenn-Air's audited results of operations for the twelve months ended December 31, 1977.

COOPER INDUSTRIES, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 10: Subsequent Event—Proposed Acquisition—On January 22, 1979, the Company announced that it had entered into a definitive agreement which provides for the merger of Gardner-Denver Company into Cooper Industries, Inc. The agreement provides that the Company will initially make a tender offer for up to 8,600,000 shares of Gardner-Denver common stock (approximately 45% of the outstanding shares) for $33 a share net in cash. Upon completion of the tender offer, and conditional upon approval of the shareholders of both companies, Gardner-Denver will be merged into Cooper. In the merger, each share of Gardner-Denver common stock not acquired by the Company through the tender offer will be exchanged for one-third of a share of the Company's common stock and one-half a share of a new series of convertible preferred stock. Each whole share of the new series of convertible preferred stock will pay an annual dividend of $2.90 and will be convertible into .473 of a share of the Company's common stock. The merger is subject to certain other conditions in addition to shareholder approval.

Subsequent to the acquisition of Gardner-Denver shares by the Company in the tender offer (unless fewer than 20% of the total Gardner-Denver shares are acquired) until the date of merger, the Company will include in net income its proportionate equity in Gardner-Denver's net income. The merger will be accounted for as a purchase. Accordingly, Gardner-Denver's results of operations will be included in the Company's consolidated statement of income for periods subsequent to the merger, which is anticipated to occur on approximately April 30, 1979.

The tender offer will be financed with funds made available through an unsecured eight-year revolving credit/term loan agreement in the amount of $325,000,000 entered into by the Company with certain lending institutions. This agreement replaces a previously existing $46,000,000 revolving credit arrangement.

Gardner-Denver Company, headquartered in Dallas, Texas, is an international manufacturer of equipment and machinery for mining and construction, petroleum and water well drilling, and for general industrial production uses. The net sales and net income of Gardner-Denver Company for the year ended December 31, 1978 were $651,977,000 and $51,444,000, respectively. Total assets of Gardner-Denver Company were $496,898,000 at December 31, 1978.

DIAMOND SHAMROCK CORPORATION (DEC)

FINANCIAL SUMMARY

(Dollar amounts in tables are in thousands, except per share amounts)

Acquisition of Falcon Seaboard Inc.—At special meetings held on February 22, 1979, the Company's stockholders and those of Falcon approved an Agreement and Plan of Reorganization providing for the merger of a wholly-owned subsidiary of the Company into Falcon in a transaction which will be accounted for as a pooling of interests. Under the terms of the Agreement, each Falcon stockholder will receive 1.65 shares of the Company's Common Stock (approximately 12,100,000 Common shares) for each share of Falcon common stock. If the acquisition had been consummated prior to January 1, 1979, the accompanying Consolidated Financial Statements would have included the financial position and results of operations of Falcom.

Combined results for 1978 and 1977 on a pooling of interests basis are as follows:

	1978	1977
Sales and operating revenues	$1,817,983	$1,637,095
Net income	$ 144,738	$ 179,175
Earnings per Common share	$ 2.77	$ 3.58
Earnings per Common share, assuming full dilution	$ 2.75	$ 3.45

Sales and operating revenues for 1978 include approximately $6,300,000 with respect to claims by Falcon against its customers for the recovery of cost increases incurred as a result of its compliance with the Federal Surface Mining Control and Reclamation Act. Falcon's customers have acknowledged there have been cost increases as a result of the Act and have made cash advances with respect to a portion of the claims. The actual amounts ultimately recoverable, however, with respect to the claims cannot be presently determined.

DICTAPHONE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Events—On January 27, 1979 Pitney-Bowes, Inc. completed a cash tender offer for the purchase of 1,998,479 shares of the company for a total consideration of $55,957,000. These shares comprised approximately 46.5% of the then outstanding common stock of the company. The Company has also entered into a definitive merger agreement with Pitney Bowes pursuant to which each remaining common share of the company would be exchanged for one share of a new issue of $2.12 Convertible Preference stock of Pitney Bowes. The merger agreement has been approved by the Board of Directors of each company and is subject to, among other conditions, the approval by the owners of two-thirds of the outstanding shares of the company and the owners of a majority of the outstanding shares of Pitney Bowes.

On February 1, 1979, the company sold the assets related to the gas detection line of the Audio/Electroncis Division. On March 27, 1979, the company announced its intention to transfer production of the Division's voice communications logging systems from Mountain View, California, to the company's Melbourne, Florida, manufacturing facility, and also dispose of its Scully professional recording instruments business. The net effect of these transactions on the company's financial statements is not expected to be material.

HERSHEY FOODS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12: Subsequent Events—Effective January 3, 1979, the Company acquired the outstanding shares of common stock of Skinner Macaroni Company, in exchange for 398,680 shares of the Company's common stock. Skinner manufactures and distributes pasta products in approximately 20 states. This acquisition, which is not material to the consolidated financial statements, will be accounted for as a pooling of interests in 1979.

On January 18, 1979, the Company entered into a joint venture agreement in Brazil with S.A. Industrias Reunidas F. Matarazzo to manufacture, market and distribute pasta, biscuits and margarine and also distribute certain products manufactured by the food division of Matarazzo. The Company's investment of approximately $7,500,000 represents a 40% equity interest. Matarazzo is a long-established, major diversified industrial firm in Brazil.

As a result of a cash tender offer which expired January 19, 1979, the Company acquired substantially all of the outstanding common stock of Friendly Ice Cream Corporation. The Company expects that Friendly will become a wholly-owned subsidiary through a merger in late March 1979 and that the total cost will approximate $164,000,000. The Company borrowed $100,000,000 under its revolving credit and term loan agreement as part of the financing for this acquisition (see Note 4). The Company currently expects to finance $75,000,000 of such borrowings through the issue and sale of long-term debt securities and the balance through short-term borrowings. Friendly owns and operates over 600 restaurants located in 16 states throughout the northeast and midwest. The acquisition will be accounted for as a purchase and accordingly Friendly's results of operations will be included with the Company's consolidated results of operations for periods subsequent to the date of acquisition. Consequently the Company's consolidated financial statements for 1979 will include the results of operations of Friendly for eleven months.

The following table summarizes, on an unaudited pro forma basis, the combined results of operations for 1978 and 1977 (including estimated amortization of goodwill, depreciation adjustments and interest expense on funds expended for this acquisition) as though Friendly had been acquired on January 1, 1977 (in thousands of dollars except per share figures):

	1978	1977
Net sales	$981,251	$860,221
Income from continuing operations	$ 44,437	$ 38,413
Gain on sale of discontinued operation	—	5,300
Net income	$ 44,437	$ 43,713
Income per common share:		
Continuing operations	$ 3.23	$ 2.80
Gain on sale of discontinued operation	—	.39
Net income	$ 3.23	$ 3.19

The pro forma amounts are based on the Company's audited results of operations for the twelve months ended December 31, 1978 and 1977, and Friendly's unaudited results of operations for the twelve months ended October 27, 1978, and October 28, 1977, respectively.

Debt Incurred, Reduced or Refinanced

ASHLAND OIL, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note P: Subsequent events and other matters—On October 6, 1978 Ashland gave notice that it will redeem its $100,000,000, 10% Sinking Fund Debentures, due 2000 on November 15, 1978. Accordingly, the outstanding debenture balance of $100,000,000 has been classified as a current liability at September 30, 1978. The aggregate redemption price of the debentures, which will be funded from a portion of the proceeds from the sale of Ashland Oil Canada Limited, will be $108,500,000 plus accrued interest.

Under Ashland's October 3, 1978 offer to purchase 5,000,000 shares of its common stock for $47 per share, approximately 5,800,000 shares were tendered for an aggregate purchase price of approximately $272,600,000. The purchase of such tendered shares will reduce stockholders' equity by $272,600,000 and net book value per common share from $34.13 to $30.68. Ashland will purchase all of the tendered shares out of the remaining proceeds from the sale of Ashland Oil Canada Limited, additional borrowings and internally generated funds.

During 1978, Ashland's management reported that it had instituted a program which involved the critical analysis of each segment of the company to determine how best to maximize cash generation or to assure potential for growth. Divisions subject to particular review include Ashland's construction operations, its foreign and domestic exploration and production operations and certain divisions of Ashland Chemical Company. Shortly after the close of the 1978 fiscal year, negotiations were completed for the sale of part of Ashland Chemical Company's Resins & Plastics Division and negotiations are in progress with regard to the possible disposition of the entire Chemical Products Division. Although discussions are being conducted with regard to the possible disposition of Ashland's construction operations and its foreign and domestic exploration and production operations, no agreements in principle have been reached and there can be no assurance as to whether or when any such agreements will be reached and approved by Ashland's board of directors.

COLECO INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (in part): Debt—Subsequent to December 31, 1978, the Company entered into a new revolving bank loan agreement which provides the Company and its consolidated subsidiaries with a short-term line of credit of $30,000,000 through December 31, 1979. The interest rate for borrowings pursuant to this agreement is at 3% above the prime rate. The line of credit, which includes outstanding letters of credit, limited by a collateral formula, which is based upon levels of accounts receivable and inventories, both as defined in the agreement, and provides for short-term borrowings in excess of the collateral formula in declining amounts through September 30, 1979.

On March 8, 1979, the Company borrowed $17,000,000 pursuant to a 15 year term loan agreement ("1979 term loan"). This loan (90% of which is guaranteed by the Farmers Home Administration) bears interest at 11% and is to be repaid by annual principal payments ranging from $309,000 in 1979 to $2,100,000 in 1994. The proceeds of this borrowing were used to refinance the term loan of $12,625,000 (including the $5,250,000 current portion) outstanding at December 31, 1978 and to repay $4,375,000 of short-term borrowings under the revolving bank loan. The current portion of the term loan outstanding at December 31, 1978 of $5,250,000 and the $4,375,000 of short-term debt refinanced have been reclassified as long-term debt as of December 31, 1978.

The mortgage notes, 1979 term loan and borrowings under the revolving bank loan are collateralized by the Company's assets. The 1979 term loan and revolving loan agreements contain covenants relating to maintenance of working capital and net worth and prohibit the payment of cash dividends. Certain waivers relative to the most restrictive covenants have been obtained for 1979 and, in the opinion of management, the Company will be able to comply with the covenants throughout 1979.

Aggregate maturities of long-term debt, after giving effect to the 1979 term loan and excluding capitalized lease obligations, are: 1980-$786,000; 1981-$782,000; 1982-$839,000; 1983-$924,000; 1984-$938,000; 1985 through 1989-$6,022,000; and 1990 through 1994-$7,964,000.

There were no compensating balance requirements. However, at December 31, 1978 and 1977, the cash balances substantially consisted of amounts held in a one-way depository account under control of the lending banks.

HACH CHEMICAL COMPANY (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11: Event Subsequent to Date of Auditor's Report—On June 29, 1978, the Company entered into a preliminary agreement with an insurance company to borrow $5,000,000, repayable $250,000 annually beginning September 15, 1982, increasing to $400,000 annually beginning September 15, 1986, and to $450,000 annually beginning September 15, 1989, with the balance of $1,000,000 due on September 15, 1993. The agreement provides for interest at 9⅝%. The proceeds will be used to retire existing indebtedness. The debt will be collateralized by the Company's facilities in Loveland, Colorado. Among other covenants the loan agreement contains certain requirements pertaining to maintenance of minimum working capital balances, restrictions as to payment of cash dividends and acquisition of the Company's outstanding capital stock.

MORSE ELECTRO PRODUCTS CORP. (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9: Supplement to Recapitalization Agreement—Subsequent Event—On June 29, 1978, the Company reached agreements in principle with its Restructuring Creditors with respect to a Supplement (the "Supplement") to its Recapitalization Agreement dated as of June 30, 1977, providing for the exchange of (i) 347,080 shares of its Preferred Stock for $8,677,000 principal amount of outstanding Term Loan and (ii) $1,323,000 of its Subordinated Notes for an equal principal amount of such Term Loan. After giving proforma effect to such exchange, the Company will have outstanding: (1) $24,295,600 redemption value of Preferred Stock, (2) $3,704,400 of Subordinated Debt, (3) $16,265,070 of Term Loan, (4) $22,000,000 of loans and available credit under a revolving credit facility and (5) $7,100,000 of deferred past due interest. In addition, the Company's Restructuring Creditors have agreed in principle: (a) to defer until February, 1979 an aggregate of $253,802 of dividends payable on the Preferred Stock in the fiscal quarter ending June 30, 1978 (b) to defer to December, 1978 an aggregate of $38,698 of interest payable on the Subordinated Debt in the fiscal quarter ending June 30, 1978, and (c) to waive certain covenants relating to net worth, earnings, disposition of assets and to the loan and credit facility referred to in succeeding paragraph.

The Company and one of the Restructuring Creditors have agreed in principle to enter into a Term Loan Agreement pursuant to which the Company can borrow $2.5 million from the Creditor. The Company also has an agreement in principle to obtain an additional $1 million of credit for the purchase of merchandise from another Restructuring Creditor until December 31, 1978. The other Restructuring Creditors have agreed in principle to subordinate the Term Loan and Revolving Loans to the aforementioned $3.5 million in additional credit. The general terms of the $2.5 million loan are as follows: the loan bears interest at a rate of 2% over the prime rate of Citibank, N.A. and $500,000 is repayable on October 31, 1978, $1 million on November 30, 1978 and $1 million on December 31, 1978.

The arrangements under the Recapitalization Agreement and the Supplement are designed to permit continued operation of the Company as an alternative to a bankruptcy or arrangement proceeding, providing the possibility that the holders of the Common Stock may ultimately realize more upon their investment in the Company than might otherwise be realized in such proceeding. Based upon the Company's operating budget for the fiscal year ending March 31, 1979, Management believes the Company should be able to make the payments required and comply with the other provisions of the Recapitalization Agreement and Supplement through December 31, 1978. However, if budgeted sales and expense levels are not realized for any reason, including adverse conditions in the market for the Company's products, interruptions in production, or shipments from the Far East, the Company will not be able to make such payments or comply with such provisions. Furthermore, the Company will not be able to make the payments due commencing January, 1979. The Company intends to renegotiate the terms of the Recapitalization Agreement and Supplement on a more permanent long term basis prior to such date but there can be no assurance that it will be able to obtain a further restructuring agreement, or if successful, on what terms. If the Company is unable to make the payments due or is unable to obtain waivers or major modifications of the payment terms, the Company could be forced into a proceeding under the Bankruptcy Act. Accordingly, the Recapitalization Agreement and Supplement constitute at best an interim device until January, 1979.

NEXUS INDUSTRIES, INC. (JUL)

NOTES TO FINANCIAL STATEMENTS

NOTE 11 (in part): Subsequent event—On August 21, 1978, the Company commenced an offer to its shareholders to issue one $4.00 12% subordinated debenture due in 1998 in exchange for each share of Nexus common stock. The offer, including extensions, expired on October 9, 1978. The Company accepted 221,707 shares which were tendered in exchange for $881,500 of debentures, and cash of $4,262. These shares are being held in the treasury.

Assuming the Exchange Offer had taken place August 1, 1976, earnings per common share from continuing operations for the years ended July 31, 1978 and 1977 would have been $.58 and $.29, respectively.

Litigation

F. W. WOOLWORTH CO. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13: Subsequent Events (unaudited)—On April 9, 1979, Brascan Limited, a Canadian conglomerate, announced its intention of offering $35 (U.S.) for each common share of the Company's outstanding common stock. On April 11, 1979, the Company's Board of Directors unanimously rejected the proposed tender offer as grossly inadequate and instructed management to take appropriate action to oppose it, having been advised that the proposed offer raised substantial questions of law. On April 12, 1979, the Company filed suit in Federal Court seeking an injunction preventing Brascan Limited and the Canadian Imperial Bank of Commerce from acquiring any of the Company's common or preferred shares, or from exercising control over Woolworth, and other relief.

On April 13, 1979, a class action was filed naming the Company and its Directors as defendants and seeking damages and injunctive relief as a result of the Directors' opposition to the proposed offer of Brascan Limited. The Company and the Directors intend to defend vigorously against the claim asserted therein. Based upon present knowledge and taking into consideration counsel's evaluation of the suit, management believes that the action is without merit and will not result in a material adverse effect on the Company's financial statements.

Contingencies Other Than Litigation

AIR PRODUCTS AND CHEMICALS, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13: Subsequent Events—On 16 November 1978, PPG Industries, Inc., one of the Company's major Puerto Rican pipeline customers, announced its intention to terminate its chemical operations at Guayanilla, Puerto Rico. As a result of this announcement and its potential impact on the operations of other customers, uncertainties exist regarding the future profitability of the Company's industrial gas facilities in Puerto Rico. Accordingly, the Company is studying these developments and anticipates a possible charge of $2,500,000 after taxes against its earnings of the quarter ending 31 December 1978. The undepreciated book value of such facilities after such charge would be $7,800,000.

FLUOR CORPORATION (OCT)

FINANCIAL REVIEW

Subsequent Event—The company is a participant in a joint venture which is constructing a major refinery in Iran on behalf of the National Iranian Oil Company (NIOC). On December 29, 1978, the joint venture notified NIOC that it was reducing activity on the project under the force majeure provisions of the contract due to escalating civil disturbances in Iran. The project is approximately 98% complete.

The company anticipates that it will complete the project and realize its assets, which are primarily contract amounts receivable from NIOC. However, it is not possible to determine the ultimate outcome of the current events in Iran and what effect, if any, their resolution will have on the company's Iranian operations and the realization of its assets related thereto which approximate $25,000,000, after related income tax effects.

SAV-A-STOP INCORPORATED (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11: Subsequent Event—On October 2, 1978, a customer with an account receivable balance of $273,000 at that date filed for protection under Chapter XI of the Federal Bankruptcy Act. Due to the early stages of the bankruptcy proceeding, it is impossible to determine the amount of loss which may be incurred in liquidating this receivable. In the opinion of management, the allowance for doubtful receivables at September 2, 1978 is adequate to absorb any loss which may result in liquidating the balance due from this customer at that date ($157,000), and any necessary future addition to the allowance will not have a material effect on the financial position or results of operations of the Company.

XEROX CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Event—On February 12, 1979, the Company received an Internal Revenue Service notice proposing additional tax liability of $88 million for the years 1972 and 1973 which will be vigorously contested by the Company. The proposed adjustments relate principally to the timing of depreciation deductions for tax purposes. The IRS is proposing a longer life for the Company's copying and duplicating equipment than currently used for both tax and financial reporting purposes; however, this will not affect the way the Company currently depreciates copying and duplicating equipment in its financial statements. In the opinion of the Company, the final outcome will have no material impact on results of operations.

Sale of Assets

TEXAS INTERNATIONAL COMPANY (DEC)

Consolidated Balance Sheet

($000)

	Pro Forma December 31, 1978 (Note 20)	December 31, 1978	1977
Current Assets:			
Cash and certificates of deposit of $1,300,000 in 1977 (Note 11)	$ 5,596	$ 7,946	$ 5,206
Accounts receivable, trade, less allowance for doubtful accounts of $872,000 and $472,000 (Note 10).	26,632	26,632	14,466
Notes and other accounts receivable (Notes 6 and 10)	1,211	75,647	1,968
Inventories (Notes 7 and 10)	46,612	46,612	25,737
Prepaid expenses (Note 6)	5,659	5,659	641
Current assets of discontinued operations (Note 6)	9,409	9,409	21,373
	$95,119	$171,905	$69,391
Current Liabilities:			
Portion of long-term debt due within one year (Note 10)	$ 8,948	$ 85,734	$ 1,400
Accounts payable	22,117	22,117	17,199
Accrued liabilities	12,161	12,161	5,264
Estimated warranty obligation (Note 16)	2,157	2,157	
Royalties payable	3,859	3,859	3,255
Deferred income taxes (Note 12)	11,787	11,787	283
Current liabilities of discontinued operations (Note 6)	5,370	5,370	12,311
	$66,399	$143,185	$39,712

Note 20: Pro Forma Balance Sheet—As set forth in Note 6, the Company sold substantially all of its Energy Services Division in December 1978. The note received from the pur-

chaser aggregated $74,436,000 and was due and paid on January 2, 1979; the proceeds from the note and an additional $2,350,000 were applied to reduce notes payable to banks (see Note 10). The pro forma balance sheet is presented to show the effect of the receipt and application of the proceeds as if those events had occurred as of December 31, 1978.

LAFAYETTE RADIO ELECTRONICS CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note B (in part): Property, plant and equipment—Subsequent to July 1, 1978, the Company sold its California warehouse and distribution center for $1,559,000 cash which resulted in a gain of $449,000. This gain will be reflected in the consolidated financial statements of the next fiscal period. Operations at this facility were ceased during September, 1978 and were subsequently combined with those at the Company's other warehouse and distribution facilities.

UNIROYAL, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Subsequent Events—In 1978, the Company's domestic acrylonitrile-butadiene-styrene resin (ABS) and synthetic rubber latex businesses had sales of $84.3 million and employed assets of $49.5 million at year-end. On February 20, 1979, these assets, except for the related accounts receivable which are to be collected by the Company, were sold for approximate net book value to USS Chemical, a division of United States Steel Corporation. There will be no adverse effect on the Company's financial position as a result of the sale.

Stock Dividends or Splits

METRO-GOLDWYN-MAYER INC. (AUG)

NOTES TO FINANCIAL STATEMENTS

Note 14: Events Subsequent to Date of Auditors' Report—In January, 1975, the Company stated its intention to declare regular, quarterly cash dividends, together with annual cash or stock dividends, so as to cumulatively equal on an annual basis approximately 75% of the Company's net income. The Board of Directors on October 31, 1978, declared a year-end 5% stock dividend (approximately 708,600 shares) payable December 22, 1978, to stockholders of record November 22, 1978. The Board also announced it will institute a new quarterly cash dividend policy providing for increased quarterly cash dividends of $0.30 per share ($0.15 per share on stock outstanding after the stock-split described below) to be implemented with the first quarter of fiscal 1979. The effect of the stock dividend, if retroactively applied in computing earnings per share, would be to decrease earnings per share by $0.16 in 1978 and $0.11 in 1977.

The Board of Directors also approved, subject to stockholders' action at the annual meeting to be held on January 6, 1979, an amendment to the Company's Certificate of Incorporation increasing the number of authorized shares of the Company's Common Stock from 20,000,000 to 40,000,000 and splitting each issued share of Common Stock 2-for-1. The stock split would be applicable to shares issued after giving effect to the 5% stock dividend. The record date for the stock split would be the date the amendment to the Certificate of Incorporation is filed in the State of Delaware (approximately January 9, 1979) with new shares resulting from the split to be delivered as of January 31, 1979.

J. P. STEVENS & CO., INC. (OCT)

NOTES TO FINANCIAL STATEMENTS

Note M: Stock Dividend Subsequent to Fiscal Year-End—On December 21, 1978 the Board of Directors declared a 10% stock dividend payable on February 15, 1979 to shareowners of record January 5, 1979. Accordingly, in the October 28, 1978 balance sheet, an amount equal to the fair market value of the additional shares to be issued has been charged to Accumulated earnings ($16,280,000); the par value ($7.50 per share) of the shares to be issued has been credited to Capital stock and the excess ($6,895,000) has been credited to Capital in excess of par value. Per share and other related data have been adjusted to give retroactive effect to the dividend.

Investment

BOWNE & CO., INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Investments—The Company owns 285,697 shares (approximately 10%) of Telenet Corporation acquired at a cost of $2,985,294. Telenet is a value added carrier which operates a nationwide public packet switched data communications network. Telenet's stock is traded on the over-the-counter market under the symbol TNET.

On December 9, 1978 the Company, along with certain other major Telenet shareholders, representing a combined equity interest of 55%, agreed to a merger of Telenet into a subsidiary of General Telephone & Electronics Corporation. The agreement, which is subject to certain approvals, calls for an exchange of .7652 shares of GTE's common stock for each outstanding Telenet share. The Company would receive 218,615 shares of GTE for its 285,697 shares of Telenet. Based on the closing price of GTE's stock on December 8, 1978 ($28.625), the market value of the shares the Company is to receive will amount to $6,257,854. It is expected that the merger will be a tax-free basis. GTE's current indicated annual dividend rate is $2.48 per share. Based upon both the number of GTE shares (218,615) the Company will have after the exchange, and on the current indicated dividend, the Company should receive $542,000 in dividend income annually. Under tax regulations now in effect, this would result in an annual net after tax income of approximately $477,000, or $.22 per Company share, based upon the outstanding shares as of the close of business on December 11, 1978 (after issuance of 5% stock dividend of December 8, 1978).

Treasury Stock Purchase

SETON COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10: Subsequent event—On January 3, 1979, the Company purchased for the treasury 50,000 shares of common stock from a trust of which a director was the beneficiary.

The cost of the shares was $750,000 with $75,000 paid at closing, and the balance is payable in equal annual installments over ten years with interest at 6% per year. Payments on this obligation are subordinated to the Company's obligations under certain loan agreements (refer to Note 3).

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 1978, 74 survey companies disclosed related party transactions. Examples of such disclosures follow.

Transactions Between Affiliated Companies

BENTLEY LABORATORIES, INC. (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8: Transactions with Affiliates—Based upon information filed with the Securities and Exchange Commission and provided to the Company, approximately 36% of the Company's common stock was acquired or became subject to acquisition in February 1978 by Bioengineering International B.V. ("BEI"), a subsidiary of Fiat, S.p.A., in a private transaction between BEI and certain officers and directors of the Company. BEI has subsequently acquired an additional 3% of the Company's common stock. A subsidiary of BEI is a licensee for certain of the Company's dialysis products sold in Europe and a distributor of the Company's cardiovascular products in Italy. During the years ended November 30, 1978 and 1977, the Company made sales of $1,318,000 and $988,000, respectively, to the subsidiary and also earned insignificant royalties during such years. Sales to the subsidiary are priced at the same prices charged to unaffiliated foreign distributors. The Company also sold a dormant subsidiary in Brasil to BEI for an insignificant amount and recorded a nominal gain on this sale.

CANNON MILLS COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 3: Related Party Transactions—Prior to the effective dates of the consolidations of the investee companies described in Note 1, the Company sold principally cotton and manufactured products and provided administrative and selling services to them and purchased from them cotton, yarn, sheeting and manufacturing services. Such sales and purchases amounted to $6,300,000 and $52,560,000, respectively, for fiscal 1978 and $23,600,000 and $120,800,000, respectively, for fiscal 1977 and are included in the accompanying statements of income. Transactions of this nature subsequent to the acquisition dates have been eliminated in consolidation.

Loans receivable resulting principally from these transactions amounted to $1,000,000 at December 29, 1977.

COPPERWELD CORPORATION (DEC)

ACCOUNTING POLICIES

Consolidation—The consolidated financial statements include the accounts of the Corporation and its subsidiaries. Investments in foreign affiliates owned 20% or more (not material in amount) are included in the financial statements on the equity method of accounting. Other investments are accounted for on the cost method.

Imetal, a French company, owns approximately 66% of the Corporation's outstanding Common Stock. The Corporation purchases certain alloying materials from an affiliate of Imetal at published market prices. Such purchases amounted to approximately $3,400,000 and $1,400,000 in 1978 and 1977, respectively.

GEARHART-OWEN INDUSTRIES, INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14: Related Party Transactions—Gearhart-Owen sales to nonconsolidated subsidiaries and affiliates for the years ended January 31, 1979 and 1978 were $3,216,000 and $1,107,000, respectively. There were no other material related party transactions which were not disclosed in the consolidated financial statements or the notes thereto.

TYSON FOODS, INC. (SEP)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 8: 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 $248,092 with a balance at September 30, 1978 of $37,073 ($77,425 at October 1, 1977), which is included in accounts receivable—trade on the consolidated balance sheet.

Transactions with an Unconsolidated Affiliate

The Company has an unconsolidated affiliate, Thompson Poultry, Inc., with which it buys and sells poultry. Sales of live poultry to Thompson, amounting to $641,000 and $6,850,134 for the years ended September 30, 1978 and October 1, 1977, respectively, are included in consolidated sales in the statement of income. Purchases of dressed poultry from Thompson, amounting to $812,000 and $8,274,978, respectively, are included in consolidated cost of sales. The account receivable from Thompson at September 30, 1978 and October 1, 1977 in the amount of $243,150 and $98,991, respectively, is included in trade accounts receivable on the balance sheet.

Transactions Between Company and Management or Stockholders

THE CORNELIUS COMPANY (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note P: Transactions With Related Parties—Transactions with a director and major stockholder or his affiliated companies:

	October 31 1978	1977
Payments on subordinated note payable (Note D):		
Principal	$200,000	$200,000
Interest	32,500	44,500
Clerical and administrative services paid to affiliate	75,400	49,400
Various advertising, public relation and marketing projects paid by Cornelius to affiliate	-0-	3,000
Development of pizza oven (less reimbursement of $12,000 in 1978 and $36,000 in 1977). The Company has an agreement with the major stockholder whereby the Company produces and markets the oven on a non-exclusive basis. The agreement can be terminated at any time by either party with one month's notice	16,400	26,000
Aircraft rentals paid to affiliate	18,000	12,000
Purchase of product line and inventory by Cornelius from affiliate*	20,000	-0-
Loan from Cornelius to affiliate*	448,000	125,000
Loan repayments to Cornelius including interest from affiliate*	117,000	17,500
Trade sales from Cornelius to affiliate*	458,000	139,000
Purchase of building from affiliate*	273,000	-0-

*In October 1978 the major stockholder of the Company disposed of his interest in the affiloited Company.

Transactions with others: Certain officers of the Company own a building, a portion of which is leased by a division of the Company at an annual fee of approximately $34,000 plus a pro rata share of taxes, insurance and other operating costs.

JOHNSON PRODUCTS CO., INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7: Transactions With Related Parties—The Company has a land-lease agreement with officers of the Company, George E. Johnson and Joan B. Johnson, under which the Company has constructed and furnished a residence in Jamaica for use principally by distributors and customers.

The annual land rental paid by the Company is $500 and the expiration date of the lease is June 6, 1986. George E. and Joan B. Johnson have the option to purchase the house and furnishings from the Company at depreciated value, as defined by the lease, upon expiration of the lease. The lease will be automatically renewed for a further term of 20 years, if the lessors fail to purchase the house from the Company, and the annual rental for the renewal period will remain at $500. All leasehold improvements and all operating expenses of this facility are paid for by the Company.

For the years 1978 and 1977, the Company contributed $175,000 and $110,000, respectively, to the George E. Johnson Foundation, Inc. (an organization exempt from taxation). Two officers who are major shareholders and an employee of the Company serve as directors of the Foundation.

The Company has an investment in the common stock of the Independence Bank of Chicago. The bank is controlled by certain officers and directors of the Company. At August 31, 1978, the Company had on deposit at the bank, $500,000 in interest-bearing certificates of deposit and $265,000 in demand deposits.

PANTASOTE INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10: Transactions Between Shareholders and Company—Certain substantial shareholders of the Company control a corporation in Italy that supplied materials to the Company at a total cost of $2,525,000 in 1978 and $2,425,000 in 1977. As of December 31, 1978, the Company owed $816,000 to this corporation.

RUSS TOGS, INC. (JAN)

NOTES TO FINANCIAL STATEMENTS

Note N—Transaction With Related Party: The Company has incurred legal fees of approximately $160,000 in 1979 and $100,000 in 1978 from a law firm, a partner of which has been a member of the Company's Board of Directors since 1961.

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; such financial statements, by not presenting replacement cost data, would vary significantly from financial statements included in Form 10-K. To avoid a variation, the SEC staff suggests in *Staff Accounting Bulletin No. 7* that the notes to financial statements in annual reports to stockholders "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."

In 1978, the financial statements of 405 survey companies referred to replacement cost information presented in Form 10-K and the financial statements of 36 survey companies presented replacement cost information. Of the 441 survey companies either referring to or presenting replacement cost information, three presented supplementary price level financial information and one presented both historical cost and current-value financial statements.

Reference To Replacement Cost Data In Form 10-K

BOISE CASCADE CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 12: Replacement Cost (Unaudited)—A continuing pattern of long-term inflation results in increased operating costs and significantly higher costs to replace the Company's productive capacity. The Company offsets these increased costs through a combination of improvements in efficiency and productivity and, when appropriate, increases in prices. The ability to compensate for the impact of inflation with respect to particular products at any given time is also impacted by market and economic factors which may delay recovery of cost increases. In accordance with a Securities and Exchange Commission requirement, the Company has estimated the cost of replacing the major elements of its productive capacity and the impact on depreciation expense if, in fact, these assets were replaced.

For purposes of these estimates, the term "replacement cost," as defined by the SEC, is "the lowest amount that would have to be paid in the normal course of business to obtain a new asset of equivalent operating or productive capability," based on prevailing prices at December 31, 1978 and 1977. Using this definition and applying it to all Company facilities (excluding assets which are not expected to be replaced), it is estimated that the total replacement cost of these facilities would be approximately 240% of original cost in each year. Based on these higher replacement costs, straight-line depreciation expense in each year would be approximately double the comparable historical depreciation expense related to these facilities.

Certain operating cost savings would result if existing assets were replaced with the new and more efficient facilities assumed in estimating the replacement cost of productive capacity. We have not estimated precisely these cost savings, but we believe they would be large enough to substantially offset the higher depreciation expense implied by the replacement cost depreciation calculation. These cost savings would result from reductions in costs for direct labor, materials, repairs and maintenance, energy and other indirect costs, less waste and improved quality.

The Company's report on Form 10-K contains an expanded coverage of the replacement cost of inventories and productive capacity and the related impact on cost of sales and depreciation and cost of company timber harvested for the years ended December 31, 1978 and 1977.

COMBUSTION ENGINEERING, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 14: General Impact of Changes in Prices Caused by Inflation (Unaudited)—Much of the business of the Company and its subsidiaries consists of products and services which are designed to meet specific customer requirements. Contracts for these products and services are both long- and short-term in duration. The contract price, particularly in the case of long-term contracts, either includes an amount for the estimated increase in the cost of labor, materials and services over the period required for performance of the contract, or is subject to adjustment based on a price escalation clause. If provisions for future cost increases prove to be inadequate in long-term contracts, appropriate adjustments are made to cost estimates during the progress of the work on such contracts (Note 1d).

With respect to other products and services, the Company and its subsidiaries attempt to recover cost increases by increasing selling prices. Their ability to do so is subject to the limitation of competitive factors, customer demand and the Company's voluntary compliance with Federal price guidelines. In general, there is a time lag between cost increases and recovery through higher selling prices of such other products and services. In 1974, in order to give more current effect to cost increases, the Company and certain subsidiaries changed their method of accounting for certain domestic inventories (generally inventories other than those involved in long-term contract work) to the last-in, first-out (LIFO) method of inventory valuation.

Although the cumulative impact of inflation over a number of years has resulted in higher costs for replacement of existing plant and equipment, such inflationary increases have partially been offset by technological improvements and design changes.

The Company's 1978 annual report on Form 10-K filed with the Securities and Exchange Commission includes additional information (required by the SEC) with respect to the estimated replacement cost of the plant and equipment and certain inventories at December 31, 1978 and 1977, and the related estimated effect of such costs on cost of sales and depreciation and amortization for the years then ended.

WALT DISNEY PRODUCTIONS (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9: Replacement Cost Information (Unaudited)—The Company has experienced the normal effects of inflation in recent years. By improving productivity, controlling costs and increasing selling prices, where competitive conditions permit, the Company has sought to lessen the impact of inflation. The Company does not anticipate that its future cash flow will be significantly affected by capital expenditures for replacement of plant and equipment.

In compliance with Securities and Exchange Commission requirements, the Company has presented replacement cost information in its Form 10-K Report with that agency (a copy of which is available upon request). In issuing its requirements, the Commission expressed caution and warning concerning inconsistency, lack of comparability, and simplistic use of the replacement cost data. Further, the Company does not believe that the required techniques and related calculations produce meaningful data because of the highly theoretical nature of and the imprecisions inherent in the replacement cost exercise and the subjectivity necessarily involved in making those estimates. In addition, the requirement ignores circumstances, such as exist with the Company, where existing capacity can be maintained on a cost competitive basis by a comprehensive maintenance and refurbishment program.

Regardless of the reservations expressed above, the Company has sought conscientiously to formulate the replacement cost data in accordance with the SEC's requirements. The disclosure contains specific information with respect to estimates of the current replacement cost of the productive capacity of the Company and its subsidiaries as of September 30, 1977 and September 30, 1978 together with related amounts of costs and expenses on the basis of replacement cost for the years then ended.

H. J. HEINZ COMPANY (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15: Replacement Cost Data (Unaudited)—The Securities and Exchange Commission requires disclosure of certain replacement cost information in financial statements filed with the Commission. The required replacement cost information is contained in the company's Annual Report on Form 10-K, a copy of which is available upon request from the company. However, the company believes that the numerous assumptions and subjective judgments required and the estimations necessary to calculate this replacement cost data create results with significant inherent imprecision and with little, if any, comparability among companies, even in the same general industries. In addition, the results are not intended to, and in fact do not, reflect all of the effects of inflation and other economic factors on the company's results of operations and its financial position. The results obtained from the replacement cost calculations could, and most probably would, differ significantly from results of replacement when actually made, since the actual replacements will be based on economic, regulatory and competitive conditions existing at those future dates. The company believes that replacement cost information is of limited value and must be reviewed with caution and a thorough understanding of the inherent limitations therein.

Replacing items of plant and equipment generally requires larger capital outlays than were originally required to purchase the asset being replaced because of technological improvements normally found in newer assets and the cumulative effect of inflation on long-lived assets. Accordingly, depreciation expense based on the replacement value of productive capacity would normally exceed depreciation expense based on historical value. This increase would be, at least partially, offset by cost savings resulting from the superior technology and related efficiencies of the newer assets.

During inflationary periods, inventory values and cost of products sold at replacement would normally exceed the corresponding historical values. Historically, however, even during periods of widely varying rates of inflation, the company has been able to maintain a relatively consistent gross profit margin through increased efficiencies, a greater emphasis on the more profitable products, and selective price increases when market conditions allowed.

GEO. A. HORMEL & COMPANY (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note H: Replacement Cost Information (Unaudited)—The impact of inflation on the Company's inventories is not significant because of their rapid turnover. The current replacement of productive capacity, however, would require a substantially greater capital investment than originally made to acquire those assets. The impact of inflation on the replacement of productive capacity would be at least partially offset by improved efficiency in plant layout and lower operating costs.

Estimated replacement cost information for inventories and productive capacity as of October 28, 1978, and October 29, 1977, and the related effect on the cost of products sold and depreciation expense for the year, are disclosed in the Company's annual report on Form 10-K to be filed with the Securities and Exchange Commission.

INLAND STEEL COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11: Inflation Accounting (Unaudited)—As a result of a requirement by the Securities and Exchange Commission, the Company has evaluated inventories, properties, cost of sales and depreciation in accordance with a concept known as "replacement cost." This experimental concept is one proposed method to determine the effect of inflation on these assets and costs but is not reflected in the accompanying financial statements. There is no generally accepted method for computation of replacement cost, nor does it represent the current value of present facilities.

The last-in, first-out method of accounting for cost of goods sold employed by the Company is acceptable for use in replacement cost accounting. The Company believes the Consolidated Statement of Income realistically reflects the effects of inflation on inventories.

Application of the concept to property, plant and equipment and to depreciation expense, in accordance with SEC rules, suggests that the replacement cost of the Company's productive capacity and its related depreciation expense would be significantly higher than the cost of the present facilities indicated in the financial statements. This results principally from the impact of inflation since these facilities were acquired. However, engineering studies reveal that cost savings which could be achieved through the replacement of present facilities would represent a significant offset to the increase in depreciation on a replacement cost basis.

A detailed discussion of replacement cost for inventories and productive capacity is contained in the Company's Form 10-K Report to the SEC. Form 10-K will be available from the Secretary of the Company as described on the inside front cover.

ELI LILLY AND COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note M: Estimated Replacement Cost Information (Unaudited)—Inflation impacted the Company's production costs in varying degrees in the areas of the world in which manufacturing is performed, although the dominant impact was in the United States, where a majority of production costs are incurred. In most years, the Company has been able to compensate for input cost increases by improvements in productivity and, to some extent, by selling price increases.

Replacing items of buildings and equipment with assets having equivalent productive capacity has usually required a substantially greater capital investment than was required to purchase the assets that were being replaced. The additional capital investment principally reflects the cumulative impact of inflation on the long-lived nature of these assets.

The annual report to the Securities and Exchange Commission on Form 10-K (copies of which will be available in April upon request) will contain estimates of the December 31, 1978 and 1977, replacement cost of inventories and productive capacity (buildings and equipment) and the estimated effect that replacement cost would have had on the computation of manufacturing costs of products sold and depreciation expense for 1978 and 1977.

MCDONALD'S CORPORATION (DEC)

FINANCIAL COMMENTS

Replacement cost information (unaudited)—As required by a rule of the Securities and Exchange Commission, the Company will present unaudited replacement cost information in its annual report to the Commission on Form 10-K for the year ended December 31, 1978. This information will indicate that the replacement cost of the Company's productive capacity (principally restaurant buildings and equipment) exceeds the historical cost of acquiring such capacity and that depreciation and amortization expense based upon the average current replacement cost is greater than the amount calculated based on historical cost under generally accepted accounting principles. Replacement cost of inventories would be essentially the same as historical cost.

The replacement cost information to be presented in Form 10-K is based on the hypothetical assumption that the Company would replace its entire productive capacity as of December 31, 1978 and 1977. It is improbable that circumstances would ever require such total replacement at any one time, or that the Company would bear all the cost of such replacement. Additionally, the estimated amounts are based on certain subjective judgments and may be affected by errors inherent in the estimation process. For these reasons, the Company makes no representation that the replacement cost information will be useful or meaningful.

OWENS-ILLINOIS, INC. (DEC)

FINANCIAL REVIEW

Replacement Cost Information (Unaudited). The Company's Form 10-K to be filed about March 31, 1979, (copy available upon request) will contain specific information with respect to 1978 and 1977 year-end approximations for replacement costs of productive capacity and inventories and the related effect that replacement costs would have had on cost of sales and depreciation expense for the years then ended. Generally, the Form 10-K will indicate that replacing capital assets with others having equivalent productive capacity would usually require a substantially greater capital investment than when originally purchased, principally reflecting the cumulative impact of inflation on the long-lived nature of these assets. The replacement cost impact on most inventories will be significant, as the Company is on a LIFO method of accounting for most domestic inventories. Cost of sales will be somewhat greater due primarily to the incremental depreciation associated with replacement value of plant and equipment. It is impractical to estimate the impact on cost of sales of such manufacturing cost benefits as would accrue from the technologically improved replacement assets.

The Securities and Exchange Commission, while requiring this information, warns of substantial theoretical problems involved in computing replacement costs and of general limitations on the usefulness of such information. Although such information was developed in good faith, the Company believes it is of questionable value.

REPUBLIC STEEL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note L: Unaudited Replacement Cost Data—The Corporation's annual report on Form 10-K contains certain data required by the Securities and Exchange Commission with respect to year-end 1978 and 1977 replacement cost of inventories and productive capacity (generally buildings, machinery and equipment), and the approximate effect which estimated replacement cost would have had on the computation of cost of products sold and depreciation expense for the years.

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. Historically, steel prices have borne an unsatisfactory relationship to costs. Unless price increases fully cover increases in employment and raw material costs and costs associated with government-mandated programs and produce satisfactory margins, profitability will be insufficient to meet the need of domestic steelmakers to replace older, uneconomic facilities, to spend large sums for environmental control and the requirements of OSHA, and to make solid plans to meet future demand.

Replacement Cost Data Presented In Annual Report

ASHLAND OIL, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note O: Replacement cost information (Unaudited)—The Securities and Exchange Commission requires Ashland to disclose replacement cost data for its inventories, productive capacity of property, plant and equipment and the related effects on cost of sales, depreciation and operating expenses. Because of the experimental nature of this disclosure requirement and its imprecisions due to subjective judgments involved in calculating replacement costs, Ashland cautions stockholders and other interested parties against "simplistic use" of the data provided and of its lack of comparability with other companies.

Presented below is an abbreviated statement of the effect of replacement costs on Ashland's consolidated balance sheet and statement of consolidated income for the years ended September 30, 1978 and 1977. For further information concerning basic approaches, assumptions and techniques employed in estimating replacement costs, refer to Ashland's SEC Form 10-K report.

	1978		1977	
	Historical cost subject to replacement cost(1)	Estimated replacement cost	Historical cost subject to replacement cost(1)	Estimated replacement cost
	(In thousands)			
Consolidated balance sheet:(2)				
Inventories	$ 367,924	$ 657,817	$ 413,072	$ 686,284
Productive capacity				
Cost	$1,559,788	$3,256,797	$1,473,570	$2,975,588
Less accumulated depreciation	735,224	1,707,849	662,898	1,550,571
Net depreciated cost	$ 824,564	$1,548,948	$ 810,672	$1,425,017
Statement of consolidated income:(2)				
Cost of sales and operating expenses	$4,211,807	$4,224,955	$3,970,503	$3,978,202
Depreciation, depletion and amortization expense	$ 106,969	$ 187,024	$ 91,531	$ 166,453

(1)Mineral resource assets and assets located outside the North American Continent and European Economic Community were delayed from replacement cost requirements for fiscal year 1977. For fiscal year 1978, SEC regulations continue to exclude those mineral resource assets employed in oil and gas producing activities, but require replacement costing of assets employed in mining activities. Land, assets not to be replaced, intangibles, etc., net of noncapitalized financing leases, are excluded in both years.

(2)Excludes Ashland Oil Canada Limited in 1978.

Land is excluded from replacement cost requirements but is a major asset which has been greatly affected by inflation. Ashland has estimated the current fair market value of all its nondepletable land at September 30, 1978 to be approximately $165,000,000 (historical cost $77,500,000).

BLUE BELL, INC. (SEP)

NOTES TO FINANCIAL STATEMENTS

Note 13 (in part): Supplemental Information—Unaudited

Replacement Cost Information—The Company is required by the Securities and Exchange Commission to present certain unaudited financial data estimating the current replacement cost of inventories and productive capacity. This information has been prepared following the guidelines set forth by the Securities and Exchange Commission. Users of this information should be aware that much of the data is based on subjective judgments assuming artificial situations. Accordingly, comparisons of replacement cost data of various companies may not be meaningful.

The Company's estimates of replacement cost for inventories and productive capacity and comparison with historical costs at September 30, 1978 and 1977 and their effects on elements of operations for the years then ended follows:

	1978		1977	
	Historical Cost	Estimated Replacement Cost	Historical Cost	Estimated Replacement Cost
		In Thousands		
Inventories	$218,588	$252,749	$222,742	$253,382
Property (other than land):				
Buildings	$ 48,343	$ 76,266	$ 43,247	$ 64,539
Machinery, equipment, etc.	82,578	112,387	71,724	92,242
Improvements to leased property	10,882	14,231	11,547	15,733
Total	141,803	202,884	126,518	172,514
Less accumulated depreciation and amortization	69,038	77,582	57,954	63,797
Net property for which replacement cost information is required	$ 72,765	$125,302	$ 68,564	$108,717
Depreciation expense	$ 12,596	$ 13,546	$ 10,279	$ 10,893
Cost of sales (excluding depreciation)	$608,093	$613,996	$593,898	$596,373

Methodology

The replacement cost of inventories has been estimated by use of standard costs adjusted to approximate current costs. Current costs of inventories of foreign subsidiaries were translated into U.S. dollars at fiscal year-end exchange rates. An allocation of replacement cost depreciation of property was included in inventory replacement cost.

The replacement cost of property was calculated principally by applying published indices, which are representative of the industry, to historical costs. Depreciation based on the replacement costs 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.

Excluding depreciation expense, cost of sales for 1978 and 1977 computed under the LIFO inventory method approximates replacement cost. Cost of sales not computed under the LIFO inventory method, principally foreign, was computed at standard cost and translated at exchange rates which were estimated to be in effect at the time of sale.

CELANESE CORPORATION (DEC)

NOTES

(millions, except per share)

Note S: Replacement cost information (unaudited)

	Historical cost amounts			Estimated replacement costs		Per share effect of income statement amounts in column (5)
	Totals per financial statements	Amounts for which replacement costs Are not provided	Are provided	Comparable to amounts in column (3)	(Over)/under historical amounts	
1978 Column number	(1)	(2)	(3)	(4)	(5)	(6)
Balance sheet amounts						
Inventories	$ 318	$ —	$ 318	$ 422	$ (104)	
Depreciable assets:						
Gross	$2,670	$1,030	$1,640	$2,830	$(1,190)	
Accumulated depreciation	1,672	768	904	1,606	(702)	
Net	$ 998	$ 262	$ 736	$1,224	$ (488)	
Income statement amounts						
Cost of goods sold excluding depreciation	$1,883	$ —	$1,883	$1,846	$ 37	$ 1.17
Depreciation included in:						
Cost of goods sold	209	70	139	193	(54)	(1.89)
Other operating costs	9	3	6	13	(7)	(.25)
Total income statement amounts	$2,101	$ 73	$2,028	$2,052	$ (24)	$ (.97)
1977						
Balance sheet amounts						
Inventories	$ 288	$ —	$ 288	$ 391	$ (103)	
Depreciable assets:						
Gross	$2,407	$ 958	$1,449	$2,302	$ (853)	
Accumulated depreciation	1,493	719	774	1,239	(465)	
Net	$ 914	$ 239	$ 675	$1,063	$ (388)	
Income statement amounts						
Cost of goods sold excluding depreciation	$1,698	$ —	$1,698	$1,658	$ 40	$ 1.30
Depreciation included in:						
Cost of goods sold	181	55	126	183	(57)	(1.96)
Other operating costs	9	3	6	10	(4)	(.16)
Total income statement amounts	$1,888	$ 58	$1,830	$1,851	$ (21)	$ (.82)

The information above is presented in accordance with the requirements of the Securities and Exchange Commission and shows replacement cost data for all productive capacity existing at December 31, 1978 and 1977, except for such productive capacity that in the opinion of management as of those dates, would not be replaced because the profitability of the operations involved would not justify replacement, or for other reasons. This productive capacity exists primarily in the fibers area in cellulosics and in nylon. With respect to such operations, the Corporation plans to continue to reduce operating costs and maintain production to meet market demand.

The per share data shown in the last column, which are not required to be disclosed, are based on a 48% U.S. tax rate and after consideration of the effect of any minority interests. Annual investment tax credit effects, based on current U.S. tax laws and estimated at $(.05) per share for 1978 and $.63 per share for 1977, are not included in these per share data. Increased interest costs have not been calculated for the replacement assets because the amount of additional borrowing that would be required is not known.

Because replacement cost of productive capacity is presented, it should not be inferred that the Corporation has plans to replace such assets currently, nor that the actual replacement, should it occur, would take place in the form and manner assumed in developing these estimates. In addition, it should be recognized that this information is based upon certain assumptions and judgments of management, some of which are described below. The estimated replacement amounts do not represent amounts at which existing assets could be sold or any other measure of current fair value, and/or the subsequent operating costs to be incurred in the production of products. Furthermore, they are based on the hypothetical assumption that the Corporation would replace its entire inventory and productive capacity at December 31, whether or not the funds to do so were available, or whether such replacement was physically possible. They do not take into consideration the many economic, regulatory and competitive problems that might arise in relocating and consolidating existing productive facilities. These problems would have to be considered in depth before replacement were effected. The results of such additional studies may alter significantly the costs and/or manner of the Corporation's productive capacity replacement contemplated in this disclosure.

The difference between historical and replacement costs should not be interpreted to represent additional book value for the Corporation's common stockholders. Also, because of the subjective judgments required, the above replacement cost data will not be fully comparable among companies with which Celanese competes.

The estimated replacement cost of the Corporation's productive capacity has been developed primarily by the use of either engineering estimates of entire operating units, by reference to recent actual capacity additions or current plans, or by indexing historical costs to current levels where appropriate.

Accumulated depreciation and depreciation expense on a replacement cost basis have been calculated based on the replacement costs of productive capacity using straight-line depreciation rates and on the estimated useful lives used currently for financial accounting purposes and upon the expired portion of such lives. The replacement cost depreciation amounts shown do not include any amounts for capacities older than such current estimates of useful lives, which amounts on a replacement cost basis would be $57 million, or $1.75 per share for 1978 and $22 million, or $.68 per share, for 1977, respectively, calculated on the same basis as the per share amounts shown in the table. No extension of asset life resulting from technological improvements was used in the replacement cost calculations. The Corporation does not include depreciation expense in inventory valuations.

For some capacity, replacement is expected to result in a reduction in certain operating costs. Management estimates the amount of such savings at $52 million and $48 million annually and the effect of such savings has been included in the replacement cost of sales data for 1978 and 1977, respectively.

Amounts related to assets outside the U.S. have been translated into U.S. dollars at exchange rates in effect at year-end for balance sheet items and at average exchange rates during the year for income statement items.

Other inflationary effects have not been presented in the replacement cost disclosures set forth above. These additional effects include, but are not limited to, the holding gain experienced from being a net borrower in times of inflation, or the losses incurred in holding net monetary assets (cash, receivables, etc.), and possible increases in selling prices to recover cost increases.

The replacement cost of inventories is not in excess of market values and has been based on standard costs adjusted for cost variances from those standards being experienced at the end of the year.

The replacement cost of sales represents the estimated cost of replacing such items sold at the time the sales were made. For that portion of sales where inventories are valued on the LIFO method, historical costs approximate replacement costs. For the remainder of sales, the historical cost of goods sold amounts have been adjusted by reference to actual costs incurred during the year.

THE DOW CHEMICAL COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note Q: Estimated Replacement Cost (Unaudited)—The relatively high rates of inflation experienced worldwide in recent years have focused attention on the propriety of using historical cost as the basis for valuation of assets and liabilities and for determination of income from operations. A number of government and independent bodies are considering the need for appropriate alternatives. To date, no single method has earned general acceptance as a satisfactory alternate.

The Securities and Exchange Commission requires certain companies to submit as a part of their annual reports to the Commission selected items of information stated on the basis of estimated replacement costs, which include depreciation calculated under straight-line methods. A summary of that information, along with a comparison to historical cost, is presented in the following table:

	1978		(Restated) 1977	
	Estimated Replacement Cost	Comparable Historical Cost	Estimated Replacement Cost	Comparable Historical Cost
	(In millions)			
As of December 31:				
Inventories	$ 1,423	$1,000	$ 1,477	$1,068
Plant properties	$13,120	$8,450	$11,348	$7,610
Less accumulated depreciation and depletion	6,428	3,688	5,540	3,333
Net plant properties	$ 6,692	$4,762	$ 5,808	$4,277
For the year ended December 31:				
Cost of sales excluding depreciation	$ 4,786	$4,740	$ 4,273	$4,259
Depreciation expense	588	544	507	475
Total cost of sales	$ 5,374	$5,284	$ 4,780	$4,734
Depreciation (inclusive of amounts allocated to the cost of sales)	$ 608	$ 562	$ 526	$ 493

The Company concurs with the objectives of identifying and disclosing the effects of inflation on operating results. While these required estimates and disclosures are quite limited in scope and do not purport to show the total impact of inflation, management, nevertheless, feels they are useful as approximations pending development of more comprehensive inflation accounting techniques. In the use of these estimates, then, due allowance should be made for their inherent lack of precision.

A more comprehensive analysis of replacement cost data, along with an explanation of the methods and assumptions used in its preparation may be found in Form 10-K, Annual Report to the Securities and Exchange Commission. A copy of that report is available upon written request to the Secretary of the Company, 2030 Dow Center, Midland, Michigan 48640.

THE TIMES MIRROR COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note Q: Replacement Cost (Unaudited)—The following estimates of replacement cost have been prepared in conformity with requirements prescribed by the Securities and Exchange Commission. Though this data has been estimated in a reasonable manner, the cautions expressed by the Commission relative to inconsistency, lack of comparability and simplistic use of the data are incorporated by reference because of the subjectivity necessarily involved. These estimates hypothetically assume that the Company's entire productive capacity and inventories would be replaced at year end. The results, as presented, should not be considered to represent either the Company's intent to replace existing productive capacity or the current market value of the Company's productive capacity and inventories.

This data excludes other important considerations related to the impact of inflation, such as the possible holding gains or losses related to being a net borrower or lender of monetary assets during inflationary periods, the effects of statutory income tax policies, and the changes in operating costs related to the replacement of productive capacity with technologically superior equipment. Though the Company is unable to measure such changes in operating costs, it is believed that material, labor, energy and other operating costs could be significantly reduced.

A discussion of inflation's impact on the Company is included under Inflation's Impact on Earnings and Capital Requirements in Management's Discussion and Analysis of Operations

	(In Thousands) 1978 Historical Cost	1978 Estimated Replacement Cost	1977 Historical Cost	1977 Estimated Replacement Cost
As of December 31				
Inventories	$130,964	$142,000	$104,925	$115,000
Timberlands, less depletion(1)(2)	$ 85,522	$ 94,000	$ 86,609	$119,000
Property, plant and equipment(1)(3):				
Buildings	$111,102	$250,000	$101,934	$217,000
Machinery and equipment	313,975	558,000	293,555	499,000
	425,077	808,000	395,489	716,000
Less accumulated depreciation and amortization	207,096	466,000	197,594	401,000
Total	$217,981	$342,000	$197,895	$315,000
For the years ended December 31				
Cost of sales	$875,262	$894,000	$712,585	$730,000
Depreciation, depletion and amortization(3):				
In cost of sales	$ 34,764	$ 47,000	$ 36,480	$ 49,000
Other	6,267	8,000	4,692	6,000
Total	$ 41,031	$ 55,000	$ 41,172	$ 55,000

(1)Historical cost amounts shown for Timberlands, less depletion and for Property, plant and equipment differ from amounts shown in the Consolidated Balance Sheet inasmuch as land cost and recoverable road development costs on government cutting contracts have been excluded from Timberlands and construction in progress costs have been excluded from Property, plant and equipment.

(2)In 1978 the replacement cost of Timberlands has been reduced relative to 1977 because Oregon taxing authorities are shifting the burden of taxation from a property tax to a severance tax. This reduction resulted because property taxes are included in the computation of replacement cost, whereas severance taxes are not. The estimated 1978 replacement cost of $94 million is $14.8 million less than it would have been if the tax shift had not occurred. Replacement cost in 1978 was further reduced by the sale of the Company's timberlands in Northern California. In 1977 these timberlands represented $19.5 million of the total replacement cost for Timberlands.

(3)Replacement costs for Property, plant and equipment and Depreciation, depletion and amortization in 1977, which were previously reported, have been restated in this year's report. The changes, which in the aggregate are not significant, result primarily from refinements in methods previously used, rather than from changes in the methods and assumptions employed.

Replacement costs for buildings and machinery and equipment were estimated by the use of indexing, direct pricing, units of productive capacity, or combinations thereof. Because these estimates do not reflect the many considerations which would be involved in an actual relocation or reconfiguration, it is important to bear in mind that such considerations could significantly alter the estimated amounts reported above.

Replacement cost for company-owned timberlands was calculated by accumulating the planting and forest management expenditures that would be required to bring timber on an equivalent acreage to a state of maturity comparable to that of the Company's existing fee timber holdings. Included in the computation are the costs of land preparation and planting, as well as the administrative, property tax and road maintenance expenses related to forest management. The data does not include any factor for the cost of capital, nor does it reflect any income tax effect.

The above approach assumes that fee timberlands are replaced in the normal course of business through reforestation and maintenance. The cost of purchasing standing timber is generally much higher than growing trees from seed or seedlings since the purchase price includes the normal growing and holding profits which accrue to the owner of timber. Therefore, the amount estimated above as the lowest amount that would have to be paid for replacement in the normal course of business cannot be assumed to approximate the market value of this asset.

The replacement cost for harvesting rights that are included in timberlands are based upon current average prices that the Company paid for similar rights. The composite replacement cost data developed for timberlands was subsequently used in estimating replacement costs for the fiber content of logs in inventory and cost of sales.

Vendor and/or published prices were used to price certain of the Company's materials inventory (primarily newsprint and paper). Generally, replacement costs for the remaining inventory and for cost of sales were estimated by applying internally developed indices which were designed to adjust for the changes in prices occurring from the time inventory was acquired and year end or the time of sale. Inventories are not stated in excess of amounts considered realizable.

Replacement cost depreciation was computed on a straight-line basis using the same lives, salvage values and first-year methods as reflected in the historical cost financial statements.

UNION CARBIDE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17: Replacement Cost Information (Unaudited)—In compliance with Securites and Exchange Commission regulations, Union Carbide is providing estimated 1978 and 1977 replacement costs applicable to worldwide consolidated operations.

The estimated values are based on current corporate technology and operating costs, and on certain assumptions and subjective judgments; thus they are by nature imprecise. The information presented should be viewed as experimental and partial, as not all of the effects of inflation are included. Likewise, the information disclosed should not be interpreted to indicate that the Corporation has present plans to replace such facilities, or that the replacement costs represent additional book value of the Corporation's stock or the current value of the disclosed items. Additionally, the information should not be used to impute the total effect of inflation and other factors on reported income, future capital formation, or selling prices of Union Carbide's products.

Land, construction in progress, and certain other corporate assets have been excluded from the estimated replacement costs and comparable historical cost values presented.

The estimated replacement cost of sales has not been adjusted for cost savings that would result from the assumed productive capacity replacements. Studies of representative recently installed facilities indicate that if all productive capacity had been replaced and operated for the periods reported, with facilities incorporating the latest in-place technology, significant decreases in the cost of sales would have been experienced. These decreases would more than offset the additional cost of the sales and depreciation reported on a replacement cost basis.

Disclosure of the Corporation's approach toward replacement cost, the methods of calculation employed, inclusions, exclusions, and a reconciliation of comparable historical costs to 1978 and 1977 financial statement values are included in the Corporation's 1978 Annual Report on Form 10-K, which is available upon request.

Replacement cost Millions of dollars	Estimated replacement cost	Comparable historical cost
At December 31, 1978		
Inventories	$ 2,196	$1,541
Productive capacity:		
Gross	12,753	7,279
Net	4,324	3,478
At December 31, 1977		
Inventories	2,140	1,506
Productive capacity:		
Gross	11,850	6,560
Net	3,880	2,963
For the year ended December 31, 1978		
Cost of sales	5,675	5,580
Depreciation	588	409
For the year ended December 31, 1977		
Cost of sales	5,000	4,931
Depreciation	555	353

Current-Value Financial Statements

IOWA BEEF PROCESSORS, INC.

Current-Value Consolidated Balance Sheets

Amounts in thousands

	October 28, 1978		October 29, 1977	
	Current Value	Historical Cost	Current Value	Historical Cost
Assets				
Current Assets:				
Cash	$ 18,189	$ 18,189	$ 15,549	$ 15,549
Accounts receivable, less allowance for doubtful accounts	141,467	141,467	98,513	98,513
Inventories	49,337	49,337	32,239	32,239
Deferred tax benefit	—	2,726	—	1,578
Prepaid expenses	1,538	1,538	1,182	1,182
Total Current Assets	210,531	213,257	147,483	149,061
Property, Plant and Equipment:				
Land and land improvements	24,545	15,946	19,136	13,224
Buildings and stockyards	87,472	51,452	73,875	43,675
Equipment	193,443	115,860	158,236	98,541
Construction in progress	4,264	4,264	11,101	10,830
	309,724	187,522	262,348	166,270
Less—accumulated depreciation	106,953	50,486	83,111	42,292
—imputed income tax	48,153	—	41,696	—
	154,618	137,036	137,541	123,978
Other Assets	1,100	4,485	1,090	4,488
	$366,249	$354,778	$286,114	$227,527
Liabilities and Stockholders' Equity				
Current Liabilities:				
Notes payable	$ 20,000	$ 20,000	$ 4,000	$ 4,000
Accounts payable and accrued liabilities	41,313	44,039	32,121	33,699
Federal and state income taxes	4,137	4,137	1,805	1,805
Current maturities on long-term obligations	2,546	2,546	2,019	2,019
Total Current Liabilities	67,996	70,722	39,945	41,523
Deferred Income Taxes	—	15,286	—	14,066
Long-Term Obligations	70,580	72,675	58,079	59,307
Stockholders' Equity	227,673	196,095	188,090	162,631
	$366,249	$354,778	$286,114	$277,527

Consolidated Statements of Net Results of Operations and Changes in Value

Amounts in Thousands

	Year (52 Weeks) Ended			
	October 28, 1978		October 29, 1977	
	Current Value	Historical Cost	Current Value	Historical Cost
Results of Operations:				
Net sales	$2,968,099	$2,968,099	$2,023,765	$2,023,765
Cost of products sold	2,879,150	2,872,214	1,947,130	1,937,823
	88,949	95,885	76,635	85,942
Expenses:				
Selling, general and administrative	32,463	31,864	27,926	27,787
Interest expense	3,309	3,138	3,258	3,281
Income taxes	27,224	27,296	21,742	24,909
	62,996	62,298	52,926	55,977
Net results of operations	25,953	33,587	23,709	29,965
Changes in Value:				
Change in current costs of depreciable assets during the year	11,714	—	6,383	—
Change in inventory value during the year	—	—	3,700	—
Change in current value of debt and interest	874	—	173	—
Change in other imputed taxes	1,148	—	(1,072)	—
Amount required to recognize impact on stockholders' equity of increase in the general price level during the year	(13,505)	—	(9,003)	—
Total of Net Results of Operations and Changes in Value	$ 26,184	$ 33,587	$ 23,890	$ 29,965

Current-Value Consolidated Statements of Stockholders' Equity

Amounts in Thousands

	Year (52 Weeks) Ended			
	October 28, 1978		October 29, 1977	
	Current Value	Historical Cost	Current Value	Historical Cost
Balance at beginning of year	$188,090	$162,631	$156,840	$134,292
Amount required to recognize impact on stockholders' equity of increase in general price level during the year	13,505	—	9,003	—
Restated balance at beginning of year	201,595	162,631	165,843	134,292
Common stock options exercised	1,516	1,482	512	502
Income tax benefits attributable to stock options	524	524	—	—
Shares acquired for treasury	—	—	(204)	(194)
Treasury shares issued	215	192	259	250
Cash dividends paid	(2,361)	(2,321)	(2,210)	(2,184)
Net results of operations and changes in value during the year	26,184	33,587	23,890	29,965
Balance at end of year	$227,673	$196,095	$188,090	$162,631

See notes to current-value consolidated financial statements.

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 outflows for liabilities.

c. The imputed income taxes relative to the difference in current-value and income tax bases of assets and liabilities.

d. The effects of changes in general purchasing power on the net resources of the Company.

2. Current Assets and Liabilities:

Current assets and liabilities are stated on the same basis as the historical cost basis financial statements except for imputed taxes which have been deducted from accounts payable and accrued liabilities.

3. Inventories and Cost of Products Sold:

In the fourth quarter of 1978 the Company adopted (effective October 30, 1977) the last-in, first-out, (LIFO) cost method of valuing most of its inventories. The change from the first-in, first-out (FIFO) and market value methods was made to more closely match current costs with current revenues. The effect of the change to LIFO was to reduce historical cost net earnings for the year 1978 by $5,924,000. Inventories included in the current value financial statements at October 28, 1978 are unchanged from the historical cost basis statements. Such inventories are not valued at current replacement cost due to Internal Revenue Service "LIFO" Regulations. Had inventories been stated at current replacement cost at October 28, 1978, they would have been increased by $11,857,000 less imputed income taxes of $5,933,000. Inventories at October 29, 1977 are unchanged from the historical cost basis statements since the inventories are stated at amounts that approximate current replacement cost due to the short time span between purchases and sales of inventories. Inventory prices generally increased during 1977 with the inventory value change gain of $3,700,000 representing the net change in the value of inventories held throughout the year. The inventory value change was measured from the date the product was received until the product was shipped. The 1977 inventory value change has been reclassified from Results of Operations to Changes in Value in the accompanying statements.

4. Property, Plant and Equipment:

Property, plant and equipment, including assets under capital leases, are stated at current replacement cost less accumulated depreciation and imputed income taxes. Current replacement cost was developed principally by using engineering estimates for the cost of replacing existing productive capacity after giving recognition to technological changes and methods by which replacement would be expected to be made. 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 1978 and 1977 and prior years based on the current replacement costs. Current-value depreciation expense for 1978 and 1977 was $7,538,000 and $5,746,000 greater than the respective historical cost amounts. Such depreciation was calculated on average replacement costs using the straight-line method and the historical rates for existing facilities. Costs of products sold and selling, general and administrative expenses have been charged for the increased current-value depreciation during the years. The increase in replacement cost (net of imputed income taxes) of property, plant and equipment during the years is reported as a value change in the Consolidated Statements of Net Results of Operations and Changes in Value.

5. Long-term Obligations:

Long-term obligations include long term debt and capital lease obligations. These obligations are stated at the present value of future cash flows (net of imputed income taxes) based on the current applicable interest rates at the statement dates. The rates include an element for estimated financing costs. Current-value interest expense is calculated at average current rates for the years.

6. Income Taxes:

Income taxes at rates approximating 50% have been imputed on the differences between current-value and income tax bases of assets and liabilities. The amounts of imputed taxes that have been deducted from the related assets and liabilities in the current-value balance sheets are shown below:

	October 28, 1978	October 29, 1977
Property, plant and equipment	$48,153,000	$41,696,000
Accounts payable and accrued liabilities	2,726,000	1,578,000
Long-term obligations	505,000	1,228,000

All changes in imputed taxes are reported as changes in value in the Consolidated Statements of Net Results of Operations and Changes in Value. Income tax expense shown in the current-value results of operations is the amount currently payable.

7. Stockholders' Equity:

The amounts of aggregate earnings required during the years to maintain the general purchasing power of stockholders' equity are shown as decreases in changes in value. Such amounts are measured by the GNP Implicit Price Deflator and are comprised of the following:

	Year (52 Weeks) Ended	
	October 28, 1978	October 29, 1977
Net non-monetary assets	$12,944,000	$9,216,000
Net monetary assets-liabilities	1,493,000	574,000
Operations	(932,000)	(787,000)
	$13,505,000	$9,003,000

Stockholders' equity at the beginning of the years and the amounts shown for sales and purchases of stock and dividends paid during the years have been restated as appropriate to give effect to the increase in general price level during the years.

8. Notes to Historical Cost Basis Financial Statements:

The current-value financial statements and the historical cost basis information contained therein should be read in conjunction with the notes to the historical costs basis financial statements.

Current-Value Accountants' Report

Board of Directors and Stockholders
Iowa Beef Processors, Inc.
Dakota City, Nebraska

The accompanying consolidated current-value balance sheets of Iowa Beef Processors, Inc. and subsidiaries as of October 28, 1978, and October 29, 1977 and the related current-value statements of net results of operations and changes in value and statements of stockholders' equity for the years then ended have been prepared on a current-value basis of accounting as more fully discussed in Note 1. The current-value basis differs significantly from, and is not in accordance with, generally accepted accounting principles. Further, the current-value financial statements are not intended to measure the net realizable value or market value of the Company taken as a whole.

Because current-value accounting is presently in an 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 the nature and content; accordingly, as experimentation proceeds, the principles followed in the accompanying current-value financial statements may be modified.

Our examination of the current-value financial statements was made in accordance with generally accepted auditing standards and, accordingly, included a review of selected data used to obtain current values and such other auditing procedures we considered necessary in the circumstances. In our opinion, the current-value financial statements referred to above are a reasonable and appropriate presentation of the information set forth therein on the basis indicated in Note 1, which basis has been applied in a manner consistent with that of the preceding year, except for the change, with which we concur, in the method of valuing inventories as described in Note 3.

QUARTERLY FINANCIAL DATA

Effective for fiscal periods beginning on or after December 25, 1976, Securities and Exchange Commission *Regulation S-X* requires that most companies with actively traded stock 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 applies 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 are not required to disclose quarterly data. Five hundred and thirty-four survey companies disclosed in a note to their 1978 financial statements quarterly financial data for each quarter of the current and prior year; the corresponding number of survey companies for 1977 was 439. Examples of quarterly financial data disclosures follow.

CONSOLIDATED FOODS CORPORATION (JUN)

NOTES TO FINANCIAL STATEMENTS

Interim Financial Results—Following are the condensed unaudited quarterly results for 1978 and 1977:

(in thousands except per share data)	1978	1977
1st Quarter:		
Net Sales	$ 783,560	$732,173
Gross Profit	242,015	231,557
Net Income	24,493	22,179
Net Income Per Common Share	.78	.70
Net Income Per Common Share Assuming Conversion of Preferred Stock	.75	.69
2nd Quarter:		
Net Sales	$ 768,098	$715,866
Gross Profit	241,921	233,329
Net Income	23,355	21,058
Net Income Per Common Share	.74	.67
Net Income Per Common Share Assuming Conversion of Preferred Stock	.72	.65
3rd Quarter:		
Net Sales	$ 930,205	$709,359
Gross Profit	287,747	229,481
Net Income	22,024	19,847
Net Income Per Common Share	.70	.62
Net Income Per Common Share Assuming Conversion of Preferred Stock	.68	.61
4th Quarter:		
Net Sales	$1,053,704	$775,431
Gross Profit	318,748	256,573
Net Income	30,761	27,399
Net Income Per Common Share	.98	.88
Net Income Per Common Share Assuming Conversion of Preferred Stock	.95	.84

ALLIED CHEMICAL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 9 (in part): Unaudited Financial Information

Quarterly Financial Information—The interim information for 1978 and 1977 was subjected to a limited review in accordance with standards established by the American Institute of Certified Public Accountants. The interim information for both years was not audited by Price Waterhouse & Co. and accordingly they expressed no opinion thereon.

	Quarter Ended				
	Mar. 31	June 30	Sept. 30	Dec. 31	Year
	(Dollars in millions except per share amounts)				
1978					
Net sales	\$786.2(a)	\$828.7(a)	\$801.0(a)	\$852.1	\$3,268.0
Gross profit(b)	185.1	192.6	178.2	194.3	750.2
Income from operations	83.2	89.1	72.5	86.2	331.0
Net income	29.9	35.9	24.9(c)	29.5(c)	120.2
Per share amounts:					
Net income	1.06	1.27	.88(c)	1.04(c)	4.25
Dividends paid	.50	.50	.50	.50	2.00
Market price (New York Stock Exchange—Composite Transactions)					
High	44.13	44.75	41.75	37.25	44.75
Low	34.13	35.25	34.25	27.63	27.63
1977					
Net sales	\$681.0	\$785.5	\$697.6	\$758.7	\$2,922.8
Gross profit(b)	126.7	185.1	146.5	187.2	645.5
Income from operations	42.4	95.8	55.5	87.7	281.4
Income before extraordinary charge	13.6	62.5(c)	23.2(c)	39.1(c)	138.4
Net income	13.6	62.5(c)	20.1(c)	39.1(c)	135.3
Per share amounts:					
Income before extraordinary charge	.49	2.23(c)	.82(c)	1.39(c)	4.93
Net income	.49	2.23(c)	.71(c)	1.39(c)	4.82
Dividends paid	.45	.45	.45	.50	1.85
Market price (New York Stock Exchange—Composite Transactions)					
High	47.38	51.38	50.88	45.63	51.38
Low	38.75	42.50	41.88	39.75	38.75

(a)Reclassified to agree with year-end presentation.

(b)Exclusive of depreciation, depletion and amortization.

(c)See Note 2 of Notes to Financial Statements for further information regarding the gain on the sale of an organic chemicals plant in Baton Rouge, Louisiana, in the third quarter 1978 and a loss on the sale of an organic and agricultural chemicals plant in South Point, Ohio, and a loss on the shutdown of an organic chemicals plant in Corunna, Ontario, Canada, both in the fourth quarter 1978. Also see the same note and Note 3 for information on the gain on the sale of the coke plant in Ironton, Ohio, in the second quarter 1977, the gain on sale of an interest in a natural gas processing plant and the provision for write-off of notes held or guaranteed by the Company, as well as the extraordinary charge related to Kepone, all in the third quarter 1977, and the loss on the sale of the coke plant in Buffalo, New York, in the fourth quarter 1977.

CHAMPION INTERNATIONAL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 15: Quarterly Results of Operations (Unaudited)— Quarterly results of operations of the Company for 1978 and 1977 were:

in millions of dollars, except per share	March 31	June 30	September 30	December 31
Continuing Operations:				
Net Sales				
1978	$808.3	$895.6	$895.5	$875.7
1977	761.8	792.5	802.7	769.6
Gross Profit				
1978	$156.8	$182.6	$176.9	$170.9
1977	144.8	156.9	159.1	143.4
Income Taxes				
1978	$ 23.1	$ 30.2	$ 28.8	$ 27.1
1977	12.9	24.7	26.6	22.5
Income from Continuing Operations				
1978	$ 43.3	$ 57.1	$ 56.2	$ 47.1
1977	29.3	43.0	45.6	43.7
Income (Loss) from Discontinued Operations				
1978	$ —	$ —	$ —	$ —
1977	3.0	1.5	1.0	(28.5)
Extraordinary Item				
1978	$ —	$ —	$(13.5)	$(21.5)
1977	—	—	—	—
Net Income				
1978	$ 43.3	$ 57.1	$ 42.7	$ 25.6
1977	32.3	44.5	46.6	15.2
Primary Earnings per Common Share:				
Continuing Operations				
1978	$ .86	$ 1.15	$ 1.13	$ .91
1977	.57	.86	.91	.87
Discontinued Operations				
1978	$ —	$ —	$ —	$ —
1977	.07	.03	.02	(.60)
Extraordinary Item				
1978	$ —	$ —	$ (.28)	$ (.45)
1977	—	—	—	—
Total				
1978	$ .86	$ 1.15	$ .85	$ .46
1977	.64	.89	.93	.27
Fully Diluted Earnings per Common Share:				
Continuing Operations				
1978	$ .77	$ 1.03	$ 1.00	$ .85
1977	.52	.77	.83	.78
Discontinued Operations				
1978	$ —	$ —	$ —	$ —
1977	.06	.02	.02	(.51)
Extraordinary Item				
1978	$ —	$ —	$ (.24)	$ (.39)
1977	—	—	—	—
Total				
1978	$ .77	$ 1.03	$ .76	$ .46
1977	.58	.79	.85	.27

CURTISS-WRIGHT CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11: Quarterly Results of Operations (Unaudited)—The unaudited quarterly results of operations of the Corporation for 1978 and 1977 are as follows:

(In thousands except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1978 Quarters:				
Sales	$67,082	$81,022	$77,936	$92,317
Other revenues	3,382	2,095	3,160	1,699
Gross profit	15,374	21,412	17,953	21,583
Net earnings	3,362	4,352	3,870	5,089
Net earnings per common share	$.39	$.51	$.46	$.60
1977 Quarters:				
Sales	$80,292	$82,142	$71,335	$76,135
Other revenues	2,046	2,850	5,197	3,131
Gross profit	20,120	20,425	16,093	17,447
Net earnings	4,356	4,455	3,843	3,645
Net earnings per common share	$.51	$.52	$.45	$.43

During the first quarter of 1978 the operations at the Wood-Ridge, New Jersey site was affected by an 8 week long work stoppage that began on December 10, 1977 and ended on February 25, 1978. The Wood-Ridge operations experienced decreased earnings for the period affected. However, in the first quarter of 1978, the Corporation's Power Systems operation experienced slightly improved results.

First quarter sales and revenues were down approximately $11,900,000 from the same period in 1977. This was primarily due to decreased sales in the Power Systems operation and the Nuclear Facility.

Interest expense increased $4,266,000 in 1978 over 1977 primarily due to an increase in Notes Payable and Long-Term Debt. The increase by quarters amounts to $441,000 in the first quarter, $1,109,000 in the second quarter, $1,289,000 in the third quarter, and $1,427,000 in the fourth quarter.

Fourth quarter 1978 sales and revenues were $14,750,000 higher than the comparable quarter in 1977 as a result of increased shipments in process equipment of $6,029,000 and power generating equipment of $5,020,000 with the balance of $3,701,000 increase spread over the remaining product lines.

During 1977, provisions were made for additional projected costs on long-term contracts with regard to power generating equipment. These charges were determined by revisions to the cost estimates to complete these contracts. These revisions decreased net earnings by $145,000, $661,000, $756,000, and $1,166,000 for the first, second, third, and fourth quarters of 1977, respectively, and by $2,728,000 for the year 1977.

The sale of certain real estate holdings and surplus factory building and land in the third quarter of 1977 for $2,975,000, resulting in a before tax gain of $1,655,000, increased the third quarter and 1977 yearly net earnings by $1,118,000.

The fourth quarter of 1977, net earnings from long-term contracts for nuclear components increased $1,040,000 primarily due to a decrease in estimated costs to complete as a result of an acceleration of the work schedule for those contracts.

THE COCA-COLA COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 8: Quarterly Results of Operations (Unaudited)—The following is a tabulation of the unaudited quarterly results of operations for the years ended December 31, 1978 and 1977 (in thousands except per share data):

	1978*	1977*
Net sales:		
First quarter	$ 908,169	$ 799,194
Second quarter	1,164,865	960,167
Third quarter	1,191,481	965,689
Fourth quarter	1,073,402	894,785
	$4,337,917	$3,619,835
Gross profit:		
First quarter	$ 383,826	$ 337,431
Second quarter	517,575	429,367
Third quarter	529,122	434,274
Fourth quarter	469,206	365,079
	$1,899,729	$1,566,151
Net income:		
First quarter	$ 75,149	$ 66,787
Second quarter	109,758	97,137
Third quarter	107,242	94,802
Fourth quarter	82,543	72,437
	$ 374,692	$ 331,163
Net income per share:		
First quarter	$ .61	$ .54
Second quarter	.89	.79
Third quarter	.87	.77
Fourth quarter	.66	.58
	$3.03	$2.68

*Quarterly results for 1977 and the first quarter of 1978 have been restated to include the operations of Presto Products, Incorporated, on a pooling of interests basis.

DAYCO CORPORATION (OCT)

UNAUDITED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note K: Quarterly Financial Data—The following presents financial data regarding the Corporation's quarterly results of operations:

	Net Sales	Gross Profit	Net Income	Earnings Per Share(1) Primary	Fully Diluted
	(In thousands of dollars, except per-share data)				
1978					
1st Quarter	$140,851	$ 29,810	$ 2,314	$ .58	$ .37
2nd Quarter	152,086	34,199	3,370	.85	.49
3rd Quarter	176,801	40,100	4,683	1.06	.62
4th Quarter	183,280	48,807	6,961	1.58	.88
Year	$653,018	$152,916	$17,328	$4.07	$2.36
1977					
1st Quarter	$133,256	$ 28,035	$ 2,178	$ .55	$ .35
2nd Quarter	139,865	29,135	2,961	.75	.44
3rd Quarter	140,537	30,174	3,326	.85	.50
4th Quarter	159,766	40,067	5,158	1.32	.71
Year	$573,424	$127,411	$13,623	$3.47	$2.00

(1)Per-share data for the first and second quarters of 1978 and for all quarters of 1977 have been adjusted for a 10% stock dividend paid on May 5, 1978, to holders of record as of April 7, 1978. The first and second quarters of 1977 have also been adjusted for a 7½% stock dividend paid on May 6, 1977, to holders of record as of April 8, 1977.

DICTAPHONE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Quarterly Financial Data (Unaudited)—Summarized quarterly financial data (in thousands of dollars except for per share amounts) for the years 1978 and 1977 follows:

	Three Months Ended March 31	June 30	Sept. 30	Dec. 31
1978				
Net sales	$56,669	$59,930	$60,670	$66,558
Gross profit	22,233	23,731	23,503	26,080
Provision for income taxes	2,634	2,761	2,868	1,768
Net income	2,738	2,869	3,008	2,981
Per share:				
Primary	.66	.68	.71	.70
Fully diluted	.61	.65	.67	.66
1977				
Net sales	$51,194	$51,970	$52,885	$55,537
Gross profit	18,776	19,829	19,921	21,153
Provision for income taxes	1,328	1,685	67	1,897
Net income	1,444	1,833	100	2,149
Per share:				
Primary	.36	.45	.02	.52
Fully diluted	.34	.44	.02	.50

The year 1978 includes an after tax charge of $1,078,000 ($.26 per share) resulting from the accounting for stock appreciation rights. Of this charge, $746,000 ($.18 per share) was reflected in the fourth quarter and the first, second and third quarters were required to be restated in the amounts of $70,000 ($.02 per share), $44,000 ($.01 per share), and $218,000 ($.05 per share), respectively. The charge is due to the effect of the rise during 1978 in the market value of the Company's common stock.

The third quarter of 1977 includes a charge which reduced net income by $1,674,000 ($.41 per share), relating to the relocation of manufacturing facilities as explained in Notes to Consolidated Financial Statements.

The provision for income taxes decreased during the fourth quarter of 1978 due to changes in foreign exchange rates which resulted in a reduced U.S. tax provision on unremitted foreign earnings.

MILTON ROY COMPANY (DEC)

Consolidated Statement of Income by Quarters (Unaudited)

(Thousands except per share data)

	First Quarter 1978	First Quarter 1977	Second Quarter 1978	Second Quarter 1977	Third Quarter 1978	Third Quarter 1977	Fourth Quarter 1978	Fourth Quarter 1977
Sales and services	$13,667	$11,816	$14,947	$13,518	$14,833	$13,069	$14,089	$12,861
Royalties and other income	257	266	262	150	270	119	1,274	238
	13,924	12,082	15,209	13,668	15,103	13,188	15,363	13,099
Costs and expenses	13,174	11,525	14,266	13,052	13,999	13,106	14,960	12,253
Interest expense	254	120	260	137	277	156	278	153
Income (loss) from continuing operations before provision for income taxes and equity in net income of joint ventures	496	437	683	479	827	(74)	125	693
Equity in net income (loss) of joint ventures	82	(2)	72	(3)	92	(3)	126	80
Income (loss) from continuing operations before provision for income taxes	578	435	755	476	919	(77)	251(1)	733(2)
Provision for income taxes(3)	253	161	239	188	173	(60)	(106)	120
Income (loss) from continuing operations	325	274	516	288	746	(17)	357	653
Income (loss) from discontinued operations	89	123	(68)	56	(207)(4)	72	286(4)	(50)
Net income	$ 414	$ 397	$ 448	$ 344	$ 539	$ 55	$ 643	$ 603
Weighted average number of common shares assuming full dilution	1,401	1,393	1,403	1,391	1,401	1,390	1,412	1,389
Income per share of common stock:								
Income (loss) from continuing operations	$ .23	$ .20	$ .37	$ .20	$ .52	$ (.01)	$ .26	$ .47
Income (loss) from discontinued operations	.07	.09	(.06)	.04	(.14)(4)	.05	.20(4)	(.03)
Net income per common share	$ .30	$ .29	$ .31	$ .24	$ .38	$ .04	$ .46	$ .44

(1)Fourth quarter 1978 results from continuing operations were affected by gains from dispositions of assets aggregating $1,058,000 (see Note 2) and a provision for prepaid royalties of $1,768,000 (see Note 6).

(2)Fourth quarter 1977 results were affected by the reversal of accruals for pension and profit sharing plans of approximately $434,000 due to the discontinuance of certain of these plans as discussed in Note 11.

(3)Effective income tax rates on income from continuing operations were decreased in each quarter of 1978 and in the fourth quarter of 1977 to reflect changing estimates of the relationship of non-taxable income from the Company's joint ventures and Domestic International Sales Corporation to total pre-tax income. As these non-taxable components increased in relation to total pre-tax income, the estimated effective income tax rate for the year was adjusted and the effect thereof was recorded in the quarter of revision. The income tax benefit recorded in the fourth quarter of 1978 is attributable to a reduction in the effective rate for the year resulting from capital gains realized and reflected in that quarter.

(4)Third quarter 1978 results of discontinued operations include a loss of approximately $170,000 on disposal of a subsidiary. Upon discontinuance of the entire Medical Group in the fourth quarter of 1978, and as part of that business segment, this loss was deferred to be recognized in 1979 as part of the net expected gain on disposal of the business segment (see Note 1).

OWENS-ILLINOIS, INC. (DEC)

FINANCIAL REVIEW

Selected Quarterly Financial Data (Unaudited). The following unaudited information shows selected items by quarter for the years ended December 31, 1978 and 1977.

	In Millions of Dollars (Except per-share amounts)				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Totals
Net sales					
1978	$696	$814	$788	$814	$3,112
1977	679	688	726	674	2,767
Gross profit					
1978	109	141	123	121	494
1977	103	124	102	84	413
Earnings before extraordinary items					
1978	9.1	42.9	27.5	29.7	109.2
1977	17.9	32.7	23.8	16.9	91.3
Net earnings					
1978	9.1	42.9	27.5	5.7	85.2
1977	17.9	32.7	23.8	16.9	91.3
Earnings per share					
1978					
Before extraordinary items					
Primary	.29	1.48	.93	1.01	3.71
Fully diluted	.29	1.35	.86	.94	3.44
Net earnings					
Primary	.29	1.48	.93	.17	2.87
Fully diluted	.29	1.35	.86	.17	2.69
1977					
Net earnings					
Primary	.60	1.12	.81	.56	3.09
Fully diluted	.56	1.03	.75	.53	2.87

Net earnings in the fourth quarter of 1978 were adversely affected by a loss provision recorded by the Company's German subsidiary, Gerresheim Glas, A.G. The provision relates to measures designed to reduce glass container capacity and related administrative and overhead costs and to dispose of appreciated land no longer needed for long-range expansion. This reduction was partially offset by the net favorable effects of changes in foreign exchange rates used to translate the accounts of foreign subsidiaries into dollars.

Net earnings in the fourth quarter of 1977 were adversely affected by a provision related to the shutdown of some inefficient glass container facilities at Gerresheim together with the adverse impact of a mold makers strike which curtailed domestic glass container production. These moderating effects were partially offset by the liquidation of certain LIFO inventory quantities and the benefit of a lower effective tax rate which resulted from a combination of lower than planned operating earnings and slightly higher than anticipated investment tax credits.

ST. REGIS PAPER COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Quarterly Results (Unaudited)—Unaudited quarterly financial results for the years ended December 31, 1978 and 1977, are summarized as follows (expressed in millions of dollars except per share amounts):

	Net Sales		Gross Profit		Net Earnings	
Quarter	1978	1977	1978	1977	1978	1977
1st	$ 517.6	$ 467.1	$ 79.0	$ 80.1	$ 15.5	$ 20.9
2nd	599.9	512.9	113.5	94.9	39.9	28.9
3rd	577.6	505.8	108.6	94.9	36.2	28.6
4th	605.1	510.5	136.0	97.4	34.9	28.4
Total	$2,300.2	$1,996.3	$437.1	$367.3	$126.5	$106.8

	Earnings Per Share			
	Primary		Assuming Full Dilution	
Quarter	1978	1977	1978	1977
1st	$ .48	$ .66	$ .48	$ .65
2nd	1.25	.91	1.23	.89
3rd	1.13	.90	1.11	.88
4th	1.08	.89	1.07	.88
Total	$3.94	$3.36	$3.89	$3.30

First-quarter 1978 earnings were unfavorably affected by $2,995,000, or $.09 per share, resulting from an arbitration award made to Murray Pacific Corporation. The first quarter of 1977 was favorably affected by $1,560,000, or $.05 per share, resulting from inclusion of a Swedish government inventory subsidy. Second-quarter 1977 results also benefited from this inventory subsidy by $551,000, or $.02 per share. Third-quarter 1978 earnings were favorably affected by $16,988,000, or $.53 per share, resulting from gains on sales of land, offset by the effects of antitrust litigation settlements of $7,671,000, or $.24 per share; further claims settlement with Murray Pacific of $1,073,000, or $.03 per share; and the effects of a strike at the Tacoma kraft mill of $2,246,000, or $.07 per share. Fourth-quarter 1978 earnings included a loss of $3,696,000, or $.12 per share, from the sale of the Rhinelander facilities and were also unfavorably affected by an increase from 36.6 percent to 40.3 percent in the company's full-year effective tax rate. This was principally due to higher than forecasted full-year earnings subject to taxes at 48 percent. Fourth-quarter 1977 results benefited by $2,463,000, or $.08 per share, from a gain on the sale of land for wildlife conservation.

PRATT & LAMBERT, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note L: Quarterly Results—Unaudited summarized results for each quarter in 1978 and 1977 are as follows (in thousands of dollars except per share amounts):

	1978 Quarter			
	1st	2nd	3rd	4th
Net Sales	$17,860	$25,474	$24,439	$19,044
Gross Profit	5,596	8,738	8,219	5,910
Income Taxes	92	1,336	1,070	401
Net Income	81	1,165	907	242
Earnings per common share	$.01	$.92	$.70	$.14
Earnings per common share-assuming full dilution	$.01	.80	.63	$.14

	1977 Quarter			
	1st	2nd	3rd	4th
Net Sales	$17,374	$23,548	$23,063	$18,290
Gross Profit	5,214	7,829	7,616	5,721
Income Taxes	(108)	744	855	73
Net Income	(132)	686	799	179
Earnings per common share	$(.17)	$.51	$.61	$.09
Earnings per common share—assuming full dilution	$(.17)	$.47	$.55	$.09

Year-end adjustments to inventories, taxes and expense accruals made in the fourth quarter of 1978 and 1977 had the effect of increasing net income for each quarter by approximately $131,900 or $.11 per common share and approximately $162,000 or $.14 per common share, respectively. The liquidation of LIFO inventory quantities referred to in Note D also increased earnings in the fourth quarter of 1977 by $84,000 or $.07 per common share.

In 1977 the company's fourth quarter taxes on income were reduced through a reduction in the estimated accrual rate from that used in prior quarters.

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

	1978	1977	1976	1975
Balance Sheet	538	534	534	537
Statement of Financial Position	48	53	54	48
Statement of Financial Condition	14	13	12	15
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

	1978	1977	1976	1975
Account form	376	386	409	409
Report form	216	202	181	180
Financial position form	8	12	10	11
Total Companies	**600**	**600**	**600**	**600**

TABLE 2-3: CASH—BALANCE SHEET CAPTIONS

	1978	1977	1976	1975
Cash	460	459	468	469
Cash includes certificates of deposit or time deposits	55	76	68	64
Cash combined with marketable securities	85	65	64	67
Total Companies	**600**	**600**	**600**	**600**

CASH

Table 2-3 shows that more than 75% of the survey companies present cash as a single item and use the caption *cash*. Of the 85 companies showing a balance sheet caption combining cash and marketable securities, 32 disclosed separate amounts in a note to the financial statements. Seventy 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.

XEROX CORPORATION (DEC)

	1978	1977
	(Dollars in millions)	
Current Assets		
Cash	$ 56.3	$ 73.3
Bank time deposits, interest bearing	412.0	338.4
Marketable securities, at cost (approximates market)	227.2	280.3
Trade receivables (less allowance for doubtful receivables: 1978—$50.3; 1977—$46.3)	911.8	731.0
Accrued rentals	203.3	191.6
Inventories, at the lower of average cost or market	601.8	525.3
Prepaid expenses and other current assets	154.7	128.7
Total current assets	$2,567.1	$2,268.6

ALCO STANDARD CORPORATION (SEP)

	1978	1977
Current Assets		
Cash, including equivalents in 1977—$1,900,000	$ 11,859,121	$ 9,884,072
Current portion of long-term receivables and preferred stock investment (note 4)	8,049,676	4,676,594
Accounts receivable less allowance for doubtful accounts: 1978—$4,620,048; 1977—$3,459,609	195,707,639	157,147,244

DANA CORPORATION (AUG)

	1978	1977
	(in thousands)	
Current Assets		
Cash, including certificates of deposit of $31,000,000 in 1978	$ 52,796	$ 17,544
Marketable securities, at cost plus accrued interest which approximates market	17,331	56,704
Accounts receivable, less allowance for doubtful accounts of $7,010,000 (1977—$5,297,000)	280,929	196,396

MCDONALD'S CORPORATION (DEC)

	1978	1977
	($000)	
Current assets		
Cash	$24,472	$34,610
Certificates of deposit	57,130	13,526
Short-term investments, at cost, which approximates market	74,990	84,195

MCGRAW-HILL, INC. (DEC)

	1978	1977
	($000)	
Current assets		
Cash (includes certificates of deposit: 1978—$44,958,000; 1977—$35,501,000)	$ 52,320	$ 52,591
Short-term investments—at cost, which approximates market	40,777	30,483
Accounts receivable (net of allowance for doubtful accounts: 1978—$30,455,000; 1977—$25,810,000)	155,043	130,808

K MART CORPORATION (JAN)

	1979	1978
	($000)	
Current Assets:		
Cash	$181,807	$102,535
Certificates of deposit	11,750	17,750
Marketable securities, at cost approximating market	46,966	190,926

WHIRLPOOL CORPORATION (JUN)

	1978	1977
	(thousands of dollars)	
Current assets		
Cash and commercial paper—Note D	$129,200	$188,307
Receivables, less allowances for doubtful accounts (1978—$1,800,000; 1977—$1,124,000)	146,035	132,606

Note D: Cash and Commercial Paper—Cash and commercial paper at December 31, 1978 and 1977 consisted of:

	1978	1977
	(thousands of dollars)	
Cash	$ 13,625	$ 25,377
Commercial paper:		
ABCC	25,000	25,000
Others	90,575	137,930
Total	$129,200	$188,307

WHITTAKER CORPORATION (OCT)

	1978	1977
	(in thousands)	
Current Assets		
Cash	$ 19,509	$ 20,488
Time Deposits	25,940	—
Receivables (Note 4):		
Notes receivable	6,222	9,251
Trade accounts receivable	134,359	106,053
Other accounts and claims receivable	5,565	9,737
Allowance for doubtful accounts	(5,791)	(6,715)
Inventories	179,368	160,166
Prepaid expenses	2,124	2,937
Deferred income tax benefits (Note 7)	4,121	4,869
Total Current Assets	$371,417	$306,786

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 (as defined in the Statement) be carried at lower of aggregate cost or market value. Statement No. 12 also specifies information which the financial statements should disclose about marketable equity 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 as current assets; only a few survey companies disclosed that the amounts shown for marketable securities included marketable equity securities. Examples of marketable security presentations follow.

Lower of Cost or Market

AMERICAN BAKERIES COMPANY (DEC)

	1978	1977
	(In thousands)	
Current Assets:		
Cash	$ 3,553	$ 3,128
Marketable securities	224	229
Accounts receivable, less allowances of $989,000 at December 30, 1978, and $796,000 at December 31, 1977, for doubtful accounts	33,584	32,829
Note Receivable.................	4,774	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Summary of Accounting Policies

Marketable Securities—Marketable securities are included in the accompanying consolidated balance sheets at the lower of cost or market.

TABLE 2-4: MARKETABLE SECURITIES—VALUATION

	1978	1977	1976	1975
Cost				
Approximates market ...	263	261	248	232
No reference to market .	11	7	15	19
Market value disclosed..	5	4	5	7
Lower of cost or market	38	30	28	25
Market value................	—	3	4	8
	317	305	300	291
Valuation basis not disclosed	86	73	88	66
	403	378	388	357
Companies not showing marketable securities as current assets...........	197	222	212	243
Total Companies............	**600**	**600**	**600**	**600**

BURROUGHS CORPORATION (DEC)

	1978	1977
Current Assets		
Cash	$ 35,286,458	$ 55,080,266
Marketable securities, at lower of cost or market...........	30,814,549	69,013,597
Accounts and notes receivable, less $18,259,000 and $15,139,000 allowance for doubtful accounts	771,597,857	665,009,057

CANNON MILLS COMPANY (DEC)

	1978	1977
	(In thousands)	
Current Assets:		
Cash	$ 12,741	$10,050
Marketable securities (Note 1).	28,558	12,022
Accounts receivable (less allowances for doubtful accounts and discounts, December 28, 1978—$2,227; December 29, 1977—$1,690)	111,327	92,860

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

Marketable Securities—Marketable securities (including temporary cash investments, December 28, 1978—$17,700,000; December 29, 1977—$10,000,000) are carried at the lower of cost or quoted market value of each security.

The cost of marketable securities at December 28, 1978 and December 29, 1977 was $29,175,000 and $12,537,000, respectively, and at December 28, 1978 the gross unrealized gains and losses pertaining to these securities were $226,000 and $618,000, respectively.

Although there were no realized gains or losses from sales of marketable securities during fiscal 1978 and 1977, $99,000 and $66,500, respectively, were deducted from income in those years as a result of lower of cost or market adjustments.

CRANE CO. (DEC)

	1978	1977
Current Assets:		
Cash	$ 51,702,431	$ 35,513,764
Short-term investments, at lower of cost or market	48,324,797	88,521,494
Accounts receivable, less allowances of $2,786,165 ($2,924,635 in 1977)	136,364,335	141,958,357

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Commercial Paper—Commercial paper is stated at cost, which approximates market value.

At Cost—Approximates Market

AMERICAN STANDARD INC. (DEC)

	1978	1977
	($000)	
Current assets		
Cash	$ 22,105	$ 20,378
Marketable securities, at cost which approximates market, includes certificates of deposit—1978, $13,760; 1977, $5,195	15,037	7,515
Accounts receivable, less allowance for doubtful accounts—1978, $10,956; 1977, $10,020	294,790	236,287

GENERAL MOTORS CORPORATION (DEC)

	1978	1977
	(Dollars in millions)	
Current Assets		
Cash	$ 117.3	$ 293.4
United States Government and other marketable securities and time deposits—at cost, which approximates market:		
Held for payment of income taxes	791.3	715.3
Other	3,086.2	2,231.3

JOHNSON PRODUCTS CO., INC. (AUG)

	1978	1977
Current assets:		
Cash (including certificates of deposit of $1,780,000 in 1978 and $1,478,000 in 1977)	$2,161,000	$2,022,000
Commercial paper	5,325,000	4,775,000
Receivables:		
Trade, less allowances for doubtful accounts of $300,000 in 1978 and $160,000 in 1977	8,648,000	7,610,000
Other	204,000	82,000

NATIONAL STEEL CORPORATION (DEC)

	1978	1977
	($000)	
Current Assets		
Cash	$ 30,496	$ 33,523
Short-term investments	227,345	76,677
Receivables, less allowances for possible losses (1978—$14,987,000; 1977—$12,651,000)	452,406	321,620

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (in part): Significant Accounting Policies

Short-Term Investments: Short-term investments consist principally of certificates of deposit and prime commercial paper at cost plus accrued interest.

PULLMAN INCORPORATED (DEC)

	1978	1977
	(Thousands of dollars)	
Current Assets		
Cash	$ 12,689	$ 10,419
Short-term investments	109,849	132,279

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Short-Term Investments—Short-term investments of $109,849,000 ($132,279,000 in 1977) are carried at cost, which approximates market. These consist principally of interest bearing bank deposits and bank certificates of deposit.

RUSS TOGS, INC. (JAN)

	1979	1978
Current assets:		
Cash (including certificates of deposit of $12,698,000 in 1979 and $8,414,000 in 1978)	$15,422,000	$ 9,800,000
Short-term notes and bankers' acceptances (at cost, which approximates market)	10,876,000	11,996,000
Accounts receivable (less estimated discounts and doubtful accounts of $1,841,000 in 1979 and $1,855,000 in 1978)	20,506,000	17,132,000

WALGREEN CO. (AUG)

	1978	1977
	($000)	
Current Assets:		
Cash	$19,293	$ 9,317
Marketable securities, at cost which approximates market	43,875	17,456
Accounts receivable, less allowances of $3,048 in 1978 and $2,358 in 1977 for doubtful accounts	20,119	20,213

WINN-DIXIE STORES, INC. (JUN)

	1978	1977
	(Amounts in thousands)	
Current Assets:		
Cash	$ 26,592	$ 41,252
U.S. Government and other short-term obligations, at cost plus accrued interest, which approximates market	113,705	42,718
Receivables, less allowance for doubtful items of $686,000 ($675,000 in 1977)	18,055	16,632
Merchandise inventories	303,965	269,947
Prepaid expenses	12,440	7,804
Total current assets	$474,757	$378,353

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.

Income Tax Refund Claims

FAIRCHILD INDUSTRIES, INC. (DEC)

	1978	1977
	($000)	
Current Assets:		
Income taxes refundable (Note 3)	$13,102	$ —

Note 3 (in part): Income Taxes—For financial reporting purposes the provision for income taxes is calculated on pretax income. This provision differs from income taxes currently payable because certain items of income and expense are reported in the Consolidated Statements of Earnings in years different from those in which they are reported on the Corporation's income tax returns. The tax effects of these differences in timing are referred to as deferred income taxes. Timing differences applicable to current assets and liabilities are included in the current liability for income taxes and increased such liability at December 31, 1978, by $8,842,000 and reduced it at December 31, 1977, by $2,171,000.

TABLE 2-5: CURRENT RECEIVABLES

	1978	1977	1976	1975
Trade Receivable Captions				
Accounts receivable	207	202	206	215
Receivables	164	156	169	174
Accounts and notes receivable	139	155	145	148
Trade accounts receivable	90	87	80	63
Total Companies	**600**	**600**	**600**	**600**
Receivables Other Than Trade Receivables				
Tax refund claims	36	59	49	46
Installment notes or accounts	24	24	22	37
Investees	23	25	29	29
Government	20	18	19	30

On February 14, 1979, the Corporation received permission from the Internal Revenue Service to change as of January 1, 1978, to the completed contract method of reporting income from long-term contracts. Under this method, income from long-term contracts is reported for income tax purposes in the year in which the contract is completed. Because the adoption of this method results in the Corporation reporting a loss for income tax purposes for 1978 the Corporation will receive a refund of estimated income taxes paid in 1978 and refunds of most income taxes paid in certain prior years. Further, as a result of the foregoing, the Corporation has $25,700,000 of income tax loss carry-forward available to offset future federal taxable income and $2,986,000 of investment tax credits available to offset future tax liabilities.

PENGO INDUSTRIES, INC. (SEP)

	1978	1977
Current Assets		
Cash	$ 617,000	$ 905,000
Refundable Federal income taxes (Note 6)	436,000	—
Accounts receivable trade, net of allowance for doubtful accounts of $204,000 and $148,000	3,738,000	2,877,000
Inventories, at lower of cost or market (Note 3)	8,893,000	7,975,000
Prepaid and other	506,000	196,000
Total current assets	$14,190,000	$11,953,000

Note 6 (in part): Income Taxes—The refundable Federal income taxes reflected on the consolidated balance sheet result from the carryback of the operating loss for the eight month period ended September 30, 1978 to the January 31, 1976 separate return taxable income of a subsidiary, plus refunds due to overpayments of estimated taxes for the period ended September 30, 1978.

HOMASOTE COMPANY (DEC)

	1978	1977
Current Assets:		
Income tax recoverable—note 1	$104,172	$67,390

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

Income Taxes: Current income tax provisions represent amounts payable for each year after reduction for investment tax credits arising from the acquisition of eligible assets and the jobs tax credit. Such credits are included in net earnings when realized. The Company also provides deferred income taxes on all significant timing differences between financial and current taxable earnings. Refundable federal income taxes consist of the excess of estimated tax payments made in 1978 and 1977 over federal income taxes payable.

Receivables from Investees

JOY MANUFACTURING COMPANY (SEP)

	1978	1977
	($000)	
Current Assets		
Cash	$ 11,974	$ 14,189
Time deposits and certificates of deposit	6,430	17,713
Receivables (Note 3)	174,330	146,310

Note 3: Receivables—Receivables include the following:

	1978	1977
	(In Thousands of Dollars)	
Trade receivables	$134,775	$117,666
Trade installment notes	24,751	14,247
Other installment notes	—	5,495
Retentions on long-term construction contracts	7,681	5,647
Unbilled sales on long-term construction contracts	6,027	3,001
Due fron unconsolidated subsidiaries	1,860	1,175
	175,094	147,231
Less allowance for doubtful accounts	(764)	(921)
Receivables	$174,330	$146,310

In accordance with generally recognized trade practice, all trade installment notes including those which mature subsequent to one year, amounting to $16,045,000 at September 29, 1978 and $7,978,000 at September 30, 1977, have been included in current assets. The range of interest rates applicable to trade installment notes receivable was 4.5% to 14.0% at September 29, 1978 and 6.0% to 15.4% at September 30, 1977.

Retentions on long-term construction contracts include $3,776,000 at September 29, 1978 and $689,000 at September 30, 1977, which are collectible after one year.

Substantially all amounts classified as unbilled sales on long-term construction contracts are collectible within one year.

JOY provides an allowance for doubtful accounts based upon the anticipated collectibility of each specific account. A summary of the changes in the allowance for doubtful accounts is as follows:

	1978	1977
	(In Thousands of Dollars)	
Balance at beginning of year	$ 921	$ 898
Balance of Wheeling at date of acquisition	—	109
Provision charged to income net of recoveries of $2,000 in 1978 and $18,000 in 1977	225	274
Accounts written off	(382)	(360)
Balance at end of year	$ 764	$921

CROWN CORK & SEAL COMPANY, INC. (DEC)

	1978	1977
Current Assets		
Cash	$ 14,129,000	$ 10,986,000
Notes receivable from Crown Financial Corporation	7,600,000	8,500,000
Receivable from customers less allowance for possible losses 1978—$3,262,000, 1977—$3,163,000	193,405,000	151,519,000
Inventory at lower of cost or market		
Finished goods and work in process	105,081,000	97,284,000
Raw materials and supplies.	65,820,000	66,002,000
Prepaid expenses, deposits, etc	7,872,000	6,428,000
Total Current Assets	$393,907,000	$340,719,000

PITNEY-BOWES, INC. (DEC)

	1978	1977
Current assets		
Cash	$ 11,396,000	$ 8,072,000
Marketable securities, at cost which approximates market	27,168,000	47,110,000
Accounts receivable, less allowance: 1978, $5,826,000; 1977, $5,419,000	114,093,000	113,302,000
Receivables from wholly owned finance subsidiaries	17,392,000	2,526,000

Installment Receivables

BRUNSWICK CORPORATION (DEC)

	1978		1977	
	($000)			
Current assets				
Cash, including bank time deposits of $25,357 and $1,094 (Note 8)	$ 28,060		$ 6,838	
Marketable securities, at cost which approximates market	14,476	$ 42,536	5,524	$ 12,362
Accounts and notes receivable:				
Accounts	$162,335		$138,369	
Installment notes, less unearned interest of $4,316 and $6,954 (Note 5)	21,782		29,519	
Allowance for possible losses on receivables	(12,672)	171,445	(9,464)	158,424

Note 5: Installment notes receivable—Installment notes resulted from the financing, discontinued in 1975, of bowling capital equipment sales. The remaining installment notes as of December 31, 1978 mature as follows:

(dollars in thousands)	
1979	$ 7,881
1980	5,943
1981	4,382
1982	3,199
1983	2,405
Thereafter	2,288
	$26,098

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%.

JIM WALTER CORPORATION (AUG)

	1978		1977	
	(in thousands)			
Current assets:				
Cash		$ 64,098		$ 60,132
Instalment notes receivable (Note 2)	$1,034,678		$896,802	
Less—Provision for possible losses	(9,216)		(8,057)	
Unearned time charges	(526,802)	498,660	(452,728)	436,017
Trade receivables, less $9,976,000 and $8,608,000 provision for possible losses		290,205		235,416
Other notes and accounts receivable		10,553		11,302

Note 2: Instalment Notes Receivable—The instalment notes receivable arise from sales of partially-finished homes to customers for time payments primarily over periods of twelve to eighteen years. Of the gross amount of $1,034,678,000 an amount of $936,331,000 is due after one year. Instalment notes receivable are included in current assets since they are within the operating cycle of the partially-finished home business. Instalment payments estimated to be receivable within each of the five years from August 31, 1978 are $98,347,000, $95,538,000, $91,837,000, $87,020,000 and $81,501,000, respectively, and $580,435,000 after five years. Time charges are included in equal parts in each monthly payment and are taken into income as collected.

MALONE & HYDE, INC. (JUN)

	1978	1977
	(Thousands of dollars)	
Current Assets		
Cash	$ 7,451	$ 5,803
Notes and accounts receivable:		
Installment notes (including $997,000 and $955,000 due after one year)	4,098	4,367
Trade accounts	34,116	31,343
	38,214	35,710
Less allowance for doubtful accounts-Note B	2,233	2,293
	35,981	33,417
Merchandise inventories	95,121	76,427
Prepaid expenses	3,017	2,899
TOTAL CURRENT ASSETS	$141,570	$118,546

THE SINGER COMPANY (DEC)

	1978	1977
	(Amounts in millions)	
Current Assets:		
Cash and cash equivalents......	$ 89.4	$ 96.9
Accounts receivable:		
Trade:		
Instalment (note 3)......	186.5	172.2
Other.....................	215.1	179.0
Miscellaneous...............	45.0	38.4
	446.6	389.6
Less:		
Unearned carrying charges..............	44.1	40.0
Allowances for doubtful accounts.............	17.4	16.6
	385.1	333.0
Inventories (note 4)............	483.2	475.8
Prepaid expenses...............	10.9	10.4
Current assets of discontinued operations....................	—	62.7
Total current assets .	$968.6	$978.8

NOTES TO FINANCIAL STATEMENTS

Note 1 (in part): Summary of Accounting Policies

Accounts Receivable—In accordance with trade practice, all instalment accounts receivable are classified as current assets irrespective of when payments are due.

Receivables discounted without recourse are excluded from the balance sheet, and earned carrying charges and discount expenses are recognized at the time the receivables are discounted. Receivables discounted with recourse are considered a financing arrangement, and accordingly the liability for such receivables is included in notes and loans payable. Earned carrying charges and discount and related financing expenses are recognized as the receivables are collected.

Note 3: Accounts Receivable—Instalment accounts not due within one year amounted to $57.7 million 1978 and $50 million in 1977.

Included in accounts receivable at December 31, 1978 and 1977, respectively, are $9.3 million and $8.7 million of trade receivables with varying maturities discounted on a recourse basis principally with foreign unaffiliated financial institutions. In addition, in 1977, $5.1 million is included in current assets of discontinued operations.

Trade receivables include unbilled amounts under long-term contracts of $69 million and $49.1 million at December 31, 1978 and 1977, respectively. Such recoverable costs and accrued profits are billable upon completion of testing and acceptance under terms of the contracts. It is anticipated that approximately $35 million of the unbilled amounts at December 31, 1978, will not be collected within one year as compared with $17 million at December 31, 1977. Amounts pertaining to claims or retainage pursuant to long-term contracts are insignificant.

Receivables from Government

ROCKWELL INTERNATIONAL CORPORATION (SEP)

	1978	1977
	(In millions)	
Current Assets		
Cash (including time deposits and certificates of deposit: 1978, $364.3 million; 1977, $384.1 million)......	$445.1	$467.1
Short-term investments—at cost, which approximates market........................	7.1	9.6
Receivables......................	986.4	917.2

NOTES TO FINANCIAL STATEMENTS

Note 2: Receivables—Receivables at September 30 are summarized as follows (in millions):

	1978	1977
Accounts and notes receivable:		
Commercial, less allowance for doubtful accounts (1978, $18.5 million; 1977, $21.6 million)........................	$719.9	$534.8
United States Government......	47.3	29.5
United States income taxes receivable (Note 18)....................	44.0	55.5
Short-term advances to unconsolidated finance subsidiaries.......	39.2	33.7
Estimated termination claims to be reimbursed under United States Government contracts...........	28.1	132.2
Other unreimbursed costs and accrued profits to be billed, principally related to United States Government contracts...........	107.9	131.5
Receivables..........................	$986.4	$917.2

Accounts and notes receivable do not include significant amounts representing contract holdbacks or claims subject to uncertainty as to their determination. Substantially all amounts are expected to be collected within one year.

Estimated termination claims to be reimbursed represent principally unbilled costs associated with the termination of the B-1 production contracts by the United States Government in 1977. Such claims primarily represent accruals of estimated subcontractor termination claims and the Company's applicable overhead costs. During 1978 the Company reduced its original estimate of subcontractor termination claims by approximately $55.0 million. It is anticipated that approximately $10.0 million of the termination claims outstanding at September 30, 1978 will not be collected within one year. The Company's related liability to subcontractors for their termination claims (see Note 10) will not be fully paid until settlement has been approved by the United States Government.

Other unreimbursed costs and accrued profits to be billed represent revenues recognized principally on United States Government contracts for which billings have not been presented. It is anticipated that approximately $60.0 million unbilled at September 30, 1978 will be billed within 45 days. The remainder principally represents amounts unbilled due to contract holdback and billing provisions. Substantially all amounts are expected to be collected within one year.

MARTIN MARIETTA CORPORATION (DEC)

	1978	1977
Current Assets:		
Notes and accounts receivable	$283,363,000	$227,185,000

NOTES TO FINANCIAL STATEMENTS

Note C: Notes and Accounts Receivable

	1978	1977
Commercial accounts receivable	$173,254,000	$133,862,000
Receivables under long-term contracts:		
United States Government:		
Amounts billed	27,392,000	25,559,000
Recoverable costs and accrued profits not billed	58,219,000	36,459,000
Amounts withheld, due upon completion of contracts	(1,783,000)	3,041,000
	83,828,000	65,059,000
Other customers:		
Amounts billed	8,184,000	4,522,000
Recoverable costs and accrued profits not billed	10,097,000	15,343,000
Total receivables under long-term contracts	102,109,000	84,924,000
Notes and other current receivables	12,808,000	11,616,000
Less allowances for uncollectible receivables	(4,808,000)	(3,217,000)
Total	$283,363,000	$227,185,000

Other

AMERICAN BAKERIES COMPANY (DEC)

	1978	1977
	($000)	
Current Assets:		
Cash	$ 3,553	$ 3,128
Accounts receivable, less allowances of $989,000 at December 30, 1978, and $796,000 at December 31, 1977, for doubtful accounts	33,584	32,829
Notes receivable	4,774	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Summary of Accounting Policies

Principles of Consolidation—The accompanying consolidated financial statements include all subsidiaries of American Bakeries Company.

The consolidated financial statements include the amounts and results of operations of Monark Egg Corporation since the date of its acquisition in August, 1975.

In the fourth quarter, 1978, the Company sold the principal assets of two baking plants at a gain of approximately $2,144,000. At December 30, 1978, the Company recorded a note receivable of $4,774,000 related to the sale of these plants. The Company has received a written commitment from an institutional investor to purchase the note receivable in 1979 and accordingly the note is included in current assets.

ASHLAND OIL, INC. (SEP)

	1978	1977
	(In thousands)	
Current assets		
Cash and short-term securities	$ 75,935	$ 92,840
Receivable from sale of Ashland Oil Canada Limited—Note B	315,840	—
Accounts and notes receivable (less allowance for doubtful accounts of $10,591,000 in 1978 and $10,423,000 in 1977)	540,737	479,101
Construction completed and in progress, at contract prices	77,197	54,895
Inventories—Note A	367,924	430,332
Prepaid expenses	21,307	21,344
Total current assets	1,398,940	1,078,512

Note B: Sale of Ashland Oil Canada Limited—On July 11, 1978 Ashland entered into an agreement to sell its interests in Ashland Oil Canada Limited subject to the receipt of a favorable ruling from the Canadian Foreign Investment Review Board. Ashland received a favorable ruling on September 28, 1978 and recorded the sale as of that date. As a part of the agreement, Ashland purchased the Valvoline and chemical divisions of Ashland Oil Canada Limited at net book value at September 30, 1978 (approximately $22,729,000).

Cash proceeds of $315,840,000 were received on October 3, 1978. The net gain after related income taxes of $75,385,000 was approximately $117,709,000 ($4.20 per share).

The results of operations for 1978 and 1977 of Ashland Oil Canada Limited (exclusive of the Valvoline and chemical divisions and after minority interests in such earnings of $4,337,000 in 1978 and $3,522,000 in 1977) included in the statement of consolidated income were as follows:

	1978	1977
	(In thousands)	
Sales and operating revenues	$132,817	$135,777
Net income	$ 20,051	$ 19,447

CHAMPION SPARK PLUG COMPANY (DEC)

	1978	1977
Current Assets:		
Cash	$ 12,137,198	$10,008,218
Marketable securities, at cost which approximates market	32,183,253	54,681,027
Accounts receivable, less allowances of $2,488,000 and $2,055,000	113,110,560	82,473,073
Current portion of notes receivable	1,246,400	1,246,400

SPENCER COMPANIES, INC. (MAY)

	1978	1977
Current assets:		
Cash, including certificates of deposit of $5,614,554 in 1978 and $4,342,417 in 1977	$7,193,928	$6,801,905
Cash-leased departments received in June	691,891	350,531
Due from factor without recourse, net (Note 2)	2,286,170	482,498
Marketable securities, at cost (Note 3)	518,143	426,773
Accounts and notes receivable, net (Note 4)	2,370,073	1,319,932

Note 2: Due from Factor Without Recourse

	1978	1977
Due from factor without recourse*.	$2,639,967	$642,498
Less—Allowance for returns, allowances and discounts	(353,797)	(160,000)
	$2,286,170	$482,498

*Subject to returns and allowances.

Note 4: Accounts and Notes Receivable

	1978	1977
Customers—Trade	$1,139,102	$ 912,098
Leased departments and miscellaneous	404,196	277,875
Current portion of long-term receivables	10,595	177,797
Notes receivable	525,000	—
Settlement claim*	353,000	—
	2,431,893	1,367,770
Less—Allowance for bad debts and discounts	(61,820)	(47,838)
	$2,370,073	$1,319,932

*During the past fiscal year, the Company's Happy Legs subsidiary and a former officer of Happy Legs resolved the claims between them in connection with the foreign operations of Happy Legs. The Company's subsidiary conducted an investigation of the former officer's alleged misconduct, and based upon such investigation, the Company's subsidiary's Board of Directors determined that it was in its best interests to settle this matter rather than to engage in protracted and expensive litigation of a disputed claim. The settlement agreement contained no admission of liability by any party but did provide for the payment of $153,000 to Happy Legs. In addition, Happy Legs received $200,000 under an insurance policy with regard to this matter.

STANGE CO. (DEC)

	1978	1977
Current Assets		
Cash and certificates of deposit	$3,037,000	$ 926,000
Current portion of notes receivable (note D)	298,000	—
Accounts receivable		
Trade	5,489,000	5,323,000
Other	225,000	257,000
	5,714,000	5,580,000
Less allowance for doubtful receivables	218,000	157,000
	5,496,000	5,423,000
Affiliates	202,000	73,000
	5,698,000	5,496,000

Note D: Notes Receivable—Notes receivable at December 31, 1978 consist of the following:

9.5% mortgage note receivable, due in annual installments of $25,000, final installment due September 25, 1983	$225,000(A)
6% notes receivable, due in annual installments of 109,000, final installment due November 15, 1981	327,000(B)
Note receivable with $165,000 due in 1979 and annual installments of $64,000 thereafter, final installment due December 31, 1983	417,000(C)
	969,000
Less current portion	298,000
	$671,000

(A)Collateralized By Land and Building.
(B)Collateralized by Common Stock of Stange Pesa S.A. de C.V.
(C)Interest rate at one-half of prime interest rate of Royal Bank of Canada.

TABLE 2-6: RECEIVABLES USED FOR FINANCING

	1978	1977	1976	1975
Receivables sold with recourse	60	65	69	68
Receivables sold without recourse	6	9	9	16
Receivables used as collateral	25	28	25	28
Total References	**91**	**102**	**103**	**112**
Reference to receivable financing	90	98	96	107
No reference to receivable financing	510	502	504	493
Total Companies	**600**	**600**	**600**	**600**

RECEIVABLES USED FOR FINANCING

Table 2-6 shows that 90 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 with the provisons 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. Examples of receivables sold with recourse are also presented in connection with Table 1-11.

Receivables Sold With Recourse

AMF INCORPORATED (DEC)

	1978	1977
	($000)	
Current Assets		
Notes and accounts receivable (Note 4)	$306,705	$299,495

Note 4: Notes and Accounts Receivable—Notes and accounts receivable from customers at December 31 include the following, net of unearned interest of $42,522,000 and $45,823,000 at December 31, 1978 and December 31, 1977, respectively (in thousands of dollars):

	1978	1977
Amounts due within one year	$244,795	$231,460
Amounts due beyond one year	90,928	98,366
	335,723	329,826
Allowance for possible losses	(29,018)	(30,331)
	$306,705	$299,495

Amounts due beyond one year relate largely to the financing of the Company's bowling products business and are included in current assets in accordance with industry practice.

Interest rates on notes receivable of $74,086,000 at December 31, 1978 and $69,775,000 at December 31, 1977 range generally from 12% to 16% in the United States, and from 4% to 19% overseas.

Notes and accounts receivable due beyond one year at December 31, 1978 and December 31, 1977 include approximately $50,400,000 and $58,600,000, respectively, of investment in sales-type leases, net of unearned interest of $18,448,000 and $22,835,000, respectively. (See Note 8).

Minimum future lease payments receivable under sales-type leases included in accounts receivable are due as follows (in thousands of dollars):

1979	$13,936
1980	12,466
1981	11,134
1982	10,001
1983	8,311
After 1983	26,888
	$82,736

The Company is contingently liable on approximately $7,100,000 of overseas accounts and notes receivable sold with recourse and has guaranteed approximately $3,900,000 related to dealer floor plan arrangements.

BOISE CASCADE CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 5 (in part): Leases and Contingent Liabilities—At December 31, 1978, the Company was contingently obligated for $5,468,000 for receivables sold with recourse, loans of divested and unaffiliated companies and third-party customer financing related to the divestiture of the realty business.

CMI CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (in part): Commitments and Contingent Liabilities—The Company is the defendant in certain legal proceedings involving product warranties and patent infringements arising in the normal course of business. In the opinion of management and counsel, the ultimate disposition of such proceedings will have no material effect on the consolidated financial statements.

The Internal Revenue Service has completed its examination of the Company's income tax returns for the years 1972 through 1975 and advised the Company that additional income taxes of approximately $2,300,000 were due for those years, a major portion of which results from timing differences. The Company has contested the asserted deficiencies and has petitioned for a redetermination of the deficiencies before the United States Tax Court. In the opinion of management, the final additional tax will be substantially less than the amounts proposed. The Company believes that it has made adequate provision for final settlement of the proposed adjustments.

At December 31, 1978, the Company and certain subsidiaries are contingently liable for notes receivable sold with recourse approximating $580,000 and have guaranteed a portion of borrowings of certain foreign customers approximating $389,000.

CITY STORES COMPANY (JAN)

	1979	1978
Current Assets		
Cash	$ 5,206,000	$ 6,329,000
Accounts receivable (net of amounts sold with recourse; $39,900,000 this year and $34,200,000 last year)—Note A	17,035,000	38,350,000

Note A—Accounts Receivable

	This year	Last year
Customers, principally deferred payment accounts	$ 4,973,000	$32,623,000
Other (including equity in accounts sold $2,100,000 this year and $4,900,000 last year)	13,975,000	8,647,000
	18,948,000	41,270,000
Less allowance for doubtful accounts (this year, principally accounts sold with recourse)	1,913,000	2,920,000
	$17,035,000	$38,350,000

This year, a division of the Company and two subsidiaries sold accounts receivable, without recourse, under a five-year retail credit program. The initial sale was at face value; subsequent sales are at a discount fluctuating with the prime interest rate. The purchaser retains all carrying charge income.

Last year, three other division of the Company and another subsidiary sold accounts receivable, with recourse, under a five-year retail credit program. All sales are at face value. The bank withholds five percent (twelve and one-half percent at January 28, 1978) of the outstanding balance of the receivables they retain; such amount will be remitted at the end of the five-year period. The Company retains all carrying charge income and pays interest on uncollected receivables, less the five percent withheld (see Note H). Further, the Company pays a management and operation charge for the administration of the retail credit program.

UMC INDUSTRIES, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 10: Commitments and Contingent Liabilities—At December 31, 1978 and 1977, the Company and its subsidiaries are contingently liable to the extent of approximately $4,067,000 and $3,984,000, respectively, principally on customers' finance receivables discounted. These receivables are collateralized by chattel mortgages, conditional sales contracts or leases.

In December 1977, the Company agreed to participate in a joint venture formed to explore for hydrocarbon deposits and will provide up to $2,000,000 for the first exploration work program. At December 31, 1978, $1,200,000 remains to be advanced to the joint venture.

WHITTAKER CORPORATION (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10: Lawsuits and Other Contingencies—There are various claims and suits pending against Whittaker. Based on an evaluation which included consultation with counsel concerning the legal and factual issues involved, management is of the opinion that such claims and suits will not have a material adverse effect on Whittaker's financial position.

The Internal Revenue Service has proposed certain adjustments for the years 1972 and 1973 which are being contested. Whittaker is of the opinion that any liability with respect to these proposed adjustments would not have a material adverse effect on Whittaker's financial position at October 31, 1978.

Whittaker has discounted certain notes receivable and conditional sales contracts and has guaranteed certain financing agreements. In connection therewith, Whittaker was contingently liable for approximately $16,000,000 at October 31, 1978.

Receivables Sold Without Recourse

SEARS, ROEBUCK AND CO. (JAN)

	1979	1978
	($000)	
Current assets		
Cash	$ 225,047	$ 237,382
Receivables	6,779,631	6,671,402

FINANCIAL POSITION DETAIL

	1979	1978
	($ in thousands)	
RECEIVABLES (notes 2 and 5)		
Revolving charge/SearsCharge accounts	$4,810,063	$4,397,902
Easy payment accounts	1,816,972	2,282,626
Other accounts and notes, principally from customers and suppliers	395,040	290,161
	7,022,075	6,970,689
Less—unearned finance charges ...	155,839	215,295
allowance for uncollectible accounts	86,605	83,992
	$6,779,631	$6,671,402

Note 2: Accounts receivable sold—Sears sells, without recourse, the transactions arising in selected revolving charge/SearsCharge accounts. As of January 31, 1979, the aggregate outstanding balance in such accounts was $643 million. Receivables are sold at a discount, the purchaser receives all cash collections, and Sears is paid a fee for administering the accounts sold. The discount and the administrative fee for future purchases are established periodically by the purchasers. Under certain circumstances, Sears may

cease selling receivables and may repurchase those previously sold on 30 days notice at their then fair value.

In certain locations, Sears also sells other customer accounts receivables. The aggregate of such accounts sold at January 31, 1979 and 1978 was $136,288,000 and $129,748,000, respectively.

CLEVELAND CALENDERING & COATING CORP. (APR)

	1978	1977
Current Assets:		
Cash	$382,569	$ 931
Due from factor (Note H)	333,682	
Accounts receivable (less estimated doubtful accounts of $340,482 in 1977)	28,756	319,657

Note H: Agreement with Factor—Pursuant to an agreement with a factor, the Company sells substantially all of its accounts receivable to the factor and is permitted to receive advances up to 80% of such receivables from the factor prior to the due date. The advances bear interest at 2% above the prime lending rate. The receivables are essentially sold without recourse to the Company; $90,000 of receivables sold with recourse were outstanding at April 30, 1978. The agreement may be terminated by either party with ten days notice. Certain shareholders of the Company (Note G (2)) have guaranteed the Company's performance of the terms of the agreement.

Receivables Used as Collateral

LYNNWEAR CORPORATION (NOV)

	1978	1977
Current Assets:		
Cash	$ 338,000	$ 207,000
Accounts receivable—pledged—less an allowance for doubtful accounts of $477,000 and $280,000	8,828,000	6,769,000

THE RATH PACKING COMPANY (SEP)

	1978	1977
Current Assets:		
Cash	$ 1,189,000	$ 1,619,000
Time deposits and U.S. Treasury note (Note 10)	685,000	150,000
Receivables (Note 6):		
Trade accounts	11,881,000	13,619,000
Other	1,723,000	816,000
	13,604,000	14,435,000
Less—Allowance for doubtful accounts	165,000	67,000
	13,439,000	14,368,000

Note 6 (in part): Financing Agreement—All receivables and inventories have been pledged as collateral for borrowings under a financing agreement. The lender is a commercial finance company; however, two banks participate in the borrowings up to a maximum amount of $4,000,000. The total amount available for borrowing under the agreement varies as determined by the commercial finance company and amounted to $9,230,000 at September 30, 1978.

SAV-A-STOP INCORPORATED (AUG)

	1978	1977
Current assets:		
Cash (note 4)	$ 2,136,120	$ 3,452,451
Accounts receivable (note 4):		
Customers	15,106,940	13,115,931
Vendors and other	1,073,402	723,589
	16,180,342	13,839,520
Less allowance for doubtful receivables	405,798	307,063
	15,774,544	13,532,457
Merchandise inventories	33,138,895	33,405,751
Prepaid expenses and other current assets	1,831,391	882,383
Total current assets	$52,880,950	$51,273,042

Note 4 (in part): Long-Term Debt—Long-term debt at September 2, 1978 and September 3, 1977 is summarized as follows:

	1978	1977
Notes payable(a)	$8,585,000	$9,442,810

(a)The notes payable at September 2, 1978 are outstanding under a loan agreement dated January 11, 1978 with five banks, are collateralized by a security interest in substantially all receivables, and bear interest at one percent above the prevailing prime rate as determined monthly. The effective rate was 10¼% at September 2, 1978. The loan provides for annual principal payments of $1,250,000 on each August 31 from 1979 to 1981, with the remaining unpaid balance due on December 31, 1981. Of the amount due December 31, 1981, $1,000,000 is subject to prepayment and subsequent reborrowing at any time prior to maturity at the option of the Company, provided the Company is not in default under the agreement. The Company expects to meet its future debt service requirements through operations and refinancing.

Factoring Agreements

LLOYD'S ELECTRONICS, INC. (MAR)

	1978	1977
Current Assets:		
Cash	$ 982,800	$ 823,000
Accounts receivable (Note B)	4,918,700	9,183,400
Tax refund receivable	625,500	—
Merchandise inventories on hand	32,102,900	31,304,800
Merchandise inventories in transit	3,536,000	6,681,500
Prepaid expense and other current assets	731,600	895,600
Total Current Assets	$42,897,500	$48,888,300

Note B: Accounts Receivable—Accounts receivable consisted of the following:

	March 31, 1978	1977
Trade accounts receivable		
Due (to) from factor	($ 430,700)	$3,477,100
Non factored	6,043,600	5,711,200
Trade accounts receivable	5,612,900	9,188,300
Other	135,700	627,900
	5,748,600	9,816,200
Less allowance for doubtful accounts	829,900	632,800
	$4,918,700	$9,183,400

The Company has an agreement with a factor which provides for the sales of substantially all of its trade accounts receivable of the United States companies. These receivables are sold with or without recourse. At March 31, 1978 receivables factored with recourse were $1,178,800. Under terms of the agreement, the Company pays a factoring commission which averages approximately 0.75% and interest charges at 2¼% above prime on all unmatured funds advanced by the factor. Advances are collateralized by the assets of the United States companies.

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

	1978	1977	1976	1975
Allowance for doubtful accounts	270	262	254	272
Allowance	125	129	117	125
Allowance for losses	42	38	38	34
Reserve	33	30	30	32
Reserve for doubtful accounts	6	7	11	13
Allowance for uncollectible accounts	12	9	11	9
Other caption titles	14	19	37	47
	502	494	498	532
Receivables shown net	9	15	14	7
No reference to doubtful accounts	89	91	88	61
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 the inventory 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-one 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.

FIFO

LAFAYETTE RADIO ELECTRONICS CORPORATION (JUN)

	1978	1977
Current assets:		
Cash	$ 2,700,000	$ 5,023,000
Accounts receivable, less allowance for doubtful accounts of $185,000 and $390,000	4,167,000	5,323,000
Merchandise inventories	35,130,000	37,703,000
Income tax refunds receivable	3,786,000	4,193,000
Prepaid expenses	1,055,000	741,000
Total current assets	$46,838,000	$52,983,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (in part): Summary of significant accounting policies:

Merchandise inventories: Inventories, which consist principally of merchandise held for resale, are stated at the lower of cost (first-in, first-out method) or market.

BRISTOL PRODUCTS, INC. (DEC)

	1978	1977
Current Assets		
Cash	$ 385,836	$ 317,864
Accounts receivable (After allowance for doubtful accounts: 1978—$248,734; 1977—$245,115)	8,273,195	7,337,747
Inventories (Notes 1 and 2)	15,323,970	13,137,747

TABLE 2-8: INVENTORY COST DETERMINATION

	1978	1977	1976	1975
Methods				
First-in first-out (fifo)	392	392	389	376
Last-in first-out (lifo)	343	332	331	315
Average cost	224	227	232	235
Standard costs	37	37	31	48
Other	52	47	50	34
Total Disclosures	**1048**	**1035**	**1033**	**1008**
Use of LIFO				
All inventories	14	10	9	11
50% or more of inventories	205	194	167	125
Less than 50% of inventories	101	93	84	86
Not determinable	23	35	71	93
Not used	257	268	269	285
Total Companies	**600**	**600**	**600**	**600**

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

INVENTORIES—Inventories are stated at the lower of cost or market, valued principally on the first-in, first-out basis.

Note 2: Inventories—The amounts used in determining cost of sales for the years ended December 31, 1978 and 1977 follow:

	1978	1977	1976
Finished goods	$ 7,625,000	$ 6,865,255	$ 5,561,065
Raw materials	6,068,776	5,183,031	3,359,067
Work in process	1,630,186	1,089,461	1,210,140
Total	$15,323,970	$13,137,747	$10,130,272

MWA COMPANY (JUN)

	1978	1977
Current Assets:		
Cash	$ 117,052	$ 607,511
Notes and accounts receivable, less allowance for doubtful receivables of $45,500 in 1978 and $55,400 in 1977	2,323,862	2,370,107
Inventories—at the lower of cost (principally first-in, first-out) or market		
Finished products	1,749,859	1,823,068
Work in process	1,586,800	1,648,284
Raw materials	2,048,039	2,328,871
	5,384,698	5,800,223
Prepaid income taxes	685,194	137,639
Prepaid expenses	91,497	90,150
Total Current Assets	$8,602,303	$9,005,630

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Accounting Policies

Inventories—Inventories have been stated at the lower of cost or market. Cost has been determined by the first-in, first-out method and market represents the lower of the replacement cost or the estimated net realizable value.

PNEUMO CORPORATION (NOV)

	1978	1977
	($000)	
Current assets		
Cash	$ 5,772	$ 2,642
Short-term investments—at cost (which approximates market)	10,000	
Accounts receivable, less allowances ($347,000 in 1978; $343,000 in 1977)	28,271	20,116
Costs to be billed under contracts	744	492
Inventories—Note A:		
Finished products, work in process and raw materials	59,543	32,398
Merchandise	27,701	27,404
	87,244	59,802
Prepaid expenses and other current assets	918	949
Total current assets	$132,949	$84,001

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Inventories: Inventories are stated at the lower of cost or market. Inventory costs for substantially all warehouse merchandise inventories of the Company's Food Group are determined on the last-in, first-out (LIFO) method; the balance of the Food Group's inventories are determined on the first-in first-out (FIFO) method, principally under the retail method.

Inventories for the Aerospace/Defense and Industrial Products Groups are determined on the first-in, first-out method using specific unit costs consisting of material, labor and related manufacturing overhead, but exclusive of start-up costs and general and administrative expenses which are charged to operations as incurred, except those Aerospace/Defense Group programs which by their terms and conditions require the Company to make an investment of $1 million or more not covered by orders during the initial stages of the program. Under these conditions, beginning in 1978, the Company changed to the program method of accounting. Under this method, planned costs of full-scale development, consisting of certain engineering, tooling, test and prototype shipsets, and the higher-than-average cost of initial shipsets are included in inventory and are spread over estimated shipsets to be produced under these programs. Related general and administrative expenses are charged to operations as incurred. The conditions appropriate for use of the program method did not exist to any material extent during the four years ended November 30, 1977.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A: Inventories and Change in Accounting Method—Warehouse merchandise inventories of the Company's Food Group of $10,765,000 at November 30, 1978 and $9,289,000 at November 30, 1977 are stated at LIFO. Had the first-in, first-out method (approximates replacement cost) of inventory accounting been used by the Company for such inventories, the amount thereof would have been $4,726,000 and $3,969,000 greater than reported at November 30, 1978 and 1977, respectively. The balance of merchandise inventories amounting to $16,936,000 at November 30, 1978 and $18,115,000 at November 30, 1977 are determined on the first-in, first-out method.

The Company's Aerospace/Defense and Industrial Products inventories at November 30, 1978 and 1977, are as follows:

	1978	1977
	(In thousands)	
Finished goods	$ 3,495	$ 3,101
Work in process	53,923	27,028
Raw materials and supplies	2,125	2,269
	$59,543	$32,398

In the fourth quarter of 1978, the Company adopted the program method of accounting. As a result of this change, as described in the Summary of Significant Accounting Policies (Inventories), cost of goods sold were decreased by approximately $2,355,000 and net earnings were increased by approximately $1,193,000 ($.40 per share). This change in method was made in order to more closely match costs with revenues and thus present more fairly the results of operations. If this method had been used during the four years preceding 1978, it would have had an immaterial effect on the results of operations as reported.

That portion of work-in-process inventories relating to the Aerospace/Defense Group at November 30, 1978 and 1977 includes amounts relating to long-term contracts and consists of the following:

	1978	1977
	(In thousands)	
Production costs of units currently in process	$68,549	$43,500
Full scale development costs, less amounts amortized to shipsets delivered	1,551	
Excess of production costs of shipsets delivered over the estimated average cost of the shipsets to be produced under the program	804	
	70,904	43,500
Less progress payments	17,791	17,100
	$53,113	$26,400

The full scale development costs and excess of production costs shown above are costs incurred in 1978 relative to the Company's programs for flight controls on the F-16 and F-18 and landing gears for the F-18.

The estimated number of shipsets to be delivered under the programs include firm orders as well as anticipated future orders. There can be no assurance that customers will necessarily place additional orders. However, in the opinion of management, the number of shipsets included in such programs are a conservative estimate of the quantity that will be ordered. At such time it is determined that estimated quantities will not be ordered, the balance of any deferred costs will be written off. At November 30, 1978, realization of approximately $1,800,000 of deferred costs are dependent upon receipt of future firm orders.

At November 30, 1978, the F-16 program accounting is based upon estimated deliveries of 1,120 shipsets (including those to be manufactured by a Belgium licensee). The Company has firm orders for 543 shipsets, of which 40 were delivered in 1978, with the balance to be delivered over the next four years. The F-18 program accounting is based upon estimated deliveries of 500 shipsets beginning in the latter part of 1979, to be completed over the following six years. Although there are no firm orders on production shipsets at November 30, 1978, the Company does have customer authorization to procure materials and fabricate the initial production units.

In accordance with industry practice, inventories include amounts relating to contracts with long production cycles, a portion of which is not expected to be realized within one year.

REEVES BROTHERS, INC. (JUN)

	1978	1977
Current Assets:		
Cash	$ 6,635,331	$ 6,041,063
Short-term investments, at cost which approximates market	10,201,000	7,500,000
Due from factor	31,787,041	35,698,287
Accounts receivable, less allowances of $646,000 and $419,000	17,578,642	14,418,746
Inventories—Note B	51,745,594	45,883,149
Other current assets	3,964,314	3,544,540
Total Current Assets	$121,911,922	$113,085,785

NOTES TO FINANCIAL STATEMENTS

Note A (in part): A summary of significant accounting policies follows:

Inventories—Inventories are stated at the lower of cost or market. Cost has been determined under the last-in, first-out (LIFO) method with respect to the domestic inventories of the Industrial Group and the inventories of the Spinning and Weaving Division and Cinderella Knitting Mills, Inc., (which cost represents 50% of the total inventory). With respect to the remainder of the inventories, the cost of raw materials is determined on the first-in, first-out (FIFO) basis, and the cost of work in process and manufactured goods is based substantially on normal average manufacturing cost. Market is determined on the basis of replacement costs or selling prices less costs of disposal.

The application of the principles of Accounting Principles Board Opinion No. 16 to the acquisition of Cinderella Knitting Mills, Inc. (See Note J) caused the inventories in the accompanying balance sheets as of July 1, 1978 and July 2, 1977 to exceed inventories used for income tax purposes by $924,000.

Note B: Inventories are classified as follows—

	1978	1977
Raw materials	$14,335,206	$15,092,096
Work in process	9,260,778	8,529,552
Manufactured goods	28,149,610	22,261,501
	$51,745,594	$45,883,149

If the first-in, first-out (FIFO) method had been used for all inventories, they would have been increased by approximately $5,245,000 in 1978 and $4,336,000 in 1977.

LIFO

BOBBIE BROOKS, INCORPORATED (APR)

	1978	1977
Current assets:		
Cash	$ 2,271,000	$ 207,000
Accounts receivable—(net of an allowance for doubtful accounts of $644,000 in 1978 and $400,000 in 1977)	26,594,000	26,793,000
Inventories—Notes 1 and 3	24,844,000	25,963,000
Sundry receivables and prepaid expenses	2,681,000	2,311,000
Total current assets	$56,390,000	$55,274,000

NOTE 1 (IN PART): SIGNIFICANT ACCOUNTING POLICIES.

Inventories—Inventories are stated at the lower of cost or market value. As described in Note 3, cost was determined by the last-in, first-out method for 1978 and by the first-in, first-out method for 1977.

Note 3: Inventories—In reporting results for the year ended April 29, 1978, the Company adopted the last-in, first-out (LIFO) method of determining cost of substantially all of its inventories. Prior to such date, inventory costs were determined under the first-in, first-out (FIFO) method. This change in method will more realistically present operating results by better matching current costs with current revenues during inflationary periods.

At April 29, 1978, inventories, at cost, aggregated approximately $887,000 less under the LIFO method than they would have under the FIFO method. However, markdowns of $1,203,000 were required to further reduce the LIFO inventories to their current market value. Accordingly, the year-end inventories are stated at an amount which is not less than replacement cost or realizable market value, and adoption of the LIFO method of determining cost had no effect upon operating results for the year ended April 29, 1978. There is no cumulative effect of the change in method since the April 30, 1977 inventory as previously reported is considered to be the beginning inventory under the LIFO method. The effects of retroactive application of LIFO to individual prior years are not determinable.

Inventories consist of the following:

	1978	1977
Continuing operations:		
Apparel manufacturing:		
Raw materials	$ 8,645,000	$ 6,109,000
Work-in-process	3,697,000	2,622,000
Finished goods	7,407,000	7,029,000
	19,749,000	15,760,000
Retail fabric stores	5,095,000	6,449,000
Total	24,844,000	22,209,000
Discontinued operations	—	3,754,000
Total inventories	$24,844,000	$25,963,000

TABLE 2-9: INDUSTRY CLASSIFICATION OF COMPANIES USING LIFO

	1978		1977	
	No.	%*	No.	%*
Foods:				
Meat products	5	50	3	33
Dairy products	—	—	—	—
Canning, etc.	5	71	7	78
Packaged and bulk	8	42	9	45
Baking	1	25	2	40
Sugar, confections, etc.	7	100	6	100
Beverages	2	40	3	50
Tobacco products	3	50	3	43
Textiles	16	50	14	47
Paper products	13	87	12	80
Printing, publishing	4	50	3	43
Chemicals	18	78	19	83
Drugs, cosmetics, etc.	10	62	8	38
Petroleum	24	92	20	80
Rubber products	7	87	7	78
Shoes—manufacturing, merchandising, etc.	3	43	3	38
Building:				
Cement	1	33	1	33
Roofing, wallboard	8	73	11	92
Heating, plumbing	3	50	5	71
Other	11	69	10	56
Steel and iron	16	89	19	90
Metal—nonferrous	14	70	10	59
Metal fabricating	15	83	9	82
Machinery, equipment and supplies	22	65	21	64
Electrical equipment, appliances	13	60	11	55
Electrical, electronic equipment	9	36	14	41
Business equipment and supplies	6	35	8	47
Containers	9	75	6	75
Autos and trucks (including parts, accessories)	13	65	12	52
Aircraft and equipment, aerospace	7	58	9	53
Railway equipment, shipbuilding, etc.	2	29	3	43
Controls, instruments, medical equipment, watches and clocks, etc.	5	42	7	47
Merchandising:				
Department stores	10	83	10	83
Mail order stores, variety stores	2	100	2	100
Grocery stores	8	47	7	50
Other	4	50	3	30
Motion pictures, broadcasting	1	17	1	17
Widely diversified, or not otherwise classified	38	40	34	39
Total Companies	**343**	**57**	**332**	**55**

*Percent of total number of companies for each industrial classification included in the survey.

AMERICAN STANDARD INC. (DEC)

	1978	1977
	($000)	
Current assets		
Cash	$ 22,105	$ 20,278
Marketable securities, at cost which approximates market, includes certificates of deposit—1978, $13,760; 1977, $5,195	15,037	7,515
Accounts receivable, less allowance for doubtful accounts—1978, $10,956; 1977, $10,020	294,790	236,287
Inventories	322,162	338,366
Future income tax benefits	40,618	50,604
Other current assets	13,263	15,565
Advances to American Standard Credit Inc.	—	13,800
Total current assets	$707,975	$682,515

NOTES TO FINANCIAL STATEMENTS

Note 1 (in part): Accounting Policies

Inventories: Inventory costs are determined by the use of the LIFO method on a worldwide basis, and inventories are stated at the lower of cost or realizable value.

Note 6: Inventories—

	1978	1977
	(Dollars in millions)	
At current cost:		
Finished products	$165.8	$171.5
Products in process	176.0	143.6
Raw materials	128.9	135.9
	470.7	451.0
Excess of current cost over LIFO inventory value	148.5	112.6
	$332.2	$338.4

ANHEUSER-BUSCH, INC. (DEC)

	1978	1977
	(In Thousands)	
Current Assets:		
Cash (including certificates of deposit of $79,470,000 in 1978 and $22,893,000 in 1977)	$ 89,736	$ 36,069
Marketable securities, at cost which approximates market	106,076	117,475
Accounts and notes receivable, less allowance for doubtful accounts of $956,000 in 1978 and $1,032,000 in 1977	82,981	65,812
Inventories—		
Raw materials and supplies	129,607	120,717
Work in process	43,991	33,715
Finished goods	10,025	7,721
Other current assets	29,124	18,900
Total current assets	$491,540	$400,409

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Principles and Policies (in part)

Inventories and Production Costs—Inventories are valued at the lower of cost or market. Cost of raw materials and supplies is determined under the last-in, first-out and average cost methods. Cost of work in process and finished goods is based principally on standard costs, which approximate actual manufacturing and raw material costs, adjusted for last-in, first-out valuation of certain raw materials.

Inventory Valuation—Approximately 51% and 54% of total inventories (principally brewing raw materials) at December 31, 1978 and 1977, respectively, are stated on the last-in, first-out inventory valuation method. Had the average cost method been used with respect to such items at December 31, 1978 and 1977, total inventories would have been $21,659,000 and $15,870,000 higher, respectively.

BRUNSWICK CORPORATION (DEC)

	1978		1977	
	($000)			
Current assets				
Cash, including bank time deposits of $25,357 and $1,094 (Note 8)	$ 28,060		$ 6,838	
Marketable securities, at cost which approximates market	14,476	$ 42,536	5,524	$ 12,362
Accounts and notes receivable:				
Accounts	$162,335		$138,369	
Installment notes, less unearned interest of $4,316 and $6,954 (Note 5)	21,782		29,519	
Allowance for possible losses on receivables	(12,672)	171,445	(9,464)	158,424
Inventories (Note 4)		298,239		266,225
Prepaid expenses and income taxes		23,653		16,243
Total current assets		$535,873		$453,254

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Summary of accounting policies

Inventories—Certain domestic inventories are valued at last-in, first-out (LIFO) cost, which is not in excess of market. All other inventories are valued at the lower of first-in, first-out (FIFO) cost, or market (replacement cost or net realizable value). In both instances, costs include materials used, labor and factory manufacturing expenses.

Note 4: Inventories—The following inventories at December 31 were used in the computation of cost of sales:

(dollars in thousands)	1978	1977	1976
Finished goods	$134,647	$139,019	$128,596
Work-in-process	123,787	93,706	82,118
Raw materials and supplies	39,805	33,500	32,238
Total inventories	$298,239	$266,225	$242,952

At December 31, 1978 and 1977, $115,474,000 and $97,407,000, respectively, of inventories were valued using the last-in, first-out (LIFO) method. If the first-in, first-out (FIFO) method of inventory accounting had been used by the Company for these products, inventory costs at December 31 would have been $18,848,000 and $12,531,000 higher than reported for 1978 and 1977, respectively. The FIFO cost of inventory at these dates was approximately the same as current cost. At December 31, 1978, the book basis of LIFO inventories acquired during 1978 exceeded the tax basis by approximately $7,000,000 as a result of applying the provisions of Accounting Principles Board Opinion No. 16 in a purchase business combination.

CONROY, INC. (AUG)

	1978	1977
	($000)	
Current Assets		
Cash (including certificates of deposit: 1978—$2,516,000; 1977—$6,226,000)	$ 3,186	$ 6,613
Trade accounts receivable, less allowance: 1978—$320,000; 1977—$741,000	9,357	8,171
Inventories—Note G:		
Finished products	6,328	5,608
Work in process	1,277	977
Materials and supplies	6,450	4,927
	14,055	11,512
Prepaid expenses	469	483
Total Current Assets	$27,067	$26,779

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Inventories—Inventories are stated at the lower of cost or market using the last-in, first-out method.

Note G: Change in Accounting Method—During 1977, the Company changed its method of determining cost from the first-in, first-out (FIFO) method to the last-in, first-out (LIFO) method for its O'Sullivan division. The cost of other inventories is also determined on the LIFO basis. The Company believes the LIFO method will more fairly present its results of operations by reducing the effect of inflationary cost increases in inventory and thus match current costs with current revenues.

The 1977 change reduced inventory value by $249,000 and net income by approximately $129,000, after-tax or $.03 a share. For this type of accounting change there is no cumulative effect on retained earnings as of September 1, 1976.

If inventory values were shown at current costs (determined by the first-in, first-out method) rather than at LIFO values, inventories would have been $1,749,000 and $996,000 higher than reported at August 31, 1978 and August 31, 1977.

CROWN CENTRAL PETROLEUM CORPORATION (DEC)

	1978	1977
Current Assets		
Cash	$15,090,000	$ 6,195,000
Accounts receivable, less allowance for doubtful accounts (1978—$350,000; 1977—$218,000)	49,619,000	36,427,000
Inventories:		
Crude oil and refined products—Note B	75,875,000	47,834,000
Materials and supplies	2,619,000	3,718,000
	78,494,000	51,552,000
Advance on oil purchase contract	8,000,000	
Prepaid expenses	372,000	326,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (in part): Description of Business and Summary of Accounting Policies

Inventories: Inventories of crude oil and refined products, except crude oil held for resale, are valued at the lower of annual average cost (last-in, first-out) or market. The inventory of crude oil held for resale is valued at the lower of cost (first-in, first-out) or market. All foreign crude oil is purchased by a wholly-owned foreign subsidiary which by Company policy is required to transfer, to the extent of its inventory, sufficient crude oil to maintain the parent company's normal operating level of crude oil inventory. Materials and supplies inventories are valued at cost. Incomplete exchanges of crude oil and refined product due to the Company or owing to other companies are reflected in the inventory accounts.

Note B: Inventories—Crude oil and refined product inventories consist of the following:

	December 31 1978	1977
Crude oil	$24,822,000	$20,297,000
Refined products	18,197,000	27,537,000
Total LIFO inventories	43,019,000	47,834,000
Crude oil held for resale by a foreign subsidiary—FIFO	32,856,000	
	$75,875,000	$47,834,000

Inventories of crude oil and refined products valued on the last-in, first-out (LIFO) cost method were $42,212,000 less than current costs at December 31, 1978 and $36,093,000 at December 31, 1977. Crude oil purchased by the foreign subsidiary in excess of the Company's crude oil requirements is held for resale.

DAYCO CORPORATION (OCT)

	1978	1977
Current assets		
Cash	$ 8,013,722	$ 8,222,303
Accounts receivable, less allowances—1978—$6,066,000, 1977—$4,838,000	122,676,067	99,565,477
Inventories		
Finished goods	57,184,989	41,445,801
Work in process	10,888,496	7,585,791
Raw materials and supplies	23,559,903	21,045,590
	91,633,388	70,077,182
Deferred federal income taxes	9,263,014	9,209,639
Prepaid expenses	4,143,219	2,546,473
Total current assets	$235,729,410	$189,621,074

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Inventories: Substantially all inventories are stated at the lower of last-in, first-out cost or market. If the first-in, first-out method of inventory accounting had been used by the Corporation, inventories would have been approximately $24,937,000 and $21,690,000 higher than reported at October 31, 1978 and October 31, 1977, respectively.

For federal income tax purposes, certain inventories have a tax basis which is approximately $1,430,000 lower than the amount included in the financial statements. This difference arose from the acquisition of Electric Hose & Rubber Company discussed in Note D.

THE FIRESTONE TIRE & RUBBER COMPANY (OCT)

	1978	1977
	(Millions)	
Current assets		
Inventories (Notes 1 and 5)		
Raw materials and supplies	$213.3	$233.2
Work in process	73.2	70.6
Finished goods	531.6	563.4
	$818.1	$867.2

NOTES TO FINANCIAL STATEMENTS

Dollars in millions, except per share amounts

Note 1 (in part): Significant accounting policies

Inventories—Inventories are valued at the lower of cost or market. Cost for substantially all domestic inventories (approximately 54% of consolidiated inventories at October 31, 1978), is determined by use of the LIFO method. The average cost method is used for all other inventories.

Note 5: Inventories—If the average cost method of inventory valuation had been used for inventories valued using the LIFO method, inventories would have been $255.7 million and $225.9 million higher at October 31, 1978 and 1977, respectively. Net loss for the quarter and the year ended October 31, 1978 was decreased by approximately $4.5 million ($.08 per share) due to partial liquidation of inventories valued using the LIFO method.

Inventories used in the computation of cost of goods sold were as follows:

October 31, 1978	$818.1
October 31, 1977	867.2
October 31, 1976	772.8

IOWA BEEF PROCESSORS, INC. (OCT)

	1978	1977
Current Assets:		
Cash, including certificates of deposit of $5,600,000 and $5,250,000	$ 18,189,000	$ 15,549,000
Accounts receivable, less allowance for doubtful accounts of $1,538,000 and $358,000	141,467,000	98,513,000
Inventories (Note B)	49,337,000	32,239,000
Deferred tax benefit	2,726,000	1,578,000
Prepaid expenses	1,538,000	1,182,000
Total Current Assets	$213,257,000	$149,061,000

Note B: Inventories—In the fourth quarter of 1978 the Company adopted (effective October 30, 1977) the last-in, first-out (LIFO) cost method of valuing most of its inventories. The change from the first-in, first-out (FIFO) and market value methods was made to more closely match current costs with current revenues. The effect of the change to LIFO was to reduce inventories at October 28, 1978 by $11,857,000 from FIFO cost and to reduce net earnings for the year 1978 by $5,924,000 or $1.22 per share. It is not practicable to restate earlier years or determine the cumulative effect of the change to LIFO.

Inventories are comprised of the following:

	October 28, 1978	October 29, 1977
Last-in, first-out cost (1978 only):		
Cattle on feed	$ 214,000	$ 1,044,000
Carcasses	14,954,000	10,775,000
Processed cuts	15,823,000	6,216,000
By-products	9,258,000	6,798,000
Packaging supplies	1,279,000	952,000*
	41,528,000	25,785,000
First-in, first-out cost:		
Other supplies	7,809,000	6,454,000*
	$49,337,000	$32,230,000

*Restated to conform to current classification.

Inventories at October 29, 1977 valued at the lower of first-in, first-out cost or market amounted to $15,590,000, and inventories valued at market less allowance for selling expenses amounted to $16,649,000.

TEMTEX INDUSTRIES, INC. (AUG)

	1978	1977
Current Assets:		
Cash	$ 1,005,954	$ 694,843
Accounts and notes receivable:		
Trade, net of allowance for doubtful accounts of $115,324 in 1978 and $108,054 in 1977	3,470,772	3,267,229
United States Government agencies	404,195	958,110
Other	158,462	82,488
Inventories (Notes 1 and 2)	6,562,098	4,432,610
Deferred Federal income tax	31,871	
Prepaid expenses	102,281	167,865
Total current assets	$11,735,633	$9,603,145

Note 1 (in part): Accounting Policies

Inventories—Raw materials and supplies are stated at the lower of cost or replacement market. Work in process and finished goods are stated at the lower of cost or net realizable value, which is less than replacement market. See Note 2.

Note 2: Inventories—Inventories are summarized below:

	First-in First-out	Last-in First-out ("LIFO")	Average Cost	Total
August 31, 1978:				
Finished goods	$1,083,922	$1,115,293	$122,113	$2,321,328
Work in process	1,322,252	400,327	352,841	2,075,420
Raw materials and supplies	1,595,918	541,410	28,022	2,165,350
Total	$4,002,092	$2,057,030	$502,976	$6,562,098
August 31, 1977:				
Finished goods	$ 376,524	$ 638,144	$ 58,077	$1,072,745
Work in process	711,819	398,782	752,292	1,862,893
Raw materials and supplies	834,698	599,678	62,596	1,496,972
Total	$1,923,041	$1,636,604	$872,965	$4,432,610

The work in process inventories valued at average cost include $293,138 in 1978 and $696,656 in 1977 related to United States Government contracts on which revenues and costs are recognized on the unit-of-delivery method. Such inventory for 1977 includes approximately $103,000 relating to unamortized plant mobilization, start-up, and related administrative costs during the period prior to production which was amortized in 1978 as a part of the cost of the units delivered.

During 1977 the Company liquidated certain LIFO inventory quantities carried at lower costs prevailing in prior years as compared with the costs of 1977 purchases, the effect of which was to increase 1977 income from continuing operations before income tax by approximately $141,000. Those portions of the 1978, 1977, and 1976 inventory values determined by the LIFO method were less by approximately $957,000, $854,000, and $876,000, respectively, than such values based upon current costs.

LA MAUR INC. (DEC)

	1978	1977
Current Assets		
Cash	$ 612,556	$ 455,585
Marketable securities, at cost, which approximates market	1,750,000	—
Receivables—less allowance (1978—$1,139,551; 1977—$159,820)	6,096,887	6,313,029
Inventories (Note B)	2,768,348	4,017,675
Other current assets	461,066	592,493
Total Current Assets	$11,688,857	$11,378,782

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Inventories—Inventories are valued at cost determined by the last-in, first-out (LIFO) method.

Note B: Inventories—Inventories consisted of the following at December 31:

	1978	1977
Raw materials	$2,146,337	$2,524,800
Work in process	453,917	760,002
Finished goods	1,625,784	2,077,429
	4,226,038	5,362,231
Less reduction to LIFO cost	1,457,690	1,344,556
	$2,768,348	$4,017,675

During 1978, inventory quantities were reduced. As a result, the 1978 cost of goods sold included charges for goods carried at prior years' LIFO values which are less than current replacement costs; the effect was to increase net earnings in the amount of $57,803 or $.04 per share.

Average Cost

AMPEX CORPORATION (APR)

	1978	1977
	(In thousands)	
Current assets:		
Cash (including time deposits: 1978, $8,410; 1977, $5,150)	$ 9,974	$ 7,655
Notes and accounts receivable (less allowances: 1978, $3,608; 1977, $3,845)	73,292	64,059
Inventories	109,162	99,601
Prepaid expenses	3,362	2,634

SUMMARY OF ACCOUNTING POLICIES

Inventories—Inventories are stated at the lower of average cost or net realizable market value. Appropriate valuation allowances are established for inventory items not required or in excess of projected usage.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Inventories—Inventories are summarized as follows:

	1978	1977
	(In thousands)	
Finished goods	$ 41,663	$ 34,746
Work in process	48,325	48,579
Raw materials	36,137	37,885
	126,125	121,210
Less valuation allowances	16,963	21,609
	$109,162	$ 99,601

BRISTOL-MYERS COMPANY (DEC)

	1978	1977
Current Assets:		
Cash	$ 46,333,000	$ 17,458,000
Time deposits	80,484,000	85,489,000
Marketable securities (at cost which approximates market)	187,059,000	174,719,000
Accounts receivable (less allowances: 1978—$25,962,000; 1977—$19,818,000)	398,016,000	353,808,000
Other receivables	41,045,000	39,511,000
Inventories (Note 4)	405,893,000	368,929,000
Prepaid expenses	31,322,000	27,970,000
Prepaid taxes	36,761,000	34,112,000
Total Current Assets	$1,226,913,000	$1,101,996,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Accounting Policies

Inventory Valuation—Inventories are generally stated at average cost, not in excess of market.

Note 4—Inventories

	December 31, 1978	1977
Finished goods	$195,697,000	$174,200,000
Work in process	74,842,000	68,091,000
Raw materials	82,261,000	76,947,000
Packaging materials	53,093,000	49,691,000
	$405,893,000	$368,929,000

THE BFGOODRICH COMPANY (DEC)

	1978	1977
	($000)	
Current Assets		
Cash	$ 35,375	$ 30,903
Short-term securities, at cost (approximate market)	111,091	111,713
Accounts and notes receivable, less allowance for doubtful receivables (1978—$6,476; 1977—$5,559)	402,488	327,971
Reimbursable advances on behalf of Convent Chemical Corporation	20,542	3,792
Inventories	450,319	436,633
Prepaid expenses	10,480	21,389
Total Current Assets	$1,030,295	$932,401

STATEMENT OF ACCOUNTING POLICIES

Inventories—Inventories are stated at the lower of cost or market. Substantially all domestic inventories are valued by the last-in, first-out (LIFO) cost method. Inventories not valued by the LIFO method are on the average cost method.

NOTES TO FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts)

Inventories—The major classes of inventory at December 31, 1978 and 1977 are shown below:

	1978	1977
Finished products	$241,133	$249,591
In process	47,162	39,719
Raw materials and supplies	162,024	147,323
Totals	$450,319	$436,633

At December 31, 1978 and 1977, $296,803 and $282,674, respectively, of the total amount of inventory is valued by the LIFO cost method and $153,516 and $153,959, respectively, is valued by the average cost method. If the average cost method had been used for all inventories, such inventories would have been $118,475 and $100,778 higher than reported at December 31, 1978 and 1977, respectively.

For federal income tax purposes, the acquisition of Continental Conveyor & Equipment Company was a tax-free merger but, in accordance with A.P.B. Opinion No. 16, has been treated as a purchase for financial reporting purposes. As a result, the LIFO value of Continental's inventories at December 31, 1978, for financial reporting purposes is $4,572 greater than the LIFO value for federal income tax purposes and taxable income for the period ended December 31, 1978 was approximately $63 greater than for financial reporting purposes.

THE NARDA MICROWAVE CORPORATION (JUN)

	1978	1977
Current Assets:		
Inventories: (Notes 1 and 10)		
Finished goods	$ 920,568	$ 868,728
Work in process	1,569,662	829,183
Parts and raw materials	1,738,805	1,240,781
	$4,229,035	$2,938,692

Note 1 (in part): Nature of Business and Significant Accounting Policies

Inventories—Inventories are valued at the lower of cost or market using the average cost method. The elements of cost contained in inventories include material, labor and overhead.

ST. REGIS PAPER COMPANY

	1978	1977
Current assets:		
Cash	$ 35,442,000	$ 39,116,000
Time deposits	113,362,000	114,602,000
Short-term investments, at cost approximating market	170,001,000	129,818,000
Receivables, less allowances of $7,607,000 in 1978 and $6,808,000 in 1977	277,170,000	214,445,000
Inventories, at lower of cost or market	258,627,000	245,167,000
Total	854,602,000	743,148,000

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (in part)

Inventories—Inventories are stated at the lower of cost or market. Cost generally represents average cost except for domestic pulp, paper, and paperboard inventories, which are valued at cost determined on the last-in, first-out method. In general, for raw materials and supplies, market represents the current purchase or reproduction cost; for finished products, market represents the selling price less related selling and shipping expenses.

Inventories—St. Regis uses the last-in, first-out (LIFO) method of valuing domestic pulp, paper, and paperboard inventories. Had all inventories currently on LIFO been valued on an average-cost basis, which approximates replacement cost, inventories would have been approximately $14,000,000 higher at December 31, 1978, and $11,000,000 higher at December 31, 1977. Inventories consist of:

	1978	1977
Finished products	$ 85,026,000	$ 88,212,000
Work in process	19,287,000	16,920,000
Raw materials and supplies	133,108,000	121,973,000
Logging operations in progress	21,206,000	18,062,000
Total	$258,627,000	$245,167,000

POTLATCH CORPORATION (DEC)

	1978	1977
Current assets:		
Cash	$ 9,976,100	$ 11,358,256
Short-term investments, at cost which approximates market	27,442,756	21,063,089
Receivables (Note 1)	60,114,100	52,753,409
Inventories (Note 2)	80,715,616	78,484,895
Prepaid expenses	14,531,064	10,736,001
Total current assets	$192,779,636	$174,395,650

SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

Inventories—Inventories are stated at the lower of cost or market. The last-in, first-out method is used to determine the cost of most solid wood products. Either the first-in, first-out or the average cost method is used to determine the cost of all other inventories. Generally, with respect to logs, materials and supplies, "market" means replacement cost. With respect to all other items, "market" means estimated selling price less selling expenses. These cost methods have been consistently applied.

NOTES TO FINANCIAL STATEMENTS

Note 1: Receivables—Current accounts and notes receivable consist of:

	1978	1977
Trade accounts	$58,296,217	$46,611,251
Refundable Federal income taxes	—	4,319,000
Other accounts and notes	3,199,490	3,053,083
	61,495,707	53,983,334
Less allowance for doubtful accounts	1,381,607	1,229,925
	$60,114,100	$52,753,409

Note 2: Inventories—Inventory components are valued at the balance sheet dates as follows:

	1978	1977
Logs, pulpwood, chips, and sawdust	$17,752,980	$10,698,577
Lumber and other manufactured wood products	7,990,830	10,728,193
Pulp, paper, and converted paper products	3,320,316	34,942,626
Materials and supplies	24,651,490	22,115,499
	$80,715,616	$78,484,895
Valued at lower of cost or market:		
First-in, first-out basis	$ 7,215,107	$ 6,966,975
Last-in first-out basis	21,311,486	14,525,431
Average cost basis	52,188,023	56,992,489
	$80,715,616	$78,484,895

If the last-in, first-out inventory had been priced at current cost, the values would have been approximately $25 million higher at December 31, 1978, and $23 million higher at December 31, 1977. There was no significant liquidation of LIFO inventory layers for 1978. In 1977, reductions in quantities of LIFO inventories valued at lower costs prevailing in prior years had the effect of increasing net earnings by approximately $2,484,000 ($.16 per share).

The above inventory balances were used in calculating cost of sales. The opening balance for 1977 was $82,854,193.

Standard Cost

ACF INDUSTRIES, INCORPORATED (DEC)

	1978	1977
	(Dollars in thousands)	
Current Assets:		
Cash	$ 11,130	$ 10,652
Marketable securities—at cost, which approximates market	204	835
Receivables—less allowance for doubtful accounts of $1,767 (1977—$1,279)	120,797	93,082
Inventories:		
Raw materials and supplies	83,032	56,680
Work-in-process	59,138	41,875
Finished goods	58,703	48,989
	200,873	147,544
Prepaid expenses	2,890	2,147
Total current assets	$335,894	$254,260

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Inventories—Inventories are stated at the lower of standard cost (which approximates average cost) or market except for the cost of inventory used in railroad car production which is stated at actual cost.

BAKER INTERNATIONAL CORPORATION (SEP)

	1978	1977
	(In thousands of dollars)	
Current assets:		
Cash (including time deposits of $7,649,000 in 1978 and $8,700,000 in 1977) (Note 3)	$ 8,698	$ 12,243
Receivables—less allowance for doubtful accounts: 1978, $4,518,000; 1977, $2,984,000	209,905	154,015
Inventories (Note 1):		
Finished goods	160,498	126,684
Work in process	59,933	48,639
Raw materials	47,908	42,627
Total inventories	268,339	217,950
Prepaid expenses and other	8,516	6,465
Total current assets	$495,458	$390,673

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

Inventories. Inventories are stated at the lower of cost or market. Inventories include $264,250,000 and $214,040,000 at September 30, 1978 and 1977, respectively, generally valued by using current adjusted standards which approximate actual cost under the average cost method. Remaining inventories are valued by the last-in, first-out (LIFO) method. Current replacement cost of LIFO inventories exceeded the cost of such inventories by $2,612,000 and $2,289,000 at September 30, 1978 and 1977, respectively.

At September 30, 1978 and 1977, LIFO inventories of an acquired company have a tax basis approximately $2,044,000 less than that for financial statement purposes resulting from valuing such inventories in accordance with the purchase accounting provisions of Accounting Principles Board Opinion No. 16.

GENERAL SIGNAL CORPORATION (DEC)

	1978	1977
	($000)	
Current assets:		
Cash and certificates of deposit	$ 46,967	$ 75,356
Short-term investments, at cost, which approximates market	4,962	10,491
Accounts receivable, less allowance—1978, $5,887; 1977, $4,744	219,160	152,524
Contracts in progress	16,496	3,838
Inventories:		
Finished goods	86,177	72,213
Work in process	96,781	71,921
Raw materials and purchased parts	104,315	65,529
	287,273	209,663
Prepaid expenses	5,300	3,530
Total current assets	$580,158	$455,402

NOTES TO FINANCIAL STATEMENTS

Note 1 (in part): Summary of significant accounting policies and related matters

Inventories—Inventories are stated at the lower of cost or market. The majority of inventories are based upon standard costs which approximate average costs.

JANTZEN INC. (AUG)

	1978	1977
Current Assets:		
Cash	$ 2,663,399	$ 3,331,945
Temporary cash investments	2,838,498	3,800,000
Accounts receivable—less allowances for doubtful accounts and discounts: 1978, $1,429,528; 1977, $1,403,481	29,738,089	27,011,964
Inventories—Note 2	32,291,238	24,936,186
Federal income tax refund receivable	—	698,828
Prepaid expenses and deferred charges	1,740,880	1,384,083
Total Current Assets	$69,272,104	$61,163,006

NOTES TO FINANCIAL STATEMENTS

Note 1 (in part): Operations and Significant Accounting Policies:

Inventories—Inventories of finished goods and work in process are stated at the lower of standard cost (approximates actual cost of the first-in, first-out basis) or market. Inventories of raw materials are stated at the lower of average cost or market.

Note 2: Inventories:

	1978	1977
Finished goods	$13,606,162	$ 9,574,875
Work in process	4,525,774	4,140,440
Raw materials	14,159,302	11,220,871
	$32,291,238	$24,936,186

Inventories at August 28, 1976 used in the 1977 computation of cost of goods sold were $32,851,839.

Retail Method

FEDERATED DEPARTMENT STORES, INC. (JAN)

	1979	1978
	($000)	
Current Assets:		
Merchandise inventories	$573,107	$558,868

THE YEAR IN REVIEW

Inventories—Merchandise inventories at the 1978 year-end were $573.1 million, up 2.5% from the preceding year. Substantially all inventories are valued by the retail method and stated on the LIFO (last-in, first-out) basis, which is lower than market. At year-end 1978 and 1977, inventories were $146.4 million and $121.8 million lower than they would have been had the retail method been used without the application of the LIFO basis.

MARSHALL FIELD & COMPANY (JAN)

	1979	1978
Current Assets:		
Cash	$ 10,124,674	$ 6,639,890
Receivables, less allowance of $2,453,000 and $2,025,000, respectively, for doubtful accounts (note 1h)	117,689,767	103,848,604
Merchandise inventories (note 1b)	135,754,871	97,728,843
Prepaid expenses	7,083,118	3,872,343
Total Current Assets	$270,652,430	$212,089,680

NOTES TO FINANCIAL STATEMENTS

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

Inventory Pricing—Substantially all merchandise inventories are valued by use of the retail method and are stated at last-in, first-out (LIFO) cost, which is not in excess of market, except for the merchandise inventories of the John Breuner Company ($22,056,000) which are stated at the lower of cost or market using the first-in, first-out (FIFO) method. If the FIFO method had been used instead of LIFO, inventories would have been $19,892,000 and $16,537,000 higher than reported at February 3, 1979 and January 31, 1978, respectively.

Production Cost

FMC CORPORATION (DEC)

	1978	1977
	(Dollars in thousands)	
Current assets		
Cash	$ 11,582	$ 9,208
Notes and accounts receivable, less allowance for doubtful accounts (1978, $18,179; 1977, $11,544)	427,352	351,293
Inventories	459,429	425,549

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Principal accounting policies

Inventories—Inventories are stated at the lower of cost or realizable value. Substantially all domestic inventories other than those relating to long-term contracts are stated on a LIFO cost basis (see Note 3). Inventoried costs relating to long-term contracts are stated at the actual production cost incurred to date, reduced by amounts identified with revenue recognized. The costs attributed to units delivered under long-term production contracts (except cost reimbursement contracts noted above) are based on the estimated average cost of all units expected to be produced. For substantially all other inventories, primarily non-U.S., the FIFO method is used to determine cost.

Inventory costs include manufacturing overhead, less, for most inventories, depreciation, factory administration, property taxes and certain other fixed expenses.

Note 3: Inventories—Current replacement cost exceeded the value of inventories carried at the lower of LIFO cost or market by approximately $214,000,000 at December 31, 1978 and $190,000,000 at December 31, 1977.

Progress payments deducted from inventories amounted to $149,444,000 at December 31, 1978 and $135,464,000 at December 31, 1977.

PULLMAN INCORPORATED (DEC)

	1978	1977
	(Thousands of dollars)	
Current Assets		
Inventories	$425,455	$303,109

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Significant Accounting Policies

Inventories are stated at the lower of cost or market. Cost is determined by actual production costs for rail cars and certain other fabricated products, by the last-in, first-out method for most domestic trailer inventory components and by the first-in, first-out method for the remaining inventories.

Note 5: Inventories—The classification of inventories at December 31 follows:

	1978	1977
	(Thousands of dollars)	
Finished goods	$ 55,855	$ 41,568
Work in process	264,867	180,118
Raw materials, service parts and operating supplies	104,733	81,423
Total inventories	$425,455	$303,109

The cost method of valuation, adjusted to market if lower, for inventory components follows:

	1978	1977
	(Thousands of dollars)	
LIFO method	$ 28,202	$ 23,968
FIFO method	103,037	85,421
Actual production cost	294,216	193,720
	$425,455	$303,109

Inventories would have been $13,374,000 greater at December 31, 1978 ($11,186,000 at December 31, 1977) if inventories valued on the LIFO basis were valued at current costs.

Specific Indentification

DRAVO CORPORATION (DEC)

	1978	1977
	($000)	
Current assets:		
Cash	$ 12,043	$ 9,644
Marketable securities—at cost (approximates market)	3,564	13,970
Accounts and notes receivable	159,471	129,996
Inventories and costs on contracts in progress, net of billings of $95.5 million in 1978 and $133.8 million in 1977	57,452	38,091
Advances to and equity in joint ventures	5,349	210
Other current assets	2,686	3,924
Total current assets	$240,565	$195,835

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of significant accounting policies (in part)

Inventories—Inventories are valued at cost or market, whichever is lower. For manufacturing inventories, including finished goods, work in process, materials and manufacturing contracts in progress, cost is determined principally on a last-in, first-out basis; other inventories, including fabricated components shipped, repair parts and natural resource inventories, are carried at actual or current standard cost on a first-in, first-out basis. For finished goods consisting of contractor's equipment, including units held for rental or sale, costs are determined on an identified unit basis, less estimated reductions attributable to rental service. Costs of engineering construction contracts in progress are stated at actual direct cost, including overhead at rates approximating actual cost.

Accounts and notes receivable—These receivables include:

(In thousands)	1978	1977
Trade receivables, net of allowance for uncollectibles of $800 thousand in 1978 and $605 thousand in 1977	$ 63,977	$ 43,877
Engineering construction contract receivables net of allowance for uncollectibles of $196 thousand in 1978 and $238 thousand in 1977	75,160	65,740
Receivables, unconsolidated affiliates	7,987	5,479
Retainage:		
Due after contract completion	16,386	19,997
Deduct: Billings on contracts in progress	4,039	5,097
	12,347	14,900
	$159,471	$129,996

Net retainage includes $3.9 million in 1978 and $4.3 million in 1977 estimated to be collectible after one year.

Inventories and contracts in progress—Inventories and inventoried costs of engineering construction contracts are classified as:

(In thousands)	1978	1977
Inventories:		
Finished goods	$ 31,897	$ 34,850
Work in process	4,187	5,869
Materials and supplies	15,397	13,253
Manufacturing contracts in progress	43,365	34,495
	94,846	88,467
Inventoried costs of engineering construction contracts	58,060	83,429
	152,906	171,896
Deduct: Billings on contracts in progress Manufacturing	37,373	37,643
Engineering construction	58,081	96,162
	95,454	133,805
Net inventories	$ 57,452	$ 38,091

Finished goods inventories include new and used construction equipment held for resale totaling $28.8 million and $30.3 million at December 31, 1978 and 1977 respectively, including units that have been used in rental service which had a carrying value of $4.7 million and $5.7 million.

The inventories related to manufacturing activities on a last-in, first-out basis amounted to $26.2 million at December 31, 1978 and $24.5 million at December 31, 1977. On a first-in, first-out basis, which approximates replacement cost, these same inventories would be $50 million and $44.6 million. Other inventories, which are carried on a first-in, first-out basis, were $39.8 million and $33.7 million at year end in 1978 and 1977.

HEUBLEIN, INC. (JUN)

	1978	1977
	($000)	
Current assets:		
Inventories:		
Finished products	$ 77,257	$ 78,841
Products in process	2,926	3,775
Bulk whiskey and wine	112,649	109,548
Raw materials	24,865	27,203
Total inventories	$217,697	$219,367

SUMMARY OF ACCOUNTING POLICIES

Inventories—Inventories are stated at the lower of cost or market, cost being determined by the first-in, first-out method, except certain bulk whiskey and wine, the cost of which has been determined by specific lots.

Whiskey and wine in storage for aging over a number of years is included in current assets in accordance with general industry practice.

Market

AG-MET, INC. (MAR)

	1978	1977
Current assets:		
Cash	$ 2,087,000	$ 893,000
Accounts receivable, net of allowance for doubtful accounts (1978, $306,000; 1977, $143,000) (Note 8)	8,918,000	10,442,000
Inventories (Notes 1 and 4)	15,103,000	19,503,000

Note 1 (in part): Summary of significant accounting policies:

Inventories—Inventories, except refined and partially refined silver, are stated at the lower of cost (first-in, first-out method) or market. Silver bearing inventories are hedged to minimize risk due to market fluctuation. Refined and partially refined silver is stated at market adjusted for gains and losses on open commodity contracts less costs of completion and disposition.

Note 4: Inventories—Inventories used in the determination of cost of sales are as follows:

	1978	1977	1976
Raw materials	$ 3,339,000	$ 3,418,000	$ 2,185,000
Work-in-process	3,610,000	6,120,000	3,383,000
Finished goods	8,154,000	9,965,000	4,945,000
	$15,103,000	$19,503,000	$10,513,000

CENTRAL SOYA COMPANY, INC. (AUG)

	1978	1977
	($000)	
Current assets:		
Cash and temporary investments	$ 24,369	$ 26,557
Receivables, less allowances of $5,500 ($5,100 in 1977)	127,382	119,253
Inventories	165,702	144,144
Equities in commodity accounts	12,249	7,425
Other current assets	6,957	8,669
Total current assets	$336,659	$306,048

STATEMENT OF SIGNIFICANT 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 of 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 cost or market.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All tabular amounts are in the thousands)

Inventories

	1978	1977
Grain, soybeans and soybean oil and meal	$ 74,394	$ 62,361
Feeds, special soybean products and poultry	29,954	30,398
Ingredients, seed corn, containers, supplies and other merchandise	61,354	51,385
	$165,702	$144,144

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.

TABLE 2-10: PREPAID ITEMS

	Number of Companies			
	1978	1977	1976	1975
Nature				
Prepaid expenses	279	295	306	314
Prepaid expenses and other current assets	89	79	66	47
Prepaid expenses and taxes paid in advance	19	35	32	33
Taxes paid in advance	13	18	10	18
Supplies and prepaid expenses	8	10	11	12
Other captions indicating prepaid expenses	55	39	42	38

CHRYSLER CORPORATION

	1978	1977
	(Millions)	
Current Assets:		
Cash	$ 123.2	$ 207.6
Time deposits	248.8	41.7
Marketable securities—at lower of cost or market	150.8	159.5
Accounts receivable (less allowance for doubtful accounts: 1978—$16.7 million; 1977—$21.9 million)	848.0	896.7
Inventories—at the lower of cost (substantially first-in, first-out) or market	1,980.8	2,622.6
Prepaid insurance, taxes and other expenses	109.7	141.2
Income taxes allocable to the following year	60.5	83.5

JOHNSON PRODUCTS CO., INC. (AUG)

	1978	1977
Current assets:		
Cash (including certificates of deposit of $1,780,000 in 1978 and $1,478,000 in 1977)	$ 2,161,000	$ 2,022,000
Commercial paper	5,325,000	4,775,000
Receivables:		
Trade, less allowances for doubtful accounts of $300,000 in 1978 and $160,000 in 1977	8,648,000	7,610,000
Other	204,000	82,000
Inventories (Note 2)	5,423,000	4,523,000
Prepaid expenses (Note 3)	871,000	1,014,000
Total current assets	$22,632,000	$20,026,000

Note 3: Prepaid Expenses—Prepaid expenses are summarized as follows:

	1978	1977
Television production costs	$269,000	$ 277,000
Inventories of promotional materials	59,000	191,000
Insurance and other	543,000	546,000
	$871,000	$1,014,000

SCOVILL MANUFACTURING COMPANY (DEC)

	1978	1977
Current Assets		
Cash	$ 18,979,000	$ 17,689,000
Accounts receivable, less allowances of $4,979,000 and $3,447,000	128,600,000	99,126,000
Inventories, at lower of cost (principally last-in, first-out method) or market	137,267,000	115,250,000
Prepaid expenses	5,712,000	4,509,000
Prepaid income taxes	9,520,000	8,120,000
Total Current Assets	$300,078,000	$244,694,000

SQUARE D COMPANY (DEC)

	1978	1977
	($000)	
Current Assets:		
Cash	$ 14,168	$ 5,851
Short-term investments, at cost (approximates market)	34,199	55,534
Receivables, less allowances for losses, adjustments and discounts (1978—$2,764; 1977—$1,958)	113,426	82,981
Inventories (Note C)	131,751	115,574
Insurance and other prepaid expenses	4,086	3,419
Deferred income taxes	4,026	2,743
Total Current Assets	$301,656	$266,102

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

	1978	1977
	(Millions)	
Current Assets		
Prepaid Expenses	$254.6	$98.1

NOTES TO FINANCIAL STATEMENTS

(Dollars in millions, except per share)

Note 7—Prepaid Expenses

	December 31	
	1978	1977
Prepayment of pension contributions	$150.0	$ —
Other prepaid expenses	104.6	98.1
	$254.6	$98.1

Note 16 (in part): Pensions—Company contributions shown below include $13.7 and $8.1 for 1978 and 1977, respectively, representing costs reimbursed under government contract. Also, the Company contributed $150.0 to the Pension Trust Fund in December 1978, as a prepayment toward 1979 pension contributions. This payment was not charged to 1978 earnings but is included in prepaid expenses at December 31, 1978.

OTHER CURRENT ASSET CAPTIONS

Table 2-11 summarizes the nature of accounts (other than cash, marketable securities, inventories, and prepaid expenses) appearing in the current asset section of the balance sheets of the survey companies. Examples of captions describing such other current asset accounts follow.

TABLE 2-11: OTHER CURRENT ASSET CAPTIONS

	Number of Companies			
	1978	**1977**	**1976**	**1975**
Nature				
Deferred income taxes	60	62	74	76
Unbilled costs	30	26	22	35
Property held for resale	18	23	20	22
Advances or deposits	15	11	14	23
Other—identified	27	24	21	23
Other current assets	91	78	71	45

Deferred Income Tax

BLISS & LAUGHLIN INDUSTRIES INCORPORATED (DEC)

	1978	1977
	($000)	
Current Assets:		
Cash	$ 3,154	$ 2,913
Marketable securities, at cost which approximates market	9,102	11,634
Trade accounts receivable, less allowance for doubtful accounts of $1,363 and $899, respectively	28,329	20,118
Deferred income tax benefits	1,268	1,286

FINANCIAL REVIEW

Income Taxes—The provision for income taxes is the estimated amount of income taxes payable currently and in the future on earnings for the year. Investment tax credit is reflected as a reduction of the current provision under the flow-through method of accounting.

The components of the provision are as follows: (in thousands)

	1978	1977
U.S. and Foreign currently payable	$11,012	$ 9,426
Deferred taxes and (benefits), net.	806	(251)
	11,818	9,175
State	1,440	1,178
Total provision	$13,258	$10,353

The effective income tax rate for 1978 was 49.6% and for 1977 was 48.0%. Significant items affecting the income tax rate were the utilization of investment tax credits of $664,000 in 1978 and $650,000 in 1977, and state income taxes.

Taxes deferred, due mainly to the use of accelerated depreciation for tax purposes, and pension accruals different from current trust fund contributions, are classified as a noncurrent liability. Deferred tax benefits related to working capital items are classified as a current asset and those relating to realty operations are included in the realty assets. The source of these differences in 1978 and 1977 and the tax effect of each were as follows: (in thousands)

	1978	1977
Depreciation	$ 235	$ 227
Pensions	319	(390)
Realty assets	225	95
All other, net	27	(183)
	$ 806	$ (251)

RAYBESTOS-MANHATTAN, INC. (DEC)

	1978	1977
	($000)	
Current Assets		
Deferred income taxes (Notes A-8 and I)	$2,345	$2,517

Note A-8: Deferred Taxes—Deferred income taxes include principally the difference between book and tax pension expenses, deferred termination pay and various other expenses that are not currently deductible for tax purposes (Note I).

No provision has been made for the United States income taxes that would accrue on the accumulated earnings of foreign subsidiaries and joint ventures to the extent that these earnings are considered indefinitely invested and are not available for dividend distribution.

Note I: Deferred Income Taxes—The deferred income taxes of $2,345,000 shown as a current asset at December 31, 1978 result principally from the difference between book and tax expenses, which will reverse in 1979.

The long-term deferred income taxes payable of $4,481,000 at December 31, 1978 consist principally of (1) a tax benefit resulting from a pension deduction on the Company's 1971 consolidated tax return, which will reverse over the 40-year period of funding the past service costs; (2) a tax liability resulting from the adoption of full absorption costing for tax purposes, payable ratably through 1986; (3) the deferred tax benefit on deferred termination pay which will reverse over a 23-year period; and (4) the deferred tax arising from the installment method of accounting for the gain on the sale of the roll business for tax purposes which will reverse over a 9-year period.

Based upon current anticipated expenditures and operations, it is not expected that the reversal of deferred income taxes will have a material effect upon the cash outlay for taxes in any one future year.

DYNAMICS CORPORATION OF AMERICA (DEC)

	1978	1977
Current Assets:		
Cash—Note 4	$ 7,886,000	$ 7,473,000
Marketable securities (at the lower of cost or market)	770,000	1,039,000
Accounts receivable (including trade acceptances of $2,437,000 (1978) and $1,757,000 (1977))	23,183,000	23,416,000
Less—allowance for doubtful accounts and cash discounts	995,000	944,000
	22,188,000	22,472,000
Inventories on long-term contracts in excess of related progress billings—Note 2	—	1,333,000
Inventories—Note 2	21,372,000	16,438,000
Other current assets	344,000	339,000
Deferred federal income taxes—Note 8	1,295,000	—
Total Current Assets	$53,855,000	$49,094,000

Note 8 (in part): Income Taxes—Deferred Federal income tax assets as of December 31, 1978 relate primarily to expenses deducted from income for accounting purposes in prior years and not deducted for tax purposes. Such deferred tax assets were not recognized previously for accounting purposes as a result of the availability of net operating loss carryforwards.

Unbilled Costs

DUN & BRADSTREET COMPANIES, INC. (DEC)

	1978	1977
Current Assets		
Cash	$ 7,373,000	$ 13,064,000
Marketable Securities, principally interest bearing, at market (cost $167,511,000) for 1978 and at cost, which approximated market, for 1977	165,770,000	101,131,000
Accounts Receivable, less allowance for doubtful accounts of $8,967,000 and $6,103,000	160,154,000	128,643,000
Inventories	15,245,000	13,131,000
Unbilled Contract Costs	22,091,000	15,778,000
Prepaid Expenses	8,940,000	7,998,000
Total Current Assets	$379,573,000	$279,745,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Inventories and Unbilled Contract Costs—Inventories are carried at the lower of cost or market; cost is determined under the first-in, first-out and average cost methods.

Costs incurred on contracts are accumulated and expensed upon contract completion.

GENERAL SIGNAL CORPORATION (DEC)

	1978	1977
	($000)	
Current assets:		
Cash and certificates of deposit	$ 46,967	$ 75,356
Short-term investments, at cost, which approximates market	4,962	10,491
Accounts receivable, less allowance—1978, $5,887; 1977, $4,744	219,160	152,524
Contracts in progress (note 3)	16,496	3,838
Inventories:		
Finished goods	86,177	72,213
Work in process	96,781	71,921
Raw materials and purchased parts	104,315	65,529
	287,273	209,663
Prepaid expenses	5,300	3,530
Total current assets	$580,158	$455,402

NOTES TO FINANCIAL STATEMENTS

(dollars in thousands)

Note 3: Contracts in progress—Contracts in progress, which represent revenue recognized on a percentage-of-completion basis in excess of related progress billings of $44,166 and $21,471 at December 31, 1978 and 1977, respectively, are billed when designated events occur. Substantially all contracts in progress at year-end are billed during the subsequent year. The excess of progress billings over related revenues recognized, which amounted to $8,032 and $5,425 at December 31, 1978 and 1977, respectively, is included in accounts payable.

J. WALTER THOMPSON COMPANY (DEC)

	1978	1977
Current Assets:		
Cash, including temporary deposits of $3,395,000 in 1978 and $2,033,000 in 1977	$ 17,831,000	$ 11,199,000
Marketable securities, at cost which approximates market	4,630,000	6,242,000
Accounts receivable, less allowance for doubtful accounts of $2,052,000 in 1978 and $1,886,000 in 1977	180,026,000	150,857,000
Expenditures billable to clients	29,768,000	20,220,000

Property Held for Sale

ALBERTSON'S, INC. (JAN)

	1979	1978
Current Assets:		
Cash and short-term securities	$68,744,085	$34,005,357
Accounts and notes receivable	14,113,626	10,183,233
Prepaid expenses	4,232,418	2,306,439
Property held for resale	14,792,481	5,650,525

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Cash and Short-Term Securities—Cash and short-term securities consist of the following:

	February 1, 1979	January 28, 1978
Cash	$33,121,963	$24,046,944
Short-term securities, at cost which approximates market	35,622,122	9,958,413
	$68,744,085	$34,005,357

Accounts and Notes Receivable—Accounts and notes receivable consist of the following:

	February 1, 1979	January 28, 1978
Trade accounts receivable	$12,467,771	$ 7,853,281
Trade notes receivable	1,083,719	1,319,502
Notes receivable—other	678,466	1,126,515
Less allowance for doubtful accounts	(116,330)	(116,065)
	$14,113,626	$10,183,233

Property Held for Resale—Property held for resale represents the cost of land and buildings committed by the Company for sale and leaseback during the next year and on which title has not transferred to a purchaser.

At February 1, 1979, property held for resale also includes $4,577,075 representing the cost of a warehouse acquired during the year in Southern California. The Company has entered into a sales agreement whereby the title will pass to the purchaser next year.

GAF CORPORATION (DEC)

	1978	1977
Current Assets		
Cash	$ 14,384,000	$ 19,129,000
Short-term investments	22,625,000	590,000
Accounts receivable—trade, less allowance for doubtful accounts—1978, $5,318,000; 1977, $4,949,000	168,142,000	142,203,000
Accounts receivable—other	18,679,000	8,848,000
Inventories		
Finished goods	105,290,000	100,851,000
Work in process	29,802,000	26,952,000
Raw materials and supplies	75,353,000	66,573,000
Total Inventories	210,445,000	194,376,000
Prepaid expenses	11,070,000	8,685,000
Income tax benefits (Note 1)	4,438,000	18,571,000
Assets of discontinued segments, at estimated realizable value (Note 1)	22,448,000	71,744,000
Total Current Assets	$472,231,000	$464,146,000

Note 1 (in part): Discontinued Segments—In 1977, the company decided to discontinue operations in consumer photo, photo processing, dyestuffs and pigments, felts and filters and several small businesses. These businesses have been reported as discontinued segments since the end of the second quarter of 1977, except for photo processing which was reported as discontinued at the end of 1977. Effective at December 31, 1978, the company decided to discontinue its business forms operation at Shelby, Ohio. Net sales of the business forms segment were approximately $26 million in 1978 and $23 million in 1977. Arrangements to sell this segment are in an advanced stage.

* * *

The assets of the discontinued segments have been reclassified, after the dates of their discontinuances, to remove them from their historic classifications and to separately identify them at their net realizable value. The 1977 Consolidated Balance Sheet has not been restated to reflect discontinuance of the business forms operation. The amount of assets applicable to discontinued segments for both years is presented below:

December 31	1978	1977
	Dollars in Millions	
Accounts receivable	$ 6.1	$ 27.4
Inventories	13.0	47.3
Property, plant and equipment—net	10.4	30.9
Other	1.8	2.0
Total Assets	31.3	107.6
Less allowance for loss on disposition of assets	8.9	35.9
Total Assets at estimated net realizable value	$22.4	$ 71.7

Sales applicable to business discontinued during 1977, prior to the dates at which they have been reported as discontinued, were $121 million for 1977.

Advances

A. C. NIELSEN COMPANY (AUG)

	1978	1977
	($000)	
Current Assets:		
Cash and deposits earning interest	$ 29,522	$ 17,282
Marketable securities, at cost which approximates market	8,211	2,729
Accounts receivable:		
Clients (less allowance of $699,000 in 1978 and $467,000 in 1977 for doubtful accounts)	72,939	60,836
Other	2,984	2,886
Advances to clients (Note 1)	11,273	14,552
Unbilled expenditures for clients (Note 1)	34,684	39,266
Prepaid expenses	6,893	5,081
Total current assets	$166,506	$142,632

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

Advances to Clients—Under certain Clearing House contracts, advance payments are made to retailers before the submitted coupons are processed.

Unbilled Expenditures for Clients—Costs of coupons purchased in connection with Clearing House activities and expenditures under certain service contracts are billed to clients after processing of required data is complete.

PACCAR INC (DEC)

	1978	1977
	(Thousands of dollars)	
Current Assets		
Cash	$ 13,487	$ 12,989
Trade receivables:		
Accounts	113,176	113,732
Notes and contracts	873	1,584
	114,049	115,316
Less allowance for losses	2,048	2,000
	112,001	113,316
Advances to unconsolidated subsidiaries	77,826	56,219

Deposits

THE L. S. STARRETT COMPANY (JUN)

	1978	1977
Current Assets:		
Cash	$ 1,972,564	$ 1,290,993
Short-Term Investments—at cost, which approximates market	6,659,875	6,844,000
Accounts Receivable (less allowance for doubtful accounts of $267,300 in 1978, $233,700 in 1977)	12,779,812	10,095,472
Inventories	27,716,557	22,457,725
Brazilian Compulsory Import Deposits	3,021,146	2,221,011
Prepaid Expenses and Other Current Assets	867,712	1,145,305
Total Current Assets	$53,017,666	$44,054,506

Television Program Rights

AMERICAN BROADCASTING COMPANIES, INC. (DEC)

	1978	1977
Current Assets:		
Cash	$ 29,989,000	$ 24,583,000
Marketable securities, at cost which approximates market	220,802,000	156,749,000
Receivables, less allowances of $29,134,000 in 1978 and $22,039,000 in 1977	231,346,000	222,782,000
Television program rights, production costs and advances, less amortization (Note A)	207,402,000	166,038,000
Inventory of merchandise and supplies, at the lower of cost (principally on the first-in first-out basis) or market	18,232,000	39,243,000
Prepaid expenses (Note E)	53,481,000	40,985,000
Total current assets	$761,252,000	$650,380,000

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

Television Program Rights, Production Costs and Advances—Television program rights, production costs and advances primarily represent amounts paid less amortization based on usage for network programs and rental periods for local station programs. Management estimates that costs included in current assets will be charged to operations during the current programming season and the subsequent season. Costs included in non-current assets primarily represent programming not available for telecast during this period.

Film Costs

TWENTIETH CENTURY-FOX FILM CORPORATION (DEC)

	1978	1977
	(in thousands)	
Current Assets:		
Cash	$ 14,582	$ 7,150
Short-term investments, at cost, (which approximates market)	139,712	87,121
Receivables, net of allowances for doubtful accounts and returns of $19,030,000 in 1978 and $15,336,000 in 1977	86,495	74,938
Film costs, net of amortization (note 4)	37,956	41,597

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Accounting for Film Costs—The Company capitalized production, print and pre-release and national advertising costs. These costs, as well as participations, are charged to earnings on an individual film basis in the ratio that the current year's gross revenue bears to management's estimate of total future gross revenues from all established sources. The cost of cooperative and other forms of local advertising and interest are charged to expense as incurred.

Film costs are stated at the lower of unamortized cost or estimated realizable value on an individual film basis. Revenue forecasts for both feature films and television series are continually reviewed by management and are revised if warranted by changing conditions. When estimates of total revenues indicate that a feature film or television series will result in an ultimate loss, additional amortization is provided to currently recognize such loss.

The unamortized cost of completed feature and television productions in release and awaiting release which is recoverable from primary markets is classified as a current asset. Costs of completed productions recoverable from secondary markets (television in the case of theatrical feature films and syndication in the case of network television products), productions in process, and all other costs relating to film production are classified as non-current assets.

Guarantees of loans or advances to producers are recorded as film costs with a related liability.

Note 4: Film Costs—Film costs, net of amortization, consist of the following:

	1978		1977	
	Current	Non-current	Current	Non-current
	(in thousands)			
Released, less amortization	$12,510	$13,582	$30,061	$11,531
Completed, not released	15,724	1,932	2,182	273
In process and other	—	34,752	—	22,052
Stories and scenarios	—	2,339	—	2,134
Television programs, less amortization.	9,722	8,051	9,354	7,755
	$37,956	$60,656	$41,597	$43,745

TABLE 2-12: LAND CAPTIONS

	1978	1977	1976	1975
Land	388	396	400	402
Land and improvements	109	99	100	91
Land and buildings	29	32	31	38
Land combined with other identified assets	20	27	21	28
No caption with term *land*	11	13	9	4
	557	567	561	563
Line of business classification	43	33	39	37
Total Companies	**600**	**600**	**600**	**600**

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. Captions indicating assets held by companies as lessees were presented by 71 survey companies in 1977 and by 103 survey companies in 1978. The average number of captions used per company was 4. Table 2-14 summarizes the descriptive captions used to describe the accumulated allowance for depreciation.

Examples of presentations of property, plant and equipment follow.

TABLE 2-13: DEPRECIABLE ASSET CAPTIONS

	1978	1977	1976	1975
Buildings				
Buildings	283	286	281	297
Buildings and improvements	168	176	169	143
Buildings and land or equipment	76	71	78	82
Buildings combined with other identified assets	15	15	17	31
No caption with term *buildings*	15	12	10	7
	557	560	555	560
Line of business classification	43	40	45	40
Total Companies	**600**	**600**	**600**	**600**
Other Depreciable Asset Captions				
	Number of Companies			
Machinery and or *equipment*	444	445	431	436
Machinery and/or *equipment* combined with other terms	103	129	92	92
Construction in progress	213	227	214	188
Leasehold improvements	126	122	115	98
Automobiles, marine equipment, etc.	83	73	84	78
Furniture, fixtures, etc.	59	52	76	77
Equipment held for rental or lease	34	34	29	36

TABLE 2-14: ACCUMULATED DEPRECIATION

	1978	1977	1976	1975
Accumulated depreciation	292	302	318	299
Accumulated depreciation and amortization	162	144	141	135
Allowance for depreciation	33	38	32	42
Accumulated depreciation, amortization and depletion	33	38	31	26
Accumulated depreciation and depletion	18	23	23	20
Allowance for depreciation and amortization	23	23	17	25
Allowance for depreciation and depletion	7	5	6	8
Other captions	32	27	32	45
Total Companies	**600**	**600**	**600**	**600**

Breakdown by Nature of Property

THE AMERICAN DISTILLING COMPANY (SEP)

Consolidated Balance Sheet

	1978	1977
Property, plant and equipment, at cost:		
Land	$ 173,000	$ 173,000
Buildings and land improvements	6,254,000	6,234,000
Machinery and equipment	10,025,000	10,123,000
Furniture and fixtures	822,000	669,000
Automobiles and trucks	257,000	254,000
Leasehold improvements	139,000	139,000
Additions in process	97,000	81,000
	$17,767,000	$17,673,000
Less accumulated depreciation and amortization	11,068,000	10,466,000
Net property, plant and equipment	$ 6,699,000	$ 7,207,000

Consolidated Statement of Changes in Financial Position

Sources of working capital:		
Net income (loss)	$ 53,000	$(3,474,000)
Charges (credits) not affecting working capital in the current period:		
Depreciation and amortization	636,000	756,000
Provision for deferred federal income tax	—	410,000
Amortization of deferred option compensation and accrued annuity expense	201,000	219,000
Provision for write-off of machinery & equipment	—	1,000,000
Gain on purchase of debentures	(125,000)	(68,000)
Total provided from (used in) operations	$765,000	$(1,157,000)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Property, plant and equipment—These assets are stated at cost and are depreciated principally on the straight-line method over the estimated useful lives of the various assets; 25 to 40 years for buildings and land improvements and 17 years for machinery and equipment.

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

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

ATI, INC. (SEP)

Consolidated Balance Sheets

	1978	1977
Property, Plant, and Equipment (Note 1):		
Land	$ 16,595	$ 16,595
Buildings and improvements	1,240,512	1,237,422
Machinery	8,369,859	7,265,848
Furniture, fixtures and vehicles	335,558	306,415
Leasehold improvements	939,923	462,758
	10,902,447	9,289,038
Less accumulated depreciation	5,954,142	5,342,981
	$ 4,948,305	$3,946,057

Consolidated Statements of Changes in Financial Position

Application of Funds:		
Operations:		
Net loss	$1,191,189	$ 664,766
Less items not affecting working capital:		
Depreciation and amortization	(715,448)	(693,266)
Deferred taxes	7,500	2,500
Funds used/(provided) by operations	$ 483,241	$ (26,000)

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

Property, plant, and equipment—Property, plant, and equipment are carried at cost and, except for land, are depreciated on the straight-line method over the estimated service lives of the respective assets as follows:

	Years
Buildings and improvements	10-33
Machinery and equipment	4-10
Furniture and fixtures	5-10
Vehicles	4- 6

Leasehold improvements are amortized over their estimated useful lives or the initial terms of the leases (ranging from 5 to 15 years), whichever is shorter.

Major additions and betterments are capitalized while expenditures for maintenance, repairs and minor renewals are charged to operations as incurred. At the time property, plant, and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are eliminated from the asset and accumulated depreciation accounts and the profit or loss on such disposition is reflected in operations.

THE BENDIX CORPORATION (SEP)

	1978	1977
	(in millions)	
Total Current Assets	$1,237.2	$1,165.0
Investments	137.4	19.8
Land, Buildings, and Equipment—Net	532.7	497.9
Timber and Timberlands (Less Depletion)	32.5	33.3
Goodwill and Other Intangibles (Less Amortization)	70.7	81.0
Miscellaneous Assets	26.9	13.6
Total	$2,037.4	$1,810.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (in part)

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

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

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

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

DETAILS TO CONSOLIDATED BALANCE SHEET (IN PART)

	September 30 1978	1977
	(in millions)	
Land, Buildings, and Equipment		
Land and improvements	$ 38.8	$ 37.9
Buildings	230.1	220.2
Machinery and equipment	506.5	469.5
Construction in progress	64.3	74.1
Total	839.7	801.7
Less—Accumulated depreciation	307.0	303.8
Land, Buildings, and Equipment—Net	$532.7	$497.9

DETAILS TO CONSOLIDATED STATEMENT OF INCOME (IN PART)

	1978	1977
	(in millions)	
Expenses Included in Other Categories		
Depreciation of buildings and equipment and amortization of land and leasehold improvements	$ 65.6	$ 57.4
Depletion of timber and timberlands	3.4	3.3
Amortization of goodwill and other intangibles	2.5	2.4
Maintenance and repairs	101.9	96.5
Taxes, other than U.S. and foreign income taxes:		
Social Security	121.3	110.8
State income and franchise	20.5	18.4
Real and personal property	15.0	13.9
Miscellaneous	15.8	12.2
Rents	30.2	28.4
Royalties	4.6	3.0
Advertising	26.5	26.3
Research, development, and engineering (research and development, $50.7 and $45.6 for 1978 and 1977, respectively)	128.8	112.9

BROWNING-FERRIS INDUSTRIES, INC. (SEP)

	1978	1977
	($000)	
Property and equipment, at cost:		
Land and improvements	$ 23,622	$ 21,772
Landfills	30,072	20,523
Buildings	24,205	20,894
Equipment	252,545	206,341
Furniture, fixtures and other	19,225	18,893
	349,669	288,423
Less accumulated depreciation	122,845	109,076
	$226,824	$179,347

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Summary of significant accounting policies

Depreciation and amortization—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. Depreciation provided in the financial statements totaled $34,206,000 for 1978 and $29,843,000 for 1977. Landfills, consisting of land and related airspace, are stated at cost. The cost of any airspace is amortized as consumed during the landfill's useful life. Landfill preparation costs are amortized over the useful life of the landfill. Amortization, other than amortization of intangible assets, totaled $1,527,000 in 1978 and $1,813,000 in 1977.

CHAMPION INTERNATIONAL CORPORATION (DEC)

Consolidated Balance Sheet

	1978	1977
	($000)	
Timber and Timberlands, at cost—less cost of timber harvested	$ 342,107	$ 311,343
Property, Plant and Equipment, at cost	2,186,331	1,898,021
Less—Accumulated depreciation	853,665	787,383
	1,332,666	1,110,638

Consolidated Changes in Financial Position

Source of Funds:		
Income from continuing operations	$203,748	$161,555
Items not requiring outlay of working capital:		
Depreciation and cost of timber harvested	115,256	110,852
Deferred income taxes	30,241	23,785
Amortization of deferred charges	6,325	5,771
Equity in net income of unconsolidated affiliates	(4,674)	(4,491)
Minority interest in income of subsidiaries	7,930	3,618
Gain on translation of noncurrent assets and liabilities	(2,774)	(5,753)
Write-down of operations to be disposed of	8,785	—
Working capital provided from continuing operations	$364,837	$295,337

NOTES TO FINANCIAL STATEMENTS

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

Property, plant and equipment, including capitalized leases, are stated on the balance sheet at cost and do not purport to represent replacement or realizable values. Timber and timberlands, which includes original costs, road construction costs, and reforestation costs, such as site preparation and planting costs, is stated on the balance sheet at the unamortized cost balance. Forestry management expenses such as pest and fire control and other costs such as property taxes are charged to expense as incurred.

For financial reporting purposes, plant and equipment is depreciated on the straight-line method over the estimated service lives of the individual assets. Leasehold improvements are amortized over the lesser of the lives of the leases or estimated service lives. Cost of timber harvested is based on the estimated quantity of timber available during the growth cycle and is credited directly to the asset accounts.

Upon sale or retirement of items of equipment and improvements, the cost and related accumulated depreciation and amortization are eliminated from the accounts and the resulting gain or loss, if any, is reflected in income.

Maintenance and minor repairs and replacements are charged directly to expense; major renewals and betterments are charged to the property accounts. (See Notes 4 and 7)

Note 4: Property, Plant and Equipment—Property, plant and equipment are summarized by major classifications as follows:

December 31 (in thousands of dollars)	1978			1977		
	Total	Owned	Leased	Total	Owned	Leased
Land and land improvements	$ 56,214	$ 47,372	$ 8,842	$ 61,437	$ 51,958	$ 9,479
Buildings	348,089	296,517	51,572	344,517	281,375	63,142
Machinery and equipment	1,398,025	1,204,373	193,652	1,315,325	1,122,950	192,375
Construction in progress	384,003	348,893	35,110	176,742	172,384	4,358
	2,186,331	1,897,155	289,176	1,898,021	1,628,667	269,354
Less—						
Accumulated depreciation	853,665	758,416	95,249	787,383	696,310	91,073
	$1,332,666	$1,138,739	$193,927	$1,110,638	$ 932,357	$178,281

DEL MONTE CORPORATION (MAY)

Consolidated Balance Sheet

	1978	1977
Plant and equipment, at cost:		
Land, other than ranch land	$ 14,988,000	$ 15,685,000
Buildings	125,699,000	121,116,000
Ships and marine equipment	12,928,000	14,669,000
Machinery and equipment	309,962,000	306,033,000
Ranch land, improvements and equipment	50,981,000	53,070,000
Construction in progress	32,618,000	21,437,000
	548,176,000	532,010,000
Less—accumulated depreciation	267,022,000	262,675,000
	$281,154,000	$269,335,000

Consolidated Statement of Changes in Financial Position

Working capital provided from:		
Operations		
Earnings for year	$51,415,000	$50,431,000
Charges not requiring working capital		
Depreciation	31,262,000	31,094,000
Deferred taxes on income	7,298,000	4,798,000
Other	1,763,000	1,510,000
	$91,738,000	$87,833,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Accounting Policies (in part)

Plant and Equipment—Capital additions (including assets acquired under capital leases), 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.

PALL CORPORATION (JUL)

Consolidated Balance Sheet

	1978	1977
Property, Plant and Equipment, At Cost:		
Land	$ 1,466,000	$ 1,407,000
Buildings and improvements	18,451,000	12,958,000
Machinery and equipment	16,304,000	12,658,000
Furniture and fixtures	1,793,000	1,456,000
Transportation equipment	1,017,000	773,000
	39,031,000	29,252,000
Less accumulated depreciation and amortization	9,747,000	8,019,000
Net Property, Plant and Equipment	$29,284,000	$21,233,000

Consolidated Statement of Changes in Financial Position

Sources of Working Capital:		
Net earnings	$11,274,000	$ 7,898,000
Items which do not use working capital:		
Depreciation and amortization	2,139,000	1,592,000
Deferred income taxes	1,178,000	883,000
Working capital provided from operations	$14,591,000	$10,373,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Accounting Policies

Property, plant and equipment—Property, plant and equipment are stated at cost. Depreciation of plant and equipment is provided over the estimated useful lives of the respective assets principally on the straight-line basis.

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to earnings as incurred.

When properties are retired or otherwise disposed of, the cost thereof and the applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is reflected in earnings.

Regional development grants in the amount of $457,000 have been received from the Government of the United Kingdom and have been offset against the cost of the related fixed assets. Such sums are repayable in the event the assets are disposed of within a two year period.

THE STANDARD REGISTER COMPANY (DEC)

	1978	1977
Plant and Equipment		
Buildings and improvements	$18,467,116	$16,010,703
Machinery and equipment	38,308,227	34,324,395
Office equipment	1,181,291	1,163,640
Rental equipment	3,879,295	3,987,503
Total	61,835,929	55,486,241
Less accumulated depreciation	27,247,566	26,794,720
Depreciated cost	34,588,363	28,691,521
Plant and equipment under construction	2,654,324	2,547,013
Land	1,007,909	1,033,446
Unexpended construction funds.	1,169,198	
Total plant and equipment	$39,419,794	$32,271,980

NOTES TO FINANCIAL STATEMENTS

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

Depreciation—For financial statement purposes, depreciation is computed by the straight-line method at rates adequate to recover the cost of the applicable assets over their expected useful lives. For income tax purposes, depreciation is computed by accelerated methods.

Note 3: Plant and Equipment—Plant and equipment are carried at cost less accumulated depreciation. Depreciation, computed on the straight-line basis for financial reporting purposes, amounted to $4,527,928 in 1978 ($4,229,735 in 1977). Depreciation rates are based on reasonable estimates of useful lives:

Classification	Annual Rate
Buildings and improvements	2½ to 5%
Machinery and equipment	6⅔ to 16⅔%
Office equipment	6⅔ to 16⅔%
Trucks and autos	25%
Rental equipment	33⅓%
Leasehold improvements	Life of leases

When equipment is retired or has been fully depreciated, its cost and the related accumulated depreciation are eliminated from the respective accounts, and gains or losses arising from the disposition are reflected as income or expense.

STANLEY HOME PRODUCTS, INC. (DEC)

Consolidated Balance Sheet

	1978	1977
Property, Plant and Equipment, at cost (Note 1):		
Land and land improvements	$ 4,289,034	$ 4,398,892
Buildings and improvements	24,709,833	24,864,012
Machinery and equipment	16,484,463	16,116,422
Furniture and fixtures	5,974,423	5,631,466
Transportation equipment	2,086,608	2,142,593
	53,544,361	53,153,385
Less—Accumulated depreciation and amortization	22,573,652	21,456,917
	$30,970,709	$31,696,468

Consolidated Statement of Changes in Financial Position

SOURCES OF WORKING CAPITAL:		
Operations—		
Income from continuing operations	$10,200,110	$ 7,852,920
Add—Expenses not using working capital—		
Depreciation and amortization of property, plant and equipment.	3,224,905	3,172,676
Net write-down of Australian property	293,046	—
Working capital provided from continuing operations	$13,718,061	$11,025,596

Note 1 (in part): Accounting policies—Depreciation is provided over the estimated useful lives of the assets utilizing both the straight-line and declining balance methods for both financial statement and income tax purposes. The estimated useful lives of the various classes of assets are:

	Range in Years
Land improvements	10
Buildings and improvements	20-40
Machinery and equipment	5-12
Furniture and fixtures	8-10
Transportation equipment	5-8

THE VENDO COMPANY (DEC)

Consolidated Balance Sheet

	1978	1977
Plant and Equipment, at cost (Note 7):		
Land	$ 228,413	$ 465,174
Buildings	5,314,297	5,175,682
Machinery and equipment	9,434,843	9,313,575
Transportation and office equipment	1,603,917	1,526,607
Leasehold improvements	380,119	458,346
Construction in progress	67,059	102,012
	17,028,648	17,041,396
Less-Accumulated depreciation and amortization	8,973,601	8,370,675
	$ 8,055,047	$ 8,670,721

Consolidated Statement of Changes in Financial Position

Working Capital Provided by (Used in) Operations:		
Net Loss	$(2,799,621)	$(3,650,311)
Charges (credits) not affecting working capital in the current period—		
Depreciation and amortization	1,196,444	1,075,626
Decrease in deferred income taxes	—	(1,145,000)
Minority interest in earnings of subsidiaries	135,553	73,552
Earnings of VFC Acceptance Corporation	(115,923)	(176,591)
(Gain) loss on sales of fixed assets	37,819	(678,981)
Provided by (used in) operations	(1,545,728)	(4,501,705)

Note 7 (in part): Plant and Equipment—Depreciation of machinery and other equipment is provided by charges to operations over the estimated useful lives of the assets by the sum-of-the-years-digits method, and generally by the straight-line method for all other assets. The lives used for the more important items within each property classification are as follows:

Buildings	25 years
Machinery and equipment	12½ years
Transportation equipment	4 years
Office equipment	10 years
Leasehold improvements	Lease period

Functional Classification

UV INDUSTRIES, INC. (DEC)

Consolidated Balance Sheets

	1978	1977
	($000)	
Properties, plants and equipment, at cost (Notes 1d and 7)	$328,820	$309,814
Less, Accumulated depreciation, depletion and amortization (Notes 1d and 7)	148,387	138,084
	$180,433	$171,730

Consolidated Statements of Changes in Financial Position

Source of Working Capital:		
Net income	$42,541	$38,160
Elements not requiring working capital:		
Minority interests in net income of consolidated subsidiaries	1,019	1,663
Depreciation, depletion and amortization (Notes 1d and 7)	10,848	12,094
Provision for deferred income taxes	851	5,431
Amortization of deferred charges and cost in excess of net assets of a business acquired	4,554	3,509
Equity in net income of affiliate (net of $964,000 and $514,000 of dividends received, respectively)	(1,337)	(1,801)
Other non-cash items		(1,746)
Working capital provided from operations	$58,476	$57,310

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

d. Properties, Plants and Equipment—The provisions for depreciation, depletion and amortization are computed at rates appropriate for the various properties. Depreciation, depletion and amortization for mining and oil and gas operations is computed generally using the unit of production method. All other operations principally use the straight line method of depreciation based upon the estimated lives of specific classes or groups of depreciable assets.

In view of the variety of properties and the wide range of depreciation rates applicable thereto, it is not considered practicable to set forth herein the rates or range of rates used in computing the provision for depreciation.

Maintenance and minor repairs and renewals are charged to operations as incurred; major repairs and renewals are charged to deferred accounts to be written off against future operations; betterments are capitalized as plant additions. Upon retirement or sale, the cost of the assets disposed of and the related accumulated depreciation, depletion or amortization are removed from the accounts, and any resulting gain or loss is credited or charged to operations.

Note 7: Properties, Plants and Equipment—The major classification of property, plants and equipment were as follows:

	The Company and Subsidiaries December 31,		The Company (Separately) December 31,	
	1978	1977	1978	1977
	(000's omitted)			
Depreciable properties:				
Mill buildings and equipment	$ 34,374	$ 34,305	$32,694	$32,706
Mine buildings and equipment and oil and gas equipment	66,848	63,753	24,951	23,968
Manufacturing machinery and equipment*	113,933	104,972		
Rolling stock, equipment and other depreciable railway property	3,521	3,526		
Manufacturing buildings and land improvements*	52,234	50,362		
Construction in progress	4,135	2,228	21	132
Other	303	163	131	117
	275,348	259,309	57,797	56,923
Depletable mining properties and oil and gas interests	31,159	30,613	19,724	19,227
Amortizable oil and gas well intangible drilling costs	14,468	12,323	14,271	12,323
Land	3,257	3,184	349	349
Other	4,588	4,385		
	328,820	309,814	92,141	88,822
Less: Accumulated depreciation	128,608	119,404	19,901	18,719
Accumulated depletion and amortization	19,779	18,680	11,631	10,522
	148,387	138,084	31,532	29,241
	$180,433	$171,730	$60,609	$59,581

*Includes an aggregate of $39,946,000 pledged against certain lease obligations.

CONTINENTAL OIL COMPANY (DEC)

Consolidated Balance Sheet

	1978	1977
	($000)	
Property, plant, and equipment, at cost less accumulated depreciation, depletion, and amortization (Note 3):		
Owned	$4,090,236	$3,488,596
Leased under capital leases	233,147	262,411
	$4,323,383	$3,751,007

Statement of Consolidated Income and Retained Earnings

Costs, expenses, and taxes:		
Costs and operating expenses	$6,158,676	$5,693,868
Selling, general, and administrative expenses	508,808	487,237
Depreciation, depletion, and amortization	393,603	347,334
Dry hole costs	75,639	92,196
Interest and debt expense	147,112	117,945
Income and other taxes	2,094,978	1,887,974
Minority interest in subsidiaries' net income	41,628	44,570
	$9,420,444	$8,671,124

ACCOUNTING POLICIES

Depreciation—Depreciation of plant and equipment, including assets leased under capital leases, is provided substantially on a straight-line method at various rates calculated to extinguish the book values of the respective items over their estimated useful lives or lease terms, as appropriate.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3—Property, plant, and equipment

	1978		1977	
	Owned	Leased under capital leases	Owned	Leased under capital leases
		($000)		
Petroleum production	$3,641,061	$ —	$3,142,067	$ —
Refineries and natural gas processing facilities	935,107	4,000	836,077	—
Petroleum marketing	283,542	35,184	300,586	49,012
Petroleum supply and transportation	321,117	204,439	298,762	209,620
Chemicals	358,729	26,224	242,183	26,277
Coal and related activities	1,417,708	31,209	1,280,387	31,380
Minerals	40,984	—	34,262	—
Other	65,616	28,978	28,105	29,574
	7,053,864	330,034	6,162,429	345,863
Less accumulated depreciation, depletion, and amortization	2,963,628	96,887	2,673,833	83,452
	$4,090,236	$233,147	$3,488,596	$262,411

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 of Financial Accounting Standards 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.

TABLE 2-15: INVESTMENTS—VALUATION BASES

	Number of Companies			
	1978	1977	1976	1975
Equity	332	330	335	348
Cost	124	136	136	163
Cost less allowances for decline in value	19	27	27	34
Lower of cost or market	19	19	19	13

Equity Method

NL INDUSTRIES, INC. (DEC)

Consolidated Balance Sheet

	1978	1977
Total current assets	$811,613,000	$658,653,000
Investments—Unconsolidated partially-owned companies, at equity, and other investments, at cost (Note 2)	128,874,000	108,417,000
Property, plant and equipment, at cost, less accumulated depreciation and depletion of $511,948,000 in 1978 and $491,557,000 in 1977	718,898,000	567,069,000

Consolidated Statement of Income and Retained Earnings

Revenues:		
Net sales	$1,892,608,000	$1,621,841,000
Equity in partially-owned companies (Note 2)	8,763,000	6,180,000

Note 2: Unconsolidated Companies—Financial data regarding certain unconsolidated partially-owned companies, the investments in which are accounted for on an equity basis, is as follows:

	Titanium Metals Corp. of America	Canada Metal Co. Ltd.
% Owned by NL	50%	50%
	(In Thousands)	
Assets		
1978	$163,193	$28,301
1977	148,642	25,119
Liabilities		
1978	52,995	12,677
1977	46,688	9,894
Net Income as reported*		
1978	8,244	1,985
1977	1,415**	1,849

*In addition to the net income as reported by the above companies, net adjustments were recorded by the Company in consolidation increasing (decreasing) the Company's equity in earnings by $37,000 and ($29,000) in 1978 and 1977, respectively.

**In 1976 NL recorded a provision for refunds in connection with certain past marketing activities of TMCA (see Note 11—Litigation). During 1976 TMCA had not completed its review of this matter and accordingly had not included any provision for such refunds in its results of operations for the year. NL management, on the basis of information available, made a preliminary estimation that NL's proportionate share of possible refunds may approximate $3 million, less related income tax benefits, and NL reflected this amount in consolidation in the determination of its consolidated net income for 1976. TMCA's management authorized, in 1977, settlement offers to certain of its customers of up to $5 million and this amount, less related income tax benefits, is included as a charge against TMCA's net income for 1977.

PHELPS DODGE CORPORATION (DEC)

Statement of Consolidated Financial Position

	1978	1977
Total current assets	$ 408,383,000	$ 393,457,000
Investments (Schedule C, page 23)	173,308,000	164,943,000
Property, plant and equipment	1,326,678,000	1,295,339,000
Deferred charges	7,292,000	6,998,000
Total assets	$1,915,661,000	$1,860,737,000

Statement of Consolidated Income

Operating income	$68,977,000	$61,925,000
Interest expense	(53,174,000)	(48,420,000)
Non-operating income, net	10,185,000	14,358,000
Provision for taxes on income	(4,390,000	(6,000,000)
Equity earnings (losses) less income tax effect (Schedule C, page 23)	8,514,000	(5,813,000)
Income before extraordinary item	$30,112,000	$16,050,000

SCHEDULE C—INVESTMENTS

	December 31, 1978	1977 (restated)
Equity basis:		
Consolidated Aluminum Corporation capital stock (40%) (Schedule D below)	$ 73,501,000	$ 64,364,000
Black Mountain Mineral Development Company, Limited (49%)	19,120,000	19,903,000
Manufacturing interests abroad 20% or more owned	35,030,000	32,934,000
Other affiliates 20% or more owned	4,363,000	4,496,000
Cost basis:		
Southern Peru Copper Corporation capital stock (16.2%)	13,157,000	13,157,000
Alumina supply loans (repayable with interest monthly to 1989)	22,134,000	24,185,000
Manufacturing interests abroad	3,558,000	4,683,000
Miscellaneous	2,445,000	1,221,000
	$173,308,000	$164,943,000
Equity earnings (losses) were as follows:		
Consolidated Aluminum Corporation (before extraordinary item)	$ 137,000	$ 2,208,000
Other equity investments	6,381,000	(1,239,000)
Foreign investment sales and write-offs	3,406,000	(11,082,000)
Income taxes (expenses) benefit	(1,410,000)	4,300,000
	$ 8,514,000	$ (5,813,000)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7: Manufacturing Interests Abroad—The Corporation's investments at December 31, 1978 in manufacturing interests abroad 20% or more owned represent mainly companies located in Central and South America which are engaged primarily in the manufacture of wire and cable products. The following table gives summary information as to total assets, liabilities and results of operations for these Central and South American companies:

	December 31, 1978	1977
(000's omitted)		
Net current assets	$ 29,132	$18,318
Fixed assets—net	31,922	30,044
Other assets	6,512	6,699
Long-term debt	(19,879)	(15,246)
Other liabilities	(1,792)	(1,387)
Net assets	$ 45,895	$38,428
Phelps Dodge's share of net assets	$ 28,475	$26,288
Sales	114,685	96,933
Net income	8,570	6,016
Phelps Dodge's share of net income	6,629	1,341
Dividends received	748	385

ST. REGIS PAPER COMPANY (DEC)

Consolidated Balance Sheets

	1978	1977
Investments in non-consolidated affiliates	$118,800,000	$124,319,000

Statements of Consolidated Earnings

Revenues:		
Net sales	$2,300,154,000	$1,996,337,000
Equity in earnings of non-consolidated affiliates	7,013,000	6,987,000
Gain on sale of land	22,061,000	
Other	7,300,000	18,707,000
Total	$2,336,528,000	$2,022,031,000

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (in part)

Investments—Investments in certain 20- to 50-percent-owned companies are carried at cost plus equity in undistributed earnings since dates of acquisition, less amortization over a 40-year period of the excess of cost over the equity in these companies' net assets at dates of acquisition. Investments in companies operating in certain European, Latin American, and African countries are carried at cost.

Affiliated Companies—Investments in securities of affiliates consisted of:

	1978	1977
Investments carried at cost plus equity in undistributed earnings:		
J.H. Sankey & Sons	$ 8,815,000	$ 6,972,000
A.P.V. Holdings Limited	33,430,000	30,719,000
Obbola Linerboard AB	25,252,000	25,690,000
Other	17,661,000	17,110,000
Total	85,185,000	80,491,000
Investments carried at cost	33,642,000	43,828,000
Total	$118,800,000	$124,319,000
Equity in earnings of non-consolidated affiliates:		
J.H. Sankey & Sons	$2,110,000	$ (184,000)
A.P.V. Holdings Limited	3,448,000	2,684,000
Obbola Linerboard AB	(11,000)	2,578,000
Other	1,466,000	1,909,000
Total	$7,013,000	$6,987,000

For the years ended December 31, 1978 and 1977, the equity in the earnings of companies whose investments are stated at cost plus equity in undistributed earnings exceeded the dividends received from such companies by $4,233,000 and $4,481,000, respectively. The undistributed earnings of non-consolidated affiliates included in retained earnings amounted to approximately $36,000,000 in 1978 and $32,000,000 in 1977.

The investments in companies which are stated at cost plus equity in undistributed earnings since dates of acquisition exceeded the equity in net assets of such companies by approximately $7,200,000 at December 31, 1978, and $7,400,000 at December 31, 1977. The accounting treatment of such excess is described under the caption "Investments" in the Summary of Significant Accounting Policies.

THE SUPERIOR OIL COMPANY (DEC)

Consolidated Balance Sheets

	1978	1977
	($000)	
Investments		
Affiliated companies (Notes 2 and 4)	$ 93,348	$114,064
Marketable securities, at cost	23,277	22,946
	$116,625	$137,010

Consolidated Statements of Income

Income from Operations	$129,428	$154,264
Other Income (Expense)		
Dividends and miscellaneous income	9,381	9,001
Gain on sale of Texaco stock	—	9,325
Equity in losses of affiliated companies (Note 2)	(2,092)	(9,953)
Interest expense	(28,826)	(7,452)
	(21,537)	921
Income Before Income Taxes, Minority Interest and Extraordinary Item	$107,891	$155,185

Note 2: Affiliated Companies—Investments in McIntyre Mines Limited (McIntyre), a Canadian corporation engaged in coal mining, and Western Platinum Limited (Western Platinum), a South African corporation engaged in platinum mining, are accounted for on the equity method. Superior's investment in Austral Oil Company Incorporated (Austral), a U.S. corporation engaged in oil and gas operations, was accounted for on the equity method until March 31, 1978, when Superior purchased substantially all of Austral's assets for cash.

An analysis of Superior's investment in its affiliated companies is presented in the following table (in thousands of U.S. dollars).

	Total	McIntyre (owned 40.5%(a))	Austral	Western Platinum (owned 24.0%)
Transactions of prior years				
Cost of capital stock	112,161	91,661	14,605	5,895
Cash advances	5,118	—	—	5,118
Equity in earnings	32,257	28,027	1,574	2,656
Amortization of excess cost(b)	(16,276)	(15,060)	(720)	(496)
Dividends received	(9,816)	(9,816)	—	—
Investment at December 31, 1976	123,444	94,812	15,459	13,173
Loans to affiliated companies	1,500	—	1,500	—
Equity in earnings (losses)	(7,836)	(8,519)	1,307	(624)
Amortization of excess cost	(2,117)	(1,592)	(401)	(124)
Dividends received	(927)	(927)	—	—
Investment at December 31, 1977	114,064	83,774	17,865	12,425
Equity in earnings (losses)	(276)	(416)	423	(283)
Amortization of excess cost	(1,816)	(1,592)	(100)	(124)
Dividends received and liquidation of investment	(18,624)	(436)	(18,188)	—
Investment at December 31, 1978	93,348	81,330	—	12,018
Unamortized excess cost at December 31, 1978		25,857	—	1,732
Remaining years over which excess cost will be amortized on straight-line basis		18	—	14

(a)McIntyre capital stock is owned 36.2% directly by Superior and 4.3% indirectly through Canadian Superior.

(b)The term "excess cost" is used to denote the amount by which the cost of Superior's investment in the capital stock of each of its affiliates exceeded Superior's equity in the affiliate's net assets at the date of acquisition.

Note 4 (in part): Acquisitions

Austral Oil Company Incorporated—Prior to March 1978, Superior owned 20.6% of the outstanding common stock of Austral and accounted for its investment on the equity method of accounting. On March 31, 1978, the Company acquired all of Austral's domestic producing and nonproducing oil and gas properties and the capital stock of its wholly owned subsidiary, Austral Petroleum Gas Corporation (APG), a participant in an oil and gas joint venture in Indonesia, for a gross purchase price of $173,168,000. Under a plan of liquidation adopted by Austral shareholders, the Company subsequently received liquidating distributions of $31,459,000 applicable to its interest in the common stock of Austral. The excess of the distributions over the Company's investment in the Austral common stock, net of applicable Federal income taxes payable, was accounted for as a reduction of the purchase price of the Austral properties.

The acquisition of Austral's assets was partially financed by the sale of an $80,000,000 production payment, payable solely from production from the more significant domestic properties, and a $38,525,000 loan secured by the assets of APG. A portion of the proceeds of a $60,000,000 loan were utilized to complete the transaction. A substantial portion of the revenues from the acquired properties are dedicated to the repayment of the production payment and the APG loan.

Cost

CENTRONICS DATA COMPUTER CORP. (JUN)

	1978	1977
Other assets		
Investments in marketable debt securities, at cost (Note 4)	$24,262,312	$13,017,945
Patent application costs, less amortization (1978, $52,240; 1977, $31,855)	188,787	134,811
Deferred charges and deposits	135,242	44,049
	$24,586,341	$13,196,805

Note 4: Investment in marketable debt securities—The investment in marketable debt securities, consisting of U.S. Government guaranteed notes and Puerto Rico municipal bonds, are held by the Company's domestic manufacturing subsidiary operating in Puerto Rico and were purchased with funds generated by the earnings of this subsidiary. These investments are not expected to be utilized in operations during the succeeding fiscal year. The market value of the investment amounted to approximately $23,430,000 in 1978 and $13,360,000 in 1977. See Note 8.

ELI LILLY AND COMPANY (DEC)

	1978	1977
Other Assets		
Investments—at cost (approximately market)—Note C....	$129,931,000	—

Note C: Investments—In December, 1978, a subsidiary that has been conducting manufacturing operations in Puerto Rico since 1966 converted its existing tax exemption grants under the terms of the Puerto Rico Industrial Incentives Act of 1978. In connection with the conversion agreement, the subsidiary has committed to maintain investments in Puerto Rico for a period of at least five years. Additional investments in Puerto Rico are also classified as noncurrent assets since they are in excess of working capital requirements and, in accordance with the agreement, are not to be distributed within one year. The investments ($129,931,000) in Puerto Rico consist of United States government and government-guaranteed securities, and interest-bearing cash deposits.

UNITED TECHNOLOGIES CORPORATION (DEC)

	1978	1977
	($000)	
Investments in:		
Carrier Corporation..............	$459,039	—

NOTES TO FINANCIAL STATEMENTS

Note 7 (in part): Investment in Carrier Corporation—The Corporation acquired during the period December 19, 1978 through January 10, 1979, approximately 47% of the outstanding voting securities of Carrier Corporation (Carrier) for approximately $469,000,000, including direct acquisition costs, pursuant to a cash tender offer and open market purchases. Carrier's principal business is the manufacture and sale of air conditioning equipment. The Corporation's investment at December 31, 1978 is carried at cost in the balance sheet.

Based on the condensed financial data set forth below, the Corporation's investment in Carrier is expected to exceed its equity in the reported net assets of Carrier by approximately $175,000,000. Upon completion of accounting studies and appraisals, some portion of such amount may be allocated to the Corporation's equity in the underlying asset values of Carrier; remaining cost in excess of such values will be amortized over 25 years.

The Corporation has proposed a tax-free merger with Carrier through the issuance of convertible perferred stock of the Corporation, after which the financial statements of Carrier would be consolidated with those of the Corporation. Commencing in January 1979, and so long as the Corporation holds less than a majority of the outstanding voting securities of Carrier, the investment will be accounted for by the equity method and the proportionate part of the earnings of Carrier applicable to the investment, adjusted for the effect of the accounting studies and appraisals to be made and for amortization of excess purchase cost, will be recorded as income by the Corporation.

Carrier's Report to Stockholders dated December 19, 1978, indicated net income of $95,383,000 and primary and fully diluted earnings per share of $3.39 and $2.76, respectively, for its fiscal year ended October 31, 1978. The unaudited pro forma contribution to the Corporation's net income for such period as if the Corporation's investment in Carrier had been made on November 1, 1977 and accounted for under the equity method, would have been approximately $13,700,000, or approximately $0.34 and $0.17 per share on a primary and fully diluted basis, respectively, based upon the average number of the Corporation's common shares outstanding during the same period.

The pro forma contribution is based upon the net income and primary and fully diluted earnings per share of Carrier for the twelve months ended October 31, 1978 as indicated above; the announced increase in outstanding Carrier securities as a result of a merger of Jenn-Air Corporation into Carrier effective January 15, 1979; the net assets of Carrier as of October 31, 1978 as indicated in its published financial data as of that date; amortization of the estimated excess purchase cost of $175,000,000 over 25 years; and imputed interest cost, net of federal income tax, on the Corporation's investment in Carrier.

On January 31, 1979, a Hold Separate Order was issued by the United States District Court for the Northern District of New York, on application of the Antitrust Division of the United States Department of Justice, which requires the Corporation to hold Carrier as a separate corporation pending the outcome of an action in which the Antitrust Division is claiming that the Corporation's acquisition of Carrier would be in violation of the antitrust laws of the United States. In the opinion of counsel to the Corporation, the Antitrust Division's action is without merit.

Lower of Aggregate Cost or Market Value

MOTT'S SUPER MARKETS, INC. (DEC)

	1978	1977
Investments (Note 2)		
Marketable Securities...........	$1,482,334	$1,106,186

Note 2 (In Part): Investments Marketable Securities—In accordance with FASB Statement No. 12 issued in December 1975, marketable securities are stated at the lower of aggregate cost or market value. Actual cost was used in computing realized gain or loss. A summary of cost, market value, gains and losses follows:

	December 30, 1978	December 31, 1977
Aggregate Cost......................	$1,482,334	$1,242,777
Aggregate Market Value............	1,574,652	1,106,186
Gross Unrealized Gains.............	231,563	107,533
Gross Unrealized Losses............	139,244	244,124
Net Realized Gain or Loss Included in Net Income....................	70,667	79,628
Change in Valuation Allowances Included in Equity Section.........	(136,591)	21,109
Amount of Above Change Included in Net Income	—	—

SUN CHEMICAL CORPORATION (DEC)

	1978	1977
Investments	$000	
Investment in Chromalloy American Corporation (Note 5)	$7,290	—

Note 5: Investment in Chromalloy American Corporation—During 1978, Sun purchased on the New York Stock Exchange 459,900 shares of common stock of Chromalloy American Corporation (CAC), a diversified company headquartered in St. Louis, Missouri, at an aggregate cost of $8,482 and 2,500 shares of CAC's $5 cumulative convertible preferred stock at an aggregate cost of $182. At December 31, 1978, the total market value of these shares of common and preferred stock was $7,290. Assuming conversion of the preferred stock held by Sun, the Company would own 4.2% of CAC's outstanding common stock at that time. The shares of CAC have been acquired by Sun for investment purposes.

Sun's investment in CAC is carried at the lower of cost or market. A valuation allowance of $1,374, representing the temporary excess of cost over market at December 31, 1978, is reflected as a reduction of shareholders' equity. At February 26, 1979, the market value of this investment was $8,751.

During January and February 1979, Sun purchased an additional 172,800 shares of CAC's common stock for $3,314, bringing Sun's ownership of CAC to 5.5%.

TABLE 2-16: NONCURRENT RECEIVABLES

	1978	1977	1976	1975
Balance Sheet Description				
Long-Term Receivables	39	55	60	51
Notes Receivable	16	32	19	28
Notes and accounts receivables combined	12	9	20	19
Accounts Receivable	2	2	4	11
Other—described	37	23	21	36
Receivables combined with other investments, deposits, etc.	93	84	92	105
Total Presentations	**199**	**205**	**216**	**250**
Number of Companies				
Presenting noncurrent receivables	190	191	210	224
Not presenting noncurrent receivables	410	409	390	376
Total Companies	**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.

ADAMS-RUSSELL CO., INC. (SEP)

	1978	1977
Notes Receivable from Sale of Assets (Note 3)	$498,000	$447,100

Note 3: Notes Receivable from Sale of Assets

	September 30, 1978	1977
From sale of radio station(a)	$420,000	$420,000
From sale of CATV system	—	452,000
From sale of pay movie system(b)	97,100	110,200
Other	—	300
Total	$517,100	$982,500
Less-Allowance for losses	—	61,000
Remainder	$517,100	$921,500
Less-Amount included in current assets	19,100	474,400
Portion shown as non-current asset	$498,000	$447,100

(a)Represents 8% secured installment notes maturing in varying amounts from December 31, 1979 to June 1, 1984, which arose from the sale during 1976, for $570,000, of the Company's radio station.

(b)Represents 8% secured notes maturing in varying amounts through March 1, 1983, which arose from the sale during 1977, for $133,000, of the Company's pay movie system for hotels.

CLEVELAND CALENDERING & COATING CORP. (APR)

	1978	1977
Leased property under capital lease, less depreciation and amortization of $994,113 in 1978 and $894,630 in 1977	$1,499,049	$1,586,084
Equipment and improvements (at cost, less depreciation and amortization of $249,957 in 1978 and $336,614 in 1977) (pledged for due to related parties)	356,204	292,484
Notes receivable (less current portion above) (Notes E and I)	477,784	500,503
Other assets	127,339	159,697

Note E: Notes Receivable—Notes receivable comprise:

	April 30, 1978	April 30, 1977
6% note, receivable $5,606 monthly through May 1, 1988 (including interest)*.............	$508,030	$543,654
Less unamortized discount based on imputed interest of 9%.........	63,202	73,001
Net	444,828	470,653
4-½% note, receivable $29,623 annually (including interest) through January 15, 1980......	55,733	81,432
Total	$500,561	$552,085

(*)Collateralized by machinery and equipment sold. The Company has certain rights, in the event of default, in a real property lease agreement covering the premises at which this machinery and equipment is utilized. This note is pledged as collateral for the long-term debt described in Note I.

The foregoing notes receivable are reflected as current assets of $52,777 and $51,582 in 1978 and 1977, and as noncurrent assets of $447,784 and $500,503 in 1978 and 1977, respectively.

STANGE CO. (DEC)

	1978	1977
Other Assets		
Excess of cost over equity in the net assets of subsidiaries at dates acquired, less accumulated amortization of $83,000 and $68,000 at December 31, 1978 and 1977, respectively	$ 427,000	$442,000
Notes Receivable (note D)	671,000	—
Sundry	131,000	166,000
Total other assets	$1,229,000	$608,000

Note D: Notes Receivable—Notes receivable at December 31, 1978 consist of the following:

9.5% mortgage note receivable, due in annual installments of $25,000, final installment due September 25, 1983..................................	$225,000(A)
6% notes receivable, due in annual installments of $109,000, final installment due November 15, 1981...	327,000(B)
Note receivable with $165,000 due in 1979 and annual installments of $64,000 thereafter, final installment due December 31, 1983................	417,000(C)
	969,000
Less current portion..................................	298,000
	$671,000

(A)Collateralized By Land and Building
(B)Collateralized By Common Stock of Stange Pesa S.A. de C.V.
(C)Interest rate at one-half of prime interest rate of Royal Bank of Canada

CMI CORPORATION (DEC)

	1978	1977
Investments and other assets:		
Long-term portion of trade notes and installment contracts receivable......................	$ 784,652	$2,350,682
Equity in underlying assets and advances to (from) an unconsolidated wholly-owned finance subsidiary (note 2) .	2,097,201	(59,907)
Other, at cost, net of amortization...........................	840,223	739,836
	$3,722,076	$3,030,611

FRANKLIN MINT CORPORATION (DEC)

	1978	1977
Other assets		
Prepaid promotion costs, amortizable after one year	$28,819,000	$32,173,000
Accounts receivable due after one year.....................	3,825,000	7,579,000
Intangibles arising in acquisitions, net of amortization...	2,762,000	2,814,000
Other	1,420,000	1,979,000
	$36,826,000	$44,545,000

INTANGIBLE ASSETS

APB Opinion No. 17, as amended by *APB Opinion No. 30*, sets forth requirements as to accounting for intangible assets. *Opinion No. 17* stipulates that all intangible assets acquired after October 31, 1970 or recognized in business combinations initiated after October 31, 1970 be amortized over a period not to exceed 40 years and that "financial statements should disclose the method and period of amortization."

Table 2-17, 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 are presented with land or depreciable assets.

Goodwill

ALLIS-CHALMERS CORPORATION (DEC)

	1978	1977
Intangible Assets from Acquisitions, Net of Accumulated Amortization...........................	$49,616,572	$8,17[illegible]3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (in part)

Intangible Assets from Acquisitions—The excess of purchase price paid over the value of net assets of businesses acquired is being amortized principally over 40 years on the straight-line method.

TABLE 2-17: INTANGIBLE ASSET VALUATION

	1978	1977	1976	1975
Assets Being Amortized				
Goodwill recognized in a business combination	296	288	253	261
Patents, patent rights	54	45	60	75
Trademarks, brand names, copyrights	23	20	28	21
Licenses, franchises, memberships	18	20	20	22
Other—described	19	25	38	21
Intangible assets (not otherwise described)	9	12	19	31
Total Disclosures	**419**	**410**	**418**	**431**
Assets Not Being Amortized				
Goodwill recognized in a business combination	165	175	174	182
Trademarks, brand names, copyrights	8	7	10	10
Other—described	3	4	10	8
Intangible assets (not otherwise described)	2	1	2	11
Total Disclosures	**178**	**187**	**196**	**211**
Other Boses				
Nominal value	6	5	12	26
Basis not determinable	11	13	33	30
Total Disclosures	**17**	**18**	**45**	**56**

AMSTED INDUSTRIES INCORPORATED (SEP)

	1978	1977
	($000)	
Other Assets		
Investments and miscellaneous securities	$ 4,301,000	$4,475,000
Excess of cost of acquired assets over values assigned	14,578,000	—
Total Other Assets	$18,879,000	$4,475,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies (in part)

The excess of cost of acquired assets over values assigned is being amortized by the straight-line method over a period of 20 years.

DICTAPHONE CORPORATION (DEC)

	1978	1977
Total current assets	$ 97,035,000	$ 83,880,000
Property, plant and equipment, net	30,469,000	25,295,000
Goodwill	4,887,000	4,846,000
Other assets	2,535,000	3,490,000
	$134,926,000	$117,511,000

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Goodwill—Goodwill related to Data Documents/Inc. is being amortized on a straight line basis over a period of 40 years and goodwill related to the Canadian Office Services division is being amortized on a straight line basis over a period of 10 years. Other goodwill, which is not required to be amortized, is not being amortized because, in the opinion of the company, there has been no diminution in value.

FAIRCHILD INDUSTRIES, INC. (DEC)

	1978	1977
	($000)	
Other Assets (Note 2)	$10,101	$11,502

NOTES TO FINANCIAL STATEMENTS

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

Excess of Cost Over Assets Acquired—The excess of cost of purchased businesses over their net assets at acquisition dates is being amortized by the straight-line method over 40 years.

Note 2 (in part): Accounts and Notes Receivable and Other Assets

Other Assets—Other assets include:

	December 31, 1978	1977
	(In thousands)	
Commercial notes receivable due after one year	$ 3,475	$ 4,107
Excess of the cost of purchased businesses over their net assets at acquisition dates, less amortization	5,321	6,537
Debt issuance expense	602	317
Miscellaneous	703	541
	$10,101	$11,502

The excess of the cost of the investment in Fairchild KLIF, Inc. over net assets at the acquisition date was decreased by an additional provision of $2,000,000 in the fourth quarter of 1978.

IPCO HOSPITAL SUPPLY CORPORATION (JUN)

	1978	1977
	(In Thousands of Dollars)	
Intangible Assets		
Cost in excess of net assets acquired, net of accumulated amortization of $347,000 in 1978 and $253,000 in 1977	$6,547	$6,641
Patents, net of accumulated amortization of $143,000 in 1978 and $108,000 in 1977	266	232
Total Intangible Assets	$6,813	$6,873

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Intangible Assets—Cost in excess of net assets acquired, which arose in connection with acquisitions prior to November 1, 1970, is not being amortized unless there is an indication of diminution in value; such cost relating to acquisitions made subsequent to October 31, 1970 is being amortized by the straight-line method over a period of 40 years.

Patents are amortized over the lesser of their legal or estimated economic lives.

WALTER KIDDE & COMPANY, INC. (DEC)

	1978	1977
	($000)	
Excess of Cost over Related Net Assets of Businesses Acquired....	$82,978	$60,989

NOTES TO FINANCIAL STATEMENTS

Significant Accounting Policies (in part)

The excess of cost over related net assets applicable to businesses acquired prior to November 1, 1970 amounts to $30,100,000 and is not amortized as it is believed to have continuing value; the balance applicable to businesses acquired after October 31, 1970 is being amortized on a straight-line basis over forty years.

SEARS INDUSTRIES INC. (OCT)

	1978	1977
Goodwill less amortization (Note 3)	$1,324,828	$1,332,950

NOTES TO FINANCIAL STATEMENTS

Note 2 (in part): Significant Accounting Policies

Goodwill—The excess of the cost of investment over the fair value of net assets acquired is amortized on the straight-line method over a period of 40 years.

Note 3: Acquisition of Miss Erika, Inc.—Effective July 22, 1977, the Corporation purchased for $2,413,558, 100% of the capital stock of Miss Erika, Inc. Financing for this purchase was arranged by Sears Holdings Ltd. The excess of the purchase price over the fair value of the acquired net assets (goodwill) amounted to $1,347,630, which will be amortized over a period of 40 years. The fair value of the assets acquired ($4,143,154) and the liabilities assumed ($3,077,226) consisted principally of accounts receivable and inventories and loans and accounts payable, respectively.

Patents

THE EASTERN COMPANY (DEC)

	1978	1977
Other Assets		
Patents (less amortization) and other assets..................	$133,041	$95,643

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Intangibles: Patents are amortized on a straight-line basis over the lives of the patents. Licenses and agreements are generally amortized on a straight-line basis over periods of five to ten years.

KNAPE & VOGT MANUFACTURING COMPANY (JUN)

	1978	1977
Other:		
Cash surrender value of keyman life insurance................	$369,930	$391,306
Deferred merchandiser costs ...	354,754	236,407
Patent license—net	240,616	—
Total Other Assets...........	$965,300	$627,713

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Patent—Patent costs are being amortized over the legal term of its existence on a straight-line basis.

THE QUAKER OATS COMPANY (JUN)

	1978	1977
	(Millions of Dollars)	
Intangible Assets:		
Patents, trademarks and designs, less amortization.....	$2.4	$2.6

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Intangibles (in part)—Costs incurred in acquiring patents, trademarks and designs are amortized on a straight-line basis over their estimated useful lives. Amortization for both 1978 and 1977 was $.3 million.

Franchise Costs

HEUBLEIN, INC. (JUN)

	1978	1977
	Dollars in thousands	
Other assets:		
Trademarks, contracts and franchises	$2,796	$3,006

SUMMARY OF ACCOUNTING POLICIES

Cost in Excess of Net Assets of Purchased Businesses, Trademarks, Contracts and Franchises (in part)—Trademarks, contracts and franchises are carried at cost less amortization which is being provided principally on a straight-line basis over periods ranging from 5 to 20 years.

LIGGETT GROUP INC. (DEC)

	1978	1977
	(Dollars in thousands)	
Property, Plant, and Equipment, at cost, less accumulated depreciation	$142,387	$137,669
Franchises and Goodwill, at cost, less amortization	78,994	96,521
Other Assets	8,065	10,992

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Franchises and Goodwill and Amortization—The cost of an exclusive franchise held by The Paddington Corporation to import J&B Scotch whisky and the excess cost (goodwill) applicable to the acquisition of Paddington and Carillon Importers Ltd. are being amortized on the straight-line method over the remaining lives of the J&B franchise and a franchise held by Carillon. The excess cost applicable to companies acquired since 1970 is being amortized over 40 years; the excess cost applicable to other companies is not being amortized.

NOTES TO FINANCIAL STATEMENTS

Note 4: Franchises and Goodwill—At December 31, 1978 and 1977, the unamortized portion of the cost of the exclusive franchise to import J&B Scotch whisky was $39,527,000 and $42,891,000, and the unamortized excess cost (goodwill) applicable to the acquisition of The Paddington Corporation and Carillon Importers Ltd. was $9,847,000 and $10,794,000. These amounts are being amortized over the remaining lives of the J&B franchise and a franchise held by Carillon.

The unamortized excess cost applicable to the acquisition of the BOMBAY trademark was $2,083,000 at December 31, 1978 and $2,138,000 at December 31, 1977. In April 1978 and September 1977, the Company acquired the Pepsi-Cola Bottling Company of Stockton, Inc. and the Pepsi-Cola Bottling Co. of Fresno, respectively. The cost in excess of net assets acquired increased franchises and goodwill by $4,407,000 in 1978 and $9,980,000 in 1977. The unamortized excess cost was $14,041,000 at December 31, 1978 and $9,908,000 at December 31, 1977. These amounts are being amortized over 40 years.

The amounts charged against earnings for amortization of the above items in 1978 and 1977 were $4,690,000 and $4,438,000.

The excess of cost of investments over equity in net assets at dates of acquisition, which is not being amortized, was $13,496,000 at December 31, 1978 and $30,790,000 at December 31, 1977. The reduction reflects a $17,294,000 charge (no tax benefit), equal to $1.96 per share of common stock, for the write-off in June 1978 of goodwill which was determined to have diminished in value as a result of current and prospective earnings performance of certain subsidiaries included in the Company's Other Products group.

Software

WHITTAKER CORPORATION (OCT)

	1978	1977
	($000)	
Other Assets		
Goodwill, net of amortization	$36,993	$34,149
Notes receivable—non current (with interest rates ranging from 6% to 11%)	19,643	24,418
Software, net of amortization	8,178	—
Deferred income tax benefits (Note 7)	4,985	7,671
Investment in and advances to unconsolidated subsidiary	2,605	4,761
Miscellaneous	5,322	3,535
	$77,726	$74,534

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Intangibles: Goodwill resulting from acquisitions made prior to November 1, 1970 is not amortized unless, in the opinion of management, it has diminished in value. Goodwill arising from acquisitions subsequent to October 31, 1970 is amortized using the straight-line method over 40 years in accordance with Accounting Principles Board Opinion No. 17.

Patents are amortized using the straight-line method over the lesser of economic or legal life.

Software, acquired during 1978 in connection with the purchase of a business, is amortized using the straight-line method over seven years.

Machinery Drawings

REXHAM CORPORATION (DEC)

	1978	1977
	($000)	
Other Assets		
Machinery drawings acquired	$2,374	$ —
Excess of cost over fair value of net assets acquired	2,937	2,404
Other	412	269
Total other assets	$5,723	$2,673

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Income and Expense: The provision for pensions is based on generally accepted actuarial cost methods and assumptions. A portion of the amounts accrued may not be paid due to the favorable funding status of certain plans; amounts unpaid, if any, will be amortized over a ten-year period as a reduction of pension expense.

The provision for income taxes is based on income and expense reported for financial statement purposes, although portions of such amounts are reported for income tax purposes in different years.

The investment tax credit is deducted from the provision for income taxes in the year earned.

Research and development costs are expensed as incurred and amounted to approximately $1,480,000 and $1,123,000 in fiscal 1978 and 1977, respectively.

The machinery drawings acquired in the purchase of Wright Machinery Company are being amortized on a straight-line basis over their estimated useful life of fifteen years.

The excess of cost over fair value of net assets acquired, which arose in connection with the purchase of other businesses, is being amortized on a straight-line basis over periods of twenty-five to forty years.

TABLE 2-18: OTHER NONCURRENT ASSETS

	Number of Companies			
	1978	1977	1976	1975
Segregated cash or securities	46	58	63	77
Deferred income taxes	31	31	30	41
Property held for sale	22	30	33	34
Debt expense	18	22	30	48
Cash surrender value of life insurance	15	20	23	27
Prepaid expenses	15	16	38	44
Assets leased to others	8	13	14	24
Start up costs	6	9	5	10
Employee benefits	2	8	8	10
Other identified noncurrent assets	42	35	39	56
Deferred charges or Other Noncurrent assets—not described	531	487	511	555

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. SFAS No. 2 does not apply to costs of research and development activities conducted for others under a contractual arrangement.

Examples of other noncurrent assets follow.

Segregated Funds

BRISTOL PRODUCTS, INC. (DEC)

	1978	1977
Other Assets		
Unexpended plant and equipment funds (Note 4)	$2,073,596	$ —

Note 4: Long-Term Debt—Long-term debt at December 31, 1978 and 1977 consists of the following:

	1978	1977
Notes payable to insurance companies, 9¾%, due 1978-1986	$4,666,664	$6,000,000
Economic Development Revenue Bonds, payable to banks:		
Plymouth, Indiana, 7¼%, due 1978-1984	480,000	—
Plymouth, Indiana, 5¾%, due 1983-1988	900,000	—
Corning, Iowa, 6%, due 1984-1990	900,000	—
Rolling Prairie, Indiana, 6%, due 1984-1990	1,320,000	—
Other notes (various rates and maturities)	137,888	—
Total	8,404,552	6,000,000
Less current maturities	749,619	666,668
Total long-term debt	$7,654,933	$5,333,332

Long-term debt, less current maturities, is due according to the following schedule:

1980	$ 761,087
1981	763,099
1982	770,196
1983	907,384
1984 and thereafter	4,453,167
Total	$7,654,933

All long-term debt is unsecured except the Plymouth, Indiana, 7¼% Bond which is a capitalized lease assumed from the prior lessee.

The credit agreements under which these borrowings were made contain convenants relating to working capital maintenance, minimum shareholders' equity, future indebtedness, capital expenditures, investments, mergers, leases, repurchase of capital stock, payment of dividends and other items. The Company was not in violation of any of these covenants during 1978 and 1977. Retained earnings unrestricted as to the payment of cash dividends at December 31, 1978 was $3,500,000.

At December 31, 1978, $2,073,596 has not been expended from the proceeds of the Economic Development Revenue Bonds. These funds are committed to purchase additional plant and equipment in the next two and one-half years under the terms of the bond agreements.

BROWNING-FERRIS INDUSTRIES, INC. (SEP)

	1978	1977
	($000)	
Other assets:		
Solid waste revenue bond funds held for future acquisition of property and equipment (Note 5)	$9,177	$15,597

Note 5 (in part): Long-term debt

	1978	1977
	In Thousands	
Company:		
Note payable to banks under unsecured term bank credit agreement	$ 16,000	$ 3,000
Unsecured term loan from banks	16,000	16,000
Sinking fund debentures	40,000	40,000
Other notes payable, 6%-9%	4,218	3,580
	76,218	62,580
Subsidiaries:		
Solid waste revenue bond obligations	26,935	27,120
Mortgages payable, 6%-11%, collateralized by deeds of trust	2,475	2,624
Other notes payable, 5½%-9½%	3,589	2,031
	109,217	94,355
Current portion	2,504	1,780
Long-term portion	$106,713	$92,575

* * *

Solid waste revenue bonds. Four subsidiaries of the Company have entered into agreements under which they receive proceeds from the sale by governmental authorities of solid waste revenue bonds. The obligations of the subsidiaries to make payments sufficient to pay the interest and retire the bonds are unconditionally guaranteed by the Company. The weighted average interest rate of these issues is approximately 7.25%. The weighted average life was originally approximately 12 years and is approximately 11 years at September 30, 1978. Substantially all the assets acquired or constructed wtih proceeds from these bond issues secure repayment of the bonds.

KIMBERLY-CLARK CORPORATION (DEC)

	1978	1977
	(Millions)	
Other Assets		
Funds held by trustee for construction	$16.9	$13.7

UNITED STATES TOBACCO COMPANY (DEC)

	1978	1977
Other Assets		
Excess of cost over net tangible assets of businesses acquired	$8,000,000	$8,000,000
Construction funds in escrow	8,000,000	—

NOTES TO FINANCIAL STATEMENTS

Long-Term Debt (in part)—The long-term debt obligations are as follows:

	1978	1977
Notes payable:		
8,25%, $400,000 due each year from 1980 to 1990, maturing 1991	$20,000,000	$20,000,000
7.75%, due 1979	—	1,000,000
8.25%, $400,000 due each year from 1980 to 1990, maturing 1991	5,000,000	5,000,000
Mortgage notes payable:		
7.25%, $94,000 due in quarterly installments covering principal and interest to 2000	4,009,000	4,092,000
9%, $45,000 due each year to 1992, maturing 1993	695,000	740,000
Industrial development revenue bonds:		
5.75% to 7.70%	2,800,000	2,900,000
7.00% and 9.50%	8,000,000	—
	$40,504,000	$33,732,000

The terms of the notes payable include restrictions, which among other things generally limit the payment of dividends and purchase of treasury stock. Under the terms of the most restrictive debt provision, such transactions are limited to an amount not exceeding consolidated net earnings accumulated after 1975 plus $10,000,000. At December 31, 1978, the amount available for such payments was $45,666,000.

The Company is obligated under long-term leases supporting both industrial development bond issues. Such leases have been accounted for as capital leases in accordance with FASB Statement No. 13. Rental payments of $100,000 annually through 1982 and the balance in varying installments through 2000 are required to retire the principal amount of the 5.75% to 7.70% bonds. The present value of the lease at its inception has been included in property, plant and equipment (principally buildings) in the amount of $3,000,000. The allowance for amortization with respect to the properties capitalized was $300,000. The lease supporting the 7.00% and 9.50% bonds was negotiated in December 1978 to finance the construction of manufacturing facilities in Hopkinsville, Kentucky. Rental payments to retire bond principal commence 1984 through 2008. The bond proceeds are on deposit with a trustee (Construction Funds in Escrow) pending reimbursement to the Company for qualified expenditures.

Deferred Income Taxes

DYNAMICS CORPORATION OF AMERICA (DEC)

	1978	1977
Total Current Assets	$53,855,000	$49,094,000
Property, Plant and Equipment—at cost	26,309,000	24,836,000
Less—accumulated depreciation and amortization	14,328,000	12,672,000
	11,981,000	12,164,000
Investment in Unitrode Corporation	1,629,000	
Deferred Federal Income Taxes—Note 8	355,000	174,000
Total Assets	$67,820,000	$61,432,000

Note 8—Income Taxes: The provision for income taxes consists of:

	1978	1977
Current Federal income taxes	$4,786,000	$4,411,000
State income taxes	610,000	738,000
Tax credits (primarily investment tax credit)	(730,000)	
Deferred Federal income taxes	(756,000)	
	$3,910,000	$5,149,000

A reconciliation of the Federal statutory rate to the Company's consolidated effective tax rate follows:

Statutory rate	48.0%	48.0%
State income taxes, net of Federal income tax benefit	3.5%	3.8%
Tax credits	(8.1%)	
	43.4%	51.8%

The Internal Revenue Service ("IRS") has completed its examination of the Company's tax returns for the years 1968 through 1972 and based upon a tentative agreement with the IRS, no additional amounts need to be provided.

For financial reporting purposes, the Company has recognized in 1978 (through an extraordinary credit of $720,000) a net operating loss carryforward of $1,500,000. In addition, tax credit (primarily investment tax credit) carryforwards of $627,000 were recognized in 1978 (through reduction of the current Federal income tax provision).

Deferred Federal income tax assets as of December 31, 1978 relate primarily to expenses deducted from income for accounting purposes in prior years and not deducted for tax purposes. Such deferred tax assets were not recognized previously for accounting purposes as a result of the availability of net operating loss carryforwards.

THE MURRAY OHIO MANUFACTURING COMPANY (DEC)

	1978	1977
Deferred charges		
Future federal income tax benefits—Notes B and C	$1,062,831	$1,104,093
Sundry	695,815	245,270
	$1,758,646	$1,349,363

Note B: Deferred Compensation Plans—The Company in 1970 adopted a supplemental retirement benefit plan for key employees as designated by the Salary Committee. Awards under the plan are discretionary and payable in a dollar amount in cash (or Common Shares of the Company under certain conditions) in ten annual installments commencing on the first day of the year following the employee's retirement date as set forth under the Company's Retirement Fund Plan. Participants are required to report as income the amount of cash received or the fair market value of the Common Shares at date of distribution and the Company will claim an income tax deduction in an equal amount. Awards of $36,000 in 1978 and 1977 resulted in $18,000 each year being charged to operations after provisions for deferred income tax.

Prior to 1968, the Company made allocations of Common Shares to certain employees under a deferred compensation plan and charged operations of the period for such allocations. All such Common Shares were distributed to the participants in 1968 as restricted shares. As restrictions terminate, the participants are required to report taxable income and the Company is entitled to an income tax deduction in equal amounts at the lesser of the market value at dates of restriction expiration or distribution. The provisions for income taxes in 1978 and 1977 were reduced by $31,000 and $33,000, respectively, because of expirations of restrictions on Common Shares in these years. Tax benefits to the Company as restrictions lapse, in excess of amounts attributable to the compensation expense charged to operations in years prior to 1968, are credited annually to additional paid-in capital.

Note C: Federal and State Income Taxes—Federal income tax returns filed by the Company have been examined and approved by the Internal Revenue Service through the year ended December 31, 1974.

The provision for federal and state income taxes is composed of the following:

	1978	1977
Federal income tax currently payable, net of investment tax credits of $378,000 and $430,000 in 1978 and 1977 respectively	$6,343,556	$6,081,531
State income tax currently payable	768,014	755,000
Deferred federal income tax	352,430	359,469
	$7,464,000	$7,916,000

NATCO INDUSTRIES, INC. (DEC)

	1978	1977
Other Assets and Deferred Charges:		
Deferred taxes (Note 1(e))	$70,243	$71,438

Note 1(e): Federal Income Taxes—Deferred income taxes result from the difference between financial reporting purposes for depreciation expense and deferred compensation and the allowable deduction in the Company's tax return. The investment credits available under the Internal Revenue Code have been applied to reduce the provision for federal income taxes by approximately $146,000 for the year ended December 30, 1978 and $65,000 for the year ended December 31, 1977.

A.C. NIELSEN COMPANY (AUG)

	1978	1977
	($000)	
Other Assets:		
Marketable securities maturing after one year, at cost which approximates market	$ 1,836	$ —
Income taxes allocable to future years (Notes 1 and 6)	7,073	5,403
Patents, subscription lists and data files	6,630	6,078
Excess of cost over net assets of acquired companies	419	1,117
Other	1,693	964
	$17,651	$13,562

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

Income Taxes—Certain items of revenue and expense (principally contract revenue, depreciation and provisions for profit sharing and severance obligations) are recognized in different periods for financial reporting and income tax purposes. The provisions for income taxes recognize the tax effects of all transactions entering into the determination of income for financial reporting purposes regardless of the period in which they are reported for income tax purposes.

Deferred income taxes are provided on the undistributed earnings of foreign subsidiaries expected to be remitted in taxable distributions in future years.

Investment tax credits are treated as reductions of the provisions for U.S. income taxes in the years earned.

Note 6 (in part): Income Taxes—The provisions for income taxes are summarized below:

	U.S. Federal	State & Foreign	Total
	(Thousands of dollars)		
1978			
Currently payable	$12,867	$10,576	$23,443
Allocable to future years	(1,340)	(456)	(1,796)
	$11,527	$10,120	$21,647
1977			
Currently payable	$12,162	$ 8,889	$21,051
Allocable to future years	(650)	(404)	(1,054)
	$11,512	$ 8,485	$19,997

Income taxes allocable to future years are primarily the result of provisions for profit sharing and severance obligations that are not currently deductible for income tax purposes.

Property Held For Sale

CHAMPION INTERNATIONAL CORPORATION (DEC)

	1978	1977
	($000)	
Total current assets	$915,490	$799,499
Net Assets of Discontinued Operations at Net Realizable Value (Note 17)	52,062	98,022
Equity in and Advances to 50% or Less Owned Affiliates	43,269	42,129
Equity in and Advances to Real Estate Affiliates	2,311	240

Note 17 (in part): Discontinued Furnishings Business—The Company sold Trend Carpet, its domestic carpet operation, and a portion of the net assets of the European carpet operations in 1978 and Drexel Heritage Furnishings in 1977. The proceeds of these sales aggregated $116,990,000, represented by cash and various securities of the purchasers, all of which are to be redeemed within ten years. These securities have been recorded at their discounted present value and are included in "Long-term receivables" in the Consolidated Balance Sheet. The remaining net assets of the discontinued furnishings business at December 31, 1978 consist only of the remaining European carpet operations and are shown in the Consolidated Balance Sheet as "Net Assets of Discontinued Operations at Net Realizable Value." The amounts included in this caption are as follows:

in thousands of dollars	1978	1977
Current assets	$ 55,545	$ 94,272
Excess cost of business acquired over amounts assigned to net tangible assets	63,688	63,688
Property, plant and equipment—net	34,510	56,464
Other assets	457	2,702
Total Assets	154,200	217,126
Current liabilities	42,812	44,136
Noncurrent liabilities	8,108	6,579
Total Liabilities	50,920	50,715
Net Assets	103,280	166,411
Write-down of net assets	(51,218)	(68,389)
Net Assets of Discontinued Operations at Net Realizable Value	$ 52,062	$ 98,022

CITY STORES COMPANY (JAN)

	1979	1978
Current Assets		
Cash	$ 5,206,000	$ 6,329,000
Accounts receivable (net of amounts sold with recourse; $39,900,000 this year and $34,200,000 last year)—Note A	17,035,000	38,350,000
Merchandise inventories	52,351,000	48,422,000
Other current assets	4,014,000	5,158,000
Property and equipment held for sale—Note B	385,000	4,699,000
Total Current Assets	78,991,000	102,958,000
Property and Equipment held for sale—Note B	14,251,000	15,264,000

Note B: Store Closings and Property and Equipment Held for Sale—On April 5, 1977, the Board of Directors approved a program to close certain stores. The provision for estimated loss applicable to the store closings, $15,500,000, was recorded as of January 29, 1977. During the year ended January 28, 1978, charges of $6,008,000 were made to the accrued loss and the portion of the accrued loss relating to a pension liability ($6,088,000) was reclassified to Noncurrent Liabilities. The remaining accrued loss as of January 28, 1978 of $3,404,000 is shown in the accompanying consolidated statement of financial condition as follows: accrued loss for prior years store closing program—$2,182,000; allowance deducted from accounts receivable—$925,000; and valuation allowance deducted from property and equipment held for sale—$297,000.

During the year ended February 3, 1979, $2,070,000 was charged to the accrued loss for prior years store closing program and the allowance deducted from accounts receivable was substantially utilized.

Property and equipment held for sale (representing the only remaining significant asset at February 3, 1979 of closed stores) are carried at estimated net realizable value. During the two fiscal years ended February 3, 1979, the Company sold and leased certain properties for substantially carrying value. Properties whose sales are expected to close after February 3, 1979 are classified as current assets. The Company is continuing to negotiate for the disposition of the remaining properties and management believes the carrying value will be substantially recovered.

Cash Surrender Value of Life Insurance

JOHNSON PRODUCTS CO., INC. (AUG)

	1978	1977
Other assets:		
Cash value, officers' life insurance	$1,023,000	$ 845,000
Investments, at cost	244,000	244,000
Miscellaneous receivables	120,000	92,000
Unamortized excess cost over net assets of business acquired	140,000	160,000
	$1,527,000	$1,341,000

KNAPE & VOGT MANUFACTURING COMPANY (JUN)

	1978	1977
Other:		
Cash surrender value of keyman life insurance	$369,930	$391,306
Deferred merchandiser costs	354,754	236,407
Patent license—net	240,616	—
Total Other Assets	$965,300	$627,713

TYSON FOODS, INC. (SEP)

	1978	1977
Investments and Other Assets		
Corporate stocks, not readily marketable, at cost	$ 315,013	$ 118,199
Net cash value of life insurance	286,231	232,642
Restricted cash funds	16,452	1,000,000
Other	562,346	101,096
Total Investments and Other Assets	$1,180,042	$1,451,937

Start-Up Costs

ADAMS-RUSSELL CO., INC. (SEP)

	1978	1977
Other Assets:		
Goodwill	$ 818,000	$ 839,200
Franchises, licenses and operating rights	931,300	754,400
Consulting and noncompetitive agreements	899,800	—
Film contract rights	160,000	259,600
Deferred CATV start-up costs (Note 1g)	231,800	152,300
Other deferred expenses	304,900	233,700
Total other assets	$3,345,800	$2,239,200

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

(g) Deferred CATV Start Up Costs—Operating expenses, including depreciation and interest, less revenues, incurred by CATV subsidiaries (1) during their first eighteen months of operation or (2) until a 30% subscriber saturation level has been reached, or (3) until it realizes cumulative income before income taxes, whichever occurs first, are deferred and amortized on a straight-line basis over the succeeding ten-year period. The Company plans to expense all interest after September 30, 1978.

Tooling Costs

OUTBOARD MARINE CORPORATION (SEP)

	1978	1977
Product Tooling, less accumulated amortization (Note 12)	$23,240,000	$24,034,000

Note 12: Research and Development and Product

Tooling—Research and development costs, including quality control, are charged to expense as incurred. Such costs were $20,474,000 and $20,301,000 for the 1978 and 1977 years, respectively.

Product tooling costs are amortized over a period not exceeding three years, beginning the first year the related product is sold. Amortization for 1978 and 1977 was $15,650,000 and $10,579,000, respectively.

CURRENT LIABILITIES

Paragraphs 7 and 8 of Chapter 3A of *Accounting Research Bulletin 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.

AMERICAN BRANDS, INC. (DEC)

	1978	1977
	(In thousands)	
Liabilities		
Notes payable to banks	$ 71,000	$115,000
Commercial paper	128,245	117,291
Short-term borrowings by foreign subsidiaries	65,774	168,000
Accounts payable and accrued expenses	330,790	306,502
Accrued taxes	270,222	200,598
Current portion of long-term debt	160,314	24,494
Total current liabilities	$1,026,345	$931,885

TABLE 2-19: SHORT-TERM DEBT

	1978	1977	1976	1975
Description				
Notes or loans				
Payee indicated	143	152	175	256
Payee not indicated	220	223	216	213
Short-term debt or borrowings	67	67	56	26
Commercial paper	20	19	22	35
Other	17	12	11	13
Total Presentations	**467**	**473**	**480**	**543**
Number of Companies				
Showing short-term debt	447	444	435	447
Not showing short-term debt	153	156	165	153
Total Companies	**600**	**600**	**600**	**600**

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

	1978	1977
	(Millions)	
Current Liabilities		
Accounts Payable	$ 573.1	$ 488.8
Short-Term Borrowings	257.9	228.9
Income Taxes	450.4	289.8
Other Accrued Liabilities	277.4	229.4
Total Current Liabilities	$1,558.8	$1,236.9

NOTES TO FINANCIAL STATEMENTS

(Dollars in millions, except per share)

Note 10—Short-Term Borrowings

	December 31 1978	1977
Bank borrowings:		
Foreign currencies	$130.3	$144.9
U.S. dollars	7.1	11.1
Commercial paper	87.8	59.9
Long-term borrowings payable within one year	32.7	13.0
	$257.9	$228.9

Average maturity of commercial paper outstanding at December 31, 1978 was 60 days. Pertinent data regarding aggregate short-term borrowings are as follows:

	1978	1977
Average interest rates at year end:		
Bank borrowings:		
Foreign currencies	26.5%	19.7%
U.S. dollars	11.6%	7.0%
Commercial paper	7.5%	3.9%
Long-term borrowings payable within one year	10.6%	27.0%
Average rates at year end	17.6%	15.4%
Average month-end interest rate during year	15.7%	18.8%
Average amount outstanding during year	$242.1	$293.8
Maximum amount outstanding at any month end	$259.5	$364.0

Average interest rates shown above include effect of borrowings in certain foreign countries where local inflation has resulted in relatively high interest rates.

Unused bank credit lines amounted to roundly $1,400 at December 31, 1978. These lines provide for borrowings at the best available commercial rates both domestically and outside the U.S., and do not involve commitment fees.

GENERAL FOODS CORPORATION (MAR)

	1978	1977
	($000)	
Current Liabilities		
Notes Payable	$119,726	$105,320
Current Portion of Long-Term Debt	15,728	17,353
Accounts and Drafts Payable	310,192	294,551
Accrued Liabilities	329,013	307,071
Accrued Income Taxes	85,059	127,121
Current Liabilities	$859,718	$851,416

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4: Notes Payable

	1978	1977
Commercial Paper	$ 14,023,000	$ 9,715,000
Notes Payable to Banks	105,703,000	95,605,000
Total	$119,726,000	$105,320,000
Maximum amount outstanding at any month-end during period	$314,000,000	$112,000,000
Average amount outstanding during period (based on month-end amounts)	$189,000,000	$ 72,000,000
Weighted average interest rate for period	8.2%	9.9%

At April 1, 1978, bank credit lines totaled $498,000,000. Borrowings, under these lines and through the issuance of commercial paper, are on terms and at interest rates generally extended to prime borrowers. Credit lines totaling $97,000,000 expire after fiscal 1979 while the remaining lines of $401,000,000 may be cancelled at the company's option at any time. As of April 1, 1978, notes payable amounting to $104,000,000 were outstanding under these arrangements. Pursuant to company policy, bank credit lines are maintained in full support of outstanding commercial paper. The amount of compensating balances was not material.

HERMAN MILLER, INC. (MAY)

	1978	1977
Current Liabilities:		
Current portion of long-term debt	$ 648,757	$ 388,095
Notes payable (Note 3)	10,223,775	695,063
Accounts payable	8,054,028	6,709,271
Accrued liabilities:		
Compensation	2,879,538	2,399,837
Income taxes	484,535	1,322,935
Other taxes	996,913	685,760
Miscellaneous	2,874,959	2,030,979
Dividends payable	266,648	141,912
Total Current Liabilities	$26,428,153	$14,373,852

Note 3: Short-Term Borrowings—An analysis of the lines of credit with various banks and related short-term borrowings of the Company and its subsidiaries as of June 3, 1978, is shown below.

Description	Line of Credit	Debt Outstanding
Domestic currency lines	$ 7,500,000	$ 6,000,000
Multi-currency line for European subsidiaries	5,000,000	3,818,188
Canadian currency line	500,000	405,587
	$13,000,000	$10,223,775

Subsequent to June 3, 1978, the Company obtained a line of credit for an additional $4,000,000 in domestic borrowings.

Under an informal agreement with one bank, the Company agrees to maintain average compensating balances of 10% of a $6,000,000 line of credit plus 5% of the amount borrowed pursuant to that line. Based on borrowings outstanding under the line at June 3, 1978, the Company would be expected to maintain an average compensating balance of $825,000.

Borrowings under the multi-currency line of European subsidiaries and borrowings under the Canadian currency line are guaranteed by the Company.

All borrowings at May 31, 1977, were under the multi-currency line for European subsidiaries.

Other pertinent data with respect to short-term borrowings during the past two years is as follows:

	1978	1977
Average borrowings during the year	$ 7,290,000	$1,875,000
Maximum amount outstanding during the year	$16,255,000	$6,680,000
Weighted average monthly interest on borrowings—		
During the year	8.2%	8.25%
At year-end	8.6%	11.4%

JOSLYN MFG. AND SUPPLY CO. (DEC)

	1978	1977
Current Liabilities:		
Current Portion of Long-term Debt (Note 2)	$ 1,000,000	$ 1,000,000
Short-term Bank Loans (Note 2)	1,822,000	402,000
Accounts Payable	6,240,000	7,734,000
Accrued Liabilities	12,569,000	9,525,000
Income Taxes	3,289,000	848,000
Total Current Liabilities	$24,920,000	$19,509,000

Note 2: Financing Arrangements—Long-term debt is net of payments due within one year and consists of the following:

	1978	1977
8⅜% Promissory Note, due $1,000,000 annually	$ 1,000,000	$ 2,000,000
8¾% Promissory Note, due $1,000,000 annually beginning in 1982	5,000,000	5,000,000
10¼% Promissory Notes, due $1,500,000 annually beginning in 1982	15,000,000	15,000,000
	$21,000,000	$22,000,000

Under terms of the long-term debt agreements, the Company (1) must maintain consolidated working capital of at least $30,000,000, (2) must maintain current assets in an amount not less than 1.5 times the amount of current liabilities, (3) may not pay cash dividends or make payments for the purchase or redemption of stock if the total of such payments, in the aggregate, exceeds $5,000,000 plus 80% of the cumulative consolidated net income, as defined, after December 31, 1974 and (4) must comply with certain restrictions regarding the amount of debt incurred. As of December 31, 1978, the Company had complied with all restrictions of the agreements and as of that date, $6,257,000 of consolidated retained earnings were available for payment of cash dividends or for purchase of Company stock, under the loan covenants.

Information related to short-term credit agreements with banks is as follows:

	1978	1977
Lines of Credit Available at December 31	$21,375,000	$20,060,000
Loans Outstanding at December 31	1,822,000	402,000
Interest Rate at December 31	11.5%	8.25%
Average Borrowings During the Year	3,101,000	275,000
Maximum Amount Borrowed During the Year	5,550,000	580,000
Weighted Average Interest Rate During the Year	9.8%	8.6%
Compensating Cash Balance Requirements at December 31	1,500,000	1,500,000

During 1978 and 1977, the Company complied with the compensating cash balance requirements of all credit agreements with banks.

TABLE 2-20: CURRENT LIABILITIES—TRADE CREDITORS

Description	1978	1977	1976	1975
Accounts payable, payables, or trade payables in a separate caption	426	422	417	388
Accounts payable combined with accrued liabilities or accrued expenses	157	167	163	189
Other captions	17	11	20	23
Total Companies	**600**	**600**	**600**	**600**

VARIAN ASSOCIATES, INC. (SEP)

	1978	1977
	($000)	
Current Liabilities		
Notes payable	$ 35,378	$13,979
Accounts payable	21,688	19,930
Taxes on earnings	12,579	9,829
Product warranty	6,340	5,702
Accrued expenses	33,820	30,071
Advance payments from customers	7,081	6,243
Total Current Liabilities	$116,886	$85,754

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Short-Term Debt—A summary of pertinent information regarding short-term loans at September 30, 1978 and 1977, and for the years then ended is as follows:

(Dollars in millions)	1978	1977
Balance outstanding at September 30	$35.4	$14.0
Weighted average interest rate on short-term loans outstanding at September 30	10.4%	7.4%
Maximum month-end balance outstanding during year	$42.2	$31.2
Average balance outstanding during year	$23.3	$22.0
Weighted average interest rate on average short-term loans outstanding during year	9.5%	10.9%
Established credit lines unused at September 30	$50.5	$56.1
Compensating balances of 10% on certain credit lines plus 10% of the amount borrowed under these credit lines at September 30	$ 1.1	$ 1.1

TRADE ACCOUNTS PAYABLE

BEECH AIRCRAFT CORPORATION (SEP)

	1978	1977
Current Liabilities		
Notes payable to banks	$ 4,766,560	$ 4,719,887
Trade accounts payable	37,654,035	31,046,598
Payroll and payroll deductions	12,411,763	8,899,833
Accrued expenses	7,076,851	5,408,840
Customer deposits	6,114,273	14,956,650
Federal and state income taxes (including deferred tax of $2,936,000 in 1978 and $1,849,000 in 1977)	17,107,770	10,051,601
Current portion of long-term debt	212,554	205,192
Total Current Liabilities	$85,343,806	$75,288,601

CLARK EQUIPMENT COMPANY (DEC)

	1978	1977
	($000)	
Current Liabilities:		
Notes payable to banks	$ 18,975	$ 34,715
Accounts payable	127,365	107,220
Accrued payrolls	23,973	21,736
Accrued social security and general taxes	14,467	12,486
Taxes on income	19,641	31,169
Installment obligations owed to finance subsidiaries	5,938	3,883
Current installments on long-term debt	7,725	9,473
Total current liabilities	$218,084	$220,682

H.J. HEINZ COMPANY (APR)

	1978	1977
Current Liabilities:		
Short-term debt	$ 70,272,000	$ 76,645,000
Portion of long-term debt due within one year	14,770,000	4,066,000
Accounts payable:		
Related to suppliers	149,494,000	149,313,000
Sundry	24,214,000	16,644,000
	173,708,000	165,957,000
Accrued liabilities	71,635,000	66,951,000
Federal, foreign and state income taxes	59,580,000	63,342,000
Total current liabilities	$389,965,000	$376,961,000

TABLE 2-21: CURRENT LIABILITIES RELATING TO EMPLOYEES

	1978	1977	1976	1975
Description				
Salaries, wages, payrolls, commissions	216	211	213	197
Withholdings, payroll taxes.	31	18	31	36
Pension or retirement plan contributions	49	52	50	28
Profit-sharing contributions .	20	14	15	28
Other captions	51	52	57	44
Total Presentations	**367**	**347**	**366**	**333**
Number of Companies				
Showing liabilities to or for employees	228	229	239	202
No such liabilities	372	371	361	398
Total Companies	**600**	**600**	**600**	**600**

EMPLOYEE RELATED LIABILITIES

AMERICAN HOSPITAL SUPPLY CORPORATION (DEC)

	1978	1977
	($000)	
Current liabilities:		
Notes payable to banks	$ 15,298	$ 19,120
Commercial paper	46,600	5,000
Current maturities on long-term obligations	1,967	2,076
Accounts payable	155,756	140,065
Commissions, salaries and withholdings	28,830	24,853
Retirement and profit-sharing plans	16,698	13,707
Taxes other than federal income taxes	12,653	10,874
Fderal income taxes	9,015	5,496
Total current liabilities	$286,817	$221,191

COOK PAINT AND VARNISH COMPANY (NOV)

	1978	1977
Current Liabilities		
Notes payable to banks	$ 1,550,000	$ 2,000,000
Accounts payable and accrued expenses	9,309,532	7,630,855
Payroll, payroll taxes and withholdings	1,597,136	1,488,618
General taxes	379,399	400,647
Income taxes	606,434	—
Current portion of long-term debt	533,000	533,000
Total Current Liabilities	$13,975,501	$12,053,120

DOYLE DANE BERNBACH INTERNATIONAL INC. (DEC)

	1977	1978
Current Liabilities:		
Accounts payable	$58,081,782	$61,396,470
Notes payable to banks	2,583,846	1,376,505
Federal and foreign taxes on income	1,442,757	4,442,520
Taxes withheld and accrued	1,484,185	2,073,635
Pension and profit sharing plan contributions	2,828,024	3,034,718
Other current liabilities	7,775,519	10,706,080
Dividends payable	566,114	691,120
Current portion of long-term debt	4,754	7,092
Total Current Liabilities	$74,766,981	$83,728,140

NATIONAL TEA CO. (DEC)

	1978	1977
Current Liabilities		
Construction loans	$ 1,677,783	$ —
Current maturities of long-term debt	1,971,217	533,755
Current maturities of capitalized lease obligations	3,836,071	3,096,913
Accounts payable	44,583,966	38,150,138
Accrued liabilities (Note 5)	11,944,063	11,319,202
Income taxes	3,008,906	3,005,044
Total current liabilities	$67,022,006	$56,105,052

Note 5: Accrued Liabilities—Accrued liabilities include:

	December 30, 1978	December 31, 1977
Accrued general taxes	$ 2,534,785	$ 2,370,463
Accrued payroll	4,359,274	3,328,002
Estimated future obligations related to closed facilities	1,132,692	1,270,404
Estimated public liability and workers' compensation claims	1,898,551	2,573,558
Other accrued expenses	2,008,761	1,776,775
	$11,944,063	$11,319,202

STANLEY HOME PRODUCTS, INC. (DEC)

	1978	1977
Current Liabilities:		
Notes and accounts payable	$20,163,205	$16,468,359
Dealers' security deposits	4,414,374	4,246,175
Federal, state and foreign taxes on income	8,765,098	8,352,427
Unredeemed coupons and certificates	2,538,358	2,573,495
Accrued expenses—		
Pensions and profit sharing	3,100,337	2,175,120
Vacation and sick leave	2,181,122	1,812,308
Payroll and commissions	1,922,597	1,450,335
Payroll taxes	1,301,314	810,971
Other	3,250,629	1,670,933
Dividends payable	994,556	994,947
Total current liabilities	$48,631,590	$40,555,070

WINNEBAGO INDUSTRIES, INC. (AUG)

	1978	1977
Current Liabilities		
Notes payable, banks	$ —	$ 6,500,000
Accounts payable, trade	21,360,410	16,076,693
Accrued expenses:		
Profit sharing	1,200,000	1,000,000
Sales incentive programs	457,437	2,774,085
Payroll	1,041,027	576,802
Property and payroll taxes	1,496,647	1,272,138
Other	2,601,746	2,163,322
Income taxes payable	3,330,331	—
Provision for estimated future losses on repurchases	230,000	265,000
Provision for liability on product warranties	4,017,269	3,700,000
Total current liabilities	$35,734,867	$34,328,040

INCOME TAX LIABILITY

Table 2-22 summarizes the descriptive balance sheet captions used to describe the current liability for income taxes.

BUCYRUS-ERIE COMPANY (DEC)

	1978	1977
Current Liabilities		
Accounts payable and accrued expenses	$ 36,450,381	$ 32,601,154
Taxes, other than income taxes	4,459,722	4,943,317
Liability to customers on uncompleted contracts and warranties	151,297,256	159,590,473
Income taxes:		
Currently payable	14,615,224	19,177,996
Deferred	15,670,000	8,911,000
Total Current Liabilities	$222,492,583	$225,223,940

TABLE 2-22: CURRENT INCOME TAX LIABILITY

	1978	1977	1976	1975
Income taxes	361	341	314	282
Federal income taxes	37	45	45	59
Taxes—type not specified	34	45	50	41
Federal and state income taxes	29	33	33	45
U.S. and foreign income taxes	29	32	31	42
Federal, state, and foreign income taxes	28	26	23	24
Federal and foreign income taxes	21	22	25	40
Other captions	19	16	48	42
	558	560	569	575
No caption for taxes payable	42	40	31	25
Total Companies	**600**	**600**	**600**	**600**

COPPERWELD CORPORATION (DEC)

	1978	1977
	($000)	
Current Liabilities		
Current maturities of long-term debt	$ 1,332	$ 1,332
Notes payable		11,500
Accounts payable	32,210	20,662
Accrued liabilities (Note 3)	44,545	30,723
Total Current Liabilities	$78,087	$64,217

Note 3: Accrued Liabilities—Accrued liabilities at December 31, 1978 and 1977 are summarized below:

	1978	1977
	(In thousands)	
Salaries, wages and vacation pay	$12,460	$ 9,240
Pension trusts	11,028	10,061
Interest	407	391
Federal and state income taxes	9,585	3,371
Other taxes	4,448	3,308
Current portion of phase-down liability	1,554	
Other	5,063	4,352
Total	$44,545	$30,723

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION (DEC)

	1978	1977
	($000)	
Current liabilities:		
Notes payable to banks	$ 19,497	$ 8,812
Current installments of long-term debt	4,520	2,902
Accounts payable	30,385	22,017
Accrued compensation and employee benefits	23,345	13,910
Other accrued liabilities	32,985	26,128
Estimated income taxes payable	25,044	12,736
Total current liabilities	$135,776	$86,505

MARSHALL FIELD & COMPANY (JAN)

	1979	1978
Current Liabilities:		
Notes payable	$ 4,870,000	$ 2,525,000
Accounts payable	40,136,064	31,517,435
Accrued liabilities	46,988,406	37,713,645
Income taxes (note 1d)—		
Current	6,060,524	2,028,353
Deferred	14,418,666	13,428,082
Current maturities of long-term debt and capitalized lease obligations	2,787,196	2,008,547
Total Current Liabilities	$115,260,856	$89,221,062

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 joint venture assets. The provision for income taxes consists of the following (in thousands):

	Fiscal Year 1978	1977
Taxes currently payable—		
Federal	$15,359	$10,504
State	1,534	1,043
Deferred investment tax credit	286	(308)
Deferred taxes (including nominal amounts of state income taxes) arising from—		
Uncollected installment sales	1,746	733
Accelerated depreciation	1,095	1,862
Joint ventures	(1,435)	276
Other	(851)	213
	$17,734	$14,323

The difference between the provision for Federal income taxes and the amount derived by applying the 47.82% and 48.00% statutory Federal income tax rates to pre-tax income in 1978 and 1977, respectively, was not significant. The 1978 rate of 47.82% reflects 48.00% through December 31, 1978 and 46.00% beginning January 1, 1979.

REXNORD INC. (OCT)

	1978	1977
	($000)	
Current Liabilities		
Notes payable	$ 6,161	$ 16,891
Accounts payable	36,071	30,544
Accrued liabilities	51,254	43,917
Federal, state and foreign taxes on income	29,162	21,636
Current maturities of long-term debt	1,549	1,938
	$124,197	$114,926

RELIANCE ELECTRIC COMPANY (OCT)

	1978	1977
	($000)	
Current Liabilities		
Notes payable	$ 4,084	$ 2,304
Trade accounts payable	49,751	45,417
Compensation and employee benefits	38,122	29,149
Other liabilities and accrued items	47,477	37,208
Customer advances	14,593	12,120
Income taxes	13,626	21,121
Current maturities of long-term debt	1,009	1,431
Total Current Liabilities	$168,662	$148,750

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.

TABLE 2-23: CURRENT AMOUNT OF LONG-TERM DEBT

	Number of Companies			
	1978	1977	1976	1975
Current *portion* of long-term debt	196	186	176	145
Current *maturities* of long-term debt	175	180	188	157
Long-term debt *due* or *payable* within one year	82	79	67	89
Current *installment* of long-term debt	51	44	50	60
Current amount of long-term leases	76	29	—	—
Other captions	11	16	27	63

DART INDUSTRIES INC. (DEC)

	1978	1977
Current liabilities:		
Amounts paid after yearend to complete purchase of P.R. Mallory & Co. Inc.	$ 65,680,000	
Accounts payable	107,202,000	$ 73,378,000
Accrued compensation	60,914,000	42,151,000
Other accrued expenses	147,858,000	97,455,000
Short term loans, primarily foreign	19,764,000	13,471,000
Current instalments of obligations under capital leases	1,023,000	981,000
Current instalments of long term debt	9,832,000	8,450,000
Income taxes	72,200,000	38,600,000
Total current liabilities	$484,473,000	$274,486,000

PHELPS DODGE CORPORATION (DEC)

	1978	1977
Current liabilities:		
Short-term borrowings	$ —	$ 44,350,000
Current portion of long-term debt	12,057,000	54,575,000
Accounts payable and accrued expenses	135,057,000	128,743,000
Uranium delivery obligations	29,547,000	9,000,000
Income taxes	23,008,000	21,214,000
Total current liabilities	$199,669,000	$257,882,000

SUNDSTRAND CORPORATION (DEC)

	1978	1977
	(Amounts in thousands)	
Current Liabilities		
Notes payable to banks (unsecured)	$ 29,513	$ 6,874
Long-term debt due within one year	10,059	7,979
Accounts payable	49,324	51,179
Income taxes	18,520	12,018
Contributions to retirement plans	14,054	10,811
Accrued salaries, wages and commissions	14,537	12,718
Other accrued liabilities	20,027	24,118
Total current liabilities	$156,034	$125,697

WALGREEN CO. (AUG)

	1978	1977
	($000)	
Current Liabilities:		
Trade accounts payable	$ 54,826	$49,296
Accrued expenses and other liabilities	43,230	38,233
Income taxes	10,874	7,398
Estimated future liabilities of discontinued operations	4,977	—
Dividends payable	2,165	1,829
Current maturities of obligations under capital leases	1,285	1,205
Current maturities of long-term debt	521	553
Total Current Liabilities	$117,878	$98,514

OTHER CURRENT LIABILITIES

Table 2-24 summarizes other identified current liabilities. The most common types of other current liabilities are 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.

ADDRESSOGRAPH-MULTIGRAPH CORPORATION (JUL)

	1978	1977
	($000)	
Current liabilities:		
Bank loans and current portion of long-term debt	$ 19,857	$ 29,744
Accounts payable	41,312	40,415
Service contract obligations	26,099	23,523
Income taxes	10,791	6,301
Discontinuation and realignment expenses	8,145	16,877
Payroll related expenses	35,702	31,006
Other	28,186	21,429
Total current liabilities	$170,092	$169,295

AMERICAN BILTRITE INC. (DEC)

	1978	1977
Current Liabilities		
Notes payable to banks	$ —	$ 9,008,430
Accounts payable	12,858,299	12,085,775
Accrued expenses	9,371,187	8,179,111
Estimated plant shutdown and product line rearrangement expenses—Note G	869,647	2,727,000
Federal and state income taxes	927,023	980,083
Current portion of long-term debt	3,560,121	3,203,547
Total Current Liabilities .	$27,586,277	$36,183,946

Note G: Plant Shutdown and Rearrangement Expenses—In the fourth quarter of 1977, the Company developed a plan which provided for the shutdown of certain plants, the relocation and rearrangement of other productive facilities and the elimination of various product lines. The total estimated cost associated with this plan was provided in 1977. A summary of the activity during 1978 affecting the accruals for costs to be incurred during the shutdown and rearrangement period is as follows:

	(In Thousands)			
	Original Estimate 12/31/77	1978 (Charges) Proceeds	Credited to Earnings	Estimated 12/31/78
Loss on disposal of inventories and collection of accounts receivable	$1,838	$(1,392)		446
Liability for unfunded vested pension benefits related to plant shut-down	1,100	(92)		1,008
Reduction in the carrying amount of land buildings and equipment to estimated realizable value...........	950	1,264	$(588)	1,626
Other estimated expenses	2,699	(1,979)		720
	$6,587	$(2,199)	$(588)	$3,800

During 1978, costs incurred in the implementation of the plan were charged to the related accruals, and proceeds from the sale of assets were credited to allowances established to record such assets at their estimated realizable value. Proceeds received in excess of amounts originally anticipated which are not required to provide for future anticipated costs ($588,000) were credited to earnings and have been included in interest and other income in the accompanying Consolidated Statements of Operations and Retained Earnings. The Company believes that the remaining amounts are adequate to provide for future charges to be incurred in connection with the plan. The pension liability continues to be funded on an historical basis with the approval of the Pension Benefit Guaranty Corporation. Other estimated expenses include provisions for personnel severance pay, equipment dismantling and relocation expenses and the carrying costs of idle facilities which are being offered for sale.

TABLE 2-24: OTHER CURRENT LIABILITIES

	Number of Companies			
	1978	**1977**	**1976**	**1975**
Dividends payable	108	106	99	109
Taxes not combined with Federal income taxes....	107	103	116	93
Customer advances, deposits	54	54	51	36
Deferred taxes..............	47	51	39	60
Interest	47	43	62	34
Guarantees, warranties, service contract obligations	22	15	17	14
Billings on uncompleted contracts	21	22	21	15
Estimated costs relating to discontinued operations .	19	20	23	21
Due to affiliated companies.	10	15	13	10
Other — Described..........	41	67	71	61

THE CESSNA AIRCRAFT COMPANY (SEP)

	1978	1977
Current liabilities:		
Short-term debt	$ 31,300,000	$ 51,000,000
Accounts payable	33,358,902	29,276,459
Customer deposits	18,200,997	4,931,852
Income taxes.....................	13,942,648	5,114,468
Accrued and other liabilities	60,193,064	50,067,665
Long-term debt due within one year...........................	3,286,608	3,825,478
Total current liabilities	$160,282,219	$144,215,922

DANA CORPORATION (AUG)

	1978	1977
	($000)	
Current Liabilities		
Notes payable	$ 77,328	$ 4,040
Accounts payable	155,526	110,002
Accrued payroll and employee benefits	77,460	57,285
Other accrued liabilities	28,916	14,898
Dividends payable	10,678	8,627
Taxes other than taxes on income	13,492	11,573
Taxes on income	38,127	30,451
Total current liabilities	$401,527	$236,876

DICTAPHONE CORPORATION (DEC)

	1978	1977
Liabilities		
Accounts payable	$13,837,000	$11,536,000
Accrued liabilities	11,977,000	11,416,000
Income taxes payable	3,426,000	688,000
Deferred income taxes	2,228,000	2,426,000
Deferred income	10,525,000	8,972,000
Total current liabilities	$41,993,000	$35,038,000

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Deferred Income—Deferred income relates principally to income from maintenance contracts which is recognized ratably over the period of the contract.

DRESSER INDUSTRIES, INC. (OCT)

	1978	1977
	(Millions)	
Current Liabilities		
Notes payable	$ 42.9	$ 39.2
Accounts payable	199.8	150.3
Advances from customers on contracts	83.4	135.3
Accrued compensation	62.9	57.7
Accrued taxes, interest and other expenses	146.3	141.0
Estimated warranty costs	54.0	38.4
Federal, state and foreign income taxes	50.9	44.8
Current portion of long-term debt	31.0	21.2
Total Current Liabilities	$671.2	$627.9

THE FIRESTONE TIRE & RUBBER COMPANY (OCT)

	1978	1977
	(Millions)	
Current liabilities		
Short-term loans	$ 215.5	$215.6
Accounts payable, principally trade	300.8	283.8
Accrued compensation	141.3	131.5
Domestic and foreign taxes	128.0	179.0
Accrued liability for tire recall (Note 15)	227.2	—
Long-term debt due within one year	14.2	23.6
Other accrued liabilities	128.6	102.0
Total current liabilities	$1,155.6	$935.5

Note 15: Provision for loss on tire recall—On July 7, 1978, the National Highway Traffic Safety Administration (NHTSA) of the U.S. Department of Transportation advised the Company that it had made an initial determination that a defect relating to motor vehicle safety existed in Steel Belted Radial 500 tires and private brands manufactured by the Company with the same internal construction as the Steel Belted Radial 500 tire.

On November 29, 1978, the Company and NHTSA signed a final agreement to conclude NHTSA's investigation of the Company's steel radial tires. The agreement provides, among other things, that the Company recall for free replacement all 5-rib Steel Belted Radial 500 tires (including private brands of the same or similar internal construction) sold new on or after September 1, 1975, and manufactured prior to January 1, 1977, and all 7-rib Steel Belted Radial 500 tires (including private brands of the same or similar internal construction) and TPC tires sold new on or after September 1, 1975 and manufactured prior to May 1, 1976. The agreement also provides that the Company offer to owners of Steel Belted Radial 500 tires, the same or similar private brand tires, and TPC tires purchased prior to September 1, 1975, the opportunity to purchase a Firestone 721 or other comparable Firestone tire at one-half the regular retail price of the replacement tire.

A provision for loss on tire recall of $234.0 million ($147.4 million after income taxes) was charged against income in October, 1978. The provision represents management's estimate of the cost of fulfilling the Company's obligations under the agreement with NHTSA and the Company's program of cash refunds to those customers who have received an adjustment on tires that would otherwise have been subject to recall and free replacement.

In determining the amount of the provision, management estimated the number of recalled tires to be returned, the cost of replacement tires and all other recall related costs. However, because the number of tires to be returned may vary from management's estimate, it is possible that the final cost of the recall may differ from the amount provided in 1978. Any adjustments required would be reflected in income in the future.

The accrued liability for tire recall at October 31, 1978, comprised:

Amount accrued in October, 1978	$234.0
Less amounts charged thereto	6.8
Accrued liability at October 31, 1978	$227.2

FRANKLIN MINT CORPORATION (DEC)

	1978	1977
Current liabilities		
Notes payable	$ 2,731,000	$ 5,401,000
Current maturities of long-term debt	867,000	2,654,000
Book overdrafts	2,787,000	4,441,000
Accounts payable and accrued expenses	31,063,000	27,253,000
Accrued pension and productivity sharing	3,549,000	2,562,000
Income taxes payable	8,434,000	3,210,000
Deferred income taxes	20,770,000	21,713,000
Deferred credits relating to future precious metal requirements	4,113,000	—
Customer advance payments	8,858,000	10,019,000
Total current liabilities	$83,172,000	$77,253,000

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Precious Metal Valuation and Related Product Costing—A 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 its precious metal requirements for its fixed-price sales commitments by purchasing futures contracts. Sufficient contracts are assigned to each sales program to fulfill expected orders. 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. In addition, the company has acquired futures contracts to hedge anticipated orders. The cost of such contracts is assigned to sales programs as orders are received.

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

For certain programs, the company's sales commitment period 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.

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

GULF OIL CORPORATION (DEC)

	1978	1977
	(Millions of Dollars)	
Current liabilities		
Accounts payable	$2,379	$2,416
Notes payable and current long-term debt	205	264
Consumer sales and excise tax payable	148	135
Accrued United States and foreign income taxes	384	469
Other current liabilities	1,124	958
Total current liabilities	$4,240	$4,242

HARSCO CORPORATION (DEC)

	1978	1977
	($000)	
Current liabilities:		
Current maturities of long-term debt	$ 803	$ 1,027
Accounts payable	28,523	19,818
Accrued expenses	36,283	28,850
Advances on long-term contracts	16,256	—
Income taxes	9,490	11,668
Dividend payable	4,351	3,845
Total current liabilities	$95,706	$65,208

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Long-Term Defense Contracts—Defense contracts are accounted for under the unit-of-delivery method, whereby sales and actual production costs are recognized as deliveries are made and accepted. Amounts received on long-term contracts which are subject to possible refund are reflected as current liabilities.

A. C. NIELSEN COMPANY (AUG)

	1978	1977
	($000)	
Current Liabilities:		
Trade accounts payable	$ 6,975	$ 5,069
Drafts payable	7,024	6,956
Loans payable	2,216	2,800
Accrued salaries and wages	4,877	3,316
Accrued retirement and profit sharing	11,535	10,133
United States and foreign income taxes	4,921	6,125
Other accrued expenses	11,535	7,986
Deferred revenue on uncompleted contracts (Note 1)	26,995	21,243
Total current liabilities	$76,078	$63,628

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

Contract Revenue—Many contracts for the Marketing Research Services Group and the Media Research Services Group are billed before the services are complete. Amounts ranging from the last month's billings on most U.S. service contracts to the last two months' billings on most foreign service contracts are deferred from income and recognized as revenue as related costs are incurred. Revenue from most other services is recorded in income when billed.

STONE CONTAINER CORPORATION (DEC)

	1978	1977
	($000)	
Current liabilities:		
Current maturities of long-term debt	$ 996	$ 6,475
Accounts payable	10,812	8,488
Accrued litigation settlement	14,511	—
Income taxes	288	270
Other	8,966	7,113
Total current liabilities	$35,573	$22,346

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Litigation—In January, 1978, the Company and two of its employees were indicted by a Federal grand jury on misdemeanor charges for alleged violations of the Sherman Anti-Trust Act in connection with the sales of corrugated containers. Thirteen other companies and twenty-four individuals were also indicated for similar alleged violations. The Company and both employees entered pleas of nolo contendere, which were accepted by the Court. The Company was fined $50,000.

The Company has also been named as a defendant, along with approximately thirty-four other corporate defendants, in numerous private class and non-class action suits, alleging price fixing violations and claiming unspecified treble damages on behalf of class and non-class container purchasers and class sheet purchasers. In 1978, substantially all of these suits were combined, for pretrial purchases, under rules pertaining to multi-district litigation, under the title "In re Corrugated Container Antitrust Litigation," No. MDL 310.

Notwithstanding the Company's denial of any wrongdoing, the Board of Directors of the Company, on January 29, 1979, subject to certain conditions, approved an agreement to settle the container purchasers' class action suit for $14,511,250. This settlement must be approved by the United States District Court in Houston. The agreement to settle was made by the Company to reduce the expense, diversion of management time, and uncertainties inherent in such complex and protracted litigation. With respect to other actions pending under this litigation, Management, based upon discussions with counsel, believes that the ultimate outcome will not have a material adverse effect upon the Company.

The Company has had well established policies requiring strict compliance by all employees with all laws in the conduct of the Company's business. The Company will continue to emphasize and enforce such policies of lawful and proper conduct. The Company believes this antitrust litigation settlement to be unusual and nonrecurring. Therefore, the amount of such settlement and related costs, reduced by the related tax effect of $5,733,000, has been stated as an extraordinary charge in the consolidated financial statements for 1978. The tax effect pertains to related legal fees and costs and to the portion of the settlement representing legal fees, amounts attributable to years not considered related to the misdemeanor action and one third of amounts attributable to years considered related to the misdemeanor action, as determined by Management and the Company's legal counsel.

XEROX CORPORATION (DEC)

	1978	1977
	(Dollars in millions)	
Current Liabilities		
Notes payable	$ 64.5	$ 109.6
Payments due within one year on long-term debt	49.4	57.5
Accounts payable	243.4	209.4
Salaries, profit sharing and other accruals	589.0	475.1
Income taxes	311.4	232.3
Dividends payable	40.1	31.7
Deferred rentals and subscriptions	41.2	30.0
Total current liabilities	$1,339.0	$1,145.6

LONG TERM DEBT

Table 2-25 summarizes the types of long-term debt most frequently disclosed by the survey companies. Examples of long-term debt presentations and disclosures follow. Examples of long-term lease presentations and disclosures are shown in connection with Table 2-27.

TABLE 2-25: LONG TERM DEBT

	Number of Companies			
	1978	**1977**	**1976**	**1975**
Unsecured				
Notes	459	471	455	460
Debentures	286	283	280	228
Loans	126	122	112	101
Collateralized				
Capitalized leases	411	333	201	173
Mortgages	200	176	196	218
Notes or loans	86	55	79	79
Convertible				
Debentures	171	158	174	203
Notes	23	20	34	37

AKZONA INCORPORATED (DEC)

	1978	1977
	($000)	
Total current liabilities	$126,005	$109,695
Long-term debt	187,612	184,719
Deferred credits:		
Income taxes	68,094	65,877
Investment tax credit	11,977	11,319
Other	2,617	3,040

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Long-term debt—At December 31, 1978 and 1977, long-term debt consisted of:

	1978	1977
Notes payable to banks under revolving credit agreements	$ 15,000,000	$ 18,000,000
7½% debentures due 1983-1997	60,000,000	60,000,000
9¼% notes due 1981-1996	50,000,000	50,000,000
10.24%-10.4% notes due 1983-1984	6,500,000	—
Term notes due 1984	25,000,000	25,000,000
5.65% notes due 1980-1986	7,000,000	8,000,000
5% notes due 1980-1985	4,565,000	5,280,000
8⅜% pollution control bonds	16,774,000	16,130,000
Other	2,773,000	2,309,000
	$187,612,000	$184,719,000

Under the terms of two revolving credit agreements with banks, the Company may borrow up to $60,000,000 with interest at the prevailing prime commercial rate. The average prime rate at December 31, 1978 was 11¾%. Under a $50,000,000 agreement, $13,000,000 was outstanding as of December 31, 1978 ($15,000,000 as of December 31, 1977). The loan is convertible to term notes in October, 1979, which will bear interest at ¼% in excess of the prevailing prime commercial rate during the first two years and ½% in excess during the subsequent three years. The term loans will be payable in semi-annual installment payments of 10% each in years two through four and 20% each in the final year. A commitment fee of ½% per year on the average daily unused portion of the $50,000,000 is payable quarterly prior to conversion. Under a $10,000,000 agreement, convertible to a term loan in 1980, $2,000,000 was outstanding at December 31, 1978 ($3,000,000 as of December 31, 1977). Upon conversion, the term loan will be payable in semi-annual installments over three years, with interest at ½% above the prime rate.

Informal compensating balance agreements exist between the Company and several of the banks participating in the revolving credit agreements. In addition, the Company has informal compensating balance requirements with respect to certain short-term bank borrowings. The agreed amounts of compensating balances generally vary from 10% of the maximum amount which may be borrowed to 20% of the amount borrowed, and, in each case, are considered in terms of average bank balances maintained over a period of time, rather than fixed balances constantly maintained on deposit. Based on borrowings at December 31, 1978, and bank services provided during the year, approximately $11,543,000 (equivalent to $1,827,000 after adjustment for average net float) would be an appropriate level of compensating bank balances under these arrangements. The compensating balance requirements remained relatively stable throughout the year, and impose no restriction upon the Company's withdrawal of funds on deposit.

The $50,000,000 of 9¼% notes are payable $3,000,000 annually commencing in 1981. Up to 25% of the notes may be prepaid without premium commencing in 1981. Subject to restrictions, all of the notes may be prepaid at premiums ranging from 8.22% in 1979 to .51% in 1994.

The term notes due in 1984 bear interest at 8½% until October, 1982, and at 120% of prime, but not to exceed 9%, thereafter.

The pollution control bonds have been issued by the Industrial Development Board of the City of Morristown, Tennessee, in the amount of $17,355,000 (unexpended proceeds are invested by the Trustee and will be made available to the Company as qualified pollution control expenditures are made). The bonds are subject to sinking fund payments in 1991 through 2000 and may be redeemed commencing in 1985 at premiums ranging from 3% in 1985 to ½% in 1991. The Company will make periodic payments sufficient to pay, when due, the principal plus interest at 8⅜%.

The loan agreements contain covenants relating to the maintenance of consolidated working capital, the amount of debt permitted and the payment of cash dividends. At December 31, 1978, approximately $23,928,000 of accumulated income reinvested in the business was available for the payment of cash dividends under the most restrictive agreement.

Long-term debt maturing annually during each of the years 1979 through 1983, assuming conversion of amounts outstanding under the credit agreements, amounts to $2,579,000, $2,538,000, $8,214,000, $8,123,000 and $15,041,000, respectively.

ALLIED CHEMICAL CORPORATION (DEC)

	1978	1977
	($000)	
Total current liabilities	$ 646,831	$ 485,444
Long-term debt	741,008	606,612
Capitalized lease obligations	205,999	222,939
Deferred income	46,386	37,369
Accrued pension obligations	67,549	70,292
Deferred income taxes	247,852	252,197
Total liabilities	$1,955,625	$1,674,853

OTHER FINANCIAL STATEMENT DATA

(Dollars in Thousands)

Long-term Debt

Sinking fund debentures:		
5.20% due November 1, 1991	$104,679	$111,750
7⅞% due September 1, 1996.	84,749	90,000
9% due April 1, 2000	75,000	75,000
6.60% due August 1, 1993	74,336	80,000
8⅜% Notes due April 1, 1983	75,000	75,000
	413,764	431,750
Environmental improvement revenue bond and note obligations, 4%-8%	120,532	54,166
Eurodollar loans, 10.1875%-12%(a)	98,750	—
Notes payable (commercial paper), 6.48%-11.125%	89,655	100,700
Other long-term debt, 3.5%-11.125%	20,304	21,457
	743,005	608,073
Less—Unamortized discount	(1,997)	(1,461)
	$741,008	$606,612

(a)See Note 4 of Notes to Financial Statements for further details.

Capitalized Lease Obligations

Capital leases, 3.156%-15.49%, maturing at various dates through 1993	$ 78,214	$ 88,064
Environmental improvement revenue bonds, 4.7%-8.0%, maturing at various dates through 2002	64,160	66,110
Industrial revenue bonds, 4.125%-7.2%, maturing at various dates through 1993	63,625	68,765
	$205,999	$222,939

Principal Payments on Long-term Debt and Capitalized Lease Obligations

The schedule of principal payments on long-term debt and capitalized lease obligations at December 31, 1978, is as follows:

	Long-term Debt			
	Debentures and Notes(1)	Environment Improvement Obligations	Eurodollar and Other	Capitalized Lease Obligations
1979	$ —	$ 384	$ 21,371	$ 17,403
1980	14,014	334	16,222	18,512
1981	16,000	1,824	18,269	16,769
1982	16,750	1,094	21,035	16,383
1983	91,750	1,799	23,080	14,472
Thereafter	275,250	115,481	40,448	139,863
	413,764	120,916	140,425	223,402
Less—				
Current portion	—	(384)	(21,371)	(17,403)
	$413,764	$120,532	$119,054	$205,999

(1)The Company has generally repurchased its debentures to cover sinking fund requirements. Amounts are net of debentures repurchased.

Note 4: Long-term Debt and Credit Agreement—Effective December 15, 1978, the Company increased the maximum amount it may borrow under its 1977 credit agreement, with eight banks, from $250 million to $375 million. The amount borrowed from time to time on 90-day revolving credit notes would be subject to interest at the prime commercial lending rate of each bank. The agreement, which terminates on December 15, 1985, provides that on December 15, 1982, the maximum amount available to the Company reduces to $281.3 million and further reduces on December 15, 1983, to $187.5 million and on December 15, 1984, to $93.8 million. The agreement allows the Company, or its subsidiaries with its guarantee, to borrow either in U.S. dollars or in Euro currencies. A commitment fee of 1/2 of 1% per annum is payable on the daily average unused portion of each bank's commitment. The Company and its subsidiaries have not borrowed under the credit agreement.

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 or any other bank lines of credit or bank commitments.

In connection with the borrowing arrangement, the Company has informal understandings with each of the banks to maintain average compensating balances during the year which are not legally restricted as to withdrawal, and which may vary during the life of the agreement. Such balances are satisfied by balances maintained for normal business operations.

At December 31, 1978, the Company has outstanding $89.7 million of commercial paper which it intends to refinance or rollover on a long-term basis.

In 1978, the Company concluded a $125 million limited recourse Eurodollar financing with a group of international banks. The Company's obligation to repay the loans is limited by the amount of certain revenues to be received by its wholly-owned subsidiary, Union Texas Far East Corporation, from its interest in the sale of liquefied natural gas and crude oil from the Badak Field, East Kalimantan, Indonesia. The interest rates on the loans are 1⅛ percent over the floating three-month London interbank offer rate (LIBOR) through October, 1980 and 1¼ percent over the three-month LIBOR thereafter. The revenues from the Badak Field are expected to permit full repayment of the loans within approximately six and one-half years. At December 31, 1978, $117.5 million was outstanding.

CELANESE CORPORATION (DEC)

	1974	1975	1976	1977	1978
			(millions)		
Deferred income taxes	$ 88	$ 77	$ 86	$ 73	$ 68
Long-term debt	471	470	478	537	552
Minority interest in consolidated subsidiaries	146	150	137	145	157
Deferred investment tax credits	29	34	39	47	—

NOTES

Note N: Long-term debt and related restrictions

Due		1974	1975	1976	1977	1978
	Celanese Corporation					
4/80	5¾% notes	$ 29	$ 25	$ 22	$ 18	$ 14
—	Revolving credit notes	55	100	—	—	—
12/87	6¾% notes	23	22	20	18	16
4/90	4¾% notes	57	54	51	48	45
4/90	4% convertible subordinated debentures	71	64	59	56	56
11/96	9¼% notes	—	—	140	150	150
9/97	8.45% notes	—	—	—	50	100
1983-07	5⅝% to 8% pollution control obligations	1	9	8	24	24
—	Other	22	2	1	3	2
	Total Celanese Corporation	258	276	301	367	407
	U.S. Subsidiaries					
	Fiber Industries, Inc.—					
8/84	5% and 5¼% first mortgage bonds	68	59	51	42	35
12/87	9.1% first mortgage bonds	54	51	48	45	42
—	Other	18	15	13	10	7
	Total U.S. subsidiaries	140	125	112	97	84
	Non-U.S. Subsidiaries					
	Celanese Canada Inc. (consolidated)—					
3/80	7% debentures, Series A(a)	6	4	3	2	1
11/85	5⅝% debentures, Series B	24	21	20	17	16
2/86	6½% debentures, Series C(a)	12	11	10	9	7
12/86	7½% mortgage bonds, Series A(a)	11	10	10	9	8
	Celanese do Brasil-Fibras Quimicas Ltda.—					
10/82	Floating rate Eurodollar notes	—	—	—	18	14
1980-83	6% and floating rate notes	2	3	11	5	3
—	Other(a)	18	20	11	13	12
	Total non-U.S. subsidiaries	73	69	65	73	61
	Total	$471	$470	$478	$537	$552

(a)Payable in the currency of the country where issued.

Substantially all long-term debt matures serially. The maturities and sinking fund requirements for the next five years are as follows:

1979	1980	1981	1982	1983
$ 32	$ 50	$ 35	$ 43	$ 40

At December 31, 1978, the Corporation had guaranteed certain indebtedness of subsidiaries, including the current portion, in the amount of $28 million, of which $20 million is Brazilian dollar debt. The Corporation has $150 million in Term Loan Agreements with certain major banks available through 1980 which, if utilized, will mature in 1982. In addition, $100 million in Revolving Credit Term Loan Agreements with several major banks are available through mid-year 1980 (or in certain events, mid-year 1981) which, if utilized, will mature in 1985.

Fiber Industries, Inc., has a $25 million Revolving Credit Term Loan Agreement with several major banks available through the third quarter 1981 which, if utilized, will mature in 1985. At December 31, 1978, the Corporation and its subsidiaries had additional unused financing facilities of $79 million, primarily short-term.

The Corporation's debt instruments include various covenants that require maintenance of working capital and limit creation of funded debt and payment of dividends. Under the most restrictive of these covenants at December 31, 1978: the Corporation's consolidated working capital exceeded the required minimum of $160 million by $271 million; and up to $232 million for dividend payments, or other restricted payments with respect to the common stock, other than dividends in the stock of the Corporation, was not restricted. Also, additional funded debt may not be created unless immediately thereafter consolidated net tangible assets are at least twice consolidated funded debt, as those terms are defined in the debt instruments.

THE CESSNA AIRCRAFT COMPANY (SEP)

	1978	1977
Long-term debt due after one year (Note 5):		
5.95% notes payable	$ 8,500,000	$ 9,650,000
7% notes payable	—	437,500
9.5% notes payable	26,000,000	26,000,000
6.5% real estate mortgage note payable	850,000	1,062,500
Other notes payable	4,000,000	3,597,284
3.875% convertible subordinated debentures	845,000	4,274,000
Capitalized lease obligations	4,594,025	5,680,000
	$44,789,025	$50,701,284

Note 5: Long-term debt—Long term notes and debentures are payable as follows: 5.95% notes, $1,150,000 annually with final maturity in 1986; 7% notes, $218,750 semiannually with final maturity in 1979; 9.5% notes, $1,625,000 annually beginning October 1979 with final maturity in 1994; 6.5% real estate mortgage note, $106,250 semiannually with final maturity in 1983; other notes, $3,100,000 in 1982 and $100,000 in 1983; 3.875% convertible subordinated debentures, due in 1992. Prepayments may be made, with or without premiums, as specified in the debt agreements, and future conversions of the debentures may be used to reduce such debt.

The 3.875% convertible subordinated debentures are convertible at any time into common stock at $25.70 per share. Therefore, 32,880 shares of common stock are reserved at September 30, 1978 for the conversion privilege on outstanding debentures. During 1978 and 1977 the conversion of $3,429,000 and $7,214,000 of debentures resulted in the issuance of 133,390 and 280,687 shares of common stock, respectively.

Certain Kansas municipalities have issued Industrial Revenue Bonds at interest rates ranging from 4.5% to 7% with maturities extending to 1986 to provide funds to acquire leased plant facilities, which facilities are accounted for as purchases. Annual rentals of $1,352,000 are required for retirement of bonds and interest. Expected bond retirements for the next year of $1,055,000 are included in current liabilities.

The various debt agreements contain certain restrictions on working capital, purchase of Cessna's stock and payment of cash dividends. Under the most restrictive of these provisions, $56,000,000 of earnings reinvested in business were restricted at September 30, 1978.

Long-term debt maturing within each of the five years subsequent to September 30, 1978 is as follows: 1979—$3,286,608; 1980—$4,092,500; 1981—$4,142,525; 1982—$6,572,500; and 1983—$3,487,500.

CYCLOPS CORPORATION (DEC)

	1978	1977
	($000)	
Total current liabilities	$128,552	$107,256
Long-term debt (Note 4)	40,078	39,621
Deferred income taxes	16,511	14,751
Excess of vested pension benefits over pension fund assets	19,446	20,008
Total	$204,587	$181,636

Note 4 (in part): Long Term Debt

	December 31, 1978	1977
	(Dollars in Thousands)	
Payable to insurance companies:		
6⅝% Notes, payable through 1981	$ 9,300	$12,400
5⅝% Notes, payable through 1981	7,000	8,500
8½% Subordinated notes, payable through 1984 (less unamortized discount based on imputed interest rate of 13%—1978 $332,000—1977, $441,000)	7,900	9,012
5½% Notes, payable through 1984 (less unamortized discount based on imputed interest rate of 10%—1978 $213,000—1977, $283,000)	4,355	4,964
5¼% Notes, payable through 1978	—	500
Payable to banks:		
Prime plus ¾% notes, paid in full in 1978	—	521
Revolving credit agreement (see Note 3):		
Prime plus ¼%, payable 1981 through 1985	7,200	—
Payable to others:		
6⅞% Environmental and Industrial Development Bonds, payable 1988 through 1997	8,000	8,000
6% Mortgage, payable through 1986	1,332	1,398
Other mortgaged debt, payable through 2000	1,634	1,900
	46,721	47,195
Less—Amounts payable in one year	6,643	7,574
	$40,078	$39,621

The aggregate annual principal payments for the five years subsequent to December 31, 1978 are: 1979—$6,643,000, 1980—$6,653,000, 1981—$9,927,000, 1982—$3,603,000, 1983—$3,616,000.

The loan agreements contain, among other things, provisions regarding maintenance of working capital and payment of cash dividends. Working capital at December 31, 1978 and 1977 was substantially in excess of the minimum requirement and the amount of retained earnings available for payment of cash dividends under the most restrictive convenant at each date was $13,638,000 and $24,631,000, respectively.

FMC CORPORATION (DEC)

	1978	1977
	($000)	
Long-term debt, less current portion (Note 7)	$447,864	$466,831
Deferred taxes	65,075	50,486
Minority interests in subsidiaries	5,866	10,592

Note 7: Long-term debt—Long-term debt consisted of the following at December 31, 1978 and 1977:

	1978	1977
	(dollars in thousands)	
Sinking fund debentures:		
3.80%, due 1981	$ 11,017	$ 12,710
3⅛%, convertible subordinated, due 1981	934	1,095
4¼%, convertible subordinated, due 1992	83,620	83,620
4⅞%, convertible subordinated, due 1987	2,990	3,152
7½%, due 2001	65,808	65,808
9½%, due 2000, less unamortized discount (1978, $843,000; 1977, $883,000), effective rate 9.6%	99,157	99,117
Note payable to bonk, fluctuating interest rate (an average of 11.3% paid during 1978 and 8.1% paid during 1977; 8% maximum over full term under certain conditions), due 1980 to 1982	60,000	60,000
Swiss bonds, 6½% (80,000,000 Swiss francs)	—	40,256
Pollution control and industrial development obligations 5.7% to 7⅞%, due 1981 to 2007	92,485	89,255
Foreign and other, maturing through 1986	34,309	12,677
Total	450,320	467,690
Less—current portion	2,456	859
Long-term portion	$447,864	$466,831

Aggregate maturities and sinking fund requirements, 1980 to 1983, are as follows: 1980—$28,049,000; 1981—$34,602,000; 1982—$42,779,000; and 1983—$13,209,000.

The convertible debentures may be converted into common stock at the rate of one common share for each $25.00 principal amount of the 3⅛% debentures, $41.50 principal amount of the 4¼% debentures and $31.10 principal amount of the 4⅞% debentures. Conversions under these issues, which satisfy sinking fund requirements, were made into 6,440 shares of common stock in 1978 (5,104 shares in 1977). As of December 31, 1978, sinking fund requirements for 1979 were satisfied for all debentures by payments and conversions.

During 1978, the company incurred a loss on the 6½% Swiss bonds as a result of the appreciation of the Swiss franc against the U.S. dollar. The effect on earnings of this loss was partially offset by a gain on investments in short-term Swiss franc denominated securities. The net loss before tax was $5,214,000. In December 1978, FMC entered into an agreement whereby the principal, interest and prepayment obligations of the Swiss bonds were assumed by a third party. This early retirement of debt resulted in an additional cost before tax of $4,686,000. In the event of default, FMC is liable for payment of the obligations. These matters reduced 1978 net income by $4,851,000 or $0.15 per share.

During 1977, the company purchased $28,690,000 principal amount of its debentures which resulted in a gain of $4,512,000. Also in 1977 the company incurred an unrealized translation loss of $7,536,000 on the 6½% Swiss bonds as a result of currency fluctuations. These two matters reduced 1977 net income by $1,482,000 or $0.05 per share.

LESLIE FAY INC (APR)

	1978	1977
Total current liabilities	$28,022,000	$20,759,000
Long-term debt—Note 4	10,891,000	12,102,000

Note 4—Long-Term Debt

	1978	1977
8⅞% senior notes—net of unamortized discount of $32,000 and $38,000; effective interest rate 8.9%(a)	$ 8,183,000	$ 8,891,000
8.24% subordinated notes—net of unamortized discount of $135,000 and $161,000; effective interest rate of 9.4%(b)	1,919,000	2,071,000
2%—8½% mortgage notes(c)	1,999,000	2,326,000
	12,101,000	13,288,000
Current maturities	1,210,000	1,186,000
	$10,891,000	$12,102,000

(a)The notes mature in March 1989 and require semi-annual sinking fund payments of $357,000 through September 1988.

(b)The notes mature in March 1989 and are subordinated to all indebtedness for monies borrowed. Semi-annual sinking fund payments of $89,250 are required through September 1988. Discount represents the unamortized portion of the value assigned to common stock purchase warrants (Note 5(b)) issued in conjunction with the notes.

(c)Mortgage notes are due in varying installments through 2002 and are collateralized by property, plant and equipment with a remaining undepreciated cost of approximately $4,039,000 at April 30, 1978.

Under the provisions of its debt agreement with institutional lenders, the Company is required to maintain minimum consolidated working capital and a current asset ratio as defined. Additionally, dividends, funded debt, rentals and other items are restricted. At April 30, 1978, consolidated working capital exceeded requirements by $19,825,000 and approximately $5,334,000 of retained earnings were available for cash dividends and restricted expenditures.

Long-term debt maturities during the next five years are tabulated as follows:

Years Ending April 30,	Amount
1979	$1,210,000
1980	1,203,000
1981	1,126,000
1982	1,145,000
1983	1,056,000

MOTOROLA, INC. (DEC)

	1978	1977
	($000)	
Long-Term Debt	$198,091	$200,279
Other Noncurrent Liabilities	57,866	46,543

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4: Long-Term Debt—Long-term debt at December 31 consisted of the following:

(Dollars in thousands)	1978	1977
Debt outside the United States:		
4½% convertible guaranteed debentures due July 1, 1983	$ 5,583	$ 6,908
8% guaranteed sinking fund debentures due March 1, 1987	—	200
Notes payable (generally at prevailing prime rates) due in installments to 1991	22,924	18,341
Notes supported by revolving credit commitments from banks	14,632	—
Debt in the United States:		
Commercial paper supported by revolving credit commitments from banks	41,368	56,000
4¾% debentures due April 1, 1986 (net of debentures held by the company for sinking fund payments, $4,739 at December 31, 1978; $2,480 at December 31, 1977)	15,261	19,020
8% sinking fund debentures due October 1, 2007	99,713	99,702
Capitalized lease obligations, due in installments at various maturity dates through 1987 at interest rates of 7½% to 8½%	3,071	3,890
	202,552	204,061
Less current maturities, included in current liabilities	4,461	3,782
Net long-term debt	$198,091	$200,279

The 4½% convertible guaranteed debentures (issued by Motorola International Development Corporation) are convertible into common stock of Motorola, Inc., at the rate of 25.2 shares for each one thousand dollar principal amount, subject to adjustment in certain events, and are guaranteed as to the payment of principal and interest by Motorola, Inc. The debentures are redeemable at various dates at redemption prices reducing from 101% to 100% of the principal amount thereof. For the year ended December 31, 1978, $1,325 thousand in debentures ($108 thousand for the year ended December 31, 1977) were converted into 33,386 shares (2,720 in 1977). At December 31, 1978, there were 140,784 shares (174,170 at December 31, 1977) of Motorola, Inc., common stock reserved for issuance upon conversion of these debentures.

The 8% sinking fund debentures due October 1, 2007, are redeemable at various dates at redemption prices reducing from 107.4% to 100% of the principal amount thereof. Annual sinking fund payments are required beginning October 1, 1988, in installments of $5 million sufficient to retire 95% of the issue prior to maturity. The net proceeds from the sale of the debentures were used to reduce outstanding domestic commercial paper and redeem the 8% guaranteed sinking fund debentures (issued by Motorola International Capital Corporation) due March 1, 1987.

Under the terms of the revolving credit agreement, which were amended in 1978, the full amount of the agreement ($56 million) extends through December 31, 1981, with $7 million in equal semi-annual reductions thereafter. Any borrowings through June 30, 1981, will be at the prevailing prime commercial rate of interest, for the next two years at the prevailing prime commercial rate of interest plus ¼% and for the last two years at the prevailing prime commercial rate of interest plus ½%. It is the intention of the company to maintain the availability of the revolving credit agreement during 1979, and therefore the debt, both domestic and foreign, is classified as long-term. Domestic debt refers to outstanding commercial paper, whereas foreign debt refers to short-term borrowings undertaken for interest arbitrage or exposure management considerations, the repayment of which is not subject to domestic or foreign exchange control limitations.

The revolving credit agreement restricts retained earnings available for payment of cash dividends. At December 31, 1978, approximately $329 million ($237 million at December 31, 1977) of retained earnings were not restricted for dividend payments. The revolving credit agreement also requires the company to maintain a ratio of consolidated current assets to consolidated current liabilities at not less than 1.75:1.00 and consolidated net working capital (as defined) of not less than $225 million.

The aggregate maturities and sinking fund requirements for long-term debt during the next five years are as follows:

1979	1980	1981	1982	1983
$4,461	$4,402	$3,894	$18,631	$23,584

In 1982 and 1983 maturities and sinking fund requirements include $14 million of commercial paper and foreign notes payable supported by revolving credit commitments.

PHILIP MORRIS INCORPORATED (DEC)

	1978	1977
Total current liabilities	$1,171,667,000	$ 805,153,000
Long-term debt	2,146,968,000	1,426,619,000
Deferred income taxes	149,952,000	104,429,000
Other liabilities	24,918,000	21,772,000
Total liabilities	$3,483,505,000	$2,357,973.000

NOTES TO FINANCIAL STATEMENTS

Long-Term Debt	1978	1977
Outstanding at December 31, exclusive of amounts due within one year:		
Short-term notes (see below)	$ 550,000,000	$ 500,000,000
Notes, interest principally from 8¼% to 8.85%, payable from 1982 to 1998	689,400,000	342,000,000
Bank term loan agreements, interest from 7⅞% to 8½% through April, 1985, and at a fluctuating rate thereafter, payable from 1980 through 1988	360,000,000	200,000,000
Sinking Fund debentures, interest from 6⅝% to 9⅛%, payable from 1979 to 2004	369,121,000	227,100,000
Purchase money obligations, interest principally from 6% to 7%, payable through 2008	114,461,000	62,306,000
Other	63,986,000	95,213,000
	$2,146,986,000	$1,426,619,000

The Company has entered into a $300,000,000 revolving credit and term loan agreement, maturing in 1981, and a $250,000,000 Eurodollar revolving credit agreement maturing in 1982, both of which can be used to refinance short-term notes payable. Management intends to exercise its rights under these agreements in the event that it becomes advisable. Accordingly, at December 31, 1978, $550,000,000 of short-term notes payable have been classified as long-term debt in accordance with Financial Accounting Standards Board Statement No. 6.

Generally, long-term debt is callable, at annually decreasing premiums.

Expenses incurred in securing long-term loans are included in other assets and are being amortized on the straight-line method over the respective lives of the issues giving rise thereto.

Aggregate maturities of long-term debt in each of the following years are: 1979, $13,866,000; 1980, $158,610,000; 1981, $343,846,000; 1982, $326,067,000; 1983, $14,698,000; 1984-1988, $715,753,000 and 1989-1993, $222,449,000.

SPERRY RAND CORPORATION (MAR)

	1978	1977
	($000)	
Long-Term Liabilities (Note 6)	$524,217	$539,695

Note 6: Long-Term Liabilities

	March 31 1978	1977
Payable in U.S. dollars		
6% Convertible subordinated debentures, due 12/15/2000 (convertible into common stock of the Corporation at $41.75 per share) $7,500 payable annually beginning 12/15/86	$150,000	$150,000
8.20% Sinking fund debentures, due 6/1/96 ($5,000 payable annually beginning 6/1/78; at March 31, 1978, $5,000 principal amount had been purchased and applied toward such payment)	95,000	100,000
4¼% Convertible subordinated debentures, due 2/15/88 (convertible into common stock of the Corporation at $51.50 per share)	60,000	60,000
5½% Sinking fund debentures, due 9/1/82 ($4,500 payable annually; at March 31, 1978, $4,919 principal amount had been purchased and applied toward future sinking fund payments)	37,581	41,806
Other, due 1980-2000, weighted average interest rate of 9.1% at March 31, 1978	21,164	21,338
Payable in other currencies (weighted average interest rates at March 31, 1978 in parentheses)		
Swiss francs, due 1983-1989 (6.2%)	91,381	64,973
Dutch guilders, due 1980-1993 (6.4%)	7,375	12,346
Belgian francs, due 1980-1984 (9.3%)	23,411	20,736
French francs, due 1980-1982 (10.2%)	17,657	16,088
British pounds, due 1980 (8.0%)	9,321	38,709
Other currencies, due 1980-1991 (13.2%)	11,327	13,699
Total	$524,217	$539,695

The aggregate amount of maturities and sinking fund requirements of all long-term debt during each of the five years following March 31, 1978 are: 1979, $6,754; 1980, $57,291; 1981, $17,040; 1982, $20,477; 1983, $31,312. Long-term debt includes approximately $25,000 covered by revolving credit agreements which the Company can and intends to extend beyond March 31, 1979. At March 31, 1978, the Company has unused credit lines for long-term borrowings of $105,000 providing for interest generally above prime rates and commitment fees of ¼ to ½ of 1% of the unused lines.

UNITED FOODS, INC. (FEB)

Total Current Liabilities	$24,457,898	$16,629,586
Long-Term Debt, less current maturities (Notes 4 and 6)	26,005,716	18,449,566
Deferred Income Taxes	1,439,782	1,384,393
Total Liabilities	$51,903,396	$36,463,545

Note 4: Long-Term Debt—Long-term debt consisted of the following:

	February 28, 1978	1977
Notes and contracts:		
Revolving credit notes to bank collateralized by trade receivables and inventories, borrowing limit $8,600,000, due to 1980 with interest at 115% of the bank's moving prime rate in effect from time to time or moving prime rate plus 1½% (currently from 9¹/₅ to 9½%)	$ 8,040,000	$ 800,000
5½ to 6¼% first mortgage revenue bonds due to 1988	8,707,000	9,410,000
6 to 10% mortgage notes due to 1989	6,901,390	7,350,285
Unsecured notes due to 1981 with interest at 8½% and up to 1¼% above prime rate	252,000	442,838
Purchase obligations, due to 1993, payable in installments with interest up to approximately 15%	662,907	923,297
Deferred compensation contracts with interest to 7%	484,635	459,099
Unsecured note due to 1981, payable in installments with interest at 1½% above prime (currently 9½%)	2,125,000	—
Total notes and contracts	27,172,932	19,385,519
Convertible subordinated notes:		
6% notes due to 1982	120,000	240,000
6½% notes due to 1983	384,000	509,000
Total convertible subordinated notes	504,000	749,000
	27,676,932	20,134,519
Less current maturities	1,671,216	1,684,953
Totals	$26,005,716	$18,449,566

Principal payments required to be made for the next five years ending February 28 or 29 are summarized as follows:

1979	$ 1,671,216
1980	9,094,537
1981	3,272,898
1982	1,230,065
1983	1,308,402
After 1983	11,099,814
Total	$27,676,932

On October 1, 1976, the company and a subsidiary entered into a revolving credit agreement with a commercial bank for a borrowing limit of $8,000,000 which expires March 31, 1979. In December, 1977, the borrowing limit was raised to $9,000,000, but was subsequently reduced to $8,000,000 on February 27, 1978. Interest is charged at 115% of the prime rate, with a minimum rate of prime plus 1%. In addition, a commitment fee of ½ of 1% per year is payable on the unused portion of the commitment. At February 28, 1978 and 1977, there was $7,500,000 and $800,000 outstanding under this agreement, respectively.

On August 11, 1977, a subsidiary of the company entered into a revolving credit agreement with a commercial bank for a borrowing limit of $600,000 which expires August 1, 1980. Interest is charged at the bank's prime rate plus 1½%. In addition, a commitment fee of ½ of 1% per year is payable on the unused portion of the commitment. Borrowings under this commitment are guaranteed by the company. Furthermore, the company has pledged the stock of this wholly-owned subsidiary as additional collateral for borrowings under this agreement. At February 28, 1978, there was $540,000 outstanding under this agreement.

The terms of various notes include certain negative covenants which provide, among other things, restrictions relating to the maintenance of minimum levels of working capital and equity, payment of dividends and the incurrence of additional indebtedness. As of February 29, 1978, under the most restrictive of these provisions, the amount of retained earnings free from such restrictions was approximately $3,300,000.

Substantially all of the property and equipment of the company and its subsidiaries are pledged as collateral for first mortgage notes and other indebtedness.

First mortgage revenue bonds relate to the financing of cold storage processing facilities leased from two industrial development boards. The payments to be made by the company are in amounts equal to the principal and interest payments on the bonds through 1988. The bonds mature serially in progressive annual amounts ranging from $698,000 in 1977 to $1,098,000 in 1988. These transactions are being treated as though the facilities are constructed and owned by the company.

A subsidiary of the company is required to make monthly payments into a trusteed bond retirement fund in an amount equal to ¹/₆ of the next semi-annual installment of interest with respect to the then outstanding bonds and ¹/₁₂ of the next annual installment of principal due October 1. These funds aggregated $184,106 and $233,016 at February 28, 1978 and 1977, respectively.

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.

AMERICAN HOSPITAL SUPPLY CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note C: Cash and Short-term Borrowings—American had confirmed lines of credit from line banks amounting to $113.5 million at December 31, 1978, of which $15.3 million were in use at that date. These lines are in amounts requested and not necessarily the maximum that could be obtained. It is American's policy to maintain unused lines which are no less than the outstanding commercial paper.

Lines of credit from United States banks amount to $73 million of the total lines. American has agreed to maintain average collected balances amounting to 10 percent of most domestic lines when not in use and an additional 10 percent when in use. Although American has agreed to maintain such average collected balances during the year, these balances are not restricted and may be drawn down for daily operations as needed. Balances maintained in domestic line banks compensate those banks for services performed as well as for the lines of credit. Approximately $7.3 million in collected balances are required to support the lines of credit at December 31, 1978. Banks outside the United States are generally compensated for services with fees rather than balances and no charges or fees are being paid for lines with these banks.

Short-term borrowings at December 31, 1978 consist of bank loans and commercial paper generally with maturities of not more than 90 days with a weighted average interest rate of approximately 10.1 percent. Average aggregate short-term borrowings for the twelve months ended December 31, 1978 were $35.8 million with a weighted average interest rate of 8.9 percent computed using month-end borrowing levels and rates. The highest level of short-term borrowings at any month-end in 1978 was $61.9 million in December 31.

AMERICAN MAIZE-PRODUCTS COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 4 (in part): Long-Term Debt—The Company's revolving credit and term loan agreement with banks, which permits indebtedness up to $12,000,000, was not drawn upon as of December 31, 1978. This arrangement provides for a revolving credit loan, convertible at March 31, 1980 into a four-year term loan not to exceed $12,000,000, payable in 16 quarterly installments. Interest is initially set at the prime rate, escalating to prime plus ¼ of 1% effective April 1, 1979 and to prime plus ½ of 1% effective April 1, 1981. The agreement provides for the payment of a commitment fee of ½ of 1% on the unused portion of the credit during the revolving credit period and can be cancelled by the Company at any time. The Company also has open lines of credit with banks aggregating $3,500,000.

On both the revolving credit and term loan and open lines of credit, the Company is expected to maintain compensating balances equal to 10% of the commitment and an additional 10% of the actual borrowings.

TABLE 2-26: CREDIT AGREEMENTS

	1978	1977	1976	1975
Type of Agreement				
Revolving credit	151	127	157	198
Other	392	386	287	277
Total Disclosures	**543**	**513**	**444**	**475**
Number of Companies				
Disclosing credit agreement	422	418	382	385
Not disclosing such agreement	178	182	218	215
Total Companies	**600**	**600**	**600**	**600**
Compensating Balances	273	272	259	274

AMERICAN MOTORS CORPORATION (SEP)

NOTES TO FINANCIAL STATEMENTS

Note D: Short-term Bank Borrowings—American Motors Corporation has $25,625,000 outstanding at September 30, 1978, pursuant to three revolving credit agreements. In 1978, the weighted average interest rate, which varies for each of the borrowings, was 8.7%. In connection with these borrowings and the $21,500,000 term loan (Note E), capital stock of certain subsidiaries, intercompany receivables and a mortgage on a manufacturing facility (with a net carrying value of approximately $98,300,000) have been provided as collateral. A mortgage on another manufacturing facility (with a net carrying value of approximately $7,600,000) provides additional collateral to the lenders under two of these agreements. The agreements contain covenants principally relating to levels of working capital, consolidated debt and guarantees, net worth and the prohibition of cash dividends.

AM General Corporation, a wholly owned subsidiary, has $42,400,000 outstanding at September 30, 1978, under a revolving credit agreement providing for maximum borrowings of $51,630,000. A commitment fee of ½ of 1% is paid on the undrawn portion of the credit. During 1978, the weighted average interest rate was 9.4%. AM General has pledged certain assets as security and has agreed to maintain specified levels of working capital and net worth. American Motors Corporation has guaranteed this borrowing.

These credit agreements expire January 31, 1979, and management expects the outstanding credits will be renewed.

Other miscellaneous short-term borrowings at September 30, 1978 were $1,400,000.

AMPEX CORPORATION (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Long-Term Debt (in part)—At April 29, 1978 borrowings under the ten-year, unsecured Term Loan Agreement were $30,000,000. The term loan is participated in by bank lenders and an insurance company and bears interest at 9 percent; principal repayment in equal quarterly installments begins June 30, 1978. The Company is required to maintain agreed upon minimum working capital and net worth balances and cannot exceed a stated ratio of liabilities to net worth, as defined in the Agreement.

Under a three-year, unsecured Revolving Credit Agreement the Company may borrow up to $25,000,000 from participating banks at the equivalent of the prime interest rate plus normal compensating balances (109 percent of prime plus compensating balances of 10 percent of the total commitments). The Company also pays a commitment fee of 0.5 percent on the unused portion of the credit line. The Agreement contains covenants similar to those in the Term Loan Agreement. No borrowings have been made under the Agreement.

Term loan borrowings at April 30, 1977 were made under the 1972 Credit and Security Agreement which was replaced by the above mentioned Term Loan Agreement effective June 1, 1977.

ANHEUSER-BUSCH, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Credit Agreement—In October 1978, the company entered into a $150,000,000 credit agreement with a group of banks. From inception to September 30, 1983, this agreement operates as a revolving credit facility. At October 1, 1983, the commitment of funds will be automatically reduced to an amount equal to the aggregate unpaid principal amount outstanding September 30, 1983, with those outstanding borrowings to be repaid over a five-year period.

The agreement provides for either domestic or Euro-Dollar borrowings. Interest on domestic borrowings will be at a fluctuating rate per annum equal to the prime rate for the first five years of the agreement, 108% of prime for the next three years and 110% of prime for the last two years. Interest on Euro-Dollar borrowings will be at a rate per annum equal to the Euro-Dollar Basic Rate (London interbank market rate) plus ½ of 1% for the first five years, 108% of the sum of the Euro-Dollar Basic Rate plus ½ of 1% for the next three years and 110% of the sum of the Euro-Dollar Basic Rate plus ½ of 1% for the last two years.

The company has agreed to pay a commitment fee of ½ of 1% per annum on the average unused portion of the commitment and a financing fee on the aggregate amount of the commitment at a rate per annum equal to 7% multiplied by the prime rate. Total fees paid amounted to $439,000 during 1978. No funds were borrowed from the banks in 1978.

DAN RIVER INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Compensating Balances—Informal lines of credit agreements with several banks require the Company to maintain average cash compensating balances principally equal to 20% of the average outstanding short-term bank loans or 10% of the amount of the credit line, whichever is higher. The agreements require interest on the loans at the prime rate and are subject to review from time to time and can be terminated at the option of either party.

In 1978 the average compensating balance required to be maintained amounted to $4,354,000 and the amount required at December 30, 1978 was $4,008,000 after adjustment for estimated average float. The average amount of outstanding loans amounted to $9,461,000 and the maximum amount outstanding at the end of any month was $16,631,000. The unused available borrowings under the lines of credit agreements amounted to $58,150,000 at December 30, 1978. The weighted average interest rate on the short-term bank loans during the year amounted to 8.59%.

CHAMPION INTERNATIONAL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 5: Notes Payable and Lines of Credit—The following summarizes short-term borrowing activity and lines of credit for 1978 and 1977:

in thousands of dollars	1978	1977
Notes payable at December 31	$ 2,178	$ 3,607
Commercial paper at December 31	13,999	18,193
Total short-term borrowings	$ 16,177	$ 21,800
Average interest rate at December 31	10.3%	8.0%
Average amount of short-term borrowings outstanding for the year	$ 22,000	$ 29,000
Average interest rate for the year.	8.8%	8.4%
Maximum amount of short-term borrowings at any month end ..	$ 28,000	$ 54,000
Compensating balances on certain U.S. borrowings and lines of credit under informal arrangements (determined on the basis of 20% of debt outstanding plus 10% of unused lines of credit)	$ 14,900	$ 15,200
Unused lines of credit at end of year—U.S.	$149,000	$279,000
Unused lines of credit at end of year—foreign	$ 54,000	$ 54,000

The average amount of short-term borrowings is determined by using the average of month-end balances. The average interest rate is determined by using the interest rate in effect on month-end short-term borrowings.

At December 31, 1978, interest rates on unused lines of credit were no higher than ½% above prime or its equivalent on U.S. lines and no higher than 1% above prime or its equivalent on foreign lines. A commitment fee of ½% is required on $90,000,000 of the U.S. currency lines. A similar commitment fee is required on $4,000,000 of foreign currency lines, which may be extended for periods from 1979 through 1987 with interest rates subject to adjustments at regular intervals.

EMERSON ELECTRIC CO. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4: Lines of Credit—Domestic short-term lines of credit amounting to $100,000,000 were maintained with various banks at September 30, 1978 to assure credit availability at prime interest rates. These credit lines are periodically reviewed by the banks and are generally subject to withdrawal at their discretion. In support of such lines, the Company has informally agreed to maintain average bank balances equal to 10 percent of each line plus 10 percent of any loans outstanding under such lines. These compensating balances are normally maintained in the Company's operating accounts and are not restricted as to withdrawal. There were no borrowings against domestic lines of credit in 1978 or 1977.

Monthly average domestic commercial paper borrowings were $9,200,000 in 1978 at a monthly weighted average interest rate of 7.6 percent. At September 30, 1978 domestic commercial paper borrowings were $29,880,000, the maximum for 1978, at a weighted average interest rate of 8.2 percent. There were no domestic short-term borrowings during 1977 except amounts by pooled companies.

The Company's foreign subsidiaries maintained short-term lines of credit totaling approximately $54,000,000 and $46,000,000 in 1978 and 1977, respectively, in various currencies. In most instances, borrowings against these lines of credit have been guaranteed by the parent company to assure credit availability at prime interest rates.

During 1978 and 1977, monthly average foreign short-term borrowings were $18,300,000 and $13,900,000 at monthly weighted average interest rates of 12.2 percent and 12.1 percent, respectively. Maximum foreign short-term borrowings were $19,800,000 in 1978 and $15,900,000 in 1977. At September 30, 1978, foreign short-term borrowings were $18,255,000 at a weighted average interest rate of 17.6 percent.

HERSHEY FOODS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (in part): Current and Long-Term Debt—As a result of seasonal working capital requirements, the Company maintains lines of credit of $60,000,000 with several domestic banks. There were no borrowings in 1978 or 1977 under these lines of credit. While there are no compensating balance agreements which legally restrict funds, the Company has been expected to and has generally maintained average compensating balances of 15% to 20% of borrowings or generally not less than 5% of commitments.

In December 1978, in connection with the acquisition of Friendly Ice Cream Corporation (see Note 12), the Company obtained a revolving credit and term loan agreement with four banks which provided for borrowings of up to $200,000,000. This loan commitment was reduced to $100,000,000 effective on January 22, 1979. The agreement requires the Company to pay a commitment fee of ½% per annum on the average daily unused portion of the loan commitment. Further, the Company pays interest on the aggregate, unpaid principal amount of all borrowings at a rate equal to the higher of the base rate of Citibank, N.A., or the 90 day dealer-placed commercial paper rate plus ½ of 1%. Assuming a base rate of 11.5%, the effective annual interest rate on the borrowings under the agreement, after giving effect to compensating balances, is 12.8%. The agreement also contains certain restrictive covenants on working capital, tangible net worth and total amount of debt. There were no borrowings under this agreement in 1978. Any borrowings outstanding as of December 31, 1980, will be converted into a six-year term loan.

JOSLYN MFG. AND SUPPLY CO. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (in part): Financing Arrangements—Under the terms of the long-term debt agreements, the Company (1) must maintain consolidated working capital of at least $30,000,000, (2) must maintain current assets in an amount not less than 1.5 times the amount of current liabilities, (3) may not pay cash dividends or make payments for the purchase or redemption of stock if the total of such payments, in the aggregate, exceeds $5,000,000 plus 80% of the cumulative consolidated net income, as defined, after December 31, 1974 and (4) must comply with certain restrictions regarding the amount of debt incurred. As of December 31, 1978, the Company has complied with all restrictions of the agreements and as of that date, $6,257,000 of consolidated retained earnings were available for payment of cash dividends or for purchase of Company stock, under the loan covenants.

Information related to short-term credit agreements with bank is as follows:

	1978	1977
Lines of Credit Available at December 31	$21,375,000	$20,060,000
Loans Outstanding at December 31	1,822,000	402,000
Interest Rate at December 31	11.5%	8.25%
Average Borrowings During the Year	3,101,000	275,000
Maximum Amount Borrowed During the Year	5,550,000	580,000
Weighted Average Interest Rate During the Year	9.8%	8.6%
Compensating Cash Balance Requirements at December 31	1,500,000	1,500,000

During 1978 and 1977, the Company complied with the compensating cash balance requirements of all credit agreements with banks.

MCGRAW-EDISON COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Short-Term Borrowing—At year end the company had available lines of short-term credit from its banks of $77,735,000, of which $66,000,000 is from United States banks, $8,435,000 from Canadian banks, $1,300,000 from Mexican banks, and a $2,000,000 multi-currency line from a United States bank. These lines of short-term credit are available at prevailing rates. In 1978 and 1977, there were no United States bank borrowings; borrowings were under foreign currency bank lines or from the issuance of Canadian commercial paper.

Compensating cash balances are maintained on an informal basis with United States banks, generally on the basis of 10 percent of the available line of credit plus an additional 10 percent to the extent the lines are utilized. The arrangements with Canadian banks are to pay interest at the Canadian prime rate on the daily borrowings. Cash balances are not restricted either legally or by agreement.

Pertinent statistics on 1978 and 1977 short-term borrowings are shown below ($000's omitted):

	1978		1977	
	Amount	Average Rate of Interest	Amount	Average Rate of Interest
At year end—				
Notes payable to banks	$ 1,001	13.7%	$ 2,448	9.1%
Commercial paper	4,639	10.1	4,114	7.4
During the year—				
Maximum borrowing—				
Banks	3,323		4,182	
Commercial paper	9,475		13,461	
Combined	11,053		16,129	
Average month-end amount outstanding—				
Banks	1,861	10.9	1,682	9.0
Commercial paper	5,589	8.6	11,046	7.7

MICROFORM DATA SYSTEMS, INC. (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note D: Notes Payable and Long-Term Debt—A June, 1977 credit agreement with a bank provides for borrowings under a $2,400,000 line of credit which currently expires November 30, 1978. Advances under the line of credit bear interest at ½% in excess of the bank's prime rate. The credit agreement requires maintenance of monthly compensating balances equal to 10% of the line of credit and 10% of the average principal amount outstanding. The Company is charged interest at the prime rate plus ½% on the compensating balance deficiency, if any. Interest charges under the compensating balance requirement approximated $10,000 in 1978 and $19,000 in 1977. Compensating balances are not restricted as to withdrawal, serve as compensation to the bank for its account handling function and other services, and additionally serve as part of the Company's minimum operating cash balances. The average interest rates on bank borrowings at July 28, 1978 and July 29, 1977 approximated 8.5% and 7.3%, respectively.

Certain provisions of the credit agreement prohibit the payment of dividends and acquisition of the Company's Common Stock, require the maintenance of certain financial ratios, limit future borrowings, limit the acquisition of additional fixed assets and restrict the amount of lease obligations which may be incurred. All borrowings under the credit agreement are collateralized by accounts receivable, inventory and equipment.

LONG TERM LEASES

Effective for leasing transactions entered into on or after January 1, 1977, FASB *Statement of Financial Accounting Standards No. 13* is the authoritative pronouncement on the reporting of leases in the financial statements of lessees and lessors. Although retroactive application of Statement No. 13 to leasing transactions entered into prior to January 1, 1977 is not required until fiscal years beginning after December 31, 1980; 35 survey companies in 1977 and 65 survey companies in 1978 restated their financial statements to give retroactive effect to the requirements of Statement No. 13. For financial statements filed with the Securities and Exchange Commission, the SEC requires retroactive application of Statement No. 13 (unless a violation of loan indenture restrictive clause would result) for fiscal years ending after December 24, 1978.

Table 2-27, in addition to showing the number of survey companies reporting capitalized and/or noncapitalized lessee leases, shows the nature of information most frequently disclosed by the survey companies for capitalized and noncapitalized lessee leases. Forty-two survey companies reported lessor leases.

Examples of long term lease presentations and disclosures follow.

TABLE 2-27: LONG TERM LEASES

	Number of Companies			
	1978	1977	1976	1975
Information Disclosed as to Noncapitalized Leases				
Rental expense				
Basic	448	440	393	336
Sublease	113	122	78	N/C
Contingent	117	109	70	72
Minimum rental payments				
Schedule of	423	425	290	245
Classified by major categories of property	41	86	164	155
Renewal or purchase options	152	124	69	62
Information Disclosed as to Capitalized Leases				
Minimum lease payments	265	173	N/C	N/C
Imputed interest	227	151	N/C	N/C
Leased assets by major classifications	144	102	N/C	N/C
Executory costs	80	50	N/C	N/C
Number of Companies				
Capitalized and noncapitalized leases	314	274	164	126
Noncapitalized leases only	156	194	300	319
Capitalized leases only	46	59	37	47
No leases disclosed	84	73	99	108
Total Companies	**600**	**600**	**600**	**600**

N/C — Not Compiled.

Lessee—Capitalized Leases

ALBERTSON'S, INC. (JAN)

Consolidated Balance Sheets

	1979	1978
Current Liabilities:		
Current obligations under capital leases	$ 2,342,682	$ 2,608,213
Obligations Under Capital Leases	121,722,491	113,937,675

Consolidated Changes in Financial Position

Source of Funds:		
Operations:		
Net earnings	$36,421,412	$24,832,450
Add charges (credits) not requiring funds:		
Depreciation and amortization	19,454,870	14,918,989
Amortization of assets under capital leases	5,471,181	5,069,226
Amortization of deferred costs	1,455,341	2,100,573
Increase in deferred compensation	993,148	608,334
Decrease in deferred income taxes	(510,023)	(580,297)
Amortization of deferred investment credit	(1,269,632)	(1,019,726)
Working capital provided from operations	$62,016,297	$45,929,549

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Leases and Commitments (in part)—The Company leases most of its real estate. The typical lease period is 25 years and most leases contain renewal options. Exercise of such options is dependent on the level of business conducted at the location. In addition, the Company leases certain equipment. Most leases contain contingent rental provisions based on sales volume for retail units and miles traveled for trucks.

All leases and subleases with an initial term greater than one year are accounted for under Financial Accounting Standards Board Statement No. 13, Accounting for Leases. These leases are classified as capital leases, capital subleases, operating leases and operating subleases.

Assets under capital leases are capitalized using interest rates appropriate at the inception of each lease. Contingent rents associated with capital leases in 1978 and 1977 were $1,590,697 and $1,149,298. Following is an analysis of the Company's assets under capital leases:

	February 1, 1979	January 28, 1978
Real estate	$132,547,027	$123,687,641
Equipment	4,180,775	4,436,293
	$136,727,802	$128,123,934
Accumulated amortization	$ 25,600,202	$ 23,111,335

Future minimum lease payments for the above assets under capital leases at February 1, 1979 are as follows (in thousands):

	Real estate	Equipment	Total
1979	$ 13,942	$ 857	$ 14,799
1980	14,397	831	15,228
1981	14,359	653	15,012
1982	14,278	612	14,890
1983	14,217	327	14,544
Remainder	235,395	693	236,088
Total minimum obligations	306,588	3,973	310,561
Less executory costs	(1,628)		(1,628)
Net minimum obligations	304,960	3,973	308,933
Less interest	(183,759)	(1,109)	(184,868)
Present value of net minimum obligations	121,201	2,864	124,065
Less current portion	(1,844)	(499)	(2,343)
Long-term obligations at February 1, 1979	$119,357	$2,365	$121,722

Minimum obligations have not been reduced by minimum capital sublease rentals of $6,097,000 receivable in the future under noncancellable capital subleases. Executory costs include such items as property taxes and insurance.

Rent expense under operating leases is as follows:

	1978	1977
Minimum rent	$17,462,557	$11,968,063
Contingent rent	3,283,759	2,763,312
	20,746,316	14,731,375
Less sublease rent	(2,971,968)	(2,489,742)
	$17,774,348	$12,241,633

Future minimum lease payments for all noncancellable operating leases and related subleases having a remaining term in excess of one year at February 1, 1979 are as follows (in thousands):

	Real Estate	Equipment	Subleases
1979	$ 12,867	$ 4,233	$ (2,271)
1980	13,894	4,216	(1,816)
1981	13,620	4,157	(1,440)
1982	13,365	2,809	(1,348)
1983	13,062	1,576	(1,204)
Remainder	210,317	1,658	(7,878)
Total minimum obligations (receivables)	$277,125	$18,649	$(15,957)

MELVILLE CORPORATION (DEC)

Consolidated Balance Sheets

	1978	1977
Property, plant, equipment and leasehold improvements, at cost:		
Land	$ 2,214,581	$ 2,083,987
Buildings	17,921,175	16,805,782
Machinery and equipment	11,055,967	10,739,619
Store and office fixtures, improvements to leased properties and miscellaneous equipment	211,657,640	178,878,118
	252,849,363	208,507,506
Less accumulated depreciation and amortization	113,462,891	97,561,210
Net property, plant, equipment and leasehold improvements	139,386,472	110,946,296
Deferred charges and other assets.	2,352,952	2,001,126
Leased property under capital leases, net of amortization (note 8)	29,696,864	22,242,244
Goodwill (note 2)	29,117,669	29,875,034
Current liabilities:		
Accounts payable and accrued expenses	$160,111,323	$143,443,891
Federal income taxes	18,237,778	14,996,884
Current installments on long-term debt	6,023,150	6,011,444
Current installments of obligations under capital leases (note 8)	902,843	640,316
Total current liabilities	185,275,094	165,092,535
Long-term debt	40,653,137	46,673,987
Obligations under capital leases (note 8)	33,177,215	25,151,422
Deferred Federal income taxes	4,116,891	3,358,062
Lease obligations for closed stores.	3,677,571	2,649,470
Minority interest in subsidiaries	41,640,623	34,300,285

Consolidated Statements of Changes in Financial Position

Source of Funds:		
Net earnings	$ 87,987,472	$ 73,148,197
Expenses not requiring outlay of working capital:		
Depreciation and amortization:		
Fixed assets owned	20,421,961	17,539,306
Leased property under capital leases	1,667,306	1,193,683
Amortization of goodwill	757,365	711,514
Minority interest in net earnings	21,589,176	16,928,522
Increase in deferred Federal income taxes	758,829	2,045,001
	45,194,637	38,418,026
Working capital provided from operations	$133,182,109	$111,566,223

Note 8: Leases—The Company and its subsidiaries lease various retail stores, warehouses, plant and office facilities generally over periods ranging from 5 to 25 years with options to renew such terms from 5 to 15 years.

In 1978, the Company changed its policy of accounting for capital leases to comply with the provisions of Statement of Financial Accounting Standards No. 13—Accounting for Leases. As a result, certain leases previously classified as operating leases have been accounted for as capital leases. Accordingly, the present value of future minimum lease payments under such leases has been recorded as leased property under capital leases, net of amortization (computed on a straight-line basis over the life of the lease), and obligations under capital leases. Rent expense, interest expense (reflected in cost of goods sold and store operating, selling and general and administrative expenses) and Federal income taxes have been retroactively restated to reflect this change.

The change resulted in decrease in 1978 net earnings of $457,552 or $.02 per share. The retroactive application of the change resulted in a restatement of 1977 net earnings to reflect a decrease of $262,090 or $.01 per share. For years prior to 1977, the effect of the retroactive application of the change decreased retained earnings at December 31, 1976 by $1,353,608.

Leased property under capital leases includes:

	1978	1977
Retail facilities	$12,218,315	$ 9,896,389
Warehouse, plant and office facilities	26,166,730	19,366,730
	38,385,045	29,263,119
Less accumulated amortization	8,688,181	7,020,875
	$29,696,864	$22,242,244

At December 31, 1978, the future minimum lease payments under capital leases, rental payments required under operating leases, and the future minimum sublease rentals are as follows:

	Capital Leases	Operating Leases
1979	$ 3,955,826	$ 54,670,583
1980	3,947,426	55,108,655
1981	3,926,058	52,414,332
1982	3,914,658	50,074,149
1983	3,914,658	47,558,970
Thereafter	53,575,737	342,953,445
Total	73,234,363	$602,780,132
Less amount representing interest.	39,154,305	
Present value of minimum lease payments	$34,080,058	
Total future minimum sublease rentals		$ 4,797,585

The following schedule shows the total rental expense for all operating leases:

	1978	1977
Minimum rentals	$54,976,413	$ 48,840,943
Contingent rentals	80,268,559	69,673,010
	135,244,972	118,513,953
Less sublease rentals	788,808	802,394
	$134,455,164	$117,711,559

Contingent rentals consist primarily of rentals for leased shoe departments operated under license agreements with K mart Corporation. These license agreements are for a term of 25 years and provide for rent payments based upon sales with additional rentals based upon profits. The agreements also provide for the maintenance of certain performance standards based on sales and profitability which become operative commencing with the eleventh year of the agreements. Remaining contingent rentals relate to other Company operations and are based only on sales. Contingent rentals under capital leases amounted to $274,044 in 1978 and $222,855 in 1977.

THE BFGOODRICH COMPANY (DEC)

	1978	1977
	($000)	
Current Liabilities		
Current debt	$ 30,435	$ 28,104
Accounts payable and accrued expenses	371,901	303,314
Currently payable income taxes	23,964	35,121
Current portion of capitalized lease obligations	5,238	7,684
Current sinking fund requirement— Series A Preferred Stock	1,260	—
Total Current Liabilities	432,788	374,223
Non-Current Obligations		
Funded debt	411,176	410,086
Capitalized lease obligations	65,382	67,715
Deferred income taxes	85,188	75,955

STATEMENT OF ACCOUNTING POLICIES

Property and Depreciation—Property is recorded at cost, with depreciation and amortization thereof, including amounts for capitalized leases, computed principally by the straight-line method.

NOTES TO FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts)

Long-Term Lease Commitments—Goodrich and its subsidiaries conduct certain operations in leased facilities, primarily tire centers, warehouses and office buildings, and also lease certain manufacturing facilities and machinery and equipment.

The data presented below is in accordance with the Financial Accounting Standards Board Statement No. 13, "Accounting for Leases."

At December 31, 1978 and 1977, property recorded under capitalized leases was as follows:

	1978	1977
Land	$ 58	$ 58
Buildings	54,827	52,679
Machinery and equipment	42,640	54,840
	97,525	107,577
Allowances for depreciation and amortization	36,600	38,481
Total Property	$60,925	$ 69,096

The future minimum lease payments by year and in the aggregate, under capitalized leases and under noncancelable operating leases with initial or remaining noncancellable lease terms in excess of one year, consisted of the following at December 31, 1978:

	Capitalized Leases	Noncancelable Operating Leases
1979	$ 11,449	$ 17,813
1980	10,206	15,056
1981	9,294	12,646
1982	8,407	10,022
1983	8,013	8,429
Thereafter	90,121	36,729
Total minimum payment due	137,490	$100,695
Executory costs	694	
Amounts representing interest	66,176	
Present value of net minimum lease payments	70,620	
Less current portion of capitalized lease obligations	5,238	
Total	$65,382	

Net rent expense on operating leases was $22,335 in 1978 and $21,723 in 1977, after deducting sublease rentals of $5,431 and $5,107, respectively.

Minimum future sublease rentals to be received on capital and operating leases amounted to $7,034 and $12,848, respectively, at December 31, 1978.

G. C. MURPHY COMPANY (JAN)

	1979	1978
Total current assets	$190,824,000	$171,913,000
Property and equipment	105,016,000	106,549,000
Excess of cost over net assets acquired	6,929,000	6,929,000
Minimum lease payments receivable (Note 5)	3,325,000	3,597,000
Other assets	1,206,000	1,657,000
	$307,300,000	$290,645,000
Current liabilities:		
Accounts payable	$ 75,290,000	$ 59,117,000
Accrued expenses	13,193,000	11,537,000
Income taxes	2,751,000	4,408,000
Capital lease obligations (Note 5)	1,152,000	1,269,000
Dividend payable	1,256,000	1,255,000
Estimated liability related to stores closed	3,978,000	72,000
Total current liabilities	97,620,000	77,658,000
Long-term debt	43,872,000	41,964,000
Capital lease obligations (Note 5)	31,162,000	30,512,000
Estimated liability related to stores closed	3,979,000	453,000
Deferred income taxes	7,968,000	12,384,000
Unearned income (Note 5)	1,739,000	1,937,000
Total liabilities	$186,340,000	$164,908,000

Note 5: Leases—Company retail operations are conducted primarily in leased properties. Initial lease terms normally range from 15 to 25 years with renewal options generally being available. In most cases management expects that, in the normal course of business, leases will be renewed or replaced by other leases. Leases are primarily gross leases which provide for annual rentals that include executory expenses such as real estate taxes, insurance, common area and other operating costs which are paid by the lessor. The remaining leases are net leases which provide that the Company pay the above-mentioned expenses. Certain leases have provisions which could require restoration of leased premises at the termination of the lease. In 1978, the Company refined its accounting for capital leases to include significant restoration obligations. Restoration costs related to operating leases are accrued at the time they are reasonably determinable and it is considered probable that the Company will incur such costs. In addition, the Company subleases portions of certain stores and nearby facilities to subtenants whose operations are intended to complement its marketing strategy.

During 1978, the Company changed its method of accounting for leases to comply with the provisions of Financial Accounting Standards Board Statement No. 13, "Accounting for Leases." The accompanying financial statements for 1977 have been restated and income retained in the business at January 27, 1977, has been reduced by the cumulative effect of this charge as follows:

As previously reported	$121,928,000
Cumulative effect of change in accounting for leases, less income taxes	4,482,000
As restated	$117,446,000

The effect of this change was to reduce net income in 1978 by $179,000 ($.05 per share) and in 1977 by $206,000 ($.05 per share).

Total rent expense for operating leases, including estimated executory expenses of $3,731,000 and $3,637,000 respectively, was as follows:

	January 25, 1979	January 26, 1978
Minimum rentals	$25,650,000	$24,673,000
Contingent rentals	1,178,000	1,133,000
Subrental income	(3,123,000)	(2,855,000)
Contingent subrental income	(1,621,000)	(1,718,000)
Net rent expense	$22,084,000	$21,233,000

Contingent rent expense above includes $77,000 and $157,000 incurred on capital leases for fiscal years 1978 and 1977, respectively.

The following data excludes obligations with respect to leases related to terminated operations. The obligations under such leases have been accrued and are included in the estimated liability related to stores closed.

Leased properties under capital leases by major category are as follows:

	January 25, 1979	January 26, 1978
Land and buildings	$19,561,000	$22,791,000
Buildings	13,263,000	13,512,000
Fixtures and equipment	1,900,000	1,921,000
In progress	3,461,000	—
	38,185,000	38,224,000
Less accumulated amortization	17,720,000	18,062,000
	$20,465,000	$20,162,000

Amortization of capital lease properties, determined on the straight-line basis over the lease term, amounted to $1,575,000 in 1978 and $1,666,000 in 1977 and has been included in depreciation and amortization expense.

Future minimum lease payments for properties under long-term leases as of January 25, 1979 are as follows:

Fiscal Year	Capital Leases	Operating Leases
1979	$ 3,476,000	$ 22,160,000
1980	3,290,000	21,242,000
1981	3,260,000	20,456,000
1982	4,215,000	19,690,000
1983	5,646,000	19,058,000
Thereafter	39,187,000	226,931,000
Total minimum lease payments	59,074,000	329,537,000
Less amount representing estimated executory costs	1,147,000	42,367,000
Net minimum lease payments	57,927,000	287,170,000
Less amount representing interest	25,613,000	144,285,000
Present value of net minimum lease payments	$32,314,000	$142,885,000

At January 26, 1978, the present value of net minimum lease payments on capital leases was $31,781,000. The current portion of the present value was $1,152,000 in 1978 and $1,269,000 in 1977.

Industrial Development Bonds previously classified as long-term debt have been reclassified to capital lease obligations. As of January 25, 1979, the amount included in capital lease obligations was $8,032,000. The related property and equipment is pledged as collateral for these obligations.

The minimum lease payments shown above have not been reduced by the following rentals to be received from noncancelable subleases:

Fiscal Year	Capital Leases	Operating Leases
1979	$ 248,000	$ 2,411,000
1980	234,000	2,642,000
1981	222,000	2,058,000
1982	222,000	1,857,000
1983	107,000	1,544,000
Thereafter	252,000	9,110,000
Total minimum lease payments to be received	$1,285,000	$19,242,000

The net investment in direct financing leases and subleases is as follows:

	January 25, 1979	January 26, 1978
Total minimum lease payments to be received	$3,892,000	$4,187,000
Less amount representing estimated executory costs	265,000	295,000
Net minimum lease payments receivable	3,627,000	3,892,000
Less unearned income	1,947,000	2,151,000
Net investment in direct financing leases and subleases	$1,680,000	$1,741,000

The current portion of net minimum lease payments receivable is $302,000 in 1978 and $295,000 in 1977. The current portion of unearned income is $208,000 in 1978 and $214,000 in 1977.

At January 25, 1979, minimum lease payments to be received for each of the 5 succeeding fiscal years are as follows: $336,000 in 1979, 1980 and 1981; $303,000 in 1982; and $293,000 in 1983.

STANDARD OIL COMPANY OF CALIFORNIA (DEC)

	1978	1977
Current Liabilities:		
Accounts payable	$4,127,778,000	$3,725,598,000
Notes and loans payable	6,199,000	13,199,000
Current maturities of long-term debt	277,712,000	69,473,000
Current maturities of obligations under capital leases	28,616,000	26,848,000
Federal and other taxes on income	772,018,000	564,920,000
Other taxes payable	265,005,000	245,621,000
Total Current Liabilities	5,477,328,000	4,645,659,000
Long-Term Debt, less Current Maturities	1,329,163,000	1,565,897,000
Obligations Under Capital Leases, less Current Maturities	824,128,000	819,986,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13: Lease Commitments (Thousands of Dollars)—Financial Accounting Standards Board Statement No. 13 (FAS 13), requires that certain noncancellable leases be classified as "capital leases," and that other leases be classified as "operating leases." FAS 13 required the immediate capitalization of those capital leases entered into subsequent to December 31, 1976 and the Securities and Exchange Commission required retroactive application of FAS 13 no later than 1978. In accordance with these requirements, in 1977 the Company adopted the provisions of FAS 13 for all leases entered into on or after January 1, 1977 and in the first quarter of 1978 the Company adopted the retroactive provisions of FAS 13 for all leases entered into prior to 1977. Prior years' financial statements have been restated accordingly. As a result, retained earnings as of December 31, 1977 and 1976 have been reduced by $84,584, and $71,935, respectively. Previously reported net income for 1977 was reduced by $12,649.

The gross amounts of capitalized leased assets and the accumulated amortization shown below are included in Property, Plant and Equipment as reported on the Consolidated Balance Sheet. The amortization of these leases is included in Depreciation, Depletion and Amortization cost as reported on the Consolidated Statement of Income.

	Capitalized Leases at December 31	
Classification	1978	1977
Producing	$ 22,240	$ 22,208
Manufacturing	17,217	15,621
Marketing	24,508	21,465
Marine	628,553	647,357
Other	104,275	74,045
	$796,793	$780,696
Less accumulated amortization	214,691	192,993
	$582,102	$587,703

At December 31, 1978, the future minimum lease payments under operating and capital leases were approximately as follows:

Year	Operating Leases	Capital Leases
1979	$126,500	$ 81,900
1980	94,300	83,600
1981	75,200	84,600
1982	54,200	84,000
1983	45,500	82,600
Thereafter	240,200	1,073,700
Total	$635,900	$1,490,400
Less amounts representing:		
Executory Costs		400
Interest		637,300
Net present value		$ 852,700
Future sublease rentals	$126,500	$ 6,500

Rental expenses incurred for operating leases during 1978 and 1977 were as follows:

	1978	1977
Minimum rentals	$143,700	$128,500
Contingent rentals	20,200	23,100
Total	$163,900	$151,600
Sublease rentals	32,100	29,000
Net	$131,800	$122,600

The contingent rentals are amounts based on factors other than the passage of time, principally sales volume at leased service stations. Contingent rentals incurred for the capital leases in 1978 and 1977 were $1,200 and $1,300, respectively.

Certain leases include escalation clauses for adjusting rentals to reflect changes in price indices, renewal options ranging from one to twenty-five years, and/or options to purchase the leased property during or at the end of the initial lease period for the fair market value at that time.

Lessee—Noncapitalized Leases

AMERICAN BUILDING MAINTENANCE INDUSTRIES (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8: Rental Expense and Lease Commitments—The company is obligated under noncancellable leases principally for parking lots and garages which are accounted for as operating leases in accordance with Statement of Financial Accounting Standards No. 13.

Rental expense for the years ended October 31, 1978 and 1977 is summarized as follows:

	1978	1977
Minimum rentals under noncancellable leases	$3,718,000	$3,857,000
Contingent rentals	1,126,000	1,015,000
Short-term rental agreements	1,189,000	615,000
	$6,033,000	$5,487,000

The contingent rentals are principally applicable to leases of parking lots and garages and are based on percentages of the gross receipts attributable to the related facilities.

The terms of some noncancellable leases provide for increases to future minimum rental commitments which are contingent upon future events.

Minimum rental commitments under noncancellable leases which expire between 1979 and 1999 are as follows:

1979	$ 3,674,000
1980	3,318,000
1981	2,945,000
1982	2,687,000
1983	2,502,000
Remainder	18,599,000
	$33,725,000

MALONE & HYDE, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note I: Leases—Substantially all of the warehouse, retail and office facilities used or occupied by the Company and its subsidiaries are leased. In addition, the Company also leases properties for subletting to certain retail customers for periods generally not exceeding 20 years. Most of these leases and subleases include renewal options and some include options to purchase. Certain leases include provisions for additional rent based on sales and equipment usage. Rental expense and income under these leases are summarized as follows:

	1978	1977
	(Thousands of Dollars)	
Rent expense:		
Minimum rents	$16,324	$13,860
Contingent rents	911	822
Sublease income	(6,909)	(6,074)
Net rent expense	$10,326	$ 8,608

Minimum annual rental commitments under noncancelable leases with initial or remaining terms of one year or more are presented below (thousands of dollars):

	Lease Expense	Sublease Income	Net Expense
1979	$ 13,280	$ 6,709	$ 6,571
1980	12,571	6,489	6,082
1981	11,577	6,150	5,427
1982	11,057	5,917	5,140
1983	10,603	5,744	4,859
Thereafter	110,180	42,257	67,923
	$169,268	$73,266	$96,002

In fiscal 1979, the Company intends to restate its financial statement to account for leases entered into prior to January 1, 1977 in accordance with the provisions of the Financial Accounting Standards Board Statement No. 13—Accounting for Leases. Had the financial statements for the years ending June 24, 1978 and June 25, 1977 been retroactively restated to conform to the Statement, net income for such years would have been reduced by $235,000 ($.03 per share) and $223,000 ($.03 per share), respectively. In addition, the balance sheet would include the following:

	1978	1977
	(Thousands of Dollars)	
Property and equipment—net	$20,350	$20,988
Capital lease obligations:		
Current	236	216
Noncurrent	22,613	22,848

AMERICAN SEATING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13: Lease Commitments—The Company's principal leases cover manufacturing, sales office and warehouse space, as well as data processing and manufacturing equipment and automobiles. Non-capitalized financing leases consist primarily of sale lease-back arrangements for the Grand Rapids foundry and the Joerns Furniture Company plant and equipment in Stevens Point, Wisconsin. Noncancelable operating leases are principally for showroom and manufacturing space and data processing equipment. Certain leases contain renewal and purchase options and some require the Company to pay property taxes, insurance and other expenses.

The Financial Accounting Standards Board (FASB), in November, 1976, issued Statement No. 13 which requires recording as an asset and a liability all capital (financing-type) leases, as defined, which are entered into after December 31, 1976. At December 31, 1978 assets include $316,932 and liabilities include $290,000 relating to capitalized automobile financing leases. Amortization of these leased assets has been included with depreciation expense. At December 31, 1977, such leases were not material, and as such, were not capitalized by the Company.

The FASB requires retroactive capitalization, no later than January 1, 1981, of financing leases entered into prior to 1977. The Securities and Exchange Commission's Accounting Series Release No. 225 suggests that financial statements filed with the SEC for fiscal years ending after December 24, 1978 reflect early application of the accounting requirements of Statement No. 13, unless a violation or probable future violation of a restrictive clause in an existing loan indenture or other agreement would result. Such early application of the accounting requirements of the FASB would result in noncompliance with certain covenants in the Company's debt instruments and therefore it is not retroactively capitalizing financing leases at this time.

Total rental expense charged to operations is summarized as follows:

	1978	1977
Non-capitalized financing leases....	$ 685,000	$ 830,000
Operating leases.....................	869,000	736.000
	$1,554,000	$1,566,000

The following summary of non-capitalized financing-type leases presents the approximate amounts of the assets and liabilities that would have been included in the balance sheet had these leases been capitalized.

	Asset Balance at December 31		Present Value of Future Rentals at December 31	
Classes of Property	1978	1977	1978	1977
Land and Buildings...................	$2,790,000	$2,790,000	$2,453,000	$2,508,000
Equipment	4,108,000	4,108,000	3,355,000	3,506,000
Automobiles	124,000	579,000	14,000	308,000
Total	7,022,000	7,477,000	$5,822,000	$6,322,000
Less accumulated amortization	2,204,000	1,967,000		
Net property and equipment........	$4,818,000	$5,510,000		

In calculating the present values as of December 31, 1978, a range of interest rates from 6.2% to 15.2% was used, the weighted average of which was 7.2%.

Future minimum rental commitments for all noncancelable leases as of December 31, 1978 are as follows:

	Operating Leases	Capitalized Financing Leases	Non-capitalized Financing Leases
1979	$279,000	$161,000	$ 649,000
1980	124,000	125,000	637,000
1981	73,000	43,000	600,000
1982	70,000	—	592,000
1983	28,000	—	585,000
1984-1988	4,000	—	3,020,000
1989-1993	—	—	1,972,000
1994-1998	—	—	1,868,000
Total minimum payments	$578,000	329,000	9,923,000
Less amount representing interest...........		39,000	4,101,000
Present value of net minimum lease payments................		$290,000	$5,822,000

If all non-capitalized financing had been capitalized, the related assets amortized on a straight-line basis and interest cost accrued on the basis of the outstanding lease obligations, net income for 1978 and 1977 would have been reduced as indicated below:

	1978	1977
Additions to expense:		
Amortization	$421,000	$531,000
Interest expense.................	427,000	472,000
Less: Reversal of reported rent expense	(685,000)	(830,000)
	163,000	173,000
Less: Tax effect......................	80,000	85,000
Reduction of net income	$83,000	$ 88,000
Per common share..................	$ .09	$ .08

DART DRUG CORPORATION (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4: Lease Commitments—The Company operates all of its stores, warehouses and office locations under non-cancelable leases which generally are for initial periods of 15 to 25 years and contain provisions for renewal options (for up to an additional aggregate period of 50 years) and for additional rentals based on a percentage of sales. In addition, certain store and delivery equipment is leased over 5 to 10 year periods. Under most leasing arrangements, the Company pays the property taxes, insurance and maintenance related to the leased property.

Total operating lease rentals charged to expense in the periods ended January 31, 1978, and March 31, 1977, were as follows:

	Ten Months Ended January 31, 1978	Year Ended March 31, 1977
Base rent expense	$6,596,000	$7,275,000
Additional rent expense based on percentage of sales	234,000	179.000
Less: Sub-leases and franchises	(256,000)	(331,000)
Net rent expense	$6,574,000	$7,123,000

Minimum rental commitments at January 31, 1978, under long-term non-cancellable leases and sub-leases are as follows:

Year Ending January 31,	Minimum Annual Rentals Buildings	Minimum Annual Rentals Equipment	Minimum Sub-lease and Franchise Rental Income	Net Minimum Annual Rentals
1979	$ 6,359,000	$ 742,000	$(128,000)	$ 6,973,000
1980	6,033,000	739,000	(128,000)	6,644,000
1981	5,903,000	737,000	(118,000)	6,522,000
1982	5,701,000	737,000	(104,000)	6,334,000
1983	5,323,000	737,000	(82,000)	5,978,000
After 1983	58,347,000	1,417,000	(310,000)	59,454,000
	$87,666,000	$5,109,000	$(870,000)	$91,905,000

Included in the above operating lease rentals are certain leases arising prior to January 1, 1977, which although currently considered to be operating leases will, under the provisions of Statement of Financial Accounting Standards No. 13, be retroactively restated as capital leases at a future date. If these leases had been treated as capital leases at January 31, 1978, and March 31, 1977, leased property under capital leases net of accumulated amortization, of $9,923,000 and $10,287,000, respectively, would have been included in the Company's balance sheets, while corresponding obligations under capital leases would have been $11,433,000 and $11,900,000 respectively. Net income would have been decreased by approximately $100,000 and $158,000, for the fiscal periods ended January 31, 1978, and March 31, 1977, respectively. Although Statement of Financial Accounting Standards No. 13 does not require retroactive restatement for such leases until the fiscal year ending January 31, 1982, the Securities and Exchange Commission has provided in its rules and regulations that such restatement must be accomplished for fiscal years ending subsequent to December 24, 1978.

There have been no lease transactions entered into subsequent to January 1, 1977, which meet the capital lease criteria as defined by the Financial Accounting Standards Board, thus, there are no capitalized leases or lease obligations included in the Company's balance sheets as of January 31, 1978, and March 31, 1977.

TRIANGLE INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Lease Commitments—Rental expense for the Company was $3,107,000 and $2,787,000 in 1978 and 1977, respectively. The following is a schedule by years 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, 1978.

1979	$ 907,000
1980	895,000
1981	743,000
1982	570,000
1983	459,000
Later years	2,774,000
Total minimum payment required	$6,348,000

Financial Accounting Standards Board Statement No. 13 requires certain operating leases existing at December 31, 1976, be capitalized prior to fiscal years beginning after December 31, 1980.

The Securities and Exchange Commission generally requires retroactive application for fiscal years ending after December 24, 1978 except for companies where capitalization of capital leases would result in the violation of a restrictive clause in an existing loan indenture. Should the Company capitalize those leases which meet the criteria of FASB Statement No. 13 for classification as capital leases and record the corresponding liabilities, it would be in violation of the indenture agreement with its long-term debtholders.

Had the Company been able to comply at December 31, 1978 and 1977, the property, plant and equipment (net of accumulated depreciation) would have been increased by $2,112,000 and $2,357,000, the corresponding liability by $2,674,000 and $2,876,000. The net income for 1978 would have been reduced by $21,000 whereas the 1977 net loss would have been increased by $29,000.

Lessor Leases

CONTROL DATA CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note P: Leasing Arrangements with Company as Lessor—The Company leases computer equipment under various agreements with terms ranging from one to seven years. Substantially all leases are accounted for under the operating method or as leases equivalent to sales in accordance with FASB Statement Nos. 13 and 17. The impact of these statements on prior years' net income or retained earnings for leases entered into prior to January 1, 1977 was not significant and, accordingly, prior years' financial statements have not been restated.

The Company's cost of equipment under operating leases at December 31, 1978 was $476,540,000 less accumulated depreciation of $269,851,000.

The net investment in sales-type leases as of December 31, 1978 was as follows:

	(Dollars in thousands)
Total minimum lease payments receivable	$44,909
Estimated residual value of equipment	50
Less unearned income	(5,775)
Net investment in sales-type leases	$39,184

Minimum lease payments, including amounts representing executory costs and any related profit, to be received in each of the next five years under the above lease agreements are as follows:

	Sales-Type Leases	Operating Leases
	(Dollars in thousands)	
1979	$17,848	$223,483
1980	12,701	163,643
1981	9,589	107,877
1982	3,107	62,073
1983	1,183	23,226
Later years	481	—
	$44,909	$580,302

The Company retains title to all of its leased computer equipment, pays taxes, licenses and insurance on such equipment and provides for its general maintenance. At the end of the lease term, the equipment is normally returned to the Company.

THE PILLSBURY COMPANY (MAY)

	1978	1977
	($000)	
Net investment in direct financing leases (Note 8)	$55,274	$40,070

Note 8 (in part): Leases: All noncancellable 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 Financial Accounting Standards No. 13, Accounting for Leases.

Investments as lessor

At May 31, 1978, the restaurant subsidiaries leased 477 restaurant buildings and land to franchisees. Of this number, 128 restaurant buildings were obtained through capital leases and 349 are owned, while 198 parcels of land were obtained through operating leases and 279 are owned. The building leases are generally accounted for as direct financing leases while the land leases are accounted for as operating leases. The restaurant subsidiaries also lease 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 to 20 years under leases which require the franchisee to pay real estate taxes and other operating expenses.

Minimum future rentals to be received under direct financing and operating leases for the periods ending May 31	Direct financing leases — Total	Direct financing leases — Buildings and equipment Owned	Direct financing leases — Leased	Operating leases — Total	Operating leases — Land Owned	Operating leases — Leased
	(In thousands)			(In thousands)		
1979	$ 10,530	$ 8,582	$ 1,948	$ 5,660	$ 2,991	$ 2,669
1980	10,488	8,558	1,930	5,615	2,987	2,628
1981	10,403	8,503	1,900	5,573	2,992	2,581
1982	10,015	8,149	1,866	5,494	2,939	2,555
1983	9,867	7,921	1,946	5,389	2,907	2,482
Later	73,836	58,195	15,641	39,354	18,144	21,210
Total(a)	$125,139	$99,908	$25,231	$67,085	$32,960	$34,125

Net investment in direct financing leases at May 31	1978 Buildings and equipment Total	1978 Owned	1978 Leased	1977 Buildings and equipment Total	1977 Owned	1977 Leased
	(In thousands)			(In thousands)		
Net minimum lease payments receivable(a)	$125,139	$99,908	$25,231	$84,940	$66,419	$18,521
Estimated unguaranteed residual value	4,817	3,763	1,054	4,276	3,310	966
Less unearned income	(71,326)	(56,658)	(14,668)	(45,853)	(35,699)	(10,154)
Net investment	58,630	47,013	11,617	43,363	34,030	9,333
Less current portion included in receivables	(3,356)	(2,775)	(581)	(3,293)	(2,559)	(734)
Net investment in direct financing leases	$ 55,274	$44,238	$11,036	$40,070	$31,471	$ 8,599

Owned assets, included in property, plant and equipment, leased to restaurant franchisees under operating leases	Year ended May 31 1978	1977
	(In thousands)	
Land and improvements	$28,818	$24,413
Buildings and improvements	6,772	5,441
Restaurant equipment	629	619
	36,219	30,473
Less accumulated depreciation	(3,130)	(3,109)
	$33,089	$27,364

(a)Minimum lease payments do not include contingent rentals which were $5.3 million in 1978 and $4.3 million in 1977.

OTHER NONCURRENT LIABILITIES

In addition to long-term debt, many of the survey companies presented captions for deferred taxes, minority interests, liabilities to or for employees, estimated losses or expenses, and deferred credits. Table 2-28 summarizes the nature of such noncurrent liabilities and deferred credits.

TABLE 2-28: OTHER NONCURRENT LIABILITIES

	Number of Companies			
	1978	1977	1976	1975
Deferred income taxes......	478	474	466	479
Minority interest............	150	156	173	179
Employee Liabilities				
Deferred compensation, bonus, etc.	87	101	102	86
Pension or retirement plan .	69	61	70	69
Other — described..........	14	10	14	27
Estimated losses or expenses				
Discontinued operations.....	21	21	19	29
Insurance	10	10	7	14
Warranties	8	8	8	8
Other — described..........	38	42	43	62
Deferred credits				
Production payments	17	12	21	15
Payments received prior to rendering service........	13	11	12	17
Deferred profit on sales.....	5	9	12	13
Excess of acquired net assets over cost............	6	6	4	7
Other — described..........	9	11	20	18
"Miscellaneous" or "other"	**193**	**232**	**222**	**240**

Deferred Taxes

BROWN GROUP, INC. (OCT)

	1978	1977
Other Liabilities		
Long-term debt...................	$70,001,341	$73,543,415
Capitalized leases................	5,099,446	5,658,348
Deferred income taxes..........	2,018,754	2,167,577
Deferred compensation plans...	2,770,773	1,727,349
	$79,890,314	$83,096,689

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (in part): Accounting Policies

Income Taxes—Provision is made for the tax effects of timing differences between financial and tax reporting. These differences relate principally to depreciation, deferred compensation plans and intercompany profit in inventories.

Investment tax credits are accounted for on the "flow-through" method as a reduction of the current provision for federal income taxes.

DART INDUSTRIES INC. (DEC)

	1978	1977
Total current liabilities	$484,473,000	$274,486,000
Resort development liabilities.......	8,663,000	9,324,000
Obligations under capital leases, less current instalments.........	11,915,000	12,897,000
Long term debt, less current instalments	287,572,000	238,716,000
Deferred income taxes	68,000,000	58,800,000

SUMMARY OF ACCOUNTING POLICIES

Income taxes—Provision is made for deferred income taxes and future income tax benefits applicable to timing differences between book and tax income. Declining balance and guideline depreciation and the instalment method of income recognition generally are used in the determination of income for tax purposes where applicable.

Investment tax credits are applied to reduce income tax expense in the year the credit arises.

Provision is made for United States income taxes on earnings of foreign subsidiaries except for those earnings which are expected to be invested indefinitely.

INSILCO CORPORATION (DEC)

	1978	1977
	($000)	
Senior Long-Term Debt.............	$40,213	$40,150
Convertible Subordinated Debt......	50,655	50,856
Obligations Under Capitalized Leases	19,093	19,509
Deferred Income Taxes	45,434	37,920
Other Long-Term Liabilities	5,840	5,293

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Accounting Policies

Income Taxes—Certain items of income and expense, principally gross profit realized on Miles Home Ownership Plan sales and depreciation, are reported for income tax purposes in periods which differ from those when such items are recognized for financial reporting purposes. Deferred income taxes are reflected in the financial statements to provide for the tax effects of such differences. Investment tax credits are recognized in the year in which the related assets are placed in service.

THE LTV CORPORATION (DEC)

	1978	1977
	($000)	
Non-Current Liabilities:		
Long-term debt	$1,520,094	$1,033,171
Capitalized lease obligations	81,179	71,615
Deferred income taxes	14,374	15,187
Estimated liability for plant closing costs	196,099	—
Employee compensation and benefits	208,267	16,063
Other	41,419	19,612
Total Non-Current Liabilities	$2,061,432	$1,155,648

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Federal Income Taxes—In the computation of federal income taxes for financial reporting purposes, recognition is given to the income tax effect of differences between the reporting of transactions for financial and for tax purposes. Investment credits are included in income in the year the qualified assets are placed in service, to the extent they are allowable for tax purposes or would have been allowable in the absence of timing differences.

THE MACKE COMPANY (SEP)

	1978	1977
	($000)	
Long-Term Obligations	$20,858	$20,645
4⅞% Convertible Subordinated Debentures	6,078	6,078
Deferred Income Taxes (Notes 1 and 2)	5,435	4,351

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

The following summarizes the significant accounting policies used by The Macke Company and subsidiaries. The policies are in conformity with generally accepted accounting principles and have been consistently applied.

Income Taxes—The Company and its subsidiaries file consolidated Federal and separate state tax returns. Deferred income taxes represent reductions in income taxes currently payable resulting from the recognition of certain expenses for income tax reporting purposes prior to the time that they are recognized for financial reporting purposes. These timing differences are described in note 2. The deferred tax effects of certain timing differences relating to current assets and liabilities are classified as current in the accompanying consolidated balance sheets. The Federal income tax investment credit is recorded on the flow-through method of accounting.

Note 2 (in part): Income Taxes—The provisions for income taxes related to continuing operations consist of the following:

	1978	1977
Currently Payable—		
Federal	$2,015,000	$ 950,000
State	477,000	370,000
	2,492,000	1,320,000
Deferred Provision—		
Federal	420,000	962,000
State	86,000	93,000
	506,000	1,055,000
	$2,998,000	$2,375,000

Taxes have been provided on all reported income although a portion of such taxes will be paid in different periods due to timing differences in the recognition of revenue and expense for tax and financial statement purposes. The tax effects of these differences representing increases or (decreases) in the deferred portion of the provision during 1978 and 1977, were as follows:

	1978	1977
Cost of equipment rebuilding capitalized for book purposes, deducted as incurred for tax purposes	$388,000	$ 716,000
Tax depreciation over (under) book depreciation	397,000	(35,000)
Book gain on sale of assets over tax	130,000	11,000
Liabilities accrued for book purposes, deducted for tax purposes when paid	(507,000)	90,000
Investment tax credits recognized at different times for book and tax purposes due principally to the above timing differences	(6,000)	309,000
Other timing differences, net	104,000	(36,000)
	$506,000	$1,055,000

TEXASGULF INC. (DEC)

	1978	1977
	($000)	
Long Term Debt, less current maturities	$357,350	$366,592
Income Taxes and Other Non-current Liabilities	23,006	28,311
Deferred Income Taxes	220,164	199,069

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Summary of Accounting Policies

F. Income Taxes—The company has deferred to future periods the income tax effect resulting from timing differences between financial statement pretax income and taxable income. The deferred tax on these differences pertains principally to depreciable plant and equipment, development costs incurred on several properties, taxes and royalties included in inventories, exploration costs and Canadian Federal Branch tax.

Investment tax credits utilized are deferred and amortized over the estimated lives of the related assets. (See note 2.)

Minority Interests

DANA CORPORATION (AUG)

	1978	1977
	($000)	
Total current liabilities	$ 401,527	$ 236,876
Deferred Income Taxes	40,391	30,271
Deferred Compensation	12,877	10,313
Long-Term Debt	192,575	201,674
Minority Interest in Consolidated Subsidiaries	21,261	19,633
Shareholders' Equity	733,240	603,177
Total Liabilities and Shareholders' Equity	$1,401,871	$1,101,944

DEL MONTE CORPORATION (MAY)

	1978	1977
Total current liabilities	$216,301,000	$206,976,000
Long-term debt	228,585,000	238,567,000
Executive deferred compensation plans	10,035,000	8,559,000
Deferred taxes on income	23,034,000	15,736,000
Minority interests in subsidiary companies	798,000	1,034,000
Total liabilities	$478,753,000	$470,872,000

THE HOOVER COMPANY (DEC)

	1978	1977
Total Current Liabilities	$146,255,899	$134,876,245
Long-Term Liabilities		
Deferred income taxes	15,432,855	11,760,136
Long-term obligations less amounts due within one year	15,909,322	10,048,379
Total Long-Term Liabilities	31,342,177	21,808,515
Minority Interest in Foreign Subsidiaries	73,185,717	68,986,922

MAREMONT CORPORATION (DEC)

	1978	1977
	($000)	
Long-Term Obligations	$25,622	$33,384
Lease Rental Obligations	26,434	28,567
Deferred Income Taxes	10,956	9,522
Minority Interest in Subsidiary	3,338	3,402

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Minority Interest—The Company has a majority ownership in Van Der Hout Associates Limited, a Canadian auto parts manufacturer. Of the 1,679,008 common shares outstanding of Van Der Hout Associates Limited, the Company owned 1,156,484 shares (69%) at December 31, 1978 and 1,131,184 shares (67%) at December 31, 1977. The minority interest liability is carried at a value of $3,338,000 at December 31, 1978 and $3,402,000 at December 31, 1977.

RALSTON PURINA COMPANY (SEP)

	1978	1977
	(Millions)	
Total Current Liabilities	$441.0	$422.8
Long-Term Debt	409.4	409.7
Deferred Income Taxes	67.3	57.3
Minority Shareholders Interest in Consolidated Subsidiaries	8.2	8.2

Employee Related Liabilities

ADAMS-RUSSELL CO., INC. (SEP)

	1978	1977
Long-Term Liabilities:		
Notes payable (less current portion)	$8,209,800	$6,307,200
Deferred Federal taxes on income	225,600	341,600
Accrued deferred compensation (Note 9)	98,400	—
Total long-term liabilities	$8,533,800	$6,648,800

Note 9: Deferred Compensation—The Company has deferred compensation plans for key executives providing for payments upon retirement, death or disability. The estimated actuarial value of the benefits is being charged to operations over the period from the effective dates of each plan to the normal retirement dates of the executives, and amounted to $98,400 for 1978.

AMERICAN HOME PRODUCTS CORPORATION (DEC)

	1978	1977
Deferred compensation payable in common stock under Management Incentive Plan	$ 66,116,000	$ 57,229,000
Other noncurrent liabilities	143,467,000	134,720,000
Minority interests in subsidiaries	29,773,000	27,248,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6: 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 1,893,427 shares have been awarded. Awards plus accrued dividend equivalents for a total of 1,574,580 shares were outstânding at December 31, 1978. Provisions for Management Incentive Plan costs charged to expense were $6,586,000 in 1978 and $5,313,000 in 1977 (after taxes).

HERMAN MILLER, INC. (MAY)

	1978	1977
Total Current Liabilities	$26,428,153	$14,373,852
Long-Term Debt	30,163,736	20,749,484
Deferred Taxes	2,383,000	1,498,000
Deferred Compensation (Note 6)	474,400	227,300
Total Liabilities	$59,449,289	$36,848,636

Note 6: Employee Benefit Plans—The Company and its subsidiaries have several pension, profit sharing and deferred compensation plans. Total costs of the various plans charged against income are as follows:

	1978	1977
Pension plans	$ 921,600	$ 652,700
Profit sharing plans	310,000	240,000
Deferred compensation plans	247,100	200,300
	$1,478,700	$1,093,000

Herman Miller, Inc. has a noncontributory, defined benefit pension plan which covers its full-time employees and certain part-time employees. The total cost of the plan charged against income was $798,800 in 1978 and $583,200 in 1977, which includes amortization of past service cost over thirty years. The Company has consistently funded, at a minimum, the pension costs accrued. The actuarially computed value of vested benefits of the plan at January 1, 1978 (the date of the latest actuarial report), exceeded the plan assets plus the excess of accrued pension liabilities over pension prepayments reflected in the accompanying balance sheet as of June 3, 1978, by approximately $710,000. The Company's consulting actuary estimates that the amount required to fund the past service cost was approximately $4,900,000 at January 1, 1978.

The Company's subsidiaries have a variety of formal and informal defined benefit plans. The benefit payments under most of these plans will be funded by insurance contracts. The pension costs shown above include approximately $122,800 in 1978 and $59,500 in 1977 related to these plans.

The Company has a trusteed profit sharing plan which covers all employees who have completed one year of employment. The plan provides for annual contributions of 3% of pretax earnings of Herman Miller, Inc. or such other amounts as may be established by the Board of Directors.

The Company has deferred compensation agreements with certain key employees who are not participants in the stock option program. Under these agreements, the participants receive retirement benefits which are computed as if they had received and exercised stock options; however, no stock is actually issued or issuable. For financial reporting purposes, the estimated present value of future retirement benefits to be paid is being accrued over the expected term of active employment of the participants.

JOHNSON & JOHNSON (DEC)

	1978	1977
	($000)	
Long-Term Debt	$ 52,125	$37,109
Certificates of Extra Compensation (Note 10)	28,341	29,560
Deferred Investment Tax Credit	17,857	15,843
Other Liabilities and Deferrals	105,979	68,043
Minority Interests in International Subsidiaries	8,519	6,664

Note 10: Certificates of Extra Compensation—The Company has a deferred compensation program for senior management and other key personnel. The value of units awarded under the program is related to the asset value and historical earning power of the Company's common stock. Amounts earned under the program are payable only after employment with the Company has ended.

THE MOHAWK RUBBER COMPANY (DEC)

	1978	1977
Deferred taxes on income	$ 541,000	$ 3,438,000
Deferred pension liability (Note B)	6,229,000	-0-
Long-term debt	41,725,000	43,374,000

Note B: Plant Closing—In November 1978, the Company closed its Akron truck tire production plant. The decision to close this facility was caused by competitive conditions, the age of the facility, and the property site which did not lend itself to modernization.

Closing this plant results in a one-time charge of $10,580,000 (before reduction for income tax benefits of approximately $5,078,000). This charge is principally the recognition of pension costs, the estimated loss on disposal of the assets, employee termination expense, and other costs expected to be incurred.

The liability for pension costs associated with the work force of this closed facility is reflected as a long-term obligation. The Company has received approval of the Pension Benefit Guaranty Corporation to fund such costs over a ten year period.

A.C. NIELSEN COMPANY (AUG)

	1978	1977
	($000)	
Accrued Profit Sharing (Note 4)	$14,049	$12,826
Accrued Severance and Pension Obligations (Note 1)	10,440	7,134
Other Long-Term Liabilities	7,417	4,064

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Severance Obligations—Certain foreign branches and subsidiaries are required to pay a severance allowance to employees. Generally, such payments are required upon voluntary or involuntary separation. and are based upon length of service and level of compensation. Provision is made annually for the additional severance allowances that would be payable if all eligible employees terminated their employment at the end of the year.

Pension Costs—Except for subsidiaries in Germany and Austria, where accrued pension costs are not funded, actuarially determined pension costs, including amortization of prior service costs over varying periods not exceeding thirty years, are funded as accrued.

Note 4: Employee Benefit Plans—There are pension plans, some contributory and others noncontributory, covering substantially all employees. Pension expense for 1978 and 1977 was $7,637,000 and $6,603,000, respectively. Unfunded prior service costs of all plans approximate $10,771,000 at August 31, 1978. The market value of fund assets plus balance sheet accruals for all plans exceeded the actuarially computed value of vested benefits at the most recent valuation dates.

The Company and certain subsidiaries have profit sharing plans which provide for payment of annual bonuses to key employees. Most of these plans provide for the allocation of the profit sharing provision into two segments: one payable currently and another payable over a specified period of time (generally four years). Amounts charged to income under all plans totaled $7,685,000 in 1978 and $7,580,000 in 1977.

Estimated Losses or Expenses

BETHLEHEM STEEL CORPORATION (DEC)

	1978	1977
	(dollars in millions)	
Total Current Liabilities	$1,003.5	$ 978.5
Liabilities Payable after One Year	182.0	150.8
Estimated Future Liability For Closedown Costs (Note B)	387.7	435.9
Long-term Debt	999.8	1,154.8
Total Liabilities	$2,573.0	$2,720.0

Note B: Closedown of Certain Steelmaking and Related Facilities—In August 1977, Bethlehem announced a plan to close down certain steelmaking and related facilities, reduce capital expenditures and reduce hourly and salaried work forces. In 1977 a provision of $750 million was made which was estimated to represent the costs and expenses related to the closedown decision. However, due to uncertainties inherent in estimating the amounts to be paid in future years, it was possible that adjustments to the provision might be required. During 1978, Bethlehem reviewed the costs and expenses related to the closedown decision, and as a result of such review it has been concluded that the remaining liability of $425.4 million at December 31, 1978, represents a reasonable estimate of the remaining costs and expenses associated with the closedown. Accordingly, no adjustment is required to the amount provided in 1977.

During 1978 and 1977, costs of approximately $125.6 million and $199.0 million, respectively, were charged to the estimated future liability. Of the balance of $425.4 million remaining at December 31, 1978, approximately $419.2 million represents Bethlehem's liability for employment-related costs accruing to terminated and laid-off employees including the costs of pensions, continued life and other insurance benefits and supplemental unemployment benefits.

DAYCO CORPORATION (OCT)

	1978	1977
Long-term obligations—Note B		
Debt	$136,407,216	$133,637,125
Capitalized lease obligations (Primary industrial revenue bonds)	14,354,628	12,698,882
Estimated costs relating to certain plant closings	12,174,387	3,544.001

Note B (in part): Long-Term Obligations—The estimated costs relating to certain plant closings primarily represent estimated pension, workmen's compensation, health care, and life insurance benefits which management expects will be paid over the next 20 to 30 years.

THE FIRESTONE TIRE & RUBBER COMPANY (OCT)

	1978	1977
	(Millions)	
Accrued liability for phase-out of facilities—non-current (Note 14)	$ 53.4	$ —
Long-term debt	616.1	616.1
Long-term capital lease obligations	68.0	74.2
Deferred income taxes	94.8	106.7
Minority interests in subsidiary companies	90.7	45.1

Note 14: Provision for loss on phase-out of facilities—In April, 1978 a charge of $110 million ($73 million after income taxes) was made against income for loss on phase-out of facilities covering various payments to employees ($50 million), the disposition of fixed assets ($43 million) and other costs associated wtih the phasing out of operations ($17 million), including operating losses during the phase-out period. The phase-out plan terminated bias passenger tire production in Akron, Ohio and all tire production at plants in Calgary, Canada, and Pratteln, Switzerland, during 1978 and provided for the phasing out of additional domestic bias passenger tire capacity.

The accrued liability for phase-out of facilities at October 31, 1978, comprised:

Amount accrued in April, 1978	$110.0
Less amounts charged thereto	42.4
Accrued liability at October 31, 1978 (current—$14.2; non-current—$53.4)	$ 67.6

CARRIER CORPORATION (OCT)

	1978	1977
	($000)	
Noncurrent liabilities		
Long-term debt	$223,747	$173,150
Extended-term product guarantees	38,710	21,897
Deferred taxes on income	16,623	14,355
Other	29,631	11,905
	$308,711	$221,307

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.

CORNING GLASS WORKS (DEC)

	1978	1977
	($000)	
Accrued Furnace Repairs	$26,560	$21,784

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.

DAY MINES, INC. (DEC)

	1978	1977
Noncurrent Liabilities:		
Deferred federal income taxes	$258,741	$331,711
Noncurrent account payable	608,253	—
Estimated liability for reclamation costs	79,105	—
Total noncurrent liabilities	$946,099	$331,711

Payable to Nonconsolidated Company

SUN COMPANY, INC. (DEC)

	1978	1977
	($000)	
Total Current Liabilities	$1,189,486	$1,121,903
Indebtedness to Unconsolidated Subsidiaries	75,254	67,336
Long Term Debt	692,070	708,220
Capitalized Lease Obligations	32,004	29,634
Deferred Income Taxes	370,754	358,306
Other Deferred Credits	189,270	150,223

Deferred Credits

ARCHER DANIELS MIDLAND COMPANY (JUN)

	1978	1977
Deferred Credits		
Gain on sale and leaseback—Note 6	$12,100,268	$12,749,917

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Property, Plant and Equipment—Assets are recorded at cost. The Company uses the straight line method in computing depreciation and amortization for financial reporting purposes and accelerated methods, with respect to certain assets, for income tax purposes. The estimated lives are generally as follows:

Buildings	10 to 50 years
Machinery and equipment	3 to 15 years
Transportation equipment	3 to 18 years
Furniture and fixtures	3 to 20 years

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to income as incurred. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains from properties sold and leased back are deferred and amortized over the lives of the related leases as reductions of rent expense. Other gains or losses resulting from property disposals are credited or charged to operations currently.

Note 6: Sale and Leaseback—In June 1975 the Company sold for $45,500,000 and leased back its corn processing facility at Cedar Rapids, Iowa, under an agreement which imposes certain of the same restrictions on the Company as those contained in the 4⅞% Promissory Notes referred to in Note 5 above. The second stage of this transaction was completed in August 1976 when $22,750,000 was received from the sale of improvements and equipment. In December 1976, the Company received an additional $34,500,000 from the sale of improvements and equipment, which completed the sale and leaseback transaction.

In July 1976 the Company sold for $15,000,000 and leased back its dry corn processing facility and an adjacent soybean processing plant at North Kansas City, Missouri.

TEMTEX INDUSTRIES, INC. (AUG)

	1978	1977
Long-Term Debt	$2,038,187	$1,435,342
Deferred Gain (Note 6)	316,407	

Note 6: Discontinued Operations—On May 19, 1978, the Company sold J. J. Willis Trucking Company ("Willis"), a wholly-owned subsidiary. The sale was accomplished through the irrevocable sale of Willis' freight line tractors and trailers and other fixed assets and the sale, subject to the

approval of the Interstate Commerce Commission (I.C.C.) of the stock and operating rights, together with all remaining assets and liabilities of Willis. If the I.C.C. fails to grant the buyer permanent authority to acquire the stock and operating rights, ownership will revert to the Company, and all amounts received ($450,000) or receivable ($1,098,000) on account of those assets will be returned. The Company has made certain guarantees with regard to the assets and liabilities of Willis as of May 19, 1978. Management is of the opinion that the I.C.C. will approve the sale and that any adjustments required as a result of the guarantees will be immaterial.

In accordance with provisions of Accounting Principles Board Opinion No. 30, operations of Willis are reflected as discontinued operations. Summarized results of operations of Willis for the period ended May 19, 1978 and the year ended August 31, 1977 are as follows:

	1978	1977
Freight line operating revenues	$4,152,066	$6,044,800
Freight line operating expenses	3,832,326	5,391,069
Loss from operations before Federal income tax	(365,153)	(134,722)
Gain on sale of assets	412,426	
Income (loss) before Federal income tax	47,273	(134,722)

Amounts due from the sale of Willis ($1,098,000) are classified as Other Assets and the gain relating to the sale of the Willis stock and operating rights ($316,407) has been deferred. No other assets or liabilities relating to Willis are included in the consolidated balance sheet at August 31, 1978.

DUN & BRADSTREET COMPANIES, INC. (DEC)

	1978	1977
Total Current Liabilities	$150,120,000	$113,325,000
Unearned Subscription Income......	102,859,000	86,739,000
Other Liabilities and Deferred Credits	8,714,000	8,470,000
Minority Interests in Subsidiaries ..	1,805,000	1,361,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Unearned Subscription Income—Amounts billed for service, guide and magazine subscriptions are credited directly to Unearned Subscription Income and reflected in operating revenue over the subscription term, which is generally one year.

HMW INDUSTRIES, INC. (JAN)

	1979	1978
Long-term debt......................	$10,793,000	$8,059,000
Noncurrent liabilities of a discontinued operation	320,000	628,000
Excess of net assets acquired over acquisition cost	266,000	287,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Property, Equipment, Depreciation and Amortization—Property and equipment is stated at cost and includes major renewals, improvements and betterments. Maintenance, repairs and minor renewals are charged to expense. 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.

Depreciation is calculated on the straight-line basis over estimated useful lives for both financial statement purposes and for tax purposes.

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 15 years.

KERR-MCGEE CORPORATION (DEC)

	1978	1977
Total Current Liabilities	$367,738	$315,824
Long-Term Debt.....................	$255,270	$299,373
Advances to be Repaid from Future Production........................	$116,296	$ 77,843

Advances to be Repaid from Future Production—In December 1977, Kerr-McGee Coal Corporation, a subsidiary company, entered into a coal production payment agreement whereby it was to receive up to $80 million, repayable monthly from a portion of the revenues received from the Jacobs Ranch Mine in Wyoming, and bearing interest at an 8½% rate through 1982 and at varying interest rates based upon the prime rate thereafter. As of December 31, 1978, the full $80 million had been taken down under the terms of this agreement.

During 1976, a contract was executed with Public Service Electric and Gas Company for delivery of up to 20,000,000 pounds of U_3O_8 in uranium concentrates. Public Service is committed to make interest-bearing advance payments against the purchases equivalent to the cost of the development of mining and milling facilities, with repayment of the advances and interest thereon at 8% to be made as U_3O_8 is sold.

At December 31, 1978, deliveries are being made to Public Service Electric and Gas Company from one mine on the property. Due to the contingent nature of the interest obligation, no interest accrual was made until July 1, 1978. At year-end, advances of $36.3 million plus accumulated interest of $3.9 million remained to be recovered from future production from these properties.

THE STANDARD OIL COMPANY (AN OHIO CORPORATION)

	1978	1977
	($000)	
Deferred Revenue—Note F	$163,364	$213,674
Deferred Income Taxes	283,840	154,276

Note F: Deferred Revenue—A subsidiary has entered into the following agreements under which revenues and related costs to produce will be recognized as production occurs. These agreements provide for interest at rates ranging from 104% to 128% of prime rate at December 31, 1978.

(1) Advance sale of crude oil production from Prudhoe Bay reserves which also grants purchase rights to a substantial portion of production from Prudhoe Bay gas reserves. Advance payments ($17.0 million at December 31, 1978 and $96.5 million at December 31, 1977), accrued interest ($5.4 million at December 31, 1978 and $33.1 million at December 31, 1977), and certain other costs are being repaid only from sales of crude oil from Prudhoe Bay leases.

(2) Advance payments of $100 million at December 31, 1978 and 1977 to be repaid only from sales of Prudhoe Bay crude oil.

(3) Advance payments, which are being repaid only from sales of coal, were $76.5 million at December 31, 1978 and $75.7 million at December 31, 1977 and accrued interest was $5.5 million at December 31, 1978 and $3.1 million at December 31, 1977.

(4) Advance payments, which are being repaid only from sales of uranium, were $11.1 million at December 31, 1978 and $13.9 million at December 31, 1977 and accrued interest was $1.5 million at December 31, 1978 and $1.8 million at December 31, 1977.

The above amounts include $53.6 million at December 31, 1978 and $110.4 million at December 31, 1977 included in current liabilities.

TABLE 2-29: USE OF TERM "RESERVE"

	Number of Companies			
	1978	1977	1976	1975
To describe deductions from assets for				
Uncollectible accounts	39	37	41	45
Accumulated depreciation	11	12	12	15
Reducing inventories to LIFO cost	4	7	6	N/C
Decline in value of investments	3	4	3	11
Other	6	10	11	29
To describe accruals for				
Employee benefits or compensation	14	18	24	27
Estimated expenses relating to property abandonments or discontinued operations	11	15	8	19
Insurance	5	9	6	10
Other — identified	13	12	29	35
Other — not identified	16	15	16	30

N/C — Not Compiled.

RESERVES—USE OF THE TERM "RESERVE"

Accounting Terminology Bulletin No. 1 recommends that the term *reserve* be used only to indicate, as an appropriation of retained earnings, that "an undivided portion of the assets is being held or retained for general or specific purposes . . ." Table 2-29 shows that while the term *Reserve* appeared occasionally in the 1978 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*.

TITLE OF STOCKHOLDERS' EQUITY SECTION

Table 2-30 summarizes the titles in the 1978 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.*

CAPITAL STRUCTURES

Table 2-31 summarizes the various classes and combinations of capital stock outstanding 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.

TABLE 2-30: TITLE OF STOCKHOLDERS' EQUITY SECTION

	1978	1977	1976	1975
Stockholders' equity	285	294	298	298
Shareholders' equity	239	232	235	217
Shareholders' investment	23	24	18	25
Shareowners' equity	26	17	14	23
Stockholders' investment	13	12	9	13
Other or no title	14	21	26	24
Total Companies	**600**	**600**	**600**	**600**

TABLE 2-31: CAPITAL STRUCTURES

	1978	1977	1976
Common stock with:			
No preferred stock	371	368	363
One class of preferred stock............	136	146	155
Two classes of preferred stock.........	60	56	61
Three or more classes of preferred stock..................................	33	30	21
Total Companies............................	**600**	**600**	**600**
Companies included above with two or more classes of common stock.....	16	20	17

ALLEGHENY LUDLUM INDUSTRIES, INC. (DEC)

	1978	1977
	($000)	
Shareholders' equity:		
Capital stock:		
$3.00 Convertible Preferred Stock (involuntary liquidation value $107,806,000 at December 31, 1978)...........	$ 1,797	$ 1,967
$2.19 Cumulative Preference Stock (involuntary liquidation value $128,102,000 at December 31, 1978)...........	113,981	120,514
Common Stock	5,053	4,882
Additional paid-in capital...........	84,072	84,287
Retained earnings....................	236,628	231,669
	441,531	443,319
Less treasury shares, at cost.......	9,848	791
	$431,683	$442,528

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9: Capital Stock—At a special meeting on November 30, 1977, shareholders approved an Amendment to the Articles of Incorporation which, among other things, increased the authorized number of shares of Cumulative Preferred Stock from 1,000,000 to 10,000,000, provided for redemption, at the option of Allegheny, of all or a part of the Cumulative Preferred Stock at any time after November 30, 1982, and precludes Allegheny from issuing shares of Cumulative Preferred Stock except pursuant to the Agreement of Merger entered into by Allegheny and Chemetron Corporation ("Chemetron Merger Agreement"). Pursuant to the Chemetron Merger Agreement, the Board of Directors established a series of the Cumulative Preferred Stock, designated at $2.19 Cumulative Preference Stock, without par value, and consisting of 9,271,629 shares.

Allegheny's authorized capital stock at December 31, 1978 and January 1, 1978 follows:

	Number of shares
$3.00 Convertible Preferred Stock, $1.00 par value	2,200,000
Cumulative Preferred Stock, without par value, of which 9,271,629 shares of $2.19 Cumulative Preference Stock, without par value, were established as a series in 1977..........................	10,000,000
Common Stock, $.66⅔ par value	30,000,000

The $3.00 Convertible Preferred Stock is convertible into Common Stock at the rate of one and one-half shares of common for each share of preferred (which conversion rate is subject to adjustment) and may be redeemed by Allegheny at $60.00 per share, plus accrued dividends.

The $2.19 Cumulative Preference Stock may be redeemed by Allegheny in whole or in part at any time after November 30, 1982 at an initial price of $26.69 per share, and therafter the per share amount is reduced by $.10 per share each subsequent July 1 to a minimum amount of $25.00 per share on July 1, 1999, plus in all cases accrued dividends. On July 1 of each of the years 1983 through 2002, Allegheny is required to redeem 5% of the number of shares of $2.19 Cumulative Preference Stock issued pursuant to the Chemetron Merger Agreement, at a per share price of $25.00, plus accrued dividends. As of December 31, 1978, Allegheny had purchased a sufficient number of shares of $2.19 Cumulative Preference Stock to satisfy the redemption requirements for the year 1983.

In the event of voluntary liquidation, the holders of $3.00 Convertible Preferred Stock are entitled to receive $60.00 per share, plus accrued dividends, and the holders of $2.19 Cumulative Preference Stock are entitled to receive $27.09 per share to June 30, 1979, and thereafter the per share amount is reduced by $.10 per share each subsequent July 1 to a minimum amount of $25.00 per share at July 1, 1999, plus in all cases accrued dividends. As a result of such preferences, $51,563,000 of the consolidated retained earnings at December 31, 1978 was not available for the payment of dividends on Common Stock.

This initial assigned value ($22.03 per share) of the $2.19 Cumulative Preference Stock is being increased to the redemption price ($25.00 per share) during the period in which such stock is outstanding. Periodic accretions, based on the "interest method," are charged to retained earnings.

Changes in the number of shares of capital stock issued and shares held in the treasury appear below:

	Shares issued			
	$3.00 Convertible Preferred Stock	$2.19 Cumulative Preference Stock	Common Stock	Treasury Stock
Balances at December 31, 1976	2,004,871	—	7,263,618	(22,069)
Acquisition of businesses	—	5,466,093	—	20,462
Treasury stock purchased	—	—	—	(56,051)
Conversion of $3.00 Convertible Preferred Stock	(37,478)	—	56,216	—
Conversion of 4% Convertible Subordinated Debentures	—	—	24	—
Exercise of stock options	—	—	3,750	10,125
Issued to Employees' Stock Ownership Plan	—	—	—	19,158
Balances at January 1, 1978	1,967,393	5,466,093	7,323,608	(28,375)
Contingent shares issued in connection with the acquisition of a business	—	—	—	3,002
Treasury stock purchased	—	—	—	(453,861)
Conversion of $3.00 Convertible Preferred Stock	(170,621)	—	255,931	—
Purchase and retirement of stock	—	(342,000)	—	—
Exercise of stock options	—	—	—	3,750
Issued to Employees' Stock Ownership Plan	—	—	—	24,291
Other	—	—	(7)	—
Balances at December 31, 1978	1,796,772	5,124,093	7,579,532	(451,193)

At December 31, 1978, 85,536 shares of $2.19 Cumulative Preference Stock was reserved for conversion of convertible notes assumed in the Chemetron acquisition, and 3,140,575 shares of Common Stock were reserved for conversions of $3.00 Convertible Preferred Stock and 4% Convertible Subordinated Debentures and outstanding options and the granting of additional options under the Employees' Stock Option Plan.

FOOTE MINERAL COMPANY (DEC)

Shareholders' equity (note 5):		
Convertible preferred stock—$2.20 cumulative if earned, $1 par value (liquidating value $18,356,000); authorized 651,351 shares; issued 458,905 and 458,915 shares	$ 459,000	$ 459,000
Common stock, $1 par value; authorized 10,000,000 shares; issued 7,651,082 and 7,649,787 shares	7,651,000	7,650,000
Additional paid-in capital	27,161,000	27,158,000
Retained earnings	48,632,000	47,695,000
	83,903,000	82,962,000
Less 574,770 shares of common stock in treasury, at cost	3,369,000	3,369,000
Total shareholders' equity	$80,534,000	$79,593,000

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 $41.60 per share until September 30, 1979 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 $18,356,000 based on shares outstanding at December 31, 1978. The Company has been advised by counsel that under the laws of Pennsylvania, no dividend may be paid which would reduce its net assets below the aggregate preferential amount to which the holders of the Convertible Preferred Stock would be entitled in liquidation. At December 31, 1978, consolidated net assets exceeded this aggregate preferential amount by $62,178,000. On December 31, 1978, 1,606,167 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 and holders of common stock have one vote per share, with cumulative voting for directors.

BEMIS COMPANY, INC. (DEC)

	1978	1977
	($000)	
Stockholders' equity:		
First preferred stock, 5% cumulative, $100 par value: Authorized—10,000 shares Outstanding—1,046 and 1,078 shares	$ 105	$ 108
Convertible series preferred stock, $100 par value, liquidation preference $100 per share: Authorized—200,000 shares Outstanding—116,159 and 132,482 shares	11,616	13,248
Series preferred stock, $1 par value: Authorized—1,000,000 shares Issued—100,000 shares of series 1974 8-½% at $100 stated value Outstanding none and 900,000 shares	-0-	9,000
Common Stock, $5 par value: Authorized—14,000,000 shares Outstanding—4,752,106 and 4,656,732 shares	23,761	23,284
Capital in excess of par value	40,546	39,470
Retained income	107,280	95,491
Common stock held in treasury, 34,575 and 26,891 shares, at cost	(700)	(541)
Total stockholders' equity	$182,608	$180,060

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10: Stockholders' Equity—On May 11, 1977, the number of authorized shares of common stock was increased from 7,000,000 to 14,000,000 shares and the par value was reduced from $10 to $5 per share.

During 1978 the series 1974, 8-½% preferred stock was redeemed at a premium of $637,000.

The 116,159 shares of outstanding series preferred stock are convertible into 404,998 shares of common stock and redeemable at a price of $100 per share. All preferred stock has equal voting rights with common stock. During 1978 and 1977, 16,323 and 2,179 shares of series preferred stock were converted into 63,381 and 8,369 shares of common stock, respectively.

UV INDUSTRIES, INC. (DEC)

	1978	1977
	($000)	
Stockholders' Equity		
Preferred Stock, par value $5 per share, 500,000 shares authorized, issuable in series: $5.50 Cumulative Preferred Stock; 178,759 shares issued; $17,875,900 liquidating value ($100 per share), less $5,925,000 attributable to treasury shares (Note 11)	$ 894	$ 894
New Preferred Stock, par value $5 per share, 1,000,000 shares authorized, issuable in series; $1.265 convertible series; issued 1978, 101,301 shares; issued 1977, 115,461 shares; liquidating value ($23 per share) $2,329,923 (Note 11)	506	577
Common Stock, par value $1 per share, 25,000,000 shares authorized; issued 1978, 11,338,614 shares; issued 1977, 10,489,872 (Note 11)	11,339	10,490
Additional paid-in capital	108,790	94,259
Retained earnings	185,127	152,755
Unrealized loss on marketable equity securities		(838)
	306,656	258,137
Less, Treasury stock, at cost (Note 11)	22,679	22,426
Total stockholders' equity	$283,977	$235,711

Note 11: Capital Stock–

The $5.50 Cumulative Preferred Stock is redeemable, at the option of the Company, at $100 per share.

The $1.265 New Preferred Stock is redeemable, at the option of the Company, at $23 per share. Each share of the $1.265 New Preferred Stock is convertible into 2.368 shares of Common Stock.

On January 17, 1979, the Board of Directors voted to redeem, on February 28, 1979, all of the Company's outstanding $1.265 New Preferred Stock.

Shares of Common Stock were reserved at December 31, 1978 for the following:

Exercise of 2,912,272 outstanding warrants, expiring on January 15, 1979, entitling the holders to purchase 1.065 shares at $20.655 per share	3,101,919
Conversion of 5½% convertible subordinated debentures	34,889
Conversion of 5¾% convertible subordinated debentures (See Note 10)	2,088,928
Conversion of $1.265 New Preferred Stock	239,881
Stock options	536,600
	6,002,217

Through March 26, 1979, 5,293,131 shares of Common Stock were issued for the exercise of warrants and stock options, and conversions of the $1.265 New Preferred Stock and the 5¾% convertible subordinated debentures.

Treasury stock consisted of the following:

	December 31, 1978		December 31, 1977	
	Shares	Cost (000's)	Shares	Cost (000's)
Common Stock	1,440,016	$18,840	1,440,016	$18,840
$5.50 Cumulative Preferred Stock ..	59,250	3,839	55,250	3,586
		$22,679		$22,426

COMMON STOCK

Table 2-32 summarizes the valuation bases of common stock. As in prior years, the majority of the survey companies show common stock at par value.

Examples of common stock presentations are shown in connection with Table 2-31.

TABLE 2-32: COMMON STOCK

	1978	1977	1976	1975
Par value stock shown at par value.....................	498	496	502	501
Par value stock shown at amount in excess of per share par value..........	29	30	34	38
Par value stock shown at assigned value per share..	7	20	14	13
No par value stock shown at assigned value per share	19	21	14	15
No par value stock shown at assigned value — per share value not disclosed	63	55	55	51
Issues Outstanding.........	**616**	**622**	**619**	**618**

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

ALLIS-CHALMERS CORPORATION (DEC)

	1978	1977
Shareholders' Equity		
Preferred stock—$100 par value, 1,000,000 shares authorized Outstanding—355,769 and 27,388.54 shares...........	$ 35,576,900	$ 2,738,854
Common stock—$1 par value, 25,000,000 shares authorized Issued—13,254,821 and 12,958,547 shares..........	13,254,821	12,958,547
Capital in excess of par value of stock.............................	272,844,494	267,029,996
Earnings retained....................	333,553,338	276,185,948
	655,229,553	558,913,345
Less—1,211,822 shares of common stock in treasury—at cost	38,160,121	38,160,121
Total Shareholders' Equity ..	$617,069,432	$520,753,224

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Shareholders' Equity (in part)—Preferred stock outstanding at December 31, 1978 and 1977 is summarized as follows:

	1978	1977
	(thousands of dollars)	
Series B, $3 cumulative convertible, voting—7,038.54 shares in 1977..........................	$ —	$ 704
Series C, $4 cumulative convertible, voting—20,350 shares in 1977.............................	—	2,035
Series D, $8.625 cumulative, nonvoting—300,000 shares in 1978.............................	30,000	—
Series E, $6.25 cumulative convertible, nonvoting—55,769 shares in 1978	5,577	—
	$35,577	$2,739

All Series B and C preferred stock outstanding on December 31, 1977 was converted during 1978 at the rate of three common shares for each Series B and 3.6 common shares for each Series C preferred share.

In connection with the acquisition of American Air Filter Company, Inc., the Company placed privately 300,000 shares of Series D nonconvertible preferred stock on October 5, 1978. These shares are redeemable, at the Company's option, at $125 per share to September 30, 1981, at $102 per share to September 30, 1982, at $101 per share to September 30, 1983 and thereafter at $100 per share. All outstanding Series D preferred stock must be redeemed in equal installments on September 30, 1984, 1985 and 1986.

Effective December 31, 1978, the Company issued 55,769 shares of Series E preferred stock in connection with a business acquisition. The shares are convertible into 2.5 shares of common stock and are redeemable at $100 per share on or after December 31, 1985.

PRATT & LAMBERT, INC. (DEC)

	1978	1977
Shareholders' Equity:		
Capital stock:		
Preferred stock—authorized 600,000 shares at $10 par value:		
Series A $2.25 cumulative convertible preferred shares (authorized 200,000 shares; issued 131,090 shares; entitled to $40 per share or $5,243,600 in liquidation)	$ 1,310,900	$ 1,310,900
Common stock—authorized 5,000,000 shares at $5 par value; issued, 1,256,905 shares	6,234,525	6,234,525
Additional paid-in capital	83,667	83,667
Retained earnings	20,235,611	19,318,547
Total	27,864,703	26,947,639
Less treasury common stock at cost—64,312 shares	1,273,824	1,273,824
Total shareholders' equity	$26,590,879	$25,673,815

TABLE 2-33: PREFERRED STOCK

	1978	1977	1976	1975
Valuation Bases				
Par value stock shown at par value	207	211	195	186
Par value stock shown at assigned value per share	4	12	9	9
Par value stock shown at liquidation or redemption value	12	4	9	4
No par value stock shown at assigned value per share	50	54	59	47
No par value stock shown at assigned value — per share value not disclosed	49	54	63	56
No par value stock shown at liquidating value	11	7	11	12
Other	2	7	12	8
Issues Outstanding	**335**	**349**	**358**	**322**
Number of Companies				
Showing preferred stock outstanding	226	232	237	242
Not showing preferred stock outstanding	374	368	363	358
Total Companies	**600**	**600**	**600**	**600**

AMERICAN CAN COMPANY (DEC)

	1978	1977
	(Millions)	
Shareholders' Equity (Notes 10 and 11)		
Preferred stock, 7% cumulative and noncallable, par value $25 (authorized 1,760,000 shares; issued 1,661,502 shares)	$ 41.5	$ 41.5
Common stock, par value $12.50 (authorized 30,000,000 shares; issued: 1978, 19,514,156 shares; 1977, 19,320,018 shares).	243.9	241.6
Capital in excess of par value	14.1	9.1
Earnings reinvested in the business	697.5	647.4
	997.0	939.6
Treasury stock, at cost	9.3	3.8
	$987.7	$935.8

GULF RESOURCES & CHEMICAL CORPORATION (DEC)

	1978	1977
Stockholders' investment:		
Preferred Stock, $1 par; authorized 4,000,000 shares—aggregate involuntary liquidating preference of $40,253,709 at December 31, 1978 (Note 6):		
Series A	$ 94,074	$ 124,897
Series B	622,303	622,303
Series C	1,250,000	1,250,000
Common Stock, $.10 par; authorized 20,000,000 shares, outstanding 7,098,478 and 7,036,155 shares	709,848	703,616
Common stock purchase warrants	1,461,750	1,461,750
Capital in excess of par	70,640,962	70,354,309
Retained earnings	85,757,822	76,243,229
	$160,536,759	$150,760,104

Note 6: Preferred Stock—All of Gulf's outstanding Preferred Stock is cumulative and convertible. Additional description of Preferred Stock as of December 31, 1978, is as follows:

	Shares Outstanding	Involuntary Liquidating Preference	Designated Annual Cash Dividend	Conversion Rate to Common Stock
Series A	94,074	$ 940,740	$ .20	2 for 1(a)
Series B	622,303	14,312,969	1.30	1.25 for 1
Series C	1,250,000	25,000,000	1.60	1.151 for 1(b)

(a)upon payment to Gulf of $10 for each share tendered.
(b)subject to adjustment under certain conditions.

The Series A and B may be redeemed by Gulf at any time for $50 per share, plus accrued and unpaid dividends. The Series C may be redeemed by Gulf at any time at prices ranging from $23.50 per share through 1981 to $20 per share beginning in 1988, plus accrued and unpaid dividends.

Preferred Stock Extended at Stated Value

CARRIER CORPORATION (OCT)

	1978	1977
	($000)	
Stockholders' equity		
Preferred stock (Note 9)	$192,245	$ 10,278
Common stock, par value $2.50 per share; authorized 50,000,000 shares; issued 24,964,599 shares in 1978 and 24,660,583 shares in 1977	62,412	61,652
Amounts contributed in excess of par or stated value	11,763	24,729
Earnings retained	364,189	300,255
	630,609	396,914
Less—common stock in treasury at cost, 411,045 shares in 1978 and 454,063 shares in 1977...	5,733	6,333
Total stockholders' equity.......	$624,876	$390,581

Note 9 (in part): Capital stock—Preferred stock consisted of the following:

	October 31, 1978	October 31, 1977
	(in thousands of dollars)	
Senior preferred stock, par value $50 per share, 4½% series—authorized 162,651 shares; outstanding 88,735 shares in 1978 and 88,766 shares in 1977.............................	$ 4,436	$ 4,438
Cumulative preferred stock, without par value; authorized 10,000,000 shares;		
4½% series, stated at $100 per share; authorized 49,260 shares; outstanding 45,229 shares in 1978	4,523	—
$2.25 series (convertible), stated at $50 per share; authorized 9,000 shares; outstanding 8,000 shares	400	400
$3.00 series (convertible), stated at $50 per share; authorized 115,031 shares; outstanding 106,388 shares in 1978 and 108,807 shares in 1977......................	5,319	5,440
$1.86 series (convertible), stated at $31 per share; authorized 7,142,804 shares; outstanding 5,727,952 shares in 1978	117,567	—
	$192,245	$10,278

The senior preferred stock, 4½% series, is subject to retirement at an annual rate of approximately $346,000.

The cumulative preferred stock, 4½% series, is redeemable at 105% of stated value and is subject to a semi-annual sinking fund of $100,000 for the purchase of shares of the 4½% series at or below stated value.

Each share of cumulative preferred stock, $2.25 series, $3.00 series and $1.86 series, outstanding at October 31, 1978, is convertible into 1.86 shares, 2 shares and 1.815 shares, respectively, of common stock.

THE BENDIX CORPORATION (SEP)

	1978	1977
	(Millions)	
Stockholders' Equity		
Preferred Stock, no par (authorized, 7,000,000 shares, issuable in series)—Series A $3 Cumulative Convertible (authorized, 3,000,000 shares of $7.50 stated value each; issued, 329,739 and 405,009 shares, respectively; liquidation preference, $18.4 million)	$ 2.5	$ 3.1
Common Stock (authorized, 60,000,000 shares of $5 par value each; issued, 22,305,290 and 22,065,702 shares, respectively).......................	111.5	110.3
Additional capital	30.2	42.0
Retained earnings....................	791.0	703.5
Total	935.2	858.9
Less—Cost of treasury stock (22,769 shares of Preferred Stock; 83,487 and 597,736 shares of Common Stock, respectively).......................	3.8	20.1
Stockholders' Equity—Net	$931.4	$838.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stockholders' Equity (in part)—Each share of the Series A $3 Cumulative Convertible Preferred Stock (Preferred Stock) is convertible into 2.05 shares of Common Stock, subject to adjustment in certain events. The Preferred Stock is entitled to $60 per share in liquidation and is redeemable, at the Corporation's option, at $67 per share at September 30, 1978, decreasing by $1 per share annually at each June 30 through June 30, 1985, and thereafter at $60 per share.

Preferred Stock Extended at Estimated Fair Value at Issuance

HUMANA INC. (AUG)

	1978	1977
	($000)	
Stockholders' equity:		
Preferred stock, $1.00 par: Authorized 10,000,000 shares; issued and outstanding 2,849,567 shares of $2.50 cumulative preferred (Note 10)	$ 65,074	$ —
Common stock, $.16⅔ par: Authorized 15,000,000 shares; issued 11,939,397 shares-1978 and 11,579,861 shares-1977	1,990	1,930
Capital in excess of par value	38,804	36,245
Retained earnings	61,233	46,686
Treasury stock, 432,675 common shares, at cost	(875)	(875)
Common stockholders' equity	101,152	83,986
Total stockholders' equity	$166,226	$83,986

Note 10: Preferred Stock—In connection with the acquisition of Medicorp, Humana issued 2,849,567 shares of $2.50 cumulative preferred stock. The preferred stock is subject to mandatory redemption in 15 equal annual installments commencing in February 1984 at $25.00 per share (plus accrued but unpaid dividends). Humana may, at its option, redeem any or all outstanding shares at any time, at $27.50 per share until February 1979, $26.66 in the next year, $25.83 in the next year and $25.00 thereafter.

The preferred stock was recorded at $22.75 per share, an aggregate of $64,828,000, which represented estimated fair value at issuance. This amount is being increased to the mandatory redemption price of $71,239,000 by annual provisions which are combined with preferred stock dividend requirements in computing income applicable to common stock and earnings per common share.

Preferred Stock Extended at Liquidation Value

PNEUMO CORPORATION (NOV)

	1978	1977
	($000)	
Stockholders' equity—Note C		
Series Preferred Stock, without par value—authorized 500,000 shares:		
$1 Cumulative Convertible, Series A, stated at redemption and involuntary liquidation value of $25 per share; issued and outstanding 20,728 shares in 1978; 32,268 shares in 1977	$ 518	$ 807
$4 Cumulative Convertible, Series B, stated at redemption and involuntary liquidation value of $100 per share; issued and outstanding 32,007 shares in 1978; 49,170 shares in 1977	3,201	4,917
Common Stock, $1 par value—authorized 10,000,000 shares; issued 2,889,295 in 1978; 2,707,957 in 1977	2,889	2,708
Capital in excess of par or stated value of shares	14,885	10,247
Accumulated earnings	50,019	46,322
	71,512	65,001
Less cost of 26,700 shares of Common Stock in treasury	(199)	(199)
	$71,313	$64,802

Note C: Capital Stock—Each share of Series Preferred Stock and Common Stock is entitled to one vote.

The Series Preferred Stock is redeemable by the Company and is convertible into Common Stock at the rate of 1.013 Common Shares for each share of Series A and four Common Shares for each share of Series B.

On November 30, 1978, an aggregate of 459,676 shares (subject to certain antidilution adjustments) of Common Stock were reserved for conversion of Series Preferred Stock and exercise or grant of stock options and warrants.

THE BFGOODRICH COMPANY (DEC)

	1978	1977
	($000)	
Total Non-Current Obligations	$ 608,257	$ 584,206
Minority Interests in Subsidiaries	18,410	17,045
Preferred Stocks Subject to Mandatory Redemption		
Series Preferred Stock—$1 par value:		
$7.85 Cumulative Preferred Stock, Series A (stated at redemption and involuntary liquidation value of $100 per share)	23,750	25,000
$.975 Cumulative Preferred Stock, Series B (stated at redemption and involuntary liquidation value of $10 per share)	3,706	—
Total Preferred Stock	27,456	25,000
Common Shareholders' Equity		
Common Stock—$5 par value	82,144	73,443
Additional capital	115,802	85,664
Income retained in the business	645,694	598,245
Total Common Shareholders' Equity	843,640	757,352
	$1,930,551	$1,757,826

ADDITIONAL PAID-IN CAPITAL

Table 2-34, summarizes captions used to describe additional paid-in capital and indicates a continuing gradual decline in 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.

TABLE 2-34: ADDITIONAL PAID-IN CAPITAL — CAPTION TITLE

	1978	1977	1976	1975
Additional paid-in capital	180	174	170	163
Capital in excess of par or stated value	164	162	154	151
Capital surplus	74	77	85	86
Additional capital, or *other capital*	51	51	48	56
Paid-in capital, or *other paid-in capital*	31	36	38	35
Paid-in surplus	15	18	14	18
Other captions	13	11	19	19
	528	529	528	528
No additional paid-in capital account	72	71	72	72
Total Companies	**600**	**600**	**600**	**600**

Examples of descriptive captions used for additional paid-in capital, other than those italicized in Table 2-34, follow. Examples of descriptive captions used for additional paid-in capital are also shown in this section in connection with discussions of the other components of stockholders' equity.

AMERICAN BILTRITE INC. (DEC)

	1978	1977
Stockholders' Equity		
First Preferred Stock, 6½% cumulative, par value $100 a share, callable at $120 a share—authorized and issued 6,613 shares	$ 661,300	$ 661,300
Second Preferred Stock, $.80 cumulative, without par value, callable at $18.50 a share—authorized 200,000 shares, issued 87,439 shares	1,311,585	1,311,585
Common Stock, without par value—authorized 4,000,000 shares, issued 2,827,486 shares	18,209,587	18,209,587
Donated capital	400,000	400,000
Retained earnings	34,101,285	27,930,322
	54,683,757	48,512,794
Less cost of shares in treasury—6,273 (6,258 in 1977), shares of First Preferred Stock, 79,731 (79,391 in 1977), shares of Second Preferred Stock, and 197,078 shares of Common Stock	3,413,869	3,407,939
	$51,269,888	$45,104,855

FMC CORPORATION (DEC)

	1978	1977
	($000)	
Stockholders' equity		
Preferred stock, no par value, authorized 5,000,000 shares; issued 1,860,545 shares in 1978 and 1,860,575 shares in 1977, $2.25 cumulative convertible; preference value $93,027	$ 11,628	$ 11,629
Common stock, $5 par value, authorized 60,000,000 shares; issued 32,310,270 shares in 1978 and 32,303,793 shares in 1977	161,551	161,519
Capital in excess of par value of capital stock	40,727	40,521
Retained earnings	839,877	743,228
Treasury stock, common, at cost, 242,103 shares in 1978 and 269,538 shares in 1977	(4,633)	(5,149)
Total stockholders' equity	$1,049,150	$951,748

FORD MOTOR COMPANY (DEC)

	1978	1977
	(Millions)	
Stockholders' Equity		
Capital stock, par value $2.00 a share	$ 239.9	$ 237.7
1978—119.9 million shares and 1977—118.9 million shares		
Capital in excess of par value of stock	492.7	437.8
Earnings retained for use in the business	8,953.7	7,781.4
Total stockholders' equity	$9,686.3	$8,456.9

PULLMAN INCORPORATED (DEC)

	1978	1977
	($000)	
Shareholders' Equity		
Common stock, without nominal or par value, 20,000,000 shares authorized, 11,035,341 (1978) and 11,014,343 (1977) shares issued less 42,096 (1978) and 59,257 (1977) treasury shares	$101,688	$101,335
Capital in excess of stated value	31,375	30,241
Retained earnings	274,797	226,795
Total shareholders' equity	$407,860	$358,371

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: RETAINED EARNINGS — CAPTION TITLE

	1978	1977	1976	1975
Retained Earnings	462	451	450	439
Retained earnings with additional words	27	14	18	40
Earnings with additional words	69	81	77	56
Income with additional words	20	24	27	35
Earned Surplus	5	6	8	11
Companies with deficits	17	24	20	19
Total Companies	**600**	**600**	**600**	**600**

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.

BEEHIVE INTERNATIONAL (SEP)

	1978	1977
Stockholders' Equity		
Common stock, $.02 per value, 10,000,000 shares authorized 1,255,705 and 1,253,235 issued and outstanding, respectively	$ 25,114	$ 25,065
Additional paid-in capital	4,307,300	4,297,470
Accumulated (deficit) earnings	(558,076)	2,174,827
	$3,774,338	$6,497,362

BETHLEHEM STEEL CORPORATION (DEC)

	1978	1977
	(Millions)	
Stockholders' Equity		
Common stock—$8 par value—Authorized 80,000,000 shares; issued and outstanding 45,987,118 shares	$ 576.0	$ 576.0
Income invested in the business	1,853.6	1,672.2
	$2,429.6	$2,248.2
Less: 2,322,499 and 2,322,031 shares of Common Stock held in treasury, at cost	69.4	69.3
Total Stockholders' Equity	$2,360.2	$2,178.9

GENERAL HOST CORPORATION (DEC)

	1978	1977
	($000)	
Shareholders' equity		
Common stock $1.00 par value, authorized 30,000,000 shares, issued 2,213,396 and 2,176,946 shares	$ 2,213	$ 2,177
Capital in excess of par value	63,686	64,543
Deficit (since December 28, 1975)	(19,419)	(16,815)
	46,480	49,905
Cost of 512,456 and 432,256 shares of common stock in treasury	(6,504)	(5,668)
Notes receivable arising from exercise of stock options	(922)	(908)
Total shareholders' equity	$39,054	$43,329

GEO. A. HORMEL & COMPANY (OCT)

	1978	1977
Stockholders' Investment		
Preferred Stock, par value $100 a share—authorized 50,000 shares, issued—none		
Common Stock, par value $1.875 a share—authorized 6,000,000 shares, issued—4,803,258 shares	$ 9,006,109	$ 9,006,109
Additional paid-in capital	2,761,377	2,761,377
Earnings reinvested in business	155,102,533	141,595,933
	$166,870,019	$153,363,419

MONSANTO COMPANY (DEC)

	1978	1977
	(Millions)	
Shareowners' Equity:		
Preferred stock—authorized, 10,000,000 shares without par value, issuable in series; outstanding, 185,112 shares in 1978 and 271,306 shares in 1977; involuntary liquidation preference, $35 per share, or an aggregate of $6.5 in 1978 and $9.5 in 1977	$ 0.4	$ 0.6
Common stock—authorized, 100,000,000 shares, par value $2 each; issued, 36,976,516 shares in 1978 and 36,872,323 shares in 1977	73.9	73.7
Additional contributed capital	651.5	650.6
Reinvested earnings	1,892.5	1,705.3
	2,618.3	2,430.2
Less common stock in treasury, at cost (786,653 shares in 1978 and 591,603 shares in 1977)	38.9	29.3
	$2,579.4	$2,400.9

OUTBOARD MARINE CORPORATION (SEP)

	1978	1977
Stockholders' Investment:		
Preferred stock—authorized 3,000,000 shares of $10.00 par value, none issued	—	—
Common stock—authorized 13,500,000 shares at $.30 par value each, issued 8,350,739 shares in 1978 and 8,348,138 shares in 1977	$ 2,505,000	$ 2,505,000
Capital in excess of par value of common stock	36,356,000	36,314,000
Accumulated earnings employed in the business	232,810,000	218,311,000
	$271,671,000	$257,130,000

RALSTON PURINA COMPANY (SEP)

	1978	1977
	(Millions)	
Shareholders Equity:		
Preferred stock, $1 par value, authorized 6,000,000 shares—None outstanding		
Common stock, $.41⅔ par value, authorized 180,000,000 shares—Issued 108,046,786 shares in 1978 and 107,644,821 in 1977	$ 45.0	$ 44.9
Capital in excess of par value	86.1	83.1
Earnings invested in the business	842.4	741.6
Common stock in treasury, at cost—197,883 shares in 1978 and 1977	(1.5)	(1.5)
Total Shareholders Equity	$972.0	$868.1

WM. WRIGLEY JR. COMPANY (DEC)

	1978	1977
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	180,597,000	164,123,000
Accumulated earnings appropriated for guarantees under employment assurance contracts	2,000,000	2,000,000
	201,797,000	185,323,000
Less capital stock in treasury, at cost (63,032 shares)	1,502,000	1,502,000
Total stockholders' equity	$200,295,000	$183,821,000

UNIVERSAL LEAF TOBACCO COMPANY, INCORPORATED (JUN)

	1978	1977
Stockholders' Equity		
Preferred stock, $100 par, 8% cumulative, authorized 75,000 shares, issued and outstanding 1,899 shares (2,088 in 1977)	$ 190,000	$ 209,000
Common stock, no par value, authorized 12,000,000 shares, issued 10,147,600 shares	17,366,000	17,366,000
Earnings retained for use in business	128,066,000	116,016,000
Treasury stock, 913,831 common shares at cost (734,210 in 1977)	(9,004,000)	(5,860,000)
	$136,618,000	$127,731,000

STOCK OPTION AND STOCK PURCHASE PLANS

Chapter 13B of *Accounting Research Bulletin 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 were 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 applying "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.

Five hundred-twenty companies disclosed the existence of stock option plans. Examples of stock option and stock purchase plans follow.

STOCK OPTION PLANS

ADDRESSOGRAPH-MULTIGRAPH CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies (in part)

Stock Options—Amounts received upon the exercise of stock options are credited to common stock and capital in excess of par value. The excess of market price over option price for those options with stock appreciation rights is charged to income.

Stock Options and Stock Purchase

Stock Options—Under the 1971 Stock Option Plan approved by the shareholders, 200,000 shares of the Company's common stock were reserved for issuance to officers and other key employees pursuant to the exercise of qualified and non-qualified stock options. Options were granted at prices equal to the fair market value on the date of the grant. Qualified options are exercisable for not more than five years from the date of grant, and no qualified option is exercisable while there is outstanding to the same optionee any prior option at a higher price. Non-qualified stock options are exercisable for not more than ten years from the date of grant without regard to other options. Prior to 1973 non-qualified options could be granted under the 1971 Plan in conjunction with qualified options, each for the same number of shares, in which event the number of shares purchasable under the one option reduced on a one-for-one basis shares purchasable under the other option. Options granted under the 1971 Plan after January 1, 1973 are either qualified or non-qualified, and the purchase of shares under either option has no relation to the number of shares purchasable under the other. No options could be granted under the 1971 Plan after November 4, 1976.

Under the 1976 Stock Option Plan approved by the shareholders, options may be granted for up to 250,000 shares of the Company's common stock to certain key professional and management employees. The option price may not be less than the reported closing market price of the Company's common stock as of the date the option is granted. Only non-qualified options, exercisable for not more than ten years from the date of grant without regard to other options, can be granted under the Company's 1976 Stock Option Plan. Before an option may be exercised the optionee must have served one year of continuous employment with the Company. An optionee may, under the plan, be authorized to surrender any then exercisable option in return for an amount equal to the difference between the option price and market value on the day the option is surrendered. Payment will be made in common stock issued under the 1976 Plan, cash or a combination of both. The Company may also authorize the grant of options conditioned upon the optionee's cancellation of outstanding but unexercised options. No options may be granted under the 1976 Plan after November 21, 1981.

Data relating to both stock option plans is shown below:

1971 Stock Option Plan	Shares	Price Range
Shares subject to option at July 31, 1977	185.951	\$4.44-\$39.75
Options exercised	(45,648)	4.44- 14.19
Options expired	(48,651)	4.44- 37.88
Shares subject to option at July 31, 1978	91,652	\$4.44-\$39.75
Options exercisable at July 31, 1978	63,360	\$4.44-\$39.75
1976 Stock Option Plan		
Shares subject to option at July 31, 1977	100,000	\$12.25-\$14.13
Options granted	68,000	13.13- 24.25
Options expired	(10,000)	13.50- 14.13
Shares subject to option at July 31, 1978	158,000	\$12.25-\$24.25
Options exercisable at July 31, 1978	23,750	\$12.25-\$14.13

ALLIS-CHALMERS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Shareholders' Equity (in part)—The Company has stock option plans for officers and key employees. The 1970 and 1978 Allis-Chalmers plans provide for the granting of options to purchase 925,000 and 600,000 shares, respectively, at prices equal to not less than the fair market value at the date of grant. Qualified options granted under the 1970 plan are exercisable in installments within a period not to exceed five years, while nonqualified options under the 1970 plan and all options under the 1978 plan are exercisable in installments within a period not to exceed ten years. The 1978 plan also provides for the discretionary grant of stock appreciation rights in conjunction with the options which allow the holder to receive in cash the difference between the exercise price and the fair market value of the stock at date of exercise. Under this plan, when options and appreciation rights are granted in tandem, the exercise of one cancels the other. At December 31, 1978 there were 291,836 options exercisable, all under the 1970 plan, and shares of common stock available for future option grants at the date were 9,700 under the 1970 plan and 193,935 under the 1978 plan.

The following summarizes the stock option transactions under the Allis-Chalmers Corporation 1970 and 1978 plans for the two years ending December 31, 1978:

	1970 Plan		1978 Plan	
	Number of Options	Option Price Per Share	Number of Options	Option Price Per Share
Outstanding at January 1, 1977 ...	628,947	$ 7.375-$28.875		
Granted	66,828	$24.50 -$32.75		
Exercised	(102,075)	$ 7.375-$24.875		
Expired/terminated	(38,750)			
Outstanding at December 31, 1977	554,950	$ 7.375-$32.75		
Granted	8,000	$24.625	406,065	$30.00-$37.50
Exercised	(201,025)	$ 7.375-$28.875		
Expired/terminated	(6,800)			
Outstanding at December 31, 1978	355,125	$ 7.375-$32.75	406,065	$30.00-$37.50

Under the provisions of the merger agreement between Allis-Chalmers Corporation and American Air Filter Company, Inc., options and stock appreciation rights granted to officers and key employees of American Air Filter under its 1972 and 1978 plans prior to October 2, 1978 were assumed by Allis-Chalmers for the same number of options and stock appreciation rights and at the same option price per share as originally granted. At October 2 and December 31, 1978, options to purchase 59,425 shares at prices ranging from $14.75 to $17.94 were outstanding, of which 49,025 were exercisable. In addition, stock appreciation rights are attached to 48,600 of the aforementioned options, of which 42,375 were exercisable. No further options or stock appreciation rights can be granted under either American Air Filter plan.

BUCYRUS-ERIE COMPANY (OCT)

NOTES TO FINANCIAL STATEMENTS

Note F—Stock transactions: Under the Company's qualified stock option plans, options have been granted to purchase common stock at not less than 100% of market price at date of grant ($13.625 to $25.625 per share). Data with respect to the plans is as follows:

	Shares		
	Reserved	Granted	Available
Balances, December 31, 1976	127,244	118,308	8,936
Exercised	(28,070)	(28,070)	
Cancelled		(4,509)	4,509
Balances, December 31, 1977	99,174	85,729	13,455
Granted		13,445	(13,445)
Exercised	(14,905)	(14,905)	
Cancelled		(1,824)	1,824
Balances, December 31, 1978	84,269	82,445	1,824

Exercisable, December 31: 1977—66,158 shares ($8,48 to $25.625 per share), 1978—59,525 shares ($13.625 to $25.625 per share).

The excess ($125,581 in 1978 and $202,832 in 1977) of the option price over the par value of shares for which options were exercised was credited to additional paid-in capital.

ARCHER DANIELS MIDLAND COMPANY (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7: Capital Stock—The Company has authorized 500,000 shares of Preferred Stock, without par value, issuable in series at terms to be fixed by the Board of Directors at time of issue. None has been issued.

Stock option plans approved by shareholders provide for the granting of options to employees for purchase of Common Stock of the Company at prices equal to 100% of the fair market price at the dates the options are granted. Under terms approved by the Board of Directors on July 19, 1978, all options are exercisable in full after one year from the date of grant. Options for an additional 106,186 shares at prices ranging from $8.11 to $23.70 per share became exercisable as a result. Options expire five years after the date of grant.

Options to employees and shares reserved for issuance under these plans are as follows:

	Options Outstanding	
	Shares	Price Per Share
Balance July 1, 1976	350,791	$ 6.15 to $23.70
Granted	21,499	16.55 to 23.47
Exercised	(67,260)	6.15 to 10.30
Cancelled	(3,763)	6.38 to 23.58
Balance June 30, 1977	301,267	6.15 to 23.70
Granted	42,525	14.17 to 16.55
Exercised	(96,629)	6.15 to 7.11
Cancelled	(11,025)	16.55
Balance June 30, 1978	236,138	$ 8.11 to $23.70

At June 30, 1978, 241,581 shares were available for grant (273,059 shares at June 30, 1977). Options were exercisable at June 30, 1978 for 98,452 shares at prices ranging from $8.11 to $23.70 per share.

In July 1977, the Company granted an option to a former employee to purchase 22,050 shares of Common Stock at an option price of $16.16 per share adjusted to $14.29 per share by action of the Board of Directors in July 1978. This option is exercisable until July 28, 1982 and is a "nonqualified" option for federal income tax purposes.

JOHNSON PRODUCTS CO., INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10: Stock Option Plans:

Qualified Stock Option Plans—Under qualified stock option plans adopted in October 1969 and November 1973, options to buy an aggregate 61,800 shares of common stock may be granted to officers and key employees. The plans provide, among other things, that (1) the exercise price may not be less than the fair market value of the common stock at the date an option is granted, (2) options become exercisable from one to five years after date granted, and (3) no options may be granted to any person who would own 5% or more of the total voting power or value of all classes of stock after such grant.

On July 1, 1977, the Company granted options to employees to buy shares upon condition that the respective optionees agree to the cancellation of outstanding options granted earlier. The option price of each optionee's new option is equal to the highest price of any cancelled option held by him until such cancelled option normally would have expired. After the time all such cancelled options would have expired, the option price of each optionee's new option is $5.38, the fair market value of the stock on the date of this grant. At August 31, 1978 and 1977, the number of shares related to options subject to the above condition were 19,200 and 23,700, respectively.

Employees' Restricted Stock Option Plan—Under this plan, which was adopted in December 1975, (1) options to buy an aggregate of 40,000 common shares may be granted to management personnel, (2) 20% of each grant becomes exercisable in each of the sixth through tenth years after date of grant, and (3) unexercised options expire ten years after grant.

The exercise price of options granted under this plan is $.50 per common share. Differences between the exercise price and the fair market value of the common stock at the dates of grant are considered compensation and are charged to operations ratably over the ten-year option period.

The following tables summarize the status of options at August 31, 1978, and option transactions for the two years then ended:

Status at August 31, 1978

	Qualified Plans	Restricted Plan
Presently exercisable	17,389	
Exercisable in future years	42,036	39,550
Total outstanding	59,425	39,550
Available for future grants	2,375	450
Shares of common stock reserved for exercise of options	61,800	40,000

Transactions for the two years ended August 31, 1978:

	Qualified Plans		
	Number of shares	Per share option price	Total option price
Outstanding, August 31, 1976	31,900	$15.50 to 24.00	$528,638
Granted	49,400	5.38 to 24.00	538,425
Cancelled	(31,900)	15.50 to 24.00	(528,638)
Outstanding, August 31, 1977	49,400	5.38 to 24.00	538,425
Granted	19,575	5.13 to 5.88	110,353
Cancelled	(9,550)	5.38 to 19.63	(115,082)
Outstanding, August 31, 1978	59,425	5.13 to 24.00	$533,696

	Restricted Plan	
	Number of shares	Average market price of date of grant
Outstanding at August 31, 1976	23,150	$19.68
Granted	14,950	7.02
Cancelled	(7,400)	(17.63)
Outstanding, August 31, 1977	30,700	14.01
Granted	12,350	5.68
Cancelled	(3,500)	12.89
Outstanding, August 31, 1978	39,550	11.51

CLUETT, PEABODY & CO., INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 12: Stock Options—In 1970, 1971 and 1974, the Company adopted plans for granting stock options to employees to purchase common stock at not less than 100% of market value at the date of grant. Under the 1971 plan, non-qualified options were granted as such or as companion options to qualified options granted under the 1970 or 1971 plans. Under the 1974 plan, only non-qualified options have been granted. Non-qualified options are exercisable in installments for periods of up to ten years from date of grant, except those granted as companion options to qualified options which are exercisable up to five years from the expiration date of the related unexercised qualified options. Options outstanding at December 31, 1978 and 1977 were granted from 1970 through such dates.

A summary of stock option activity follows:

	1978		1977	
	Shares	Option Price	Shares	Option Price
Outstanding, January 1	416,530	$2.62 to 24.50	433,090	$2.62 to 24.50
Granted	4,500	10.12	58,500	9.38 to 11.00
Exercised	31,250	2.62 to 10.00	46,420	2.62 to 7.38
Cancelled	14,240	4.75 to 24.50	28,640	2.62 to 24.50
Outstanding, December 31	375,540	$2.62 to 24.50	416,530	$2.62 to 24.50
Exercisable, December 31	332,130	$2.62 to 24.50	302,050	$2.62 to 24.50
Became exercisable	72,880	$2.62 to 11.00	67,200	$2.62 to 10.50
Available for grant, December 31	29,330		30,590	

The aggregate option price for options outstanding at December 31, 1978 and 1977 was $4,465,000 and $4,852,000, respectively. The aggregate option prices and fair market values of options exercised were $166,000 and $364,000 ($10.00 to $13.62 a share), respectively, in 1978 and $226,000 and $447,000 ($9.12 to $10.88 a share), respectively, in 1977. The aggregate option prices and fair market values of options which become exercisable were $549,000 and $833,000 ($9.50 to $14.00 a share), respectively, in 1978 and $384,000 and $659,000 ($9.00 to $10.75 a share), respectively, in 1977.

GREAT ATLANTIC & PACIFIC TEA COMPANY, INC. (FEB)

FINANCIAL REVIEW

Stock Options—The Company has a stock option plan approved by the Stockholders in June 1975 under which officers and key employees may be granted qualified or nonqualified options to purchase not more than 1,000,000 shares of common stock at not less than the fair market value at grant dates and for periods not exceeding ten years. In addition, options granted previously under a stock option plan approved by the Stockholders in 1969 were outstanding during fiscal 1976 and 1977. A summary of option transactions is shown in the table below.

Non-qualified options are exercisable as follows: 264,100 immediately at grant and as to the remaining 246,000 at cumulative 25% increments after each of the first through the fourth annual anniversaries of the grants. Qualified options are exercisable at cumulative 25% increments after each of the first through the fourth annual anniversaries of the grants. 202,500 options were available at February 25, 1978 for future grants. Proceeds from the exercise of stock options are credited to common stock for the aggregate par value of shares issued and the excess is credited to capital surplus, including $8,000 in fiscal 1977 and $105,000 in fiscal 1976.

Summary of Option Transactions

	Shares		Option Price	
	Qualified	Non-Qualified	Per Share	Total
Outstanding, February 28, 1976	289,860	363,000	$ 9.25 to $12.56	$6,565,923
Fiscal 1976:				
Granted	41,500	110,000	11.00 to 12.44	1,807,325
Exercised	(11,160)	(900)	9.25 to 9.625	(115,740)
Cancelled	(23,900)	(2,000)	9.625 to 11.81	(265,498)
Outstanding, February 26, 1977	296,300	470,100	9.25 to 12.56	7,992,010
Fiscal 1977:				
Granted	—	75,000	7.81 to 12.06	859,525
Exercised	(960)	—	9.625	(9,240)
Cancelled	(45,040)	(35,000)	9.25 to 12.06	(848,960)
Outstanding February 25, 1978	250,300	510,100	$ 7.81 to $12.56	$7,993,335
Shares becoming exercisable in:				
Fiscal 1976	65,680	92,000	$ 9.625 to $12.56	$1,730,112
Fiscal 1977	65,855	44,000	$ 9.615 to $12.56	$1,181,418

GIANT FOOD INC. (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8: Employees' stock options—In 1972, the shareholders approved qualified and non-qualified stock option plans for officers and key employees. The option price under these plans is market price at the date of grant.

On September 8, 1977 the non-qualified plan was amended to include provisions granting stock appreciation rights. These rights permit the holder, upon exercise of an option after August 25, 1978, to elect to receive cash and/or shares of stock equal to the difference between the market price on the exercise date and the option price. Changes in stock options during the years are shown below.

	Shares	Option price per share
Outstanding at February 28, 1976.	183,226	$10.70-$28.01
Granted	27,000	14.63- 16.25
Exercised	(5,423)	10.70- 14.18
Canceled or expired	(3,489)	10.70- 16.45
Outstanding at February 26, 1977.	201,314	10.70- 28.01
Granted	30,119	18.00- 18.25
Exercised	(13,112)	10.70- 14.18
Canceled or expired	(22,030)	10.70- 28.01
Outstanding at February 25, 1978.	196,291	10.70- 18.25
Exercisable at February 26, 1977	94,513	10.70- 28.01
Exercisable at February 25, 1978	99,353	10.70- 16.25

All available options for shares have been granted at February 25, 1978.

On December 15, 1977 the shareholders (voting and non-voting) approved the 1977 non-qualified plan, authorizing the grant of options to purchase 100,000 shares of the Company's Class "A" common stock. This plan is substantially the same as the 1972 non-qualified plan. As of February 25, 1978, 30,000 options, none of which are exercisable until 1979, were granted under this plan at $18.25 per share (market price at date of grant).

MARATHON OIL COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note G: Stock Options—The shareholders approved stock option plans in 1970 and 1975. No further options can be granted under the 1970 plan. Options are granted at the fair market value on the date of the grant. Subject to termination of employment, qualified options expire five years from the date of grant and nonqualified options expire ten years from the date of grant. They are non-transferable other than on death, and are exercisable one year from the date of grant, fully or partially. Certain options granted under the 1975 plan include a stock appreciation right which entitles the holder to surrender the option and receive common shares or cash equal to the difference between market value at date of surrender and the option price. There were 49,750 common shares at December 31, 1978 (57,150 at December 31, 1977) available for the future granting of options. The purchase price of shares under options outstanding at December 31, 1978, ranged from $20.38 to $49.44 a share. Additional information with respect to stock options is summarized as follows:

	Number of Shares by Plan 1975	1970
Outstanding January 1, 1977	228,150	85,381
Granted	118,100	—
Exercised	(1,856)	(25,100)
Surrendered under stock appreciation rights	(3,444)	—
Canceled or expired	(6,150)	—
Balance December 31, 1977	334,800	60,281
Granted	19,000	—
Exercised	—	(21,470)
Surrendered under stock appreciation rights	(6,400)	—
Canceled or expired	(11,600)	—
Outstanding December 31, 1978	335,800	38,811
Exercisable at December 31, 1978	260,450	38,811

NEW ENGLAND NUCLEAR CORPORATION (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note D: Stock Options—At February 28, 1978, there were outstanding options, granted to key employees under the Company's 1972 qualified stock option plan, and the 1970 and 1976 non-qualified stock option plans, to purchase an aggregate of 76,170 shares of common stock at prices ranging from $11.80 to $48.90 per share, averaging $24.92. All options were granted at 100% of market value on the date of grant. The qualified plan provides that options may be exercised over a period of not more than five years from date of grant. The non-qualified plans provide that options may be exercised over ten years from date of grant in cumulative annual installments of one-fourth of the number of shares commencing one year after date of grant.

During 1978, options to purchase 7,050 shares were granted, options for 31,246 shares were exercised at prices ranging from $11.80 to $33.65 per share and options for 10,645 shares were cancelled.

During 1977, options to purchase 53,975 shares were granted, options for 8,709 shares were exercised at prices ranging from $11.80 to $27.75 per share and options for 6,723 shares were cancelled. At February 28, 1978, options for 29,549 shares were exercisable, and options for 66,270 shares were available for grant.

Upon the exercise of the options, amounts received by the Company in excess of par value, including any tax benefit with respect to the stock option plans, are credited to capital in excess of par value.

PNEUMO CORPORATION (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note D: Stock Options—The Company currently has two stock option plans: The 1974 Employee Stock Option Plan and the 1978 Employee Stock Option Plan, which the stockholders approved on April 4, 1978. Under the 1974 Plan, options to purchase 135,000 shares of Common Stock of the Company may be granted to key employees until June 2, 1984. Under the 1978 Plan, 200,000 shares of Common Stock of the Company may be granted to key employees until January 23, 1988. Under the terms of both Plans, options may be granted at amounts not less than the fair market value at the date of grant. Generally, these options may be exercised after one year under both plans, but not more than five years after the date of grant for options issued under the 1974 Plan and ten years after the date of grant for options issued under the 1978 Plan.

Under the terms of the 1978 Stock Appreciation Rights Plan, which the stockholders also approved on April 4, 1978, stock appreciation rights with respect to 230,900 shares of Common Stock may be granted to optionees who have been granted stock options. These rights may be exercised during the period the related stock options are exercisable except that rights granted to directors or officers of the Company generally are not exercisable until six months after the date of grant. Stock appreciation rights permit an optionee to surrender all or a portion of an exercisable stock option and exercise the related stock appreciation right. The optionee would receive cash or shares of Common Stock, or combination thereof, at a value equal to the excess of fair market value on the date of exercise over the option price of the shares subject to the related option or portion thereof. Shares covered by such surrendered stock option or portion thereof are not available for the grant of further stock options.

Information with respect to options and rights under the above plans follows:

	Reserved For Future Grant		Outstanding		
	Shares	Appreciation Rights	Shares	Appreciation Rights	Option or Rights Price
Balance November 30, 1976	21,100		23,000		$ 5.25 -$13.125
Granted	(7,000)		7,000		13.875- 16.875
Exercised			(13,200)		5.25 - 11.00
Balance November 30, 1977	14,100		16,800		5.25 - 16.875
Available for grant from new plans	200,000	230,900			
Granted	(160,250)	(177,050)	160,250	177,050	5.25 - 25.00
Exercised			(1,000)	(3,800)	5.25 - 16.875
Cancelled			(3,800)	(1,000)	5.25 - 16.875
Balance November 30, 1978	53,850	53,850	172,250	172,250	5.25 - 25.00

The proceeds from the exercise of options and the related market value amounts at the dates of exercise respectively were $84,000 and $234,000 in 1977 and $5,000 and $23,000 in 1978. At November 30, 1978, 12,000 shares are exercisable at prices ranging from $5.25 to $13.875 for a total of $133,000. The market value of these shares at November 30, 1978 was $269,000.

Compensation expense is recorded for stock appreciation rights granted based upon the amount by which the fair market value of the Common Stock exceeds the option price at the end of each reporting period, except that for the period before the rights become exercisable, the expense is spread ratably. During 1978, compensation expense of $189,000 was recognized in connection with stock appreciation rights granted.

STOCK PURCHASE PLANS

AMERICAN BUILDING MAINTENANCE INDUSTRIES (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10: Capital Stock—The company's stock is listed on the New York and Pacific Stock Exchanges. Common shares issued and outstanding were 2,163,000 on October 31, 1978 and 2,140,000 on October 31, 1977.

The following is a summary of the transactions during 1978 and 1977 of the company's qualified employees' stock option plan:

	Number of Shares Under Option	Option Price Per Share
Balance, November 1, 1976	73,000	$11.63
Options granted	3,000	$11.94
Options terminated	(4,000)	$11.63
Balance, October 31, 1977	72,000	
Options granted	36,000	$12.25-$17.25
Options terminated	(5,000)	$11.63
Options exercised	(6,000)	$11.63
Balance, October 31, 1978	97,000	

Options became exercisable during 1978 and 1977 on 21,000 shares and 16,000 shares. Additional shares available for grant were 5,000 and 36,000 at October 31, 1978 and 1977, respectively.

The company has an employees' stock purchase plan under which the sale of its common stock has been authorized. The purchase price of the shares under the plan is the lesser of 85% of the fair market value at the commencement of each plan year or 85% of the fair market value on the date of exercise of the option to purchase such stock. The employees may designate up to 10% of their compensation for the purchase of stock. During 1978 and 1977, 55,000 shares of stock were issued each year under the plan for an aggregate purchase price of $581,000 and $482,000, respectively. At October 31, 1978, 116,000 shares remained unissued under the plan.

INTERNATIONAL BUSINESS MACHINES CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stock Purchase Plan—The 1976 Employees Stock Purchase Plan enables employees who are not participants in a stock option plan to purchase IBM's capital stock through payroll deductions of up to 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 a share. During 1978, 1,385,487 treasury shares were sold to employees for $314 million. At December 31, 1978, 5,339,851 shares, including 2,000,000 reserved unissued shares, remain available.

JOY MANUFACTURING COMPANY (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (in part): Stock Purchase Plans—Upon merger with Wheeling, all outstanding rights to purchase shares of Wheeling common stock under Wheeling's stock purchase plans were substituted for rights to purchase shares of JOY common stock. No additional purchase rights have been granted since the merger and no future grants are anticipated under these plans.

The purchase rights outstanding at September 29, 1978 and September 30, 1977 were 36,041 and 45,658 shares, respectively. At September 29, 1978, 36,041 shares were reserved for issuance; during fiscal 1978, 9,305 shares were issued and 312 shares were canceled. Through fiscal 1978 full payments amounting to $184,020 for 11,359 shares under these stock purchase plans were received at prices ranging from $8.72 to $20.93 per share. The total market value of these shares based on the average high and low price on the New York Stock Exchange at dates payments in full were received amounted to $383,835 at market values ranging from $30.00 to $36.50 per share.

MALONE & HYDE, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note G (in part): Stock Option and Stock Purchase Plans—The Company also has an employee stock purchase plan under which a total of 400,000 shares of the Company's Common Stock may be purchased by employees through payroll deductions at prices not to exceed 85% of the market price of the Company's stock on the date the offering is made. There are no charges or credits to income in connection with the plan. Offerings under the plan extend for a period of two years. The most recent offering was made on October 26, 1977, at which date 85% of the market price of the Common Stock was $18.91 per share. Previous offerings under the plan were made at $11.48, $18.70 and $17.32. At June 24, 1978, a total of 246,647 shares had been sold under the plan at an average price of $14.17 per share.

THE SHERWIN-WILLIAMS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note E (in part): Stock Purchase and Stock Option Plans—Approximately 6,000 salaried employees currently are participating through regular payroll deductions in the company's Employee Stock Purchase and Savings Plan which became effective April 1, 1969. In this employee fund at December 31, 1978, there were 882,985 shares of common stock, representing approximately 16.4% of the total number of common shares outstanding. The company's contribution charged to operations during 1978 amounted to approximately $988,000. Shares of company stock credited to each member's account are voted by the Trustee under confidential instructions from each individual plan member.

STEWART-WARNER CORPORATION (DEC)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (in part): Capital Stock—In addition, the Corporation has a stock purchase plan which permits officers and key employees to purchase shares of the Corporation's treasury stock at the market price prevailing at the time of purchase. Current forms of contracts provide for minimum initial payments of 10% of the purchase price, and for payments of not less than 10% of the remaining balances annually, with interest at 1% per annum. All shares sold under this plan are either held in escrow or subject to repurchase agreements. During 1977, 300 shares of treasury stock were sold under the plan at a price of $30.81 per share, having an aggregate market value of $9,000; none were sold in 1978.

TREASURY STOCK

Chapter 1B of *Accounting Research Bulletin No. 43*, as revised by *APB Opinion No. 6*, deals with accounting for treasury stock. Table 2-36 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 follow.

TABLE 2-36: TREASURY STOCK — BALANCE SHEET PRESENTATION

	1978	1977	1976	1975
Common Stock				
Cost of treasury stock deducted from total of capital stock, additional paid-in capital (if any), and retained earnings ...	345	349	341	357
Par or stated value of treasury stock deducted from issued stock of the same class	42	45	51	70
Cost of treasury stock deducted from stock of the same class	13	15	11	7
Shown as a noncurrent asset	7	8	9	8
Other	5	6	12	13
Total Presentations	**412**	**423**	**424**	**455**
Preferred Stock				
Cost of treasury stock deducted from total of capital stock, additional paid-in capital (if any) and retained earnings ...	28	29	30	45
Par or stated value of treasury stock deducted from issued stock of the same class	8	8	12	24
Other	4	1	9	3
Total Presentations	**40**	**38**	**51**	**72**
Number of Companies				
Disclosing treasury stock....	418	424	433	433
Not disclosing treasury stock	182	176	167	157
Total Companies............	**600**	**600**	**600**	**600**

Cost of Treasury Stock Deducted From Stockholders Equity

AMF INCORPORATED (DEC)

	1978	1977
Stockholders' Equity		
Capital stock:		
Preferred stock, $100 par value, 3.90% cumulative, shares authorized and issued: 1978—24,000; 1977—26,000	$ 2,400	$ 2,600
Preference stock, without par value, 4,000,000 shares authorized and unissued	—	—
Common stock, $1.75 par value, 40,000,000 shares authorized; shares issued: 1978—20,962,075; 1977—20,848,548.........	36,684	36,485
Capital in excess of par value......	69,562	67,831
Retained earnings....................	304,982	284,764
	413,628	391,680
Less treasury stock, at cost: (Preferred shares: 1978—9,719; 1977—9,559; Common shares: 1978—997,280; 1977—1,005,589)	30,960	31,239
Total stockholders' equity................	$382,668	$360,441

BURLINGTON INDUSTRIES, INC. (SEP)

	1978	1977
	($000)	
Shareholders' equity (Note D):		
Common stock of one dollar par value per share. Authorized 40,000,000 shares; issued 28,459,702 shares in 1978 and 1977.....................	$ 28,460	$ 28,460
Capital in excess of par value..	208,427	208,282
Retained earnings................	803,599	772,678
	1,040,486	1,009,420
Less cost of common stock held in treasury: 321,588 shares in 1978 and 150,809 in 1977..........................	7,867	4,401
Total shareholders' equity: 28,138,114 shares outstanding in 1978 and 28,308,893 in 1977........	1,032,619	1,005,019
	$1,888,534	$1,769,854

COOK PAINT AND VARNISH COMPANY (NOV)

	1978	1977
Stockholders' Equity		
Common Stock, par value $15 per share—authorized 1,500,000 shares, issued 898,553 shares, including 10,000 shares in treasury..	$13,478,295	$13,478,295
Additional paid-in capital........	47,074	47,074
Retained earnings................	21,389,127	19,838,134
	34,914,496	33,363,503
Less cost of 10,000 shares of Common Stock in treasury..	190,000	190,000
	$34,724,496	$33,173,503

THE STANDARD OIL COMPANY (AN OHIO CORPORATION)

	1978	1977
	($000)	
Stockholders' Equity		
Capital stock		
Preferred—cumulative, $100 par value, shares authorized: 1978—281,954; 1977—289,527		
Series A—3¾%, shares issued: 1978—94,998; 1977—100,490..............	$ 9,500	$ 10,049
Series B—4% convertible, shares issued: 1978—1,266; 1977—3,021........	127	302
Special—stated value, 1,000 shares authorized and issued................	25,344	25,344
Common—$1.25 stated value, 80,000,000 shares authorized, shares issued: 1978—60,152,959; 1977—60,104,360..............	75,191	75,130
	110,162	110,825
Additional paid-in capital........	754,744	753,070
Retained earnings................	1,184,592	824,981
Capital stock in treasury—at cost		
Preferred—Series A: 1978—7,423 shares; 1977—7,449 shares....	(537)	(535)
Common—1978—578,508 shares; 1977—593,786 shares	(8,416)	(8,638)
	$2,040,545	$1,679,703

COOPER INDUSTRIES, INC. (DEC)

	1978	1977
	($000)	
Shareholders' Equity		
Series B Preferred Stock, without par value (authorized 1,811,240 shares) $2.50 cumulative convertible voting stock; 53,744 and 59,955 shares outstanding .	$ 1,612	$ 1,799
Common stock, par value $5 a share (authorized 30,000,000 shares); 11,277,671 and 11,178,582 shares issued..	56,388	55,893
Capital in excess of par value..	8,188	7,313
Retained earnings................	242,671	191,867
	308,859	256,872
Common stock held in treasury, at cost; 225,853 shares at December 31, 1978.........	(10,534)	—
	$298,325	$256,872

NOTES TO FINANCIAL STATEMENTS

Note 3 (in part): Shareholders' Equity

Treasury Stock—During 1978, the Company purchased 250,000 common shares for $11,660,000 to provide for anticipated conversions of its convertible securities and for existing employee stock purchase, option and incentive plans. Subsequently, 7,498 treasury shares with a cost of $350,000 were issued in conversions of preferred stock and exercises of stock options, and 16,649 treasury shares with a cost of $776,000 were retired to offset new common shares issued for certain conversions and options.

GULTON INDUSTRIES, INC. (FEB)

	1978	1977
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 2,690,463 and 2,667,082 shares	2,690,000	2,677,000
Capital in excess of par value..	9,786,000	9,736,000
Retained earnings................	19,408,000	17,375,000
	33,060,000	30,964,000
Less: Held in treasury—13,039 preferred shares—at cost ..	506,000	506,000
Total Stockholders' Equity...	$32,554,000	$30,458,000

Treasury Stock Deducted From Stock of Same Class

BROWN GROUP, INC. (OCT)

	1978	1977
Stockholders' Equity		
Preferred Stock, $1 par value; authorized 1,000,000 shares; none issued		
Common Stock, $3.75 par value; authorized 12,000,000 shares; issued and outstanding 7,311,810 shares in 1978 and 7,304,105 shares in 1977 (excluding shares held in treasury: 590,146 in 1978 and 597,851 in 1977)	$ 27,419,288	$ 27,390,394
Additional capital	14,717,877	14,106,818
Retained earnings	203,613,424	182,870,925
	$245,750,589	$224,368,137

SPARTON CORPORATION (JUN)

	1978	1977
Shareowners' equity:		
Preferred stock:		
Serial, no par value; 200,000 shares authorized, none outstanding	—	—
Common stock, $1.25 par value; 6,000,000 shares authorized, 1,679,797 shares outstanding (1,691,922 in 1977) after deducting 248,810 shares in treasury (220,310 in 1977)	$ 2,099,746	$ 2,114,902
Capital in excess of par value	1,469,557	1,408,198
Retained earnings	24,174,140	23,679,067
Total shareowners' equity	$27,743,443	$27,202,167

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

AMPCO-PITTSBURGH CORPORATION

Consolidated Statements of Income and Earnings Invested in the Business

THE BFGOODRICH COMPANY

Statement of Income

INGERSOLL-RAND COMPANY

Income Statement

REYNOLDS METALS COMPANY

Statement of Consolidated Income and Retained Earnings

Earnings

THE CONTINENTAL GROUP, INC.

Statement of Consolidated Earnings

DART INDUSTRIES INC.

Statement of Earnings and Retained Earnings

EMHART CORPORATION

Statement of Earnings

HEWLETT-PACKARD COMPANY

Consolidated Statement of Earnings

Operations

AMERICAN BAKERIES COMPANY

Consolidated Statements of Operations

TABLE 3-1: INCOME STATEMENT TITLE

	1978	1977	1976	1975
Income	367	357	369	376
Earnings	177	179	175	163
Operations	54	60	51	60
Other	2	4	5	1
Total Companies	**600**	**600**	**600**	**600**

BOBBIE BROOKS, INCORPORATED

Consolidated Statement of Operations and Retained Earnings

THE LTV CORPORATION

Statement of Consolidated Operations

WHIRLPOOL CORPORATION

Consolidated Statement of Operations

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

	1978	1977	1976	1975
Single-step form				
Federal income tax shown as separate last item	323	312	301	308
Federal income tax listed among operating items	47	59	59	59
Multiple-step form				
Costs and expenses deducted from sales to show operating income	118	101	114	133
Costs deducted from sales to show gross margin	112	128	126	100
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 income statement captions used by the survey companies to describe revenue derived from selling products. Sources of revenue, other than the selling of products, most frequently disclosed by the survey companies are listed in Table 3-4. 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

	1978	1977	1976	1975
Net Sales				
Net sales	376	380	364	375
Net sales and operating revenue	18	25	25	22
Net sales combined with other terms	12	12	21	15
Sales				
Sales	89	94	102	98
Sales and operating revenue	27	29	28	40
Sales combined with other terms	19	12	14	10
Other Captions				
Revenue or gross operating income	50	36	32	28
Gross sales, income, billings, shipments, etc.	9	12	14	12
Total Companies	**600**	**600**	**600**	**600**

Net Sales

ATI, INC. (SEP)

	1978	1977
Net sales (Note 1)	$30,870,028	$26,528,136
Other income	42,984	1,134,792
	$30,913,012	$27,662,928

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

Recognition of sales—The Company is a contract packager and produces primarily pursuant to its customers' product specifications and identification. Sales are recorded at the completion of such production. The amount of sales recorded as of September 30, 1978 and September 24, 1977 for which the goods had not yet been shipped amounted to approximately $335,000 each year.

BAIRD CORPORATION (SEP)

	1978	1977
Net sales (note 1)	$30,829,324	$24,085,900

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

Revenue Recognition—In general, the Company and its subsidiaries recognize revenues on equipment sales when units are shipped. Shipment of a completed unit is sometimes delayed at the customer's request. However, in such instances revenues are recognized when the customer accepts the related billing. With respect to large multi-year fixed price contracts, principally with the United States Government, the Company uses the percentage of completion method of accounting.

In those instances where the Company is responsible for installing equipment, the estimated costs for such services are accrued when revenue is recognized.

With respect to cost-plus-fixed-fee contracts with the U.S. Government, the Company recognizes revenue on the basis of allowable monthly incurred costs plus fee.

BELDING HEMINWAY COMPANY, INC. (DEC)

	1978	1977
Net sales	$110,388,000	$108,037,000
Cost of sales	75,608,000	75,374,000
Gross profit on sales	$ 34,780,000	$ 32,663,000

GENERAL FOODS CORPORATION (MAR)

	1978	1977
	($000)	
Revenues		
Net Sales	$5,376,204	$4,909,737
Other Income	13,294	16,543
	$5,389,498	$4,926,280

NORTH AMERICAN PHILIPS CORPORATION (DEC)

	1978	1977
	(Thousands)	
Net sales	$2,184,011	$1,916,761
Cost of sales		
Products and services	1,596,619	1,379,521
Research and development	31,328	29,990
	1,627,947	1,409,511
	$ 556,064	$ 507,250

Sales

AMERICAN STANDARD INC. (DEC)

	1978	1977
	($000)	
Sales	$2,110,860	$1,792,217
Cost of sales	1,597,343	1,349,756
Selling and administrative expenses	294,454	265,759
	1,891,797	1,615,515
Income from operations	$ 219,063	$ 176,702

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

	1978	1977
	(Millions)	
Sales	$10,584.2	$9,434.8
Other Income	96.7	70.8
Total	$10,680.9	$9,505.6

GENERAL MILLS, INC. (MAY)

	1978	1977
	(Millions)	
Sales	$3,243.0	$2,782.8
Costs and Expenses:		
Costs of sales, exclusive of items shown below	2,015.3	1,696.8
Depreciation expense	56.1	42.1
Amortization expense	2.5	1.9
Interest expense	29.3	25.7
Contributions to employees' retirement plans	21.0	20.6
Selling, general and administrative expenses	873.6	777.0
Total Costs and Expenses	2,997.8	2,564.1
Earnings from Continuing Operations before Taxes on Income	$ 245.2	$ 218.7

INSILCO CORPORATION (DEC)

	1978	1977
	($000)	
Revenues		
Sales	$447,210	$400,025
Other income, net	663	1,037
	447,873	401,062
Costs and expenses		
Cost of products sold	288,245	254,400
Selling, general and administrative expenses	109,986	100,770
Interest	11,166	10,439
	409,397	365,609
Earnings before income taxes	$ 38,476	$ 35,453

Revenue

HUMANA INC. (AUG)

	1978	1977
	($000)	
Revenues (Note 3)	$763,838	$371,404
Less provisions for contractual allowances and doubtful accounts	121,600	55,445
Net revenues	$642,238	$315,959

Note 3 (in part): Third-Party Cost-Based Revenues— Revenues are based upon the hospitals' established billing rates. Contractual allowances represent the differences between these rates and amounts reimbursable under Medicare, Medicaid and similar cost-based programs.

Cost reimbursements are subject to examination by agencies administering the programs. The Company is contesting certain issues raised in audits of prior-year cost reports, including significant Medicorp claims in dispute. The Company continues to claim certain of the disputed items in current cost reports but does not recognize the related reimbursements for financial reporting purposes.

PITNEY-BOWES, INC. (DEC)

	1978	1977
Revenue from		
Sales	$425,850,000	$357,391,000
Rentals	192,562,000	166,045,000
Service	92,872,000	82,537,000
Total revenue	$711,284,000	$605,973,000

SEARS INDUSTRIES INC. (DEC)

	1978	1977
Revenues	$59,509,195	$52,544,301
Cost and expenses		
Cost of operations	48,267,007	43,111,646
Selling and administrative	7,828,066	7,028,906
Other (income) expense, net	(19,337)	163,178
	56,075,736	50,303,730
Income from operations	$ 3,433,459	$ 2,240,571

Interest Income

ANDERSON, CLAYTON & CO. (JUN)

	1978	1977
Sales	$873,521,000	$947,953,000
Interest income	11,729,000	9,310,000
Dividends from nonconsolidated international subsidiaries	4,687,000	11,108,000
Other income	5,364,000	2,113,000
Equity in income before taxes on income of domestic insurance subsidiaries	21,149,000	12,851,000
	$916,450,000	$983,335,000

SYBRON CORPORATION (DEC)

	1978	1977
Sales and other revenue:		
Net sales	$616,936,000	$584,655,000
Interest earned	3,803,000	3,592,000
Revenues	$620,739,000	$588,247,000

TABLE 3-4: OTHER REVENUE

	Number of Companies			
	1978	1977	1976	1975
Interest	167	182	192	169
Equity in earnings of investees	110	106	103	82
Gains on dispositions of assets	69	63	47	49
Royalties	28	43	49	48
Dividends	26	40	56	60
Rentals	14	19	N/C	N/C

N/C — Not Compiled.

ELI LILLY AND COMPANY (DEC)

	1978	1977
Net sales	$1,852,090,000	$1,550,217,000
Operating costs and expenses:		
Manufacturing costs of products sold	699,858,000	583,492,000
Research and development	148,077,000	127,002,000
Marketing	310,074,000	261,331,000
Shipping	45,389,000	39,605,000
General administrative	179,393,000	141,070,000
	1,382,791,000	1,152,500,000
Operating Income	469,299,000	397,717,000
Other income (deductions):		
Interest income	29,515,000	17,438,000
Interest expense	(17,721,000)	(17,310,000)
Foreign exchange losses	(9,731,000)	(9,869,000)
Other income—net	11,145,000	6,511,000
Income Before Taxes	$ 482,507,000	$ 394,487,000

Gain From Sale of Assets

ASHLAND OIL, INC. (SEP)

	1978	1977
	(In thousands)	
Revenues		
Sales and operating revenues	$5,426,167	$5,051,893
Equity income	13,214	12,287
Gain on sale of Ashland Oil Canada Limited—Note B	193,094	—
Interest and other income	42,451	40,231
	$5,674,926	$5,104,411

Note B: Sale of Ashland Oil Canada Limited—On July 11, 1978 Ashland entered into an agreement to sell its interest in Ashland Oil Canada Limited subject to the receipt of a favorable ruling from the Canadian Foreign Investment Review Board. Ashland received a favorable ruling on September 28, 1978 and recorded the sale as of that date. As a part of the agreement, Ashland purchased the Valvoline and chemical divisions of Ashland Oil Canada Limited at net book value at

September 30, 1978 (approximately $22,729,000).

Cash proceeds of $315,840,000 were received on October 3, 1978. The net gain after related income taxes of $75,385,000 was approximately $117,709,000 ($4.20 per share).

The results of operations for 1978 and 1977 of Ashland Oil Canada Limited (exclusive of the Valvoline and chemical divisions and after minority interests in such earnings of $4,337,000 in 1978 and $3,522,000 in 1977) included in the statement of consolidated income were as follows:

	1978	1977
	(In thousands)	
Sales and operating revenues	$132,817	$135,777
Net income	$ 20,051	$ 19,447

ST. REGIS PAPER COMPANY (DEC)

	1978	1977
Revenues:		
Net sales	$2,300,154,000	$1,996,337,000
Equity in earnings of nonconsolidated affiliates	7,013,000	6,987,000
Gain on sale of land	22,061,000	
Other	7,300,000	18,707,000
Total	$2,336,528,000	$2,022,031,000

NOTES TO FINANCIAL STATEMENTS

Sales and Acquisitions (in part)—In 1978, St. Regis sold approximately 25,000 acres of timberlands in the State of Washington to Murray Pacific Corporation, which resulted in an after-tax gain of approximately $15,443,000, or $.48 per common and common equivalent share.

PHILLIPS PETROLEUM COMPANY (DEC)

	1978	1977
	(thousands of dollars)	
Revenues:		
Sales and other operating revenues	$6,997,782	$6,284,185
Equity in earnings of nonsubsidiary companies	41,223	40,016
Sale of Pacific Petroleums Ltd.—Note 3	305,974	—
Other revenues	78,133	81,622
	$7,423,112	$6,405,823

Note 3: Sale of Interest in Pacific Petroleums Ltd.—In November 1978, the Company sold its 10,326,321 shares of common stock of Pacific Petroleums Ltd. ("Pacific"), representing 48.2% of total shares outstanding, at a price of $55.50 per share, which is equivalent to $65.02 (Canadian) per share. As a result of the sale, net income increased $169,901,000 ($1.10 per share), after deducting income taxes of $136,073,000. Equity in earnings of Pacific amounted to $38,150,000 in 1978 and $38,445,000 in 1977.

BFGOODRICH COMPANY (DEC)

	1978	1977
	($000)	
Net sales	$2,593,533	$2,367,048
Operating costs and expenses:		
Cost of products sold	1,962,460	1,781,645
Selling and general administrative expenses	470,398	425,793
Provision for closing of certain operations	11,516	1,612
	2,444,374	2,209,050
Operating income	149,159	157,998
Other (charges) credits:		
Gain on sale of Yokohama Rubber Company shares	8,410	—
Provision for write-down of investment in German subsidiary	—	(4,361)
Equity in earnings (losses) of associate companies	2,050	(4,937)
Gain on extinguishment of debt	1,641	1,278
Exchange gain	2,996	932
Other income (loss)—net	(153)	1,244
	14,944	(5,844)
Interest expense—net	41,735	41,395
Minority interests share of net income	2,976	3,158
Income before income taxes	$ 119,392	$ 107,601

NOTES TO FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts)

Gain on Sale of Yokohama Rubber Company Shares—Prior to July 1, 1977, Goodrich accounted for its investment in The Yokohama Rubber Company (YRC) by the equity method. In 1977, the Company, after discerning changes in its relationship with YRC, ceased equity accounting for its investment in YRC and adopted the cost recovery method. At December 31, 1977, the carrying value of the Company's investment in YRC was $10,825. During 1978, sales of a portion of the YRC shares, which reduced the Company's ownership from 33.6 percent to just under 20 percent, resulted in a full recovery of the carrying value of the investment and a pretax gain of $8,410.

CERTAINTEED CORPORATION (DEC)

	1978	1977
Cost of goods sold	$714,857,000	$629,758,000
Selling and administrative expenses	90,016,000	80,827,000
Interest expense ($13,801,000 and $13,924,000), net of interest income	11,963,000	12,522,000
Gain on sale of insulation plant	(7,815,000)	
Other income, net of other deductions	(2,588,000)	(2,422,000)
	$806,433,000	$720,685,000

Note 8 (in part): Contingencies, Commitments and Other Matters:

(e) In January 1978, in settlement of a civil antitrust suit, the Company sold its industrial fiber glass insulation plant in Shelbyville, Indiana, for $16,500,000 cash. The transaction resulted in a pre-tax gain of approximately $7,815,000 which was reflected in the first quarter of 1978 for financial reporting purposes.

KOPPERS COMPANY, INC. (DEC)

	1978	1977
	($000)	
Other income:		
Investment in Cutler-Hammer, Inc. (Note 3)	$15,118	$ —
Profit on sales of capital assets	2,221	3,569
Equity in earnings of affiliates (dividends received: 1978—$2,375; 1977—$786)	3,806	2,232
Miscellaneous	3,752	3,437
	$24,897	$9,238

Note 3: Investment in Cutler-Hammer, Inc.—During 1978, the Company acquired approximately 21% of the stock of Cutler-Hammer, Inc. On December 14, 1978, the stockholders of Cutler-Hammer, Inc. approved an agreement of merger with another company under which Koppers received $80,765,000 ($58 per share) on January 4, 1979.

The Company has recognized pretax profit of $15,118,000 on the investment, as follows:

Preceeds from sale		$80,765,000
Cost of stock purchased		62,102,000
		18,663,000
Expenses associated with investment:		
Interest	3,992,000	
Legal and other	528,000	4,520,000
		14,143,000
Dividends received during 1978		975,000
		$15,118,000

Royalty Income

CONGOLEUM CORPORATION (DEC)

	1978	1977
	($000)	
Revenues		
Net Sales	$558,633	$375,466
Royalties	17,197	13,163
Total Revenues	$575,830	$388,629
Cost of Sales and Operating Expenses		
Cost of Sales	385,851	285,770
Selling and Administrative Expenses	108,648	55,023
Operating Income	81,331	47,836
Other Income and Expense		
Interest Expense	(1,266)	(1,734)
Miscellaneous Income	4,281	3,538
Total Other Income and Expense	3,015	1,804
Income before Income Taxes	$ 84,346	$ 49,640

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (in part)

Royalty Income—The Company receives royalties from licenses of its resilient flooring patents as well as license agreements for know-how. The patents expire from 1980 through 1987, although most expire by 1984.

JANTZEN INC. (AUG)

	1978	1977
Sales and Other Income:		
Net sales	$126,160,623	$123,915,227
Royalties	1,003,157	879,721
Other income	1,239,587	428,748
Total Sales and Other Income	$128,403,367	$125,224,696

NOTES TO FINANCIAL STATEMENTS

Note 1 (in part): Operations and Significant Accounting Policies:

Royalty Income—Royalties are included in income as received.

Rental Income

SIMCO STORES, INC. (JUL)

		1978		1977
Sales		$9,961,845		$8,307,332
Costs and expenses:				
Cost of goods sold (including buying and warehousing)	$4,839,799		$4,099,541	
Selling, general and administrative	3,309,376		3,101,869	
Rent and real estate tax	689,499		706,367	
Depreciation	54,970	8,893,644	64,512	7,972,289
Operating income		1,068,201		335,043
Other income and (expenses):				
Rent income	120,449		112,841	
Rent and occupancy expense (including depreciation) in connection with rent income	(72,512)		(74,949)	
Interest income	100,646		86,068	
Dividends on marketable securities	62,960		59,942	
Excess of life insurance proceeds over cash surrender value	29,463	241,006		183,902
Income before provision for taxes		$1,309,207		$ 518,945

Franchise and License Fees

HEUBLEIN, INC. (JUN)

	1978	1977
	($000)	
Revenues:		
Net sales	$1,577,114	$1,511,188
Franchise and license fees	42,998	39,714
	$1,620,112	$1,550,902

SUMMARY OF ACCOUNTING POLICIES

Franchise and License Fees—Initial franchise fees are recorded as income on the date the store is opened by the franchisee. Monthly fees from franchisees and licenses are accrued as earned based on their sales.

Insurance Program Revision

U AND I INCORPORATED (FEB)

	1978	1977
Revenues		
Sales of refined sugar and other products	$162,096,870	$183,460,383
Refund from revision of Company's insurance program	481,278	
Interest and other revenues	151,469	172,694
Total Revenues	$162,729,617	$183,633,077

EXPENSES

Paragraph 154 of *APB Statement No. 4* defines expenses.

154. *Expense Recognition.* Expenses are gross decreases in assets or gross increases in liabilities recognized and measured in conformity with generally accepted accounting principles that result from those types of profit-directed activities of an enterprise that can change owners' equity (see paragraph 134). Important classes of expenses are (1) cost of assets used to produce revenue (for example, cost of goods sold, selling and administrative expenses, and interest expense), (2) expenses from non-reciprocal transfers and casualties (for example, taxes, fires and theft), (3) costs of assets other than products (for example, plant and equipment or investments in other companies) disposed of, (4) costs incurred in unsuccessful efforts, and (5) declines in market prices of inventories held for sale. Expenses do not include repayments of borrowing, expenditures to acquire assets, distributions to owners (including acquisition of treasury stock), or adjustments of expenses of prior periods.

Paragraphs 19 and 26 of *APB Opinion No. 30* comment on the presentation and disclosure of expenses.

19. Judgment is required to segregate in the income statement the effects of events or transactions that are extraordinary items (as required by paragraph 11). The Board concludes that an event or transaction should be presumed to be an ordinary and usual activity of the reporting entity, the effects of which should be included in income from operations, unless the evidence clearly supports its classification as an extraordinary item as defined in this Opinion.

26. A material event or transaction that is unusual in nature or occurs infrequently but not both, and therefore does not meet both criteria for classification as an extraordinary item, should be reported as a separate component of income from continuing operations. The nature and financial effects of each event or transaction should be disclosed on the face of the income statement or, alternatively, in notes to the financial statements. Gains or losses of a similar nature that are not individually material should be aggregated. Such items should not be reported on the face of the income statement net of income taxes or in any manner inconsistent with the provisions of paragraphs 8 and 11 of this Opinion or in any other manner that may imply that they are extraordinary items. Similarly, the earnings per share effects of those items should not be disclosed on the face of the income statement.

Table 3-5 reveals that most of the survey companies show a single caption and amount for cost of goods sold. Tables 3-6 and 3-7 summarize the nature of expenses, other than cost of goods sold, and losses most frequently disclosed by the survey companies. Excluded from Tables 3-6 and 3-7 are rent (Table 2-27), employee benefits (Tables 3-8 and 3-9), depreciation (Table 3-10), income taxes (Table 3-11), expenses or losses shown after the caption for income taxes (Table 3-16), and extraordinary losses (Table 3-17). Examples of expenses and losses summarized in Tables 3-6 and 3-7, other than foreign translation losses, follow. See Translation of Foreign Currency Accounts for examples of translation losses.

TABLE 3-5: COST OF GOODS SOLD

	1978	1977	1976	1975
Single Amount				
Cost of sales	211	217	220	243
Cost of goods sold	193	181	180	179
Cost of products sold	120	127	122	124
Elements of cost	18	19	13	14
Other captions	35	37	43	27
	577	**581**	**578**	**587**
More Than One Amount	**23**	**19**	**22**	**13**
Total Companies	**600**	**600**	**600**	**600**

Cost of Goods Sold

ACF INDUSTRIES, INCORPORATED (DEC)

	1978	1977
	($000)	
Costs and Expenses:		
Cost of manufacturing (excluding depreciation)	$592,206	$511,679
Operating expenses (excluding depreciation)	27,523	25,343
Selling, administrative and other expenses	71,039	57,353
Depreciation expense	38,837	34,997
Interest expense	27,172	22,162
Total costs and expenses	$756,777	$651,534

ACTION INDUSTRIES, INC. (JUN)

	1978	1977
Costs and Expenses:		
Cost of products sold	$38,274,146	$41,375,602
Operating expenses	17,923,750	17,468,466
Interest expense	2,046,806	972,602
	$58,244,702	$59,816,670

BLISS & LAUGHLIN INDUSTRIES INCORPORATED (DEC)

	1978	1977
	($000)	
Cost and Expenses:		
Cost of sales	$187,863	$148,064
Cost of rentals	7,241	6,161
Selling, general and administrative expenses	33,960	26,487
Interest expense	2,899	2,764
Interest (income) and other expense, net	(1,026)	(1,056)
Total costs and expenses	$230,937	$182,420

BURLINGTON INDUSTRIES, INC. (SEP)

	1978	1977
	($000)	
Cost of sales	$2,071,361	$2,027,924
Selling, administrative and general expenses	196,515	188,926
Interest expense	38,417	35,645
Total costs and expenses	$2,306,293	$2,252,495

CHOCK FULL O' NUTS CORPORATION (JUL)

	1978	1977
Net sales	$130,897,037	$91,153,994
Cost of sales	112,328,256	85,237,718
Gross profit on sales	$ 18,568,781	$ 5,916,276

ESMARK, INC. (OCT)

	1978	1977
	($000)	
Costs and expenses		
Cost of goods sold	$5,130,579	$4,781,261
Selling and administrative	418,163	367,632
Advertising and sales promotion	141,431	108,352
Interest charges	50,704	47,875
Minority interests in subsidiaries' net earnings	1,568	1,629
Total costs and expenses	$5,742,445	$5,306,749

FLUOR CORPORATION (OCT)

	1978	1977
Costs and Expenses		
Cost of revenues	$2,684,122,000	$1,819,745,000
Corporate administrative and general expenses	28,189,000	23,078,000
Interest expense	4,269,000	5,796,000
Interest income	(8,805,000)	(9,458,000)
Total costs and expenses	$2,707,775,000	$1,839,161,000

GENESCO INC. (JUL)

	1978	1977
Net sales	$1,048,351,000	$1,014,787,000
Cost of sales	705,740,000	693,085,000
Gross margin	$ 342,611,000	$ 321,702,000

THE MARLEY COMPANY (OCT)

	1978	1977
Net Sales	$240,698,010	$242,561,865
Cost of Products Sold	177,703,526	176,573,202
	$ 62,994,484	$ 65,988,663

MINNESOTA MINING AND MANUFACTURING COMPANY (DEC)

	1978	1977
	(Dollars in thousands)	
Net Sales	$4,661,666	$3,980,326
Operating Expenses		
Cost of goods sold	2,496,584	2,225,074
Selling, general and administrative expenses	1,124,510	961,063
Total	3,621,094	3,186,137
Operating Income	$1,040,572	$ 794,189

RELIANCE ELECTRIC COMPANY (OCT)

	1978	1977
	($000)	
Cost and expenses:		
Cost of products sold	$657,681	$564,254
Selling, administrative and general expenses	158,040	134,437
Depreciation	19,548	16,698
Interest expense	8,577	8,124
	843,846	723,513
Earnings Before Income Taxes	$122,418	$105,626

REXNORD INC. (OCT)

	1978	1977
	($000)	
Net Sales	$859,305	$744,136
Cost of goods sold	599,749	511,187
	$259,556	$232,949

SPERRY RAND CORPORATION (MAR)

	1978	1977
	($000)	
Cost and Expenses		
Cost of sales of products	$1,732,094	$1,578,786
Cost of rentals and services	508,697	462,659
Selling, general and administrative expenses	776,219	681,168
Research and development	195,206	168,344
Interest	92,675	83,641
Foreign exchange losses	24,947	15,762
	$3,329,838	$2,990,360

SYBRON CORPORATION (DEC)

	1978	1977
Costs and expenses:		
Costs of goods sold	$379,678,000	$359,245,000
Selling, administrative, research and development expenses	177,929,000	166,677,000
Interest expense	11,001,000	10,827,000
Other expense, net of other income	3,913,000	1,335,000
Total costs and expenses	$572,521,000	$538,084,000

TEXAS INSTRUMENTS INCORPORATED (DEC)

	1978	1977
	($000)	
Operating costs and expenses		
Cost of goods and services sold	$1,815,142	$1,459,490
General, administrative and marketing	419,798	325,978
Employees' retirement and profit sharing plans	61,398	50,151
Total	$2,296,338	$1,835,619

UNITED FOODS, INC. (FEB)

	1978	1977
Cost of Sales and Services:		
Cost of products sold (Note 1)	$79,492,043	$79,264,715
Cost of services	2,198,877	2,089,358
Total cost of sales and services	$81,690,920	$81,354,073

Note 1: Accounts Receivable and Inventories—Substantially all of the accounts receivable and inventories were pledged to collateralize notes payable to banks (see Notes 3 and 4).

Inventories are summarized as follows:

	February 28, 1978	1977
Finished products	$34,395,707	$19,212,071
Raw materials	2,097,277	2,176,730
Merchandise and supplies	1,417,545	1,139,593
Totals	$37,910,529	$22,528,394

Finished product and raw material inventories are valued at average cost (last-in, first-out), not in excess of market. If current cost had been used, inventories would have been approximately $3,000,000 and $1,800,000 higher than reported at February 28, 1978 and 1977, respectively.

During the year ended February 28, 1978, the company reduced certain inventory quantities, primarily finished product. This reduction resulted in a liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years as compared with the average unit cost of current year procurements and production, the effect of which reduced cost of sales by approximately $473,000 and increased net income by approximately $246,000 or $.03 per share. For the year ended February 28, 1977, a comparable liquidation of LIFO inventory occurred, the effect of which reduced cost of sales by approximately $1,578,000 and decreased net loss by approximately $820,000 or $.11 per share.

TABLE 3-6: EXPENSES INCURRED TO PRODUCE REVENUE

	Number of Companies 1978	1977	1976	1975
Selling, general and administrative	327	323	316	332
Selling and administrative or general	178	181	172	178
General and/or administrative	67	71	82	54
Selling	24	29	30	30
Interest	555	557	543	535
Research, development, engineering, etc.	143	135	133	123
Advertising	41	34	35	34
Maintenance and repairs	37	34	24	12
Exploration, dry holes, abandonments:	23	22	20	25
Bad debts	11	8	12	9

Expenses Incurred to Produce Revenue

BEMIS COMPANY, INC. (DEC)

	1978	1977
	($000)	
Net sales	$676,861	$636,056
Other revenues	662	859
Equity in net income of affiliated companies	419	404
	677,942	637,319
Costs and expenses:		
Cost of products sold	550,164	519,336
Selling, general and administrative expenses	85,933	79,808
Interest on long-term debt and capital leases	7,621	5,981
Other interest	633	763
Other costs	999	2,371
Minority interest in net income	1,056	837
Income before income taxes	$ 31,536	$ 28,223

BELDEN CORPORATION (DEC)

	1978	1977
	($000)	
Costs and expenses		
Cost of sales	$188,835	$165,401
Selling and administrative	28,968	25,105
Research and development—Note 1e	3,047	2,634
Interest	4,142	4,192
Other (income) expense, net	(1,009)	516
Total costs and expenses	$223,983	$197,848

Note 1e: Research and Development—Research and development activities, conducted at the Technical Research Center, Geneva, Ill., include the continual evaluation of new materials, products and processes. The associated costs are charged to expense as incurred. Expenditures, which are primarily for the wire, cable and cord segment, were approximately 1.9% of that segment's sales for 1978 and 1977.

BRISTOL-MYERS COMPANY (DEC)

	1978	1977
Expenses:		
Cost of products sold	$ 929,621,000	$ 842,818,000
Marketing, selling and administrative	642,401,000	569,397,000
Advertising and product promotion	423,270,000	407,887,000
Research and development	90,573,000	82,457,000
Other	(11,108,000)	2,151,000
	$2,074,757,000	$1,904,710,000

DICTAPHONE CORPORATION (DEC)

	1978	1977
Costs and Expenses		
Cost of products sold	$134,949,000	$119,137,000
Cost of service income	13,331,000	12,770,000
Selling, general and administrative	72,940,000	64,412,000
Compensation expense—stock appreciation rights	2,241,000	—
Provision for relocation costs	—	3,500,000
Interest	3,199,000	2,720,000
	$226,660,000	$202,539,000

OUTBOARD MARINE CORPORATION (SEP)

	1978	1977
Operating Expenses:		
Shipping	$ 19,853,000	$ 15,570,000
Selling and advertising	62,947,000	50,412,000
General and administrative	64,269,000	56,376,000
	$147,069,000	$122,358,000

WEYERHAEUSER COMPANY (DEC)

	1978	1977
	($000)	
Operating costs, including depreciation, amortization and fee stumpage, $276,350 in 1978 and $246,278 in 1977 (Notes 3 and 4)	$2,869,644	$2,543,942
Selling, general and administrative expenses, including depreciation, $8,282 in 1978 and $7,768 in 1977	255,106	228,602
Research and development expenses, including depreciation, $2,603 in 1978 and $1,358 in 1977	51,036	46,275
Interest expense, excluding amounts capitalized in construction projects, $9,210 in 1978 and $8,043 in 1977 (Note 3)	103,767	95,365
	$3,279,553	$2,914,184

Note 3: Property and equipment—The cost of properties includes interest on funds borrowed to finance the acquisition or construction of major facilities. Construction financing is part of the cost of acquiring economic resources which provide benefits beyond the period in which acquired; therefore, deferred expense recognition through association of all property acquisition costs with future revenues through allocation to future periods in a systematic and rational manner is appropriate. A borrowed capital pool rate is applied to construction in progress project balances to compute the amount of interest to be capitalized. Capitalization of interest ceases when the facilities commence operations.

Had the Company not capitalized a portion of its interest cost, the approximate effect on net earnings and earnings per common share would have been as follows:

	1978	1977
Net earnings—decrease	$ 962	$ 623
Earnings per common share—decrease	$ .01	$ .01

TABLE 3-7: OTHER EXPENSES

	Number of Companies			
	1978	**1977**	**1976**	**1975**
Taxes other than income taxes	73	70	60	52
Translation losses	110	56	59	24
Minority interest	37	37	44	51
Losses on dispositions of assets	32	30	23	N/C
Write-down of assets	12	19	17	N/C
Equity in losses of investees	10	15	15	18

N/C — Not Compiled.

Minority Interest

CURTISS-WRIGHT CORPORATION (DEC)

	1978	1977
Costs and expenses:		
Product and engineering	$242,035,000	$235,819,000
Selling and service	21,409,000	22,921,000
Administrative and general	22,004,000	21,028,000
Research and development	5,304,000	6,144,000
Interest	5,151,000	885,000
Minority interests in net earnings of subsidiaries	2,698,000	2,813,000
Equity in net (earnings) loss of affiliates	(1,005,000)	379,000
	$297,596,000	$289,989,000

EXXON CORPORATION (DEC)

	1977	1978
Costs and other deductions		
Crude oil and product purchases	$29,274,010,000	$31,407,903,000
Operating expenses	5,378,048,000	6,394,777,000
Selling, general and administrative expenses	2,954,671,000	3,639,772,000
Depreciation and depletion	1,494,151,000	1,677,882,000
Exploration expenses, including dry holes	641,634,000	775,220,000
Income, excise and other taxes	15,590,609,000	17,516,326,000
Interest expense	398,902,000	424,740,000
Foreign exchange translation loss	186,581,000	186,271,000
Income applicable to minority interests	98,789,000	100,148,000
	$56,017,395,000	$62,123,039,000

THE PITTSTON COMPANY (DEC)

	1978	1977
Costs and Expenses:		
Cost of sales	$1,123,377,000	$1,051,582,000
Operating expenses	134,135,000	126,995,000
Selling, administrative and general expenses	71,453,000	72,642,000
Interest expense	8,035,000	6,238,000
Minority interest in earnings of a subsidiary	699,000	872,000
Total Costs and Expenses	$1,337,699,000	$1,258,329,000

UNITED NUCLEAR CORPORATION (MAR)

	1978	1977
Costs and expenses		
Operating costs exclusive of depreciation, depletion and amortization	$170,635,000	$111,262,000
Depreciation, depletion and amortization	8,919,000	4,648,000
Selling, administrative and general	24,685,000	15,718,000
Interest	8,809,000	5,434,000
Income taxes	11,173,000	9,386,000
Loss applicable to minority interests	(480,000)	(243,000)
	$223,741,000	$146,205,000

Estimated Losses On Disposal Of Assets

FORD MOTOR COMPANY (DEC)

	1978	1977
	(Millions)	
Sales	$42,784.1	$37,841.5
Costs and Expenses		
Costs, excluding items listed below	36,636.5	31,930.6
Depreciation	735.5	628.7
Amortization of special tools	578.2	487.7
Selling and administrative	1,490.6	1,285.7
Employe retirement plans (Note 3)	703.3	624.4
Provision for supplemental compension	111.5	138.8
Provision for disposition of certain operations (Note 5)	170.0	—
Total costs and expenses	40,425.6	35,095.9
Operating Income	$ 2,358.5	$ 2,745.6

Note 5: Provision for Disposition of Certain Operations—A provision of $.85 a share ($170 million before taxes) is included in fourth quarter and full year results for the total anticipated cost (including operating losses) of the planned disposition of Richier, S.A., a substantially wholly owned French subsidiary of the Company. Richier manufactures excavators, road rollers and other construction equipment. Because of continued losses, the Company has decided to sell or otherwise dispose of these operations. It is believed that the disposition of the business will have been substantially completed by the end of 1980.

Revenue from Richier operations has accounted for less than one-half of one percent of the Company's world-wide revenue, and Richier's annual losses have not had a material effect on the Company's earnings.

JOY MANUFACTURING COMPANY (SEP)

	1978	1977
	($000)	
Costs and Expenses		
Cost of sales	$513,502	$476,296
Product engineering	18,168	18,206
Selling, general and administrative	94,959	86,869
Interest	8,700	7,444
Translation and exchange losses (gains)—net	1,724	(549)
Loss on discontinuance of French operations (Notes 1 and 15)	6,115	—
Other costs and expenses	1,678	4,082
Total Costs and Expenses	$644,846	$592,348

Note 1: Loss on Discontinuance of French Operations—In June 1978, Joy made the formal decision to discontinue the operation of Joy, S.A., a wholly owned French subsidiary which manufactured and sold principally mining equipment and some general industrial products. During fiscal 1978, the level of operations of the French subsidiary was significantly reduced. It is anticipated that the final disposition of the remaining assets will occur during fiscal 1979.

As a result of the decision made in June to discontinue the operations of Joy, S.A., a pretax provision of $6,115,000 ($1,925,000 after tax) was recorded in fiscal 1978 for estimated losses to be incurred upon final disposal of assets, employee termination costs, and forecasted operating losses of $729,000 from June 1978 to disposal date. It is anticipated that after satisfying the liabilities with respect to these estimated losses and upon liquidation of its investment in France, Joy will receive an estimated U.S. tax benefit of approximately $4,190,000. No tax benefits were recorded associated with operating losses incurred in fiscal 1978 and 1977 since such benefits would only be realized from future profitable operations.

The following approximate revenue, net loss and net loss per share amounts associated with the French operation were included in the Consolidated Statement of Income for fiscal years 1978 and 1977:

	1978	1977
	(In Thousands of Dollars)	
Revenue	$3,916	$10,639
Net income (loss)	(5,461)	(1,633)
Net income (loss) per share	(.42)	(.13)

At September 29, 1978, liabilities of $10,293,000 associated with the French operation exceeded remaining assets of $3,780,000. The excess liability of $6,513,000 is included in other current liabilities in the Consolidated Balance Sheet.

THE MOHAWK RUBBER COMPANY (DEC)

	1978	1977
Costs and expenses:		
Cost of goods sold	$183,759,000	$167,897,000
Selling, administrative and general expenses	25,157,000	22,907,000
Interest expense	4,855,000	3,788,000
Other deductions	344,000	159,000
	$214,115,000	$194,751,000
Earnings before provision for loss on plant closing and income taxes	$ 7,694,000	$ 7,760,000
Provision for loss on plant closing (Note B)	10,580,000	—
Earnings (loss) before taxes on income	$ (2,886,000)	$ 7,760,000

Note B: Plant Closing—In November 1978, the Company closed its Akron truck tire production plant. The decision to close this facility was caused by competitive conditions, the age of the facility, and the property site which did not lend itself to modernization.

Closing this plant results in a one-time charge of $10,580,000 (before reduction for income tax benefits of approximately 5,078,000). This charge is principally the recognition of pension costs, the estimated loss on disposal of the assets, employee termination expense, and other costs expected to be incurred.

The liability for pension costs associated with the work force of this closed facility is reflected as a long-term obligation. The Company has received approval of the Pension Benefit Guaranty Corporation to fund such costs over a ten year period.

Excise Taxes

UNION OIL COMPANY OF CALIFORNIA (DEC)

	1978	1977
Costs and other deductions		
Cost of products sold and operating expense (Note 8)	$4,388,876,000	$4,113,943,000
Selling, administrative and general expense	289,723,000	267,253,000
Depletion and depreciation	267,590,000	326,825,000
Amortization of nonproductive acreage costs	43,000,000	51,100,000
Provision for dry hole losses	110,200,000	96,600,000
Interest expense	101,875,000	98,579,000
Excise, property and other operating taxes (Note 7)	536,290,000	536,827,000
Earnings applicable to minority interests	2,445,000	2,109,000
Total costs and other deductions	$5,739,999,000	$5,493,236,000

Note 7—Excise, Property and Other Operating Taxes

	1978	1977
	Millions of Dollars	
Excise taxes	$384.7	$365.6
Severance and other taxes on production	80.3	88.9
Real and personal property taxes	56.2	64.5
Other taxes and duties	15.1	17.8
Total	$536.3	$536.8

In addition, social security and unemployment insurance taxes which are charged principally to earnings and included with salaries and wages totaled $16.4 million in 1978 and $17.0 million in 1977.

Adjustment of Asset Values

COMMERCIAL METALS COMPANY (AUG)

	1978	1977
Costs and Expenses:		
Cost of goods sold	$657,273,203	$529,983,428
Selling, general, and administrative expenses (Note G)	25,218,364	22,332,878
Provision for doubtful accounts (Note O)	1,405,039	734,089
Interest expense	4,356,820	4,302,649
Plant closing costs (Note N)	825,456	—
Employees' pension and profit sharing plans (Note H)	1,469,201	604,781
	$690,548,083	$557,957,825

Note N: Plant Closing Costs—During fiscal 1978, the Company phased out operations at Arkansas Steel Rolling Mills, Inc. The related assets were written down to net realizable value which resulted in a charge of $825,000 to operations. Included in other assets at August 31, 1978, are approximately $500,000 of property, plant, and equipment representing the net realizable value of the assets.

GENERAL HOST CORPORATION (DEC)

	1978	1977
	($000)	
Costs and expenses:		
Cost of sales	$582,265	$489,064
Selling, general and administrative	52,555	46,110
Depreciation and amortization	7,952	7,394
Interest and debt expense	11,631	11,188
Provision for uncollectible note (Note 2)	1,135	—
	$655,538	$553,756

Note 2 (in part): Discontinued Operations and Provisions for Losses—During 1978 the Company also made a $1,135,000 provision for loss on an uncollectible subordinated mortgage note receivable from Bond Baking Company, a company which filed for the protection of the court under Chapter XI of the Federal Bankruptcy Act.

FOOTE MINERAL COMPANY (DEC)

	1978	1977
Revenues:		
Net sales	$150,750,000	$127,220,000
Equity in net (loss) of foreign joint venture (note 2)	0	(1,580,000)
Other, net	340,000	1,742,000
	151,090,000	127,382,000
Cost and expenses:		
Cost of sales and other operating charges	124,907,000	102,733,000
Depreciation and amortization	8,866,000	8,416,000
Selling, general and administrative expenses	6,710,000	6,714,000
Employees' retirement plans	2,900,000	2,755,000
Disposal (1978), write-down (1977) of investment in foreign joint venture (note 2)	435,000	4,116,000
Interest expense	2,848,000	2,644,000
Provision (benefit) for Federal and State income taxes	708,000	(2,323,000)
	147,374,000	125,055,000
Net earnings	$ 3,716,000	$ 2,327,000

Note 2: Foreign Investment—In the fourth quarter of 1977 the Company wrote down its investment in Silicon Smelters (Pty.) Limited, South Africa by $4,116,000 to $1,150,000 to reflect estimated realizable value. This write-down, along with related income tax benefits, decreased 1977 net earnings by $900,000. Because of a history of unprofitable operations and no foreseeable near term improvement, in the first quarter of 1978 the Company sold its remaining investment. The sale resulted in a charge to income (net of tax) of $298,000.

Tire Recall

THE FIRESTONE TIRE & RUBBER COMPANY (OCT)

	1978	1977
	(Millions)	
Income before provisions for loss on phase-out of facilities and tire recall, income taxes and minority interests	$ 172.3	$215.8
Provision for loss on		
phase-out of facilities (Note 14)	110.0	—
tire recall (Note 15)	234.0	—
Income (loss) before income taxes and minority interests	(171.7)	215.8
Domestic and foreign income taxes, including credits in 1978 applicable to provisions for loss on phase-out of facilities ($37.0) and tire recall ($86.6) (Notes 1, 3 and 6)	(27.2)	102.9
Minority interests in income of subsidiary companies (Note 10)	3.8	2.7
Net income (loss)	$(148.3)	$110.2

NOTES TO FINANCIAL STATEMENTS

(Dollars in Millions)

Note 14: Provision for loss on phase-out of facilities—In April, 1978 a charge of $110 million ($73 million after income taxes) was made against income for loss on phase-out of facilities covering various payments to employees ($50 million), the disposition of fixed assets ($43 million) and other costs associated with the phasing out of operations ($17 million), including operating losses during the phase-out period. The phase-out plan terminated bias passenger tire production in Akron, Ohio and all tire production at plants in Calgary, Canada, and Pratteln, Switzerland, during 1978 and provided for the phasing out of additional domestic bias passenger tire capacity.

The accrued liability for phase-out of facilities at October 31, 1978, comprised:

Amount accrued in April, 1978	$110.0
Less amounts charged thereto	42.4
Accrued liability at October 31, 1978 (current—$14.2; non-current—$53.4)	$ 67.6

Note 15: Provision for loss on tire recall—On July 7, 1978, the National Highway Traffic Safety Administration (NHTSA) of the U.S. Department of Transportation advised the Company that it had made an initial determination that a defect relating to motor vehicle safety existed in Steel Belted Radial 500 tires and private brands manufactured by the Company with the same internal construction as the Steel Belted Radial 500 tire.

On November 29, 1978, the Company and NHTSA signed a final agreement to conclude NHTSA's investigation of the Company's steel radial tires. The agreement provides, among other things, that the Company recall for free replacement all 5-rib Steel Belted Radial 500 tires (including private brands of the same or similar internal construction) sold new on or after September 1, 1975, and manufactured prior to January 1, 1977, and all 7-rib Steel Belted Radial 500 tires (including private brands of the same or similar internal construction) and TPC tires sold new on or after September 1, 1975 and manufactured prior to May 1, 1976. The agreement also provides that the Company offer to owners of Steel Belted Radial 500 tires, the same or similar private brand tires, and TPC tires purchased prior to September 1, 1975, the opportunity to purchase a Firestone 721 or other comparable Firestone tire at one-half the regular retail price of the replacement tire.

A provision for loss on tire recall of $234.0 million ($147.4 million after income taxes) was charged against income in October, 1978. The provision represents management's estimate of the cost of fulfilling the Company's obligations under the agreement with NHTSA and the Company's program of cash refunds to those customers who have received an adjustment on tires that would otherwise have been subject to recall and free replacement.

In determining the amount of the provision, management estimated the number of recalled tires to be returned, the cost of replacement tires and all other recall related costs. However, because the number of tires to be returned may vary from management's estimate, it is possible that the final cost of the recall may differ from the amount provided in 1978. Any adjustments required would be reflected in income in the future.

The accrued liability for tire recall at October 31, 1978, comprised:

Amount accrued in October, 1978	$234.0
Less amounts charged thereto	6.8
Accrued liability at October 31, 1978	$227.2

Relocation Costs

FIRST NATIONAL STORES INC. (MAR)

	1978	1977
Operating loss	$(14,856,000)	$(4,579,000)
Other income (expense):		
Estimated charges relating to facilities relocation program (Note 12)	(8,000,000)	—
Interest income	325,000	788,000
Interest expense, including imputed interest of $655,000 in 1978 and $290,000 in 1977	(946,000)	(327,000)
Other	134,000	144,000
	(8,487,000)	605,000
Net loss	$(23,343,000)	$(3,974,000)

Note 12 (in part): Facilities Relocation Program—In fiscal 1977, the Company announced the consolidation and relocation of its grocery merchandise warehouse operations to a purchased facility in Windsor Locks, Connecticut and the start of construction of an additional facility in Windsor Locks to warehouse its perishable merchandise. The grocery warehouse became operational in early fiscal 1978 and the perishable facility commenced operations in early fiscal 1979. Accordingly, the previous warehouse facilities in Somerville, Massachusetts and South Kearny, New Jersey, were closed.

At the end of fiscal 1977, the Company estimated (1) that the unfunded vested benefits applicable to the employees who are members of a particular multi-employer union pension plan totalled approximately $4.6 million and that in accordance with the provisions of the Employee Retirement Income Security Act of 1974 and in connection with the warehouse consolidation, it might be responsible for part or all of such unfunded vested benefits and (2) that it would realize a gain on the disposition of the Somerville facility which could exceed all costs associated with the consolidation program. Because the ultimate resolution of these uncertainties was not determinable at March 26, 1977 and could have ranged from a net gain to a significant net cost, no provision for any possible loss was made in the 1977 financial statements.

During fiscal 1978, the Company provided $5 million for the estimated unfunded vested benefits of employees affected by the warehouse consolidation based upon the terms of the settlement with the union local. It is anticipated that this amount will be funded by the Company's pension plan which has been overfunded since 1967. In addition, during 1978 an agreement for the sale of the Somerville facility was terminated because the purchaser was unable to obtain financing.

The Company has extended a purchase option to another party, but to date, the Somerville facility has not been disposed of. During fiscal 1978, the Company also decided to relocate its corporate offices to Windsor Locks. Accordingly, at March 25, 1978 the Company provided an additional $3 million which represents the current estimate of the excess of all costs currently associated with the Relocation Program over the currently anticipated gain on the Somerville disposition. The lease relating to the Kearny facility was terminated at no cost to the Company. Because of the uncertainty relating to the ultimate disposition of the Somerville facility, it is not possible to estimate whether a provision for any additional possible loss will be necessary.

Department of Energy Entitlements

GULF OIL CORPORATION (DEC)

	1978	1977
	(Millions of Dollars)	
Revenues		
Sales and other operating revenues (including consumer excise taxes)	$19,892	$19,595
Interest income	123	149
Equity in earnings	23	25
Other revenues	59	47
	20,097	19,816
Deductions		
Purchased crude oil and products	10,867	10,936
Operating expenses	1,793	1,521
Selling, general and administrative expenses	1,502	1,415
Taxes other than income taxes	2,354	2,192
Depreciation, depletion, amortization and retirements	826	684
Exploration and dry hole expenses	401	490
Department of Energy entitlements	251	232
Interest on long-term financing	127	110
Income applicable to minority interests	50	49
	18,171	17,629
Income Before Taxes on Income	$ 1,926	$ 2,187

Provision for Prepaid Royalties

MILTON ROY COMPANY (DEC)

	1978	1977
Costs and expenses:		
Cost of sales	$31,689,490	$29,326,450
Provision for prepaid royalties	1,768,000	—
Marketing and administrative	21,055,755	18,735,331
Research and development	1,885,218	1,873,781
Interest	1,069,217	565,865
Total costs and expenses	$57,467,680	$50,501,427

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6: Prepaid royalties—The Company's wholly-owned subsidiary, Milton Roy Soft Contact Lens, Inc., has, since 1976, manufactured and marketed soft contact lenses under a license agreement utilizing a raw material supplied by the licensor. Pursuant to the license agreement, the Company pays the licensor a royalty based upon sales of finished lenses which were fabricated from material supplied by the licensor with a partial payment due in advance of sale upon purchase of the raw material. The agreement further provides that all lens material rejected, spoiled or otherwise not resulting in the sale of finished lenses will be replaced by the licensor without charge. Advance royalty payments relating to lens material on hand or due from the licensor are deferred and charged to expense as the finished lenses are sold.

From the commencement of operations, production yields have been adversely affected principally by the lack of consistently acceptable lens material as well as initial startup problems and, for a certain period in 1977, by excessive dust levels within the manufacturing facility. The unsatisfactory production yields required usage of lens material in excess of the then current sales levels and accordingly advance royalty payments increased beyond amounts realizable in a current operating cycle. Advance royalty payments in excess of anticipated sales levels were classified as non-current assets with realization expected over a three to four year period.

During 1978, management attempted to accelerate realization of the prepaid royalties through renegotiation of certain terms of the license agreement to provide for a more timely and equitable replacement of rejected lens material. Even under the revised replacement terms, subsequent production yields were not sufficiently improved to enable a reduction in the prepaid amount. The lack of improvement in production yields is attributed by management to the failure of the licensor to supply a lens material of consistently acceptable quality as required by the license agreement. As a result, in January, 1979, the Company filed suit against the licensor on grounds of breach of warranty (see Note 12).

Due to the inability of the licensor to supply lens material of satisfactory quality, the Company has decided to manufacture lens material within its own facility.

As a result of the decision to commence internal production of lens material, management reduced the carrying value of the advance royalty payments related to material supplied by the licensor. Such reduction in the approximate amount of $1,768,000 (net of a $357,000 insurance recovery on a business interruption claim filed in 1978) has been charged to expense in 1978.

"Non-Recurring" Charge

NATIONAL CAN CORPORATION (DEC)

	1978	1977
	($000)	
Cost and Expenses:		
Cost of goods sold..............	$848,723	$761,957
Selling, general and administrative..........................	49,138	44,895
Depreciation and amortization..	18,587	17,126
Interest and debt expense......	11,987	11,926
	928,435	835,904
Non-recurring charge...........	16,000	
	$944,435	$835,904

NOTES TO FINANCIAL STATEMENTS

Note C (in part): Non-Recurring Charge—Plant Consolidation Costs: A $16,000,000 non-recurring charge was recorded in the third quarter of 1978 to provide for the discontinuance and/or consolidation of certain can making plants and the obsolescence of certain equipment.

The provision includes estimates for pensións, supplemental unemployment benefits and other costs for employees to be terminated and relocated ($10,070,000), costs less expected recoveries on plant and equipment ($3,822,000), and costs applicable to dismantling and transfer of equipment and standby costs to ultimate dates of plant dispositions ($2,108,000). Management does not anticipate any loss of sales as a result of these plant closings.

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.

TABLE 3-8: PENSION AND RETIREMENT PLANS

	1978	1977	1976
Current Year Expense			
Normal cost and amortization of prior service cost	476	467	467
Normal cost and interest on unfunded prior service cost	2	5	12
Normal cost—no reference to prior service cost	32	33	27
Normal cost—no unfunded prior service cost.............................	25	29	30
Companies Disclosing Amount of Pension Plan Expense	**535**	**534**	**536**

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 year by approximately $ . . .

Table 3-8 shows that most of the survey companies disclosed that the current year pension plan expense consisted of normal cost plus amortization of prior service cost. In addition to the information shown in Table 3-8, 361 survey companies reported that vested benefits were in excess of amounts funded or accrued; while 116 survey companies reported that amounts funded or accrued were in excess of vested benefits. Examples of notes disclosing pension expense and policies follow.

Normal Cost Plus Amortization of Prior Service Cost

THE BLACK AND DECKER MANUFACTURING COMPANY (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All figures, unless noted, are in thousands of dollars)

Pension Plans—The Company and certain subsidiaries have several pension plans covering substantially all of their employees. Total pension expense was $11,083 in 1978 and $9,433 in 1977 which includes amortization of prior service cost over periods ranging up to 30 years. The Company's policy is to fund pension costs as accrued. As of the latest valuation dates, the actuarially computed value of vested benefits approximated the applicable market value of pension funds. The employees of certain subsidiaries outside the

United States are covered under government administered retirement plans or under insured annuity plans.

DUN & BRADSTREET COMPANIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Retirement Plans—The Company and certain subsidiaries have trusteed retirement plans covering substantially all their employees in the United States and Canada. The annual provisions for the principal plans are calculated using an actuarial method which essentially spreads the cost of benefits over the average service lives of active employees. Prior service costs are amortized over periods up to 40 years. Pension costs are borne by the companies and all accrued costs are funded.

Note 4: Retirement Plans—Pension expense for the years 1978 and 1977 was approximately $13,573,000 and $11,725,000, respectively. As of January 1, 1978, the date of the latest valuation, unfunded prior service costs were $79,965,000 and the actuarially computed value of vested benefits exceeded the market value of the plans' assets by $9,800,000. The funding program contemplates that there will be sufficient funds available to provide benefits as stated in the plans. Unfunded prior service costs increased from 1977 primarily due to a change in the actuarial cost method of one of the plans. This change did not have a material effect on the accompanying financial statements.

GRANITEVILLE COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Defined Benefit Pension Plan—The Company's policy is to fund all accrued current service costs and to fund amortization of unfunded prior service costs over ten years (see Note 6).

Note 6: Employee Benefit Plans—The Company has in effect several noncontributory defined benefit and defined contribution employee retirement plans covering substantially all employees. The total expense of these plans for 1978 and 1977 was approximately $2,220,000 and $2,650,000, respectively. Additional information pertinent to the defined benefit pension plan is as follows:

	Information Available As of	
	January 1, 1978	January 2, 1977
Total assets at cost	$30,063,900	$27,348,000
Total assets at market	$32,371,700	$30,738,500
Unfunded actuarially computed value of vested benefits	None	None
Unfunded prior service costs (assets at cost)	$ 92,500	$ 3,052,100
Actuarial interest rate assumption	5%	5%
Actuarial wage rate increase	5%	5%
Active participants	6,775	6,931

Actuarial data regarding the value of vested benefits as of December 31, 1978, are not yet available. However, in the opinion of management, such benefits remain essentially fully funded. Actuarial data regarding the amount of unfunded prior service costs and the amount of total assets at cost and market, as of December 31, 1978, are not yet available.

The Company adopted, effective January 3, 1971, "The Graniteville Company Savings and Supplemental Retirement Plan" which provides that qualified employees of the Company may contribute to the plan through payroll deduction any whole percentage of their gross compensation from 1% to 6%. The Company will make annual contributions of an amount equal to at least 10% of the participant's deposits and, depending on the rate of return on stockholders' equity attained, will make contributions not exceeding 150% of the participant's deposits. The Company's contribution for the current year was approximately $106,000 ($677,000 in 1977).

SCOVILL MANUFACTURING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (in part)—A summary of significant accounting policies follows:

Pensions—The Company has several noncontributory pension plans for qualifying employees. Pension expenses are accrued and funded in amounts equal to the normal costs of current service under the plans together with amortization of prior service costs over periods of 30 to 40 years (see Note E).

Note E—As of the most recent valuation dates (January 1978 and 1977), the aggregate market value of the pension fund assets of $33,618,000 (1977—$22,536,000) represented approximately 58% (1977—46%) of the related actuarially computed value of vested benefits. The 1978 amount includes $7,118,000 of pension fund assets of businesses acquired in 1978.

Total pension expense under the Company's plans for hourly, piece work and salaried employees for 1978 was $7,102,000 (1977—$6,031,000). Pension expense includes discretionary provisions for accelerated funding of prior service costs of $600,000 for 1978 and 1977. The 1978 amount includes $419,000 for pension costs of businesses acquired in 1978.

The unfunded portion of prior service costs under the Company's pension plans as of the most recent valuation date was estimated by consulting actuaries to be $36,116,000 including $1,520,000 relating to businesses acquired in 1978.

THE UNITED STATES SHOE CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Major Accounting Policies—

Employee Retirement Plans (Defined Benefit)—The company has non-contributory retirement plans which provide for pensions to eligible employees upon retirement, based on length of service and compensation. Prior service costs are being amortized and funded over approximately 30 years.

Note 2: Employee Retirement Plans (Defined Benefit)—Provision for pension expense charged against earnings during the year ended July 29, 1978, which includes amortization of prior service cost over 30 years, totaled approximately $3,300,000 ($3,200,000 in 1977). The actuarially computed value of vested benefits for all plans as of July 29, 1978, using the basis followed by the Pension Benefit Guaranty Corporation, exceeded the total of the net assets in the pension fund and the balance sheet accruals by approximately $1,400,000. Unfunded and unprovided prior service costs totaled $12,400,000 at July 29, 1978 ($12,800,000 in 1977). The company fully funds the current pension accrual.

Payments To Union Sponsored Plans

BORDEN, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Pension Plans—Substantially all of the Company's employees in the United States and Canada are covered under one of the Company's pension plans or one of the union-sponsored plans to which the Company contributes. Pension expense for the Company's plans, determined for domestic employees in accordance with the funding requirements of the Employee Retirement Income Security Act of 1974, comprises current service costs and amortization of prior service costs, effectively, over a thirty year period. It is the Company's policy to fund pension costs accrued for qualified plans.

Note 6: Pension Plans—The charges to operations under the Company's United States and Canadian pension plans were $15,600,000 in 1978 and $14,600,000 in 1977. The actuarially computed value of vested retirement benefits under these plans as of January 1, 1978 determined on an actuarial basis exceeded the total pension fund and balance sheet accruals by approximately $75,700,000.

Operations were charged approximately $6,200,000 in 1978 and $5,300,000 in 1977 primarily for payments to pension trusts on behalf of certain employees covered by collective bargaining units who have not elected to participate in the Company's plans and for retirement allowances paid to former employees under arrangements in effect prior to the inception of the present plans.

GEO. A. HORMEL & COMPANY (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Pension Plans: The Company has several pension plans covering substantially all of its employees. The Company's policy is to fund pension costs accrued which includes amortization of prior service costs over a period of thirty years from the date of inception or date of amendment of the plans.

Note D: Pension Plans—Contributions to the Company's pension plans for 1978 and 1977 were $13,500,000 and $12,370,000, respectively. Approximately two-thirds of the pension costs relate to union plans. Under the terms of a three year union contract taking effect in 1977, pension benefits will increase 51% by 1979 spread evenly over the three year period. The actuarially computed value of vested benefits for all plans exceeded the pension fund assets at October 28, 1978 by approximately $43,600,000.

Vested Benefits Exceed Plan Assets

THE AMERICAN DISTILLING COMPANY (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Significant Accounting Policies

Retirement plans—The Company's policy is to fund retirement cost accrued.

Note 8—Employee Benefits

Retirement plans—The Company has two noncontributory retirement plans in effect, one covering qualified hourly employees and the other covering qualified salaried employees. The Company's liability for normal cost and past service cost in connection with the hourly employees' plan is funded in accordance with the minimum funding standards of ERISA at an amount equal to the fixed rate of contribution set forth in the union contract effective January 1, 1977. Additionally, the Company is funding a $99,000 funding deficit for the hourly plan for the plan's fiscal year ended December 31, 1977 over a fifteen year period as permitted for collectively bargained plans. At December 31, 1977, the actuarially computed value of vested benefits to be funded for existing and future retirees exceeded the hourly plan's assets by $3,305,000. Under the salaried employees' plan, plan assets exceeded the actuarially computed value of vested benefits by $823,000 at January 31, 1978. The cost of both retirement plans for 1978 was $472,000 ($314,000 in 1977).

Annuities—The Company has agreed to provide annuities to certain key employees or their beneficiaries. During 1978, the amounts provided for all annuities was $117,000 ($125,000 in 1977). Such amounts become payable upon the employee's termination.

Other benefits—An employment agreement with the chief executive officer provides for an amount of incentive compensation to be paid annually which is equal to the greater of $50,000 or 2% of consolidated pretax earnings, as defined, for each year of his employment with the Company.

PHILIP A. HUNT CHEMICAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Significant Accounting Policies

Employee Retirement Plans—The Company and certain subsidiaries have several non-contributory retirement plans covering substantially all employees who are not covered by collective bargaining agreements. Costs have been provided for, and funded, at amounts not less than required by the actuarial estimates. Costs include, as to certain of the plans, amortization of prior service costs over thirty years.

Note 7: Retirement Plans—The total pension expense of the Company and its consolidated subsidiaries amounted to $562,000 in 1978 and $523,000 in 1977.

The actuarially computed value of vested benefits exceeded the total of pension funds, at market, and balance sheet accruals at December 31, 1977, (date of latest actuarial report) by approximately $235,000. This amount represents the unfunded portion of the actuarially computed present value of pension benefits to which employees are entitled based on service as of December 30, 1977, and is calculated as if all employees were to terminate at that date. Estimated unfunded past service costs amounted to approximately $2,175,000 at December 30, 1978 determined under a projected benefit actuarial cost method.

INTERNATIONAL PAPER COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14: Retirement Plans—The Company and its consolidated subsidiaries have several pension plans which provide retirement benefits to substantially all employees after the required years of service.

Annual pension costs, which reflect amortization of prior service costs over periods of up to 30 years, are funded currently by payments to the trustees of the various plans. Pension costs were $65 million in 1978 and $58 million in 1977. At December 31, 1978, unfunded prior service costs amounted to $234 million.

At December 31, 1978, the actuarially computed value of vested benefits, using a 5½% interest rate, exceeded the value of fund assets (approximately $609 million) by $137 million. If the actuarially computed value of vested benefits were estimated using current single premium annuity rates (approximately 7½%), such excess would be reduced to approximately $9 million.

LOCKHEED CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6: Retirement Plans—Most of Lockheed's employees are covered by retirement plans that are financed entirely by company contributions to trust accounts. The provisions for retirement plan costs were $116 million in 1978 and $103 million in 1977.

These provisions consist of both normal pension costs, recorded over the remaining service lives of the individual participants, and the amortization over 15 to 30-year periods of unfunded prior service costs and actuarial gains and losses. The 1978 increase was due primarily to greater amortization of actuarial losses.

As of December 31, 1978, the book value of assets in the plans, held by trustees, was $1,258 million and the market value was $1,203 million.

The actuarially computed value of vested benefits of all plans exceeded the total market value of the plans' assets and Lockheed's accrued liability for contributions by about $440 million at December 31, 1978. This amount represents the unfunded portion of the actuarially computed present value of pension benefits to which employees are entitled based on credited services as of December 31, 1978, and is calculated as if all employees were to terminate service as of that date.

In contrast to the termination-of-service basis used in the above calculation of the unfunded vested benefits, and to reflect the continuing nature of Lockheed's business, it is Lockheed's practice to determine its provision for pension benefits based on the assumption of continued future service of employees, taking into account such factors as expected rates of early retirement, death and disability benefits, and future compensation increases for salaried employees. Pension costs are determined under the "Entry-Age Normal-Cost" method in order to provide for the orderly recognition and funding of such benefits. Under this actuarial cost method and assumptions used by Lockheed, approximately $869 million of the prior service costs (i.e., costs related to retirement benefits earned from employees' service in prior years, whether or not such employees are currently vested in the plan) applicable to all plans had not been funded at December 31, 1978. These unfunded prior service costs, vested and unvested, are being amortized and funded over periods not exceeding 30 years as Lockheed meets it annual obligations under the plans.

MARTIN MARIETTA CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note A (in part): Accounting Policies

Retirement Plans: Costs are computed and funded on the basis of accepted actuarial methods and include current service costs of all plans and the amortization of prior service costs.

Note I: Retirement Plans—Martin Marietta and its subsidiaries have a number of noncontributory retirement plans covering substantially all employees. The cost of these plans was $43,200,000 for 1978 and $37,300,000 for 1977, including amortization of prior years' service cost over periods ranging up to 30 years. At December 31, 1978, the market value of retirement fund assets for certain of the plans exceeded in the aggregate the related actuarially computed value of vested benefits by $35,000,000; however, the liability for vested benefits in other plans was in excess of the market value of fund assets by $45,000,000.

THE MEAD CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note A (in part): Accounting Policies

Retirement Plans—The company has retirement plans which cover substantially all employees. Contributions to these plans are determined by actuarial methods (primarily the entry age normal and aggregate methods) which result in pension costs that are rational and systematic from year to year. The actuarial basis includes a 7% annual compound interest rate assumption and current mortality tables. Prior service costs are amortized over initial periods of 25 and 30 years.

Note H: Retirement Plans—Pension expense, which is funded currently, was $21,920,000 for 1978 and $19,400,000 for 1977. At December 31, 1978, the market value of pension fund assets was approximately $227,390,000. Actuarially computed vested benefits exceeded fund assets by approximately $39,900,000 at December 31, 1978. The unfunded prior service cost under these plans is estimated to be $47,465,000 at December 31, 1978.

SQUARE D COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share)

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

Pension Plans—The Company funds and charges to operations current service pension costs and amortization of prior service costs over a period not in excess of thirty years.

Note H: Pension Plans—The Company has several defined benefit pension plans, primarily noncontributory, covering substantially all employees for retirement benefits at age 65. The total pension expense was $6,927 for 1978 and $6,571 for 1977. The actuarially computed value of vested benefits as of the latest valuation date, January 1, 1978, exceeded pension fund assets by approximately $10,222. The actuarially computed unfunded past service cost as of January 1, 1978, amounted to approximately $23,826.

Plan Assets Exceed Vested Benefits

ADDRESSOGRAPH-MULTIGRAPH CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies (in part)

Retirement Plans—Expenses for retirement plans include current service costs and amortization of prior service costs generally over a 30-year period. Such costs are generally funded currently.

Retirement Plans—The Company and its subsidiaries have retirement plans, both contributory and noncontributory, covering substantially all employees. Expenses for retirement plans for the years 1978 and 1977 were $12,793,000 and $13,525,000, respectively. In 1978, certain changes were made to actuarial assumptions used in the domestic retirement plans to more accurately reflect investment yield and future compensation levels. In addition, eligibility requirements were tightened. These changes did not have a significant effect on the annual provision, and reduced the calculated present value of vested benefits by approximately $12,432,000.

The current market value of trust fund assets and balance sheet accruals at July 31, 1978 exceeded the actuarially computed value of vested benefits at the most recent valuation date by $8,419,000.

BRIGGS & STRATTON CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Retirement Plan Costs: Current service costs are accrued and funded on a current basis. Prior service costs are being amortized and funded over 30 years.

Note 3: Retirement Plan—The Company has a noncontributory retirement plan covering substantially all employees. Retirement costs were $11,220,000 in 1978 and $8,924,000 in 1977. The increase between years reflects higher employment and benefit levels. As of June 30, 1978, the present value of all actuarially computed retirement benefits (vested and unvested) earned by participants, both active and retired, was $119,983,000. Funded amounts equaled 88% of this total, or $105,145,000 and unfunded prior service costs totaled $14,838,000. The market value of retirement fund assets at June 30, 1978, was $103,868,000, which was $12,537,000 in excess of the value of all vested benefits at that date.

IPCO HOSPITAL SUPPLY CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Retirement Plans—The Company and certain of its subsidiaries have several pension plans covering eligible employees. The Company's policy is to fund pension cost accrued.

Note 10: Retirement Plans—Pension costs charged to operations for the years ended June 30, 1978 and 1977, aggregated $693,000 and $650,000 respectively, including amortization of past service cost over 30 years. In fiscal 1977, the Company suspended contributions to existing noncontributory, unfunded profit sharing plans and included eligible employees under its non-contributory pension plan. Such profit sharing plans are in the process of being liquidated and distributed to the participants. Based on the independent actuary's valuation, the excess of market value of plan assets over accrued vested benefits as of the most recent valuation date, July 1, 1977 was $140,000, and unfunded past service cost was $2,460,000.

Certain employees are covered under a non-contributory plan funded by payments to an insurance company under a group annuity contract. Amounts charged to operations for the years ended June 30, 1978 and 1977 were $109,000 and $109,000, respectively, including amortization of past service cost over approximately 30 years. As of the most recent valuation date, May 1, 1977 the excess of plan assets over actuarially computed value of vested benefits was $64,000 and the unfunded past service cost was $364,000.

MAREMONT CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Pension Plans—The Company has a number of pension plans covering the majority of its employees. Pension expense was $1,965,000 in 1978 and $1,856,000 in 1977, which generally represented the total of normal costs, interest on unfunded prior service costs and amortization of unfunded prior service costs over forty years. The Company's policy is to fund substantially all accrued pension costs on a current basis. The provisions for 1978 and 1977 exceed those required by ERISA contribution standards.

Based on the latest actuarial review, if all the plans were terminated and all vested benefits were purchased from an insurance company, the combined market value of the assets would exceed the cost of purchasing annuities for such vested benefits by approximately $2 million. Consequently, in the event of termination of all the plans, there would be no claim on the Company's net worth by the Pension Benefit Guaranty Corporation. However, for one plan, vested benefits exceed fund assets by approximately $2.2 million.

The total unfunded supplemental actuarial value (unfunded prior service cost) of the Company's pension plans was approximately $9.1 million as of the most recent actuarial review. There were no changes in the actuarial assumptions, actuarial method or asset valuation techniques during 1978. However, in 1977, certain changes in actuarial assumptions were made for most of the plans. These changes had the effect of increasing 1977 pretax income by $439,000.

THE STANDARD REGISTER COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

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

Pension Plans—The Company's policy is to fund pension costs accrued. The annual cost includes amortization of the past service costs over 30 and 40 years.

Note 4: Pension Plans—The Company has five pension plans covering substantially all of its employees. The two major plans were revised extensively effective January 1, 1976, and all plans have been amended to conform to the requirements of the Employee Retirement Income Security Act of 1974.

Total pension expense for 1978 was $2,131,195 ($1,861,755 in 1977). This expense includes amortization of unfunded accrued liability for past service costs over 40 and 30 years for the two major plans. Unfunded past service costs for these two plans aggregated $12,031,674 at January 1, 1978 ($11,947,150 at January 1, 1977).

The Company's policy is to fund pension costs accrued. The Stanreco Retirement Plan, the largest of the group, is contributory. At January 1, 1978, the market value of fund assets of the Stanreco plan exceeded vested benefits under the plan by $4,773,259 ($4,927,930 at January 1, 1977). As of January 1, 1978, the actuarially computed value of vested benefits provided by the I.U.E. plan exceeded the market value of the fund assets by $1,213,546 ($1,274,234 at January 1, 1977).

Summary or Statement of Changes in Pension Fund Assets

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Dollars in millions, except per share)

Pensions—Pension accounting policy is disclosed in Note 16 to the Financial Statements (page 40).

NOTES TO FINANCIAL STATEMENTS

(Dollars in millions, except per share)

Note 16: Pensions—The Pension and Retirement Plan of E. I. du Pont de Nemours & Company is a noncontributory plan which covers all parent Company employees. The number of pension recipients at December 31, 1978, was 36,833.

The cost of the Plan is determined on the basis of various actuarial assumptions and procedures including: a 6% assumed rate of future earnings on Pension Trust assets; recognition, as appropriate, of a portion of the unrealized appreciation expected over the long term in the common stock portfolio; Company experience with respect to mortality, turnover, and selection of retirement options; advancing pay scales; and amortization of unfunded prior service cost over periods up to 30 years. The cost so determined was $287.8 in 1978 and $252.1 in 1977. The increase in cost for 1978 was due primarily to the impact of higher payrolls.

The Company's practice is to fund its total pension expense under the Plan in the Pension Trust maintained in conjunction with the Plan; contributions to the Trust are deductible for Federal income tax purposes, and Trust income is exempt from such taxes.

Company contributions shown below include $13.7 and $8.1 for 1978 and 1977, respectively, representing costs reimbursed under government contract. Also, the Company contributed $150.0 to the Pension Trust Fund in December 1978, as a prepayment toward 1979 pension contributions. This payment was not charged to 1978 earnings but is included in prepaid expenses at December 31, 1978.

Statement of Changes in Pension Trust Fund Assets (assets at amortized cost plus accrued income)

	1978	1977
Total Assets at January 1	$2,570.1	$2,297.5
Add: Company contributions	451.4	260.1
Income from investments, including net gain or loss on disposition	169.0	159.7
	3,190.5	2,717.3
Deduct: Pension payments	168.9	147.2
Total Assets at December 31	$3,021.6	$2,570.1
Comprised of:		
Cash, accrued income, and U.S. Government obligations	$ 64.1	$ 390.2
Corporate obligations	1,387.7	518.7
Common stocks	1,569.8	1,661.2

The Trust held no securities of the Company or affiliated companies. The aggregate market value of Trust assets was about equal to cost at December 31, 1978. Since the Pension Trust Fund is not the property of the Company, it is not included in the consolidated financial statements.

Pension coverage for employees of the Company's consolidated subsidiaries and other supplemental pension benefits of the Company are provided, to the extent deemed appropriate, through separate plans. Obligations under such plans are systematically provided for by depositing funds with trustees, under insurance policies, or by book reserves. Charges to consolidated income for such plans were $39.3 in 1978 and $33.5 in 1977.

At December 31, 1978, the amount of unfunded vested liability was estimated at $622.1. The estimated value of unfunded prior service cost, whether vested or not, was $1,252.7.

GULF OIL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 1 (in part): Summary of Accounting Policies

Pensions—Pension costs are determined by outside actuaries. Payments are generally made in the year following accrual. Prior service costs are amortized and funded over varying periods for the different plans but generally for no more than 15 years.

Note 12: Pension Plans—The Company has various pension plans covering substantially all of its employees. The provisions for the cost of these pension plans charged to income for the years 1978 and 1977 were $144 and $110 million, respectively. At December 31, 1978, unamortized prior service costs of all the various pension plans aggregated approximately $469 million.

The Company's principal plan, the Gulf Pension Plan, covers the majority of its U.S. employees. A summary of changes in the fund investments, including receivables from the Company, for this Plan during 1978 and 1977 follows:

	Millions of Dollars Year Ended December 31	
	1978	1977
Investments at January 1, at cost..	$863	$800
Company contributions	100	86
Fund income..........................	42	37
Benefits paid	(63)	(60)
Investments at December 31, at cost	$942	$863
Market value at December 31	$955	$868

Based on the most recent actuarial valuation of the Gulf Pension Plan, the market value of plan assets and balance sheet accruals at December 31, 1978 exceeded the actuarially computed value of vested benefits. The actuarially computed value of vested benefits under the pension plan of Gulf Canada exceeded that plan's assets by approximately $62 million at December 31, 1978.

Funding Arrangement Changed

FREEPORT MINERALS COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

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

Pension Costs—Prior service costs are amortized over a 20-year period and, together with current service costs, are charged against income. The Company funds all amounts changed against income.

Note 7 (in part): Costs and Expenses

Pension Costs—The Company has several funded pension plans covering substantially all of its employees. Effective April 1, 1978, revisions were made in the funding arrangement for the pension plan applicable to all employees, except for certain hourly employees who are covered by pension plan provisions of collective bargaining contracts. The new funding arrangement consists of an immediate participation guarantee contract administered by an insurance company. In connection with revisions in the funding arrangement, appropriate changes were made to various actuarial assumptions and methods. The immediate participation guarantee contract provides, among other things, for immediate benefit to the Company from improved investment experience based on investment returns guaranteed by the insurance company and provides employees with an improvement in security for vested pension benefits.

At December 31, 1978, the actuarial value of vested benefits was fully funded and the actuarial value of all accrued benefits was more than 90 percent funded; unfunded prior service costs approximated $5,000,000.

Total pension costs were approximately $5,400,000 in 1978 compared with $6,150,000 in 1977. Revisions in the funding arrangement and changes in actuarial assumptions and methods reduced costs in 1978 compared with 1977 and increased net income for 1978 by an estimated $670,000 or 4 cents per share.

Actuarial Cost Method Changed

BFGOODRICH COMPANY (DEC)

STATEMENT OF ACCOUNTING POLICIES

Pension Costs—Goodrich and its subsidiaries have several pension plans covering substantially all employees. The general policy is to fund pension costs accrued. Pension plans of certain foreign subsidiaries and a separate, supplemental pension plan are unfunded.

NOTES TO FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts)

Pension—Pension expense, including amortization of prior service costs over thirty years, was $42,650 for 1978 and $39,025 for 1977. During 1978, the actuarial cost method used to compute pension expense for the principal plan was changed from the Individual Entry Age Normal Method to the Unit Credit Method to be consistent with rubber industry practices. The change did not have a material effect on pension expense or on net income.

The actuarially computed value of vested benefits of all plans as of the valuation dates (principally January 1, 1978) exceeded the total of the pension funds by approximately $156,800. The unfunded actuarial liability was approximately $242,400. The change in the actuarial cost method reduced the computed amount of the unfunded actuarial liability by approximately $78,500. An assumption used to determine vested benefits was revised to conform with other actuarial computations. This revision reduced the computed amount of unfunded vested benefits by approximately $67,400.

Pension Plan Adopted

GEORGIA-PACIFIC CORPORATION (DEC)

Note 5: Pension and Stock Bonus Plans—Substantially all of the corporation's hourly employees participate in a number of noncontributory pension plans. Contribution to most of these plans is based upon hourly rates set forth in various contracts. The corporation also has a noncontributory stock bonus plan for salaried employees wherein an amount up to 10% of the eligible employee's annual salary, if certain conditions are met, is contributed to the plan.

Effective January 1, 1978, the corporation adopted a noncontributory retirement plan for all of its salaried employees except officers, and a nonfunded officers retirement plan, to supplement the stock bonus plan. The corporation accrues the actuarially determined costs for these plans based on years of service, average compensation and value of assets held by the stock bonus plan.

Total costs accrued for all plans were $30,000 in 1978 and $24,000 in 1977, including appropriate charges for normal cost and amortization of prior service costs over periods ranging from ten to thirty years. At December 31, 1978, the unfunded prior service cost of plans administered solely or jointly by the corporation was approximately $76,000 and the actuarially computed value of vested benefits of these plans was approximately $25,000 in excess of the market value of plan assets. The increase in costs in 1978 compared to 1977 is attributable primarily to increases in benefits under the hourly plans and the adoption of the noncontributory retirement plan for salaried employees. The corporation follows the policy of funding substantially all pension costs.

COMPENSATORY PLANS

In addition to pension plans (Table 3-8) and "traditional" stock option and purchase plans (pages 209-216), 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 or *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.
>
> 12. *Accruing Compensation Cost.* Compensation cost in stock option, purchase, and award plans should be recognized as an expense of one or more periods in which an employee performs services and also as part or all of the consideration received for stock issued to the employee through a plan. The grant or award may specify the period or periods during which the employee performs services, or the period or periods may be inferred from the terms or from the past pattern of grants or awards (*ARB No. 43,* Chapter 13B, paragraph 14; *APB Opinion No. 12, Omnibus Opinion-1967,* paragraph 6).
>
> 14. If stock is issued in a plan before some or all of the services are performed, part of the consideration recorded for the stock issued is unearned compensation and should be shown as a separate reduction of stockholders' equity. The unearned compensation should be accounted for as expense of the period or periods in which the employee performs service.
>
> 16. *Accounting for Income Tax Benefits.* An employer corporation may obtain an income tax benefit related to stock issued to an employee through a stock option, purchase, or award plan. A corporation is usually entitled to a deduction for income tax purposes of the amount that an employee reports as ordinary income, and the deduction is allowable to the corporation in the year in which the amount is includable in the gross income of the employee. Thus, a deduction for income tax purposes may differ from the related compensation expense that the corporation recognizes, and the deduction may be allowable in a period that differs from the one in which the corporation recognizes compensation expense in measuring net income.
>
> 20. This Opinion applies to all stock option, purchase, award and bonus rights granted by an employer corporation to an individual employee after December 31, 1972 under both existing and new arrangements and to reductions of income taxes resulting from deductions as of a date after December 31, 1972 that are related to stock option, purchase, award, and bonus rights granted before as well as after the effective date of this Opinion.

Examples of compensatory plan disclosures follow.

Incentive Compensation Plans

BETHLEHEM STEEL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note J: Special Incentive Compensation Plan—Under the Special Incentive Compensation Plan provided for by Article Tenth of Bethlehem's Amended Certificate of Incorporation, certain executives and other key employees receive special incentive compensation in the form of dividend units. The aggregate number of dividend units credited for a year is determined by dividing an amount equal to 1½% of the consolidated net income for the year by the market value per share of Bethlehem Common Stock at the beginning of the year. Each dividend unit entitles the holder (or his estate in the event of death) to receive cash payments equal to cash dividends paid on a share of Common Stock during his life, or, at a minimum, until the 15th anniversary of the termination, by death or otherwise, of his service with Bethlehem. Under certain circumstances the duration of the payments is subject to earlier termination. Dividend units credited under

TABLE 3-9: COMPENSATORY PLANS

	Number of Companies			
	1978	1977	1976	1975
Inventive compensation plan	149	145	138	145
Stock award plan	107	73	41	N/C
Profit-sharing plan	75	68	90	130
Savings fund plan	24	26	37	27
Deferred compensation agreement	25	24	50	56

N/C — Not Compiled.

the Plan were 160,273 for 1978. There were no units granted for 1977. Charges to expense attributable to dividend units were $3.5 million and $2.2 million in 1978 and 1977, respectively.

COMMERCIAL METALS COMPANY (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note G: Bonus Plans—Certain officers and key employees of the Company and subsidiaries are paid bonuses under various arrangements whereby the amounts are determined either on a discretionary basis or under various formulas primarily based on pre-tax earnings of various subsidiaries or divisions. Bonus expenses under these arrangements for 1978 and 1977 aggregated approximately $5,350,000 and $3,488,000 respectively, and are included in selling, general, and administrative expenses.

COLECO INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13 (in part): Stock Options—Under the Company's 1971 Incentive Stock Option Plan, the Board of Directors may grant options to officers to purchase an aggregate of 147,852 shares of common stock at a price not less than 50% of the quoted market value at the date of grant. Prior to December 31, 1976, options to purchase 42,852 shares at $7 per share ($300,000 aggregate) were exercised and options to purchase 52,000 shares at $3 per share ($156,000 aggregate) were outstanding at December 31, 1976. During 1977, options to purchase 33,000 of these shares at $3 per share ($99,000 aggregate) were exercised when the market price of the common stock was $6.50 per share ($214,500 aggregate). Options to purchase the remaining 19,000 shares at $3 per share ($57,000 aggregate) were outstanding and exercisable at December 31, 1978 and options to purchase 53,000 shares are available for future grants. The excess of the aggregate estimated fair value of such optioned shares at dates of grant over option prices approximated $280,000 and is being charged against earnings as compensation expense over the employment terms specified in the option agreements which range up to nine years. Such compensation expense amounted to $6,000 in 1978 and $13,000 in 1977.

DICTAPHONE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Executive Incentive Compensation Plan—The company's Executive Incentive Compensation Plan provides for annual allocation of an incentive compensation fund of up to 5% of the Corporation's consolidated net income (as defined in the Plan) before United States and foreign income taxes, provided that the Corporation's consolidated net income after such taxes and such allocation amounts to at least 6% of shareholders equity. Bonus expense aggregating $756,000 in 1978 and $488,000 in 1977 was accrued under the Plan.

THE GOODYEAR TIRE & RUBBER COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Incentive Compensation and Stock Option Plans (in part)—The Company has a Key Personnel Incentive Profit Sharing Plan, administered by a non-participating Committee of the Board of Directors, under which compensation contingent upon consolidated income is provided for 1,711 key personnel including officers. A provision of $11,048,000 has been charged against 1978 income ($11,906,000 in 1977) in anticipation of the distribution of the profit sharing fund during 1979 in cash except that for certain participants a portion of their participation will be allotted in Goodyear Common Stock with distribution deferred until termination of employment (subject to forfeiture under various contingencies detailed in the Plan). A detailed description of the Plan is included in the Annual Report on page 24.

PAGE 24

Key Personnel Incentive Profit Sharing Plan—The Company's profit sharing plan, under which compensation contingent upon consolidated income is provided for officers and other key personnel as an incentive, has been in effect since 1937. The Plan is annually subject to amendment by the Board of Directors; and from time to time, as conditions have changed, it has been modified and its application extended to additional personnel. The Plan is administered by a committee consisting of all of the directors who do not participate in it. Participants are selected and allotments of participation are made annually by the Committee. (In 1978 allotments were made to 1,711 participants).

Under the present formula of the Plan, the Company's consolidated net income after tax (adjusted as described below) for any year must exceed 5% of the average amount of the consolidated book value of its capital stock before any amount becomes available for distribution to the participants. Ten percent of the excess of adjusted net income (the "formula amount") is applied as follows: (a) an amount up to that fixed by the Board of Directors (the "fixed amount"—$3,000,000 in 1978) is distributable in cash to participants in proportion to their respective allotments promptly upon official computation of the formula amount; and (b) additionally, in the sole discretion of the Committee, all or such part of any balance of the formula amount as the Committee may determine, is similarly distributable in the form of either cash or shares of Goodyear Common Stock (or combination of both cash and stock)—except that the Committee may order distribution to be deferred, with respect to a particular classification of participants as described below. Any balance of the formula amount not distributed or deferred lapses and involves no charge to the income account.

Any part of an allotment for which distribution is deferred, as referred to in (b) above, becomes distributable at the Committee's discretion in annual installments or in one lump sum after termination of the participant's employment, subject to forfeiture in whole or in part under various contingencies detailed in the plan and relating mainly to termination of employment for certain reasons or engaging in activity or business competitive with the Company. Each deferred allotment based upon Goodyear Common Stock is adjusted to reflect any stock splits or dividends in stock and accumulates cash dividend and stock right equivalents. Beginning January 1, 1978, all dividend and stock right equivalents in respect of such deferred allotments also accumulate interest equivalents at the rate of 8% per annum. The distribution of accumulated dividend, stock right and interest equivalents is subject to the same conditions and contingencies as the distribution of the allotments themselves. For tax purposes, deductions for deferred amounts are claimed by the Company in the years in which distributions are made.

Shares of Goodyear Common Stock required for purposes of the Plan may be either issued or purchased, as the Board of Directors may direct, and are charged against allotments of participation at the closing market price on the day preceding the Committee's or its subcommittee's determination of the medium of distribution.

For purposes of computation of the formula amount for any year, the consolidated net income of the Company is that approved by its independent accountants and reflected in the annual financial statements submitted to shareholders for that year, but adjusted to include an amount equal to the provision made in such statements for the profit sharing plan.

The "formula amount" for 1978 was $13,633,000, of which, pursuant to determinations by the Committee, $2,585,000 was not appropriated or used for the profit sharing fund, and therefore was not a charge to the Company's income account. Of the remaining $11,048,000, representing the total profit sharing fund for the year $9,750,000 was distributed to participants in cash, and $1,298,000 in shares of the Company's Common Stock was deferred for future distribution in the case of 37 participating officers and employees designated by the Committee. All the Common Stock was previously issued shares acquired in the open market by the Company and was charged against the respective allotments of participation at the closing market price per share on February 12, 1979.

HERCULES INCORPORATED

NOTES TO FINANCIAL STATEMENTS

(Dollars in thousands)

Note 7: Unit Incentive Plan—The Unit Incentive Plan, adopted in 1972, provides that units may be granted to key employes with a maximum aggregate number of 1,200,000 units outstanding at any one time. Units are credited to the grantee's account at the fair market value of an equal number of shares of common stock at the date the units are awarded. Benefits for each unit will be equal to dividend equivalents and market appreciation of a share of common stock over a 5-year period from date of award. Benefits vest and are payable upon retirement or 5 years after date of award.

During 1978, 270,930 units were awarded, 58,210 units vested and were paid, and 14,750 units were canceled. The charge to income was $1,223 in 1978 and $900 in 1977. There were 1,173,120 units outstanding at December 31, 1978.

PALL CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (in part): Pension and Profit-Sharing Plans—The Company's non-contributory profit-sharing plan covers substantially all employees of the Company and its participating subsidiaries, other than those employees covered by a union retirement plan. The plan provides that the Company contribute annually the lesser of (a) 7½% of the amount by which the consolidated net operating income before income taxes of the Company and its domestic subsidiaries exceeds $500,000 or (b) the amount deductible for Federal income tax purposes. The provisions for the years ended July 31, 1978 and 1977 were $1,181,000 and $802,000, respectively.

PPG INDUSTRIES, INC. (DEC)

NOTES TO THE FINANCIAL STATEMENTS

Note 9: Incentive compensation and Employee Stock Ownership Plan—PPG's incentive compensation plan provides for awards to key employees payable currently in cash or, with regard to certain key employees, deferred and payable at later dates in accordance with deferred incentive compensation agreements. The plan stipulates that the yearly provision may be a maximum of 3% of consolidated net earnings, provided that such net earnings are 6% of average capital and retained earnings, and further provided that the current year's incentive compensation provision does not reduce net earnings below 6% of average capital and retained earnings. If the amount reserved in any year is not authorized to be paid for such year, the unawarded portion is available for awards in future years.

PPG's earnings growth plan provides for long-term incentives to certain key executives. By the terms of the plan, the Officers-Directors Compensation Committee may establish goals to be achieved during a three-, four-, or five-year period and contingently allot earnings growth shares to certain key executives. If the goals are achieved in accordance with the terms of the plan, payments will be made to the participants in the form of shares of common stock or cash.

The aggregate amount charged to earnings for these plans was $7.7 million in 1978 and $4.6 million in 1977.

At December 31, 1978 and 1977, 278,144 shares and 288,771 shares, respectively, of common stock were reserved for future issuance to certain key employees under incentive compensation agreements and contingent awards under the earnings growth plan.

In 1978, PPG established an Employee Stock Ownership Plan and a related trust for the benefit of most salaried and certain hourly employees. During 1978, the Company contributed 73,808 shares of its previously unissued common stock, valued at $2.2 million, as the initial contribution. Since the plan was designed to conform with the requirements of the Tax Reduction Act of 1976, the Company will receive an investment tax credit equal to the contribution required under the plan. As such, operation of the plan will not result in any effect on net earnings in 1978.

SUN COMPANY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15: Retirement, Stock Purchase and Savings and Management Incentive Plans—Sun and its subsidiaries have retirement plans covering most employees. At December 31, 1978, the estimated liabilities for vested benefits and prior service costs for the retirement plans of certain subsidiaries exceed the actuarially determined value of the funds of such plans by approximately $7,000,000 and $18,000,000 respectively. The retirement funds include $141,101,000 of prepaid pension costs.

All employees of Sun and its principal U.S. subsidiaries prior to July, 1975 who meet certain eligibility requirements may join either the Stock Purchase Program or the Savings Program, but no employee can join both programs. Persons employed after July 1, 1975 may join only the Savings Program. Employee and Sun contributions to the Stock Purchase Program are invested in the common stock of the Company. The Savings Program continues to provide for investment of Sun contributions in the common stock of the Company, but employee contributions are invested (at the option of the employee) in the stock of other companies, in government securities or in a fixed income fund with principal and interest guaranteed by an insurance company.

Sun's management incentive plans are the Executive Compensation Plan and the Executive Long Term Incentive Plan. The Executive Compensation Plan provides that the Board of Directors may pay annually, as additional compensation to such employees as the Board determines have principally contributed to the profitability of the Company, a total sum not in excess of five percent (5%) of the amount of the income before Federal income taxes in excess of seven percent (7%) of its net assets. In 1978, the Executive Long Term Incentive Plan (ELTIP) replaced the Management Performance Share Plan, however, all outstanding awards made under the old Plan will remain in effect in accordance with their terms. The ELTIP is administered by a committee of three non-management members of the Board of Directors and provides for the receipt of awards by officers, and executive, administrative and professional employees of the Company or its subsidiaries. Such awards can consist of stock options, alternate appreciation rights, performance units and stock incentive rights.

Stock options (with or without alternate appreciation rights) and performance units may be granted alone, or in conjunction with one another. The exercise of an option (or alternate appreciation right) in respect of any number of shares reduces on a one-for-one basis the number of performance units that may be paid by the Company and the payment of performance units reduces on a one-for-one basis the number of shares in respect of which the related option (or alternate appreciation right) is exercisable. Because of the reduction of the pool of shares available as the result of exercise of alternate appreciation rights or the payment of performance units, it is not expected that the maximum number of shares authorized (2,000,000 shares) will actually be issued. As of December 31, 1978, no awards had been made.

The Plan will terminate on December 31, 1986, however, all outstanding awards theretofore granted under the Plan will remain in effect in accordance with their terms.

Charges against income in connection with the retirement, stock purchase and savings, and management incentive plans in 1978 were $69,579,000, $11,683,000 and $6,888,000, respectively, and in 1977 were $66,240,000, $10,338,000 and $7,551,000, respectively.

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 $2,500,000 in 1978 and 1977, respectively. Awards were allocated as shown in the following table:

	1978	1977
Awards allocated	$3,486,000	$2,577,000
Payable in cash	$2,215,000	$1,524,000
Payable in deferred shares	$1,271,000	$1,053,000
Number of shares	44,501	34,811

At December 31, 1978 and 1977, there was an aggregate of 425,299 and 385,903 shares, respectively, of St. Regis common stock payable, subject to forfeiture, to key employees under the plan.

Performance Share Plans

GENERAL ELECTRIC COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 18 (in part): Stock option plans and performance units—The plan approved by the share owners in 1978, and previous plans under which options remain outstanding, provide continuing incentives for more than 500 employees. Option price under these plans is the full market value of GE common stock on date of grant. Employees can only exercise options to the extent that installments have matured, normally annually, over a period of four years under the 1978 plan and nine years under prior plans.

* * *

The 1978 plan provides for granting performance units as a means of awarding incentive remuneration to plant participants in lieu of options and stock appreciation rights. Performance units are granted for award periods not exceeding five calendar years with an achievable value fixed by the Committee at the date of grant which does not exceed 90% of the fair market value of GE common stock on that date. The Committee also sets principal and minimum targets to be achieved and determines the value actually assigned to performance units at the end of the award period in relation to the degree to which the principal target has been achieved. Failure to achieve the minimum target makes the performance unit valueless. Even if the targets are achieved, performance units will only be paid when, if, and to the extent the Committee determines to make payment. No performance units have been paid to date.

INTERNATIONAL HARVESTER COMPANY (OCT)

NOTES TO FINANCIAL STATEMENTS

Note 21: 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 goals 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 goals. Under the Plan, $3.2 million in 1978 and $5.5 million in 1977 were charged to costs and expenses. Employees participating in this Plan are not eligible to participate in any other Company incentive compensation plan.

As a part of the Management Performance Assurance Program, the Key Management Incentive Plan (KMIP) provides awards to managers above a certain level who are not participants in any other Company incentive compensation plan. The size of the KMIP award is dependent upon the degree to which the Company and groups achieve the profit goals established in the annual business plan as well as an annual achievement evaluation of the participant. During 1978 and 1977, $8.6 million and $9 million, respectively, were charged to costs and expenses to meet the provisions of the Plan.

On September 1, 1977, the Company loaned Mr. Archie R. McCardell, currently President and Chief Executive Officer, under the terms of his compensation agreement, $1,796,250 with which he purchased from the Company 60,000 shares of International Harvester Company common stock at market price on that date. The loan is evidenced by a note, due October 31, 1985, which bears interest at 6%.

The agreement also provides the basis for Mr. McCardell to earn an incentive compensation award each year through fiscal 1984 which is to be applied as a reduction of the principal of the note. The amount of any such award will be based upon the degree to which the Company exceeds certain objectives under Mr. McCardell's leadership. Since these objectives require comparison with financial results attained by the Company's major competitors, the amount of such award for fiscal 1978, if any, cannot be determined at this time.

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 who will be eligible for the respective incentive compensation plans and either the amount to be granted to each individual or criteria to be applied.

THE PILLSBURY COMPANY (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11: Compensation plans—Certain employees of the company participate in compensation programs which include a base salary plus incentive payments. These employees are in managerial, sales and other areas in which it is deemed appropriate to reward employees on the basis of individual and/or group performance. Incentive payments are calculated based upon the level of the company's operating earnings, as defined by the executive compensation committee of the board of directors.

Additionally, under the Performance Unit Plan, officers and key employees may be awarded performance units valued at the fair market value of an equivalent number of shares of the company's common stock at times of award and payment; however, the value at time of payment cannot be greater than 200 percent of the award value. The company's cumulative annual growth in earnings per share over the four-year period following the award is the basis for payment with 100 percent payable for annual growth of 12 percent or greater and nothing payable for annual growth of less than 8 percent. Awards for 86 thousand performance units were outstanding at May 31, 1978 at a weighted average award value of $28.75 each. An additional 194 thousand units remain available for grant through fiscal 1984.

Any eligible employee may elect, under a savings and investment plan, to make savings deposits of up to 6 percent of the employee's base pay with the company matching 25 percent of the employee's savings deposit. Effective June 1, 1978, amendments to the plan provide for company matching to be 50 percent of the employee's savings deposits up to the first 3 percent of an employee's base pay.

Expenses incurred under the above compensation plans (excluding base salary) for fiscal 1978 and 1977 were approximately $10.9 million and $9.2 million, respectively.

UMC INDUSTRIES, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 8 (in part): Stock Options and Restricted Stock Performance Plan—Under the Restricted Stock Performance Plan (adopted April 1978), the Compensation Committee of the Board of Directors may award up to 125,000 shares of the Company's common stock to officers and key employees of the Company and its subsidiaries, if the Company achieves stated cumulative growth rates in net earnings per share. A participant's award is forfeited unless he remains continuously in the employ of the Company for four years from date of grant except in the case of death, disability or early retirement. Distribution of the Company's common stock is to be made four years after the date of the award. During 1978, 11,675 shares were awarded. The cost ($204,000) of the awards made under the Plan is being charged to income ($36,000 in 1978) over the applicable four-year period.

Deferred Compensation Plans

ABERDEEN MANUFACTURING CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 7: Deferred Compensation—Employment contracts with several present and former officers provide for benefits to be paid following retirement or death. The Company has made current provision for the future payments due under these agreements. The amount charged to operations was approximately $5,300 for 1978 and $35,400 for 1977, net of deferred income tax benefits. Payments commenced in 1977 under certain of these agreements.

DOYLE DANE BERNBACH INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

Note F (in part): Employee Benefit Plans

(b) Deferred Compensation Benefits—These agreements, with certain key executives, provide that a portion of their compensation would be deferred over a period of years, which in no event shall exceed seven years, in exchange for aggregate annual payments ranging from $7,000 to $70,000 per year, for fifteen years certain beginning when the executive reaches the age of 65 or at his death. In addition, there are deferred compensation agreements with certain key executives providing for annual payments ranging from $30,000 to $50,000 per year for fifteen years certain beginning when the executives reach the age of 65 or date of termination of their employment, whichever is later, or at their death if they should die before reaching age 65, provided that their employment with the Registrant and its subsidiaries shall not have terminated except by reason of death or disability before ten years from the date of the agreement. The agreements provide that if employment is terminated for reasons other than death or disability after the sixth year of the agreement but prior to the tenth year of the agreement, the amount of deferred benefits would be reduced.

The deferred compensation expense for the years ended December 31, 1977 and 1978 amounted to $89,702 and $172,281, respectively, which is the present value of the retirement benefits computed at the balance sheet dates. These plans do not qualify under the Internal Revenue Code, and therefore tax deductions are allowable only when benefits are paid. Appropriate provision has been made for deferred taxes associated with the deferred compensation liability.

The lives of these executives have been insured for amounts sufficient to discharge the obligations thereunder.

ROWE FURNITURE CORPORATION (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4: Deferred Compensation Plans—Under the 1971 Executive Incentive Compensation Plan awards may be made, subject to certain limitations, to key employees. The plan is composed of two parts as follows:

Part I 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). There were no awards made in 1978 or 1977.

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 1978 or 1977. The Company has deferred compensation agreements with key employees. The employees become 50% vested at age fifty-five and vest an additional 5% each year thereafter, except there is no vesting in the event of voluntary termination of employment. 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 installments upon cessation of employment. 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 charges to expense in connection with the above plans for the years ended November 30, 1978 and 1977 were $176,000 and $111,000, respectively.

Savings Or Investment Plans

FAIRCHILD INDUSTRIES, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 5 (in part): Employee Benefit Plans

Savings Plan for Salaried Employees—The Savings Plan for Salaried Employees, adopted in 1976, provides for basic and supplemental employee contributions and for the Corporation to match 50 percent of the employee's basic contribution, which may not exceed 5 percent of the employee's salary. The Corporation'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 contributions under the Plan amounted to $1,086,000 for 1978 and $997,000 for 1977. The Corporation contributed 9,981 shares to satisfy a portion of the 1978 Plan requirements. The Corporation has reserved 373,637 shares for future issuance under the Plan.

HERSHEY FOODS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7: Savings and Stock Investment Plan—On July 1, 1978, the Company adopted a Savings and Stock Investment Plan for its salaried employees. Under the Plan, participating employees authorize payroll deductions of up to 4 percent of their earnings assigned to various investment options under the Plan. The Company contributes an amount equal to 50 percent of the participating employee payroll deduction. The Company contributions, which amounted to $253,000 in 1978, are used by the Plan's independent trustee to purchase the Company's common stock at prevailing market prices for distribution to participating employees. The common stock vests with the employee four years after the date of such Company contributions.

MOHASCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6: Retirement, Incentive and Investment Plans—All eligible employees of the Company and its domestic subsidiaries are covered by non-contributory retirement plans. Pension costs are funded as accrued, and unfunded past service costs are amortized over twenty years. The cost of retirement plans was $4,104,000 in 1978 and $3,440,000 in 1977. The unfunded past service liability at the latest valuation date was approximately $4,531,000. The assets of the plans at market value are sufficient to cover the estimated vested benefits of plan participants.

Under various incentive compensation plans, certain employees received cash bonuses for improved performance amounting to $1,334,000 in 1978 and $1,245,000 in 1977.

The Company has an investment plan for domestic salaried and sales employees. The Company makes a basic contribution of 25% of the amount contributed by participants and may make additional contributions not to exceed 75% of employee contributions. The cost of the plan was $496,000 in 1978 and $475,000 in 1977.

PORTEC, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7: Investment Plan—Under the Company's Investment Plan, all salaried employees, including officers, with at least one year of service may elect to contribute up to six percent of their compensation, but not more than $1,800 annually, to a trust established under the Plan. Depending on its net income for the year, the Company contributes up to an amount equal to the employees' contributions. Contributions of $326,000 and $119,000, representing 80% and 40% of eligible employees' contributions, were charged to operations for the years ended December 31, 1978 and 1977, respectively.

TABLE 3-10: DEPRECIATION METHODS

	Number of Companies			
	1978	**1977**	**1976**	**1975**
Straight-line	560	559	567	567
Declining balance	67	67	66	80
Sum-of-the-years digits	35	34	37	46
Accelerated method-not specified	67	60	71	73
Unit of production	44	40	41	38

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 *Accounting Research Bulletin 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.

Straight Line Method

AMERICAN CYANAMID (DEC)

	1978	1977
	(Thousands of dollars)	
Net Sales	$2,745,745	$2,412,311
Expenses:		
Manufacturing cost of sales less depreciation and depletion	1,638,797	1,446,340
Selling and advertising	483,835	420,031
Administrative and general	134,821	118,966
Depreciation and depletion	120,150	104,370
Research and process development	108,148	96,381
	2,485,751	2,186,088
Earnings from Operation	$ 259,994	$ 226,223

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Summary of Accounting Policies

Depreciation and amortization—Depreciation is provided on a straight-line composite method over the estimated remaining useful lives of various classes of assets. In view of the variety of plants, equipment and facilities, it is not considered practicable to list the rates used in making the computations. However, the aggregate charge for depreciation was equivalent to 7.1% in 1978 and 1977 of the average amount of depreciable plants, equipment and facilities. When depreciable assets are sold or otherwise retired from service, their cost, less amounts realized on sale or salvage, is charged or credited to the accumulated depreciation account. Expenditures for maintenance and repairs are charged to current operating expenses. Acquisitions, additions and betterments for increasing productive capacity or prolonging service lives of the plant, equipment and facilities are capitalized. Intangibles resulting from business acquisitions are carried at cost and amortized over a period of forty years unless, in the opinion of management, their lives are limited, or they have sustained a permanent diminution in value, in which case they are amortized over appropriate periods.

THE AMERICAN SHIP BUILDING COMPANY (SEP)

Consolidated Statement of Changes in Financial Position

	1978	1977
	($000)	
Source of Funds:		
Income from continuing operations	$4,116	$ 7,898
Income from discontinued operations	109	333
Add—Expenses not requiring outlay of working capital in the current period—		
Depreciation and amortization	1,739	1,806
Deferred Federal income taxes	1,400	700
Funds provided from operations	$7,364	$10,737

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

Depreciation—For financial reporting purposes, the Company and its subsidiaries provide depreciation on the straight-line method at annual rates based on the estimated service lives of the property or lease terms, if shorter.

Lives used for calculating depreciation and amortization for the principal asset classifications are:

Buildings and improvements	5 to 45 years
Other manufacturing facilities	2 to 40 years
Machinery and equipment	2 to 20 years
Vessels	5 to 12 years
Assets under capital lease	5 to 39 years

BLISS & LAUGHLIN INDUSTRIES INCORPORATED (DEC)

Consolidated Statement of Changes in Financial Position

	1978	1977
	($000)	
Sources of Working Capital:		
Net income	$13,456	$11,213
Add (Deduct) items not affecting working capital:		
Depreciation and amortization	5,271	4,465
Equity in (earnings) loss of nonconsolidated affiliates	(9)	621
Deferred income taxes, net	788	(77)
Working capital provided from operations	$19,506	$16,222

FINANCIAL REVIEW

Plant and Equipment and Equipment Leased to Others—Depreciation is provided over the following estimated useful lives:

Buildings	10-45 years
Machinery and equipment	3-20 years
Equipment leased to others	4-10 years

Depreciation on most equipment leased to others and on substantially all other property is provided on the straight-line method for accounting purposes. For tax purposes, the double declining balance method of depreciation and the Internal Revenue Service asset depreciation range of lives are generally used.

Expenditures for minor renewals, current repairs and maintenance applicable to any class of property are charged to expense as incurred. Betterments of the property are capitalized. Replacements of major units are also capitalized and the replaced assets are retired.

COOPER INDUSTRIES, INC. (DEC)

	1978	1977
	($000)	
Costs and Expenses		
Cost of sales and services	$539,154	$476,552
Depreciation and amortization	15,329	12,960
Selling and administrative expenses	88,853	77,027
Interest expense	5,361	6,141
	$648,697	$572,680

SUMMARY OF MAJOR ACCOUNTING POLICIES

Depreciation of Plant and Equipment—Depreciation is provided over the estimated useful lives of the related assets using primarily the straight-line method.

PIONEER HI-BRED INTERNATIONAL, INC. (AUG)

Consolidated Statements of Changes in Financial Position

	1978	1977
Financial Resources Provided By Operations:		
Net income	$27,106,108	$34,618,709
Items which did not (provide) or require outlay of, working capital during the year:		
Depreciation	5,834,637	4,795,079
Amortization	817,797	552,848
Deferred income taxes	(300,000)	(290,000)
Equity in net (income) loss of unconsolidated subsidiaries	172,952	(1,062,846)
Total working capital provided by operations	$33,631,494	$38,613,790

NOTES TO FINANCIAL STATEMENTS

Note 1 (in part): Nature of Business and Significant Accounting Policies

Property and equipment—Property and equipment is recorded at cost and depreciated approximately three-fourths by the straight-line method and one-fourth by declining balance methods over their estimated service lives.

WESTVACO CORPORATION (OCT)

	1978	1977
	($000)	
Cost of products sold	$ 884,616	$759,779
Selling, research and administrative expenses	88,722	80,968
Depreciation and amortization	48,517	44,083
Interest expense	19,756	16,583
	$1,041,611	$901,413

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (in part)

Depreciation and amortization—The cost of plant and equipment, including those acquired under capital leases, is depreciated over the estimated useful life of each asset by use of the straight-line method. These lives are subject to annual review and revision to assure that the cost of each asset is written off over its economic life. The cost of standing timber is charged to income as timber is cut at rates determined annually based on the relationship of unamortized timber costs to the estimated volume of recoverable timber.

Declining-Balance Method

BRENCO, INCORPORATED (DEC)

Consolidated Statements of Changes in Financial Position

	1978	1977
Sources of Working Capital:		
Net Income	$11,349,864	$ 8,613,822
Expenses Not Requiring Working Capital:		
Depreciation	3,081,011	2,786,123
Other	22,993	(12,779)
From Operations	$14,453,868	$11,387,166

NOTES TO FINANCIAL STATEMENTS

Note 1 (in part): Significant Accounting Policies:

Property and Equipment—Property and equipment are stated at cost. Depreciation is computed by the double declining-balance method.

THE DOW CHEMICAL COMPANY (DEC)

Consolidated Statement of Changes in Financial Position

	1978	1977
	(In thousands)	
Source of Working Capital		
Net income	$ 575,224	$ 553,810
Charges (credits) to income not involving working capital:		
Depreciation	562,037	492,813
Equity in net income of nonconsolidated companies, less dividends received	(90,677)	(69,217)
Deferred income taxes	68,315	37,571
Provided from operations	$1,114,899	$1,014,977

ACCOUNTING PRINCIPLES

Plant Properties and Depreciation—Land, buildings and equipment, including property under capital lease agreements, are carried at cost less accumulated depreciation. Depreciation is based on the estimated service lives of depreciable assets and is provided using the declining balance method.

Expenditures for renewals and betterments are capitalized, and maintenance and repairs are charged to income as incurred.

Fully depreciated assets are retained in the property and depreciation accounts until they are removed from service. In the case of disposals, the assets and related depreciation are removed from the accounts and the net amount, less proceeds for disposal, is charged or credited to income.

HERCULES INCORPORATED (DEC)

	1978	1977
	($000)	
Net Sales	$1,946,477	$1,697,787
Cost of sales	1,502,181	1,346,819
Selling, general and administrative expenses	258,140	226,964
(Includes research and development expenses (1978—$40,081; 1977—$37,361)	1,760,321	1,573,783
Income from Operations	186,156	124,004
(After depreciation and amortization: 1978—$106,683; 1977—$93,839)		
Equity in net income of affiliated companies	20,010	14,837
Interest and debt expense	(31,322)	(32,273)
Other income (deductions)—net	2,911	(489)
Income Before Taxes on Income	$ 177,755	$ 106,079

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property and Depreciation—Property, plant and equipment are stated at cost. For financial accounting purposes, Hercules depreciates the major portion of its processing facilities, using a modified declining balance method, whereby the cost of the facilities is depreciated over their estimated remaining useful lives, generally a moving 10-year period. Estimates of useful lives are reviewed annually. The remaining facilities of Hercules and facilities of consolidated subsidiaries are depreciated or amortized principally on the straight-line method.

Maintenance, repairs, and minor renewals are charged to income; major renewals and betterments are capitalized. Upon normal retirement or replacement, the cost of property (less proceeds of sale or salvage) is charged to accumulated depreciation.

PUROLATOR, INC. (DEC)

Consolidated Statements of Changes in Financial Position

	1978	1977
Funds provided:		
Earnings from continuing operations	$14,943,802	$ 6,254,641
Items not requiring working capital:		
Depreciation of plant and equipment	12,652,176	10,771,617
Amortization of intangible assets	238,284	253,790
Provision for deferred taxes on income	729,249	453,717
Write-off of West German property, plant and equipment	—	2,452,009
Write-off of European intangible assets	—	1,615,929
Other charges, net	1,157,255	320,354
Working capital derived from continuing operations	$29,720,766	$22,122,057

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Property, Plant and Equipment—Property, plant and equipment consist of the following:

December 31	1978	1977
Land	$ 3,848,794	$ 3,388,789
Buildings and improvements	21,615,589	18,817,466
Leasehold improvements	8,792,986	6,957,899
Machinery and equipment	32,703,737	30,083,940
Revenue and service equipment	35,567,704	30,980,318
Furniture and fixtures	5,985,211	4,565,839
	$108,514,021	$94,794,251

Depreciation of plant and equipment is computed using the straight-line and the declining balance methods. The declining balance method is generally used for machinery and equipment and furniture and fixtures until depreciation computed using the straight-line method exceeds the accelerated method depreciation. At such time, the straight-line method is used for the remaining lives of the assets.

Estimated useful lives are generally as follows:

Buildings and improvements	20-50 years
Machinery and equipment	3-20 years
Revenue and service equipment	2-10 years
Furniture and fixtures	3-15 years
Leasehold improvements	Life of lease or asset
Capital leases	Life of lease

Expenditures for maintenance and repairs are charged against earnings in the year incurred; replacements, renewals and betterments are capitalized.

Upon the sale or other disposition of property, the cost and accumulated depreciation of such property are eliminated from the accounts and the gains or losses thereon are reflected in earnings.

Sum-Of-The-Years-Digits Method

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

	1978	1977
	(Dollars in millions)	
Sales	$10,584.2	$9,434.8
Other Income	96.7	70.8
Total	10,680.9	9,505.6
Cost of Goods Sold and Other Operating Charges	7,353.5	6,746.1
Selling, General, and Administrative Expenses	1,068.7	886.8
Depreciation and Obsolescence	776.0	723.7
Interest on Borrowings	139.0	169.3
Total	9,337.2	8,525.9
Earnings Before Income Taxes and Minority Interests	$ 1,343.7	$ 979.8

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Plants and Properties and Related Depreciation and Obsolescence—Plants and properties are carried at cost and are generally classified in depreciable groups and depreciated by an accelerated method which produces results similar to the sum of the years' digits method. Rates for depreciation and obsolescence range from 4% to 12% per annum on direct manufacturing facilities, and from 2% to 10% per annum on technical, power, general, and service facilities; in some instances appropriately higher rates are used. Rates are reviewed annually and revised as indicated by experience and circumstances.

Generally, the gross book value of property retired, sold, or otherwise disposed of, plus dismantling costs, is charged to accumulated depreciation and obsolescence; any salvage or other recovery therefrom is credited to accumulated depreciation and obsolescence. Maintenance and repairs are charged to operations; replacements and betterments are capitalized.

THE GOODYEAR TIRE & RUBBER COMPANY (DEC)

ACCOUNTING POLICIES

A summary of the significant accounting policies used in the preparation of the accompanying financial statements follows:

Depreciation—Depreciation is computed on the straight line method for capital additions acquired after January 1, 1968 and prior to 1954, while depreciation of capital additions during the years 1954 through 1967 is computed on accelerated methods, principally the sum of the years digits method. Accelerated depreciation is used for income tax purposes, where permitted.

NOTES TO FINANCIAL STATEMENTS

Properties, Plants and Depreciation—

(In Thousands)	1978	1977
Land and improvements	$ 176,555	$ 159,993
Buildings	919,993	888,221
Machinery and equipment	3,024,681	2,827,679
Construction in progress	274,312	167,611
Properties and plants, at cost	4,395,541	4,043,504
Less accumulated depreciation	2,246,887	2,082,216
	$2,148,654	$1,961,288

Capital expenditures for expansion, modernization and replacement amounted to $411,388,000 in 1978 compared with $289,857,000 in 1977.

The annual depreciation provision is applicable to:

(In Thousands)	1978	1977
Cost of goods sold	$179,515	$170,324
Selling, administrative and general expense	34,507	33,883
	$214,022	$204,207

MCGRAW-EDISON COMPANY (DEC)

Consolidated Statement of Changes in Financial Position

	1978	1977
	($000's omitted)	
Sources of Working Capital:		
Net income	$66,420	$57,291
Depreciation	18,942	17,215
Working capital provided from operations	$85,362	$74,506

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Depreciation—Depreciation of plant and equipment is recorded principally on accelerated methods (primarily sum-of-the-years-digits) over the estimated useful lives, for both financial reporting and income tax purposes.

Unit of Production Method

AMERADA HESS CORPORATION (DEC)

	1978	1977
Costs and expenses		
Cost of products sold and operating expenses	$3,707,686,000	$3,607,191,000
Exploration expenses	29,599,000	24,199,000
Selling, general and administrative expenses	191,218,000	177,359,000
Interest expense	73,865,000	60,677,000
Depreciation	116,141,000	105,563,000
Depletion, lease amortization and relinquishments	43,869,000	41,171,000
Intangible drilling and development costs	93,496,000	92,229,000
Provision for income taxes	341,210,000	334,778,000
Total costs and expenses	$4,597,084,000	$4,443,167,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Accounting Policies

Depreciation—Depreciation is computed under the straight line method, except for depreciation of oil and gas production equipment in the United States and Canada, which is determined under the unit-of-production method. For income tax purposes, wherever advantageous, accelerated methods are used and an appropriate provision is made to give effect to deferred income taxes arising therefrom.

DRAVO CORPORATION (DEC)

Consolidated Statement of Changes in Financial Position

	1978	1977
	($000)	
Source of funds:		
Net income	$18,770	$17,391
Charges (credits) to income not involving funds:		
Depreciation and amortization	15,509	14,596
Deferred taxes and other expenses	7,812	2,767
Equity in operations of unconsolidated affiliates	615	(672)
From operations	$42,706	$34,082

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of significant accounting policies (in part)

Property, plant, equipment and depreciation—Property, plant and equipment are stated at cost. The cost of buildings, equipment and machinery is depreciated over estimated useful lives on a straight-line basis, except for long-lived assets employed in the mining and processing of lime which are depreciated on a unit of production method. For income tax purposes, depreciation is calculated principally on accelerated bases. Expenditures for maintenance and repairs which do not materially extend the life of assets are included in operating expense. The asset cost and accumulated depreciation are removed from the accounts for assets sold or retired, and any resulting gain or loss is included in income.

INTERNATIONAL PAPER COMPANY (DEC)

	1978	1977
	(In millions of dollars)	
Costs and Expenses		
Cost of products sold	$2,949.3	$2,626.7
Distribution expenses	242.0	199.7
Selling and administrative expenses	242.3	219.2
Depreciation	177.4	146.9
Depletion of oil and natural gas properties	54.9	50.7
Cost of timber harvested	40.1	42.7
Interest	85.0	91.5
Total Costs and Expenses	$3,791.0	$3,377.4

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Statement of Significant Accounting Policies (in part):

Plants, Properties, and Equipment are stated at cost, less accumulated depreciation.

For financial reporting purposes, the Company uses the unit of production method of depreciating its pulp and paper mills and the straight-line method on other plants and equipment. When appropriate, additional depreciation is provided on particular assets to recognize reduction in the estimated economic lives of such assets.

Straight-line depreciation rates for financial reporting purposes are as follows: buildings 2½ percent; machinery and equipment 5 percent to 25 percent; woods equipment 10 percent to 16 percent.

For tax purposes, depreciation is computed utilizing accelerated methods.

Depletion

CITIES SERVICE COMPANY (DEC)

	1978	1977
Costs and Expenses		
Costs and operating expenses	$3,581,600	$3,367,600
Exploration expenses, including dry hole costs and undeveloped lease impairment	231,300	179,100
Selling, general and administrative expenses	173,800	167,100
Taxes, other than Federal and foreign income taxes	94,100	92,800
Depreciation, depletion and amortization	182,300	166,200
Write-down of investment in industrial chemicals complex	159,500	—
Interest expense	75,500	72,200
Federal and foreign income taxes	88,300	171,500
Income applicable to minority interests	8,200	9,400
	$4,594,600	$4,225,900

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Significant Accounting Policies

Depreciation and Depletion—The costs of producing properties, including leaseholds, and tangible and intangible development costs, are capitalized for accounting purposes. Depreciation and depletion are provided on a field basis under the unit-of-production method based upon estimates of proved reserves, with due allowance, where appropriate, for salvage and estimated costs of well abandonments.

Depreciation of other than producing properties is provided by the straight-line and unit-of-production methods over the estimated lives of the properties with due allowance for salvage.

GULF RESOURCES & CHEMICAL CORPORATION (DEC)

	1978	1977
Costs and expenses:		
Cost of sales	$310,963,213	$271,281,165
Depreciation, depletion and amortization	18,096,424	17,035,280
Selling, general and administrative	19,764,753	17,436,889
Research, development and exploration	3,833,466	3,364,773
Interest and debt expense	17,063,322	13,883,435
Other	1,156,928	550,614
	$370,878,106	$323,552,156

NOTES TO FINANCIAL STATEMENTS

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

Property, Plant and Equipment—Depreciation on plants, facilities and equipment is provided principally on straight-line and single declining balance methods at annual rates ranging from 3% to 34% which, in the opinion of management, are adequate to allocate the cost of the assets over their estimated useful lives.

Depletion on mineral properties is provided on a unit-of-extraction basis as the related ore reserves are mined.

The property and equipment accounts include $3,434,000 related to a capital lease as of December 31, 1978 and 1977.

Gulf follows the policy of capitalizing all costs (productive and non-productive) of exploration for and development of oil and gas reserves and amortizes such costs on a composite unit-of-production method over the estimated life of the producing properties (full cost accounting). In August, 1978, the SEC announced that it would allow oil and gas producing companies to use either the successful efforts method of accounting as prescribed by the FASB or a full cost method of accounting, until a new accounting method, "reserve recognition accounting," has been developed. Certain elements of the SEC's new form of the full cost method differ from that presently followed by Gulf. Preliminary information, while subject to change, indicates that application of the SEC's full cost method would result in a cumulative noncash reduction of $2,600,000 in stockholders' equity at December 31, 1978, and in a reduction of reported net income of approximately $300,000, $700,000, $800,000, $300,000 and $500,000 for 1974 through 1978, respectively. As required, the financial statements will be restated for the effect of the change in 1979.

Maintenance and repairs are charged to operating expenses, and renewals and betterments of a permanent nature are charged to property accounts. Certain underground equipment required as a result of the recession of mine working faces is also charged to operating expenses.

The cost of assets, other than oil and gas properties, sold or retired and the related depreciation are removed from the respective accounts and the gain or loss is credited or charged to income in the year of disposal.

TABLE 3-11: FEDERAL INCOME TAX EXPENSE

	1978	1977	1976	1975
Description Terms				
Income taxes	462	447	440	391
Federal income taxes	94	114	102	157
United States (U.S.) income taxes	17	19	31	48
	573	**580**	**573**	**596**
Other or no caption for expense	27	20	27	4
Total Companies	**600**	**600**	**600**	**600**

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 Securites 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 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.

TABLE 3-12: TIMING DIFFERENCES — REASONS

	Number of Companies			
	1978	**1977**	**1976**	**1975**
Depreciation	472	456	469	504
Unremitted earnings	124	107	146	156
Other employee benefits	72	59	67	60
Inventory valuation	70	61	69	88
Installment sales	62	71	77	68
Discontinued operations	57	35	44	N/C
Pensions	56	49	53	55
Long-term contracts	48	44	47	40
Intangible drilling costs	35	28	34	N/C
Leases	31	16	N/C	N/C
Warranties and guaranties	26	26	21	30
Translation of foreign currency accounts	22	11	N/C	N/C
Interest and taxes during construction	21	22	18	N/C

N/C — Not Compiled.

ALLIED CHEMICAL CORPORATION (DEC)

	1978	1977
	($000)	
Income before taxes on income and extraordinary charge	$267,921	$242,176
Taxes on income	147,682	103,798
Income before extraordinary charge	120,239	138,378
Extraordinary charge, net of income tax	—	(3,126)
Net income	$120,239	$135,252

OTHER FINANCIAL STATEMENT DATA

(Dollars in Thousands)

Taxes on Income

United States:		
Current	$ 2,320	$ 8,712
Deferred—current	3,506	(2,528)
Deferred—noncurrent	(46,982)	12,338
Foreign taxes:		
Current	152,459	44,082
Deferred—current	(6,474)	—
Deferred—noncurrent	39,756	32,327
State taxes	3,097	8,867
	$147,682	$103,798

Deferred income taxes were not provided for accumulated deferred Domestic International Sales Corporation (DISC) income of about $29,700 at December 31, 1978.

The increase in the 1978 current foreign income tax provision from the prior year reflects the substantial increase in oil production in the North Sea and gas production in Indonesia. The provision for foreign income tax currently payable related to North Sea oil production has been reduced significantly by uplift credits of approximately $71,000 and $64,000 in 1978 and 1977, respectively. Uplift credits are an additional expense deduction for United Kingdom (U.K.) Petroleum Revenue Tax purposes equal to 75% of certain eligible expenditures. At December 31, 1978, the Company has approximately $86,000 additional uplift credits for use in future years, exclusive of amounts expected to arise from future years' expenditures. In addition, the 1978 and 1977 U.K. tax provisions were reduced by an additional special deduction. In future years the effective U.K. income tax rate is expected to increase significantly after these uplift credits and other special deductions are utilized.

Years Ended December 31	1978	1977
The principal items in the foreign deferred income tax provision are as follows:		
Excess of tax over book depreciation on capitalized costs	$36,988	$49,334
Excess of petroleum revenue tax accrued for books over amount deductible for tax	(14,130)	(13,354)
Interest deductible for tax over (under) interest accrued for books	10,367	(7,033)
All other items, none of which exceeds 5% of computed tax	57	3,380
	$33,282	$32,327

At December 31, 1978, $97,375 of deferred investment tax credits remained to be taken into book income in future years. The Company has $71,150 of investment tax credit carry-forwards available for offset against future income tax payments (tax return basis) through 1985. The U.S. income tax law provides for the utilization of investment tax credit carry-forwards on a first-in, first-out basis, which the Company believes will assure their use during the carry-forward periods.

The principal items in the United States deferred tax provision are as follows:

Excess of tax over book depreciation	$ (a)	$29,450
Special item(a)	(35,312)	—
Investment tax credit:		
Allowable investment tax credit deferred	38,269	32,639
Allowable investment tax credit carried forward to future years	(37,958)	(30,957)
Amortization of deferred investment tax credit	(14,408)	(11,014)
Tax benefit of accrued pension obligations paid currently not allowed in prior years	(a)	2,295
Intangible drilling and development costs (IDC) expensed for tax purposes over book amortization	11,252	3,255
Loss on termination of gas supply contract in excess of gain on transfer of gas reserves	—	20,116
Reversal of a portion of deferred U.S. income taxes mainly related to IDC, depreciation and lease amortization for foreign oil and gas operations	(1,096)	(22,980)
Provision for write-off of asset/guarantees	—	(5,560)
Minimum tax on preferred items	—	(7,361)
All other items, none of which exceeds 5% computed tax	(4,223)	(73)
	$(43,476)	$ 9,810

(a)During 1978, a substantial amount of foreign tax credits was created by earnings of domestic oil and gas subsidiaries operating overseas. These credits are available as a reduction of U.S. income taxes currently payable. The Company has not decided among the additional tax alternatives available to create sufficient taxable income to enable full utilization of the foreign tax credit on the 1978 U.S. income tax return.

Years Ended December 31	1978	1977
The principal items accounting for the difference in taxes on income computed at the United States statutory rate and as recorded are as follows:		
Computed tax at 48% of income before income taxes	$128,602	$116,244
Foreign taxes in excess of the U.S. tax rate	42,391	24,757
Amortization of deferred investment tax credit	(14,408)	(11,014)
Difference between capital gain and statutory tax rates on disposition of major operating assets	—	(4,988)
Reversal of a portion of deferred U.S. income taxes mainly related to IDC, depreciation and lease amortization for foreign oil and gas operations	(1,096)	(22,980)
State income taxes, net of federal income tax benefit	1,610	4,611
All other items, none which exceeds 5% of computed tax	(9,417)	(2,832)
	$147,682	$103,798

NOTES TO FINANCIAL STATEMENTS

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

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. Deferred income taxes are not provided on undistributed earnings of affiliated companies, which are considered to be permanently reinvested. Any U.S. taxes payable on foreign earnings which may be remitted will be substantially offset by foreign tax credits.

The investment tax credit is included in financial statement income as a reduction of the provision for income taxes over the lives of the related assets.

THE AMERICAN DISTILLING COMPANY (SEP)

	1978	1977
Income (loss) before federal income tax benefit	$53,000	$(3,594,000)
Federal income tax benefit (Note 7)	—	(120,000)
Net income (loss)	$53,000	$(3,474,000)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Significant Accounting Policies

Investment credit—Investment tax credits are accounted for using a flow-through method.

Note 7: Income Tax—No income taxes have been provided for fiscal year 1978 because of the benefits of investment tax credits.

Net operating loss carryforwards of approximately $2,000,000 are available to reduce future taxable income. Approximately $600,000 will expire in 1984 and $1,400,000 will expire in 1985, if not previously utilized. In addition, the Company has recognized certain expenses for financial statement purposes which will be deductible for federal income tax purposes in future years amounting to approximately $750,000 at September 30, 1978.

The Company has investment tax credit carryovers of approximately $600,000 which are available to reduce future federal tax liabilities. Such carryovers expire, if not previously utilized, in fiscal years ending 1981 through 1985.

The federal income tax benefit of $120,000 in fiscal 1977 resulted principally from carryback refunds generated from the net operating loss and the elimination of previously recorded deferred taxes.

WALT DISNEY PRODUCTIONS (SEP)

	1978	1977
Income Before Taxes on Income	$189,485,000	$157,347,000
Taxes on income (note 3)	91,100,000	75,400,000
Net Income	$ 98,385,000	$ 81,947,000

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Taxes on Income—Taxes are provided on all revenue and expense items included in the consolidated statement of income, regardless of the period in which such items are recognized for income tax purposes, except for items representing a permanent difference between pretax accounting income and taxable income. Investment tax credits, accounted for by the deferral method, are amortized as a reduction of the provision for taxes on income over the average service lives of the related assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Taxes on Income—The provision for taxes is composed of the following:

	1978	1977
Currently payable		
—Federal	$75,506,000	$57,385,000
—State	8,298,000	6,030,000
—Foreign	3,975,000	3,824,000
Deferred		
—Federal	6,619,000	10,426,000
—State	602,000	735,000
Investment credits amortized	(3,900,000)	(3,000,000)
	$91,100,000	$75,400,000

The significant components of deferred taxes on income included in the provision for taxes on income are as follows:

	1978	1977
Excess of tax over book depreciation	$6,262,000	$9,068,000
Difference between investment credits claimed for tax purposes and amortization under deferral method for financial reporting purposes	(988,000)	399,000
Other	(1,953,000)	(1,306,000)
Total provision for deferred taxes on income	$3,321,000	$8,161,000

The difference between the U.S. federal income tax rate of 48% and the Company's effective income tax rate is explained below:

	1978	1977
Federal income tax rate	48.0%	48.0%
State income taxes, net of federal income tax benefit	2.4	2.2
Reduction in taxes resulting from:		
Investment tax credits	(2.1)	(1.9)
Other	(.2)	(.4)
Effective income tax rate	48.1%	47.9%

Net deferred taxes of $9,959,000 at September 30, 1978 ($7,437,000—1977) are included in taxes on income shown under current liabilities on the balance sheet.

Deferred investment tax credits amount to $16,671,000 at September 30, 1978 ($17,659,000—1977).

Federal income tax returns of the Company have been examined by the Internal Revenue Service through fiscal year 1975 and all material matters have been settled and are reflected in the financial statements.

FAIRCHILD INDUSTRIES, INC. (DEC)

	1978	1977
	($000)	
Earnings Before Provision for Income Taxes and Extraordinary Item	$47,671	$18,182
Provision for Income Taxes (Note 3)	24,512	8,610
Earnings Before Extraordinary Item	23,159	9,572
Extraordinary Item—Gain on Debenture Exchange—Net of Income Taxes of $1,388 (Note 4)	1,388	—
Net Earnings	$24,547	$ 9,572

Note 3: Income Taxes—For financial reporting purposes the provision for income taxes is calculated on pretax income. This provision differs from income taxes currently payable because certain items of income and expense are reported in the Consolidated Statements of Earnings in years different from those in which they are reported on the Corporation's income tax returns. The tax effects of these differences in timing are referred to as deferred income taxes. Timing differences applicable to current assets and liabilities are included in the current liability for income taxes and increased such liability at December 31, 1978, by $8,842,000 and reduced it at December 31, 1977, by $2,171,000.

On February 14, 1979, the Corporation received permission from the Internal Revenue Service to change as of January 1, 1978, to the completed contract method of reporting income from long-term contracts. Under this method, income from long-term contracts is reported for income tax purposes in the year in which the contract is completed. Because the adoption of this method results in the Corporation reporting a loss for income tax purposes for 1978, the Corporation will receive a refund of estimated income taxes paid in 1978 and refunds of most income taxes paid in certain prior years. Further, as a result of the foregoing, the Corporation has $25,700,000 of income tax loss carry-forward available to offset future federal taxable income and $2,986,000 of investment tax credits available to offset future tax liabilities.

The provision for income taxes is summarized as follows:

	1978	1977
	(In thousands)	
Current:		
Federal	$(8,664)	$ 9,214
Investment tax credits	—	(589)
State	(2,104)	1,394
Payable (refundable)	(10,768)	10,019
Deferred:		
Federal	32,631	(1,409)
Investment tax credits	(1,684)	—
State	5,721	—
Increase (decrease) in deferred taxes	36,668*	(1,409)
Total provision (including $1,388 applicable to extraordinary item in 1978)	$25,900	$ 8,610

*$32,121 attributable to the adoption of the completed contract method.

The provision differs from that computed using the statutory federal income tax rate of 48 percent for the following reasons:

	1978	1977
	(In thousands)	
Computed statutory amount	$24,215	$8,727
Increases (decreases):		
State income taxes net of federal deduction benefit	1,881	725
Investment tax credits	(1,684)	(589)
Domestic international sales corporation benefits	(581)	(321)
Capital gains	420	(173)
Nondeductible amortization expense	1,051	91
Other	598	150
	$25,900	$8,610
Effective rate	51.3%	47.4%

The Corporation has not provided $1,631,000 of income taxes on the portion of the accumulated earnings of its domestic international sales corporation subsidiaries which it intends to reinvest.

HARNISCHFEGER CORPORATION (OCT)

	1978	1977
Costs and Expenses		
Cost of products sold	$363,408,751	$346,895,527
Product development, selling and administrative expenses	72,612,252	70,094,018
Interest expense	17,567,480	16,010,262
Provision for income taxes	15,800,000	16,500,000
Minority interest—income (loss)	(2,184,189)	(738,587)
	$467,204,294	$448,761,220

FINANCIAL NOTES

Note 6: Income Taxes—Provision for income taxes was computed as follows:

	1978	1977
	(Thousands of Dollars)	
Income before income taxes (before equity in earnings of finance subsidiary and minority interest)	$30,511	$37,082
Nominal provision obtained by applying the 48% federal rate	14,645	17,799
Increase (reduction) resulting from:		
Benefit from earnings of DISC	(656)	(1,803)
Investment tax credits	(1,275)	(1,418)
State income taxes, net of federal tax benefit	962	1,132
Harnischfeger GmbH loss, for which a current income tax benefit is not available	2,621	692
All other items—net	(497)	98
Provision for income taxes	$15,800	$16,500

Provision for income taxes consisted of:

	1978	1977
	(Thousands of Dollars)	
Currently Payable:		
Federal	$11,790	$ 9,300
State	1,810	2,240
Foreign	4,240	3,995
	17,840	15,535
Deferred (Prepaid):		
Federal	(2,190)	970
State and foreign	150	(5)
	(2,040)	965
Total	$15,800	$16,500

Sources of deferred or (prepaid) income taxes and their tax effects were as follows:

	1978	1977
	(Thousands of Dollars)	
(Excess) of DISC earnings taxable in current year over the earnings taxable in succeeding year	$(2,242)	$1,793
Accrual for deductible amounts of product liability insurance	(295)	(1,032)
All other items—net	497	204
Deferred (prepaid) income tax provision	$(2,040)	$ 965

Unremitted earnings of foreign subsidiaries which have been or are intended to be permanently reinvested were $8,500,000 at October 31, 1978. Such earnings if distributed would incur income tax expenses 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. The non-taxable portion of the undistributed earnings of a consolidated subsidiary that has elected to be taxed as a domestic international sales corporation was $20,600,000 at October 31, 1978.

KNAPE & VOGT MANUFACTURING COMPANY (JUN)

	1978	1977
Income before income taxes	$6,491,813	$6,265,616
Income Taxes (Note 4)	3,011,000	3,023,000
Net Income	$3,480,813	$3,242,616

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income Taxes—Recognition is given currently to the tax effect of differences between pre-tax income as reported in the accompanying financial statements and taxable income as reported to the various taxing authorities.

Investment and jobs tax credits are taken into income currently as a reduction of the income tax provision.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4: Income Taxes—The components of consolidated income tax expense are as follows:

	1978	1977
Current:		
United States	$2,573,000	$2,535,000
Foreign	230,000	244,400
State and local	118,000	117,000
Total current	2,921,000	2,896,400
Deferred:		
United States	88,000	113,000
Foreign	11,000	22,600
State and local	(9,000)	(9,000)
Total deferred	90,000	126,600
Total income tax expense	$3,011,000	$3,023,000

Investment tax credits of approximately $95,000 and $90,000 for 1978 and 1977, and job tax credit of $42,000 in 1978 have been deducted in arriving at current United States income taxes.

The components of deferred tax expense and the tax effect of each were as follows:

Timing Differences	1978	1977
Excess of tax over book depreciation	$96,000	$105,600
Other	(6,000)	21,000
Total deferred tax expense	$90,000	$126,600

LAFAYETTE RADIO ELECTRONICS CORPORATION (JUN)

	1978	1977
Loss before income tax benefit.....	$(12,132,000)	$(7,212,000)
Income tax benefit (Note D):		
Current	(3,478,000)	(3,357,000)
Deferred	(615,000)	(234,000)
	(4,093,000)	(3,591,000)
Net loss..............................	$ (8,039,000)	$(3,621,000)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (in part): Summary of significant accounting policies:

Income taxes: The Company files a consolidated Federal income tax return.

Deferred income taxes are provided for the differences between book and tax income. The differences arise due to the use for income tax purposes of an accelerated method of depreciation for certain equipment, and the installment method of reporting income on time payment sales.

Investment tax credits are accounted for as a reduction of tax expense in year in which the related assets are placed in service if the credits can be realized for income tax purposes.

Note D: Federal income taxes—The Company has net operating loss carry-forwards available expiring in 1985, of $3,600,000 to reduce future financial statement taxable income, and $4,600,000 to reduce future income tax reportable income. In addition, investment credit carry-forwards of $191,000 expiring principally in 1984 and 1985 are available to reduce future income taxes.

In 1978, a deferred tax benefit of $615,000 resulting from the utilization of $1,280,000 of net operating loss carryforwards was recognized for financial reporting purposes. To the extent the loss carryforward benefit is realized, the deferred taxes will be reinstated.

MOTOROLA, INC. (DEC)

	1978	1977
	($000)	
Earnings before income taxes	$220,390	$191,620
Income taxes.........................	95,208	84,669
Net Earnings..........................	$125,182	$106,951

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5: Income Taxes—The company provides for income taxes based on earnings reported for financial statement purposes. Income tax expense differs from amounts currently payable because of timing differences in the recognition of certain income and expense items for tax and financial statement purposes. The amounts reported for 1977 have been restated to reflect the company's tax return for that year as filed. The components of the provision for income taxes are as follows:

(Dollars in thousands)	1978	1977
Taxes currently payable:		
United States.........................	$70,720	$63,844
Other nations.........................	18,526	12,232
State income taxes (U.S.)	7,539	7,617
Total currently payable..........	96,785	83,693
Deferred Taxes:		
Difference between depreciation recorded for income tax purposes and financial statement purposes.........................	2,767	2,604
Income taxes on profits of Domestic International Sales Corporations	2,387	3,272
Current earnings of foreign subsidiaries anticipated to be repatriated in the future	5,035	—
(Increase) decrease in:		
Future warranty obligations.........	(1,215)	(628)
Inventory valuations.................	(8,088)	(7,201)
Future employee benefits	(1,022)	3,051
Allowance for doubtful accounts....	(3,827)	(742)
Other nations.........................	2,739	(2,245)
Other—net	(353)	2,865
Total deferred....................	(1,577)	976
Total income tax expense	$95,208	$84,669

The company anticipates that payment for current taxes on income will not exceed the provision for income tax expense in the near future by any significant amount. This situation principally arises because of U.S. taxes that must be paid on profits of domestic sales to foreign subsidiaries, the profits of which are eliminated for financial reporting purposes. The amount of intercompany profit included in inventory is principally subject to inventory levels. It is not feasible to forecast inventory levels for the future, and therefore no estimates are provided on the future changes in deferred taxes.

Income taxes have been provided on aggregate earnings of the company's Domestic International Sales Corporation. Income taxes have been provided on that portion of the company's share of the undistributed earnings of subsidiaries that are anticipated to be repatriated in the future. Income Taxes have not been provided on the company's share of other undistributed earnings of subsidiaries ($82,179,000 and $67,813,000 at December 31, 1978 and 1977, respectively), where it is intended these earnings will be permanently invested in operations outside the United States. Should these earnings be distributed, foreign tax credits would reduce the additional U.S. income tax which would be payable.

A reconciliation of the statutory corporate tax rate with the financial statement effective income tax rate is as follows:

	1978	1977
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...	1.0	2.4
Tax benefits arising from tax holiday in Puerto Rico..............	(4.2)	(4.8)
Investment tax credits..............	(4.1)	(3.8)
State income taxes	1.8	2.1
Other	.7	.3
Effective tax rate	43.2%	44.2%

At December 31, 1978, certain non-U.S. subsidiaries of the company had loss carryforwards of approximately $7.7 million.

The company's federal income tax returns have been examined and settled through 1973 by the Internal Revenue Service.

NABISCO, INC. (DEC)

	1978	1977
Income from continuing operations before income taxes	$209,286,000	$166,277,000
Income taxes		
Current		
United States	74,195,000	38,455,000
Foreign	12,165,000	9,585,000
State and local	11,422,000	4,940,000
Deferred	9,951,000	9,402,000
Total income taxes	107,733,000	62,382,000
Income from continuing operations	101,553,000	103,895,000
Discontinued line of business		
Loss from operations, net of income tax credit of $2,775,000	—	(2,179,000)
Loss on disposal, net of income tax credit of $22,600,000	—	(23,700,000)
Net income	$101,553,000	$ 78,016,000

STATEMENT OF ACCOUNTING POLICIES

Income taxes—Deferred income taxes, principally U.S. Federal taxes, result primarily from the use of accelerated depreciation methods for tax purposes which provide more depreciation expense in the early years than in the later years of the lives of the assets being depreciated.

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

NOTES TO FINANCIAL STATEMENTS

Income taxes—A reconciliation from the U.S. Federal statutory rate of 48% to the reported tax rate follows:

	1978 Amount	1978 %	1977 Amount	1977 %
Computed at 48% of pretax earnings	$100,457,000	48	$79,813,000	48
Increses (decreases)				
State and local income taxes, net of federal tax benefit	5,940,000	3	5,690,000	4
Excess of tax loss over book loss of terminated operation	—		(28,556,000)	(17)
Other	1,336,000	—	5,435,000	3
As reported	$107,733,000	51	$62,382,000	38

The deferred income tax provision, principally U.S. Federal taxes, results from:

	1978	1977
Excess of tax over book depreciation	$9,929,000	$10,901,000
U.S. investment tax credit	1,755,000	1,108,000
Other, net	(1,733,000)	(2,607,000)
Total	$9,951,000	$ 9,402,000

U.S. income and foreign withholding taxes are being provided currently on foreign subsidiaries' net earnings that are expected to be distributed to the parent company.

Over the years, the Company has indefinitely reinvested approximately $70,000,000 of foreign subsidiaries' retained earnings to meet their operating and long-term needs and, accordingly, no U.S. income taxes have been provided on these amounts. If such earnings were distributed in the future, it is expected that the amount of additional U.S. income taxes required would not be significant because of the availability of foreign tax credits thereon.

PPG INDUSTRIES, INC. (DEC)

	1978 (Millions)	1977
Earnings before income taxes and minority interest	$244.0	$200.8
Domestic and foreign income taxes	104.7	104.4
Earnings before minority interest	139.3	96.4
Minority interest in earnings of consolidated subsidiaries	7.2	4.7
Net earnings	$132.1	$ 91.7

SUMMARY OF ACCOUNTING POLICIES

Income Taxes—PPG provides income taxes based on earnings reported in the financial statements rather than on taxable income. Accordingly, the provision for income taxes includes charges or credits for future income taxes, resulting primarily from the differences between depreciation deducted for income tax purposes and for financial reporting purposes. PPG follows the policy of treating the investment credit allowance as a reduction of income tax expense in the year in which expenditures become eligible for the allowance.

Income taxes on the undistributed earnings of affiliates are not provided if such earnings are considered to be reinvested indefinitely or if the credit for taxes already paid by the affiliates substantially offsets the applicable income taxes on earnings that may be remitted.

NOTES TO THE FINANCIAL STATEMENTS

Note 6: Income taxes—The provision for domestic and foreign income taxes consisted of the following components:

	1978 (Millions)	1977
Current		
Federal	$ 88.2	$ 67.7
Foreign	13.2	13.8
City and state	13.3	11.2
Future income taxes	(8.3)	13.0
Deferred investment credit amortized	(1.7)	(1.3)
Total	$104.7	$104.4

The future income tax provision in 1978 and 1977 arose primarily from timing differences related to depreciation ($21.3 million and $12.5 million, respectively) and a $20.7 million tax reduction related to the termination of Puerto Rico operations. The provision for federal income taxes for 1978 and 1977 has been reduced by $17.8 million and $22.3 million, respectively, for investment tax credits taken directly into earnings in those years.

Future income taxes have been provided on earnings of consolidated foreign subsidiaries which are intended to be remitted to PPG. No future income taxes have been provided on undistributed earnings of other consolidated foreign subsidiaries and equity affiliates, which amounted to $148.5 million at December 31, 1978. The remittance of a substantial portion of such earnings has been indefinitely postponed because they have been reinvested. Any dividends which might be received from such subsidiaries and affiliates would not result in significant income taxes, since such taxes would be substantially offset by foreign tax credits.

The effective income tax rate on pre-tax earnings for 1978 was 42.9%, compared with 52.0% in 1977. The following table details the major differences between the effective tax rate and statutory federal income tax rate of 48% for 1978 and 1977.

	Percent of Pre-Tax Earnings	
	1978	1977
Federal income tax rate	48.0%	48.0%
Changes in tax rate resulting from:		
Termination of Puerto Rico operations and write-down of Puerto Rico assets	2.2	12.5
Investments in facilities and subsidiaries outside the continental United States	(4.8)	1.0
Investment tax credit	(8.2)	(11.1)
State and local taxes	2.7	2.9
Other	3.0	(1.3)
Effective income tax rate	42.9%	50.2%

In 1977, certain assets in Puerto Rico were written down by $74.4 million due to the impairment in the economic value of such assets. The related tax effect of $10.6 million was less than the expected normal tax benefit because future income taxes were not provided for the differences between accelerated tax depreciation and book depreciation on such assets during the years 1971 through 1975. Such depreciation differences were expected to be permanent because it was planned that the Puerto Rico operations would be in a tax-exempt status during subsequent years when book depreciation would exceed tax depreciation.

The federal income tax returns through 1973 have been examined by the Internal Revenue Service and have been settled. In the opinion of management, adequate provision has been made for all tax liabilities.

INVESTMENT CREDIT

The Internal Revenue Code permits a credit of upto 10% against Federal income taxes on the cost of certain depreciable assets purchased and placed in service during the tax year. Similar credits upto an additional 2% are allowed for corporate contributions to an ESOP (Employee Stock Ownership Plan). As required by the Revenue Act of 1971, once an accounting method has been adopted for the investment credit, no change can 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 or deferral method be used to account for the investment credit. *Accounting Interpretations* published in the April 1972 issue of *The Journal of Accountancy* and reprinted in Section U 4094 of *AICPA Professional Standards-Accounting* discuss accounting for the investment credit.

Table 3-13 shows that the survey companies usually use the flow-through method to account for the investment credit. Examples of disclosures of the accounting for the investment credit follow.

Flow-Through Method

KIMBERLY-CLARK CORPORATION (DEC)

ACCOUNTING POLICIES

Income Taxes—Provisions for income taxes are based on the tax effects of transactions which are included in the determination of pretax accounting income, and appropriate provisions are made for deferred income taxes. Investment tax credits are treated as reductions of income taxes in the year in which the credits arise.

NOTES TO FINANCIAL STATEMENTS

Note 3: Income Taxes—Provisions for income taxes were

TABLE 3-13: INVESTMENT TAX CREDIT

	1978	1977	1976	1975
Flow-through method	521	504	502	518
Deferral method	71	75	76	60
No reference to investment credit	8	21	22	22
Total Companies	**600**	**600**	**600**	**600**

as follows:

(Millions)	Year Ended December 31 1978	1977
Current income taxes		
United States	$ 67.6	$ 55.0
State	11.9	7.8
Other countries	37.0	16.0
Investment tax credit	(4.9)	(7.8)
	111.6	71.0
Deferred income taxes due to		
Depreciation		
United States	12.3	9.9
State	1.6	1.5
Other countries	.7	13.4
Investment tax credit	.4	(7.3)
Interest capitalized for tax purposes	(8.3)	(2.7)
Other timing differences		
United States	(8.6)	(.1)
Other	(.9)	1.9
	(2.8)	16.6
Total	$108.8	$ 87.6

Income taxes for the U.S. and other countries have been provided on $34 million of unremitted earnings of operations outside the U.S., which may be received by the Parent Company as dividends, but not on $213 million which at December 31, 1978 had been permanently invested in property, plant and equipment and working capital.

Consolidated taxes were 44.4 percent of income before income taxes in 1978 compared with 40.9 percent in 1977. The effective rates varied from the U.S. federal tax rate of 48 percent because of the following factors:

	% of Income Before Taxes 1978	1977
Federal tax rate	48.0%	48.0%
State income taxes, net of federal tax reduction	2.7	2.2
Capital gains	(1.5)	(1.8)
Investment tax credits	(1.8)	(7.0)
All other factors—net	(3.0)	(.5)
	44.4%	40.9%

MARATHON OIL COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (in part): Accounting Policies

Investment tax credit—Investment tax credits are accounted for by the flow-through method.

Note I: Taxes

	1978	1977
	thousands	
Taxes on income:		
Federal:		
Current	$ 37,550	$ 50,150
Deferred	72,050	83,250
	109,600	133,400
Foreign	410,778	424,540
Charge in lieu of West German taxes	28,102	—
Other	6,694	6,227
Total Income Taxes	555,174	564,167
Excise taxes on petroleum products and merchandise	395,298	382,464
Other	73,924	67,978
Totals	$1,024,396	$1,014,609

The Company has additional potential tax benefits in the range of $30,000,000 arising from West German net operating loss carryforwards available in future years. The potential benefits will expire in varying amounts through 1982.

Total income taxes for 1978 and 1977 exceeded amounts computed by applying the U.S. federal income tax rate of 48% to income before income taxes. The reasons are as follows:

	1978	1977
	thousands	
Income tax expense computed at 48%	$361,076	$365,340
Increases (reductions) in income taxes resulting from:		
Excess of foreign income taxes over the amount computed using the U.S. statutory rate	216,783	244,225
Investment tax credit	(13,633)	(15,290)
Other adjustments and credits	(9,052)	(10,108)
Total Income Taxes	$555,174	$564,167

The investment tax credit includes the equivalent to the amounts payable to the Employee Stock Ownership Plan of Marathon Oil Company of approximately $1,778,000 in 1978 and $1,390,000 in 1977.

Deferred federal income taxes resulted from the following timing differences between financial accounting and tax deductions:

	1978	1977
	thousands	
Intangible and other development costs	$53,213	$62,270
Depletion, depreciation and lease impairment	18,689	20,075
Other	148	905
Total Deferred Federal Income Taxes	$72,050	$83,250

THE MEAD CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note A (in part): Accounting Policies

Income Taxes—Investment tax credit is included in earnings as a reduction of the provision for income taxes in the year the related property is placed in service. The company's policy is to reinvest earnings of jointly-owned companies and overseas operations in working capital and expanded facilities; therefore, no provision is made for any income taxes on these undistributed earnings.

Note I: Income Taxes—Provisions for income taxes were as follows:

Year Ended December 31	1978	1977
(All dollar amounts in thousands)		
Currently payable:		
The Mead Corporation:		
Federal (after investment tax credit of $10,205 in 1978 and $5,986 in 1977)	$46,504	$37,277
State and local	8,696	6,815
Foreign	2,446	2,139
Jointly-owned companies:		
Federal (after investment tax credit of $2,468 in 1978 and $2,106 in 1977)	2,899	4,641
State and local	902	853
Canadian	15,721	10,784
Non-consolidated overseas operations	1,102	854
	78,270	63,363
Deferred to the future:		
Excess of tax over book depreciation:		
The Mead Corporation	6,721	7,979
Jointly-owned companies	7,551	6,053
Tax on deferred income—Mead	1,408	1,408
Tax on DISC income—Mead	897	885
Other—Mead	(1,059)	2,041
	15,518	18,366
Total income taxes	$93,788	$81,729

Principal reasons for the variations between the statutory federal rate and the effective rates were as follows:

Year Ended December 31	1978	1977
Federal income tax rate	48.0%	48.0%
Investment tax credit	(5.9)	(4.5)
State and local income taxes	2.3	2.0
Other	(.7)	
Effective tax rate	43.7%	45.5%

Mead's share of the undistributed net earnings of jointly-owned companies and overseas operations is $196,474,000 at December 31, 1978, and appropriate income taxes have been paid by these companies on their pre-tax earnings.

At December 31, 1978 and 1977, the LIFO value for financial reporting purposes of inventories of an acquired business was approximately $5,798,000 and $6,019,000 greater than the LIFO value for federal income tax purposes, respectively.

R.J. REYNOLDS INDUSTRIES, INC. (DEC)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income Taxes—The Company uses the flow-through method in accounting for investment tax credits, whereby the provision for income taxes is reduced in the year the tax credits first become available, rather than deferring the credit over the life of the related asset.

Certain of the Company's foreign petroleum operations are covered by special income tax agreements with foreign governments. The agreements generally specify a level of income tax in excess of the customary corporate income tax rate prevailing in those countries. For financial reporting purposes, the Company classifies these excess taxes as operating expenses. (See Note 5.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Millions)

Note 5: Provision for Income Taxes—The provision for income taxes (excluding amounts classified as operating expenses) consists of the following:

	1978	1977
Current:		
Federal	$284.4	$238.2
State	40.7	39.0
Foreign	28.7	25.8
Total	353.8	303.0
Deferred:		
Federal	50.9	60.2
State	4.5	1.1
Foreign	3.2	2.4
Total	58.6	63.7
Provision for income taxes	$412.4	$366.7

Deferred income tax expense results from timing differences in the recognition of revenue and expense for book and tax purposes. The sources of these differences and the tax effect of each were as follows:

	1978	1977
Excess of tax over book depreciation	$23.3	$12.5
Intangible drilling and development costs	33.8	29.8
Various other items	1.5	21.4
Deferred income taxes	$58.6	$63.7

The effective tax rate was 48.3 percent in 1978 and 46.4 percent in 1977. The differences between the amounts recorded and the amounts computed by applying the federal income tax rate of 48 percent to earnings before provision for income taxes are explained as follows:

	1978		1977	
	Amount	% of Pre-tax Income	Amount	% of Pre-tax Income
Income tax computed at statutory U.S. federal income tax rate......	$410.1	48.0%	$379.3	48.0%
Effect of nonrecurring gain (see Note 6)....	—	—	(26.4)	(3.3)
Taxes on foreign operations in excess of (less than) statutory U.S. federal income tax rate..............	(9.6)	(1.1)	5.6	0.7
State taxes, net of federal benefit...........	23.5	2.8	21.2	2.7
Investment tax credit....	(18.5)	(2.2)	(12.3)	(1.6)
Miscellaneous items.....	6.9	0.8	(0.7)	(0.1)
Provision for income taxes*	$412.4	48.3%	$366.7	46.4%

*Excluding $13.6 million and $165.4 million classified as operating expenses in 1978 and 1977, respectively. (See the Summary of Significant Accounting Policies.)

No provision has been made for U.S. income taxes (not material in amount) that would be payable upon remittance of earnings retained abroad by foreign subsidiaries, since it is the Company's intention to reinvest these earnings abroad.

There are a number of issues pending as a result of Internal Revenue Service audits, none of which is expected to have a material adverse effect on the Company's financial statements. (See Note 7.)

Deferral Method

THE CLEVELAND-CLIFFS IRON COMPANY (DEC)

ACCOUNTING POLICIES

Investment Tax Credit: Investment tax credit is accounted for by the deferral method and is credited to income, ratably, over the estimated useful lives of the related assets. The Company records its proportionate share of investment tax credit earned by associated companies. There are, at December 31, 1978, investment tax credit carryovers of approximately $20.1 million of which approximately $8.4 million have been recognized by a reduction of deferred income taxes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note H (in part): Income Taxes—The provision for income taxes includes the following components:

	1978	1977
	(In Millions)	
Current tax provision, including $1.6 million (1977—$2.5 million) of foreign taxes............	$ 7.9	$ 8.0
Deferred tax provision..............	9.9	2.7
Deferred investment tax credit, net of amortization of $.9 million (1977—$.6 million).............	4.8	2.6
	$22.6	$13.3

THE MAY DEPARTMENT STORES COMPANY (JAN)

FINANCIAL REVIEW

Income Taxes (in part)—The effective income tax rates for 1978 and 1977 were 49.3% and 48.9%, respectively. The differences between the effective tax rates and the statutory federal tax rate were:

	1978	1977
Statutory federal income tax rate..	48.0%	48.0%
State and local income taxes.......	3.5	3.2
Amortization of investment tax credit	(1.9)	(1.8)
Other	(.3)	(.5)
Total	49.3%	48.9%

The investment tax credit (ITC) on 1978 capital expenditures is estimated to be $6.0 million compared with $5.6 million in 1977 and is being amortized into earnings over the lives of the related assets. 1978 earnings include $3.6 million of ITC amortization compared with $3.0 million in 1977.

Use of the amortization method reflects the Company's basic adherence to conservative accounting principles. In the interest of comparability, if the Company used the "flow-through" method of accounting for ITC, as is employed by many other companies, net earnings in 1978 would have been greater by $2.4 million or $.11 per share ($.11 in 1977). The Company's balance sheet includes $20.8 million of deferred investment tax credits which will be amortized into earnings in increasing amounts over the next several years.

The provision for income taxes consists of:

(millions)	1978	1977
Taxes currently payable:		
Federal	$61.3	$53.2
State and local..................	11.3	8.2
Deferred taxes:		
Federal	14.5	14.2
State and local..................	1.1	2.0
Investment tax credit deferred, net	2.4	3.1
Total	$90.6	$80.7

THE STANDARD REGISTER COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

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

Investment Tax Credit—The Company has consistently allocated the investment tax credit to income over the productive lives of the related equipment.

Note 5: Income Taxes—Current federal and state income taxes for 1978 are $8,582,046 ($8,789,703 in 1977). The Internal Revenue Service is currently examining the Company's 1976 and 1977 tax returns.

The Company allocates the investment tax credit to income over the productive lives of the related equipment rather than reporting it currently as net income in the years claimed for tax purposes. This treatment has provided deferred credits of $1,990,176 as of December 31, 1978 ($1,402,848 as of January 1, 1978).

Since 1964, the Company has used accelerated methods of depreciation for tax purposes while employing the straight-line method for financial reporting purposes. In 1971, it adopted the Asset Depreciation Range System for tax purposes. Consequently, the federal income tax on the aggregate difference between these depreciation methods has been recognized as a deferred tax liability of $3,263,246 at December 31, 1978 ($3,018,759 as of January 1, 1978). Partially offsetting this at December 31, 1978 is $163,824 ($168,720 at January 1, 1978) of income tax paid on certain estimated expense which has been deducted from financial net income but not yet claimed for tax purposes.

Income tax expense consists of the following:

	1978	1977
Current tax paid or payable:		
Federal	$7,158,385	$7,435,864
State and local	1,423,661	1,353,839
Total	8,582,046	8,789,703
Deferred federal tax related to:		
Depreciation	244,487	146,895
Investment tax credit	587,328	57,862
Other timing differences	4,896	53,352
Total	836,711	258,109
Total income tax expense	$9,418,757	$9,047,812

WASTE MANAGEMENT, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(000's omitted in all tables)

Income Taxes—The Company follows the practice of reflecting the investment tax credit in income ratably over the productive lives of the assets generating such credit, rather than in the year in which the assets are placed in service. Accordingly, benefits realized from the investment tax credit (aggregating $7,528,000 at December 31, 1978, and $5,534,000 at December 31, 1977) have been deferred and will be recognized as reductions in the provisions for income taxes in the appropriate years.

The provision for income taxes for 1978 and 1977, as shown in the consolidated statement of income, includes taxes relating to the following governmental entities:

1978	U.S. Federal	Foreign	State & Local	Total
Currently payable	$18,932	$2,187	$2,833	$23,952
Deferred	2,113	273	318	2,704
Amortization of deferred investment credit	(1,567)	—	—	(1,567)
	$19,478	$2,460	$3,151	$25,089
1977				
Currently payable	$13,527	$1,506	$2,003	$17,036
Deferred	756	254	137	1,147
Amortization of deferred investment credit	(1,317)	—	—	(1,317)
	$12,966	$1,760	$2,140	$16,866

Deferred income taxes result from timing differences in the recognition of revenue and expense for tax and financial statement purposes. Deferred income taxes will be recognized as current liabilities in future years as such taxes become payable. The primary source of these differences is the excess of tax over book depreciation. The Company does not foresee a significant portion of the deferred tax liability becoming payable in the near future.

The total provision for income taxes in 1978 and 1977 is less than the amount computed by applying the U.S. federal income tax rate of 48% to income before tax. The reasons for this difference are as follows:

	1978		1977	
Computed tax expense	$25,208	48.0%	$17,014	48.0%
State and local taxes, net of federal benefit	1,639	3.1	1,113	3.1
Amortization of deferred investment credit	(1,567)	(3.0)	(1,317)	(3.7)
Other, net	(191)	(.3)	56	.2
	$25,089	47.8%	$16,866	47.6%

The Company and its subsidiaries file a consolidated federal income tax return. The Company's federal income tax returns have been reviewed by the Internal Revenue Service through 1975.

TAXES ON UNDISTRIBUTED EARNINGS

APB Opinion No. 23 stipulates that income taxes should be accrued for undistributed earnings of subsidiaries and corporate joint ventures included in consolidated earnings and that such accruals should be accounted for as timing differences. If there is evidence that the undistributed earnings of a subsidiary or corporate joint venture will not be transferred to the investor, income taxes should not be accrued, but disclosures should be made as to the reason for not accruing taxes (earnings will be reinvested or remitted in the form of a tax-free liquidation) and as to the cumulative amount of undistributed earnings. With regard to the undistributed earnings of other investees which are included in consolidated earnings *APB Opinion No. 24* stipulates that income taxes should be accrued and treated as a timing difference.

An *Accounting Interpretation* of Opinion No. 23, published in the March 1973 issue of *The Journal of Accountancy* and reprinted in Section U 4095 of *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 those amounts which if remitted in the near future would result in little or no such tax by operation of relevant statutes currently in effect, aggregated $ at December 31, 1972."

Table 3-14 shows the extent to which the survey companies accrued taxes on undistributed earnings.

TABLE 3-14: TAXES ON UNDISTRIBUTED EARNINGS

	1978	1977	1976	1975
Taxes accrued on all undistributed earnings.........	31	28	44	33
Taxes accrued on a portion of undistributed earnings	119	108	119	108
Taxes not accrued on undistributed earnings.........	238	248	236	227
No mention of undistributed earnings	212	216	201	232
Total Companies............	**600**	**600**	**600**	**600**

Taxes Accrued On All Undistributed Earnings

BELL & HOWELL COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note A (in part): Significant Accounting Policies:

Income Taxes—Taxes are provided for all items included in the statement of earnings, regardless of the period when such items will be reported for tax purposes. Income taxes estimated to be payable upon distribution of earnings of international and Puerto Rican subsidiaries and of the Company's Domestic International Sales Corporations (DISC's) are provided currently. Investment tax credits are deferred and amortized over the approximate useful lives of the acquired assets.

Note F: Income Taxes—The provision for income taxes includes the following:

	1978	1977
	(in thousands)	
Federal	$4,190	$ 6,274
State	539	1,755
Non-U.S.	2,685	3,288
Investment credit amortization......	(355)	(325)
	$7,059	$10,992
Taxes currently payable	$5,937	$ 9,317
Net provision for prepaid and long-term deferred taxes............	1,122	1,675
	$7,059	$10,992

The major components of the provision not currently payable result from:

	1978	1977
	(in thousands)	
Deferral under the United Kingdom inventory relief provision	$ 618	$1,078
Taxes payable upon distribution of foreign and Puerto Rican earnings	2,328	—
Accelerated amortization of tooling costs	(191)	500
(Decrease) increase in income deferred for tax purposes	(1,322)	433
Deferred compensation accruals....	(365)	(342)
Other—net	54	6
	$ 1,122	$1,675

The Company's effective income tax rate varies from the statutory federal income tax rate as a result of the following factors:

	1978	1977
Statutory federal income tax rate..	48.0%	48.0%
State income taxes, net of federal tax benefit	1.4	2.7
Effective foreign tax rates	(1.0)	1.0
Investment credit amortization......	(1.8)	(1.4)
Operating earnings subject to lower tax rate..........................	(8.8)	(1.2)
Other—net	(1.3)	(.4)
Effective tax rate	36.5%	48.7%

Unamortized investment tax credits available for future periods were $1,764,000 and $1,574,000 at the end of 1978 and 1977, respectively.

In 1978, the Company paid the tax and interest assessments related to the Internal Revenue Service examination of the 1971 through 1975 federal income tax returns of the Company and its domestic subsidiaries. With the exception of current year interest, the tax and interest assessments were accrued by the Company in prior years.

MCA INC. (DEC)

SUMMARY OF ACCOUNTING POLICIES

Income Taxes—Full provision for both current and deferred federal, state and foreign income taxes (including domestic income taxes applicable to unremitted earnings of foreign subsidiaries) is made at prevailing income tax rates based on pretax consolidated income. Such provision is based on the Company's election to file consolidated tax returns. Investment tax credits are accounted for as a current reduction of income tax expense.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (in part): Income Taxes—The provision for income taxes, as shown in the consolidated statement of income, is summarized as follows ($ in thousands):

	1978	1977
Current		
Federal	$23,800	$28,000
State	8,800	7,200
Foreign	16,500	11,200
	49,100	46,400
Deferred (principally federal)	24,900	5,300
	$74,000	$51,700

The provision for deferred income taxes is summarized below ($ in thousands):

	1978	1977
Accrued domestic income taxes on unremitted earnings of foreign subsidiaries	$ 2,700	$ 4,500
Excess of tax over book amortization	21,900	4,200
Cash basis adjustment for certain television license agreements	(800)	(1,500)
Accrued income taxes on the unremitted earnings of the Domestic International Sales Corporations (DISC)	2,600	2,300
Other—net	(1,500)	(4,200)
	$24,900	$ 5,300

Taxes Accrued On Portion Of Undistributed Earnings

ARCHER DANIELS MIDLAND COMPANY (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Income Taxes—Provisions for income taxes are made based on earnings reported in the financial statements except no provision is made on portions of undistributed earnings of certain foreign and export subsidiaries which are being reinvested indefinitely.

Deferred income taxes result from timing differences between financial and taxable income, principally depreciation and undistributed earnings of foreign and export subsidiaries which are intended to be remitted to the parent Company in the foreseeable future.

Investment tax credits are recorded under the flow-through method of accounting as a reduction of the current provision for federal income taxes.

Note 9: Income Taxes—Income tax expense consists of the following:

	1978	1977
Federal	$25,863,079	$36,490,218
State	1,817,831	3,316,652
Deferred federal and state	(3,620,895)	5,338,130
Investment credit	(9,755,015)	(8,400,000)
Investment credit—TRASOP	(1,875,000)	(1,100,000)
Total	$12,430,000	$35,645,000

Components of deferred income tax provision are as follows:

	1978	1977
Excess of tax over book depreciation	$ 3,022,247	$4,002,601
Undistributed DISC earnings	329,062	3,412,493
Reversal of tax on DISC earnings reinvested indefinitely	(10,000,000)	0
Other	3,027,796	(2,076,964)
Total	$(3,620,895)	$5,338,130

Income taxes have been reduced by $1,875,000 in 1978 and $1,100,000 in 1977 for additional investment credit earned by contributing the same amount to the Company's Tax Reduction Act Stock Ownership Plan (TRASOP). This transaction had no effect on net earnings.

Reconciliation of the statutory federal income tax rate to the Company's effective tax rate for the years ended June 30, 1978 and 1977 follows:

	1978	1977
Statutory rate	48.0%	48.0%
Increase (decrease) resulting from:		
State income taxes, net of federal tax benefit	1.6	2.0
Investment credit	(17.3)	(10.0)
Income taxes related to undistributed earnings of foreign subsidiary	(1.5)	(2.9)
Reversal of tax on DISC earnings reinvested indefinitely	(14.9)	
Other	2.6	.4
Effective Rate	18.5%	37.5%

The Company has historically provided deferred income taxes on undistributed earnings of its domestic international sales corporation (DISC). As a result of its continuing experience with this export subsidiary, the Company believes that future earnings of the DISC will be reinvested indefinitely, and recognition of DISC earnings, without provision for deferred taxes, will more accurately reflect the operations of its exporting activities. In addition, at June 30, 1978, the Company determined that approximately $20,000,000 of prior undistributed DISC earnings will be reinvested indefinitely and accordingly will not be available for taxable distribution in the foreseeable future. As a result, deferred income taxes previously provided on $20,000,000 of DISC earnings were reversed, increasing earnings for the year and quarter ended June 30, 1978, by $10,000,000 or $.30 per share.

As of June 30, 1978, no taxes have been provided on $28,317,000 of accumulated undistributed earnings of a foreign subsidiary and the Company's DISC which are planned to be reinvested indefinitely.

CPC INTERNATIONAL INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Income Taxes (in part)—The provision for income taxes consists of the following:

	1978	1977
	($ Millions)	
Current:		
United States	$ 30.6	$25.0
State	4.5	3.6
Outside United States	63.2	60.5
Deferred:		
United States	8.1	6.6
Outside United States	6.5	11.8
	$112.9	$107.5

The Company and its subsidiaries provide for income taxes on their respective annual earnings. Earnings of subsidiaries located outside the United States when paid to the Company as dividends are subject to each country's wtihholding taxes and, in addition, United States income taxes. Approximately 70% of these earnings are remitted to the Company as dividends. Estimated income and withholding taxes have been provided on the portion of undistributed earnings which were paid or are expected to be paid at the Company as dividends. At December 31, 1978 approximately $198.1 million of accumulated earnings had been indefinitely retained by these subsidiaries for capital and operating needs, and on which no provision has been made for United States income taxes or country withholding taxes.

DART INDUSTRIES INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

International operations (in part)—Net sales from operations outside the United States were $459,350,000 in 1978 and $399,786,000 in 1977. Exchange gains and losses were not material in either year. Undistributed earnings of foreign subsidiaries included in consolidation were $10,048,000 for 1978 and $27,667,000 for 1977 and aggregated $143,271,000 at December 31, 1978. Dart has not considered it necessary to provide for deferred United States income taxes in excess of available foreign tax credits on $136,821,000 of this total because it has been or is expected to be reinvested outside the United States for an indefinite period of time. Dividends of $35,835,000 in 1978 and $14,636,000 in 1977 were received from foreign subsidiaries.

HEWLETT-PACKARD COMPANY (OCT)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Summary of significant accounting policies

Taxes on income—Deferred taxes on income are provided for timing differences between earnings reported for tax and financial purposes. Such differences relate primarily to the earnings of the Company's Domestic International Sales Corporation (DISC), intercompany profits in inventories, state taxes and various tax and book differences in foreign countries.

Investment tax credits reduce the income tax provision in the year the related assets are placed in service.

Income taxes are provided on the undistributed earnings of subsidiaries which are not intended to be reinvested for an indefinite period of time.

Note 3: Taxes on income—The United States Internal Revenue Service (the "Service") has examined the Company's federal income tax returns through the year ended October 31, 1975. Proposed additional taxes being contested by the Company relate principally to the Company's Domestic International Sales Corporation (DISC) and to the earnings of certain foreign subsidiaries.

The Service contends that certain costs and expenses should have been allocated to the DISC. The effect of such allocation would be to lower the tax deferred income of the DISC and increase the taxable income of the Company. Additional taxes of $22 million (exclusive of interest) have been proposed by the Service for the years 1972 through 1975. The Company has consistently provided deferred taxes on the undistributed earnings of its DISC. Consequently, any adverse determination of this issue would only affect interest expense.

The remaining contested additional tax adjustments aggregate $30 million (exclusive of interest) and relate principally to the earnings of the Company's subsidiaries in Singapore and Malaysia, which are substantially tax free under pioneer status acts of those countries. The Service has asserted that substantially all of the earnings of these subsidiaries for the years 1972 through 1975 should have been reported as taxable earnings of the parent company in the United States. The Company believes that the earnings of these subsidiaries are properly attributable to them, and not to the parent. After review of the matter with counsel, the Company believes it is unlikely that the Service will be able to successfully maintain its current position that substantially all of the earnings of the subsidiaries should have been attributed to the parent company; however, it is not possible at this time to estimate the amount of additional taxes that might be incurred upon a final determination of these matters, or when such determination might occur.

The Company's federal income tax returns for the years subsequent to October 31, 1975 are subject to examination by the Service. The Company has continued to report the earnings of its subsidiaries in Singapore and Malaysia on substantially the same basis. In 1976, 1977 and 1978, the Company's subsidiaries in Singapore and Malaysia reported tax-free earnings of $16 million, $21 million and $12 million, respectively. Upon examination, the Service may similarly propose reallocation of a substantial portion of such earnings to the parent company.

If the above issues, which are being protested with the appellate level of the Service, cannot be resolved to the Company's satisfaction it intends to contest the proposed adjustments in the courts. In the event that ultimate settlement of all of the contested adjustments results in a liability in excess of related book accruals, such excess will be charged to future earnings. However, the Company believes that final resolution of these matters will not have a material adverse effect on its consolidated financial position or results of operations.

The components of the provision for taxes on income are presented below:

	1978	1977
	(Millions)	
Federal taxes		
Current	$ 88	$ 68
Deferred	—	—
Investment tax credits	(3)	(3)
	85	65
Foreign taxes	43	30
State taxes	15	13
	$143	$108

The difference between the United States statutory income tax rate (48 percent) and the Company's effective income tax rate is reconciled as follows:

	Amounts (Millions)		Percentages	
	1978	1977	1978	1977
Taxes on income at the United States statutory rate	$142	$110	48.0%	48.0%
Effect of earnings in countries subject to pioneer status acts	(7)	(9)	(2.4)	(3.9)
State income taxes, net of federal tax benefit	8	7	2.7	3.1
Taxes on income provided in the consolidated statement of earnings	$143	$108	48.3%	47.2%

Cumulative undistributed earnings of foreign subsidiaries which have been or are intended to be, reinvested for an indefinite period of time, aggregate approximately $230 million at October 31, 1978. Such amounts, if distributed, would incur income tax expense at an average effective tax rate as a result of previously paid foreign income taxes in certain jurisdictions which, under current law, would become available as foreign tax credits or deductions.

OWENS-ILLINOIS, INC.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Income Taxes on Undistributed Earnings. Under a provision of the Internal Revenue Code, there is no tax payable on dividends received by Owens-Illinois from its domestic subsidiaries.

In general, Owens-Illinois plans to continue to invest in the business the undistributed earnings of foreign subsidiaries and of domestic and foreign corporate joint ventures accounted for by the equity method. No provision is made for taxes which would be payable if such earnings were distributed. At December 31, 1978, the undistributed earnings of foreign subsidiaries and domestic and foreign corporate joint ventures approximated $128.4 million. The tax on this amount, if remitted, would in part be offset by foreign tax credits. For other investments accounted for by the equity method, the Company's policy is to provide the applicable deferred taxes.

No Accrual For Taxes

AMERICAN HOSPITAL SUPPLY CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note A (in part): Statement of Accounting Policies:

Income Taxes—No provisions have been made for possible foreign and U.S. income taxes payable on the distribution of approximately $88.2 million of undistributed earnings which have been or will be reinvested abroad, or are expected to be returned to the United States in tax-free distributions; nor have taxes been provided on $14.2 million of Domestic International Sales Corporation (DISC) earnings, as to which it is American's intention to reinvest indefinitely. Provisions for taxes have been made for all earnings which American presently plans to repatriate.

Investment tax credits are reflected as reductions in current year income taxes using the flow-through method.

BRIGGS & STRATTON CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5: Income Taxes—The provision for deferred Federal income taxes includes $1,638,000 in 1978 and $1,845,000 in 1977 in recognition of the future income tax effect of tax depreciation in excess of that recorded for financial reporting purposes. Offsetting amounts are also included as a result of recognizing certain liabilities for financial reporting on a different basis than for tax purposes.

The income tax provisions for 1978 and 1977 resulted in effective tax rates of 49.4% and 49.1%, respectively. A reconciliation of the effective rate for 1978 and 1977 to the U.S. statutory rate of 48% follows:

	1978	1977
U.S. Statutory Rate	48.0%	48.0%
State taxes, net of Federal tax benefit	3.2%	3.0%
Domestic International Sales Corporation (DISC) tax benefit	(1.6%)	(1.7%)
Other	(.2%)	(.2%)
Effective tax rate	49.4%	49.1%

As of June 30, 1978, consolidated retained earnings includes $8,470,000 of undistributed income of Briggs & Stratton DISC, Inc. on which Federal income taxes of $4,065,000 have not been provided. It is the intention of management to leave these earnings permanently invested in qualified assets.

BUCYRUS-ERIE COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note E (in part): Income taxes—Income tax expense has been reduced by $1,525,000 in 1978 and $3,210,000 in 1977 ($.07 per share of common stock in 1978 and $.16 in 1977) as a result of nontaxable earnings of Bucyrus DISC, Inc., which are considered to be permanently reinvested. Such reinvested earnings aggregated $27,856,000 at December 31, 1978. If these earnings were to be remitted to the parent Company, $12,562,000 of additional income taxes would have to be provided.

The Company does not provide for income taxes which would become payable upon remission of earnings from outside the United States because management considered such amounts to be permanently invested. Such undistributed earnings at December 31, 1978, amounted to approximately $35,600,000. If these undistributed earnings were remitted, an additional provision for income taxes of approximately $2,800,000 would be necessary.

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. Examples of translation accounting and disclosures follow.

AIR PRODUCTS AND CHEMICALS, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Major Accounting Policies

Translation of Foreign Currencies—Foreign currency cash and amounts receivable and payable including long-term debt are translated into U.S. dollars at current exchange rates. The resultant adjustments are charged or credited to income currently. All other accounts are translated at historical rates. Revenue and expense accounts are translated at the average exchange rates prevailing during the period except that historical rates are used for expense accounts related to assets and liabilities translated at historical rates. Gains or losses resulting from forward exchange contracts which are intended to hedge foreign currency exposed net asset or net liability positions are recognized during the period in which the rate changes. Reference is made to Note 12 for the amount of aggregate foreign exchange gains or losses which are included in Other Income.

Gains or losses resulting from forward exchange contracts which are intended to hedge foreign currency commitments are deferred and included in the translated value of the related foreign currency transactions. Reference is made to Note 5 for the amount deferred on forward sell currency hedges related to foreign long-term sale-of-product agreements. Reference is also made to page 26 for additional commentary related to the Company's foreign exchange transactions.

Note 12 (in part): Supplementary Information

Other Expense (Income)	1978	1977
	(in thousands)	
Foreign exchange (gains) losses	$(10,409)	$3,271
Interest income	(4,149)	(2,550)
Gain on sale of assets	(2,694)	(1,662)
Income from unconsolidated affiliates before foreign exchange effects	(2,902)	(2,089)
Miscellaneous	148	597
	$(20,006)	$(2,433)

The after tax effect of the above foreign exchange (gains) losses was a $796,000 loss in 1978 and a $2,819,000 loss in 1977.

Note 5: Investments and Other Noncurrent Assets—

Components are as follows:

	30 September 1978	1977
	(in thousands)	
Investments in joint ventures, at cost adjusted for equity in undistributed earnings or losses since acquisition—		
South African joint venture	$ 8,651	$ 7,037
Others	2,461	2,387
Notes receivable from British joint venture	2,142	2,056
Other long-term receivables	1,487	2,029
Other investments	834	577
	15,575	14,086
Amount deferred on forward sell currency hedges	19,636	296
Other deferred charges	2,102	2,551
	$37,313	$16,933

The amount deferred on forward sell currency hedges will adjust the translated value of revenues from the related foreign long-term sale-of-product agreements and will be subject to United States tax benefits.

PAGE 26:

Foreign Exchange—Net income was reduced $.03 per share by the variations in foreign exchange rates used in translating foreign subsidiaries balance sheets into U.S. dollars. In 1977 there was a negative effect on income from such translations of $.10 per share.

Late in the first fiscal quarter, the Company entered into a series of parallel hedges which substantially reduced the impact on earnings caused by variations in foreign exchange rates. The parallel hedge program involves a series of contracts to buy and sell forward various foreign currencies to cover principal repayments of foreign debt and foreign cash flows guaranteed to be received under long-term supply agreements.

The Company has bought forward foreign currencies in amounts which, after reflecting tax effects, approximate the unpaid principal amount of foreign debt. The gains and losses on these forward buy contracts (or debt hedges) are recognized concurrently with the losses and gains on the translation of the foreign debt. During 1978 the dollar declined against most of the currencies in which the Company's foreign debt is denominated. The Company, therefore, sustained losses on the translation of its foreign debt. By design, these losses were substantially offset by gains on the debt hedges.

Also, the Company has firm commitments to receive local currencies from foreign customers essentially under long-term take-or-pay supply agreements. In order to protect the dollar value of these future cash flows, the Company has sold forward foreign currencies. The gains and losses on these forward sell contracts (or revenue hedges) are recognized in the future concurrently with the receipt of revenues under the supply agreements and therefore will offset any losses or gains resulting from converting those foreign revenues at different exchange rates. The composite life of these supply agreements is about ten years.

To eliminate any cash impact, the debt hedges and revenue hedges are arranged in equal amounts in the same foreign currencies and for the same maturities. The cost to the Company for these forward contracts is minimal.

As a consequence of the parallel hedge program, the impact on net income of fluctuating exchange rates was reduced in 1978. However, there was an effect on other income and the provision for taxes. The foreign exchange gains or losses included in Other Expense/Income and the effect on provision for taxes is shown below.

Foreign Exchange Effect	1978	1977
	(in thousands)	
Foreign exchange gains (losses):		
Taxable	$21,008	$(1,187)
Non-taxable	(10,599)	(2,084)
Aggregate foreign exchange gains (losses)	10,409	(3,271)
Less—Provision for income taxes (benefit)	11,205	(452)
Effect on net income—net gain (loss)	$ (796)	$(2,819)
Effect on earnings per share—net gain (loss)	$ (.03)	$ (.10)

AMERICAN BRANDS, INC. (DEC)

NOTES ACCOMPANYING FINANCIAL STATEMENTS

Foreign exchange—The consolidated statement of income includes charges (credits) related to translation of and transactions in foreign currencies as follows:

	1978	1977
	(In thousands)	
Translation of foreign financial statements:		
Gallaher Limited and its subsidiaries	$(2,401)	$14,818
Other	1,167	996
	(1,234)	15,814
Foreign currency transactions:		
Losses (gains), net	(216)	5,472
Related income taxes	20	(1,059)
	(196)	4,413
Total	$(1,430)	$20,227

These amounts are reflected in the following captions in the consolidated statement of income:

Cost of sales	$(3,745)	$11,078
Other deductions	2,295	10,208
Provison for taxes on income	20	(1,059)
	$(1,430)	$20,227

Cost of sales reflects translation of inventory usage and depreciation expense at the historical exchange rates applicable to the related assets in the balance sheet and, accordingly, includes the amounts shown above representing the difference (due principally to the duration of the aging process for leaf tobacco) between such historical rates and the current average rates used in translating the other income statement accounts.

COLECO INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Translation of Foreign Currency—The balance sheet accounts of the Canadian subsidiary have been translated using current exchange rates for current assets (excluding inventories), noncurrent receivables and liabilities and appropriate historical rates for all other balance sheet accounts. Revenue and expense accounts are translated at average exchange rates during the year, except for amounts related to balance sheet accounts which are translated at historic rates. Foreign currency translation gains and losses are included in income currently.

Note 15: Supplementary Information To Statement Of Operations—

	1978	1977
	(Amounts in thousands)	
Advertising costs	$8,974	$6,935
Product development costs	$3,030	$4,065
Taxes, other than income taxes	$3,549	$2,805
Maintenance and repairs	$1,471	$2,646
Royalties	$1,784	$1,253
Foreign currency:		
Translation losses	$ 147	$ 529
Exchange losses	$ 206	$ 103

CUTLER-HAMMER, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Translation of Foreign Currency Transactions and Financial Statements—The accounts of foreign subsidiaries have been translated to United States dollars in accordance with the provisions of Statement No. 8 of the Financial Accounting Standards Board. Realized and unrealized translation and other exchange adjustments resulted in an after-tax gain of $290,000 in 1978 and a loss of $254,000 in 1977. Cost of goods sold has been translated using the historic inventory costs and as a result is $933,000 lower in 1978, and $1,636,000 higher in 1977, than if inventories had been translated at the average exchange rates during the year. The net result is an increase in net income of $1,223,000 in 1978 and a reduction of net income of $1,890,000 in 1977. It is not possible to estimate the U.S. dollar impact on net sales and other expenses which occurred due to adjustment of price and cost structures within the various countries in which the Company operates.

DEL MONTE CORPORATION (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Accounting Policies (in part)

Foreign Exchange and Currency Translations—The financial activities of subsidiaries outside the United States are recorded in the currencies of the countries in which they operate. The foreign currency financial statements of these subsidiaries are translated into U.S. dollars at the rates of exchange applied as follows: inventories, expenditures on growing crops, costs allocable to future operations, plant and equipment and deferred income taxes are translated at rates in effect at the time recorded; all other assets and liabilities at rates of exchange in effect at the end of the accounting period. Revenue and expense items are translated at weighted average rates of exchange during the period except for cost of sales, depreciation and deferred income taxes, for which historical rates are used. Exchange adjustments are reflected in earnings as they occur; such adjustments resulted in an after-tax loss of $1,500,000 in 1978 and a gain of $2,700,000 in 1977.

GENERAL FOODS CORPORATION (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Significant Accounting Policies

Foreign Currency Translation—Essentially, cash, accounts receivable and liabilities of the company's international operations are translated at year-end exchange rates; other assets are translated at the rates prevailing at the dates of acquisition. Income and expenses are generally translated at average exchange rates prevailing during each fiscal year, except for those items such as depreciation and cost of sales, which are translated at the rates of exchange in effect when the respective assets were acquired.

Note 2: International Operations—The net assets of international operations included in the consolidated statements are:

	1978	1977
Working Capital	$133,654,000	$160,674,000
Land, Buildings, Equipment, net	225,374,000	193,592,000
Other Assets	43,065,000	45,750,000
	402,093,000	400,016,000
Less Non-Current Liabilities	84,908,000	96,278,000
Net Assets	$317,185,000	$303,738,000
Net Assets by Geographic Area		
Europe	$135,166,000	$138,106,000
Latin America	33,176,000	31,402,000
Far East & Other	29,471,000	21,250,000
Canada	119,372,000	112,980,000
Total	$317,185,000	$303,738,000

Net sales and earnings attributable to international operations included in the consolidated statements are:

	1978	1977
Net Sales		
Canada	$ 438,580,000	$ 412,562,000
Other International Operations	960,203,000	855,547,000
Total	$1,398,783,000	$1,268,109,000
Net Earnings		
Canada	$ 14,043,000	$ 17,025,000
Other International Operations	5,296,000	10,999,000
	19,339,000	28,024,000
Goodwill Charges	1,336,000	3,729,000
Total	$ 18,003,000	$ 24,295,000

Additional data on net sales and earnings attributable to international operations are included in Note 13.

Losses from foreign currency translations in fiscal 1978 and 1977, respectively, were $2,751,000 (6 cents per share) and $13,668,000 (27 cents per share). Included in fiscal 1978 is a gain of $5,905,000 and in fiscal 1977 a loss of $10,761,000, resulting from translating inventories in the computation of cost of sales at historic exchange rates rather than the rates in effect at the time of sale.

HEWLETT-PACKARD COMPANY (OCT)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Summary of significant accounting policies

Translation of foreign currency—The accounts and transactions of subsidiaries located outside the United States are translated into United States dollars at current or historical rates of exchange in accordance with generally accepted accounting principles. Foreign subsidiary borrowings and forward exchange contracts are employed to minimize foreign exchange gains or losses on the Company's net asset position and order backlog in foreign currencies. Realized and unrealized gains and losses on forward exchange contracts undertaken to protect net assets are included currently in other income. Gains and losses on forward exchange contracts undertaken to protect order backlog are recognized at date of shipment and are classified as sales.

Note 6: Other income, net—Major items included in other income, net are shown below:

	1978	1977
	(Millions)	
Leasing and rental income, net	$ 5	$ 6
Interest income	14	9
Equity in net earnings of unconsolidated Japanese affiliate	4	2
Foreign currency gains, net (note 1)	2	—
Other, net	(2)	(3)
	$23	$14

INTERNATIONAL HARVESTER COMPANY (OCT)

	1978	1977
	($000)	
Costs and Expenses		
Cost of sales	$5,454,537	$4,924,693
Marketing and administrative expenses	659,816	591,500
Provision for losses on receivables	7,827	4,468
Financing charges on receivables sold to sales finance subsidiaries	149,501	114,050
Interest expense:		
Long-term debt	76,387	75,116
Other (Note 14)	49,475	42,580
Exchange losses, net of exchange gains (Note 3)	107,187	2,479
Total costs and expenses	$6,504,730	$5,754,886

Note 3 (in part): Foreign Currency Translation—The effect of foreign currency rate changes resulted in a credit or (charge) to net income classified in the statements of income, as follows:

	1978	1977
	(Thousands of dollars)	
Exchange gain or (loss) classified as:		
Exchange losses, net of exchange gains	$(107,187)	$ (2,479)
Income of nonconsolidated companies	47	(6,802)
Taxes on income	43,637	4,966
Net income effect of exchange gain or (loss) as defined by Statement No. 8 of the FASB	$ (63,503)	$ (4,315)
Effect of foreign currency rate changes included in Cost of sales	$ 33,655	$(14,583)

The effect of foreign currency rate changes included in Cost of sales is measured by the difference between foreign currency cost of sales translated at average daily rates and cost of sales included in the statements of income which includes foreign currency costs, primarily inventory, translated at historical rates.

The United States dollar has strengthened significantly after the close of the fiscal year. Translation of October 31, 1978 foreign currency exposure, modified by significant changes in such exposure during November 1978, at exchange rates in effect at November 30, 1978 would result in an after tax exchange gain as defined by Statement No. 8 of the FASB of $25.6 million (85 cents per share).

KRAFT, INC. (DEC)

FINANCIAL REVIEW

Translation of Foreign Currencies—The effect on earnings of fluctuations of foreign currency translation rates during

1978 is summarized in the accompanying table. Also, see comments on Translation of Foreign Currencies in the Notes to Consolidated Financial Statements.

	1978			
Gains (Losses) (In millions)	United States	Canada	International	Worldwide Total
Balance Sheet Accounts:				
Before income taxes..........	$5.4	$7.5	$(18.5)	$ (5.6)
Income taxes.....	$2.6	$2.6	$ —	$ 5.2
After income taxes..........	$2.8	$4.9	$(18.5)	$(10.8)

In addition, as a result of charging inventories to cost of products sold at historical exchange rates rather than at the rates in effect at the time of sale, net income for 1978 was affected as follows:

	Canada	International	Worldwide Total
Gains (Losses) (In millions)..	$(5.7)	$19.9	$14.2

In 1977, translation of foreign currencies on balance sheet accounts resulted in a worldwide loss of $8.5 million, partially offset by a gain of $1.9 million resulting from charging inventories to cost of products sold at historical rates of exchange.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (in part)

Translation of Foreign Currencies—Assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing on the balance sheet dates, except for inventories, fixed assets, intangibles and deferred income taxes, which generally are translated at the rates of exchange prevailing at the time such assets were acquired or liability incurred. Income and expense accounts are translated at the average rates of exchange for each month during the years, except those revenue and expense accounts which relate to assets or liabilities translated at historical rates.

Translation adjustments originating during the years are reflected in income. Adjustments of balance sheet accounts decreased net income by $10.8 million in 1978 and $8.5 million in 1977.

RANCO INCORPORATED (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Summary of Accounting Policies

Translation of Currencies—Assets and liabilities of international subsidiaries and affiliates have been translated at the rates of exchange in effect at year-end except for inventories, property, plant and equipment and deferred income taxes which have been translated at rates of exchange prevailing at date of acquisition or accumulation. Revenues and expenses have been translated at the weighted average rates of exchange in effect during the year, except for depreciation which is translated at rates of exchange in effect when the respective assets were acquired.

The effects of foreign currency translation and transactions on income were as follows:

	1978	1977
Exchange gains (losses) including premium interest costs..........	$ 211,000	$(660,000)
Tax benefit associated with transaction losses........................	172,000	349,000
Effect on income before affiliates ..	383,000	(311,000)
Exchange gains reflected in income from affiliates....................	1,773,000	268,000
Effect on net income.................	$2,156,000	$ (43,000)

The exchange gains in income from affiliates include an increase in 1978 gross profit ($503,000) attributable to translating cost of sales using historical inventory rates rather than average rates used to translate sales.

VARIAN ASSOCIATES, INC. (SEP)

	1978	1977
	($000)	
Operating Costs and Expenses		
Cost of sales.....................	$269,943	$233,158
Research and development	24,763	22,076
Marketing	53,864	47,816
General and administrative	29,344	26,134
Foreign currency translation losses........................	1,470	523
Equity in net income of unconsolidated affiliates	(1,006)	(1,233)
Total operating costs and expenses........................	$378,378	$328,474

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (in part)

Foreign Currency Translation—In accordance with the Statement of Financial Accounting Standards No. 8, issued by the Financial Accounting Standards Board, assets and liabilities of subsidiaries outside the United States representing cash and amounts receivable or payable are translated to U.S. dollars at the exchange rates in effect at year end, and other accounts involving inventories and property, plant and equipment are translated at historical exchange rates. Revenue and expense items are translated at effective rates of exchange prevailing during each year, except that inventories are charged to cost of sales and depreciation is expensed at historical exchange rates.

Primarily as a result of the depreciation of the U.S. dollar, a net foreign exchange adjustment decreased pretax earnings by $1.5 million and $.5 million for 1978 and 1977, respectively.

LONG-TERM CONTRACTS

Accounting Research Bulletin 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 *Accounting Research Bulletin 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 *ARS 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

	1978	1977	1976	1975
Percentage-of-completion	86	75	75	56
Completed contract	10	14	12	9
Not determinable	4	8	9	8
Referring to long-term contracts	**100**	**97**	**96**	**73**
Not referring to such contracts	500	503	504	527
Total Companies	**600**	**600**	**600**	**600**

Percentage Of Completion Method

ALLIS-CHALMERS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (in part):

Long-Term Contracts—Income and costs applicable to long-term contracts are generally recognized on the percentage-of-completion method measured by work performed.

Provisions are recorded for losses on sales contracts whenever it becomes evident that the estimated costs of completion will exceed selling prices.

DRESSER INDUSTRIES, INC. (OCT)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Long-Term Contracts—Revenues and earnings related to products requiring long-term construction periods, principally draglines and electrostatic precipitators, are recognized for financial reporting purposes on the percentage of completion basis. Anticipated losses, if any, on long-term contracts are charged against earnings as soon as such losses can be determined.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note C: Long-Term Contracts—Accounts receivable include \$2.5 million at October 31, 1978 and \$10.7 million at October 31, 1977 excess of costs and related profits over amounts billed. These excesses were not subject to significant customer retainages at either date. Substantially all of the October 31, 1977 excess was billed in 1978 and substantially all of the October 31, 1978 excess will be billed in 1979.

Advances from customers on contracts include \$48.8 million at October 31, 1978 and \$60.1 million at October 31, 1977 received from customers in excess of costs and related profits on long-term contracts.

HARRIS CORPORATION (JUN)

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (in part):

Revenue is recognized from sales, other than on long-term contracts, when a product is shipped, from rentals as they accrue, and from services when performed. Revenue on long-term contracts is accounted for principally by the percentage-of-completion method whereby income is recognized based on the estimated stage of completion of individual contracts.

HMW INDUSTRIES, INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Revenue Recognition (Contracts)—Revenues on Government and industrial contracts are recorded over the life of the contracts as deliveries are made. Prospective losses on such contracts are provided for when the losses become known.

MARTIN MARIETTA CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note A (in part): Accounting Policies

Revenues Recognition: Sales to commercial customers are recorded upon shipment of products or performance of services.

Sales under Aerospace contracts generally are recognized under percentage-of-completion methods and include a proportion of the earnings expected to be realized on the contract in the ratio that costs incurred bear to estimated total costs. Sales are recorded on cost-type contracts as costs are incurred and on fixed-price-type contracts when deliveries are made or work is performed. Contracts in progress are reviewed quarterly, and sales and earnings are adjusted in current accounting periods based on revisions in contract value and estimated costs at completion. Performance incentives are incorporated in certain contracts and are recognized when incentives are earned or awarded or penalties are incurred or assessed. Provisions for estimated losses on contracts are recorded when identified.

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. Costs and fees billed under cost reimbursement type contracts are recorded as sales.

STERLING DRUG INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Accounting Policies:

Long-Term Contracts—Revenue and costs of long-term construction contracts related to the Environmental Control segment are recognized on a percentage-of-completion basis. Percentage of completion for each contract is based on engineering estimates of contract work performed to date.

STRUTHERS WELLS CORPORATION (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Revenue recognition—The Company recognizes income on long-term contracts principally on the percentage-of-completion method whereby that portion of the total contract price is accrued in the proportion that costs incurred bear to management's estimate of total contract costs. Revenue on short-term contracts is recognized on a completed unit basis. When an ultimate loss is indicated on a contract, the entire estimated loss is recorded.

SUN CHEMICAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Summary of significant accounting policies

(c) Inventories and contract accounting—Inventories are stated at the lower of cost or market. Certain inventories (principally in the domestic graphic arts materials businesses) are valued on a last-in, first-out basis. The remaining inventories are valued on a first-in, first-out basis.

Inventoried costs relating to instrument contracts are stated at actual or average costs, including engineering and manufacturing labor and related overhead incurred, reduced by amounts identified with shipments. The costs attributable to shipments include the estimated cost of all items to be produced under the related contract. If estimates of total contract costs indicate a loss, provision is currently made. Revenues are recognized at the time of shipment.

Completed Contract Method

CHICAGO BRIDGE & IRON COMPANY (DEC)

	1978	1977
	($000)	
Contracts closed	$509,700	$609,887
Cost of contracts closed	389,646	454,204
	$120,054	$155,683

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Summary of Accounting Policies

Long-term contracts—CBI and its subsidiaries and joint ventures follow the completed contract method of accounting for income from long-term contracts. These contracts for design, fabrication, and construction usually extend for periods in excess of one year. Therefore, the income statement reflects selling prices and costs of contracts completed during the year. In addition, losses expected to be incurred on contracts in progress are charged to income as soon as such losses are determined. Progress billings and costs of uncompleted contracts are deferred and shown as current assets or liabilities in the balance sheet in accordance with industry practice.

Certain long-term contracts contain retainage provisions which allow the customer to withhold amounts from payment until CBI has completed its work. It is CBI's policy to bill these amounts and to include them in accounts receivable after work has been completed and the amounts which were withheld are due.

Costs charged to contracts include materials, direct engineering, fabrication and construction labor and the applicable overheads. Selling and administrative expenses are charged to income in the year incurred and are not allocated to contracts in progress.

J. RAY MCDERMOTT & CO., INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Marine and Onshore Construction Contracts—Revenues from marine and onshore construction contracts are generally recognized as contractual obligations are completed. Revenues are recognized on certain contracts containing identifiable separate projects when such projects are completed and accepted by the customer. Revenues from time or day rate basis contracts are recognized as earned. General and administrative costs are included in contract costs. Contract costs in excess of related billings are classified as current assets under contracts in progress. Billings in excess of related costs are classified as current liabilities under advance billings on contracts. Current provisions are made for all known or anticipated losses on contracts which have not been completed.

Note 3: Contracts in Progress—Contracts in progress and advance billings on contracts at March 31 consist of the following:

	Contracts in Progress		Advance Billings on Contracts	
	1978	1977	1978	1977
	(In thousands of dollars)			
Marine and onshore construction contracts:				
Cost of uncompleted contracts	$120,346	$71,381	$183,904	$389,433
Billings to customers	84,608	39,131	263,749	563,424
	35,738	32,250	79,845	173,991
B & W contracts:				
Unbilled revenues	207,268	—	—	—
Cost of work in progress	175,846	—	—	—
	383,114	—	—	—
Billings to customers	94,726	—	198,685	—
	288,388	—	198,685	—
	$324,126	$32,250	$278,530	$173,991

The amounts of general and administrative expenses remaining in the cost of uncompleted marine and onshore construction contracts at March 31, 1978 and 1977 were $37,337,000 and $34,435,000, respectively.

B & W contract revenues and related costs are recognized principally by a percentage of completion method related principally to physical shipments and direct labor or cost incurred, as applicable to the product or the activity involved. Revenues so recorded are included in unbilled revenues until invoiced to customers under terms of the contracts. Costs of contract revenues on uncompleted contracts are based upon estimates to complete. Revisions to contract price and cost estimates are recognized in the period in which they are determined.

Unbilled revenues on contracts include $39,000,000 not expected to be collected until after one year.

Included in accounts and notes receivable are amounts representing retainages on contracts as follows:

	1978	1977
	(In thousands of dollars)	
Retainages	$31,839	$20,781
Retainages not expected to be collected until after one year......	$ 2,015	$ —

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 reported separately 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 1978, 37 survey companies discontinued the operations of a business segment, and 14 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.

AMERICAN BROADCASTING COMPANIES, INC. (DEC)

	1978	1977
Earnings from continuing operations before income taxes	$271,190,000	$226,817,000
Provision for income taxes (Notes A and E)	143,680,000	119,853,000
Earnings from continuing operations	127,510,000	106,964,000
Discontinued operations (Note B):		
Earnings from operations of discontinued theatre division, net of income taxes of $1,688,000 in 1978 and $2,012,000 in 1977	2,491,000	2,831,000
Gain from disposal of theatre division, net of income taxes of $5,056,000	5,574,000	—
Earnings from discontinued operations	8,065,000	2,831,000
Net earnings	$135,575,000	$109,795,000

Note B (in part): Acquisitions and Disposals of Businesses:

Disposals:

Discontinued Operations: On October 27, the Company sold the operating assets or capital stock of all of its theater operating subsidiaries. Operating results of these subsidiaries prior to sale have been reclassified in the statements of consolidated earnings as earnings from discontinued operations, net of income taxes. Net revenues of the discontinued theatre operations aggregated $66,839,000 in 1978 and $81,205,000 in 1977.

ROCKWELL INTERNATIONAL CORPORATION (SEP)

	1978	1977
	(In millions)	
Income from Continuing Operations	$209.1	$157.0
Discontinued Operations, Net of Applicable Income Tax Credits:		
Loss from operations	7.0	12.9
Provision for estimated loss on disposition	25.5	
Net Income	$176.6	$144.1

NOTES TO FINANCIAL STATEMENTS

Note 20: Discontinued Operations—In September 1978 a decision was made to discontinue the domestic television business of the Admiral Group. The resulting provision for estimated loss on disposition of this business is summarized as follows (in millions):

Estimated operating loss during phasedown period	$14.4
Estimated provision for plant shutdown, employee terminations and other costs	29.9
Income tax credits	(18.8)
Provision for estimated loss on disposition	$25.5

Management believes the disposition of this business will be substantially completed within one year.

Amounts in the Statement of Consolidated Income have been reclassified to set forth separately results of operations of the discontinued television business under the caption "Discontinued Operations." Amounts related to such operations are summarized as follows (in millions):

	1978	1977
Sales and other income	$167.5	$115.3
Costs and expenses	180.4	139.4
Loss before income tax credits	12.9	24.1
Income tax credits	(5.9)	(11.2)
Loss from operations	$ 7.0	$ 12.9

Included in the Consolidated Balance Sheet at September 30, 1978 are the following assets and liabilities of the discontinued television business, after giving effect to the estimated loss on disposition (in millions):

Current assets	$94.7
Current liabilities	27.3
Working capital	67.4
Property and other noncurrent assets	7.5
Noncurrent liabilities	(5.7)
Net assets	$69.2

NCR CORPORATION (DEC)

	1978	1977	1976	1975	1974
			(000 omitted)		
Income from continuing operations	$193,731	$120,622	$71,411	$50,837	$71,362
Discontinued operations:					
Income from Appleton Papers Division (net of applicable income taxes)	13,778	21,848	18,586	15,905	15,200
Gain on sale of Appleton Papers Division (less applicable income taxes of $78,624)	110,495	—	—	—	—
	124,273	21,848	18,586	15,905	15,200
Cumulative effect on prior years of changes in accounting principles	—	—	5,617	6,551	—
Net income	$318,004	$142,470	$95,614	$73,293	$86,562

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (in part): Discontinued Operations and Acquisitions. On June 30, 1978, NCR completed the sale of its Appleton Papers Division to Lentheric, Inc., a subsidiary of B.A.T. Industries Limited, a London-based company.

The final sale price of $287,291,000 was comprised of $119,291,000 cash received and a note payable to NCR in the principal amount of $168,000,000 bearing interest at 6.5% per annum, payable on January 3, 1979, guaranteed by B.A.T. Industries Limited.

Revenues and all operating costs and expenses of the Appleton Papers Division for periods prior to the date of disposition have been segregated in the Consolidated Income Statement. Amounts relating to the Appleton Papers Division for each of the periods were as follows:

	Six Months Ended June 30 1978	Years Ended December 31 1977	1976	1975	1974
			(000 omitted)		
Revenues	$119,646	$209,687	$176,746	$144,187	$146,800
Costs and expenses	94,634	168,428	146,250	119,244	116,700
Income taxes	11,234	19,411	11,910	9,038	14,900
Net income from operations	$ 13,778	$ 21,848	$ 18,586	$ 15,905	$ 15,200

CHARGES OR CREDITS SHOWN AFTER INCOME TAX CAPTION

Table 3-16 indicates the nature of charges or credits, other than extraordinary items, positioned on an income statement after the caption for income taxes applicable to income from continuing operations. Examples of charges or credits shown after the caption for income taxes applicable to income from continuing operations follow.

TABLE 3-16: CHARGES OR CREDITS SHOWN AFTER INCOME TAX CAPTION

	Number of Companies 1978	1977	1976	1975
Minority interest	63	64	60	56
Equity in earnings or losses of investees	43	50	53	55
Cumulative effect of accounting change	6	4	4	16
Other	—	—	7	N/C

N/C — Not Compiled.

Minority Interest

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

	1978	1977
	(Millions)	
Earnings Before Income Taxes and Minority Interests	$1,343.7	$979.7
Provision for Income Taxes	548.0	427.2
Earnings Before Minority Interests	795.7	552.5
Minority Interests in Earnings of Consolidated Subsidiaries	8.7	7.4
Net Income	$ 787.0	$545.1

PULLMAN INCORPORATED (DEC)

	1978	1977
	($000)	
Income before provision for income taxes and items shown separately below	$75,861	$33,123
Provisions for income taxes:		
Current	28,121	11,601
Deferred	4,871	1,238
	32,992	12,839
Income before items shown separately below	42,869	20,284
Minority interest in income of consolidated subsidiaries	(2,661)	(1,552)
Equity in earnings of leasing, financing and insurance subsidiaries	23,695	14,391
Net Income	$63,903	$33,123

SCOVILL MANUFACTURING COMPANY (DEC)

	1978	1977
Earnings Before Income Taxes and Minority Interest	$61,886,000	$54,012,000
Federal, Foreign and State Income Taxes	29,951,000	25,839,000
Earnings Before Minority Interest	31,935,000	28,173,000
Minority Interest in Net Earnings of Subsidiaries	1,226,000	315,000
Net Earnings	$30,709,000	$27,858,000

Equity in Investee Operating Results

COMPUGRAPHIC CORPORATION (SEP)

	1978	1977
	($000)	
Income before Federal and state income taxes and earnings of unconsolidated finance subsidiary	$23,237	$16,964
Provision for income taxes	9,992	7,784
Income before earnings of unconsolidated finance subsidiary	13,245	9,180
Earnings of unconsolidated finance subsidiary	349	429
Net income	$13,594	$ 9,609

EXTRAORDINARY ITEMS

APB Opinion No. 30, effective for events and transactions occuring after September 30, 1973, defines extraordinary items as "events and transactions that are distinguished by their unusual nature and by the infrequency of their occurrence," and states that an event or transaction "should be presumed to be an ordinary and usual activity of the reporting entity, the effects of which should be included in income from operations, unless the evidence clearly supports its classification as an extraordinary item as defined in this Opinion." Opinion No. 30, along with its *Accounting Interpretation* published in the November 1973 issue of the *Journal of Accountancy* and reprinted in Section U 2012 of *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

AMERICAN MOTORS CORPORATION (SEP)

	1978	1977
	($000)	
Earnings Before Taxes on Income and Extraordinary Credits	$40,190	$6,236
Taxes on income (Note H)	16,100	3,170
Earnings Before Extraordinary Credits	$24,090	$3,066
Extraordinary credits (Note H)	12,600	5,200
Net Earnings	$36,690	$8,266

Note H (in part): Taxes on Income—Taxes on income for the year ended September 30, 1978, include United States income taxes of $12,600,000 and foreign and other income taxes of $3,500,000. The factors resulting in an effective tax rate of less than 48% include permanent differences between earnings before taxes and income reported on the United States income tax return, as well as investment tax and other credits of $980,000 and foreign tax credits of $1,255,000.

The United States income tax return for 1978 will reflect a tax liability of $2,900,000 after giving effect to timing differences in the recognition of expenses for financial statements and the tax return, a $7,968,000 tax benefit of a net operating loss carryforward and a foreign tax credit carryforward of $4,632,000. The utilization of the net operating loss and foreign tax credit carryforwards is recognized as an extraordinary credit.

Taxes on income for the year ended September 30, 1977, include a charge representing United States income taxes of $5,200,000 and a provision for foreign and other income taxes of $1,300,000, reduced by $3,330,000 representing principally a change in prior years estimated income taxes. The United States income tax return for 1977 reflected a tax loss after giving recognition to certain deductions which had been reported in prior year financial statements. The reduc-

TABLE 3-17: EXTRAORDINARY ITEMS

	1978	1977	1976	1975
Nature				
Operating loss carryforwards and other tax adjustments	35	38	52	31
Litigation settlements	9	6	7	4
Debt extinguishments	4	5	5	9
Other	8	8	17	7
Total Extraordinary Items	**56**	**57**	**81**	**51**
Number of Companies				
Presenting extraordinary items	53	51	69	49
Not presenting extraordinary items	547	549	531	551
Total Companies	**600**	**600**	**600**	**600**

tion of income taxes resulting from the utilization of such prior years accounting deductions was shown as an extraordinary credit.

THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC. (FEB)

	1978	1977
	($000)	
Income before extraordinary credit	$3,191	$13,781
Extraordinary credit—Tax benefit of net operating loss carryforward	1,600	10,000
Net income	$4,791	$23,781

FINANCIAL REIVEW

Income Taxes (in part)—The provision for income taxes set forth in the table below includes a charge in lieu of U.S. Federal income taxes of $1.6 million in fiscal 1977 and $10.0 million in fiscal 1976. An equivalent amount has been reflected as an extraordinary credit in the statement of income in recognition of the corresponding tax benefit resulting from the utilization for financial statement purposes of the Company's operating loss carryforward.

Provision for Income Taxes (thousands)	Fiscal 1977	Fiscal 1976
Current:		
U.S. and Canadian	$1,740	$10,176
State and Local	345	100
Amortization of Investment Credits.	(1,695)	(1,805)
	390	8,471
Deferred	1,810	1,974
	$2,200	$10,445
Extraordinary Credit—Tax Benefit of Operating Loss Carryforward	$1,600	$10,000

The Company will, in future years, continue to reflect as an extraordinary credit that portion of its operating loss carryforward which it realizes for financial statement purposes.

MARATHON OIL COMPANY (DEC)

	1978	1977
Income Before Extraordinary Credit	$197,067,000	$196,959,000
Reduction of West German taxes resulting from utilization of net operating loss carryforwards—Note 1	28,102,000	—
Net Income	$225,169,000	$196,959,000

Note I (in part): Taxes

	1978	1977
	thousands	
Taxes on income:		
Federal:		
Current	$ 37,550	$ 50,150
Deferred	72,050	83,250
	109,600	133,400
Foreign	410,778	424,540
Charge in lieu of West German taxes	28,102	—
Other	6,694	6,227
Total Income Taxes	555,174	564,167
Excise taxes on petroleum products and merchandise	395,298	382,464
Other	73,924	67,978
Totals	$1,024,396	$1,014,609

The Company has additional potential tax benefits in the range of $30,000,000 arising from West German net operating loss carryforwards available in future years. The potential benefits will expire in varying amounts through 1982.

Litigation Settlements

CHAMPION INTERNATIONAL CORPORATION (DEC)

	1978	1977
	($000)	
Income From Continuing Operations Before Extraordinary Item	$203,748	$161,555
Loss From Discontinued Operations, Net of Applicable Income Tax Benefit (Note 17)	—	(22,940)
Extraordinary Item, Net of Applicable Income Tax Benefit (Note 21)	(35,060)	—
Net Income	$168,688	$138,615

Note 21: Extraordinary Item—The Company has agreed to settle all class action antitrust suits in connection with alleged

price fixing relating to folding cartons, milk cartons and corrugated containers. The Company's long-established policies requiring strict compliance with all laws in the conduct of its business apply to all segments of the Company's operations, including the Hoerner Waldorf paper packaging business which was acquired in 1977. The Company has for many years emphasized these policies and will continue to take all actions it deems necessary to insure rigid compliance at all levels. It, therefore, believes significant antitrust litigation settlements to be unusual, nonrecurring and extraordinary.

Accordingly, the settlements, which are subject to court approval, were reflected as an extraordinary charge of $45,924,000 (reduced by a related tax benefit of $10,864,000) against 1978 earnings. The folding carton and milk carton settlement of $20,000,000 (reduced by a related tax benefit of $6,465,000) was charged against third quarter earnings and the corrugated container settlement and related expenses of $25,924,000 (reduced by a related tax benefit of $4,399,000) were charged against fourth quarter earnings. The unusually low tax benefit on these settlements and directly related expenses is due to a portion of the settlement which is deemed to be nondeductible for income tax purposes.

OWENS-ILLINOIS, INC. (DEC)

	1978	1977
	($000)	
Earnings before extraordinary items	$109,231	$91,304
Extraordinary items (see page 17).	(24,000)	—
Net earnings	$ 85,231	$91,304

Page 17: Extraordinary Items. During 1978, the Company had the following extraordinary items:

	Thousands of Dollars
Adjustment of a 1970 provision for loss on discontinuance of Bahamian operations, no tax effect	$ 3,590
Provision for loss relating to settlement of claims arising out of antitrust class actions, net of applicable income taxes of $6,568	(27,590)
	$(24,000)

During 1978, the Company sold substantially all assets related to its former Bahamian operations. These assets had previously been written down to estimated net realizable value through an extraordinary charge in a prior period. The sales proceeds exceeded the written down carrying value of these assets, and the resulting gain is included as an extraordinary item.

In January, 1978, a federal grand jury in Houston, Texas, returned indictments against a substantial number of companies and individuals, including the Company and three of its employees, charging violation of the antitrust laws in connection with certain sales of corrugated containers. Late in 1978, the Company and one of the three employees entered pleas of no contest to the respective indictments against them and the Company was fined $431,000. The other two employees have entered pleas of not guilty. In January, 1979, the Company agreed to the settlement of a number of antitrust class actions against the Company and other defendants involving the sale of corrugated containers. The settlement was made, notwithstanding the Company's denial of any wrongdoing, to reduce the financial risks and additional expenses as well as the burdens and uncertainties inherent in such complex and protracted litigation. The Company has had established policies for many years which require strict compliance with all laws in the conduct of its business and it will continue to emphasize such policies. The Company therefore believes this significant antitrust litigation settlement to be unusual and nonrecurring. Accordingly, the settlement, which is subject to court approval, and other costs related to these actions have been reflected as an extraordinary item.

Major Casualties

PENTRON INDUSTRIES, INC. (JUN)

	1978	1977
Income before extraordinary item	$627,916	$362,132
Extraordinary item (See Note 10)	107,295	—
Net income	$735,211	$362,132

Note 10: Extraordinary Item—On January 11, 1978, a portion of the Company's Plexpro Division's facilities, equipment and inventory were destroyed by fire. The extraordinary credit resulting from the fire is computed as follows:

Insurance proceeds for physical damage	$277,711
Less: Book values of plant, equipment and inventories, demolition costs and other costs	144,416
Excess of proceeds of insurance over book values	133,295
Less: Applicable income taxes	26,000*
Extraordinary item—net of taxes	$107,295

*Income taxes have been provided to the extent of taxable ordinary gain. No income taxes were provided for the capital gains portion ($81,000) since the Company had available unused capital loss carryforwards of which the remaining $6,000 are expiring in 1979.

Debt Extinguishment

CAESARS WORLD, INC. (JUL)

	1978	1977
	($000)	
Income before extraordinary item	$ 8,305	$5,076
Extraordinary gain net of income taxes (Note 15)	2,406	
Net income	$10,711	$5,076

Note 15: Extraordinary item—During fiscal 1978, the Company redeemed a total of $10,915,000 principal amount of its 8% convertible senior subordinated debentures due 1989 at 65% of par value ($7,095,000), resulting in the following ex-

traordinary gain:

	(Thousands Omitted)
Extraordinary gain (net of unamortized loan costs of $148)	$3,672
Income taxes	1,266
Extraordinary gain net of income taxes	$2,406

FAIRCHILD INDUSTRIES, INC. (DEC)

	1978	1977
	($000)	
Earnings Before Extraordinary Item	$23,159	$9,572
Extraordinary Item—Gain on Debenture Exchange—Net of Income Taxes of $1,388 (Note 4)	1,388	—
Net Earnings	$24,547	$9,572

Note 4 (in part): Long-Term Debt—Long-term debt consists of the following:

	December 31 1978	1977
	(In thousands)	
9¾ percent Subordinated Debentures Due April 1, 1998, net of unamortized discount of $625 (effective rate 10½ percent)	$15,456	$ —
4⅜ percent Convertible Subordinated Debentures Due April 1, 1992	4,843	25,552
Loan Agreement—retired March 1978	—	4,250
Other notes payable, collateralized by property or equipment, interest from 7½ percent to 10 percent	2,954	1,910
	23,253	31,712
Less current maturities	565	1,607
	22,688	30,105
Borrowings Under Bank Credit Agreement	2,000	—
	$24,688	$30,105

9¾ Percent Subordinated Debentures—In 1978, the Corporation exchanged $18,394,000 of its 4⅜ percent Convertible Subordinated Debentures for $16,081,500 principal amount of new 9¾ percent nonconvertible Subordinated Debentures. This exchange resulted in an extraordinary gain of $1,388,000 after taxes.

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

ATI, INC. (SEP)

	1978	1977
Net Loss	$1,191,189	$664,766
Loss per common share (Note 1)	$.79	$.44

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

Loss per common share—The computation of loss per share of common stock is based on the weighted average number of shares outstanding during the year (1,516,120—1978; 1,506,242—1977). Shares issuable upon the exercise of qualified stock option grants have not been included in the per share computation because the effect of their inclusion would be antidilutive.

BAYUK CIGARS INCORPORATED (DEC)

	1978	1977
Per share of common stock, based on weighted average shares outstanding, 1,163,286 (1978); 1,391,035 (1977)		
Income before extraordinary credit	$1.49	$ .99
Extraordinary credit	1.27	.38
Net income	$2.76	$1.37

BUCYRUS-ERIE COMPANY (DEC)

	1978	1977
Net Earnings Per Share of Common Stock—Note J	$2.66	$2.57

Note J: Calculation of net earnings per share of common stock—Net earnings per share of common stock are based on the weighted average number of common shares out-

TABLE 3-18: EARNINGS PER SHARE—1978

	Additional shares issuable for			
	Debt	Preferred Stock	Options	Warrants
Included in primary per share calculation	16	34	171	26
Included in fully diluted per share calculation	112	88	57	6
No dilution	43	31	185	19
Not disclosed	18	9	109	10
No additional shares issuable	411	438	78	539
Total Companies	**600**	**600**	**600**	**600**

standing during each year (20,372,834 shares in 1978 and 20,346,438 shares in 1977). The dilutive effect on net earnings per share of common stock resulting from the exercise of outstanding stock options would not be material.

HERCULES INCORPORATED (DEC)

	1978	1977
Earnings per Share (Based on 45,240,171 common and common equivalent shares)	$2.36	$1.36

NOTES TO FINANCIAL STATEMENTS

Note 1: Earnings per Share—Earnings per share are computed based on the weighted average number of common and common equivalent shares outstanding. Common equivalent shares include shares issuable upon conversion of the 6½% convertible subordinated debentures. In computing earnings per share, net income has been adjusted to reflect the elimination of interest expense, net of taxes, on the debentures.

MICROFORM DATA SYSTEMS, INC. (JUL)

	1978	1977
Income per share—Note H		
Income before extraordinary credit	$.23	$.15
Extraordinary credit	.21	.14
Net income	$.44	$.29

Note H: Income per Share—The computation of income per share is based on the weighted average number of shares of Common Stock and common stock equivalents outstanding during the year. Income per common share is based on 5,484,536 and 5,451,628 shares including 65,163 and 35,255 of common stock equivalents in 1978 and 1977, respectively. The equivalents include shares issuable upon the assumed exercise of the restricted and qualified stock options reflected under the treasury stock method using the average market price of the Company's shares during the year. Income per share on a fully diluted basis is the same as the income per share.

OUTBOARD MARINE CORPORATION (OCT)

	1978	1977
Earnings (Loss) per Share of Common Stock computed on the average shares outstanding—8,348,538 shares in 1978 and 8,344,080 in 1977:		
Continuing operations	$3.04	$3.58
Discontinued chain saw business	.10	(.57)
Net	$3.14	$3.01

PENNWALT CORPORATION

	1978	1977
Earnings per common and common equivalent share (Note 6)	$4.54	$4.23

Note 6: Earnings Per Share—Earnings per common and common equivalent share have been computed using the weighted average shares of common stock and dilutive common stock equivalents outstanding (9,909,000 in 1978 and 9,875,000 in 1977). Stock options and both series of preference stock are common stock equivalents. In both 1978 and 1977 earnings per share have been computed assuming conversion of both series of preference stock. Fully diluted earnings per share are the same as the earnings per share indicated.

Fully Diluted Earnings Per Share

CAESARS WORLD, INC. (JUL)

	1978	1977
Net income per common and common equivalent share:		
Income before extraordinary item	$ 1.61	$ 1.03
Extraordinary item	.47	
Net income	$ 2.08	$ 1.03
Net income per share, assuming full dilution:		
Income before extraordinary item	$ 1.59	$ 1.00
Extraordinary item	.46	
Net income	$ 2.05	$ 1.00
Number of shares used in computation (Note 1i):		
Primary	5,146	4,930
Fully diluted	5,259	5,081

Note 1i: 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 dilutive stock options using the treasury stock method. Earnings per common share assuming full dilution are computed based on the further assumption that convertible debt obligations were converted at the beginning of the period (with applicable reduction in interest expense, net of tax).

CLUETT, PEABODY & CO., INC. (DEC)

	1978	1977
Earnings per common share (Note 10):		
Primary	$1.95	$2.00
Fully diluted	$1.91	$1.94

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Earnings Per Share—Primary earnings per share is computed by dividing net income, less the dividend requirement of preferred stock, by the average common shares outstanding during the year including average common shares attributable to dilutive stock options. Fully diluted earnings per share is computed using such average shares increased by the number of shares that would result from the conversion of convertible debentures and preferred stock. Conversion is assumed only if it has a dilutive effect on earnings per share. For purposes of computing fully diluted earnings per share, net income is increased by interest (net of income taxes) on the convertible debentures when such debentures are dilutive and is decreased by the dividend requirement of the preferred stock when such stock is antidilutive.

NOTES TO FINANCIAL STATEMENTS

Note 10: Earnings Per Share—The number of shares used in computing earnings per share on a primary and fully diluted basis was 8,956,768 and 9,935,335, respectively, in 1978 and 8,923,278 and 9,926,032, respectively, in 1977. Conversion of the 4¼% convertible subordinated debentures and the $1 convertible preferred stock and exercise of dilutive outstanding stock options was assumed in both years.

DART INDUSTRIES INC. (DEC)

	1978	1977
Net Earnings Per Share of Common Stock:		
Primary	$5.20	$4.46
Fully diluted	$4.84	$4.18

NOTES TO FINANCIAL STATEMENTS

Earnings per share of Common Stock—Primary earnings per share are based on the weighted average number of shares of Common Stock outstanding during each period increased by the effect of dilutive stock options. Such increased average shares were 23,201,100 for 1978 and 23,160,200 for 1977. Net earnings attributable to Common Stock are after deducting Preferred dividend requirements.

Fully diluted earnings per share are based on the weighted average number of shares of Common Stock outstanding during each period, assumption of conversion of Series A $2 Cumulative Convertible Preferred Stock and assumption of exercise of all dilutive stock options. Such increased average shares were 26,143,500 for 1978 and 26,126,700 for 1977.

EMPIRE GAS CORPORATION (JUN)

	1978	1977
Net Income	$4,615,527	$4,999,452
Earnings Per Common Share and Common Share Equivalents (Note 2)		
Average number of shares outstanding	2,145,144	2,660,428
Earnings per share	$2.15	$1.88
Earnings Per Common Share Assuming Full Dilution (Note 2)		
Average number of shares outstanding	2,347,486	2,884,176
Earnings per share	$2.01	$1.77

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Earnings Per Common Share—Earnings per common share are based on the weighted average number of common shares outstanding during each year. Common share equivalents (where dilutive) in the form of employee stock options are also considered in the computation. Per share computations for the year ended June 30, 1977 have been restated to reflect the stock split-up described in Note 2.

Earnings per common share, assuming full dilution, are determined as set forth above with the further assumption that all five percent convertible debentures were converted into common stock on the date of issue.

Note 2: Stock Split-Up—On January 24, 1978, the Board of Directors voted that a two-for-one split-up of the common stock of the Corporation be effected in the form of a 100 percent stock dividend distributable March 1, 1978 to the stockholders of record on February 10, 1978. Stock option data, issued and treasury shares, and earnings and dividend-per-share amounts in these financial statements have been restated to give effect to the stock split-up.

FMC CORPORATION (DEC)

	1978	1977
Earnings per common share		
Primary (Note 1)		
Income from continuing operations	$4.22	$3.80
Loss from discontinued operations	—	$ .20
Net income	$4.22	$3.60
Assuming full dilution (Note 1)		
Income from continuing operations	$3.87	$3.52
Net income	$3.87	$3.33

Note 1 (in part): Earnings per share—Primary earnings per share of common stock are computed by dividing the net earnings applicable to common stock by the weighted average number of shares of common stock and common stock equivalents (incentive plan shares and stock options) outstanding during the year—32,398,816 in 1978 and

32,349,588 in 1977. Fully diluted earnings per share of common stock are computed using (1) the average number of shares of common stock and common stock equivalents outstanding during the year and (2) shares of common stock issuable upon conversion of convertible debentures and preferred stock. The average number of shares used in the fully diluted computation was 36,872,938 in 1978 and 36,837,687 in 1977. The fully diluted computation also adds back to net income the after-tax interest on convertible debentures and eliminates preferred stock dividends.

GRUMMAN CORPORATION (DEC)

	1978	1977
Primary earnings (loss) per share:		
Continuing operations	$2.66	$3.54
Discontinued operations	(.12)	.50
Loss on disposal	(.11)	—
Net Income	$2.43	$4.04
Fully diluted earnings (loss) per share:		
Continuing operations	$2.38	$3.11
Discontinued operations	(.10)	.42
Loss on disposal	(.09)	—
Net Income	$2.19	$3.53

NOTES TO FINANCIAL STATEMENTS

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

Earnings Per Share—Primary earnings per share is determined after deducting dividends on preferred stock and is based on the weighted average number of outstanding shares and common stock equivalents, which totaled 8,221,417 in 1978 and 8,008,560 in 1977. Fully diluted earnings per share for 1978 and 1977 are based upon 9,712,797 and 9,562,618 shares, respectively, and computed on the same basis as above with the additional assumption that all of the convertible debentures and preferred stock were converted into common stock at the beginning of the year or date of issuance, if later, and that the related interest expense, net of applicable income taxes, was added back to net income.

GULF RESOURCES & CHEMICAL CORPORATION (DEC)

	1978	1977
Earnings per share (Note 3):		
On common and common equivalent shares	$1.47	$.85
On common shares assuming full dilution	$1.43	$.85

Note 3: Earnings Per Share—Earnings per share on common and common equivalent shares are based on the weighted average number of common and common equivalent shares outstanding during the year (7,918,101 and 7,984,763 for 1978 and 1977). Common equivalent shares include shares of Common Stock issuable upon conversion of Series A Preferred Stock and exercise of dilutive stock options and warrants. Each holder of the 9.25% notes has the option to apply principal amount of notes against the cash payment required at the time the warrant is exercised; therefore, the sales of Common Stock issuable upon exercise of warrants were added to common and common equivalent shares and net income was increased by the interest savings (net of income tax effect) on the debt assumed to have been applied to the exercise of warrants. To determine earnings for the purpose of this calculation, net income has been increased by the interest savings noted above and was reduced for Series B and Series C Preferred Stock dividend requirements. Earnings available for common and common equivalent shares were $11,646,000 and $6,758,000 for 1978 and 1977.

Earnings per share on common shares assuming full dilution are based on average common shares outstanding during the year and on common shares issuable for all dilutive convertible securities, stock options and warrants (10,137,831 and 7,989,892 for 1978 and 1977). To determine earnings for the purpose of this calculation, net income has been increased by the interest savings (net of income tax effect) of the debt assumed to have been applied to the exercise of warrants and was reduced for Series B and Series C Preferred Stock dividend requirements when such issue was determined to be anti-dilutive. Earnings available for Common Stock assuming full dilution were $14,455,000 and $6,758,000 for 1978 and 1977.

OWENS-ILLINOIS, INC. (DEC)

	1978	1977
Earnings per common share:		
Primary:		
Before extraordinary items	$3.71	$3.09
Extraordinary items	(.84)	—
Net earnings	$2.87	$3.09
Fully diluted:		
Before extraordinary items	$3.44	$2.87
Extraordinary items	(.75)	—
Net earnings	$2.69	$2.87

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Earnings Per Share. Primary earnings per common share are computed after deducting the annual dividend requirements of the preferred and preference shares and using the weighted average shares outstanding, 28,437,294 in 1978 and 28,381,420 in 1977. The inclusion in the computation of incremental shares applicable to outstanding stock options would have no material effect.

Fully diluted earnings per common share assume full conversion of the preference shares and all convertible debentures at January 1 of each year and the exercise of dilutive stock options with the proceeds thereof assumed used to purchase shares for the treasury. Earnings applicable to common shares have been increased for this purpose by the amount of preference dividends and the after-tax effect of debenture interest assumed eliminated. Total shares used in the computation were 31,938,944 in 1978 and 32,061,548 in 1977.

SPERRY RAND CORPORATION (MAR)

	1978	1977	1976	1975	1974
Net Income per Share (Note 4)					
Primary	$5.08	$4.51	$4.19	$3.63	$3.31
Fully diluted	$4.60	$4.11	$4.00	$3.54	$3.23

Note 4: Earnings Per Share—Primary earnings per share are based on the weighted average number of outstanding common shares and common share equivalents of stock option and stock purchase plans. Fully diluted earnings per share assumes that outstanding convertible debentures are converted into common stock.

The number of shares used in the computations were as follows:

	Years ended March 31				
	1978	1977	1976	1975	1974
Primary	34,780,032	34,773,985	34,695,647	34,531,633	34,526,932
Fully diluted	39,572,257	39,537,385	36,933,078	35,702,344	35,698,801

STERNDENT CORPORATION (DEC)

	1978	1977
Earnings per Common Share (Note 10)		
Primary	$2.39	$2.20
Fully diluted	$2.28	$2.12

Note 10: Earnings per share—Primary earnings per common share is based on the weighted average number of common shares outstanding and the incremental shares arising from the assumed exercise of outstanding stock options and warrants for each year. Fully diluted earnings per common share assumes the conversion, where dilutive, from date of issuance of all outstanding convertible debt and equity securities, adjusted for reductions in interest expense (net of taxes) on the convertible notes, and the reduction in dividends paid on the Second Preferred Stock. Primary and fully diluted earnings per share have been reduced by $.08 and $.10, respectively, in 1978 due to the dilutive effect of outstanding stock options and warrants. Outstanding stock options and warrants would not have a materially dilutive effect on 1977 per share amounts.

Shares used to determine primary earnings per share totaled 2,095,447 for 1978 and 2,003,245 for 1977. As to fully diluted earnings per share, such shares were 2,223,065 for 1978 and 2,118,156 for 1977.

UNITED STATES STEEL CORPORATION (DEC)

	1978	1977
Income Per Common Share (Note 12)		
Primary	$2.85	$1.66
Fully diluted	$2.78	$1.66

Note 12: Income Per Common Share—Primary income per common share is based on the weighted average number of common shares outstanding which were 84,961,076 in 1978 and 83,011,299 in 1977.

Fully diluted income per share assumes full conversion of the 5¾% convertible subordinated debentures outstanding. In 1978, the income for computation of primary income per share was adjusted by $11.6 million for assumed reduction of interest and other related costs of these debentures. The weighted average number of shares used to compute fully diluted income per share was 91,095,738. In 1977, the conversion of these convertible debentures was excluded from computation of fully diluted income per share because of anti-dilutive effects.

WINN-DIXIE STORES, INC. (JUN)

	1978	1977
Net earnings per share of common stock:		
Primary(a)	$3.94	3.28
Fully diluted(b)	$3.79	3.11

(a)The number of shares used in the calculation in 1978 and 1977 amounted to 21,317,166 and 21,210,930, respectively, which is the weighted average of common and Class B common stock outstanding during each year, after increasing the number of shares of common stock to give effect to the assumption that all shares of Class B common stock had been converted at the conversion ratio in effect during each year.

(b)The number of shares used in the calculation in 1978 and 1977 amounted to 22,176,288 and 22,370,665, respectively, which is based on the assumption that all Class B common stock was converted at the beginning of each year, using the maximum conversion ratio of 1.540 for each year.

Section 4: Stockholders' Equity

TABLE 4-1: PRESENTATION OF CHANGES IN RETAINED EARNINGS

	1978	1977	1976	1975
Statement of Stockholders' Equity	263	251	241	214
Combined statement of income and retained earnings	161	169	172	175
Separate statement of retained earnings	163	167	178	199
Changes shown in balance sheet or notes	13	13	9	12
Total Companies	**600**	**600**	**600**	**600**

TABLE 4-2: DIVIDENDS

	Number of Companies			
	1978	1977	1976	1975
Cash Dividends Paid to Common Stock Shareholders				
Per share amount disclosed in retained earnings statement	421	439	417	423
Per share amount not disclosed in retained earnings statement	111	90	107	79
Total	**532**	**529**	**524**	**502**
Cash Dividends Paid to Preferred Stock Shareholders				
Per share amount disclosed in retained earnings statement	131	134	166	168
Per share amount not disclosed in retained earnings statement	90	94	103	65
Total	**221**	**228**	**269**	**233**
Dividends Paid By Pooled Companies	**5**	**10**	**13**	**8**
Stock Dividends	**39**	**39**	**41**	**42**
Dividends In Kind	**—**	**—**	**1**	**1**

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 1978 fiscal year transactions are presented throughout this section.

DIVIDENDS

Chapter 7B of *Accounting Research Bulletin 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 79% 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 59% of the survey companies make a similar disclosure for cash dividends paid to preferred stock shareholders.

Examples of distributions to shareholders follow.

Cash Dividends

AMERICAN BILTRITE INC. (DEC)

Consolidated Statements of Operations and Retained Earnings

	1978	1977
Net Earnings (Loss)	$ 6,310,960	$(12,217,162)
Retained earnings at beginning of year	27,930,322	40,649,431
Less cash dividends declared:		
First Preferred Stock—$6.50 per share	2,210	2,301
Second Preferred Stock—$.80 a share	6,267	6,439
Common Stock—$.05 a share in 1978 ($.19 in 1977)	131,520	493,207
	139,997	501,947
Retained Earnings at End of Year	$34,101,285	$ 27,930,322

AMERICAN BRANDS, INC. (DEC)

Consolidated Statement of Retained Earnings

	1978	1977
	(In thousands)	
Balance at beginning of year	$1,055,922	$ 982,234
Net income	211,539	156,359
Cash dividends		
Common stock: 1978, $3.625 per share; 1977, $2.98 per share	95,214	77,661
$6.00 Convertible Preferred stock	1,470	2,166
$1.70 Convertible Preferred stock	2,205	2,554
Excess of cost over stated value of $1.70 Convertible Preferred stock reacquired	76	290
Retained earnings at end of year	$1,168,496	$1,055,922

JANTZEN INC. (AUG)

Statements of Consolidated Income and Retained Earnings

	1978	1977
Net Income	$ 5,849,315	$ 2,613,884
Retained Earnings at Beginning of Year	22,641,604	21,509,780
Cash Dividends Paid: 1978—$.85 per share, 1977—$.80 per share	(1,574,941)	(1,482,060)
Retained Earnings at End of Year	$26,915,978	$22,641,604

KOPPERS COMPANY, INC. (DEC)

Consolidated Statement of Shareholders' Equity

($ Thousands, except per share figures)

	Cumulative Preferred Stock	Common Stock	Capital in Excess of Par Value	Earnings Retained in the Business	Total Preferred and Common Shareholders' Equity
Balance at January 1, 1977 as previously reported	$15,000	$31,074	$75,706	$302,639	$424,419
Adjustment for the cumulative effect on prior years of applying retroactively the new method of accounting for leases (Note 5)	—	—	—	741	741
Balance at January 1, 1977 as restated	15,000	31,074	75,706	303,380	425,160
Net income for the year 1977 (restated)	—	—	—	66,410	66,410
Cash dividends paid:					
On preferred stock, $4.00 per share	—	—	—	(600)	(600)
On common stock, $.95 per share	—	—	—	(23,650)	(23,650)
Common stock issued during 1977:					
92,448 additional shares for 1975 acquisition	—	116	1,859	—	1,975
26,402 shares contributed to Employee Stock Ownership Plan trust	—	33	515	—	548
Balance at December 31, 1977	15,000	31,223	78,080	345,540	469,843
Net income for the year 1978	—	—	—	76,011	76,011
Cash dividends paid:					
On preferred stock, $4.00 per share	—	—	—	(600)	(600)
On common stock, $1.125 per share	—	—	—	(28,158)	(28,158)
Common stock issued during 1978:					
90,439 shares for an acquisition	—	113	1,987	28	2,129
18,963 shares contributed to Employee Stock Ownership Plan trust	—	23	409	—	432
Balance at December 31, 1978	$15,000	$31,359	$80,476	$392,822	$519,657

TEXTRON INC. (DEC)

Consolidated Statement of Retained Earnings

	1978	1977
	(In thousands of dollars, except per share amounts)	
Balance at beginning of year	$756,805	$674,762
Net income	168,075	136,866
	924,880	811,628
Cash dividends declared*:		
$2.08 preferred stock	7,781	6,251
$1.40 preferred dividend stock	5,637	6,113
Common stock:		
$1.60 with respect to 1978 ($1.40 in 1977)	49,799	41,982
$ .45 with respect to 1979	14,213	—
	77,430	54,346
Charges resulting from issuance of treasury shares upon exercise of stock options and warrants	1,275	477
	78,705	54,823
Balance at end of year	$846,175	$756,805

*The first quarter 1979 dividend on each class of stock was declared in December, 1978.

U AND I INCORPORATED (FEB)

Consolidated Statements of Operations and Retained Earnings

	1978	1977
Net Earnings (Loss)	$(2,024,577)	$ 5,542,318
Retained Earnings		
Dividends paid on Preferred Stock:		
Class A—$1.265 per share	124,501	124,501
Class B—$1.265 per share	124,508	124,508
Earnings (Loss) Related to Common Stock	(2,273,586)	5,293,309
Amount at beginning of year	46,505,872	44,240,327
	44,232,286	49,533,636
Dividends paid on Common Stock—$.30 per share in 1978 and $1.35 per share in 1977	670,900	3,027,764
Retained Earnings at End of Year	$43,561,386	$46,505,872

Dividend Paid By Pooled Company

THE COCA-COLA COMPANY (DEC)

Consolidated Statements of Retained Earnings

(In thousands except per share data)

	1978	1977
Balance at January 1:		
The Coca-Cola Company and Subsidiaries	$1,421,356	$1,266,268
Presto Products, Incorporated		13,049
Adjusted balance at January 1		1,279,317
Net income for the year	374,692	331,163
Dividends paid in cash:		
The Coca-Cola Company (per share—1978, $1.74; 1977, $1.54)	214,344	188,170
Presto Products, Incorporated, prior to combination	298	954
Balance at December 31	$1,581,406	$1,421,356

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Acquisitions—In January 1977 the Company issued 2,322,000 shares of its common stock for all of the outstanding common stock of The Taylor Wine Company, Inc. in a transaction accounted for as a pooling of interests.

Also in 1977 the Company acquired Sterling Vineyards and Gonzales & Co., Inc. (The Monterey Vineyard) which operate wineries. These acquisitions were accounted for as purchase transactions and had no significant effect on operations in 1977.

In May 1978 the Company issued 1,275,000 shares of its common stock for all of the outstanding common stock of Presto Products, Incorporated in a transaction accounted for as a pooling of interests. Accordingly, financial statements for 1977 and prior years have been restated to include the accounts of Presto. Net sales and net income for 1977, as previously reported for the Company, were $3,559,878,000 and $326,220,000, respectively and for Presto were $59,957,000 and $4,943,000, respectively.

Dividends in Arrears

GENESCO INC. (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (in part): Stockholders' Equity

Dividend arrearages

Class of Stock	Date Dividends Paid to	Arrearage at July 31, 1978 Per Share	Aggregate
$4.50 Cumulative	October 31, 1976	$ 7.88	$ 134,000
$4.25 Series A ..	January 31, 1975	14.88	9,000
$6.00 Series B ..	January 31, 1975	21.00	2,535,000
$6.00 Series C ..	January 31, 1975	21.00	2,612,000
$2.30 Series 1 ..	January 31, 1975	8.05	719,000
$3.06 Series 2 ..	January 31, 1975	11.13	1,841,000
$4.75 Series 3 ..	January 31, 1975	16.62	1,331,000
$4.75 Series 4 ..	January 31, 1975	16.62	1,091,000
$4.75 Series 5 ..	January 31, 1975	16.62	1,637,000
$1.50 Subordinated..........	January 31, 1975	5.25	1,000
Total			$11,910,000

Stock Dividends

BEECH AIRCRAFT CORPORATION (SEP)

Consolidated Statements of Income and Retained Earnings

	1978	1977
Net Income	$ 35,520,876	$25,482,501
Retained earnings at beginning of year	85,027,416	66,563,113
	120,548,292	92,045,614
Less:		
Cash dividends paid:		
1978—$.76 a share........	8,383,192	
1977—$.65 a share........		7,018,198
Market value of Common Stock issued as 2% stock dividend	4,101,308	
Cash payment in lieu of fractional shares	171,542	
	12,656,042	7,018,198
Retained Earnings at End of Year ..	$107,892,250	$85,027,416

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note G: Common Stock and Additional Paid-In Capital—Following is a summary of the changes in Common Stock and additional paid-in capital for the two years ended September 30, 1978:

	Common Stock	Additional Paid-In Capital	Treasury Stock
Balance October 1, 1976	$ 7,410,952	$19,273,990	$(3,920,121)
Proceeds from sale of shares under employee stock option plans	111,314	1,247,374	
Shares issued for debenture conversion	5,815	162,568	
Balance September 30, 1977	7,528,081	20,683,932	(3,920,121)
Shares issued in payment of 2% stock dividend at market value (including 8,922 shares applied to treasury shares)	147,423	3,953,885	
Adjustment to reflect transfer in connection with three for two stock split (including 228,618 shares applied to treasury shares)............	3,886,953	(3,886,953)	
Proceeds from sale of shares under employee stock options plans	85,956	726,784	
Shares issued for debenture conversions..........	448,979	8,644,784	
Purchase of 4,700 treasury shares			(124,046)
Balance September 30, 1978	$12,097,392	$30,122,432	$(4,044,167)

A three-for-two stock split was effected pursuant to authorization by the Board of Directors on April 11, 1978. All references in the financial statements with regard to average numbers of shares of common stock and related prices, dividends and per share amounts have been restated to reflect the foregoing common stock split.

On October 10, 1978 the Board of Directors declared a 1% stock dividend for each share outstanding, payable November 17, 1978 to shareholders of record October 20, 1978. Payment of this dividend will result in the issuance of 116,107 additional shares of Common Stock (fractional shares will be paid in cash). The earnings per share and dividends per share shown on the consolidated statements of income and retained earnings as well as information in Notes

D, H, and L have been adjusted to give retroactive effect to this stock dividend.

CROWN CENTRAL PETROLEUM CORPORATION (DEC)

Consolidated Statements of Changes in Stockholders' Equity

	Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Stockholders' Equity
Balance at January 1, 1977	1,802,340	$ 9,012,000	$22,893,000	$50,801,000	$ 82,706,000
Net income for the year				12,306,000	12,306,000
Cash dividends—$.60 per share				(1,083,000)	(1,083,000)
6% Common Stock dividend	107,424	537,000	2,068,000	(2,620,000)	(15,000)
Balance at December 31, 1977	1,909,764	9,549,000	24,961,000	59,404,000	93,914,000
Net income for the year				18,621,000	18,621,000
Cash dividends—$.90 per share				(1,719,000)	(1,719,000)
6% Common Stock dividend—Note K	113,818	569,000	2,518,000	(3,105,000)	(18,000)
Balance at December 31, 1978	2,023,582	$10,118,000	$27,479,000	$73,201,000	$110,798,000

Note K: Stock Dividend—On January 26, 1979 the Company paid a 6% stock dividend declared in December 1978. Retroactive effect has been given to the 6% stock dividend in the stockholders' equity accounts and in all net income per share amounts.

SELIGMAN & LATZ, INC. (OCT)

Consolidated Statements of Stockholders' Equity

(in thousands except share data)

	Preferred stock issued		Common stock issued		Paid-in		Treasury common stock	
	Number of shares	Aggregate par value	Number of shares	Aggregate par value	additional capital	Retained earnings	Shares	Cost
Balance at October 31, 1976	5,000	$500	1,904,774	$1,905	$ 8,725	$20,876	80,385	$595
Cash dividends:								
4% Cumulative Preferred Stock ($4.00 per share)						(20)		
Common Stock—per share—$1.09						(2,271)		
5% stock dividend on Common Stock			95,754	96	1,364(1)	(1,460)	3,198	
Amounts paid in lieu of fractional shares in connection with stock dividend						(15)		
Exercise of stock options			5,012	5	39		(16,422)	(122)
Exercise of warrants			25,000	25	115			
Net income						4,680		
Balance at October 31, 1977	5,000	500	2,030,540	2,031	10,243	21,790	67,161	473
Cash dividends:								
4% Cumulative Preferred Stock ($4.00 per share)						(20)		
Common Stock—per share—$1.14						(2,409)		
5% stock dividend on Common Stock			100,653	100	1,146(1)	(1,246)	2,371	
Amounts paid in lieu of fractional shares in connection with stock dividend						(13)		
Exercise of stock options			3,947	4	3		(19,726)	(139)
Net income						4,335		
Balance at October 31, 1978	5,000	$500	2,135,140	$2,135	$11,392	$22,437	49,806	$334

(1)Represents excess of fair market value over the par value of shares issued in connection with 5% stock dividends on Common Stock.

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.

TABLE 4-3: ADJUSTMENTS TO OPENING BALANCE OF RETAINED EARNINGS

	Number of Companies			
	1978	1977	1976	1975
Change in accounting for leases	69	35	—	—
Poolings of interests	31	31	24	18
Change in accounting for oil and gas operations	4	—	—	—
Other	7	24	58	149

Change In Accounting for Leases

AMERADA HESS CORPORATION (DEC)

Statement of Consolidated Retained Earnings

	1978	1977
Balance at beginning of year		
As previously reported		$ 977,944,000
Adjustment to reflect capitalization of leases (Note 2)		(3,114,000)
As restated	$1,084,980,000	974,830,000
Net income	142,418,000	177,803,000
Dividends		
Cash		
$3.50 cumulative convertible preferred stock	(19,459,000)	(23,030,000)
Common stock ($.95 per share in 1978; $.75 per share in 1977)	(26,710,000)	(18,496,000)
Common stock—2%	(23,580,000)	(21,345,000)
Retirement of treasury stock	—	(4,782,000)
Balance at end of year	$1,157,649,000	$1,084,980,000

Note 2: Change in Accounting for Leases—In December 1978, the Corporation changed its method of accounting for leases to comply with the provisions of Statement of Financial Accounting Standards (FAS) No. 13 issued by the Financial Accounting Standards Board. Under FAS No. 13, leases which meet certain criteria are capitalized and the related depreciation expense and imputed interest are charged against income in lieu of the lease rental expense. In the last quarter of 1978, FAS No. 13 was applied retroactively and, accordingly, the financial statements for prior years have been restated which resulted in a reduction in retained earnings at January 1, 1977 of $3,114,000 and decreased 1978 and 1977 net income as follows:

	1978		1977	
	Amount	Per share	Amount	Per share
First quarter	$202,000	$ —	$ 614,000	$.02
Second quarter	100,000	.01	164,000	—
Third quarter	27,000	—	150,000	.01
Fourth quarter	38,000	—	150,000	—
Total	$367,000	$.01	$1,078,000	$.03

CLUETT, PEABODY & CO., INC. (DEC)

Statements of Consolidated Income and Retained Earnings

	1978	1977
Net income	$ 18,895,000	$ 19,253,000
Retained earnings, January 1, as originally reported		120,966,000
Less adjustment, net of tax effect ($1,458,000), for cumulative prior years' effect of the change in accounting for leases (Note 11)		1,458,000
Retained earnings, January 1, as adjusted	132,737,000	119,508,000
Cash dividends declared:		
$1 Cumulative convertible preferred stock—$1.00 per share	1,397,000	1,397,000
Common stock—1978—$.60 per share; 1977—$.525 per share	5,314,000	4,627,000
	6,711,000	6,024,000
Retained earnings, December 31	$144,921,000	$132,737,000

Note 11 (in part): Leases—As of December 31, 1978, the Company retroactively changed its method of accounting for leases entered into prior to January 1, 1977 to comply with a pronouncement of the Financial Accounting Standards Board. The change reduced net income for 1978 by $18,000 and previously reported net income for 1977 by $20,000. Retained earnings as of January 1, 1977 decreased by $1,458,000 (net of income taxes of $1,458,000).

THE KROGER CO. (DEC)

Consolidated Statement of Accumulated Earnings

	1978	1977
Accumulated earnings—Beginning of the year	$423,235,860	$386,285,834
Reduction of accumulated earnings relating to capitalization of leases		(2,522,041)
As restated	$423,235,860	$383,763,793
Net earnings for the year	84,596,086	60,022,740
	$507,831,946	$443,786,533
Dividends on common stock—$1.78 per share in 1978 and $1.52 per share in 1977	24,217,754	20,550,673
Accumulated earnings—End of the year	$483,614,192	$423,235,860

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Leases (in part)—The 1977 financial statements have been restated to retroactively adopt Statement of Financial Accounting Standards No. 13 for leases entered into prior to January 1, 1977. Leases entered into during 1977 were previously reported as capital leases or operating leases in accordance with this pronouncement. The application of this statement reduced 1978 net earnings by $691,124 ($.05 per share) and 1977 net earnings by $649,811 ($.05 per share).

STANDARD OIL COMPANY OF CALIFORNIA (DEC)

Consolidated Statement of Retained Earnings

	1978	1977
Balance at Beginning of Year:		
As previously reported	$5,751,467,000	$5,135,129,000
Effect of accounting change	(84,584,000)	(71,935,000)
As restated	5,666,883,000	5,063,194,000
Net Income for Year	1,105,881,000	1,003,711,000
Cash Dividends on Common Stock—$2.55 per share in 1978 and $2.35 in 1977	(434,581,000)	(400,022,000)
Balance at End of Year	$6,338,183,000	$5,666,883,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13 (in part): Lease Commitments (Thousands of Dollars)—Financial Accounting Standards Board Statement No. 13 (FAS 13), requires that certain noncancellable leases be classified as "capital leases," and that other leases be classified as "operating leases." FAS 13 required the immediate capitalization of those capital leases entered into subsequent to December 31, 1976 and the Securities and Exchange Commission required retroactive application of FAS 13 no later than 1978. In accordance with these requirements, in 1977 the Company adopted the provisions of FAS 13 for all leases entered into on or after January 1, 1977 and in the first quarter of 1978 the Company adopted the retroactive provisions of FAS 13 for all leases entered into prior to 1977. Prior years' financial statements have been restated accordingly. As a result, retained earnings as of December 31, 1977 and 1976 have been reduced by $84,584, and $71,935, respectively. Previously reported net income for 1977 was reduced by $12,649.

SUPERMARKETS GENERAL CORPORATION (JAN)

Consolidated Statements of Stockholders' Equity

	$1.00 Cumulative Preferred Stock	$1.30 Cumulative Convertible Preferred Stock	Common Stock	Paid-In Capital	Retained Earnings	Treasury Stock
			(000's omitted)			
Balance, January 29, 1977, as previously reported	$	$294	$8,115	$7,145	$71,289	$
Reduction of retained earnings relating to capital leases					(10,102)	
Balance as restated		294	8,115	7,145	61,187	
Net earnings					14,852	
Dividends						
Preferred stock ($1.30 per share)....................					(160)	
Common stock ($.345 per share)......................					(2,809)	
Exercise of stock options			38	143		
Balance, January 28, 1978................................		294	8,153	7,288	73,070	
Net earnings					20,637	
Dividends						
Preferred stock ($.117 per share)....................					(117)	
Preferred stock ($1.30 per share)....................					(152)	
Common stock ($.405 per share)......................					(3,285)	
Issuance of $1.00 cumulative preferred stock...........	10,000					
Conversion of preferred stock.............................		(40)	34	6		
Exercise of stock options			118	417		357
Conversion of debt			105	1,138		1,757
Purchase of treasury stock						(6,137)
Balance, February 3, 1979................................	$10,000	$254	$8,410	$8,849	$90,153	$(4,023)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Changes

Leases: The Company has adopted, retroactive to January 31, 1974, the accounting for leases required by Financial Accounting Standards Board in Statement No. 13. This change reduced net earnings from continuing operations for 1978 by $1,083,000 or $.13 per share ($.12 per share—fully diluted). The financial statements for prior years have been restated to give effect to the new accounting, as follows:

Balance Sheet effect:

	January 28, 1978	January 29, 1977	January 31, 1976	February 1, 1975
		(000's omitted)		
Increase/(decrease):				
Property acquired under capital leases—net	$101,865	$ 97,380	$100,538	$102,649
Current portion of obligations under capital leases	5,838	5,497	5,336	5,166
Long term portion of obligations under capital leases	117,397	111,060	111,848	111,595
Deferred tax liability	(10,204)	(9,075)	(7,748)	(6,417)
Retained earnings................	(11,127)	(10,102)	(8,898)	(7,695)

Earnings from continuing operation effect:

	1977	1976	1975	1974
		(000's omitted)		
Increase (decrease):				
Interest expense................................	$10,283	$10,264	$10,027	$ 9,586
Rent expense	(15,042)	(14,611)	(14,368)	(13,468)
Amortization	6,755	6,705	6,690	6,402
Earnings from continuing operations before provision for income taxes	$(1,996)	$(2,358)	$(2,349)	$(2,520)
Net earnings from continuing operations	$(1,025)	$(1,204)	$(1,203)	$(1,299)
Earnings per common and common equivalent share..	$ (.11)	$ (.13)	$ (.14)	$ (.15)
Earnings per common share—fully diluted	$ (.10)	$ (.12)	$ (.12)	$ (.15)

WINN-DIXIE STORES, INC. (JUN)

Consolidated Statement of Stockholders' Equity

	1978	1977
	(Amounts in thousands)	
Capital Stock:		
Common stock:		
Beginning of year	$ 13,988	13,600
Add par value of shares issued in exchange for Class B common stock	428	388
End of year	14,416	13,988
Class B common stock:		
Beginning of year	5,573	5,859
Deduct par value of shares exchanged for shares of common stock	304	286
End of year	5,269	5,573
Capital in Excess of Par Value of Capital Stock:		
Beginning of year	126	1,000
Deduct excess of cost over net proceeds of reacquired stock sold under stock purchase plan	32	772
Deduct conversion of 232,178 shares of Class B common stock in 1978 (285,517 shares in 1977)	94	102
End of year	—	126
Retained Earnings:		
Balance at beginning of year as previously reported	369,775	320,534
Deduct cumulative effect of change in accounting for leases	3,178	2,442
Balance at beginning of year, as restated	366,597	318,092
Net earnings	84,014	69,664
Deduct excess of cost over net proceeds of reacquired stock sold under stock purchase plan	3,032	—
Deduct conversion of 72,770 shares of Class B common stock in 1978	30	—
Deduct cash dividends on common stock of $1.68 per share ($1.56 per share in 1977)	23,169	21,159
End of year	424,380	366,597
Cost of Common Stock Held:		
Beginning of year—393,254 shares (163,238 shares in 1977)	14,353	4,668
Add cost of 214,521 shares reacquired during year (395,726 shares in 1977)	7,706	16,063
	22,059	20,731
Deduct cost of 256,448 shares issued under stock purchase plan in 1978 (165,710 shares in 1977)	10,827	6,378
End of year—351,327 shares (393,254 shares in 1977)	11,232	14,353
Total Stockholders' Equity	$432,833	371,931

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Change in Accounting for Leases—During the year the Company changed its method of accounting for leases in accordance with Financial Accounting Standards Board Statement No. 13. This Statement required the retroactive capitalization of certain store and warehouse leases that meet specific provisions of this Statement and restatement of the financial statements for prior years as though it had been in effect for those years.

The effect of the accounting change was to decrease net earnings for the year ended June 28, 1978 and net earnings as previously reported for the year ended June 25, 1977 as follows:

	June 28, 1978	June 25, 1977
Decrease in:		
Net earnings	$795,000	736,000
Net earnings per share of common stock:		
Primary	$ .04	.04
Fully diluted	$ .04	.04

Retained earnings for years prior to 1977 have been reduced by $2,442,000 to reflect the effect of retroactively applying the change.

XEROX CORPORATION (DEC)

Consolidated Statements of Common and Class B Shares, Additional Paid-In Capital and Retained Earnings

(Dollars in millions, except per share data)	1978	1977
Common and Class B Shares		
Common Stock		
Shares outstanding at beginning of year	80,062,959	79,488,024
Incentive stock units vested	156,697	—
Stock options and warrant exercised	19,151	40,750
Debentures converted		
Xerox Corporation	—	5
Acquired company	—	534,180
Exchanged for Class B stock	50	—
Shares outstanding at end of year	80,238,857	80,062,959
Class B Stock		
Shares outstanding at beginning of year	311,688	338,988
Repurchased	(29,315)	(27,300)
Exchanged for common stock	(50)	—
Shares outstanding at end of year	282,323	311,688
Additional Paid-In Capital		
Balance at beginning of year	$257.3	$258.3
Incentive stock units vested	8.2	—
Stock options and warrant exercised	.4	.4
Debentures converted		
Acquired company	—	.5
Class B stock repurchased	(1.8)	(1.9)
Balance at end of year	$264.1	$257.3
Retained Earnings		
Balance at beginning of year, as previously reported	$2,154.4	$1,867.1
Deduct adjustment for the cumulative effect on prior years of applying retroactively the new method of accounting for capital leases	12.4	9.8
Balance at beginning of year, as adjusted	2,142.0	1,857.3
Net income	476.9	404.0
Total	2,618.9	2,261.3
Deduct cash dividends declared on common and Class B stock (1978—$2.00 per share; 1977—$1.50 per share)	161.0	119.3
Balance at end of year	$2,457.9	$2,142.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Leasing Agreements

As Lessee (in part)—During 1977, the Company adopted Statement No. 13 of the Financial Accounting Standards Board, whereby assets and obligations relating to leases entered into on or after January 1, 1977 which met capital lease criteria were recorded in the financial statements. In accordance with Accounting Series Release No. 225 issued by the Securities and Exchange Commission, the Company has recorded, effective January 1, 1978, assets and obligations relating to leases in existence at December 31, 1976 which had previously been classified and accounted for as operating leases, but met criteria for classification as capital leases. Accordingly, the financial statements for 1977 and prior years have been restated. This accounting change decreased net income for 1978 and 1977 by $0.9 million and $2.6 million or $.01 and $.03 per share, respectively.

Change in Accounting for Oil and Gas Operations

STANDARD OIL COMPANY (INDIANA)

Consolidated Statement of Shareholders' Equity

	Capital Stock at Par Value	Capital in Excess of Par Value	Earnings Retained and Invested in the Business	Treasury Shares at Cost	Total
Balance on December 31, 1976					
As previously reported	$1,875,538,000	$38,559,000	$4,294,669,000	$(78,226,000)	$6,130,540,000
Adjustment resulting from adoption of FASB Statement No. 19 procedures			(289,943,000)		(289,943,000)
As restated	1,875,538,000	38,559,000	4,004,726,000	(78,226,000)	5,840,597,000
Net income*			1,032,218,000		1,032,218,000
Cash dividends of $2.60 a share			(381,300,000)		(381,300,000)
Acquisitions and issuances of treasury shares (net)				(18,309,000)	(18,309,000)
Sale of capital stock of subsidiary company		1,553,000			1,553,000
Balance on December 31, 1977	1,875,538,000	40,112,000	4,655,644,000	(96,535,000)	6,474,759,000
Net income			1,076,412,000		1,076,412,000
Cash dividends of $2.80 a share			(409,961,000)		(409,961,000)
Acquisitions and issuances of treasury shares (net)				(1,740,000)	(1,740,000)
Sale of capital stock of subsidiary company		6,827,000			6,827,000
Balance on December 31, 1978	$1,875,538,000	$46,939,000	$5,322,095,000	$(98,275,000)	$7,146,297,000

FINANCIAL REVIEW

Accounting procedures relating to oil and gas producing activities were modified in 1978 to conform to the uniform successful efforts method of accounting defined by the Financial Accounting Standards Board's Statement No. 19. The principal changes are (1) development dry hole costs are capitalized and amortized on a unit-of-production basis, (2) all geological and geophysical costs are expensed as incurred, and (3) all exploratory drilling costs are initially capitalized and costs of unsuccessful wells are charged to expense when they are determined to be nonproductive. Also, deferred income taxes have been provided for cumulative financial accounting/tax differences originating prior to 1975 with respect to intangible drilling and development costs.

In the accompanying consolidated financial statements, the modified accounting procedures have been applied retroactively. The principal effects of the accounting changes were to increase net income by $29.1 million in 1978 and $20.6 million in 1977, to reduce earnings retained and invested in the business on January 1, 1977, by $289.9 million and to increase deferred income taxes by $247.9 million and $217.7 million at year-end 1978 and 1977, respectively.

The effect (unaudited) of the change on quarterly earnings in 1978 and 1977 was as follows:

	Increase (decrease) in Net Income (Millions of Dollars)		Earnings Per Share	
	1978	1977	1978	1977
First quarter	$21.0	$ 5.3	$.15	$.03
Second quarter	11.6	10.6	.07	.08
Third quarter	5.4	(1.0)	.04	—
Fourth quarter	(8.9)	5.7	(.06)	.03
Year	$29.1	$20.6	$.20	$.14

Pooling of Interests

DUN & BRADSTREET COMPANIES, INC. (DEC)

Consolidated Statement of Shareowners' Equity

	Common Stock ($1 Par Value)	Capital in Excess of Par Value	Retained Earnings	Total
Balance, January 1, 1977:				
As previously reported	$26,451,000	$34,852,000	$172,284,000	$233,587,000
Adjustments for pooling of interests (Note 10)	1,366,000	1,676,000	5,201,000	8,243,000
As restated	27,817,000	36,528,000	177,485,000	241,830,000
Net income for the year			58,491,000	58,491,000
Cash dividends ($1.20 per share)			(31,601,000)	(31,601,000)
Cash dividends and 10% stock dividend of pooled company prior to merger	136,000	3,072,000	(4,104,000)	(896,000)
Common shares issued under stock option plans of pooled company prior to merger	24,000	231,000		255,000
Treasury shares reissued under stock option and deferred compensation plans	53,000	1,326,000		1,379,000
Treasury shares acquired	(211,000)	(283,000)	(5,418,000)	(5,912,000)
Balance, December 31, 1977	27,819,000	40,874,000	194,853,000	263,546,000
Net income for the year			70,285,000	70,285,000
Cash dividends ($1.36 per share)			(37,934,000)	(37,934,000)
Common shares issued under stock option plans of pooled company prior to merger	6,000	45,000		51,000
Treasury shares reissued under stock option and deferred compensation plans	139,000	3,389,000		3,528,000
Treasury shares reissued for acquisition of Guy, Murray & Smith	203,000	5,597,000		5,800,000
Treasury shares acquired	(295,000)	(387,000)	(8,912,000)	(9,594,000)
Balance, December 31, 1978	$27,872,000	$49,518,000	$218,292,000	$295,682,000

Note 10: Pooling of Interests—On January 19, 1978, the Company completed the acquisition of the assets, subject to certain liabilities, of Technical Publishing Company in exchange for 1,532,083 shares of the Company's common stock. The principal business of Technical was the publication of trade and professional magazines.

The merger was accounted for as a pooling of interests, and accordingly, the accompanying financial statements have been restated to include the accounts of Technical. Operating revenue and net income as previously reported by the Company and for Technical are shown below:

	Year Ended December 31, 1977
Operating Revenue:	
As previously reported	636,872,000
Technical Publishing Company	31,929,000
	$668,801,000
Net Income:	
As previously reported	$ 55,598,000
Technical Publishing Company	2,893,000
	$ 58,491,000

UMC INDUSTRIES, INC. (DEC)

Consolidated Statement of Retained Earnings

	1978	1977
Balance at beginning of year (as previously reported)		$54,410,000
Effect of pooling of interests with Cor Tec (Note 2)		1,104,000
Balance at beginning of year (restated)	$61,330,000	55,514,000
Net earnings	12,068,000	10,796,000
	73,398,000	66,310,000
Dividends paid:		
UMC Industries (per share 1978—$1.20; 1977—$1.10)	(5,868,000)	(4,807,000)
Cor Tec (prior to pooling)	(174,000)	(173,000)
Balance at end of year	$67,356,000	$61,330,000

Note 2: Acquisitions—On May 25, 1978, the Company acquired all of the outstanding shares of common stock of Cor Tec, Inc., in exchange for 643,029 shares of the Company's $2.50 par value common stock. The acquisition was accounted for as a pooling of interests and, accordingly, the 1977 financial statements have been restated to include the accounts for Cor Tec.

Net sales and net earnings of the separate companies for the six months ended June 30, 1978 (the end of the interim period nearest the date of merger) and for the year ended December 31, 1977 are:

	June 30, 1978	December 31, 1977
	(000's omitted)	
Net sales		
UMC Industries	$120,526	$218,578
Cor Tec	11,456	16,830
Combined	$131,982	$235,408
Net earnings		
UMC Industries	$ 5,041	$ 9,661
Cor Tec	677	1,135
Combined	$ 5,718	$ 10,796

On May 31, 1978, the Company completed its cash acquisition of the outstanding shares of common stock of Resistoflex Corporation (total cost of approximately $38,500,000). The Company had owned 32% of the outstanding shares of common stock of Resistoflex since February 21, 1978 (accounted for on the equity basis until June 1, 1978). The acquisition was accounted for as a purchase and, accordingly, the 1978 financial statements include the accounts of Resistoflex from June 1, 1978. The purchase price in excess of the fair market value of net assets acquired ($11,795,000) is included in cost in excess of net assets of purchased businesses and is being amortized on a straight-line basis over 40 years from the date of acquisition.

The consolidated results of operations on a pro forma basis as though Resistoflex had been acquired at the beginning of each year are shown below:

	Years ended December 31, 1978	1977
	(000's omitted)	
Net sales	$304,214	$275,283
Net earnings*	$ 11,704	$ 10,129
Earnings per share	$2.28	$2.01

*Includes $346,000 and $103,000 in 1978 and 1977, respectively, of business interruption insurance recovery related to explosion of ovens in 1977.

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 for the year, (2) cash or stock dividends, (3) creation of or additions to appropriated retained earnings, or (4) losses on treasury 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.

Treasury Stock Transactions

BAYUK CIGARS INCORPORATED (DEC)

Statement of Income and Retained Earnings

	1978	1977
	($000 omitted)	
Net income	$ 3,210	$ 1,907
Retained earnings at beginning of year	13,939	14,668
Dividends paid—per share of common stock $.48 (1978); $.30 (1977)	(559)	(418)
Cost over stated value of treasury stock retired—Note 8	(1,368)	(2,218)
Retained earnings at end of year	$15,222	$13,939

Note 8: Common stock—Changes in common stock were as follows:

	Issued	In Treasury
Balance, December 31, 1976	$1,761	$1,303
1977 Purchases of treasury stock	—	1,401
1977 Retirement of treasury stock	(486)	(2,704)
Balance, December 31, 1977	1,275	—
1978 Purchases of treasury stock	—	1,565
1978 Retirement of treasury stock	(175)	(1,543)
Balance, December 31, 1978	$1,100	$ 22

Retained earnings was charged $1,368 and $2,218 in 1978 and 1977, respectively, representing the cost over stated value of the treasury stock retired.

TABLE 4-4: OTHER CHANGES IN RETAINED EARNINGS

	Number of Companies			
	1978	1977	1976	1975
Charges				
Treasury stock transactions.	57	63	49	28
Poolings of interests adjustments	5	4	6	6
Other	23	18	19	18
Credits				
Poolings of interests	9	6	10	8
Other	9	5	4	7

LYNNWEAR CORPORATION (NOV)

Consolidated Statement of Income and Retained Earnings

	1978	1977
Net income	$1,234,000	$ 51,000
Retained earnings at beginning	2,976,000	2,925,000
Less: Loss upon sale of treasury stock (Note 7a)	(52,000)	
Retained Earnings at End	$4,158,000	$2,976,000

Note 7a: Changes in Outstanding Shares (Class A)—Changes in outstanding shares are tabulated as follows:

	1978	1977
Outstanding—beginning of year	1,365,800	1,460,800
Treasury shares purchased		(100,000)
Treasury shares issued	20,000	5,000
Stock options exercised	9,000	
Outstanding—end of year	1,394,800	1,365,800

During fiscal 1978, 20,000 shares of treasury stock, which cost $75,000, were sold for $23,000.

PREMIER INDUSTRIAL CORPORATION (MAY)

Consolidated Statement of Shareholders' Equity

	1978	1977
Capital stock and other paid-in capital:		
Amount at beginning of year	$11,992,700	$12,026,204
Redemption, conversion and retirement of Series A preferred stock (note 4)	(4,454,340)	—
Other	(85,490)	(33,504)
Amount at end of year	7,452,870	11,992,700
Retained earnings:		
Amount at beginning of year	74,778,559	65,026,432
Net earnings	15,882,022	13,592,643
	90,660,581	78,619,075
Deduct:		
Cash dividends declared:		
On Series A preferred stock $.225 and $.90 per share, respectively	193,584	795,746
On common stock $.525 and $.44 per share, respectively	3,678,763	3,044,770
Excess of redemption price and cost of treasury shares over stated value and paid-in capital of Series A preferred stock redeemed or retired (note 4)	18,016,072	—
	21,888,419	3,840,516
Amount at end of year	68,772,162	74,778,559
	76,225,032	86,771,259
Deduct treasury shares, at cost	694,219	6,909,985
	$75,530,813	$79,861,274

Note 4 (in part): Capital Stock—On June 29, 1977 the Directors of the Company approved the calling for redemption of all outstanding shares of Cumulative Serial Preferred Stock $.90 Convertible Series A, at the stated redemption price of $20.70 per share. Effective August 1, 1977, 759,765 of outstanding preferred shares were redeemed and 328,810 shares held in the treasury were retired. In addition, 120,528 shares of common stock were issued from the treasury upon conversion of 100,607 preferred shares.

Spin-off

GEARHART-OWEN INDUSTRIES, INC. (JAN)

Consolidated Statements of Stockholders' Equity

(In thousands of dollars except number of shares)

	Number of Shares	Capital Stock	Additional Paid-In Capital	Retained Earnings
Balance, February 1, 1977	3,022,175	$1,511	$10,676	$20,111
Net Income				10,605
Stock issued under stock option plan	10,000	5	210	
Cash dividends paid ($.18) (after giving effect to stock split)				(1,054)
Cash dividends paid (acquired companies)				(21)
Balance, January 31, 1978	3,032,175	$1,516	$10,886	$29,641
Net Income				13,706
Stock issued under stock option plan	66,900	34	1,449	
Cash dividends paid ($.24) (after giving effect to stock split)				(1,509)
Spin-off of Pengo Industries, Inc. (Note 2)			(2,649)	(5,983)
Stock split effected in the form of a stock dividend	3,072,575	1,536	(1,536)	
Sale of stock	500,000	250	15,786	
Stock issued in acquisition	14,500	7	280	
Federal income tax effect of premature disposition of option stock			401	
Balance, January 31, 1979	6,686,150	$3,343	$24,617	$35,855

Note 2: Spin-off Pengo Industries, Inc.—Effective June 30, 1978, Gearhart-Owen Industries, Inc. (GOI) spun-off its non-wireline related operations by distribution of common stock of its subsidiary Pengo Industries, Inc. (Pengo) to stockholders of GOI on the basis of one share of Pengo stock for each two shares of GOI.

The accompanying 1978 consolidated financial statements have been restated to present separately the net assets and operations of the spun-off operations. The following summarizes the net assets of Pengo as of January 31, 1978.

	(In thousands of dollars)
Current assets	$11,953
Property and equipment, net	5,241
Other assets	323
Current liabilities	(3,077)
Noncurrent liabilities	(5,939)
Net assets	$ 8,501

On June 20, 1978, net assets of operations spun-off aggregated $8,632,000.

The spin-off was recorded by charges to additional paid-in capital of $2,649,000 and retained earnings of $5,983,000.

For the period February 1, 1978 to June 20, 1978, net income from operations spun-off totaled $131,000. A summary of the results of spun-off operations for the year ended January 31, 1978 is presented below:

	(In thousands of dollars)
Net revenues	$18,835
Costs, expenses, and income taxes	17,924
Net income	$ 911

In connection with the spin-off Pengo has agreed to indemnify and defend GOI for any liability assessed against GOI which relates to prior operations transferred to Pengo.

Change From No Par to Par Value

BIRD & SON, INC. (DEC)

Consolidated Statement of Earnings and Retained Earnings

	1978	1977
	($000)	
Net earnings	$17,477,000	$ 16,742,000
Retained earnings at beginning of year	$100,033,000	89,099,000
Transferred to common stock—Note 5	(16,200,000)	—
Dividends declared:		
5% cumulative preferred stock—$5 per share	(63,000)	(64,000)
Common stock—$1.5250 per share in 1978 ($1.3875 in 1977)	(6,313,000)	(5,744,000)
Retained earnings at end of year	$ 94,934,000	$100,033,000

Note 5: Stockholders' Equity—At a special meeting held in November 1978, the stockholders approved a four-for-three split of the common stock and an amendment to the Articles of Organization. This amendment provided for an increase in the authorized common stock from 3,600,000 shares to 6,000,000 shares and a change from no par stock to stock with par value of $4. Half of the 2,400,000 additional authorized shares were used to effect the stock split on December 8, 1978, and the balance of 1,200,000 shares remains unissued and may be subsequently issued for general corporate purposes without further stockholder approval. In accordance with a vote of the Board of Directors retained

earnings in the amount of $16,200,000 have been transferred to the common stock account to reflect the change to stock with par value of $4. Per share amounts for all periods presented in this report have been restated for the stock split.

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

	1978	1977	1976	1975
Statement of stockholders' equity	255	241	223	168
Statement of paid-in capital	47	54	59	80
Schedule in notes	94	101	90	65
No statement or schedule but changes disclosed	78	67	87	101
Balance unchanged during year	54	67	72	114
Subtotal	**528**	**530**	**531**	**528**
Paid-in capital account not presented	72	70	69	72
Total Companies	**600**	**600**	**600**	**600**

STOCK SPLITS

Chapter 7B of *Accounting Research Bulletin 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 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 4-6 shows the number of survey companies disclosing stock splits and summarizes the accounting treatments for stock splits. Examples of stock splits follow.

BLISS & LAUGHLIN INDUSTRIES INCORPORATED (DEC)

Consolidated Statements of Additional Capital and Retained Earnings

	1978	1977
	(in thousands)	
Additional Capital:		
Balance at beginning of year	$31,608	$18,796
Add (Deduct):		
Market value in excess of par value of common stock issued in payment of 20% common stock dividend	—	10,888
Par value transferred to common stock in payment of 25% common stock distribution	(3,119)	—
Principal amount of convertible debentures in excess of par value of common stock issued upon conversion	866	1,911
Other, net	260	13
Balance at end of year	$29,615	$31,608
Retained Earnings:		
Balance at beginning of year	$44,359	$50,435
Add (Deduct):		
Net income	13,456	11,213
Cash dividends* ($.90 per share in 1978 and $.76 in 1977).	(5,157)	(4,339)
20% common stock dividend	—	(12,914)
Excess of cost of treasury stock over proceeds of stock options exercised	(559)	(36)
Balance at end of year	$52,099	$44,359

*Dividends per share are restated for a 25% stock distribution paid July 3, 1978.

FINANCIAL REVIEW

Common Stock Distribution—The Company made a 25% common stock distribution in the form of a split-up on July 3, 1978. The accounting treatment was to increase Common Stock by $3,119,000 with a corresponding charge to Additional Capital.

In 1977, the Company paid a 20% common stock dividend. The stock dividend resulted in increases to Common Stock and Additional Capital of $2,026,000 and $10,888,000, respectively, with a corresponding charge of $12,914,000 to Retained Earnings.

TABLE 4-6: STOCK SPLITS

	1978	1977	1976	1975
Ratio				
Less than three-for-two	9	6	5	4
Three-for-two (50%) to two-for-one	14	17	21	5
Two-for-one (100%)	19	28	31	12
Greater than two-for-one	4	2	3	1
Total Companies	**46**	**53**	**60**	**22**
Account Charged				
Paid-in capital	25	30	32	9
Retained earnings	4	12	12	6
No charge	17	11	16	7
Total Companies	**46**	**53**	**60**	**22**

THE CLEVELAND-CLIFFS IRON COMPANY (DEC)

Statement of Consolidated Shareholders' Equity

	Common Shares	Capital In Excess of Par Value of Shares	Retained Income	Common Shares In Treasury	Total
Balance January 1, 1977	$ 6,404,000	$12,191,000	$230,261,000	$(6,331,000)	$242,525,000
Net income			26,111,000		26,111,000
Cash dividends paid on Common Shares—$1.00 a share			(12,250,000)		(12,250,000)
Sale of 7,400 Common Shares from treasury upon exercise of stock options—Note J		29,000		82,000	111,000
Other—2,902 Common Shares				(144,000)	(144,000)
Balance December 31, 1977	6,404,000	12,220,000	244,122,000	(6,393,000)	256,353,000
Net income			41,784,000		41,784,000
Cash dividends paid on Common Shares—$1.20 a share			(14,697,000)		(14,697,000)
Two-for-one split of Common Shares effected in the form of a 100% stock dividend	6,403,000	(6,403,000)			
Other—1,324 Common Shares				(107,000)	(107,000)
Balance December 31, 1978	$12,807,000	$ 5,817,000	$271,209,000	$(6,500,000)	$283,333,000

AMSTED INDUSTRIES INCORPORATED (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stock Split-Up—Effective May 19, 1978, 6,245,860 shares of common stock were issued in connection with a two-for-one stock split-up effected in the form of a 100% stock dividend. Capital in excess of par value was charged and common stock was credited with $6,245,860 representing the par value of the shares issued. Of the total shares issued, 858,581 were added to treasury stock. All per share amounts have been adjusted to give effect to the stock split-up.

DUPLEX PRODUCTS INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note J (in part): Capital Stock—The company made a 3-for-2 split of its common stock to stockholders of record on September 14, 1978, resulting in an increase of 503,413 common shares. The par value of these additional shares was capitalized by a transfer of $503,413 from additional contributed capital to the common stock account. In addition, cash of $2,000 was paid out in lieu of fractional share interests.

Note K: Changes in Contributed Stockholders' Equity—

Changes in net contributed stockholders' equity accounts are shown below.

	Common stock, $1 par value	Preferred stock, $1 par value	Additional contributed capital	Common stock in treasury
Balance at November 1, 1976	$ 973,000	$ —	$1,338,000	$ —
Common stock options exercised	6,000	—	49,000	—
Purchase of common shares	—	—	—	(987,000)
Balance at October 31, 1977	979,000	—	1,387,000	(987,000)
Stock issued in connection with Lewis acquisition	—	280,000	6,013,000	—
Stock options exercised				
Common	6,000	—	56,000	—
Preferred	—	10,000	119,000	—
3-for-2 common split	503,000	—	(503,000)	—
Cash paid for fractional shares at time of split	—	—	(2,000)	—
Conversion of preferred into common shares	24,000	(19,000)	(5,000)	—
Tax effect of exercise of non-qualified stock options	—	—	66,000	—
Balance at October 31, 1978	$1,512,000	$271,000	$7,131,000	$(987,000)

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, 1976	$2,565,000	$7,208,000	$17,450,000	$27,223,000
Net earnings			7,898,000	7,898,000
Cash dividends declared			(1,552,000)	(1,552,000)
Issuance of stock pursuant to exercise of stock options, 31,095 shares	31,000	192,000		223,000
U.S. income tax benefit from employees' disqualifying dispositions of stock option shares		16,000		16,000
Balance at July 31, 1977	2,596,000	7,416,000	23,796,000	33,808,000
Net earnings			11,274,000	11,274,000
Cash dividends declared			(2,398,000)	(2,398,000)
Three-for-two stock split	1,301,000	(1,301,000)		
Issuance of stock pursuant to exercise of stock options, 25,170 shares	25,000	304,000		329,000
U.S. income tax benefit from employees' disqualifying dispositions of stock option shares		9,000		9,000
Balance at July 31, 1978	$3,922,000	$6,428,000	$32,672,000	$43,022,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7: Common Stock and Capital in Excess of Par Value—On November 18, 1977, the Company's authorized common stock was increased from 3,000,000 to 6,000,000 shares, with the par value remaining at $1.00 per share. On the same date, the Board of Directors declared a three-for-two stock split effective December 2, 1977. The par value of the new shares issued totalled $1,301,000, and this amount was 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, 1978, 79,889 shares of common stock of the Company were reserved for the exercise of stock options.

SUNDSTRAND CORPORATION (DEC)

Consolidated Statement of Stockholders' Equity

	Common Stock	Additional contributed capital	Retained earnings	Treasury Common Stock	Unamortized value of restricted stock issued
	(Amounts in thousands)				
Balances at December 31, 1976					
As previously reported	$ 6,810	$75,305	$122,246	$ (90)	$(4,075)
Adjustments for pooling of Global Navigation Incorporated	322	504	2,195	—	—
Balances at December 31, 1976, as restated	7,132	75,809	124,441	(90)	(4,075)
Net earnings for 1977	—	—	37,344	—	—
Cash dividends paid					
Common Stock—$.60 per share	—	—	(8,404)	—	—
Preferred Stock—$3.50 per share	—	—	(2,718)	—	—
By pooled company prior to combination	—	—	(295)	—	—
Issuance of stock to acquire The Standard of America Financial Corporation (283,489 shares)	283	10,631	—	—	—
Common Stock issued upon conversion of notes	52	1,481	—	—	—
Stock issued under restricted stock plans (16,300 and 4,150 shares, unissued and treasury stock, respectively)	17	634	—	124	(753)
Stock options exercised (38,504 shares)	39	521	—	—	—
Amortization of deferred compensation under restricted stock plans	—	—	—	—	891
Purchase of 5,540 shares previously issued under restricted stock plans	—	—	—	(199)	97
Balances at December 31, 1977	7,523	89,076	150,368	(165)	(3,840)
Net earnings for 1978	—	—	49,794	—	—
Cash dividends paid					
Common Stock—$.725 per share	—	—	(10,888)	—	—
Preferred Stock—$3.50 per share	—	—	(2,717)	—	—
By pooled company prior to combination	—	—	(373)	—	—
Common Stock issued upon conversion of notes	251	6,952	—	—	—
Stock issued under restricted stock plans (42,550 shares, unissued)	43	2,044	—	—	(2,044)
Stock options exercised (67,505 shares)	67	814	—	—	—
Amortization of deferred compensation under restricted stock plans	—	—	—	—	740
Purchase of 4,410 shares previously issued under restricted stock plans	—	—	—	(176)	79
Shares issued under 2 for 1 stock distribution	7,873	(7,873)	—	—	—
Balances at December 31, 1978	$15,757	$91,013	$186,184	$(341)	$(5,065)

FINANCIAL SUMMARY

Common Stock—At a special meeting of the stockholders on October 16, 1978, the authorized shares of Common Stock were increased from 15,000,000 to 30,000,000 in order to permit a two-for-one distribution of Common Stock authorized by the Board of Directors on August 25, 1978. The stock was distributed November 15, 1978, to holders of record on October 26, 1978. Accordingly, as of November 15, 1978, common shares were increased by 7,873,390 reflecting the two-for-one distribution. The effect of this distribution was to transfer $7,873,000, representing the par value of additional shares issued, from additional contributed capital to the Common Stock account. All references to number of shares and to per share amounts in the consolidated statement of earnings and financial summary have been adjusted to reflect the Common Stock distribution.

TRIANGLE PACIFIC CORP. (DEC)

Consolidated Statement of Changes in Shareholders' Investment

	Common stock $.50 par value; authorized six million shares Shares	Amount	Additional paid-in capital	Retained earnings (Note 3)	Total
		(In thousands)			
Balance, December 31, 1976	1,815	$ 908	$11,563	$27,078	$39,549
Net income	—	—	—	8,224	8,224
Cash dividends declared ($.3125 per share restated for two-for-one stock split)	—	—	—	(1,176)	(1,176)
Stock incentive bonus shares issued (Note 5)	24	12	429	—	441
Contribution of stock to profit sharing plan (Note 7)	11	5	157	—	162
Exercise of stock options	21	10	245	—	255
Exercise of warrants	92	46	1,986	—	2,032
Sale of stock to employee	2	1	25	—	26
Balance, December 30, 1977	1,965	$ 982	$14,405	$34,126	$49,513
Net income	—	—	—	12,254	12,254
Cash dividends declared ($.605 per share)	—	—	—	(2,435)	(2,435)
Stock incentive bonus shares issued (Note 5)	12	6	219	—	225
Exercise of stock options before stock split	41	21	491	—	512
Two-for-one stock split on June 30, 1978	2,018	1,009	(1,009)	—	—
Exercise of stock options after stock split	4	2	18	—	20
Tax benefits from sale of stock issued under option plan	—	—	87	—	87
Acquisition of treasury shares	(92)	(46)	(1,397)	—	(1,443)
Balance, December 29, 1978	3,948	$1,974	$12,814	$43,945	$58,733

TABLE 4-7: CHANGES IN PAID-IN CAPITAL

	Number of Companies 1978	1977	1976	1975
Credits				
Common stock issuances:				
Employee benefits	359	353	319	205
Conversion of debt	55	53	62	26
Conversion of preferred	61	58	53	32
Business combination	47	43	40	27
Purchase or retirement of capital stock	29	34	47	24
Stock option tax benefits	41	42	34	12
Other	48	52	54	18
Charges				
Purchase or retirement of capital stock	48	50	51	32
Treasury stock issued for less than cost	41	35	34	16
Conversion of preferred stock	21	19	14	10
Business combinations	19	13	9	5
Other	20	36	36	20

CHANGES IN PAID-IN CAPITAL

Table 4-7 summarizes credits and charges to paid-in capital. Examples of such credits and charges follow.

Stock Issued in Connection with Employee Benefit Plans

AMP INCORPORATED AND PAMCOR, INC. (DEC)

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 7: Stock Plus Cash Bonus Plan and Treasury Stock—All of the shares in the treasury (1978—1,271,421; 1977—729,567) are available for payment of stock bonuses under the incentive Stock Plus Cash Bonus Plan. Under terms of the plan, the number of shares and cash (a fixed percentage of the value of the shares) distributed is based on the greater of the increase in market price of the Company's stock over a designated value or, as amended in April 1978, over the designated value adjusted to reflect the Company's increase in net income.

Treasury stock was increased through the purchase of 588,318 shares costing $17,808,000 in 1978 and 323,900 shares costing $8,936,000 in 1977. Charges to income before income taxes for current and future distributions under the Plan totaled $7,397,000 in 1978 and $1,639,000 in 1977, and included shares distributed and related costs, on a last-in, first-out basis, of 46,464 and $1,348,000 in 1978 and 44,326 and $1,171,000 in 1977.

For awards granted before and outstanding at December

31, 1978, based on the market price as of that date, approximately 198,000 shares would be distributed in the years 1979 through 1984.

The effect upon Other Capital of distributions under the Stock Plus Cash Bonus Plan for the year ended December 31 was:

	1978	1977
Other Capital, beginning of year...	$2,822,000	$2,799,000
Gains and tax benefits on excess of fair market value over cost of treasury stock distributed.......	115,000	23,000
Other Capital, end of year..........	$2,937,000	$2,822,000

BRISTOL-MYERS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (in part): Stockholders' Equity

	Common Stock	Preferred Stock
Shares authorized....................	100,000,000	10,000,000
Shares issued:		
January 1, 1978.................	65,150,759	1,284,810
Exercise of options	104,995	—
Conversions of debentures......	31,295	—
Conversions of preferred stock.	129	(125)
December 31, 1978.............	65,287,178	1,284,685

Each share of preferred stock, $2 convertible series, is convertible into 1.06 shares of common stock, is callable at the company's option and has a liquidation value of $50 per share which aggregates $64,234,000 at December 31, 1978.

Changes in capital in excess of par value of stock were:

	1978	1977
Balance, January 1..................	$42,101,000	$72,184,000
Transferred to common stock in connection with stock split......		(31,542,000)
Excess of proceeds over par value of stock issued under stock option plans.........................	2,517,000	1,025,000
Conversions of debentures..........	869,000	436,000
Other	—	(2,000)
Balance, December 31	$45,487,000	$42,101,000

CLARK EQUIPMENT COMPANY (DEC)

Statement of Shareholders' Equity

Amounts in thousands

	1978				1977			
	Total	Capital stock	Capital in excess of par value	Retained income	Total	Capital stock	Capital in excess of par value	Retained income
Balance at beginning of year	$493,406	$102,646	$49,204	$341,556	$456,194	$102,600	$49,037	$304,557
Net income for the year	83,323	—	—	83,323	60,263	—	—	60,263
Dividends paid—$1.90 and $1.70 per share.........	(26,007)	—	—	(26,007)	(23,264)	—	—	(23,264)
Excess of proceeds over par value of shares issued on exercise of stock options (3,042 and 6,054 shares)...................	104	23	81	—	213	46	167	—
	$550,826	$102,669	$49,285	$398,872	$493,406	$102,646	$49,204	$341,556
Less, cost of common stock held in treasury (52,500 shares)...................	1,768							
Balance at end of year......	$549,058							

INTERNATIONAL HARVESTER COMPANY (OCT)

Stockholders' Equity

(Thousands of dollars)

	Common Shares Outstanding	Preferred Stock	Common Stock	Capital in Excess of Par Value	Income Retained	Treasury Stock	Receivable from Sale of Common Stock	Total
Balance at October 31, 1976	28,378,214	$50,000	$576,863	$ 4,011	$ 947,651	$(14,752)	$ —	$1,563,773
Issuance of stock:								
Stock options (Note 20)................	47,195	—	944	395	—	—	—	1,339
Sales to:								
Savings and investment program..........	568,931	—	11,379	6,847	—	—	—	18,226
Employee stock ownership plan...........	38,498	—	770	407	—	—	—	1,177
Automatic dividend and interest investment plan	63,339	—	1,267	716	—	—	—	1,983
Officer	60,000	—	—	—	(108)	1,904	(1,796)	—
Purchase of stock........	(62)	—	—	—	—	(2)	—	(2)
Net income...............		—	—	—	202,785	—	—	202,785
Cash dividends:								
Preferred, $10.00 per share.........		—	—	—	(5,000)	—	—	(5.000)
Common, $1.85 per share.............		—	—	—	(53,223)	—	—	(53,223)
Balance at October 31, 1977	29,156,115	50,000	591,223	12,376	1,092,105	(12,850)	(1,796)	1,731,058
Issuance of stock:								
Stock options (Note 20)................	52,715	—	1,054	634	—	—	—	1,688
Sales to:								
Savings and investment program..........	622,000	—	12,440	7,442	—	—	—	19,882
Employee stock ownership plan...........	24,096	—	482	384	—	—	—	866
Automatic dividend and interest investment plan	98,918	—	1,978	1,174	—	—	—	3,152
Net income...............		—	—	—	186,680	—	—	186,680
Cash dividends:								
Preferred, $10.00 per share.........		—	—	—	(5,000)	—	—	(5,000)
Common, $2.10 per share.............		—	—	—	(62,178)	—	—	(62,178)
Balance at October 31, 1978	29,953,844	$50,000	$607,177	$22,010	$1,211,607	$(12,850)	$(1,796)	$1,876,148

FOSTER WHEELER CORPORATION (DEC)

Consolidated Statement of Changes in Stockholders' Equity

	1978	1977
Common Stock		
Balance at beginning of year ...	$ 12,389,799	$ 13,582,789
Two for one stock-split (4,094,313 shares)	—	13,647,696
Sold under stock options (shares 1978—40,329; 1977—86,924)	46,006	203,996
Reduction of par value of common stock from $1.50 to $1.00 in 1978 and $3.33⅓ to $1.50 in 1977	(4,135,610)	(15,050,370)
Issued to acquire subsidiary companies (shares: 1978—5,081; 1977—3,792)	5,081	5,688
Balance at end of year	8,305,276	12,389,799
Paid-In Capital		
Balance at beginning of year ...	28,443,858	24,916,962
Reduction of par value of common stock from $1.50 to $1.00 in 1978 and $3.33⅓ to $1.50 in 1977	4,135,610	15,050,370
Excess of market value over par value of common stock issued under stock option plan (shares: 1978—40,329; 1977—86,924).............	478,657	1,200,367
Excess of market value over cost of treasury stock issued under Management and Sales Incentive Plan	335,898	503,962
Two for one stock-split	—	(13,647,696)
Tax benefits related to Management and Sales Incentive Plan and stock options	355,618	324,382
Excess of market value over par value of stock issued to acquire subsidiary companies .	161,004	95,511
Balance at end of year..	33,910,645	28,443,858
Retained Earnings		
Balance at beginning of year ...	111,058,618	91,329,772
Net earnings for the year.......	41,123,875	27,063,408
Cash dividends paid:		
Common (per share outstanding: 1978—$1.10; 1977—$.90)	(9,024,814)	(7,334,562)
Balance at end of year..	143,157,679	111,058,618
Treasury Stock		
Balance at beginning of year ...	2,564,189	1,353,878
Common stock acquired-held in treasury (shares: 1978—59,800; 1977—101,991)..	1,803,115	2,629,698
Issued under Management and Sales Incentive Plan (shares: 1978—75,494; 1977—98,412)	(1,796,987)	(1,419,387)
Balance at end of year..	2,570,317	2,564,189
Total Stockholders' Equity	$182,803,283	$149,328,086

PULLMAN INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (in part): Shareholders' Equity

Common Stock: In 1978, 20,998 shares (2,764 shares in 1977) of Common Stock were issued upon exercise of employee stock options. The excess ($513,000 in 1978 and $25,000 in 1977) of the option price over the stated value ($194,000 in 1978 and $26,000 in 1977) of the shares issued was credited to capital in excess of stated value.

In 1978, 17,161 treasury shares (10,962 shares in 1977) were issued to Pullman employee benefit plans. The excess ($621,000 in 1978 and $254,000 in 1977) of the market price over the stated value ($159,000 in 1978 and $102,000 in 1977) of the shares issued was credited to capital in excess of stated value.

At December 31, 1978, 503,002 shares of Common Stock are reserved for issuance under the stock option and the dividend reinvestment plans.

Stock Issued in Conversions

HARRIS CORPORATION (JUN)

Statements of Consolidated Common Stock, Other Capital and Retained Earnings

	Year ended June 30	
	1978	1977
Common Stock		
Balance at beginning of year ...	$ 13,026,359	$ 6,495,610
Sale of shares under stock option plans.....................	38,952	21,329
Shares issued for conversion of debentures	104,611	5,472
Par value of shares issued in November, 1976 two-for-one stock split	—	6,503,948
Balance at End of Year......	$ 13,169,922	$ 13,026,359
Other Capital		
Balance at beginning of year ...	$ 35,812,487	$ 41,228,079
Par value of shares issued in November, 1976 two-for-one stock split	—	(6,503,948)
Sale of shares under employee stock purchase and stock option plans.....................	(358,536)	927,990
Adjustment resulting from conversion of debentures	3,065,657	160,366
Balance at End of Year......	$ 38,519,608	$ 35,812,487
Retained Earnings		
Balance at beginning of year ...	$193,402,585	$162,894,709
Net earnings for the year.......	52,169,144	40,058,838
Cash dividends ($.50 per share in 1978 and $.38¾ per share in 1977)..............	(12,397,411)	(9,550,962)
Balance at End of Year......	$233,174,318	$193,402,585

BEMIS COMPANY, INC. (DEC)

Consolidated Statement of Stockholders' Equity
(in thousands of dollars)

	First Preferred Stock	Convertible Series Preferred Stock	Series 1974 8-½% Preferred Stock	Common Stock	Capital in Excess of Par Value	Treasury Common Stock	Retained Income
Balance at December 31, 1976	$119	$13,466	$9,000	$46,455	$16,039	$(116)	$85,383
Adjustment for change in method of accounting for leases							331
Net income for the year 1977							16,778
Reduction of par value of common stock to $5.00 per share				(23,246)	23,246		
Cash dividends declared:							
First preferred stock, $5.00 per share							(6)
Series preferred stock, $5.00 per share							(669)
Series 1974 8-½% preferred stock							(765)
Common stock, $1.20 per share							(5,561)
Proceeds from common stock issued under the company's stock option plan				29	11		
Conversion of 2,179 shares of series preferred stock to 8,369 shares of common stock		(218)		46	172		
Purchase of 20,908 shares of treasury common stock						(425)	
Redemption of 108 shares of first preferred stock at a discount	(11)				2		
Balance at December 31, 1977	108	13,248	9,000	23,284	39,470	(541)	95,491
Net income for the year 1978							18,823
Cash dividends declared:							
First preferred stock, $5.00 per share							(5)
Series preferred stock, $5.00 per share							(644)
Series 1974 8-½% preferred stock							(319)
Common stock, $1.30 per share							(6,066)
Redemption of series 1974 8-½% preferred stock at a premium			(9,000)		(637)		
16,428 shares of common stock issued for performance share awards				82	263		
Proceeds from common stock issued under the company's stock option plan				78	147		
Conversion of 16,323 shares of series preferred stock to 63,381 shares of common stock		(1,632)		317	1,315		
Excess of book value over proceeds of common stock issued by a subsidiary					(12)		
Redemption of 32 shares of first preferred stock at a discount	(3)						
Purchase of 7,684 shares of treasury common stock						(159)	
Balance at December 31, 1978	$105	$11,616	$ 0	$23,761	$40,546	$(700)	$107,280

CUTLER-HAMMER, INC. (DEC)

Stockholders' Equity

	Preferred Stock		Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Shares		Total Stockholders' Equity
	Shares	Amount	Shares	Amount			Shares	Amount	
Balance, December 31, 1976	—	$ —	3,895,549	$19,477,745	$ 834,803	$121,728,763	(40,051)	$(1,432,877)	$140,608,434
Net income	—	—	—	—	—	23,998,053	—	—	23,998,053
Dividends paid	—	—	—	—	—	(7,585,027)	—	—	(7,585,027)
Treasury shares distributed	—	—	—	—	—	—	173	6,359	6,359
Stock options exercised	—	—	13,252	66,260	67,605	—	11,689	429,653	563,518
Shares issued under Incentive Savings Plan	—	—	8,402	42,010	240,160	—	764	28,268	310,438
Shares issued under 3 for 2 stock split	—	—	1,952,711	9,763,555	(1,002,399)	(8,781,449)	(3,712)	14	(20,279)
Shares issued for acquisitions	—	—	13,814	69,070	434,585	—	20,000	699,254	1,202,909
Balance, December 31, 1977	—	—	5,883,728	29,418,640	574,754	129,360,340	(11,137)	(269,329)	159,084,405
Net income	—	—	—	—	—	33,306,711	—	—	33,306,711
Dividends paid	—	—	—	—	—	(6,711,745)	—	—	(6,711,745)
Stock options exercised	—	—	35,534	177,670	521,364	—	—	—	699,034
Shares issued under Incentive Savings Plan	—	—	17,107	85,535	543,260	—	—	—	628,795
Issuance of preferred stock (Note 14)	650,000	28,938,089	—	—	—	—	—	—	28,938.089
Conversion of preferred stock (Note 14)	(640,000)	(28,492,888)	640,000	3,200,000	25,292,888	—	—	—	—
Shares issued for acquisitions	—	—	48,580	242,900	1,171,101	—	—	—	1,414,001
Recoverable profits from insider stock sales (Note 19)	—	—	—	—	4,700,000	—	—	—	4,700,000
Balance, December 31, 1978	10,000	$ 445,201	6,624,949	$33,124,745	$32,803,367	$155,955,306	(11,137)	$ (269,329)	$222,059,290

Note 14: Sale of Preferred Stock—On April 10, 1978, the Company sold 650,000 shares of a new Series A convertible preferred stock to Koppers Company, Inc. of Pittsburgh, Pennsylvania for $29,250,000 or $45 per share. On May 31, 1978, 640,000 of these shares were converted into 640,000 shares of Cutler-Hammer common stock. The excess of the proceeds over the par value of the shares issued totaled $25,292,888 and is included in Additional Paid-In Capital.

MARTIN MARIETTA CORPORATION (DEC)

Statement of Shareowners' Equity

	Common Stock $1 Par Value	Additional Paid-In Capital	Retained Earnings	Treasury Common Stock	Total Shareowners' Equity
Balance at December 31, 1976	$25,712,000	$174,664,000	$496,230,000	($38,700,000)	$657,906,000
Net earnings for the year 1977	—	—	102,110,000	—	102,110,000
Cash dividends declared on common stock ($1.50 a share)	—	—	(35,727,000)	—	(35,727,000)
Stock options exercised (24,787 shares from treasury)	41,000	830,000	(116,000)	491,000	1,246,000
Conversion of 6% Convertible Subordinated Debentures	4,000	105,000	—	—	109,000
Balance at December 31, 1977	25,757,000	175,599,000	562,497,000	(38,209,000)	725,644,000
Net earnings for the year 1978	—	—	136,003,000	—	136,003,000
Cash dividends declared on common stock ($1.70 a share)	—	—	(42,128,000)	—	(42,128,000)
Stock options exercised (34,006 shares from treasury)	11,000	168,000	(89,000)	674,000	764,000
Conversion of 6% Convertible Subordinated Debentures	1,739,000	43,879,000	—	—	45,618,000
Common stock purchased for treasury (66,700 shares)	—	—	—	(1,984,000)	(1,984,000)
Balance at December 31, 1978	$27,507,000	$219,646,000	$656,283,000	($39,519,000)	$863,917,000

Warrants Exercised

EMHART CORPORATION (DEC)

Statement of Shareholders' Equity

(In Thousands Except Share Amounts)	Preference Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Shareholders' Equity
Balance at December 31, 1976	$15,670	$ 8,588	$134,457	$130,806	$289,521
Net earnings				59,435	59,435
Cash dividends declared:					
Preference stock—$2.10 a share				(934)	(934)
Common stock—$1.53 a share				(16,872)	(16,872)
Stock options exercised—54,228 common shares prior to stock split and 18,057 common shares after stock split		72	1,458		1,530
Preference shares converted—187,749 shares for 249,083 common shares prior to stock split and 103,183 shares for 171,005 common shares after stock split	(7,855)	420	7,435		
5 for 4 stock split in November:					
2,212,942 common shares issued		2,213	(2,213)		
Cash in lieu of fractional interests			(368)		(368)
Balance at December 31, 1977	7,815	11,293	140,769	172,435	332,312
Net earnings				70,151	70,151
Cash dividends declared:					
Preference stock—$2.10 a share				(484)	(484)
Common stock—$2.00 a share				(23,146)	(23,146)
Warrants exercised—180,740 common shares		181	4,491		4,672
Stock options exercised—89,308 common shares		89	1,564		1,653
Preference shares converted—89,119 shares for 147,656 common shares	(2,406)	148	2,258		
Balance at December 31, 1978	5,409	11,711	149,082	218,956	385,158

Warrants Repurchased

SUN CHEMICAL CORPORATION (DEC)

Consolidated Statement of Shareholders' Equity

(in thousands of dollars except per share data)

	Preferred stock(a)	Common stock(b) (Note 11)	Capital in excess of par value	Retained earnings	Treasury stock(c)	Valuation allowance	Total
Balance at December 31, 1976	$ 72	$2,221	$25,682	$33,751	$(2,660)	$ —	$59,066
Net income	—	—	—	15,266	—	—	15,266
Cash dividends							
Preferred—$2.50 per share	—	—	—	(2)	—	—	(2)
Common—$.45 per share	—	—	—	(1,450)	—	—	(1,450)
Redemption of preferred stock	(72)	—	—	—	—	—	(72)
Effects of 3-for-2 stock split							
Issuance of 1,109,105 shares	—	1,109	(1,109)	—	—	—	—
Cash paid in lieu of 1,396 fractional shares	—	—	(31)	—	—	—	(31)
Adjustments related to warrants repurchased with 6% subordinated notes	—	—	131	—	—	—	131
Purchase of 21,500 shares of common stock for treasury	—	—	—	—	(436)	—	(436)
Exercise of stock options	—	150	2,405	—	398	—	2,953
Balance at December 31, 1977	$ —	$3,480	$27,078	$47,565	$(2,698)	$ —	$75,425
Net income	—	—	—	19,653	—	—	19,653
Cash dividends							
Common—$.60 per share	—	—	—	(1,953)	—	—	(1,953)
Adjustments related to warrants repurchased with 6% subordinated notes	—	—	(1,941)	—	—	—	(1,941)
Purchase of 55,400 shares of common stock for treasury	—	—	—	—	(1,075)	—	(1,075)
Exercise of stock options	—	—	(81)	—	634	—	553
Reduction of non-current investment to lower of cost or market	—	—	—	—	—	(1,374)	(1,374)
Balance at December 31, 1978	$ —	$3,480	$25,056	$65,265	$(3,139)	$(1,374)	$89,288

(a)Cumulative, $100 par value, 200,000 shares authorized; 1978 and 1977—none outstanding.
(b)$1.00 par value, 5,000,000 shares authorized; 1978 and 1977—3,480,108 shares issued.
(c)Common shares in treasury; 1978—211,641; 1977—198,717.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of dollars except per share data)

Note 11 (in part): Stock Options and Warrants

Warrants—In connection with the sale of its 6% subordinated notes in 1969 and 1970, the Company issued warrants to the holders of the notes to purchase shares of common stock.

In October 1978, the Company purchased approximately $12,800 principal amount of its outstanding subordinated notes due in 1986, together with warrants to purchase 437,064 shares of common stock. Following purchase, the subordinated notes and warrants were canceled. (See Note 7.) The remaining 39,374 warrants are currently exercisable at $31.33 per share until July 22, 1979.

Treasury Stock Transactions

AIR PRODUCTS AND CHEMICALS, INC. (SEP)

Changes in Shareholders' Equity

	Common Stock $1 Par Value (number of shares)	Capital in Excess of Par Value (in thousands of dollars)	Retained Earnings
Balance, Beginning of Year 1977	27,584,836	$131,326	$202,387
Net Income			67,707
Cash Dividends Common Stock, $.25 per share			(7,028)
Treasury shares issued at market price for:			
Employees Savings and Stock Ownership Plan	29,393	1,031	
Incentive Compensation Plan and Performance Share Plan Awards	42,730	1,121	
Original shares issued for:			
2% Stock Dividend, at quoted market price, less cost of issue	553,031	15,860	(16,453)
Stock Options	37,713	549	
Other		701	
Balance, Beginning of Year 1978	28,247,703	150,588	246,613
Net Income			76,184
Cash Dividends Common Stock, $.50 per share			(14,102)
Treasury shares issued at market price for:			
Employees Savings and Stock Ownership Plan	45,677	1,212	
Incentive Compensation Plan Awards	26,956	537	
Tax Reduction Act Employee Stock Ownership Plan (TRASOP)	35,327	984	
Purchase of Treasury Stock (Note 7)	(200,000)	(4,876)	
Balance, End of Year 1978 (Note 2)	28,155,663	$148,445	$308,695

Note 7: Treasury Stock—During the current fiscal year, the Company purchased 200,000 shares of its Common Stock through open market and negotiated transactions at an average cost of $25.38 per share. These shares will be held as treasury stock to be used for the Company's employee benefit plans.

GERBER PRODUCTS COMPANY (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note H: Treasury stock and additional paid-in capital—During 1978 and 1977, 30,264 and 813 shares of treasury stock were issued upon the exercise of options. The cost of these shares (1978—$654,000, 1977—$17,000) exceeded the option proceeds by $215,000 and $7,000, respectively, which amounts have been charged to additional paid-in capital and represented the only changes in that account during 1978 and 1977.

SYBRON CORPORATION (DEC)

Statement of Changes in Additional Paid-in Capital

	1978	1977
Balance at beginning of year	$8,662,000	$8,590,000
Amount attributable to retirement of 1,033,289 common shares	(5,342,000)	
Excess of principal amount of debentures over the par value of shares issued in conversion	3,000	72,000
Amount applicable to shares issued for acquisition of a company	536,000	
Other transactions	55,000	
Balance at end of year	$3,914,000	$8,662,000

(Editor's Note—$11,073,000 charged to retained earnings)

NOTES TO FINANCIAL STATEMENTS

Capital Stock (in part)—Changes in the number of preferred and common shares outstanding during 1978 and 1977 are as follows:

	1978	1977
Preferred Stock:		
Balance at beginning of year	846,858	846,899
Shares issued for conversion of debentures		9
Shares converted to common stock	(63)	(50)
Balance at end of year	846,795	846,858
Common Stock:		
Balance at beginning of year	10,539,031	10,534,092
Shares issued for:		
Conversion of debentures	172	4,859
Conversion of preferred stock	100	80
Acquisition of a company	36,000	
Shares retired	(1,033,289)	
Balance at end of year	9,542,014	10,539,031

The preferred stock provides for cumulative dividends at the annual rate of $2.40 per share payable quarterly on January 1, April 1, July 1 and October 1. Each share of preferred stock is convertible into 1.6 common shares and is redeemable at the option of the Corporation at $70.00 per share plus accrued dividends. In the case of voluntary liquidation of the Corporation, each holder of preferred stock is entitled to $70.00 per share, and in the case of involuntary liquidation, to $22.00 per share.

During 1978, the Corporation offered to purchase approximately 1,000,000 shares of its common stock for $18.00 per share plus fees and expenses. Under the terms of the offer, the Corporation paid $18,706,000 in March 1978, to purchase 1,018,051 common shares which shares were subsequently retired. During 1978, the Corporation also retired 15,238 common shares purchased in prior years.

WARNER COMMUNICATIONS INC. (DEC)

Consolidated Statement of Paid in Capital

	1978	1977
	(Thousands)	
Balance at beginning of year, as previously reported	$104,342	$102,724
Adjustment to give retroactive effect to 4-for-3 stock split	(3,970)	(3,601)
Balance at beginning of year, as adjusted	100,372	99,123
Excess of cost over par value of Series C Preferred shares purchased pursuant to tender offer	(8,956)	—
Employee stock and conversion transactions	9,231	1,249
Balance at end of year	$100,647	$100,372

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (in part): Capital Shares—Transactions involving capital shares were as follows:

	Common Shares $1 Par Value		Preferred Shares $1 Par Value		
	Issued	Treasury	Series B	Series C	Series D
Shares at January 1, 1977, as previously reported	12,277,833	(1,473,833)	258,727	1,889,010	852,011
Adjustment to give retroactive effect to 4-for-3 stock split	3,601,333	—	—	—	—
Shares at January 1, 1977, as adjusted	15,879,166	(1,473,833)	258,727	1,889,010	852,011
Shares issued during year:					
Conversion of Preferred shares	1,331,345	—	(24,821)	(562)	(456,050)
Under stock option plans	142,255	—	—	10,500	—
Shares at December 31, 1977, as adjusted	17,352,766	(1,473,833)	233,906	1,898,948	395,961
Shares issued and purchased during year:					
Conversion of preferred shares	1,333,018	—	(228,542)	(697)	(102,260)
Under stock option plans	380,567	—	—	318,550	—
Purchased pursuant to tender offer	—	—	—	(1,330,677)	—
Exchange of debt for Common stock	78,036	—	—	—	—
Redemption	—	—	(5,364)	—	—
Other	2,156	6,467	—	—	—
Shares at December 31, 1978	19,146,543	(1,467,366)	—	886,124	293,701
Shares Authorized	40,000,000	—	—	10,000,000	6,500,000

Income Tax Benefit from Issuance of Stock to Employees

HAMPTON INDUSTRIES, INC. (DEC)

Consolidated Statements of Stockholders' Equity

	First preferred stock	Class A stock	Common stock	Additional paid-in capital	Retained earnings
Balance, December 25, 1976	$835,950	$1,122,823	$ 512,173	$1,980,646	$10,983,706
Net earnings					1,831,339
Non-qualified stock options exercised			4,966		
Tax benefit resulting from exercise of non-qualified stock options				11,000	
Conversion of Class A stock		(1,122,823)	1,122,823		
Cash dividends paid					
First preferred stock ($7.00 per share)					(58,517)
Balance, December 31, 1977	835,950	—	1,639,962	1,991,646	12,756,528
Net earnings					2,512,451
Non-qualified stock options exercised			14,004		
Tax benefit resulting from exercise of non-qualified stock options				34,000	
Cash dividends paid					
First preferred stock ($7.00 per share)					(58,517)
Balance, December 30, 1978	$835,950	$ —	$1,653,966	$2,025,646	$15,210,462

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Stock Options—When stock options are exercised, proceeds in excess of the par value of shares issued are added to additional paid-in capital. Income tax benefits realized from the exercise of non-qualified stock options that result in ordinary income to the employee are added to additional paid-in capital.

Purchase Method Business Combination

CARRIER CORPORATION (OCT)

Consolidated Capital Accounts

(in thousands of dollars)

	Senior preferred stock	Cumulative preferred stock 4½% series	Cumulative preferred stock (convertible series)	Common stock Issued	Common stock Treasury	Amounts contributed in excess of par or stated value
Balance, October 31, 1976	$5,831	$ —	$ 5,891	$61,600	$6,377	$24,365
Purchase and retirement of 27,860 shares senior preferred stock	(1,393)	—	—	—	—	348
Issued 18,552 shares common stock in connection with an acquisition	—	—	—	46	—	(34)
Issued 2,006 shares common stock in connection with conversion of 1,003 shares cumulative preferred stock, $3.00 series	—	—	(51)	6	—	45
Issued 2,500 shares common stock in connection with incentive stock option plans	—	—	—	—	(35)	3
Issued 663 shares common stock in connection with employee suggestion programs	—	—	—	—	(9)	2
Balance, October 31, 1977	4,438	—	5,840	61,652	6,333	24,729
Issued 49,072 shares cumulative preferred stock, 4½% series and 5,892,804 shares cumulative preferred stock, $1.86 series in connection with acquisition of Inmont Corporation	—	4,907	182,677	—	—	(17,678)
Purchase and retirement of 31 shares senior preferred stock and 3,843 shares cumulative preferred stock, 4½% series	(2)	(384)	—	—	—	159
Issued 304,016 shares common stock in connection with conversion of 2,419 shares cumulative preferred stock, $3.00 series and 164,852 shares $1.86	—	—	(5,231)	760	—	4,471
Issued 42,090 shares common stock in connection with incentive stock option plans	—	—	—	—	(587)	81
Issued 928 shares common stock in connection with employee suggestion programs	—	—	—	—	(13)	1
Balance, October 31, 1978	$4,436	$4,523	$183,286	$62,412	$5,733	$11,763

Note 2: Acquisition of Inmont Corporation—On December 27, 1977, Inmont Corporation (Inmont) was merged into a wholly owned subsidiary of the corporation. The merger had been approved by stockholders of the corporation and of Inmont at stockholder meetings held on December 14, 1977.

The corporation paid $40,000,000 for 1,250,000 common shares and issued 5,892,804 shares of cumulative preferred stock, $1.86 series (convertible), $31 stated value and 49,072 shares of cumulative preferred stock, 4½% series, $100 stated value in exchange for the remaining outstanding common and preferred stock other than 188 preferred shares for which $12,000 in cash was paid to settle appraisal claims. Each share of the $1.86 series preferred stock is convertible into 1.815 shares of the corporation's common stock. The above amounts exclude the 747,200 Inmont common shares purchased by the corporation in August, 1977, at $28.25 per share.

The merger has been accounted for under the purchase method and, accordingly, Inmont's results of operations have been included in consolidated earnings from the date of acquisition.

The following table summarizes, on an unaudited pro forma basis, the combined results of operations as though Inmont had been acquired on November 1, 1976:

	1978	1977
	(in thousands of dollars except per share data)	
Net sales	$2,233,293	1,887,272
Net earnings	98,620	82,114
Earnings per common share	$3.45	$2.80
Earnings per common share, assuming full dilution	$2.71	$2.27

THE BFGOODRICH COMPANY (DEC)

Statement of Common Shareholders' Equity

(Dollars in thousands, except per share amounts)

	Common Stock	Additional Capital	Income Retained in the Business	Common Stock Held in Treasury
Balance at January 1, 1977 as previously reported	$72,945	$ 83,457	$560,133	$(981)
Cumulative effect to January 1, 1977 of change in accounting for leases, net of applicable income taxes	—	—	(1,884)	—
Balance at January 1, 1977 as restated	72,945	83,457	558,249	(981)
Net income	—	—	59,835	—
Cash dividends paid on:				
Series A Preferred Stock, $7.85 a share	—	—	(1,963)	—
Common Stock, $1.22 a share	—	—	(17,876)	—
37,841 shares issued under the Key Employee Stock Option Plan	189	711	—	—
Tax benefit arising from exercise of non-qualified stock options	—	68	—	—
61,769 shares issued to Employee Stock Purchase and Savings Plan	309	1,321	—	—
39,764 shares held in treasury reissued to Employee Stock Purchase and Savings Plan	—	107	—	981
Balance at December 31, 1977	73,443	85,664	598,245	—
Net income	—	—	70,110	—
Cash dividends paid on:				
Series A Preferred Stock, $7.85 a share	—	—	(1,963)	—
Series B Preferred Stock, $.975 a share annually	—	—	(160)	—
Common Stock, $1.32 a share	—	—	(20,538)	—
1,737,694 shares issued in connection with the acquisition of Continental Conveyor & Equipment Co., Inc.	8,688	30,096	—	—
2,600 shares issued under the Key Employee Stock Option Plan	13	42	—	—
Balance at December 31, 1978	$82,144	$115,802	$645,694	$ —

NOTES TO FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts)

Acquisition—On July 21, 1978, the merger of Continental Conveyor & Equipment Company was consummated. Including fees and expenses in connection with the merger, Continental was acquired for $63,053, which includes $20,563 in cash, 1,737,694 shares of Common Stock and 370,593 shares of $.975 Cumulative Preferred Stock, Series B. The acquisition has been accounted for by the purchase method and, accordingly, the operations of Continental are included in the Statement of Income from the date of the merger. The excess of the purchase price over the fair value of the acquired net assets (goodwill) of $38,282 is being amortized over forty years.

On an unaudited pro forma basis, including the results of operations of Continental as if it had been acquired at the beginning of 1977, results of operations for the years ended December 31, 1978 and 1977 would have been as follows:

	1978	1977
Net sales	$2,623,915	$2,433,713
Net income	70,820	63,183
Net income per share of Common Stock	$4.17	$3.71

Reduction of Par Value

DENNISON MANUFACTURING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note D: Capital Stock and Capital in Excess of Par Value—The following table summarizes the changes in the Company's capital stock and capital in excess of par value accounts:

	Common Stock	$1 Cumulative Convertible Preferred Stock	Debenture Stock	Treasury Stock	Capital in Excess of Par Value
		(Thousands	of Dollars)		
Balance at January 1, 1977	$20,751	$6,066	$1,881	($6,267)	$ 8,940
Conversion of 70,904 shares of Preferred Stock into Common Stock	354			(709)	355
Redemption of 3,952 shares of Preferred Stock				(39)	(47)
Redemption of 11,304 shares of Debenture Stock				(1,808)	
Issuance of Common Stock upon exercise of options	121				245
Issuance of Common Stock in connection with acquisition	840				2,503
Balance at December 31, 1977	22,066	6,066	1,881	(8,823)	11,996
Reduction of par value of Common Stock from $5 to $1	(17,742)				17,742
Retirement of 606,559 shares of Preferred Stock		(6,066)		6,066	
Issuance of 65,000 shares of Preferred Stock		650			642
Retirement of Debenture Stock			(1,881)	2,757	(876)
Issuance of Common Stock upon exercise of options	134				517
Retroactive effect of 2 for 1 stock split voted on February 9, 1979	4,458				(4,458)
Balance at December 31, 1978	$ 8,916	$ 650	$ —	$ —	$25,563
Number of shares issued at December 31, 1978	8,916,488	65,000			

At the Company's 1978 Annual meeting, the shareholders voted to amend and restate the Articles of Incorporation. The number of shares of authorized Common Stock was increased from 6,000,000 to 30,000,000, and the par value per share was decreased from $5 to $1. The class of Debenture Stock was eliminated from the Company's authorized capitalization. The number of authorized shares of Preferred Stock was reduced from 1,000,000 to 395,000. The Preferred Stock is entitled to preferential cumulative dividends at the greater of (a) $1 per share per year, or (b) twice the amount per share paid on Common Stock during any calendar year, as and when declared by the Board of Directors. In the event of a distribution of the Company's assets on dissolution, sale of its property, or liquidation, the Preferred Stock shall receive $25 per share plus all unpaid accumulated dividends. The Preferred Stock may be converted into Common Stock at any time after the fifth anniversary of the issuance thereof. The number of shares of Common Stock into which each share of Preferred Stock may be converted varies from one and one-half shares to two and one-half shares.

The Preferred Stock is redeemable by the Company at $25 per share at any time after the tenth anniversary of its issuance, but any holder has the right to convert into Common Stock rather than sell. The Preferred Stock votes share for share with the Common Stock on most issues presented to shareholders for action. Under certain circumstances, including a proposal to merge the Company into another business or to sell substantially all of its assets, approval is required of three-fourths of each outstanding class, voting separately.

At December 31, 1978, 290,086 shares of Common Stock were reserved for issuance upon the exercise of stock options, conversion of Preferred Stock and conversion of Performance Convertible Debenture Units (Note E).

Recapitalization

CLEVELAND CALENDERING & COATING CORP. (APR)

NOTES TO FINANCIAL STATEMENTS

(Information with respect to the year ended April 30, 1977 is unaudited)

Note G—Recapitalization:

(1) On April 19, 1978, the stockholders approved an amendment to the Company's Certificate of Incorporation which, among other things, changed the authorized capital stock to one class consisting of 5,000,000 shares, par value $.50 per share from 2,500,000 shares, par value $1 per share.

(2) Subsequent to the aforementioned recapitalization, four individuals who had previously loaned the Company $700,000, as operating funds during and subsequent to the Chapter XI proceeding, exercised an option in the loan agreement to purchase an aggregate of 1,134,340 shares of the Company's stock in exchange for the cancellation of the $700,000 debt.

(3) On April 25, 1978, the Company sold, to two unaffiliated corporations, an aggregate of 350,000 shares of stock for $350,000 cash.

(4) The foregoing events affected the stockholders' equity accounts of the Company as follows:

	Common Stock		
	Net Shares Outstanding	Dollar Amount	Additional Paid-in Capital
Balance—May 1, 1977..........	705,543	$ 705,543	$1,593,551
Change in par value to $.50		(352,772)	352,772
Sale of shares in consideration of cancellation of $700,000 debt...........	1,134,340	567,170	132,830
Sale of shares for $350,000 cash...........	350,000	175,000	175,000
Balance—April 30, 1978.....	2,189,883	1,094,941	2,254,153

(5) On December 14, 1977, certain shareholders of the Company entered into ten year Voting Trust Agreements; two of the three voting trustees are individuals mentioned in (2) above. The agreements include a provision that the voting trustees will vote for the election of specified individuals as directors of the Company; these individuals comprise a majority of the Board of Directors as presently constituted.

Public Offering of Stock

METPATH INC. (SEP)

Consolidated Statements of Shareholders' Equity

	Common Stock $.10 par					
	Shares	Amount	Capital in excess of par	Retained earnings	Treasury stock	Shareholders' equity
Balance, October 1, 1976	1,880,735	$188,074	$ 6,428,023	$2,435,656	$(4,250)	$ 9,047,503
Stock issued to officer	1,100	110	17,353			17,463
Exercise of stock options	30,521	3,052	221,031			224,083
1,000 shares acquired in connection with termination of employment agreement					(4,250)	(4,250)
1,000 shares of treasury stock issued to employee .			11,750		4,250	16,000
Cash dividend of $.05 per common share............				(95,405)		(95,405)
Cost of American Stock Exchange listing			(24,359)			(24,359)
Net income				2,453,770		2,453,770
Balance, September 30, 1977	1,912,356	191,236	6,653,798	4,794,021	(4,250)	11,634,805
Stock issued to officers and employee................	18,500	1,850	288,337			290,187
Stock issued in connection with public offering, less related issuance cost of $138,652	300,000	30,000	7,871,348			7,901,348
Cash dividend of $.20 per common share............				(418,686)		(418,686)
Exercise of stock options and warrants................	162,673	16,267	2,209,571			2,225,838
Proceeds from sale of common stock.................	115,000	11,500	2,956,500			2,968,000
Stock issued on conversion of 8% convertible debentures	23,083	2,308	140,817			143,125
Net income				3,796,440		3,796,440
Balance, September 30, 1978	2,531,612	$253,161	$20,120,371	$8,171,775	$(4,250)	$28,541,057

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Shareholders' equity: In April 1978, the Company increased its authorized preferred stock from 100,000 to 500,000 shares.

During March and September 1978, the Company sold 60,000 and 55,000 common shares to Corning Glass Works at $22.00 and $30.00 per share, respectively.

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.

TABLE 5-1: PRESENTATION IN ANNUAL REPORT

	1978	1977	1976
Final statement	442	437	428
Follows income statement and balance sheet	101	103	101
Between income statement and balance sheet	50	52	54
First statement	4	5	5
Other	3	3	12
Total Companies	**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.

TABLE 5-2: FORMAT

	1978	1977	1976	1975
Changes in Working Capital:				
Sources equal uses	72	73	79	69
Increase (decrease) in working capital	400	404	398	415
Ending working capital	86	80	87	85
Changes in Cash				
Sources equal uses	7	6	5	8
Increase (decrease) in cash or cash and cash equivalent	19	20	19	13
Ending cash or cash and cash equivalent	16	17	12	10
Total Companies	**600**	**600**	**600**	**600**

Sources Equal Uses

BUCYRUS-ERIE COMPANY (DEC)

Consolidated Statements of Changes in Financial Position

	1978	1977
	($000)	
Source of Working Capitol		
From operations:		
Net earnings	$54,280	$ 52,388
Noncash charges (credits) to earnings:		
Depreciation	13,740	11,791
Increase in deferred liabilities	2,169	3,474
Equity in earnings of Ruston-Bucyrus, Limited Before foreign currency translation gain	(3,853)	(4,331)
Foreign currency translation gain	(1,821)	(730)
Total working capital provided from operations	64,515	62,592
Dividends received from Ruston-Bucyrus, Limited	1,304	1,416
Stock options exercised	200	343
Disposal of property, plant and equipment	766	907
Decrease in marketable securities	10,002	40,555
Miscellaneous	155	65
	$76,942	$105,878
Application of Working Capital		
Additions to property, plant and equipment	$16,769	$ 23,462
Cash dividends paid	17,114	13,836
Increase in noncurrent portion of notes receivable	8,371	4,792
Addition to working capital	34,688	63,788
	$76,942	$105,878

COMMERCIAL METALS COMPANY (AUG)

Consolidated Statements of Changes in Financial Position

	1978	1977
	($000)	
Sources of Funds:		
Net earnings (loss)	$ 5,604	$ (268)
Expenses not requiring outlay of funds in the current period:		
Depreciation	5,064	4,379
Deferred income taxes	968	(229)
Amortization of capitalized leases	153	—
Amortization of goodwill	61	61
Equity in losses of affiliates.	17	180
Other	28	—
Funds provided by operations	11,895	4,123
Increase in accounts payable and accrued expenses	9,941	1,850
Additional long-term debt and capitalized lease obligations	5,490	8,073
Increase in income taxes payable	5,181	—
Decrease in cash	4,017	—
Increase in notes payable	1,811	—
Sales or retirement of property, plant, and equipment	1,154	376
Writedown of Arkansas plant assets	722	—
Common stock issued under stock purchase plan	89	229
Decrease in inventories and salvage jobs in process	—	9,500
Decrease in notes and accounts receivable	—	3,788
Decrease in refundable income taxes	—	1,282
Decrease in long-term note receivable	—	250
	$40,300	$29,472

Uses of Funds:		
Increase in inventories and salvage jobs in process	$15,359	$ —
Increase in notes and accounts receivable	13,976	—
Additions to property, plant, and equipment	5,832	6,881
Payments on long-term debt	2,616	2,647
Cash dividends	746	1,234
Other	710	110
Increase in capitalized leases	618	—
Increase in prepaid expenses	443	320
Decrease in notes payable	—	11,580
Increase in cash	—	5,355
Decrease in income taxes payable	—	919
Purchase of treasury stock	—	65
Acquisition of remaining interests in affiliates:		
Current assets	—	496
Equipment, net	—	255
Current liabilities	—	(35)
		717
Equity in affiliate before purchase	—	(362)
Net assets acquired	—	355
	$40,300	$29,472

SPS TECHNOLOGIES, INC. (DEC)

Statements of Consolidated Changes in Financial Position

	1978	1977
	(Thousands of dollars)	
Financial resources provided by		
Net earnings (loss)	$ 9,533	$(2,541)
Items not affecting working capital—primarily depreciation and amortization	5,471	6,095
Financial resources derived from operations	15,004	3,554
Proceeds from sale of plant and facilities	350	676
Additional long-term debt	15,000	866
Treasury shares issued upon exercise of stock options	1,868	—
Reclassification of assets held for resale	38	939
Decrease in working capital	—	4,021
	$32,260	$10,056
Financial resources used for		
Reduction of long-term debt, including amounts which became current	$17,123	$ 813
Additions to property, plant and equipment	5,973	7,078
Dividends	1,902	1,651
Other uses of funds, net	427	514
Increase in working capital	6,835	—
	$32,260	$10,056

SAV-A-STOP INCORPORATED (AUG)

Consolidated Statements of Changes in Financial Position

	1978	1977
	($000)	
Sources of working capital:		
Operations:		
Earnings from continuing operations	$ 2,420	1,286
Items which do not use working capital:		
Depreciation and amortization	2,778	2,551
Deferred income taxes	197	193
Total working capital provided by continuing operations	5,395	4,030
Loss from discontinued operations, including items which do not use working capital of $98,368 in 1978 and $164,596 in 1977	(908)	(112)
Total working capital provided by operations	4,487	3,918
Proceeds from exercise of employee stock options	110	61
Disposal of property, plant and equipment, net of accumulated depreciation and amortization	469	521
Additions to long-term debt	11,250	1,823
Decrease in other assets	114	—
Decrease in working capital	—	1,378
	$16,430	7,701
Uses of working capital:		
Dividends paid on preferred stock	448	199
Increase in other assets	—	264
Additions to property, plant and equipment	2,972	3,051
Reductions of long-term debt	11,694	4,187
Increase in working capital	1,316	—
	$16,430	7,701

Increase (Decrease) in Working Capital or Cash

ALLIED CHEMICAL CORPORATION (DEC)

Consolidated Statement of Changes in Financial Position

	1978	1977
Financial resources were provided by:		
Income before extraordinary charge	$120,239	$138,378
Add (deduct) items not requiring (providing) working capital:		
Depreciation, depletion and amortization	202,975	164,307
Deferred income taxes	(7,226)	44,665
Equity in (income) losses of unconsolidated subsidiaries and affiliates	(1,600)	6,364
Deferred income realized in current year	(4,290)	(12,793)
Gain on disposition of major operating assets, net of income tax	—	(19,953)
Working capital provided from operations	310,098	320,968
Proceeds from property, plant and equipment retired or sold	67,025	60,756
Issuance of environmental improvement revenue bonds and notes and other financing	191,750	100,547
Increase in capitalized lease obligations	9,384	38,713
Proceeds from exercise of stock options and dividend reinvestment plan	11,369	6,013
Additions to deferred income	16,457	14,901
Decrease (increase) in patents, licenses and deferred charges	14,431	(5,936)
	620,514	535,962
Financial resources were used for:		
Additions to property, plant and equipment	502,040	464,638
Additions to investments and long-term receivables	29,067	12,041
Cash dividends	56,593	51,956
Reduction in long-term debt	57,354	21,550
Reduction in capitalized lease obligations	26,324	19,446
Reclassification of pension and tax liabilities	5,641	(2,417)
Extraordinary charge using working capital, net of income tax	—	3,126
Other—net	(2,929)	(3,454)
	674,090	567,246
Net (decrease) in working capital	$(53,576)	$(31,284)

G. C. MURPHY COMPANY (JAN)

Consolidated Statement of Changes in Financial Position

	1979	1978
	($000)	
Working capital provided:		
Income before extraordinary item	$ 202	$ 9,215
Add (deduct) items not affecting working capital:		
Depreciation and amortization	9,989	9,799
Deferred income taxes	(4,415)	1,123
Expenses related to stores closed	8,078	453
Working capital provided from operations, exclusive of extraordinary item	13,854	20,590
Extraordinary item	—	(921)
Long-term borrowings	2,605	4,000
Capital lease obligations	3,530	—
Dispositions of owned property and equipment	1,016	—
Other	790	716
Total working capital provided	21,795	24,385
Working capital applied:		
Additions to property and equipment	12,441	11,267
Additions to assets held under capital leases	3,552	35
Cash dividends declared	5,024	5,019
Reduction of long-term debt	697	6,983
Reduction of capital lease obligations	934	1,099
Reduction of unearned income	198	214
Total working capital applied	22,846	24,617
Net decrease in working capital	$(1,051)	$ (232)

OXFORD INDUSTRIES, INC. (MAY)

Consolidated Statements of Changes in Financial Position

	1978	1977
	($000)	
Source of Funds:		
Earnings from continuing operations	$ 7,369	$ 5,138
Add expenses not requiring outlay of working capital:		
Depreciation and leasehold amortization	2,918	2,798
Deferred income taxes	93	(402)
Funds provided from continuing operations	10,380	7,534
Proceeds from sale of property, plant and equipment	619	1,983
Increase in long-term debt	1,750	243
Proceeds from exercise of stock options	48	171
	12,797	9,931
Application of Funds:		
Acquisition of property, plant and equipment	5,737	3,997
Contribution to capital of Lanier Business Products, Inc.		2,078
Reduction of long-term debt	2,195	2,121
Dividends paid	1,557	2,021
Other, net	513	(40)
	10,002	10,177
Increase (Decrease) in Working Capital	$ 2,795	$ (246)
Other Changes—Spin-off of net assets of Lanier Business Products, Inc.:		
Net assets at May 28, 1976		$16,313
Net earnings for year		6,725
Contribution to capital by Oxford Industries, Inc.		2,078
Net assets at June 3, 1977		25,116
Distribution to stockholders		(25,116)
		$ —

End of Year Working Capital or Cash

CBS INC. (DEC)

Consolidated Statements of Changes in Financial Position

	1978	1977
	($000)	
Funds provided by:		
Income from operations	$198,079	$182,008
Items not affecting funds:		
Depreciation and amortization	49,544	40,679
Deferred income taxes	14,621	(7,911)
Share of income in excess of dividends for companies accounted for under the equity method	(11,472)	(7,438)
Funds provided by operations	250,772	207,338
Issuance of treasury shares under employee benefit plans	6,635	6,401
Increase in current maturities of long-term debt	2,215	978
Increase in accounts payable and accrued liabilities	92,513	113,011
Increase (decrease) in income tax liability	19,632	(9,327)
Increase in long-term debt	7,554	284
Other, net	4,462	3,521
Total funds provided	383,783	322,206
Funds used for:		
Dividends on common and preference stock	68,066	58,873
Treasury shares	—	66,247
Property, plant and equipment	98,382	63,932
Increase in notes and accounts receivable	150,589	122,297
Increase in inventories	77,959	52,244
Increase in program rights	64,527	27,114
Increase in prepaid expenses	25,302	19,528
Increase (decrease) in investments	5,156	(590)
Increase in intangible and other assets	31,849	54,359
Decrease (increase) in other liabilities	10,011	(6,169)
Total funds used	531,841	457,835
Decrease in cash and cash equivalents	148,058	135,629
Cash and cash equivalents at beginning of year	199,457	335,086
Cash and cash equivalents at end of year	$ 51,399	$199,457

GERBER PRODUCTS COMPANY (MAR)

Consolidated Statements of Changes in Financial Position

	1978	1977
	(Thousands of Dollars)	
Source of Working Capital		
Net earnings for the year	$23,999	$22,334
Charges (credits) which did not affect working capital:		
Provision for depreciation and amortization	7,734	6,740
Minority interest in loss of foreign subsidiary	(11)	(215)
Provision for deferred income taxes	699	1,170
Share of earnings of unconsolidated companies	(267)	(291)
Total From Operations	32,154	29,738
Disposals and other property changes	2,144	561
Proceeds from long-term borrowings	4,050	-0-
Proceeds from sale of treasury stock	439	10
	38,787	30,309
Application of Working Capital		
Additions to land, buildings and equipment	18,891	17,040
Cash dividends paid	11,406	10,370
Additions to patents, goodwill and other intangibles	-0-	163
Payments and current maturities of long-term debt	1,666	1,632
Investment in unconsolidated companies	768	915
Increase in miscellaneous receivables, prepayments and other accounts	1,796	30
	34,527	30,150
Increase in Working Capital	4,260	159
Working capital at beginning of year	82,114	81,955
Working Capital at End of Year	$86,374	$82,114

LESLIE FAY INC. (APR)

Consolidated Statement of Changes in Financial Position

	1978	1977
	($000)	
Sources of working capital:		
Provided by operations:		
Net income	$ 4,466	$ 2,317
Add expenses not involving working capital:		
Depreciation	2,270	2,205
Deferred federal income taxes	77	82
Other	157	74
Total provided by operations	6,970	4,678
Disposal of property, plant and equipment	33	119
Total sources	7,003	4,797
Applications of working capital:		
Additions to property, plant and equipment	1,601	1,137
Current maturities of long-term debt	1,211	1,186
Purchase of treasury shares	314	—
Cash dividends	1,503	1,367
Sundry—net	120	47
Total applications	4,749	3,737
Increase in working capital	2,254	1,060
Working capital at beginning of year	34,571	33,511
Working capital at end of year	$36,825	$34,571

SNAP-ON TOOLS CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1978	1977
	($000)	
Sources of Working Capital		
From operations		
Net earnings for the year	$ 32,246	$ 22,265
Charges to earnings not using working capital		
Depreciation and amortization of property, plant and equipment	6,322	5,532
Deferred income taxes	397	461
Working capital provided from operations	38,965	28,258
Disposition of property, plant and equipment	248	403
Issuance of long-term debt	—	380
Proceeds from employee stock incentive plans	1,328	848
Other—net	(12)	(66)
	40,529	29,823

Applications of Working Capital		
Dividends paid in cash	10,599	8,015
Additions to property, plant and equipment	14,845	9,981
Decrease in long-term debt	385	382
	25,829	18,378
Increase in Working Capital	14,700	11,445
Working capital at beginning of year	101,271	89,826
Working capital at end of year	$115,971	$101,271

WORKING CAPITAL OR CASH PROVIDED FROM OR USED IN OPERATIONS

Paragraph 10 of *Opinion No. 19* states:

> The ability of an enterprise to provide working capital or cash from operations is an important factor in considering its financing and investing activities. Accordingly, the Statement should prominently disclose working capital or cash provided from or used in operations for the period, and the Board believes that the disclosure is most informative if the effects of extraordinary items . . . are reported separately from the effects of normal items. The Statement for the period should begin with income or loss before extraordinary items, if any, and add back (or deduct) items recognized in determining that income or loss which did not use (or provide) working capital or cash during the period. Items added and deducted in accordance with this procedure are not sources or uses of working capital or cash, and the related captions should make this clear, e.g., "Add—Expenses not requiring outlay of working capital in the current period." An acceptable alternative procedure, which gives the same result, is to begin with total revenue that provided working capital or cash during the period and deduct operating costs and expenses that required the outlay of working capital or cash during the period. In either case the resulting amount of working capital or cash should be appropriately described, e.g., "Working capital provided from (used in) operations for the period, exclusive of extraordinary items." This total should be immediately followed by working capital or cash provided or used by income or loss from extraordinary items, if any; extraordinary income or loss should be similarly adjusted for items recognized that did not provide or use working capital or cash during the period.

Table 5-3 shows those items most frequently included in the calculation of working capital or cash provided from (or used in) operations. Examples of the aforementioned calculation follow.

TABLE 5-3: WORKING CAPITAL OR CASH PROVIDED FROM OPERATIONS—COMPONENTS

	Number of Companies			
	1978	**1977**	**1976**	**1975**
Net income or loss	512	495	497	455
Income or loss from continuing operations	40	46	49	90
Income or loss before extraordinary items	40	48	54	55
Depreciation and/or amortization and/or depletion	599	599	599	599
Deferred taxes and/or deferred investment credit	500	481	482	473
Equity in earnings or losses of investees	174	174	178	186
Minority interest	56	66	63	72

Net Income or Loss

ALBERTSON'S, INC. (JAN)

Consolidated Changes in Financial Position

	1979	1978
	($000)	
Source of Funds:		
Operations:		
Net earnings	$ 36,421	$24,832
Add charges (credits) not requiring funds:		
Depreciation and amortization	19,455	14,919
Amortization of assets under capital leases	5,471	5,069
Amortization of deferred costs	1,455	2,101
Increase in deferred compensation	993	608
Decrease in deferred income taxes	(510)	(580)
Amortization of deferred investment credit	(1,269)	(1,019)
Working capital provided from operations	62,016	45,930
Proceeds from long-term borrowings	43,393	10,646
Additions to obligations under capital leases	23,002	27,770
Disposals of land, buildings and equipment	24,780	10,345
Additions to deferred investment credit	2,630	2,480
Proceeds from stock options	662	508
	156,486	97,679
Disposition of Funds:		
Capital expenditures and additions to assets under capital leases	97,560	69,568
Additions to deferred costs		1,110
Reduction of long-term debt	1,606	1,561
Reduction of obligations under capital leases	15,218	10,735
Increase in other assets	1,721	1,563
Cash dividends	7,075	5,863
	123,220	90,400
Increase in Working Capital	$ 33,266	$ 7,279

BEMIS COMPANY, INC. (DEC)

Consolidated Statement of Changes in Financial Position

	1978	1977
	($000)	
Financial resources were provided by:		
Operations:		
Net income	$18,823	$16,778
Add (deduct) items not requiring the use of working capital:		
Depreciation and amortization	17,065	14,674
Amortization of capitalized leases	937	795
Minority interest in net income	1,056	837
Write-off of patents and goodwill	288	384
Deferred income taxes	6,090	3,278
Equity in undistributed earnings of affiliates	(215)	(130)
Fixed assets sold and written off	4,396	
Working capital provided by operations	48,440	36,616
Additional long-term borrowings	27,420	12,242
Proceeds from property retirements	4,584	1,372
Long-term lease obligations	123	8,080
Total resources provided	80,567	58,310
Financial resources were applied to:		
Additions to property and equipment	35,768	37,910
Acquisition of minority interest in subsidiary company	74	135
Capital leases	287	9,537
Reduction in long-term borrowings	3,440	14,484
Purchase of debentures	545	1,867
Cash dividends declared	7,034	7,001
Long-term receivables	732	196
Purchase of common stock for the treasury	159	425
Redemption of series 1974 8½% preferred stock	9,637	
Increase (decrease) in deferred charges and special deposits	1,188	(1,781)
Reduction in long-term lease obligations	920	750
Sundry, net	639	(625)
Total resources used	60,423	69,899
Increase (decrease) in working capital	$20,144	$(11,589)

LAFAYETTE RADIO ELECTRONICS CORPORATION (JUN)

Consolidated Statements of Changes in Financial Position

	1978	1977
	($000)	
Application of working capital:		
Operations:		
Net loss	$8,039	$3,621
Items not requiring working capital:		
Depreciation and amortization	(949)	(956)
Deferred income taxes	615	(40)
Other	(446)	(80)
Working capital used in operations	7,259	2,545
Purchase of property, plant and equipment	1,995	1,039
Purchase of common stock	144	3
Cash dividends	—	568
	9,398	4,155
Source of working capital:		
Exercise of employee stock options	—	165
Decrease in working capital	$9,398	$3,990

OSCAR MAYER & CO. INC. (OCT)

Consolidated Statement of Changes in Financial Position

	1978	1977
	($000)	
Resources Were Provided By:		
Net income	$26,033	$35,023
Add (deduct) items not affecting working capital:		
Depreciation	18,783	16,646
Unrealized foreign currency translation loss	8,853	2,018
Deferred income taxes	4,319	4,944
Equity in income of affiliated companies	(6,024)	(2,327)
Other	447	608
Working capital provided by operations	52,411	56,912
Dividends from affiliated companies	1,650	750
Sales of properties	1,981	686
Reduction in advance to affiliate	1,333	—
Stock options exercised	1,212	2,226
	58,587	60,574
Resources Were Used For:		
Additions to properties	31,792	32,051
Dividends to stockholders	13,091	11,932
Reduction in long term debt	709	3,345
Loan to affiliate	5,000	—
	50,592	47,328
Increase in Working Capital	$ 7,995	$13,246

THE FIRESTONE TIRE & RUBBER COMPANY (OCT)

Statements of Changes in Financial Position

	1978	1977
	(Dollars in millions)	
Sources of working capital		
Net income (loss)	$(148.3)	$110.2
Charges (credits) to net income not affecting working capital:		
Depreciation	176.4	166.9
Non-current provision for loss on phase-out of facilities	77.6	—
Deferred income taxes	(11.9)	8.4
Total from operations	93.8	285.5
Long-term debt and capital lease obligations incurred	75.5	94.6
Issuance of preferred stock by Canadian subsidiary	34.4	—
Other	10.1	(.7)
Total sources of working capital	213.8	379.4
Uses of working capital		
Expenditures for properties, plants and equipment	230.9	204.9
Reduction of long-term debt and capital lease obligations	81.7	82.4
Payment of cash dividends	63.4	63.3
Total uses of working capital	376.0	350.6
Increase (decrease) in working capital	(162.2)	28.8
Working capital at beginning of year	954.7	925.9
Working capital at end of year	$ 792.5	$954.7

BUCKBEE-MEARS COMPANY (DEC)

Consolidated Statements of Changes in Financial Position

	1978	1977
	($000)	
Sources of Funds:		
Net earnings	$ 2,605	$1,653
Items not affecting working capital:		
Depreciation	3,691	4,206
Deferred taxes on income	(247)	(574)
Increase in unfunded pension liability	220	95
Loss on disposal of property and equipment	1,234	188
Other	(7)	94
Total from operations	7,496	5,662
Proceeds from sale of property and equipment	4,743	643
	12,239	6,305
Application of Funds:		
Additions to property, plant and equipment	2,752	2,097
Current maturities and prepayments of long-term debt	5,331	2,696
Dividends declared	460	—
Other	140	58
	8,683	4,851
Increase in Working Capital	$ 3,556	$1,454

Income or Loss From Continuing Operations

BROCKWAY GLASS COMPANY, INC. (DEC)

Statement of Changes in Financial Position

	1978	1977
	($000)	
Working capital provided from		
Income from continuing operations	$25,898	$19,082
Add charges not affecting working capital		
Depreciation and amortization	18,814	16,871
Deferred income taxes	3,069	5,352
Other items	77	73
Working capital provided from continuing operations	47,859	41,379
Income (loss)—discontinued operations	(9,873)	648
Add charges not affecting working capital		
Depreciation	1,606	1,752
Non-current valuation allowance and other items	7,995	(239)
Working capital (used) provided from discontinued operations	(271)	2,162
Total working capital provided from operations	47,587	43,542
Sale of common stock under option plan	596	356
Increase in long-term debt	—	15,000
Retirements and sales of property	253	184
Total working capital provided	48,437	59,083
Working capital used for		
Acquisition of property, plant and equipment	38,831	29,315
Cash dividends	7,491	6,796
Reduction of long-term debt	165	165
Other items	303	183
Total working capital used	46,791	36,460
Increase in working capital	$ 1,646	$22,623

MILTON ROY COMPANY (DEC)

Consolidated Statement of Changes in Financial Position

	1978	1977
	($000)	
Resources provided:		
Continuing operations:		
Income from continuing operations	$1,944	$ 1,198
Add (deduct) expense or income items not causing an outlay or inflow of current period working capital:		
Depreciation and amortization	1,326	1,328
Deferred income taxes	(32)	(117)
Provision for prepaid royalties	1,768	—
Equity in earnings of joint ventures	(372)	(72)
Gain on disposition of assets, net of tax	(680)	—
Working capital provided by continuing operations	3,953	2,337
Discontinued operations:		
Income from discontinued operations	100	201
Add (deduct) expense or income items not causing an outlay or inflow of current period working capital:		
Write off of goodwill	155	—
Depreciation and amortization	101	80
Deferred income taxes	151	76
Working capital provided by discontinued operations	507	357
Total working capital provided by operations	4,460	2,694
Proceeds from settlement of insurance claim	357	—
Proceeds from disposition of assets, net of tax	1,643	—
Disposal of property, plant and equipment	630	322
Collection of notes receivable	335	384
Increase in long term debt	38	7,465
Proceeds received from common stock sold under employee stock option and stock purchase plans	179	168
Total resources provided	$7,642	$11,033
Resources applied:		
Reclassification of net current assets of discontinued operations	$2,127	$ —
Prepaid royalties	306	1,086
Additions to property, plant and equipment	1,361	1,789
Reductions in long term debt	363	770
Reductions in long term obligations under capital leases	684	47
Dividends paid	385	346
Other, net	105	71
Increase in working capital	2,311	6,924
Total resources applied	$ 7,642	$11,033

ROCKWELL INTERNATIONAL CORPORATION (SEP)

Statement of Consolidated Changes in Financial Position

	1978	1977
	(In millions)	
Resources Provided		
Income from continuing operations	$209.1	$157.0
Add (deduct) items not requiring use of working capital:		
Depreciation of property	119.8	117.9
Disposition of property and businesses—(gain) loss	(11.7)	2.8
Equity in income of unconsolidated subsidiaries and affiliates	(6.0)	(6.5)
Deferred income taxes	(4.7)	(1.3)
Other	(1.7)	11.3
Total from continuing operations	304.8	281.2
Loss from discontinued operations	(32.5)	(12.9)
Add items not requiring use of working capital (including depreciation of property: 1978, $1.4 million; 1977, $1.7 million)	4.7	2.5
Total from discontinued operations	(27.8)	(10.4)
Total from operations	277.0	270.8
Decreases in investments (including dividends received from unconsolidated subsidiaries and affiliates: 1978, $11.6 million; 1977, $1.6 million)	55.6	25.4
Proceeds from sales of property	37.6	32.7
Proceeds from sales of businesses	25.4	
Long-term borrowings	12.0	12.1
Decreases in other assets	5.2	11.5
Other	8.5	7.7
Resources provided	421.3	360.2
Resources Applied		
Property additions	218.9	195.7
Cash dividends	80.9	77.7
Reduction in long-term debt	77.7	33.8
Increases in other assets	6.9	8.2
Increases in investments	5.4	2.5
Other	13.4	14.1
Resources applied	403.2	332.0
Increase in Working Capital	$ 18.1	$ 28.2

Income or Loss Before Extraordinary Item

BOBBIE BROOKS, INCORPORATED (APR)

Consolidated Statement of Changes in Financial Position

	1978	1977
	($000)	
Sources of working capital:		
Provided by (applied to) operations:		
Income (loss) before extraordinary tax credit ...	$ 5,484	$(17,942)
Items not involving working capital:		
Depreciation	1,151	2,263
Goodwill charged to operations..............	—	2,188
Provision for loss on idle facilities	213	2,000
Sundry	(99)	(186)
Total provided by (applied to) operations, before extraordinary tax credit............	6,749	(11,677)
Extraordinary tax credit—utilization of operating loss carryforward	4,856	—
Total provided by (applied to) operations	11,605	(11,677)
Long-term debt incurred	246	—
Unamortized cost of property assets sold	645	8,266
Total	12,496	(3,411)
Applications of working capital:		
Additions to property assets....	1,242	1,000
Long-term debt:		
Current maturities and other prepayments	5,005	3,518
Amount to be repaid upon consummation of refinancing agreement.....	—	2,856
Sundry—net	(163)	84
Total	6,084	7,458
Increase (decrease) in working capital................................	6,412	(10,869)
Working capital at beginning of year	24,005	34,874
Working capital at end of year.....	$30,417	$24,005

MARATHON OIL COMPANY (DEC)

Statements of Consolidated Changes in Financial Position

	1978	1977
	($000)	
Source of Funds		
Income before extraordinary credit	$197,067	$196,959
Charges to income which did not involve current expenditures:		
Depletion and depreciation..	166,769	158,548
Lease impairment...........	34,539	12,626
Deferred income taxes......	72,804	82,628
Other	1,590	6,487
Funds Provided from Operations Before Extraordinary Credit....	472,769	457,248
Extraordinary credit .	28,102	—
Funds Provided From Operations..............	500,871	457,248
Increase in long-term debt......	255,000	158,497
Increase in proceeds from gas production agreements	7,035	80,973
Increase in capitalized leases...	8,057	11,556
Sales and retirements of property	43,929	31,312
Other—net	(749)	9,210
Total Source of Funds ...	814,143	748,796
Disposition of Funds		
Capital expenditures............	502,272	481,092
Cash dividends paid	66,456	66,243
Increase in investments and advances—affiliated companies........................	1,940	11,447
Increase in deferred charges ...	7,979	976
Reduction of long-term debt	219,175	194,299
Total Disposition of Funds	797,822	754,057
Increase (Decrease) in Working Capital......	$ 16,321	$ (5,261)

Income Before Cumulative Effect of Accounting Change

MEDUSA CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1978	1977
	($000)	
Funds provided from:		
Operations:		
Earnings before cumulative effect of change in accounting method	$16,404	$13,924
Items not requiring outlay of current funds:		
Depreciation and depletion....................	15,748	13,822
Income tax and investment credit deferments	2,598	1,496
Other	209	247
Total from operations before cumulative effect of change in accounting method...........	34,959	29,489
Cumulative effect of change in accounting method....	(781)	—
Total from operations	34,178	29,489
Proceeds, less gain from sale of fixed assets	347	1,243
Net book value of non-current assets of a subsidiary sold..	5,128	—
Common shares issued:		
Conversion of debentures ...	3,575	398
Conversion of Preferred shares	1,400	—
Acquisitions	—	8,163
Exercise of stock options and, in 1978, sale to employee benefit plan...	339	230
Sundry sources..................	1,777	85
	46,744	39,608
Funds used for:		
Property, plant and equipment expenditures	39,109	14,982
Reduction of long-term debt	1,839	2,348
Conversion of debentures	3,578	398
Conversion of Preferred shares	1,400	—
Cash dividends	6,271	4,998
Property, plant and equipment of businesses purchased (excluding net current assets acquired of $4,823,000) ...	—	13,365
Sundry purposes	1,314	2,073
	53,511	38,164
(Decrease) increase in working capital	(6,767)	1,444
Working capital at beginning of year..........................	46,428	44,984
Working capital at end of year.....	$39,661	$46,428

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 most frequently disclosed in the statements of the survey companies.

TABLE 5-4: SOURCES AND USES

	Number of Companies			
	1978	1977	1976	1975
Sources				
Issuance of long-term debt .	451	461	478	483
Sale, disposal, or retirement of property	438	417	427	428
Issuance of capital stock	362	354	331	274
Investments	110	125	115	108
Capitalized leases...........	89	56	N/C	N/C
Noncurrent receivables......	62	76	63	53
Uses				
Property	595	594	594	595
Dividends	538	533	536	530
Long-term Debt	527	541	578	553
Investments	221	211	212	207
Purchase, redemption, or retirement of capital stock	208	193	168	243
Decrease in capitalized leases....................	91	54	N/C	N/C
Noncurrent receivables......	76	74	61	34
Intangibles	55	51	44	46

N/C — Not Compiled

Property

ST. REGIS PAPER COMPANY (DEC)

Statements of Changes in Consolidated Financial Position

	1978	1977
	($000)	
Source of funds:		
Operations:		
Net earnings	$126,514	$106,786
Charges (credits) not requiring current outlays of working capital:		
Depreciation, depletion, and amortization	91,221	77,127
Equity in undistributed earnings of non-consolidated affiliates	(4,233)	(4,481)
Deferred income taxes	28,028	27,000
Other non-cash charges (credits), net	8,932	4,230
Funds provided from operations	250,462	210,662
Issuance of long-term debt:		
Foreign	9,608	666
8⅞% promissory notes		175,481
Other	7,768	19,824
Capitalized lease obligations	47,656	5,033
Total	65,032	201,004
Issuance of common stock	14,283	6,527
Other:		
Property, plant and equipment retirements	4,084	2,231
Sales of plants and timberlands, net of working capital	23,307	
Other, net	(5,181)	4,106
Total	22,210	6,337
Total source of funds	$351,987	$424,530
Application of funds:		
Property, plant, and equipment additions:		
Land, buildings, and equipment	$106,005	$ 73,056
Timberlands and cutting rights	6,290	19,865
Leased property	45,526	7,927
Total	157,821	100,848
Decrease in unexpended construction funds		(413)
Reduction of long-term debt	72,607	30,723
Exchange of long-term debt		75,000
Conversion of long-term debt	12,021	3,543
Cash dividends	55,555	44,735
Changes to investments	(6,532)	8,013
Non-current receivables from sale of assets	23,570	
Increase in advance payments under timber-purchase contracts	12,086	399
Increase in working capital (see below)	24,859	161,682
Total application of funds	$351,987	$424,530

Debt

COLECO INDUSTRIES, INC. (DEC)

Consolidated Statement of Changes in Financial Position

	1978	1977
	($000)	
Financial Resources Were Provided (Used) by:		
Net earnings (loss)	$(22,277)	$ 1,653
Add (deduct) items not requiring (providing) working capital:		
Depreciation of plant and equipment	4,643	3,889
Amortization of intangible assets	512	227
Noncurrent deferred tax provision (benefit)	(675)	238
Translation losses on other assets	158	189
Other	6	84
Total provided (used) by operations	(17,633)	6,280
Reclassification of short-term debt refinanced in 1979	9,625	
Proceeds from long-term debt		990
Increase in capital lease obligation	908	
Proceeds on disposal of property, plant and equipment	134	70
Stock options exercised		279
Other	396	(30)
	(6,570)	7,589
Financial Resources Were Used for:		
Reduction of long-term debt	4,374	3,770
Purchase of property, plant and equipment	2,535	6,965
Capitalization of leases in 1978	812	
Increase in other noncurrent assets	3,122	
Increase in future income tax benefits	395	
	11,228	10,735
Decrease in Working Capital	(17,798)	(3,146)
Working Capital at beginning of year	16,533	19,679
Working Capital (Deficit) at end of year	$ (1,265)	$16,533

PHELPS DODGE CORPORATION (DEC)

Statement of Changes in Consolidated Financial Position

	1978	1977
	($000)	
Funds provided by:		
Operations:		
Net income	$ 30,112	$ 17,880
Adjustment for items not involving working capital:		
Depreciation, depletion and amortization	58,889	52,217
Deferred income taxes, including taxes on equity earnings (losses)	4,397	15,457
Undistributed (earnings) losses of equity investments	(5,437)	6,878
Total from operations	87,961	92,432
Financing (other than short-term borrowings):		
Long-term debt—new borrowings	206,060	93,919
Issuance of capital stock	565	75,557
Total from financing	206,625	169,476
Other sources:		
Loans receivable repaid or classified as current	2,082	3,360
Book value of assets sold	7,735	6,099
Borrowed uranium	—	21,687
Other items, net	6,243	4,142
Total from other sources	16,060	35,288
Total funds provided	310,646	297,196
Funds used for:		
Dividends	18,466	38,956
Capital expenditures	55,444	95,726
Pre-operating mine development	40,879	16,156
Investments	9,610	5,688
Long-term debt repaid or classified as current	91,421	54,575
Reclassification of commercial paper	—	50,000
Uranium delivery obligations reclassified as current	21,687	9,000
Total funds used	237,507	270,101
Increase in net current assets	$ 73,139	$ 27,095

TWENTIETH CENTURY-FOX FILM CORPORATION (DEC)

Statements of Changes in Consolidated Financial Position

	1978	1977
	(In thousands)	
Financial Resources Provided By:		
Net Earnings	$ 58,390	$ 50,780
Add items not affecting working capital:		
Depreciation and amortization of non-current assets	17,806	11,192
Changes in long-term network receivables	1,234	3,421
Other	1,183	482
Working capital provided by operations	78,613	65,875
Borrowings from insurance companies	20,000	—
Issuance of subordinated debentures	50,000	—
Increase in contractual obligations	2,616	1,656
Refinancing of other long-term debt	3,504	—
Borrowings under credit agreement	—	4,500
Book value of assets sold	4,538	816
Working capital provided by reduction of non-current film costs	72,163	91,533
	$231,434	$164,380
Financial Resources Used For:		
Acquisition of Subsidiaries:		
Working capital acquired	$ 860	$ 5,845
Long-term liabilities assumed	(254)	(4,930)
Property and equipment	30,515	18,534
Other assets principally goodwill	16,021	8,386
Issuance of preferred stock	(28,680)	—
Working capital required by the acquisitions	18,462	27,835
Investment in Pebble Beach Corporation	6,518	—
Additions to non-current film costs	94,601	76,173
Additions to property and equipment	13,034	6,713
Dividends declared	18,431	4,583
Increase in other assets	8,838	4,713
Decrease in mortgages payable	305	—
Decrease in guarantees of producers' borrowings	3,601	607
Payment of bank borrowings and notes to insurance companies	4,300	7,139
Retirement of convertible debentures	26,134	—
Increase in working capital	37,210	36,617
	$231,434	$164,380

Capital Stock

ELI LILLY AND COMPANY (DEC)

Consolidated Statements of Changes in Financial Position

	1978	1977
	($000)	
Source of Working Capital		
Net income	$277,475	$223,473
Charges to income not involving working capital:		
Depreciation and amortization	45,063	42,222
Deferred income taxes	11,817	18,460
Total from Operations	334,355	284,155
Proceeds from sales of common stock under option plans	1,309	427
Issuance of common stock in satisfaction of performance awards	1,574	526
Disposals of property and equipment	6,245	7,721
Additions to long-term debt	600	4,250
Decrease in other assets	—	3,530
Other credits to additional paid-in capital	148	—
	344,231	300,609
Use of Working Capital		
Cash dividends	116,492	98,991
Additions to property and equipment	89,550	84,786
Increase in other assets	146,984	—
Reductions of long-term debt	69	21,543
Purchase of common stock for treasury	3,970	—
	357,065	205,320
Increase (Decrease) in Working Capital	$(12,834)	$ 95,289

JOHNS-MANVILLE CORPORATION (DEC)

Changes in Consolidated Financial Position

	1978	1977
	($000)	
Funds Provided By		
Operations		
Net Earnings	$121,602	$102,627
Items Not Requiring (Providing) Working Capital		
Depreciation and depletion	42,401	38,575
Deferred income taxes (non-current portion)	20,515	21,634
Amortization and reduction of intangible assets	943	2,800
Provisions for the dispositions of assets	886	6,319
Undistributed equity earnings	(4,604)	(989)
Total	181,743	170,966
Issuance of Cumulative Preferred Stock	298,891	
Issuance of Long-Term Debt	205,862	15,795
Increase in Other Non-Current Liabilities	12,037	12,570
Common Stock Issued in Connection With Employee Stock Purchase Plan	8,920	
Dispositions of Property, Plant and Equipment	5,073	18,626
Decrease in Investment in and Advances to Real Estate Subsidiary	1,467	146
Cost of Treasury Stock Issued	1,128	1,530
Decrease in Investments in and Advances to Associated Companies	66	3,530
Net Change in Working Capital	50,704	(54,373)
Total	$765,891	$168,790
Funds Used For		
Acquisition of Olinkraft, Inc. less, Olinkraft's working capital ($53,645)	$541,901	
Dividends on Common Stock	38,972	$ 33,259
Additions to Property, Plant and Equipment	174,007	100,153
Reduction of Long-Term Debt	7,125	20,707
Increase in Deferred Charges and Other Assets	3,554	14,169
Loss on Dispositions of Treasury Stock	332	502
Total	$765,891	$168,790

RELIANCE ELECTRIC COMPANY (OCT)

Statements of Consolidated Changes in Financial Position

	1978	1977
	(Thousands of Dollars)	
Source of Funds		
From operations:		
Net earnings	$ 64,648	$53,516
Items not affecting working capital:		
Depreciation	19,548	16,698
Deferred income taxes	3,530	1,002
Translation adjustment of noncurrent liabilities	6,109	188
Other	4,280	2,262
Total from Operations	98,115	73,666
Long-term borrowings	1,086	358
Refunding of industrial revenue bonds	0	12,405
Sale of stock under option plans	678	640
Conversion of Serial Preferred Stock into common shares	2,033	2,534
Other	3,593	3,936
	105,505	93,539
Application of Funds		
Property expenditures	33,552	33,434
Long-term debt reduction	3,170	3,254
Redemption of Series B Preferred Stock	1,082	0
Refunding of industrial revenue bonds	0	12,320
Cash dividends	22,215	17,345
Conversion of Serial Preferred Stock into common shares	2,033	2,534
Noncurrent items of acquired companies at dates of acquisition:		
Property, plant and equipment	6,101	562
Other	1,146	311
Purchase of common shares for treasury	181	482
Other	3,109	3,069
	72,589	73,311
Increase in Working Capital	$ 32,916	$20,228

Dividends

ALUMINUM COMPANY OF AMERICA (DEC)

Statement of Changes in Consolidated Financial Position

	1978	1977
	(in millions)	
Source of working capital		
From operations:		
Net income	$312.7	$195.2
Add, charges (credits) to income which did not require working capital:		
Depreciation and depletion	227.5	203.9
Increase in deferred income, investment credit and noncurrent liabilities	18.0	5.1
Addition to (reduction of) future taxes on income	25.4	(5.7)
Other, principally equity in undistributed (earnings) losses of entities not consolidated	(32.6)	(7.6)
Total from operations	551.0	390.0
Book value of properties, plants and equipment disposed of	3.8	1.6
	554.8	392.5
Decreases in investments	15.0	47.5
Proceeds from:		
Common stock issued	15.9	17.3
8¼% notes payable due 2002	—	150.0
Tax-exempt revenue bonds	5.5	41.8
Other long-term debt	3.4	2.4
	594.6	651.5
Use of working capital		
Additions to properties, plants and equipment	349.8	281.7
Additions to investments	24.9	43.9
Payments on long-term debt	42.5	179.1
Dividends declared:		
Preferred stock	2.5	1.9
Common stock	66.3	46.6
Increase in other assets and deferred charges	19.9	9.4
Other	20.2	3.4
	526.1	566.0
Increase in working capital	$ 68.5	$ 85.5

ELTRA CORPORATION (SEP)

Consolidated Statement of Changes in Financial Position

	1978	1977
	($000)	
Financial resources provided by:		
Net income	$47,875	$42,521
Income charges (credits) not affecting working capital:		
Depreciation	21,394	18,973
Minority interests	3,953	1,606
Deferred taxes on income	8,988	6,828
Equity in earnings of equipment leasing companies	(3,470)	(3,404)
Working capital provided by operations	78,740	66,524
Proceeds of long-term borrowings	4,516	6,332
Proceeds from exercise of stock options	1,523	853
Disposals of property, plant and equipment	4,235	1,667
	89,014	75,376
Financial resources used for:		
Additions to property, plant and equipment	31,092	34,242
Advances to equipment leasing companies, principally for current leveraged lease tax deductions and payments for earned investment tax credits	4,691	4,673
Repayment and retirement of long-term debt	3,973	2,501
Purchase of treasury shares	246	165
Cash dividends	13,931	13,181
Dividends paid by subsidiaries to minority shareholders	999	497
Other	(1,126)	546
	53,806	55,805
Increase in working capital	$35,208	$ 19,571

Purchase Method Business Combination

DART INDUSTRIES INC. (DEC)

Statement of Changes in Financial Position

	1978	1977
	($000)	
Working Capital Provided by:		
Net earnings	$126,610	$109,196
Items not affecting working capital—		
Depreciation and amortization	66,015	59,423
Deferred income taxes	9,200	4,300
Provided by operations	201,825	172,919
Increase in long term debt and capital lease obligations	5,728	7,848
Reduction of investment in resort development	1,284	3,902
Dispositions of properties, investments and other assets	21,440	7,261
Other	1,781	3,676
Total Working Capital Provided	232,058	195,606
Working Capital Used for:		
Acquisition of P.R. Mallory & Co. Inc., less working capital acquired of $99,805,000—		
Properties	97,840	
Intangibles and other assets	110,096	
Long term obligations	(56,163)	
Properties acquired	98,871	94,571
Cash dividends paid—		
Preferred Stock	5,873	5,902
Common Stock	37,070	22,787
Decrease in long term and capital lease obligations	14,017	10,945
Other	12,950	6,450
Total Working Capital Used	320,554	140,655
Working Capital Increase (Decrease)	$(88,496)	$ 54,951

DUPLEX PRODUCTS INC. (OCT)

Consolidated Statements of Changes in Financial Position

	1978	1977
	($000)	
Sources of working capital		
From operations		
Net earnings	$ 5,247	$3,259
Charges (credits) against operations which did not require (provide) working capital		
Depreciation and amortization	1,686	1,377
Deferred compensation	73	204
Deferred income taxes	142	71
Deferred investment credits	(135)	(81)
Working capital provided from operations	7,013	4,830
Decrease in other assets	126	—
Increase in deferred investment credits	288	116
Increase in long-term debt	3,000	—
Proceeds from exercise of stock options	191	55
Value of preferred shares issued for acquisition of Lewis	6,293	—
Tax savings resulting from exercise of non-qualified preferred stock options	66	—
Total sources of working capital	16,977	5,001
Dispositions of working capital		
Additions to property, plant and equipment	4,203	1,752
Increase in other assets	—	454
Reduction in long-term debt	953	137
Reduction in obligations under capital leases	386	296
Cash dividends paid	1,202	927
Purchase of 75,000 shares of common stock	—	987
Acquisition of Lewis Business Products, Inc. (exclusive of working capital at date of acquisition)		
Property, plant and equipment	7,181	—
Noncurrent assets	298	—
Excess of net assets acquired over cost	(6,090)	—
Long-term debt	(1,602)	—
Deferred taxes and investment credits	(649)	—
Other	20	—
Total dispositions of working capital	5,902	4,553
Increase in Working Capital	$11,075	$ 448

GENERAL SIGNAL CORPORATION (DEC)

Statement of Changes in Financial Position

	1978	1977
	($000)	
Resources provided:		
Resources provided from operations:		
Net earnings	$ 60,706	$47,941
Items not requiring current outlay of working capital, principally depreciation and amortization	17,655	11,790
Total resources provided from operations	78,361	59,731
Common stock issued for Leeds & Northrup stock	105,798	—
Leeds & Northrup non-current liabilities assumed, principally long-term debt	21,421	—
Increase in long-term debt	9,061	—
Sale and retirement of property, plant and equipment	2,461	1,196
Common stock issued to Savings and Stock Ownership Trust	—	988
Other	6,826	690
Total resources provided	$223,928	$62,605
Resources applied:		
Additions to property, plant and equipment	$ 31,175	$21,925
Acquisition of Leeds & Northrup Company:		
Property, plant and equipment	49,800	—
Other non-current assets	6,611	—
Excess of cost over net assets acquired	57,022	—
Dividends declared	18,716	13,873
Net increase in working capital	60,604	26,807
Total resources applied	$223,928	$62,605

IC INDUSTRIES, INC. (DEC)

Consolidated Statement of Changes in Financial Position

	1978	1977
	(in thousands of dollars)	
Resources were provided by:		
Net income	$ 97,100	$ 79,416
Items which did not currently use (provide) working capital:		
Depreciation and amortization	98,619	84,136
Deferred Federal income taxes	38,600	23,514
Undistributed earnings of companies held for sale	(6,485)	(5,006)
Resources provided by continuing operations	227,834	182,060
Additional long-term debt	509,955	177,811
Retirement of properties	44,558	35,130
Decrease in investments	16,556	—
Issuance of first preferred stock	100,000	—
Issuance of ICG redeemable preference shares	11,200	12,360
Issuance of second preferred stock in acquisition of Stanray Corporation	—	31,908
	910,103	439,269
Resources were used for:		
Additions to properties	196,293	197,303
Increase in investments	—	15,849
Reduction of long-term debt	156,909	143,970
Increase (decrease) in other assets and deferred charges	26,659	(8,799)
Cash dividends	40,804	36,731
Net non-current assets of company acquired	—	14,984
Other, net	(2,594)	7,545
	418,071	407,583
Acquisition of Pet Incorporated (excluding working capital):		
Properties	264,576	—
Long-term debt	(89,783)	—
Estimated cost in excess of net assets acquired	53,163	—
Other liabilities assumed	(5,135)	—
Other assets	12,855	—
Net non-current assets	235,676	—
	653,747	407,583
Increase in working capital:	256,356	31,686
Working capital at beginning of period	179,998	148,312
Working capital at end of period	$436,354	$179,998

Investments

ACTION INDUSTRIES, INC. (JUN)

Consolidated Statement of Changes in Financial Position

	1978	1977
	($000)	
Sources of Working Capital:		
Net earnings	$ 67	$ 2,204
Add expenses not requiring outlay of working capital in the current period:		
Depreciation and amortization	1,226	705
Deferred income taxes	240	9
Equity in net loss of minority owned entity	90	—
Working capital provided from operations	1,623	2,918
Proceeds from public offering of senior debenture bonds, less issuance costs	11,527	—
Increase in other long-term debt	796	12,203
Proceeds from sale of equipment	176	140
	14,122	15,261
Uses of Working Capital:		
Reduction of long-term debt	11,077	228
Acquisition of property, plant and equipment	1,394	4,651
Investment in Action Tungsram, Inc.	1,128	—
Dividends paid on common stock	237	430
Other	119	25
	13,955	5,334
Increase in Working Capital	$ 167	$ 9,927

AMPEX CORPORATION (APR)

Consolidated Statements of Changes in Financial Position

	1978	1977
	(in thousands)	
Sources of funds:		
Operations:		
Earnings before extraordinary item	$13,242	$ 8,789
Add (deduct) items not affecting working capital:		
Depreciation of property, plant & equipment	6,098	6,474
Depreciation of rental equipment	1,619	2,807
Other	1,005	(643)
Total	21,964	17,427
Extraordinary item	6,500	5,435
Sales of rental equipment	1,261	2,115
Additions to long-term debt	420	1,373
Disposals of property, plant & equipment	353	132
Decrease in long-term receivables	238	63
Decrease in investments and other assets	—	4,468
	30,736	31,013
Use of funds:		
Purchases of property, plant & equipment	10,595	6,634
Long-term debt reduction	3,908	12,246
Additions to rental equipment	1,483	2,973
Investments in foreign joint ventures	1,477	352
Other	239	7
	17,702	22,212
Increase in working capital	$13,034	$ 8,801

CLARK EQUIPMENT COMPANY (DEC)

Statement of Changes in Financial Position

	1978	1977
	($000)	
Financial resources were provided by:		
Net income for the year	$83,323	$ 60,263
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	(12,751)	(8,304)
Provision for depreciation of properties	38,519	35,797
Provision for deferred income taxes	17,127	(2,343)
Working capital provided by operations	126,218	85,413
Sales of properties	9,904	1,891
Addition to long-term borrowings	5,655	6,220
Decrease in investments in rental equipment	1,330	1,698
Proceeds from sale of stock under option plans	104	213
	143,211	95,435
Financial resources were used for:		
Cash dividends	26,007	23,264
Additions to properties	42,801	67,011
Long-term borrowings paid or becoming current liability	23,387	11,073
Common stock purchased and held in treasury	1,768	—
Investments in and advances to finance subsidiaries and minority-owned companies	1,350	2,618
Decrease in rental equipment installment obligations	426	199
Decrease (increase) in accrued items	1,179	(1,008)
	96,918	103,157
Increase (decrease) in working capital	$ 46,293	$ (7,722)

Intangibles

ADAMS-RUSSELL CO., INC. (SEP)

Statement of Changes in Financial Position

	1978	1977
	($000)	
Working Capital Provided By:		
Operations—		
Net income	$ 1,461	$1,059
Charges (credits) to income not requiring working capital:		
Depreciation	1,322	954
Amortization of intangible assets	369	287
Deferred compensation	98	—
Other charges (credits)	(100)	190
Total from operations	$ 3,150	$2,490
Additional long-term borrowings	2,513	911
Decrease in long-term portion of consulting and noncompetitive agreements	137	—
Transfer of treasury stock to employee stock ownership plan	90	—
Exercise of stock options	25	24
Other	118	219
Total working capital provided	$ 6,033	$3,644
Working Capital Used For:		
Acquisition of property, plant and equipment	$ 5,114	$2,783
Acquisition of consulting and noncompetitive agreements	1,075	—
Acquisition of franchise rights, etc.	334	—
Increase in current maturities of long-term debt	611	455
Acquisition of treasury stock	123	284
Increase in deferred CATV start-up costs	103	138
Dividends paid	119	47
Other	199	105
Total working capital used	$ 7,678	$3,812
Increase (Decrease) in Working Capital	$(1,645)	$ (168)

Leases

K MART CORPORATION (JAN)

Consolidated Statements of Changes in Financial Position

	1979	1978
	($000)	
Financial Resources Were Provided by:		
Net income for the year	$343,706	$297,818
Charges (credits) not affecting working capital—		
Depreciation and amortization:		
Property owned	77,291	64,513
Leased property under capital leases	69,131	62,651
Increase in deferred income taxes	7,197	460
Equity in undistributed income of affiliated retail companies and insurance operations	(6,024)	(7,584)
Other	(3,388)	(858)
Working capital provided by operations	487,913	417,000
Obligations incurred under capital leases	187,828	159,253
Proceeds from sale of property	4,109	6,582
Property owned and leased exchanged in Australian restructuring	137,914	
Sale of common stock under stock option and purchase plans	10,369	11,169
Other	6,933	13,291
	835,066	607,295
Financial Resources Were Used for:		
Property additions:		
Property owned	217,410	161,996
Leased property under capital leases	187,828	159,253
Cash dividends declared	87,854	68,064
Investment in Australian retail affiliate	65,611	
Other increases in investments in and advances to affiliated retail companies and insurance operations	13,165	11,642
Reduction in long-term debt	1,542	1,381
Reduction in capital lease obligations (including $106,344 related to Australian restructuring)	154,401	45,291
Reduction in minority interest related to Australian restructuring	22,696	
Other	8,040	2,821
	758,547	450,448
Increase in Working Capital	$ 76,519	$156,847

MARSHALL FIELD & COMPANY (JAN)

Consolidated Statement of Changes in Financial Position

	1979	1978
	($000)	
Working Capital Provided:		
Net income	$ 20,793	$15,883
Add items not requiring the use of working capital—		
Depreciation and amortization	13,266	11,508
Increase (decrease) in long-term deferred income taxes and investment tax credit	(149)	1,786
Working capital provided from operations	$ 33,910	$29,177
Additional long-term debt	50,000	2,500
Additional capitalized lease obligations	23,834	198
Sale of portion of interest in hotel venture	—	5,276
Issuance of common stock	20,363	—
Sale of interest in land held for future development	4,082	—
Sales of land	90	—
Other	360	496
	$132,639	$37,647
Working Capital Used:		
Additions to property and equipment	$ 41,948	$12,122
Investments in joint ventures	2,520	4,979
Additions to capitalized leases	22,696	198
Dividends	11,990	11,263
Reduction of long-term debt	18,989	978
Reduction of capitalized lease obligations	1,663	1,031
Purchases of preferred stock	310	219
	$100,116	$30,790
Increase in Working Capital	$ 32,523	$ 6,857

MELVILLE CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1978	1977
	($000)	
Source of Funds:		
Net earnings	$ 87,987	$ 73,148
Expenses not requiring outlay of working capital:		
Depreciation and amortization:		
Property owned	20,422	17,539
Leased property under capital leases	1,667	1,194
Amortization of goodwill	758	711
Minority interest in net earnings	21,589	16,929
Increase in deferred Federal income taxes	759	2,045
	45,195	38,418
Working capital provided from operations	133,182	111,566
Increase in long-term debt	—	658
Increase in obligations under capital leases	8,026	3,211
Increase in lease obligations for closed stores	1,028	634
Proceeds from sale of common stock under stock option plans	2,439	1,104
Dispositions of property, plant and equipment	1,320	7,156
Proceeds from sale of subsidiaries' capital stock	3,557	3,227
	149,552	127,556
Application of Funds:		
Acquisitions		
Property, plant and equipment	—	1,130
Goodwill	—	4,054
Additions to property, plant and equipment	50,183	33,448
Additions to leased property under capital leases	9,122	3,882
Reduction of long-term debt	6,021	6,498
Dividends paid	29,123	24,034
Dividends paid to minority interest	17,805	11,404
Purchase of preferred stock for treasury	339	308
Reduction of deferred credit on condemnation of property	—	6,620
Increase (decrease) in deferred charges and other assets	352	(2,065)
	112,945	89,313
Net increase in working capital	$ 36,607	$ 38,243

Exchange of Common Stock for Preferred Stock

INTERCO INCORPORATED (FEB)

Consolidated Statement of Changes in Financial Position

	1978	1977
	($000)	
Working capital provided by:		
Net earnings	$81,834	$ 76,270
Items not affecting working capital:		
Depreciation	20,241	19,392
Other, net	636	355
Operations	102,711	96,017
Disposal of property, plant and equipment	2,545	2,273
Issuance of common stock for conversion of preferred stock—contra below	13,613	520
Issuance of common stock for restricted stock plan	117	163
Exercise of stock options	874	2,572
Additions to long-term debt	673	684
Additions to capital lease obligations	9,227	10,225
Issuance of contingent common shares	—	652
Working capital of purchased company	—	5,451
	129,760	118,557
Working capital used for:		
Cash dividends	26,491	22,727
Additions to property, plant and equipment:		
Company owned property	19,980	26,006
Leased property	9,227	10,208
Conversion of preferred stock—contra above	13,613	520
Reduction of long-term debt	3,986	3,805
Reduction of capital lease obligations	4,958	3,283
Purchase of company	—	8,500
Other, net	300	88
	78,555	75,137
Increase in working capital	$ 51,205	$ 43,420

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 non-cash items have been appropriately adjusted. The adjusted amount should be described accurately, in conformity with the nature of the adjustments, e.g. "Cash provided from operations for the period", or "Working capital provided from operations for the period" as appropriate. The Board strongly recommends that isolated statistics of working capital or cash provided from operations, especially per-share amounts, not be presented in annual reports to shareholders. If any per-share data relating to flow of working capital or cash are presented, they should as a minimum include amounts for inflow from operations, inflow from other sources, and total outflow, and each per-share amount should be clearly identified with the corresponding total amount shown in the Statement.

Accounting Series Release No. 142, issued in March 1973 by the Securities 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 appropriate detail in the body of the Statement.
>
> b. If the format shows the flow of working capital and two-year comparative balance sheets are presented, the changes in each element of working capital for the current period (but not for earlier periods) can be computed by the user of the statements. Nevertheless, the Board believes that the objectives of the Statement usually require that the net change in working capital be analyzed in appropriate detail in a tabulation accompanying the Statement, and accordingly this detail should be furnished.

Table 5-5 shows the manner in which the survey companies disclosed details of this information. Table 5-6 summarizes the titles or introductory phrases used for the schedule of changes in working capital elements when such data is not contained within the main body of the statement of changes in financial position.

Examples of tabulations analyzing changes in working capital elements are shown below. Such data has been omitted from previous examples in this section in order to emphasize other information contained within the statement of changes in financial position.

TABLE 5-5: ANALYSIS OF CHANGES IN WORKING CAPITAL ELEMENTS—PRESENTATION

	1978	1977	1976	1975
Analysis included as part of statement of changes in financial position	48	50	40	42
Analysis presented in a tabulation at bottom of statement of changes in financial position	530	523	536	535
Analysis presented in a tabulation apart from statement of changes in financial position	22	27	24	23
Total Companies	**600**	**600**	**600**	**600**

Analysis Included as Part of Statement

DOYLE DANE BERNBACH INTERNATIONAL INC. (DEC)

Statement of Consolidated Changes in Financial Position

	1977	1978
	(In Thousands of Dollars)	
Sources of Funds:		
Income from operations before extraordinary item	$ 6,242	$ 7,618
Items not requiring outlay of funds:		
Depreciation and amortization	1,169	1,463
Minority interest	(1)	4
Deferred taxes	(48)	(494)
Deferred compensation benefits	90	172
Discount re prepayment of long-term debt	—	(125)
Compensation re:		
Employee anniversary award plan	8	8
Exercise of non-qualified stock options	2	147
Total from operations before extraordinary item	7,462	8,793
Extraordinary item	102	—
Total from operations	7,564	8,793
Disposal of property and equipment	105	98
Sale of common stock	356	—
Increase in long-term debt	—	78
Increase in deferred income	125	—
Exercise of non-qualified stock options	2	8
Decrease (increase) in other current assets	(1,137)	800
Increase in:		
Accounts payable	10,039	3,314
Taxes withheld and accrued	276	589
Pension and profit sharing plan contributions	153	207
Other current liabilities	390	2,930
Dividends payable	566	125
Increase (decrease) in federal and foreign taxes on income	(1,162)	3,000
Increase (decrease) in current portion of long-term debt	(17)	2
	17,260	19,944
Uses of Funds:		
Cash dividends including cash in lieu of fractional shares	2,180	2,517
Acquisition of property and equipment	1,341	1,766
Increase in excess of purchase price over net assets acquired	352	529
Increase (decrease) in marketable securities	(3)	140
Investment in capital stock of a Japanese advertising agency	563	—
Decrease (increase) in notes payable to banks	(2,044)	1,207
Purchase of treasury stock	3,154	—
Increase in:		
Accounts receivable	16,897	6,809
Expenditures billable to clients	1,422	215
Increase in receivables, deferred charges, etc.	105	124
Purchase of minority interest	—	42
Dividends paid to minority interest	18	3
Repayments of and reduction in long-term debt	876	11
	24,861	13,363
Increase (Decrease) in Cash and Temporary Cash Investments	$(7,601)	$ 6,581

Analysis Presented in a Tabulation at Bottom of Statement

LUCKY STORES, INC. (JAN)

Consolidated Changes in Financial Position

	1979	1978
	(in thousands)	
Sources of Working Capital		
Operations:		
Net earnings	$ 80,400	$ 66,475
Expenses not affecting working capital:		
Depreciation and amortization	44,191	40,087
Deferred income taxes	4,329	1,720
	128,920	108,282
Issuance of preference shares	1,185	
Disposition of property and equipment	4,326	3,393
Disposition of property under capital leases	314	317
Conversion of convertible securities and exercise of stock options	9,079	1,170
Long-term borrowings:		
Operating companies	948	6,532
Real estate subsidiaries	45,365	8,761
Capital lease obligations	9,315	10,909
Total sources	199,452	139,364
Uses of Working Capital		
Cash dividends	37,576	30,696
Additions to property and equipment:		
Operating companies	57,184	52,100
Real estate subsidiaries	45,365	8,761
Additions to property under capital leases	9,315	10,909
Reduction of long-term obligations	12,429	8,624
Reduction of capital lease obligations	6,357	6,369
Conversion of convertible securities	7,020	500
Redemption of preferred shares	39	14,377
Increase in licenses, receivables and other assets	1,245	146
Total uses	176,530	132,482
Working capital increase	$22,922	$ 6,882
Analysis of Working Capital Changes		
Increase (decrease) in current assets:		
Cash and short-term securities	$ 9,512	$(5,375)
Receivables	5,810	(1,671)
Inventories	86,824	36,254
Prepaid expenses and supplies	3,360	3,564
Reimbursable costs of property under development	(32,644)	20,336
	72,862	53,108
(Increase) decrease in current liabilities:		
Accounts payable	(25,994)	(20,409)
Current notes payable	(2,318)	(3,895)
Current instalments on long-term obligations	402	1,175
Current portion of capital lease obligations	(107)	(421)
Accrued liabilities	(24,138)	(19,831)
Accrued income taxes	2,215	(2,845)
	(49,940)	(46,226)
Working capital increase	22,922	6,882
Working capital beginning of year	167,499	160,617
Working capital end of year	$190,421	$167,499

TABLE 5-6: TITLES IDENTIFYING ANALYSIS OF WORKING CAPITAL ELEMENTS

	1978	1977	1976	1975
Change in working capital	249	262	216	247
Increase (decrease) in working capital	227	224	267	246
Analysis of changes in working capital	37	33	38	42
Summary of changes in working capital	18	18	22	15
Other titles	21	13	17	8
Subtotal	**552**	**550**	**560**	**558**
Analysis included within statement of changes in financial position	48	50	40	42
Total Companies	**600**	**600**	**600**	**600**

SUN CHEMICAL CORPORATION (DEC)

Consolidated Statement of Changes in Financial Position

	1978	1977
	($000)	
Sources of working capital		
Income before extraordinary credits	$18,474	$14,808
Items which did not affect working capital		
Depreciation	6,522	5,693
Deferred taxes and other	45	1,240
Equity in undistributed earnings of affiliates	(1,670)	(635)
Working capital provided from operations	23,371	21,106
Extraordinary credits affecting working capital	758	458
Additions to long-term debt	58,641	28,489
Reclassification of long-term sales lease receivables sold to a financial institution in 1979 and prepayment of long-term receivables	3,464	1,350
Disposal of property, plant and equipment and adjustment to basis of investment	1,717	1,026
Exercise of stock options	553	2,953
Other, net	1,256	1,198
	89,760	56,580
Uses of working capital		
Reduction of long-term debt	33,085	4,070
Expenditures for property, plant and equipment	30,236	11,785
Investment in Chromalloy American Corporation	8,664	—
Purchase of certain minority interests	2,087	689
Cash dividends paid	1,953	1,452
Investments in sales-type leases	1,717	1,243
Costs related to issuance of subordinated debentures	1,400	—
Purchases of treasury stock	1,075	436
Capitalized leased equipment	—	1,353
	80,217	21,028
Increase in working capital	$ 9,543	$35,552
Increase (decrease) in working capital		
Cash	$ 912	$(1,779)
Short-term investments	21,615	6,036
Due from issuance of senior notes	(5,140)	5,140
Accounts and notes receivable	15,995	10,971
Inventories	10,372	6,771
Deferred income tax benefits	—	(3,107)
Prepaid expenses and other current assets	693	(387)
Bank loans	(5,241)	26,715
Current maturities of long-term debt	(3,121)	(1,160)
Accounts payable	(13,360)	(4,395)
Accrued expenses	(5,829)	(3,769)
Accrued taxes on income	(7,353)	(5,484)
Total increase in working capital	$ 9,543	$ 35,552

Analysis Presented in a Tabulation Apart from Statement

COMBINED COMMUNICATIONS CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1978	1977
	($000)	
Financial Resources Were Provided By:		
Net income	$29,308	$20,625
Add (deduct) income charges (credits) not affecting working capital—		
Depreciation and amortization—		
Charged to depreciation and amortization	14,978	12,215
Charged to production and cost of sales	1,663	965
Deferred income taxes	1,425	1,523
Decrease in long-term electric sign lease receivables, net	736	507
Increase in long-term film broadcast rights, net of changes in related liabilities	(655)	(482)
Working capital provided by operations for the period	47,455	35,353
Net book value of property, plant and equipment disposals (gains of $1,346,000 in 1978 and $298,000 in 1977, net of tax, included in net income above)	4,152	2,059
Decrease in other long-term receivables	1,965	6,590
Decrease in intangibles due to retirements	776	127
Increase in long-term debt—		
Proceeds from borrowing and refinancing	36,586	41,474
Indebtedness assumed in acquisitions	360	538
Increase in capital stock—		
Common stock issued	4,669	4,025
Conversion of preferred stock	(1,099)	(2,864)
Common stock issued under acquisition agreement	1,942	—
Increase (decrease) in customers' deposits and deferred compensation	(363)	1,472
	96,443	88,774

Financial Resources Were Used For:		
Purchase of property, plant and equipment, including $5,799,000 in 1978 and $12,742,000 in 1977 from acquisitions	34,380	34,112
Reduction and refinancing of long-term debt	26,400	15,780
Increase in intangible assets from acquisitions	16,696	20,709
Increase in deferred charges, including $1,849,000 in 1978 and $758,000 in 1977 from acquisitions	3,001	1,936
Increase in long-term receivables, including $1,250,000 from sale of assets in 1977	385	2,559
Decrease (increase) in other income taxes	(2)	401
Cash dividends and amortization of preferred stock redemption premium	1,683	1,293
Repurchase of stock warrants	357	4,784
Purchase of treasury shares	—	546
	82,900	82,120
Increase in Working Capital, including $1,633,000 in 1978 and $3,829,000 in 1977 of working capital of acquired companies (Note Q)	$13,543	$ 6,654

Note Q—Changes in working capital:

	Year ended December 31	
	1978	1977
	($000)	
Analysis of changes in working capital:		
Increase in current assets—		
Cash and short-term investments	$14,098	$ 5,270
Accounts, notes and lease contracts receivable	7,799	8,517
Film broadcast rights	1,069	—
Inventories	1,378	764
Prepaid expenses	366	1,325
	24,710	15,876
(Increase) decrease in current liabilities—		
Current portion of long-term debt	(5,355)	(6,646)
Current portion of film contracts payable	(1,273)	(312)
Trade accounts payable	(1,369)	108
Accrued payrolls, commissions and other	(1,944)	(3,334)
Accrued interest	(947)	(503)
Taxes other than income taxes	34	19
Estimated income taxes	(209)	1,965
Current portion of customers' deposits and deferred compensation	(104)	(519)
	(11,167)	(9,222)
Increase in working capital	$13,543	$ 6,654

XEROX CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1978	1977
	(Millions)	
Working Capital Provided by Operations		
Income before extraordinary item	$ 464.9	$ 404.0
Charges (credits) not affecting working capital		
Depreciation of rental equipment	508.7	484.2
Depreciation and amortization of buildings and equipment	155.6	149.1
Outside shareholders' interests in income	86.7	68.3
Trade receivables due after one year	(111.3)	(84.6)
Net book value of rental equipment sales and disposals	93.7	69.1
Noncurrent deferred income taxes	80.9	(9.5)
Other	101.4	63.1
Working capital provided by operations	1,380.6	1,143.7
Extraordinary income	12.0	—
New long-term debt	45.4	34.1
Other	(.3)	9.8
Working capital provided	1,437.7	1,187.6
Working Capital Used for		
Additions to rental equipment and related inventories	695.4	551.7
Additions to land, buildings and equipment	190.4	168.2
Reduction of long-term debt	193.2	203.3
Marketable securities maturing after one year	92.6	—
Dividends declared—Xerox Corporation shareholders	161.0	119.3
Working capital used	1,332.6	1,042.5
Working Capital Increased	105.1	145.1
Working Capital at Beginning of Year	1,123.0	977.9
Working Capital at End of Year	$1,228.1	$1,123.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Working Capital—The increases in working capital shown in the consolidated statements of changes in financial position consist of:

	(Dollars in millions) 1978	1977
Increases (decreases) in current assets		
Cash	$(17.0)	$ 2.4
Bank time deposits	73.6	96.6
Marketable securities	(53.1)	(79.4)
Trade receivables	180.8	113.8
Accrued rentals	11.7	14.4
Inventories	76.5	52.2
Prepaid expenses and other current assets	26.0	9.7
Net increase in current assets	298.5	209.7
Increases (decreases) in current liabilities		
Notes payable	(45.1)	37.9
Payments due within one year on long-term debt	(8.1)	(32.9)
Accounts payable	34.0	21.7
Salaries, profit sharing and other accruals	113.9	91.9
Income taxes	79.1	(55.8)
Dividends payable	8.4	7.9
Deferred rentals and subscriptions	11.2	(6.1)
Net increase in current liabilities	193.4	64.6
Working capital increased	$105.1	$145.1

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, twenty-four Statements on Auditing Standards have been issued; some of which superseded sections of Statement No. 1. In 1979, the Auditing Standards Executive Committee issued *Codification of Statements on Auditing Standards* which is a codification of Statements on Auditing Standards Nos. 1-23.

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

	1978	1977	1976	1975
Independent accountants' report	126	127	113	103
Auditors' report	120	121	129	123
Accountants' report	106	115	127	159
Independent auditors' report	66	56	41	N/C
Certified public accountants' report	48	51	39	42
Independent certified public accountants' report	43	33	34	28
Auditors' opinion	28	31	28	10
Accountants' opinion	7	11	12	30
Independent accountants' opinion	7	5	5	15
Independent certified public accountants' opinion	5	5	6	9
Other titles	5	3	20	33
No title	39	42	46	48
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

	1978	1977	1976	1975
The Directors (Board of Directors) and Shareholders	454	438	429	402
The Stockholders	80	79	80	82
The Directors	55	71	75	93
The Company	11	11	12	18
Other, or no addressee	—	1	4	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 1978 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 auditors' 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 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 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 *Statement on Auditing Standards 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.

TABLE 6-3: FORMAT OF AUDITORS' REPORT

	1978	1977	1976	1975
Standard report	378	366	321	301
Variations to standard report	133	155	195	229
Modified report	89	79	84	70
Total Companies	**600**	**600**	**600**	**600**
Variations to Standard Report				
Sentence in scope paragraph referring to:				
Examination by other accountants	47	62	61	68
Prior year examination	11	8	28	67
Other	3	6	16	25
Middle paragraph between scope and opinion paragraphs referring to:				
Matter for which opinion qualified	52	66	97	99
Prior year qualification removed	19	20	9	6
Other	8	5	4	10
Sentence or paragraph following opinion paragraph	14	16	20	15
Total Variations	***154**	***183**	***235**	***290**

*Some Auditors' reports had more than one variation.

Examples of auditor's reports relating to items, a, b, e, f, and g are presented in connection with Tables 6-4 and 6-5.

TABLE 6-4: REFERENCES TO OTHER AUDITORS

	1978	1977	1976	1975
Examination by Other Auditors Covers:				
Statements for branch or consolidated subsidiary	38	39	42	41
Statements of investee only	12	16	19	22
Statements for prior years only	2	12	6	7
Total Companies	**52**	**67**	**67**	**70**

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.

Consolidated Subsidiaries

The Board of Directors and Stockholders of
Baird Corporation:

We have examined the consolidated balance sheets of Baird Corporation and subsidiaries as of September 30, 1978, and 1977, and the related consolidated statements of income, stockholders' equity and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Miller-Holzwarth, Inc., a consolidated subsidiary, which statements reflect total assets constituting 5.1% and 5.7% and total revenues constituting 3.1% and 6.0% in 1978 and 1977, 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 Miller-Holzwarth, Inc., 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 consolidated financial statements present fairly the financial position of Baird Corporation and subsidiaries at September 30, 1978, and 1977, 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.—*Auditor's Report.*

To the Board of Directors and Stockholders,
Consolidated Foods Corporation:

We have examined the consolidated balance sheets of CONSOLIDATED FOODS CORPORATION (a Maryland corporation) AND SUBSIDIARIES as of July 1, 1978, and July 2, 1977, and the related consolidated statements of income, stockholders' equity and changes in financial position for the fiscal years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Douwe Egberts, B.V., acquired in 1978, which statements reflect total assets and revenues constituting 25% and 11%, respectively, of the related consolidated totals for 1978. 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 Douwe Egberts, is based solely upon the report of other auditors.

In our opinion, based upon our examination and the report of other auditors in 1978 referred to above, the accompanying financial statements present fairly the financial position of Consolidated Foods Corporation and Subsidiaries as of July 1, 1978, and July 2, 1977, and the results of their operations and the changes in their financial position for the fiscal years then ended, all in conformity with generally accepted accounting principles consistently applied during the years.—*Auditors' Report.*

Board of Directors and Shareholders
Fluor Corporation

We have examined the accompanying consolidated balance sheet of Fluor Corporation at October 31, 1978 and 1977, 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. The consolidated financial statements of Daniel International Corporation, a consolidated subsidiary, have been examined by other independent auditors; insofar as our opinion on the consolidated financial statements relates to data included for Daniel International Corporation, it is based solely on their reports. The statements of Daniel International Corporation show total assets and revenues constituting 31% and 47%, respectively, of the consolidated totals for 1978 and 22% and 25%, respectively, of such totals for 1977.

In our opinion, based on our examinations and the reports of the other independent auditors, the accompanying consolidated financial statements present fairly the consolidated financial position of Fluor Corporation at October 31, 1978 and 1977, and the consolidated results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period.—*Report of Certified Public Accountants.*

The Shareholders
H.J. Heinz Company:

We have examined the consolidated balance sheets of H.J. Heinz Company and consolidated subsidiaries as of May 3, 1978 and April 27, 1977 and the related statements of consolidated income and retained earnings, additional capital, and changes in financial position for the fiscal years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of certain subsidiaries, which are included in the consolidated statements. The net assets and sales of such subsidiaries constitute approximately 20% (24% in 1977) of the related consolidated totals. These statements were examined by other auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for such subsidiaries, is based solely upon the reports of the other auditors.

In our opinion, based upon our examinations and the aforementioned reports of other auditors, the above mentioned consolidated financial statements present fairly the financial position of H.J. Heinz Company and consolidated subsidiaries as of May 3, 1978 and April 27, 1977, and the results of their operations and the changes in their financial position for the fiscal years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Accountants' Report.*

The Shareholders and Board of Directors
Chromalloy American Corporation:

We have examined the consolidated balance sheet of Chromalloy American Corporation and subsidiaries as of December 31, 1978 and 1977 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. We did not examine the financial statements of The Saval Group, Inc., a nonconsolidated subsidiary. The Company's investment in The Saval Group, Inc. at December 31, 1978 was $16,765,000 and its equity in net earnings of The Saval Group, Inc. was $5,652,000 for 1978. The financial statements of The Saval Group, Inc. were examined by other auditors, whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for The Saval Group, Inc., is based solely upon the report of the other auditors.

In our opinion, based upon our examinations and for 1978, the report of other auditors, the aforementioned consolidated financial statements present fairly the financial position of Chromalloy American Corporation and subsidiaries at December 31, 1978 and 1977 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—*Auditors' Report.*

Investees

To the Stockholders and Board of
Directors of Alpha Portland Industries, Inc.:

We have examined the consolidated balance sheet of Alpha Portland Industries, Inc. and subsidiaries as of December 31, 1978 and 1977, and the related statements of operations, stockholders' equity, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the 1978 and 1977 financial statements of certain joint ventures in which the Company participates, which statements reflect assets and revenues of which the Company's proportionate share constitutes 2% and 3%, respectively, of the 1978 consolidated totals and 6% and 7%, respectively, of the 1977 consolidated totals. These statements were examined by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for such joint ventures, is based solely upon the reports of the other auditors.

In our opinion, based upon our examinations and the reports of the other auditors, the 1978 and 1977 consolidated financial statements referred to above present fairly the financial position of Alpha Portland Industries, Inc. and subsidiaries at December 31, 1978 and 1977, 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.*

Prior Year Statements

To The Board of Directors and the Shareholders of
The Penn Traffic Company

We have examined the consolidated balance sheets of The Penn Traffic Company and subsidiaries as of February 3, 1979 and January 28, 1978 and the related consolidated statements of income, of shareholders' equity and of changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements as of and for the year ended January 28, 1978, have been restated to reflect the pooling of interests with Quality Markets, Inc. described in Note 2 of the Notes to Consolidated Financial Statements. For the year then ended, we did not examine the financial statements of Quality Markets, Inc., which statements reflect total assets and net sales constituting 12 percent and 15 percent, respectively, of the related consolidated totals. These statements were examined by other independent accountants whose report thereon has been furnished to us, and our opinion for the year ended January 28, 1978 expressed herein, insofar as it relates to the amounts included for Quality Markets, Inc., is based solely upon the report of the other auditors.

In our opinion, based upon our examinations and, for the year ended January 28, 1978 the report of other independent accountants, the financial statements referred to above present fairly the financial position of The Penn Traffic Company and subsidiaries at February 3, 1979 and January 28, 1978 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in the method of accounting for leases as described in Note 9 of the Notes to the Consolidated Financial Statements.—*Report of Independent Accountants.*

To the Stockholders and Board
of Directors of U.S. Industries, Inc.

We have examined the consolidated balance sheets of U.S. Industries, Inc. and consolidated subsidiaries as of December 31, 1978 and 1977, and the related consolidated statements of income, additional 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. We did not examine the financial statements of the Corporation's health spa subsidiaries for the year ended December 31, 1977, which statements reflect total assets and revenues constituting 7% and 4%, respectively, of the related consolidated totals. These statements were examined by other independent auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for such subsidiaries for such period, is based solely upon the reports of the other independent auditors.

In our opinion, based upon our examinations and the aforementioned reports of the other independent auditors, the financial statements referred to above present fairly the consolidated financial position of U.S. Industries, Inc. and consolidated subsidiaries at December 31, 1978 and 1977, and the consolidated results of their operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Report of Independent Auditors.*

QUALIFIED OPINIONS

Statement on Auditing Standards No. 2 states in part:

29. A qualified opinion states that, "except for" or "subject to" the effects of the matter to which the qualification relates, the financial statements present fairly financial position, results of operations and changes in financial position in conformity with generally accepted accounting principles consistently applied. Such an opinion is expressed when a lack of sufficient competent evidential matter or restrictions on the scope of the auditor's examination have led him to conclude that he cannot express an unqualified opinion, or when the auditor believes, on the basis of his examination, that

a. the financial statements contain a departure from generally accepted accounting principles, the effect of which is material,

b. there has been a material change between periods in accounting principles or in the method of their application, or

c. there are significant uncertainties affecting the financial statements,

and he has decided not to express an adverse opinion or to disclaim an opinion.

32. When the auditor intends to express a qualified opinion, he should disclose all the substantive reasons in a separate explanatory paragraph(s) of his report, and should include, in the opinion paragraph, the appropriate qualifying language and a reference to the explanatory paragraph(s). The requirement for an explanatory paragraph does not apply when the opinion paragraph has been modified because of a change in accounting principle (see paragraph 20).

33. The explanatory paragraph(s) should disclose the principal effects of the subject matter of the qualification on financial position, results of operations and changes in financial position, if reasonably determinable. If the effects are not reasonably determinable the report should so state. If such disclosures are made in a note to the financial statements, the explanatory paragraph(s) may be shortened by referring to it. The explanatory paragraph(s) also should make clear whether the matter is (a) one as to which there is a difference of opinion between the auditor and his client and for which the auditor believes an adjustment should be made or (b) one involving an uncertainty that cannot presently be resolved because the outcome depends on future events. If an auditor wishes to emphasize a matter or disclosure regarding the financial statements but does not intend to qualify his opinion (see paragraph 27), he should not refer to this information in the opinion paragraph of his report.

Table 6-5 shows the uncertainties for which the auditors' opinions included in the survey company annual reports are qualified. One of the 41 auditors' opinions qualified as to uncertainties was also qualified as to a scope limitation.

SCOPE LIMITATION

AUDITORS' REPORTS

To the Shareholders and Board of Directors
of Beehive International:

We have examined the consolidated balance sheet of BEEHIVE INTERNATIONAL (a Utah corporation) and subsidiaries as of September 30, 1978, and the related consolidated statements of operations, stockholders' equity and changes in financial position for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except as explained in the following paragraph.

As discussed in Note 2 of the Notes to Consolidated Financial Statements, Beehive International recognized certain adjustments, principally a $2.3 million inventory write-down, in fiscal year 1978. Sufficient documentary evidence could not be examined, or other reliable tests made, to determine the full extent to which these adjustments in the aggregate may affect prior years.

As discussed in Note 4 of the Notes to Consolidated Financial Statements under the caption "contingencies," Beehive International is subject to certain contingencies, the outcome of which presently cannot be determined.

In our opinion, subject to the effect, if any, on the consolidated financial statements of the outcome of the contingencies described in the preceding paragraph, and except for the effect on the consolidated statements of operations, stockholders' equity and changes in financial position of the matter discussed in the second paragraph, the consolidated financial statements referred to above present fairly the financial position of Beehive International and subsidiaries as of September 30, 1978, and the results of their operations and the changes in their financial position for the fiscal year ended September 30, 1978, in conformity with generally accepted accounting principles applied, except for the matter described in the second paragraph, on a basis consistent with that of the prior fiscal year.

December 1, 1978

Board of Directors
Beehive International

We have examined the consolidated balance sheet of Beehive International, as of September 30, 1977, and the related consolidated statements of operations, stockholders' equity, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed in Note 2 of the Notes to Consolidated Financial Statements, Beehive International recognized certain adjustments, principally a $2.3 million inventory write-down, in fiscal year 1978. The portion of the adjustments, if any, which applies to prior periods is not determinable.

In our report dated December 16, 1977, our opinion on the fiscal year 1977 consolidated financial statements was unqualified; however, in view of the matter referred to above, our present opinion on the fiscal year 1977 consolidated financial statements, as presented herein, is different from that expressed in our previous report.

In our opinion, except for the effect of the matter discussed in the second paragraph, the financial statements referred to above present fairly the financial position of Beehive International at September 30, 1977, and the results of its operations and changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

December 16, 1977
(Except with respect to the matter discussed in Note 2, as to which the date is December 1, 1978.)

TABLE 6-5: QUALIFIED OPINIONS

	1978	1977	1976	1975
Uncertainties				
Litigation	27	29	38	40
Valuation or realization of assets	14	8	10	13
Discontinued operations	4	5	6	8
Going concern	3	6	8	N/C
Tax or renegotiation liability	2	5	7	8
Contract claims	2	4	2	4
Other	4	3	4	4
Total Uncertainties	**56**	**60**	**75**	**77**
Total Companies	**41**	**47**	**59**	**60**
Accounting Principle Changes				
Lease capitalization	54	40	—	—
LIFO adopted	13	6	15	50
Oil and gas operations	8	—	—	—
Consolidation policy	3	4	5	3
Other	14	22	65	172
Total Changes	**92**	**72**	**85**	**225**
Total Companies	**80**	**65**	**73**	**183**

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 uncertainities 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 Shareholders and Board of Directors,
Halliburton Company:

We have examined the consolidated balance sheet of Halliburton Company (a Delaware corporation) and subsidiary companies as of December 31, 1978 and 1977, and the related statements of consolidated income, consolidated retained earnings, consolidated changes in financial position and changes in capital stock and paid-in capital 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 12, a grand jury investigation resulted in a no contest plea in December 1978 by a subsidiary of the Company to a one-count indictment for alleged violation in prior years of the Sherman Act. The Company cannot, based on information now available, determine the claims or civil suits which may be asserted or filed or the materiality to the Company's consolidated financial statements of any losses that may thereby result. In view of these developments subsequent to the date of our report containing an unqualified opinion on the 1977 financial statements, we are herein now qualifying our opinion on the 1977 and 1978 financial statements.

In our opinion, subject to the effect of the matter referred to in the preceding paragraph, the accompanying consolidated financial statements present fairly the financial position of Halliburton Company and subsidiary companies as of December 31, 1978 and 1977, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.—*Auditors' Report.*

To the Directors and Shareholders
Erb Lumber Co.

We have examined the consolidated balance sheet of Erb Lumber Co. and subsidiaries as of December 31, 1978 and 1977, and the related consolidated statements of income, shareholders' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed in Note 15 to the consolidated financial statements, the Company 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 financial statements referred to above present fairly the consolidated financial position of Erb Lumber Co. and subsidiaries at December 31, 1978 and 1977, and the consolidated results of their operations and changes in their consolidated financial position for the years then ended in conformity with generally accepted accounting principles consistently applied during the period subsequent to the change, with which we concur, made as of January 1, 1977, in the method of determining cost of inventory as described in Note 2.—*Accountants' Report.*

Notes to Consolidated Financial Statements

Note 15: Contingent Liabilities—At December 31, 1978, the Company is contingently liable in the amount of $577,000 on letters of credit and loan guarantees for partnership joint ventures.

On September 29, 1978, an indictment was filed in the

United States District Court for the Eastern District of Michigan, charging the Detroit Lumberman's Association and six retail lumber dealers in the southeastern Michigan area, including the Company, with a violation of the Sherman Act. All defendants have pleaded not guilty to the charge which alleges that they conspired to formulate, publish and disseminate a market report containing prices of selected building materials. A companion civil case was filed in the same court on the same date by the United States Government seeking to enjoin the defendants from continuing the alleged violations and requesting the dissolution of the Detroit Lumberman's Association. Similar charges are contained in a civil complaint filed in Wayne County, Michigan, by the Michigan Attorney General.

In addition, a purported class action has been filed under the Sherman Act against the defendants named in the indictment seeking treble damages in unspecified amounts and injunctive relief with respect to the alleged violations. The action alleges that plaintiffs and others similarly situated, which allegedly purchased materials from one or more of the defendants, have been damaged.

In view of the preliminary nature of these proceedings, the outcome of the litigation cannot be predicted with any degree of certainty. The Company's present intention is to deny the material allegations of the complaints and to defend the actions vigorously.

Other contingent liabilities include the normal contingencies associated with participation in partnership joint ventures and are not material to the Company's operations.

To the Shareholders and Board of Directors
of Pfizer Inc.

We have examined the consolidated statement of financial position of Pfizer Inc. and subsidiary companies as of December 31, 1978 and 1977 and the related consolidated statements of income, shareholders' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed in the notes to consolidated financial statements under Legal Matters, the Company is involved in a number of suits alleging violation of antitrust laws, as well as a civil action brought by the United States. The Company denies all charges and is vigorously contesting the actions, as well as the damage claims involved. The ultimate outcome of these actions is not presently determinable.

In our opinion, subject to the effects, if any, on the financial statements of the ultimate resolution of the litigation discussed in the preceding paragraph, such financial statements present fairly the financial position of Pfizer Inc. and subsidiary companies at December 31, 1978 and 1977, 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.*

Notes to Consolidated Financial Statements

Legal Matters (in Part)—An antitrust damage action brought by the United States against Pfizer and four other companies, involving broad spectrum antibiotics, is on trial in Philadelphia. Seven other antitrust damage suits involving broad spectrum antibiotics are pending in the same court. Of these, one is on behalf of an individual consumer and six were brought by or in the name of Colombia, Germany, India, Iran, Kuwait and the Philippines.

Damage claims asserted in the pending cases previously mentioned are substantial. The Company denies the charges in these cases and is vigorously contesting the merits as well as the damage claims involved.

Valuation or Realization of Assets

To the Stockholders and the Board of Directors of
Anchor Hocking Corporation

We have examined the consolidated balance sheet of Anchor Hocking Corporation and its subsidiaries as of December 31, 1978 and 1977, and the related consolidated statements of income and retained earnings and of changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described in Note 2 of Notes to Financial Statements, the company anticipates that a gain will be realized upon settlement of its insurance claims resulting from losses sustained in the fire at its subsidiary, The Phoenix Glass Company. However, the amount of final settlement of the claims is dependent upon the ultimate outcome of future negotiations with the insurance company, and therefore cannot presently be determined.

In our opinion, subject to the effect on the 1978 consolidated financial statements of such adjustments, if any, as might have been required had the outcome of the matters referred to in the preceding paragraph been known, the consolidated financial statements examined by us present fairly the financial position of Anchor Hocking Corporation and its subsidiaries at December 31, 1978 and 1977, 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 2 (in Part): Plant Fire—On July 15, 1978, a fire destroyed the warehouse facilities, a significant portion of the production facilities and substantially all of the inventories of The Phoenix Glass Company, a wholly-owned subsidiary of the company. Phoenix has been engaged in the manufacture and sale of residential and commercial glass lighting globes. The building and its contents were insured and, accordingly, the company has filed claims with its insurance carrier. Since the insured values of the warehouse and production facilities destroyed were based on replacement costs, the claims aggregate substantially more than the net book value of such assets and a gain is anticipated by the company. The amount of the final settlement of the claims is dependent upon the ultimate outcome of negotiations with the insurance company and therefore cannot presently be determined.

Management presently intends to reinvest insurance proceeds received, and additional funds, in replacement facilities. During the period of reconstruction, residential and commercial glass lighting globes will be produced in temporary facilities at Phoenix and at another company facility. In this connection, the company is insured for certain business interruption expenses incurred during the period of reconstruction.

The company's claim regarding the inventories destroyed by the fire was settled with the insurance carrier during 1978. The proceeds received approximated the standard cost of the inventories destroyed.

Board of Directors and Shareholders
F&B/CECO Industries, Inc.

We have examined the consolidated balance sheets of F&B/CECO Industries, Inc. and Subsidiaries as of May 31, 1978 and 1977, and the related consolidated statements of loss, shareholders' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed in Note 9 to the consolidated financial statements, the Company is a defendant in several lawsuits alleging breach of contract and warranty, and negligence. Company officers and legal counsel believe that the Company will have meritorious defenses to the claims based on facts and depositions thus far obtained. No provision for any liability that may result has been made in the financial statements since the ultimate outcome of these lawsuits cannot be presently determined.

Included among other assets in the consolidated balance sheet as of May 31, 1978 are investments in theatrical productions amounting to $124,402 (Note 3). The ultimate recovery of such amount is dependent primarily on the successful marketing of these productions in the future.

In our opinion, subject to the effects, if any, on the consolidated financial statements of the ultimate resolution of the litigation and the ultimate recovery of the investments in theatrical productions referred to in the preceding paragraphs, the consolidated financial statements referred to above present fairly the financial position of F&B/CECO Industries, Inc. and Subsidiaries as of May 31, 1978 and 1977, and the consolidated results of its operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Discontinued Operations

To the Board of Directors and Stockholders of
First National Stores Inc.

We have examined the consolidated financial statements of First National Stores Inc. and its subsidiaries as listed in the accompanying index at March 25, 1978 and March 26, 1977, 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.

Our opinion on the 1977 financial statements was qualified as being subject to the effects on such financial statements of any adjustments which might have been required had the resolution of certain matters regarding the Company's Facilities Relocation Program, described in Note 12, been known. One unresolved element of the Program related to the Company's responsibility to assume the liability for unfunded vested benefits applicable to employees who are members of a particular multi-employer union benefit plan and who might be affected by the closing of an existing warehouse facility. Subsequently, the Company agreed to provide such benefits and recorded a $5,000,000 provision during fiscal 1978 as required by generally accepted accounting principles.

A second unresolved element concerned the Company's estimate that it could realize a gain on the disposition of an existing warehouse facility, which could exceed all other costs associated with the Relocation Program. An agreement for the sale of that facility was terminated during fiscal 1978. At present, the Company has granted another party an option to purchase the facility; however, to date, the facility has not been disposed of. In addition, during 1978, the Company decided to move its corporate offices as part of the Relocation Program.

Because of the matters described in the two preceding paragraphs, the Company recorded an additional charge of $3 million at March 25, 1978 representing the current estimate of all costs associated with the Relocation Program over the currently anticipated gain on the disposition of the warehouse facility. It is not possible to estimate whether a provision for any additional possible loss will be necessary.

In our opinion, subject to the effects on the 1978 and 1977 financial statements of further adjustments, if any, as might have been required had the outcome of the uncertainty referred to in the preceding paragraphs been known, the financial statements referred to above present fairly the financial position of First National Stores Inc. and its subsidiaries at March 25, 1978 and March 26, 1977, 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 Accountants.*

Board of Directors and Stockholders
Hunt International Resources Corporation:

We have examined the consolidated balance sheets of Hunt International Resources Corporation and consolidated subsidiaries as of September 30, 1978 and 1977, and the related consolidated statements of operations, 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 report dated December 19, 1977, our opinion on the 1977 consolidated financial statements was qualified subject to the final determination of various litigation matters. During fiscal 1978, the Company provided for settlement of its sugar antitrust suits and settled or resolved other suits, which were considered significant to the Company and its consolidated subsidiaries as explained in note 10. Accordingly, our present opinion on the 1977 consolidated financial statements, as presented herein, is different from that expressed in our previous report.

During 1975, a plan was adopted to dispose of the real estate subsidiaries referred to as Great Western Cities, all of which have significant commitments and contingencies. Pursuant to the Company's merger in fiscal 1978 as discussed in note 1, the plan of disposition was amended to include Great Western United Corporation, whose operations relate primarily to its investment in Great Western Cities. The amounts estimated for the proposed disposition of these entities; including the commitments and contingent liabilities, may require adjustment (see note 9).

In our opinion, subject to any effects on the consolidated financial statements of the final determination of the matter discussed in the preceding paragraph, the aforementioned consolidated financial statements present fairly the financial position of Hunt International Resources Corporation and consolidated subsidiaries at September 30, 1978 and 1977, 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.

November 10, 1978, except as to the fifth paragraph of note 10 which is as of November 29, 1978.

To the Directors and Stockholders of
Liggett Group Inc.:

We have examined the consolidated balance sheet of Liggett Group Inc. and its consolidated subsidiaries as of December 31, 1978 and 1977 and the related statements of consolidated earnings and retained earnings and of changes in consolidated financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed in Note 1 to the financial statements, on January 25, 1979, the Company entered into an agreement in principle for the sale of its domestic cigarette business. The Company cannot presently determine whether or not the proposed sale will be consummated and, accordingly, has reported the domestic cigarette business as a continuing operation in the accompanying financial statements.

In our opinion, subject to the effects on the accompanying financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainty referred to in the preceding paragraph been known, such financial statements present fairly the financial position of the companies at December 31, 1978 and 1977 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' Opinion.*

NOTES TO FINANCIAL STATEMENTS

Note 1: Agreement in Principle For Sale of Domestic Cigarette Business—On January 25, 1979, the Company entered into an agreement in principle for the sale of its domestic cigarette business to an international development company wholly-owned and operated by Mr. D.D. Overton, III of Kenly, North Carolina. The sale would include the Company's cigarette business in the United States but would not include the chewing and smoking tobacco business of The Pinkerton Tobacco Company nor the overseas leaf tobacco business of Liggett & Myers do Brasil Cigarros Ltda. in Brazil.

No material legal obligations are created by the agreement in principle, and either party may withdraw from the proposed transaction until a definitive agreement is executed. Numerous matters remain to be negotiated with the purchaser and with third parties including some of a material nature, and therefore, there can be no assurance that ongoing negotiations will result in a definitive agreement.

The Company cannot presently determine whether or not the proposed sale will be consummated and, accordingly, has reported the domestic cigarette business as a continuing operation in the accompanying financial statements. If the sale is consummated in 1979 under terms contemplated and certain assumptions concerning other matters still to be negotiated, the 1979 financial statements will include an estimated aftertax charge against earnings of $35 million, and the earnings from continuing operations will be restated to show as discontinued operations the earnings of the domestic cigarette business of $4.5 million in 1978 and $3.9 million in 1977. The restated results of continuing operations would be as follows:

	1978	1977
	(Dollars in thousands except per share amounts)	
Net sales	$687,096	$594,526
Costs and expenses	588,777	517,207
Write-off of goodwill	17,294	—
Revaluation of assets of Perk Foods Co. Incorporated	—	36,500
Operating income	81,025	40,819
Interest and other charges	21,714	24,278
Provision for income taxes	40,401	20,994
Earnings (loss) from continuing operations	$ 18,910	$ (4,453)
Earnings (loss) per common share from continuing operations	$1.97	$(.66)
Net earnings	$6.26	$ .12

Going Concern

To the Stockholders,
UV Industries, Inc.

We have examined the balance sheets of UV Industries, Inc., and the consolidated balance sheets of that Company and Subsidiaries as of December 31, 1978 and 1977 and the related statements of income and retained earnings, changes in stockholders' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The accompanying financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the regular and ordinary course of business, and do not purport to represent the amounts which would be realized upon liquidation, or other disposition of the Company's assets. At a Special Meeting on March 26, 1979 the stockholders of the Company approved a Plan of Liquidation and Dissolution (the "Plan") which is discussed further in Note 2 together with related litigation between the Company and a Stockholder. The Plan provides that within a twelve-month period from the date of stockholder approval, the assets of the Company will be sold (or distributed to stockholders or to a liquidating trust on behalf of stockholders), and the proceeds of any such sales, including the proceeds of the sale of shares of the Company's wholly-owned subsidiary, Federal Pacific Electric Company (See Note 3) after paying or providing for claims, liabilities and other obligations, will be distributed to the Company's stockholders, and the Company will thereafter be dissolved.

In our opinion, subject to the effect, if any, on the financial statements of the matter discussed in the previous paragraph, the aforementioned financial statements present fairly the financial position of UV Industries, Inc. and the consolidated financial position of that Company and Subsidiaries at December 31, 1978 and 1977 and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis—*Report of Independent Certified Public Accountants.*

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. . .

Lease Capitalization

To the Shareholders and Board of Directors
Consolidated Packaging Corporation

We have examined the balance sheets of Consolidated Packaging Corporation and Subsidiaries as of December 31, 1978 and 1977, and the related statements of operations and accumulated deficit and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed further in Notes 8, 9, and 13 of Notes to Financial Statements, the outcome of certain matters and their effect on the accompanying financial statements is presently uncertain. These matters are: (a) the disposition of idle facilities and their related carrying costs, (b) various litigation, principally involving anti-trust matters, and (c) contested water treatment plant charges.

In our opinion, subject to the effects, if any, on the 1978 financial statements of the ultimate resolution of the matters referred to above and subject to the effects, if any, on the 1977 financial statements of the ultimate resolution of matters (a) and (b) referred to above, the financial statements referred to above present fairly the financial position of Consolidated Packaging Corporation and Subsidiaries as of December 31, 1978 and 1977 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in the method of accounting for leases as described in Note 10 of Notes to Financial Statements—*Report of Independent Certified Public Accountants.*

To the Shareholders and Board of Directors of
Goldblatt Bros., Inc.:

We have examined the consolidated balance sheets of GOLDBLATT BROS., INC. (an Illinois corporation) AND SUBSIDIARIES as of January 27, 1979, and January 28, 1978, and the related consolidated statements of income, retained earnings and changes in financial position for the fifty-two week periods then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Goldblatt Bros., Inc. and Subsidiaries as of January 27, 1979, and January 28, 1978, and the 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 after giving retroactive effect to the change (with which we concur) in the method of accounting for leases, which had been entered into prior to January 1, 1977, as explained in Note 6 to Consolidated Financial Statements.

To the Stockholders, Texaco Inc.:

We have examined the consolidated balance sheet of Texaco Inc. (a Delaware Corporation) and subsidiary companies as of December 31, 1978 and 1977, and the related statements of consolidated income, retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of Texaco Inc. and subsidiary companies as of December 31, 1978 and 1977, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after giving retroactive effect to the changes (with which we concur) in the method of accounting for certain non-mineral leases which had been entered into prior to January 1, 1977 and in the method of accounting for oil and gas exploration, development, and producing operations, both as explained in Note 1 to the consolidated financial statements.—*Auditors' Report.*

To the Board of Directors and Shareholders of
F.W. Woolworth Co.:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, retained earnings and of changes in financial position present fairly the financial position of F.W. Woolworth Co. and its consolidated subsidiaries at January 31, 1979 and 1978, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in the method of accounting for leases as described in Note 1 to the financial statements. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.—*Report of Independent Accountants.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Accounting Change—In 1978 the Company changed its method of accounting for leases entered into prior to 1977 in accordance with Financial Accounting Standard No. 13 (Accounting for Leases) and related SEC pronouncements. This Standard requires capitalization of leases which meet certain criteria. A capital lease must be recorded as if the Company had acquired assets through debt financing. The asset is classified on the balance sheet as leased properties under capital leases and the related liability as obligations under capital leases. This results in recording interest expense and depreciation as opposed to the traditional treatment of rents. For presentation in the accompanying financial statements, these occupancy costs are included in costs of sales. Leases entered into in 1977 and 1978 were already accounted for in accordance with these requirements.

The accounting change resulted in a decrease in net income of $4,600,000 ($.16 per share) in 1978. The effect of retroactively applying this accounting change in 1977 and prior years is as follows:

	Net income—Year 1977		Retained earnings—Years through 1976
	(In thousands of dollars except per share amounts)		
	Amount	Per Share	
As previously reported	$91,900	$3.03	$981,400
Effect of capitalizing leases	(6,400)	(.22)	(28,100)
As restated	$85,500	$2.81	$953,300

LIFO Adopted

To the Board of Directors and Shareholders
Bobbie Brooks, Incorporated

We have examined the consolidated balance sheets of Bobbie Brooks, Incorporated and subsidiary companies as at April 29, 1978 and April 30, 1977 and the related consolidated statements of operations 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 aforementioned consolidated financial statements present fairly the financial position of Bobbie Brooks, Incorporated and subsidiary companies as at April 29, 1978 and April 30, 1977 and their results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods except for the change, with which we concur, in the method of pricing inventories, as described in Note 3 to the financial statements.—*Report of Independent Public Accountants.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Inventories—In reporting results for the year ended April 29, 1978, the Company adopted the last-in, first-out (LIFO) method of determining cost of substantially all of its inventories. Prior to such date, inventory costs were determined under the first-in, first-out (FIFO) method. This change in method will more realistically present operating results by better matching current costs with current revenues during inflationary periods.

At April 29, 1978, inventories, at cost, aggregated approximately $887,000 less under the LIFO method than they would have under the FIFO method. However, markdowns of $1,203,000 were required to further reduce the LIFO inventories to their current market value. Accordingly, the year-end inventories are stated at an amount which is not less than replacement cost or realizable market value, and adoption of the LIFO method of determining cost had no effect upon operating results for the year ended April 29, 1978. There is no cumulative effect of the change in method since the April 30, 1977 inventory as previously reported is considered to be the beginning inventory under the LIFO method. The effects of retroactive application of LIFO to individual prior years are not determinable.

Inventories consist of the following:

	1978	1977
Continuing operations:		
Apparel manufacturing:		
Raw materials	$ 8,645,000	$ 6,109,000
Work-in-process	3,697,000	2,622,000
Finished goods	7,407,000	7,029,000
	19,749,000	15,760,000
Retail fabric stores	5,095,000	6,449,000
Total	24,844,000	22,209,000
Discontinued operations	—	3,754,000
Total inventories	24,844,000	$25,963,000

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, 1978 and 1977, 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.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of National Gypsum Company and subsidiaries at December 31, 1978 and 1977, 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 consistently applied during the period except for the change, with which we concur, to the LIFO method of valuing certain inventories as described under the "Significant Accounting Policies" note to the financial statements.

Inventory Costs

Board of Directors of Pneumo Corporation
Boston, Massachusetts

We have examined the consolidated balance sheet of Pneumo Corporation and subsidiaries as of November 30, 1978, and 1977, and the related consolidated statements of earnings, changes in financial position and stockholders' equity 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 Pneumo Corporation and subsidiaries at November 30, 1978, and 1977, 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 consistently applied during the period except for the change, with which we concur, in the method of accounting for certain Aerospace/Defense programs as described in Note A to the financial statements.—*Auditors' Report.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (in Part): Inventories and Change in Accounting Method—Warehouse merchandise inventories of the Company's Food Group of $10,765,000 at November 30, 1978 and $9,289,000 at November 30, 1977 are stated at LIFO. Had the first-in, first-out method (approximates replacement cost) of inventory accounting been used by the Company for such inventories, the amount thereof would have been $4,726,000 and $3,969,000 greater than reported at November 30, 1978 and 1977, respectively. The balance of merchandise inventories amounting to $16,936,000 at November 30, 1978 and $18,115,000 at November 30, 1977 are determined on the first-in, first-out method.

The Company's Aerospace/Defense and Industrial Products inventories at November 30, 1978 and 1977, are as follows:

	1978	1977
	(In thousands)	
Finished goods	$ 3,495	$ 3,101
Work in process	53,923	27,028
Raw materials and supplies	2,125	2,269
	$59,543	$32,398

In the fourth quarter of 1978, the Company adopted the program method of accounting. As a result of this change, as described in the Summary of Significant Accounting Policies (Inventories), cost of goods sold were decreased by approximately $2,355,000 and net earnings were increased by approximately $1,193,000 ($.40 per share). This change in method was made in order to more closely match costs with revenues and thus present more fairly the results of operations. If this method had been used during the four years preceding 1978, it would have had an immaterial effect on results of operations as reported.

Consolidation Policy

Board of Directors
National Steel Corporation
Pittsburgh, Pa.

We have examined the consolidated balance sheets of National Steel Corporation and subsidiaries as of December 31, 1978 and 1977, 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 financial statements referred to above present fairly the consolidated financial position of National Steel Corporation and subsidiaries at December 31, 1978 and 1977, 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 after restatement for the change, with which we concur, in the consolidation policy as described in Note B.—*Report of Independent Accountants.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note B: Change in Method of Accounting for Mathies Coal Company—Effective January 1, 1978, the Corporation changed its policy of accounting for its investment in Mathies Coal Company, 53 1/3% owned subsidiary, from the equity method to the full consolidation method to conform to the prevailing trend of corporate reporting practices and thereby improve comparability of the Corporation's operations with those of other companies. Accordingly, the accompanying consolidated financial statements for the year ended December 31, 1977 have been restated to reflect this change. This change has had no effect on net income or stockholders' equity as originally reported.

Oil and Gas Operations

To the Shareholders and Board of Directors,
Occidental Petroleum Corporation:

We have examined the consolidated balance sheets of OCCIDENTAL PETROLEUM CORPORATION (a California corporation) and consolidated subsidiaries as of December 31, 1978 and 1977, and the related consolidated statements of operations, shareholders' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Occidental Petroleum Corporation and consolidated subsidiaries as of December 31, 1978 and 1977, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after giving retroactive effect to the changes (with which we concur) in the methods of accounting for oil and gas exploration and production operations, oil shale operations, and leases, as explained in Note 2 to the consolidated financial statements.—*Report of Independent Public Accountants.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (in Part): Accounting changes—

Change in accounting for oil and gas exploration and production operations and oil shale operations—In December, 1977, the FASB issued Statement No. 19, "Financial Accounting and Reporting by Oil and Gas Producing Companies," for companies adopting "successful efforts" accounting which would require that capitalized acquisition costs of proved oil and gas properties, wells and related equipment and facilities be amortized to become part of the cost of oil and gas produced, and that capitalized acquisition costs of unproved properties and related exploratory wells be charged to expense when the likelihood of finding proved reserves has been impaired.

Occidental elected at the end of the second quarter of 1978 to apply the Statement which requires retroactive implementation through restatement of the financial statements of prior periods.

Occidental has also elected to adopt successful efforts accounting for the development of its oil shale operations. In management's opinion, the reporting of oil shale operations on a successful efforts basis reflects the underlying economic facts of current operations more adequately than does the "full cost" method previously utilized. As permitted by Opinion No. 20 of the Accounting Principles Board, the change was applied retroactively through restatement of the financial statements of prior periods.

The following table sets forth, for 1977, the effect on net income and related per share amounts of the restatements described above as a consequence of the adoption of successful efforts accounting (in thousands, except per share amounts):

Net income, as originally reported	$217,912
Effect of change to successful efforts:	
Oil and gas exploration and production operations	(58,343)
Oil shale operations	(5,819)
	(64,162)
Net income, as restated	$153,750
Per share—	
Earnings per common and common equivalent share:	
As originally reported	$ 2.92
Effect of change to successful efforts:	
Oil and gas exploration and production operations	(.89)
Oil shale operations	(.10)
As restated	$ 1.93
Fully diluted earnings per share:	
As originally reported	$ 2.60
Effect of change to successful efforts:	
Oil and gas exploration and production operations	(.74)
Oil shale operations	(.07)
As restated	$ 1.79

The Board of Directors and Stockholders
Rohm and Haas Company:

We have examined the consolidated balance sheets of Rohm and Haas Company and consolidated subsidiaries as of December 31, 1978 and 1977 and the related statements of consolidated 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 aforementioned consolidated financial statements present fairly the financial position of Rohm and Haas Company and consolidated subsidiaries at December 31, 1978 and 1977 and the results of their operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the changes, with which we concur, in the methods of accounting for leases and for oil and gas operations as described in notes 18 and 19 to the consolidated financial statements.—*Independent Accountants' Opinion.*

Depreciation Method

The Board of Directors and Stockholders
Celanese Corporation:

We have examined the consolidated balance sheets of Celanese Corporation as of December 31 for each of the years 1974 through 1978, and the related consolidated statements of income, changes in financial position and changes in retained income for each of the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Celanese Corporation as of December 31 for each of the years 1974 through 1978, and the results of operations and the changes in financial position for each of the 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, with which we concur, set forth under the caption "Accounting changes" on page 46.—*Report of Independent Certified Public Accountants.*

CONSOLIDATED FINANCIAL STATEMENTS NOTES

Accounting changes

Investment Tax Credits (ITC)—Celanese has changed from the deferral to the flow-through method of accounting for investment tax credits. Previously, when the credits were temporary in nature, their effect was reflected in income over the estimated useful life of the asset on which the ITC was earned. Variations in income because of ITC rate changes, suspensions or cessations were minimized under the deferral method. The cumulative total of ITC earned but not reflected in income as of a given date was carried on the balance sheet under the heading "Deferred investment tax credits." The change to the flow-through method recognizes that these credits now have been made permanent by the U.S. government and will be reflected in earnings on a current basis as the tax benefit is received. This method has been the predominant one in use by most industrial corporations for some years.

This change in accounting, which has no effect on cash flow, increased 1978 net income for credits earned during 1978 by $.56 per common share, or $8 million, which is reflected as a reduction in the provision for income taxes in the Consolidated Statement of Income. In addition, the change increased reported net income for 1978 for credits earned but not reflected in income in prior years by $3.01 per share, or $43 million (after minority share of $4 million). This amount is shown in the 1978 income statement and is includable in 1978 first-quarter results as "Cumulative effect of change in accounting principle."

Summary financial information that reflects the effect of the change on income for years prior to 1978 is shown at the bottom of the income statement under the heading "Pro forma income with 1978 change in accounting principle applied retroactively." Celanese believes that comparisions of results on this basis are more meaningful and accordingly has restated certain previously published prior years' financial information included in this report. All such changes have been indicated.

Depreciation—The Corporation has adopted the straight-line method of depreciation for U.S. machinery and equipment acquired subsequent to 1977. Also, in the fourth quarter, the Corporation reduced further the maximum estimated useful life for all U.S. machinery and equipment from 10 years to 9½ years. These changes in depreciation policy are in recognition of the significant progress achieved since accelerated depreciation and shorter useful lives were adopted by the Corporation in 1974. Accumulated depreciation at the end of 1977 for Celanese was over 60% of gross depreciable property, plant and equipment compared with about 46% in 1968. In addition, in 1977, the depreciation rate for all property, plant and equipment was 8.3%, the second highest of all major U.S. chemical companies. In 1978, the rate was 8.5%.

The shortening of the maximum estimated useful life for U.S. machinery and equipment reduced 1978 net income for the fourth quarter and full year by $.23 per share or $3 million. The change to the straight-line method, which is the one used by most companies in the chemical industry and industry as a whole, increased 1978 net income for the fourth quarter and full year by $.15 per common share, or $2 million. Prior 1978 quarterly results have not been restated because the effect was immaterial.

Investment Tax Credit

To the Board of Directors of
Varian Associates, Inc.

We have examined the consolidated balance sheets of Varian Associates, Inc. and subsidiary companies at September 30, 1978 and 1977, and the related consolidated statements of income, shareholders' equity and changes in financial position for the fiscal years then ended. Our examinations were made in accordance with generally accepted auditing standards, and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the above-mentioned financial statements present fairly the consolidated financial position of Varian Associates, Inc. and subsidiary companies at September 30, 1978 and 1977, 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 consistently applied during the period except for the changes, with which we concur, in the methods of accounting for investment tax credit and patents as described in the notes to the consolidated financial statements.—*Report of Independent Accountants.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Accounting changes

Investment Tax Credit—During 1978, the Company adopted the flow-through method of accounting for investment tax credit. The flow-through method more clearly reflects the results of operations and provides a current and more uniform recognition of investment tax credit for book and tax purposes. As a result of adopting the flow-through method, the deferred investment tax credit balance at September 30, 1977 was credited to income, increasing net earnings for 1978 by $1.3 million, or $.17 per share.

Patent Costs—During 1978, the Company adopted the policy of charging all costs of internally developed patents to current operations. Purchased patents will continue to be capitalized and amortized over their useful lives. Under this more conservative method of valuing patent costs, the Company maintains a uniform recognition of patent costs for book and tax purposes. As a result of this change in accounting principle, the unamortized patent costs balance at September 30, 1977 of $1.9 million was charged to income, decreasing net earnings after taxes for 1978 by $1.0 million, or $.13 per share.

These changes increased 1978 net earnings by $.3 million, or $.04 per share, and are not applicable to prior years which have not been restated. Further, the cumulative effect on prior years (to September 30, 1977) of these changes of accounting principle is summarized below:

	Earnings (Loss) Before Taxes	Income Tax Benefit	Net Earnings (Loss)
	(Dollars in millions)		
Investment Tax Credit	$ —	$1.3	$ 1.3
Patent Costs	(1.9)	.9	(1.0)
Total	$(1.9)	$2.2	$ .3

Prior Year Change

Board of Directors and Shareowners
Burndy Corporation

We have examined the consolidated balance sheets of Burndy Corporation and subsidiary companies as of December 31, 1978 and 1977, and the related statements of earnings, shareowners' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Burndy Corporation and subsidiary companies at December 31, 1978 and 1977, and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the period subsequent to the change, with which we concur, made as of January 1, 1977, in the method of valuing inventory by an unconsolidated affiliate as described in Note 11 to the consolidated financial statements.—*Auditors' Report.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11: Change in Accounting Principle—Net earnings and net earnings per share for the first quarter of 1977 include $450,000 ($.07 per share) relating to the cumulative effect on prior years resulting from a change in the method of inventory valuation by an unconsolidated affiliate. The change was made in order to provide for a more complete absorption of certain fixed overhead costs.

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.

Examples of auditors' reports including explanatory information about the financial statements follow.

Plan of Liquidation

The Stockholders and Board of Directors
Bates Manufacturing Company, Incorporated:

We have examined the consolidated balance sheets of Bates Manufacturing Company, Incorporated and subsidiaries as of December 30, 1978 and December 31, 1977 and the related consolidated statements of earnings (loss), 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 described in Note 11, the Company has announced that it would seek authorization of its stockholders to adopt a one-year plan of complete liquidation which would authorize Bates Manufacturing Company, Incorporated to sell certain assets, satisfy its obligations, distribute the remaining assets and sales proceeds to stockholders and dissolve. The aforementioned financial statements have been prepared on a basis of historical costs and do not purport to show assets, liabilities or stockholders' equity on a liquidation basis.

In our opinion, the aforementioned financial statements present fairly the financial position of Bates Manufacturing Company, Incorporated and subsidiaries at December 30, 1978 and December 31, 1977 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.*

Subsequent Event

The Shareholders of
SCM Corporation:

We have examined the consolidated balance sheets of SCM Corporation and subsidiary companies (SCM) as of June 30, 1978 and 1977 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.

As further discussed in the "Litigation" note to the financial statements, in July and August, 1978, a federal court jury rendered verdicts which may or may not ultimately result in substantial payments to SCM.

In our opinion, such consolidated financial statements present fairly the financial position of SCM at June 30, 1978 and 1977 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.—*Auditors' Opinion.*

NOTES TO FINANCIAL STATEMENTS

Litigation—In July, 1973, SCM filed suit in federal court charging Xerox Corporation with unlawful monopolization and restraint of trade in the office copier business. The trial began in June, 1977 and, in July and August, 1978, jury verdicts were rendered which could result in payments to SCM of up to $112 million plus reasonable attorneys' fees and costs, before applicable income taxes. As all or part of the verdicts could be set aside in further proceedings, no amounts have been reflected in SCM's financial statements with respect to such payments.

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 Financial Statements Removed

To the Board of Directors
The Arundel Corporation

We have examined the consolidated balance sheets of The Arundel Corporation and subsidiaries as of December 31, 1978 and 1977, and the related statements of earnings, stockholders' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of certain heavy construction joint ventures in which the company has varying interests and which contributed $3,348,000 in 1978 and $2,365,000 in 1977 to earnings from continuing operations before income taxes. 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.

In our report dated March 17, 1978, our opinion on the 1977 financial statements was qualified regarding the possible effects on the financial statements of certain litigation and realization values of residential properties. As explained in Notes A and C the litigation has been resolved and properties liquidated. Accordingly, our present opinion on the 1977 financial statements is different from that expressed in our previous report, since the matters giving rise to the qualification have been resolved.

In our opinion, based upon our examinations and the reports of other auditors referred to above, the consolidated financial statements referred to above present fairly the financial position of The Arundel Corporation and subsidiaries as of December 31, 1978 and 1977, 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.*

Board of Directors and Stockholders
Commercial Metals Company
Dallas, Texas

We have examined the consolidated balance sheets of Commercial Metals Company and subsidiaries as of August 31, 1978 and 1977, and the related consolidated statements of operations, stockholders' investment, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

During 1973, a subsidiary of the Company was named, along with other companies, in suits alleging violations of antitrust laws. In our report dated November 15, 1977, our opinion on the 1977 financial statements was qualified as to the effect on the financial statements of the ultimate resolution of this matter. As explained in Note L, on August 17, 1978, a Court Order granted a partial summary judgment in favor of the Company's subsidiary. As a result of this Order, it is the opinion of Company management that the remaining portion of this litigation will not result in a material liability to the Company. Accordingly, our present opinion on the 1977 financial statements, as presented herein, is different from that expressed in our previous report.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Commercial Metals Company and subsidiaries at August 31, 1978 and 1977, 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.—*Auditor's Report.*

To the Board of Directors and Stockholders of
The Great Atlantic & Pacific Tea Company, Inc.:

We have examined the consolidated balance sheets of the Great Atlantic & Pacific Tea Company, Inc. and subsidiary companies as of February 25, 1978 and February 26, 1977 and the related statements of consolidated income and retained earnings and of changes in consolidated financial position for the fiscal years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Our opinion, dated May, 2, 1977, on the 1976 financial statements was qualified as being subject to the effects on the 1976 financial statements of the resolution of certain legal proceedings. As discussed under the caption Litigation in the Financial Review that accompanies the financial statements, on December 27, 1977, the United States District Court in Dallas entered a judgment dismissing nine antitrust suits that had been filed in 1975 and 1976. However, as of May 3, 1978, appeals had been filed in eight of the dismissed suits. Although the amount of liability at February 25, 1978, with respect to all claims and lawsuits, cannot be ascertained, the Company's present opinion is that any resulting liability will not have a material effect upon the Company's financial position. Accordingly, our present opinion on the 1976 financial statements, as presented herein, is different from that previously expressed.

In our opinion, such financial statements present fairly the financial position of the companies as of February 25, 1978 and February 26, 1977 and the results of their operations and the changes in their financial position for the fiscal years then ended, in conformity with generally accepted accounting principles consistently applied.—*Auditors' Opinion.*

Change In Auditors

To the Board of Directors and Stockholders of
Philip A. Hunt Chemical Corporation:

We have examined the consolidated balance sheet of Philip A. Hunt Chemical Corporation and subsidiaries as of December 30, 1978 and the related statements of income, changes in stockholders' equity and changes in financial position for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of the companies for the fifty-two weeks ended December 31, 1977 were examined by other auditors whose report, dated February 15, 1978, expressed an unqualified opinion on those statements.

In our opinion, the financial statements for 1978 present fairly the financial position of the companies at December 30, 1978 and the results of their operations and the changes in their financial position for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period.—*Auditors' Opinion.*

To the Shareholders and Board of Directors
of Gulf Oil Corporation

We have examined the consolidated statement of financial position of Gulf Oil Corporation and its consolidated subsidiaries at December 31, 1978, and the related consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The consolidated financial statements of Gulf Oil Corporation and its subsidiaries for the year ended December 31, 1977 were examined by other auditors whose opinion, dated February 28, 1978, on those statements was qualified as being subject to the effects, if any, on the 1977 consolidated financial statements as might have been required had the outcome of the uncertainties referred to in the following paragraph been known.

As discussed in Notes 5 and 6, the Company and a partnership in which the Company has a 50 percent interest are involved in a number of legal proceedings concerning uranium matters. Management believes that the resolution of these matters taken as a whole will not have a material adverse effect on the Company's consolidated financial position. However, the ultimate outcome of these uncertainties cannot presently be determined, and no provision for loss has been made.

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 Gulf Oil Corporation and its consolidated subsidiaries at December 31, 1978 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.—*Report of Independent Accountants.*

Opinions of Independent Accountants

Board of Directors and Shareholders
Lafayette Radio Electronics Corporation
Syosset, New York

We have examined the consolidated balance sheet of Lafayette Radio Electronics Corporation and subsidiaries as of July 1, 1978, and the related consolidated statements of operations and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The consolidated financial statements of Lafayette Radio Electronics Corporation and subsidiaries for the year ended July 2, 1977, were examined by other auditors whose report dated September 9, 1977, (January 4, 1978 as to Note J), expressed an unqualified opinion on those statements.

In our opinion, the 1978 financial statements referred to above present fairly the financial position of Lafayette Radio Electronics Corporation and subsidiaries as of July 1, 1978, and the results of their operations and changes in financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

October 6, 1978

Board of Directors and Shareholders
Lafayette Radio Electronics Corporation

We have examined the consolidated balance sheet of Lafayette Radio Electronics Corporation and Subsidiaries as at July 2, 1977 and the related consolidated statements of loss and retained earnings and changes in financial position. 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 J to the consolidated financial statements, subsequent to the issuance of its 1977 financial statements, the Company discovered a computational error in the calculation of its July 2, 1977 inventories used to determine cost of sales for the year then ended. Accordingly, the 1977 financial statements have been restated. The effect of the correction of the error resulted in an increase in the 1977 net loss from $3,101,000 to $3,621,000 or from $1.42 to $1.65 per share.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Lafayette Radio Electronics Corporation and Subsidiaries at July 2, 1977 and the consolidated results of their operations and changes in financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of preceding year.

September 9, 1977
January 4, 1978 as to Note J

To the Stockholders and Board of Directors
Stone Container Corporation

In our opinion, the accompanying consolidated balance sheet and related consolidated statements of income and retained earnings and of changes in financial position present fairly the financial position of Stone Container Corporation and its subsidiaries at December 31, 1978, 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. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The consolidated financial statements of Stone Container Corporation and its subsidiaries for the year ended December 31, 1977 were examined by other independent accountants, whose report dated February 24, 1978 expressed an unqualified opinion on those statements.—*Report of Independent Accountants.*

Reports of Independent Certified Public Accountants

To the Shareholders and Directors
Ward Foods, Inc.:

We have examined the consolidated balance sheet of Ward Foods, Inc. and its subsidiaries as of December 30, 1978, and the related consolidated statements of income, changes in shareholders' equity and changes in financial position for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Ward Foods, Inc. and its subsidiaries as of December 30, 1978, and the results of their operations and the changes in their financial position for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

March 21, 1979

To the Shareholders and Directors
Ward Foods, Inc.:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, changes in shareholders' equity and changes in financial position present fairly the financial position of Ward Foods, Inc. and its subsidiaries at December 31, 1977, and the results of their operations and changes in their financial position for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

March 21, 1978, except as to Note 2b, which is as of October 21, 1978

Opinion Expressed On More Than One Prior Period

The Board of Directors and Stockholders
Celanese Corporation:

We have examined the consolidated balance sheets of Celanese Corporation as of December 31 for each of the years 1974 through 1978, and the related consolidated statements of income, changes in financial position and changes in retained income for each of the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Celanese Corporation as of December 31 for each of the years 1974 through 1978, and the results of operations and the changes in financial position for each of the 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, with which we concur, set forth under the caption "Accounting changes" on page 46.—*Report of Independent Certified Public Accountants.*

To the Stockholders of
Trans Union Corporation:

We have examined the consolidated balance sheet of Trans Union Corporation (a Delaware corporation) and subsidiaries as of December 31, 1978, and December 31, 1977, and the consolidated statements of income, retained earnings, additional capital, and source and use of funds for each of the five years in the period ended December 31, 1978. 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 Trans Union Corporation and subsidiaries as of December 31, 1978, and December 31, 1977, and the results of their operations and the changes in their financial position for each of the five years in the period ended December 31, 1978, in conformity with generally accepted accounting principles consistently applied during the periods.—*Auditors' Report.*

Prior Period Financial Statements Unaudited

To the Board of Directors and Stockholders
Cleveland Calendering & Coating Corp.

We have examined the consolidated balance sheet of Cleveland Calendering & Coating Corp. and Subsidiaries as at April 30, 1978, and the related consolidated statements of operations and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Cleveland Calendering & Coating Corp. and Subsidiaries at April 30, 1978, and the consolidated operating results 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.

We were engaged as the Company's independent public accountants in March 1978. The accompanying balance sheet of Cleveland Calendering & Coating Corp. and Subsidiaries as at April 30, 1977, and the related statements of operations and deficit and changes in financial position for the year then ended, presented for comparative purposes, were not audited by us and, accordingly, we do not express an opinion on them.

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 auditors' 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 Shareholders
Associated Dry Goods Corporation

We have examined the consolidated balance sheet of Associated Dry Goods Corporation and consolidated subsidiaries as of February 3, 1979 and January 28, 1978, and the related statements of earnings, shareholders' equity and changes therein and changes in financial position for the years then ended. We have also examined the balance sheet of Associated Dry Goods Credit Corporation as of February 3, 1979 and January 28, 1978. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

TABLE 6-6: OPINION EXPRESSED ON SUPPLEMENTARY STATEMENTS OR SCHEDULES

	Number of Companies			
	1978	1977	1976	1975
Financial statements of subsidiaries	20	19	30	34
Financial statements other than those of subsidiaries (pension trust fund, price level)	3	4	4	4
Historical summaries or five year summaries of operations	7	11	11	11
Other—financial highlights, pro forma data, etc. ...	5	6	10	5

In our opinion, the financial statements referred to above present fairly the financial position of Associated Dry Goods Corporation and consolidated subsidiaries at February 3, 1979 and January 28, 1978, and the results of their operations and the changes in their financial position for the years then ended, as well as the financial position of Associated Dry Goods Credit Corporation at February 3, 1979 and January 28, 1978, 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 leases as described in the note to the consolidated financial statements titled "Leases" on page 19.—*Accountants' Report.*

Deere & Company:

We have examined the consolidated balance sheets of Deere & Company and consolidated subsidiaries as of October 31, 1978 and 1977 and the related statements of consolidated income and retained earnings and changes in consolidated financial position for the years then ended. We have made similar examinations of the financial statements of John Deere Credit Company, an unconsolidated finance subsidiary. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly (a) the financial position of Deere & Company and consolidated subsidiaries at October 31, 1978 and 1977 and the results of their operations and changes in their financial position for the years then ended, and (b) the financial position of John Deere Credit Company at October 31, 1978 and 1977 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.—*Auditors' Opinion.*

The Board of Directors and Stockholders
Gamble-Skogmo, Inc.:

We have examined the consolidated balance sheets of Gamble-Skogmo, Inc. and consolidated subsidiaries as of January 27, 1979 and January 28, 1978 and the consolidated balance sheets of Aristar Holdings, Inc. (wholly-owned by Gamble-Skogmo, Inc.) and subsidiaries as of January 31, 1979 and 1978 and the related consolidated statements of earnings, retained earnings, 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 aforementioned consolidated financial statements present fairly the financial position of Gamble-Skogmo, Inc. and consolidated subsidiaries at January 27, 1979 and January 28, 1978 and of Aristar Holdings, Inc. and subsidiaries at January 31, 1979 and 1978 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 by Gamble-Skogmo, Inc. for the change, with which we concur, in the method of accounting for leases as described in Note 5 to the financial statements of Gamble-Skogmo, Inc. and consolidated subsidiaries.—*Accountants' Report.*

To the Board of Directors
Winnebago Acceptance Corporation
Forest City, Iowa

We have examined the accompanying balance sheets of Winnebago Acceptance Corporation, a wholly-owned subsidiary of Winnebago Industries, Inc., as of August 26, 1978 and August 27, 1977 and the related statements of operations, reinvested earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements mentioned above present fairly the financial position of Winnebago Acceptance Corporation at August 26, 1978 and August 27, 1977, 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.

Historical Summaries or Five Year Summaries of Operations

To the Shareholders and Board of Directors,
Arvin Industries, Inc.

We have examined the consolidated statement of financial condition of Arvin Industries, Inc. and its subsidiaries as of December 31, 1978 and January 1, 1978 and the related consolidated statements of operations, shareholders' equity and changes in financial position for the years then ended.

Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of Arvin Industries, Inc. and subsidiaries at December 31, 1978 and January 1, 1978 and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in the method of accounting for leased property under capital leases as explained in Note 12, and except for the change, with which we concur, in the method of valuing inventories as discussed in Note 4.

We have reviewed the ten-year consolidated financial summary for the ten years ended December 31, 1978 and have compared it with the date included in the Company's audited financial statements for such years. In our opinion, the ten-year consolidated financial summary, as restated for the change in accounting for leases, presents fairly the information included therein.—*Auditors' Report.*

Financial Statements of Pension Fund

To the Investment Committee and Trustees
Pension Trust of Bethlehem Steel Corporation
and Subsidiary Companies:

In our opinion, the accompanying Statements of Assets and Statements of Changes in Fund present fairly the assets of the Pension Fund under the Pension Trust of Bethlehem Steel Corporation and Subsidiary Companies at December 31, 1978 and 1977 and the changes in the Fund during the years, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, including confirmation by the custodian of investments owned at December 31, 1978 and 1977.—*Report of Independent Accountants.*

REPORT OF MANAGEMENT

In 1978, 110 of the 600 survey, as compared to 19 in 1977, include a Report of Management in their annual report. Examples of such reports follow.

Allied Chemical Corporation

Statement of Management's Responsibility for Financial Statements

The management of Allied Chemical Corporation is responsible for the integrity of all information and representations contained in the financial statements and other sections of this Annual Report. The Company's financial statements are based on generally accepted accounting principles and as such include amounts based on management's judgment and estimates.

The Company has a system of internal accounting controls which is designed to provide reasonable assurance assets are safeguarded, transactions are executed in accordance with management's authorization and financial records are reliable as a basis for preparation of financial statements. The system includes the selection and training of qualified personnel, an organizational structure which permits the delegation of authority and responsibility, the establishing and disseminating of detailed policies and procedures throughout the organization and an extensive internal audit program.

The Company's independent accountants, Price Waterhouse & Co., have been engaged to render an opinion on the consolidated financial statements. As accountants, they also provide an objective, outside review of management's responsibility to report operating results and financial condition. Working with our internal auditors, they review and make tests as appropriate of the data included in the financial statements.

The Board of Directors pursues its oversight role for the financial statements through its Audit Committee composed of four outside directors. The Audit Committee meets on a regular basis with management, the internal auditors and the independent accountants. The independent accountants and the internal auditors have free access to the Audit Committee without the presence of management representatives to discuss internal accounting controls, auditing and financial reporting matters.

Chairman

Group Vice President
Responsible for
Finance and Accounting

Brunswick Corporation

Report of management

The accompanying consolidated financial statements and related information included herein for the years ended December 31, 1978 and 1977 were prepared by the management of the Company. The report of Arthur Andersen & Co., the Company's independent public accountants, on these financial statements is included on page 23. The primary responsibility for the integrity of the financial information included in this annual report rests with management. Such information was prepared in accordance with generally accepted accounting principles appropriate in the circumstances, based on our best estimates and judgments.

Brunswick maintains accounting and related internal control systems which are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce records adequate for preparation of financial information. There are limits inherent in all systems of internal control and a recognition that the cost of such systems should not exceed the benefits to be derived. We believe the Company's systems provide this appropriate balance.

The systems and controls and compliance therewith are reviewed by an extensive program of internal audits and by our independent public accountants in connection with their annual audit. Their activities are coordinated to obtain maximum audit coverage with a minimum of duplicate effort and cost. The independent public accountants receive copies of all reports issued by the internal auditors at the same time they are released to management and have access to all internal audit work papers.

The financial data contained in this annual report has been reviewed by the Audit Committee of the Board of Directors. The Audit Committee is composed of outside directors who meet regularly with management, internal auditors and the Company's independent public accountants to review the audit scope, timing and fee arrangements, financial and operating results, internal accounting controls, Company policies, and other matters of current interest.

The Company maintains high standards when selecting, training and developing personnel, to insure that management's objectives of maintaining strong, effective internal accounting controls and uniform reporting standards are attained. We believe our policies and procedures provide reasonable assurance that operations are conducted in conformity with law and with our Company commitment to a high standard of business conduct.

Clark Equipment Company

Report by Management

The preceding financial statements of Clark Equipment Company and all information in the annual report are the responsiblility of management. The statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances and thus include amounts based on estimates by management.

Management depends upon the Company's system of internal controls in meeting its responsibilities for reliable financial statements. This system is designed to provide reasonable assurance that assets are safeguarded and that transactions are properly recorded and executed in accordance with management's authorization. Judgments are required to assess and balance the relative cost and expected benefits of these controls.

The financial statements have been audited by our independent accountants, Price Waterhouse & Co. Their role is to render an independent professional opinion on management's financial statements to the extent required by generally accepted auditing standards. In addition to the use of independent accountants, the Company maintains a highly trained professional staff of internal auditors, who coordinate audit coverage with the independent accountants and conduct operational and special audits.

The Board of Directors elects an Audit Committee from among its members, none of whom are or have been employees of the Company. The Audit Committee is responsible to the Board for reviewing the accounting and auditing procedures and financial practices of the Company and for recommending appointment of the independent accountants. The Audit Committee meets periodically with management, internal auditors, and independent accountants to review the work of each and satisfy itself that they are properly discharging their responsibilities. Both the independent accountants and the internal auditors have free access to the Committee, without the presence of management, to discuss their opinions on the adequacy of internal controls and to review the quality of financial reporting.

Eaton Corporation

Report of Management

We have prepared the accompanying consolidated financial statements and related information included herein for the years ended December 31, 1978 and 1977. The opinions of the Company's independent auditors on those financial statements are included. The primary responsibility for the integrity of the financial information included in this annual report rests with management. Such information was prepared in accordance with generally accepted accounting principles appropriate in the circumstances, based on our best estimates and judgements and giving due consideration to materiality.

Eaton maintains internal accounting control systems which are adequate to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and which produce records adequate for preparation of financial information. There are limits inherent in all systems of internal accounting control based on the recognition that the cost of such system should not exceed the benefits to be derived. We believe the Company's system provides this appropriate balance.

The system and controls and compliance therewith are reviewed by an extensive program of internal audits and by our independent auditors. Their activities are coordinated to obtain maximum audit coverage with a minimum of duplicate effort and cost. The independent auditors receive copies of all reports issued by the internal auditors at the same time they are released to management and have access to all internal audit work papers.

In an attempt to assure objectivity and remove bias, the financial data contained in this report is subject to review by the Audit Committee of the Board of Directors. The Audit Committee is composed of outside directors who meet regularly with management, internal auditors and independent auditors to review the audit scope, timing and fee arrangements.

The Company maintains high standards when selecting, training and developing personnel, to insure that management's objectives of maintaining strong, effective internal controls and unbiased, uniform reporting standards are attained. We believe our policies and procedures provide reasonable assurance that operations are conducted in conformity with law and with our Company commitment to a high standard of business conduct.

Vice President—Accounting

Vice President and Controller
February 5, 1979

General Electric Company

Report of management

To the Share Owners of
General Electric Company

We have prepared the accompanying statement of financial position of General Electric Company and consolidated affiliates as of December 31, 1978 and 1977, and the related statements of earnings, changes in financial position and changes in share owners' equity for the years then ended, including the notes and industry and geographic segment information. The statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances, and include amounts that are based on our best estimates and judgments. Financial information elsewhere in this Annual Report is consistent with that in the financial statements.

Your Company maintains a strong system of internal financial controls and procedures, supported by a corporate staff of traveling auditors and supplemented by resident auditors located around the world. This system is designed to provide reasonable assurance, at appropriate cost, that assets are safeguarded and that transactions are executed in accordance with management's authorization and recorded and reported properly. The system is time-tested, innovative and responsive to change. Perhaps the most important safeguard in this system for share owners is the fact that the Company has long emphasized the selection, training and development of professional financial managers to implement and oversee the proper application of its internal controls and the reporting of management's stewardship of corporate assets and maintenance of accounts in conformity with generally accepted accounting principles .

The independent public accountants provide an objective, independent review as to management's discharge of its responsibilities insofar as they relate to the fairness of reported operating results and financial condition. They obtain and maintain an understanding of GE's accounting and financial controls, and conduct such tests and related procedures as they deem necessary to arrive at an opinion on the fairness of financial statements.

The Audit Committee of the Board of Directors, composed solely of Directors from outside the Company, meets with the independent public accountants, management and internal auditors periodically to review the work of each and ensure that each is properly discharging its responsibilities. (See Audit Committee report on page 25.) The independent public accountants have free access to this Committee, without management present, to discuss the results of their audit work and their opinions on the adequacy of internal financial controls and the quality of financial reporting.

Your management has long recognized its responsibility for conducting the Company's affairs in a manner which is responsive to the ever-increasing complexity of society. This responsibility is reflected in key Company policy statements regarding, among other things, potentially conflicting outside business interests of Company employees, proper conduct of domestic and international business activities, and compliance with antitrust laws. Educational, communication and review programs are designed to ensure that these policies are clearly understood and that there is awareness that deviation from them will not be tolerated.

Chairman of the Board
and Chief Executive Officer

Senior Vice President, Finance
February 16, 1979

International Paper Company

Report of Management

The management of International Paper Company has prepared and is responsible for the accompanying financial statements. The statements were prepared in accordance with generally accepted accounting principles and, reflecting management's best judgment, present fairly the Company's financial position and results of operations.

Management maintains a system of internal accounting controls designed to provide reasonable assurance that transactions are executed in accordance with the proper authorization, that all such transactions are properly recorded and summarized to produce reliable financial records and reports, that assets are safeguarded, and that the accountability for assets is maintained.

An essential part of IP's internal control system is the Company's Policy on Ethical Business Conduct which requires employees to maintain the highest ethical and legal standards in their conduct of Company affairs. The system is further characterized by careful selection and training of supervisory and management personnel, by organizational arrangements that provide for appropriate delegations of authority and divisions of responsibility, by the dissemination of accounting and business policies throughout the Company, and by an extensive program of internal audit with management follow-up.

The independent public accountants provide an objective, independent review of management's discharge of its responsibilities as to the fairness of the Company's financial statements. They review the Company's internal accounting controls and perform the necessary tests of procedures and accounting records to enable them to form the opinion set forth in their report on page 31.

The Board of Directors is responsible for reviewing the Company's financial and accounting policies, practices, and reports. Its Audit Committee, consisting of six non-employee directors, meets regularly with representatives of management, the independent public accountants, and the Internal Auditor to review their activities. At the Annual Meeting, the Audit Committee presents a summary of its findings to the share owners and recommends the independent public accountants to conduct the annual audit.

Both the independent public accountants and the Internal Auditor have free access to the Audit Committee and meet regularly with the Audit Committee and the full Board, with and without management representatives in attendance.

Kennecott Copper Corporation

Management's Report

To the Stockholders of
Kennecott Copper Corporation:

The balance sheet of Kennecott Copper Corporation and Subsidiaries as of December 31, 1978 and 1977 and the related consolidated statements of income, retained earnings and changes in financial position for the years then ended were prepared by the Company's management in conformance with generally accepted accounting principles appropriate in the circumstances applied on a consistent basis.

Management is responsible for the fairness of the financial statements, which include some amounts based upon judgments. Other financial information in the Annual Report is consistent with that in the financial statements. The Company's accounting systems and related internal controls are designed to assure that the books and records reflect the transactions of the Company in accordance with established policies and procedures as implemented by qualified personnel under organizational arrangements that provide appropriate delegation of authorities and segregation of responsibilities. The Company has an internal audit function which regularly performs internal audits, the findings and recommendations of which are followed up by management. The Director of Internal Audit has direct access to the Audit Committee of the Board of Directors.

The Board of Directors, through its Audit and Finance Committees, monitors the financial and accounting operations of the Company, including the review and discussion of periodic financial statements, the review and approval of major changes in accounting policies, the review and approval of financing and banking activities and the recommendation of engagement of independent public accountants.

Coopers & Lybrand, independent public accountants, have examined the financial statements of Kennecott Copper Corporation and Subsidiaries for the years ended December 31, 1978 and 1977, and their report is included herein. Their examinations were conducted in accordance with generally accepted auditing standards and accordingly included such tests as they considered necessary.

The Audit Committee of the Board of Directors met with the auditors and management representatives both jointly and separately. Matters discussed included the scope and major findings of the auditors' examination, recent and prospective opinions of the Financial Accounting Standards Board and their impact on the Company, the adequacy of the system of internal control, the quality and depth of the staffing of the Company's accounting and financial departments and the quality of the financial reporting of the Company.

Vice President—Finance

Chairman of the Board and
Chief Executive Officer
February 15, 1979

McGraw-Edison Company

Management's Responsibility for Financial Statements

The consolidated financial statements have been prepared by management in conformity with generally accepted accounting principles. Management is responsible for all information and representations contained in the financial statements and other sections of the annual report. In preparing the financial statements, management must make estimates based upon currently available information and management's judgment of current conditions and circumstances. Management uses the services of specialists within and outside the company in making estimates. The role of the company's external auditor is to render an independent opinion on management's financial statements.

In meeting its responsibility for the reliability of the financial statements, management maintains a system of internal accounting control, including an internal audit program. In designing control procedures, management recognizes that errors or irregularities may nevertheless occur, however, the system is designed to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization. The system includes, among other things, the careful selection of people, a division of responsibilities and the application of formal policies and procedures that are consistent with high standards of accounting and administrative practices. Management is continually modifying and improving its system of internal accounting control in response to changes in business conditions and operations.

The Board of Directors, through the activities of its Audit Committee, oversees management's discharge of its financial reporting responsibilities. The Committee meets regularly with management, the internal auditors, and representatives of the company's independent public accountants. All of these parties have free and independent access to the Committee and the Board of Directors. In 1978, the Committee met twice and reviewed the scope, timing and fees for the annual audit and the results of audit examinations completed by the internal and external auditors, including the recommendations to improve internal controls and the follow-up reports prepared by management.

The members of the Audit Committee for 1978 are listed elsewhere in this annual report. No member of the Audit

Committee is an employee of the company. The Audit Committee reports the results of its activities to the full Board of Directors.

Owens-Illinois, Inc.

Responsibility for Financial Statements of Owens-Illinois, Inc.

The management of Owens-Illinois is responsible for all information and representations contained in the financial statements and other sections of the annual report and believes such information has been prepared in conformity with generally accepted accounting principles appropriate in the circumstances. In preparing the financial statements, management makes informed judgments and estimates of events and transactions that are currently being accounted for.

Owens-Illinois maintains and management relies on a system of internal controls designed to provide reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. In designing control procedures, management recognizes that errors or irregularities may nevertheless occur. Also, estimates and judgments are required to assess and balance the relative cost and expected benefit of the controls. In order to provide credible, timely information in the most efficient manner possible, accounting policies, procedures and systems, along with related internal controls, are being constantly monitored and revised where necessary to meet changing requirements. Internal controls are further strengthened by a careful selection, training and development of qualified managers in financial and other functional areas.

Assisting the management is a staff of trained internal auditors who use audit programs designed to insure compliance with internal controls and effectiveness of the financial reporting function at our worldwide locations. Results and actions relating to internal audits are communicated to appropriate management and the Audit Committee of the Board of Directors.

The independent public accountants, recommended by the Audit Committee of the Board of Directors and selected by the Board of Directors and the shareholders at the annual meeting, are engaged to express an opinion on our financial statements. Their opinion is based on procedures performed in accordance with generally accepted auditing standards, including tests of the accounting records and such other auditing procedures as they considered necessary in the circumstances.

The Audit Committee of the Board of Directors, composed solely of directors who are not officers or employees of Owens-Illinois, meets with corporate financial management, the independent auditors and the internal auditors to review the activity of each and to insure that each is properly discharging its responsibility. Our public accountants as well as the internal auditors have access to the Audit Committee without management being present to discuss the results of their audit work, the adequacy of internal financial controls, and the quality of financial reporting.

Chairman of the Board,
President and Chief
Executive Officer

Vice President, Finance

PPG Industries, Inc.

Responsibility for Preparation of the Financial Statements

The management of PPG Industries, Inc. is responsible for the preparation of the consolidated financial statements included in this Annual Report. In carrying out this responsibility, we have ensured that the financial statements were prepared in accordance with generally accepted accounting principles and that these principles were applied consistently. Management also furnished the estimates and judgments on which the accounting process, in many instances, must rely, and we believe the estimates and judgments used in preparing these financial statements are reasonable and appropriate.

To ensure the reliability of financial data, PPG has established, and maintains, an internal control system. The important functions that assure the proper operation of these controls are, in our opinion, the selection and training of qualified personnel, the establishment of appropriate policies, including those of the Board of Directors, and the use of both internal and external audits. In establishing an internal control system, management considers the inherent limitations of the various control procedures and weighs their cost against the benefits derived. We believe the internal controls now in use give reasonable assurance that financial reports do not contain any significant misstatement.

Operation of the accounting system and associated internal controls is monitored by the Board of Directors Audit Committee, which is composed entirely of non-officer members of the Board. The Audit Committee meets regularly, and on special occasions as needed, with our independent public accountants, both with and without PPG's management being present.

Based on the controls we have described, we believe the financial statements and related notes in this report are accurate in all material respects and that they were prepared according to appropriate and generally accepted accounting principles. We believe, further, that the other financial information contained in this Annual Report is consistent with the financial statements.

Chairman of the Board

Vice President, Finance

Stone Container Corporation

Statement of Management Responsibility for Financial Statements

The Management of Stone Container Corporation is responsible for the preparation of the accompanying financial statements (including notes), and is also responsible for the other sections of the Annual Report. The statements were prepared in accordance with generally accepted accounting principles appropriate in the circumstances and, in the belief of Management, present fairly the Company's results of operations, financial position and changes in financial position for the periods under review. In preparing the financial statements, Management made informed judgments and estimates in accounting for transactions and events.

Management maintains a system of internal controls and procedures designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that transactions are properly recorded to permit the preparation of reliable financial records and reports, that assets are safeguarded and that accountability for assets is maintained. In designing and implementing internal controls and procedures, Management recognizes that errors or irregularities may nevertheless occur. Further, estimates and judgments are necessary to evaluate the relative cost/benefit of such controls and procedures. Internal controls and procedures are regularly reviewed and revised, when appropriate, due to changing circumstances and requirements.

To assure the maintenance of effective internal controls and procedures, and to provide the climate in which such controls and procedures can be effective, Management, among other things: establishes appropriate written policies and procedures and communicates same; carefully selects, trains and develops qualified personnel; creates organizational arrangements that provide appropriate delegation of authority and segregation of responsibility; and maintains an on-going program of internal audits and appropriate managerial follow-up.

* * *

The independent public accountants provide an objective, independent review of Management's discharge of its responsibilities as to the fairness of the Company's financial statements. They review the Company's internal controls and procedures and perform the requisite tests of the accounting records and such other auditing procedures as they consider necessary in the circumstances, in accordance with generally accepted auditing standards, to enable them to determine and express their opinion as to the fairness of the Company's financial statements.

The Audit Committee, comprised solely of outside directors who are not current or former officers or employees of the Company, meet regularly with the independent auditors and with Management (primarily the chief executive officer, the chief corporate officer and the chief financial officer). In addition, the Audit Committee and the independent accountants regularly meet without management representatives in attendance, thus permitting a free discussion of the results and findings of the audit work, the evaluation of the adequacy of internal controls, and the quality of financial reporting. The internal auditors, as well as all other financial and other personnel of the Company, are available to the Audit Committee and to the independent public accountants. Reports of the internal auditors are, as a matter of regular procedure, available to the independent accountants and to the Audit Committee.

Chairman and Chief Executive Officer

President and Chief Corporate Officer

Senior Vice President—Finance and Treasurer;
Chief Financial Officer

Management's Report

To the Shareholders of
Federated Department Stores, Inc.

The financial statements of Federated Department Stores, Inc., were prepared in accordance with generally accepted accounting principles. The integrity and objectivity of these financial statements and related data are the responsibility of management and properly include some amounts that are based upon estimates and judgments.

The company maintains a system of internal accounting controls which are supported by an extensive program of internal audits with appropriate management follow-up action. Additionally, the integrity of the financial accounting system is based on careful selection and training of qualified personnel, organizational arrangements which provide for appropriate division of responsibilities and communication of established written policies and procedures.

The financial statements of the company have been examined by Touche Ross & Co., independent certified public accountants. Their report, which appears on page 18, expresses their opinion as to the fair presentation of the financial statements and is based upon their independent examination conducted in accordance with generally accepted auditing standards.

The Audit Committee, comprised solely of outside directors, meets periodically with the independent certified public accountants, the internal auditors and representatives of management to discuss auditing and financial reporting matters. The independent certified public accountants have free access to meet with the Audit Committee, without management representatives present, to discuss the scope and results of their examination and their opinions on the adequacy of internal financial controls and the quality of financial reporting.

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 Thirty-second (1978) edition. Thirty companies in the 1978 edition have been eliminated and their numbers left unused. The companies selected as replacements have been assigned numbers 834 to 853, 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*	
	AEL Industries, Inc.—see *701*	
	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
	Acme-Cleveland Corporation—see *809*	
	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
	Akzona Incorporated—see *30*	
	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	12
21	Amerada Hess Corporation	12
23	American Bakeries Company	12
25	American Biltrite Inc.	12
	American Brands, Inc.—see *45*	
	American Broadcasting Companies, Inc.—see *810*	
	American Building Maintenance Industries—see *605*	
26	American Can Company	12
28	American Cyanamid Company	12
29	The American Distilling Company	9

Co. No.		*Month in which fiscal year ends
30	*Akzona Incorporated*	12
	American 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
58	Archer Daniels Midland Company	6
	Armada Corporation—see *67*	
60	Armco	12
62	Armstrong Cork Company	12
64	The Arundel Corporation	12
65	Arvin Industries, Inc.	12
66	Ashland Oil, Inc.	9
67	*Armada Corporation*	12
68	Associated Dry Goods Corporation	1
69	Atlantic Richfield Company	12
71	Avco Corporation	11
72	Avon Products, Inc.	12
	Baird Corporation—see *793*	
74	Baker International Corporation	9
75	The Barden Corporation	10

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
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
	Beehive International—*see 811*	
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
	Bowne & Co., Inc.—*see 718*	
	Brenco, Incorporated—*see 652*	
103	Briggs & Stratton Corporation	6
104	The Bristol Brass Corporation	12
105	Bristol-Myers Company	12
	Bristol Products, Inc.—*see 742*	
106	Brockway Glass Company, Inc.	12
107	Brown & Sharpe Manufacturing Company	12
108	Brown Group, Inc.	10
	Browning-Ferris Industries, Inc.—*see 795*	
109	Brunswick Corporation	12
	Buckbee-Mears Company—*see 653*	
110	Bucyrus-Erie 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 799*	
116	*Del Monte Corporation*	5
118	Campbell Soup Company	7
120	Cannon Mills 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
	Certified Corp.—*see 812*	
131	The Cessna Aircraft Company	9
	Champion International Corporation—*see 566*	

Co. No.		*Month in which fiscal year ends
133	Champion Spark Plug Company	12
	The Charter Company—*see 834*	
	Chemineer, Inc.—*see 835*	
135	*Paxall, Inc.*	10
	Chicago Bridge & Iron Company—*see 654*	
136	Chicago Pneumatic Tool Company	12
137	Chock Full O'Nuts Corporation	7
	Chromalloy American Corporation—*see 836*	
138	Chrysler Corporation	12
139	Cities Service Company	12
140	City Stores Company	1
141	Clark Equipment Company	12
	Clarostat Mfg. Co., Inc.—*see 615*	
	Cleveland Calendering & Coating Corp.– see 786	
142	The Cleveland-Cliffs Iron Company	12
144	Cluett, Peabody & Co., Inc.	12
145	The Coca-Cola Company	12
	Coleco Industries, Inc.—*see 813*	
146	Colgate-Palmolive Company	12
147	Collins & Aikman Corporation	2
150	*Hunt International Resources Corporation*	9
151	Colt Industries Inc.	12
152	*CBS Inc.*	12
	Combined Communications Corporation—*see 781*	
153	Combustion Engineering, Inc.	12
	Commercial Metals Company—*see 814*	
	Compugraphic Corporation—*see 798*	
	ConAgra, Inc.—*see 406*	
	Congoleum Corporation—*see 78*	
	Conroy, Inc.—*see 815*	
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*	
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

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
	Dayton Malleable Inc.—see *837*	
188	Deere & Company	10
	Del Monte Corporation—see *116*	
189	Dennison Manufacturing Company	12
	Dentsply International Inc.—see *799*	
191	Diamond International Corporation	12
	Diamond Shamrock Corporation—see *658*	
193	Dictaphone Corporation	12
	Digital Equipment Corporation—see *838*	
195	Walt Disney Productions	9
	Doe Spun Inc.—see *839*	
197	The Dow Chemical Company	12
	Doyle Dane Bernbach International 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
213	*ELTRA Corporation*	9
214	Emerson Electric Co.	9
215	Emhart Corporation	12
	Empire Gas Corporation—see *721*	
	Engelhard Minerals & Chemicals Corporation—see *659*	
	Erb Lumber Co.—see *745*	
	Esmark, Inc.—see *535*	
	Ethan Allen, Inc.—see *746*	
	Ethyl Corporation—see *660*	
218	Evans Products Company	12
220	Ex-Cell-O Corporation	11
	Exxon Corporation—see *518*	
	F & B/CECO Industries, Inc.–see 747	
	FMC Corporation—see *231*	
221	Fairchild Camera and Instrument Corporation	12
222	Fairchild Industries, Inc.	12
224	Fansteel, Inc.	12
225	Fedders Corporation	10
226	Federated Department Stores, Inc.	1
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*	
230	The Flintkote Company	12
231	*FMC Corporation*	12
232	Foote Mineral Company	12
233	Ford Motor Company	12
	Foremost-McKesson, Inc.—see *662*	
	Foster Wheeler Corporation—see *840*	
	Fotomat Corporation—see *841*	
	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
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
262	Goldblatt Bros., Inc.	1
263	The BFGoodrich Company	12
264	The Goodyear Tire & Rubber Company	12
	Gould Inc.—see *816*	
	W.R. Grace & Co.—see *622*	
	Granger Associates—see *623*	
267	Graniteville Company	12
269	The Great Atlantic & Pacific Tea Company, Inc.	2
	The Greyhound Corporation—see *735*	
272	Grumman Corporation	12
273	Gulf Oil Corporation	12
	Gulf & Western Industries, Inc.—see *624*	
	Gulf Resources & Chemical Corporation—see *842*	
	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
	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

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
292	Holly Sugar Corporation	3
	Homasote Company—see 666	
293	Honeywell Inc.	12
295	The Hoover Company	12
296	Geo. A. Hormel & Company	10
	Humana Inc.—see 702	
	Philip A. Hunt Chemical Corporation—see 736	
	Hunt International Resources Corporation—see 150	
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
	Insilco Corporation—see 313	
307	Interco Incorporated	2
308	Interlake, Inc.	12
309	International Business Machines Corporation	12
310	International Harvester Company	10
311	International Minerals & Chemical Corporation	6
	International Multifoods Corporation—see 667	
312	International Paper Company	12
313	*Insilco Corporation*	12
	International Telephone and Telegraph Corporation—see 668	
	Interphoto Corporation—see 669	
314	Interstate Brands Corporation	5
	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
	Johnson Products Co., Inc.—see 817	
320	Joslyn Mfg. and Supply Co.	12
321	Joy Manufacturing Company	9
	K mart Corporation—see 331	
322	Kaiser Aluminum & Chemical Corporation	12
323	Kellogg Company	12
326	Kennecott Copper Corporation	12
	Kerr-McGee Corporation—see 843	
327	Keystone Consolidated Industries, Inc.	6
328	Walter Kidde & Company, Inc.	12
329	Kimberly-Clark Corporation	12
	Knape & Vogt Manufacturing Company—see 762	
330	Koppers Company, Inc.	12
	Kraft, Inc.—see 397	
331	*K mart Corporation*	1
	Kroehler Mfg. Co.—see 818	
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	

Co. No.		*Month in which fiscal year ends
334	Lear Siegler, Inc.	6
	Lee Enterprises, Incorporated—see 763	
	Lenox, Incorporated—see 804	
	Leslie Fay Inc.—see 674	
	Levi Strauss & Co.—see 749	
338	Libbey-Owens-Ford Company	12
340	Liggett Group Inc.	12
341	Eli Lilly and Company	12
344	Litton Industries, Inc.	7
345	Lockheed Corporation	12
347	Lone Star Industries, Inc.	12
	Louisville Cement Company—see 630	
	Lowe's Companies, Inc.—see 706	
	Lucky Stores, Inc.—see 844	
349	Lukens Steel Company	12
	Lynch Corporation—see 751	
	Lynnwear Corporation—see 764	
	MCA Inc.—see 364	
	MWA Company—see 635	
350	The Macke Company	9
352	R. H. Macy & Co., Inc.	7
	Malone & Hyde, Inc.—see 675	
355	Marathon Oil Company	12
356	Maremont Corporation	12
	The Marley Company—see 819	
	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	
	McDonald's Corporation—see 820	
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
375	Merck & Co., Inc.	12
376	Meredith Corporation	6
	MetPath Inc—see 845	
377	Metro-Goldwyn-Mayer Inc.	8
	Microform Data Systems, Inc.—see 821	
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
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	

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
390	Mount Vernon Mills, Inc.	12
392	Munsingwear, Inc.	12
393	G. C. Murphy Company	1
	The Murray Ohio Manufacturing Company—see *806*	
	NATCO Industries, Inc.—see *846*	
	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
403	National Steel Corporation	12
405	National Tea Co.	12
406	*ConAgra, Inc.*	5
	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*	
419	Outboard Marine Corporation	9
	Owens-Corning Fiberglas Corporation—see *847*	
420	Owens-Illinois, Inc.	12
	Oxford industries, Inc.—see *640*	
	PPG Industries, Inc.—see *443*	
	Paccar Inc.—see *822*	
	Pall Corporation—see *709*	
	Pantasote Inc.—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
	Pentron Industries, Inc.—see *848*	
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
	Pioneer Hi-Bred International, Inc.—see *823*	

Co. No.		*Month in which fiscal year ends
441	Pitney-Bowes, Inc.	12
443	*PPG Industries, Inc.*	12
445	The Pittston Company	12
	Pneumo Corporation—see *824*	
447	Polaroid Corporation	12
448	Portec, Inc.	12
	Potlatch Corporation—see *685*	
450	Pratt & Lambert, Inc.	12
	Pratt-Read Corporation—see *713*	
	Premier Industrial Corporation—see *825*	
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
	Reliance Universal Inc.—see *826*	
465	Republic Steel Corporation	12
	Revlon, Inc.—see *849*	
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
	Rival Manufacturing Company—see *827*	
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*	
	SPS Technologies, Inc.—see *521*	
479	Safeway Stores, Incorporated	12
480	St. Joe Minerals Corporation	12
481	St. Regis Paper Company	12
	Sav-A-Stop Incorporated—see *711*	
483	*SCM Corporation*	6
	Schlumberger Limited—see *776*	
	Scope Industries—see *730*	
484	Scott Paper Company	12
485	Scovill Manufacturing Company	12
486	*Ampco-Pittsburgh Corporation*	12
488	G. D. Searle & Co.	12
	Sears Industries, Inc.—see *159*	
489	Sears, Roebuck and Co.	1
	Seligman & Latz, Inc.—see *808*	
	Service Corporation International—see *828*	
	Seton Company—see *688*	
494	Shell Oil Company	12
495	The Sherwin-Williams Company	12

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
496	*SCOA Industries Inc.*	1
497	*The Signal Companies, Inc.*	12
498	Signode Corporation	12
	Simkins Industries, Inc.—see *689*	
500	Simplicity Pattern Co. Inc.	1
502	The Singer Company	12
504	A. O. Smith Corporation	12
505	Snap-on Tools Corporation	12
	The Southland Corporation—see *850*	
509	Sparton Corporation	6
	Spencer Companies, Inc.—see *691*	
	The Sperry and Hutchinson Company—see *644*	
510	Sperry Rand Corporation	3
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	*SPS Technologies, Inc.*	12
	The Standard Register Company—see *712*	
522	*Stanadyne, Inc.*	12
	Stange Co.—see *829*	
	Stanley Home Products, Inc.—see *692*	
524	The L. S. Starrett Company	6
	Stauffer Chemical Company—see *851*	
	Sterling Drug Inc.—see *693*	
	Sterndent Corporation—see *777*	
525	J. P. Stevens & Co., Inc.	10
526	Stewart-Warner Corporation	12
527	Stokely-Van Camp, Inc.	5
528	Stone Container Corporation	12
	Struthers Wells Corporation—see *694*	
529	Studebaker-Worthington, Inc.	12
530	Sun Chemical Corporation	12
	Sun Company, Inc.—see *532*	
531	Sunstrand Corporation	12
532	*Sun Company, Inc.*	12
534	The Superior Oil Company	12
	Supermarkets General Corporation—see *646*	
	Supreme Equipment & Systems Corp.—see *830*	
535	*Esmark, Inc.*	10
	Sybron Corporation—see *474*	
	TRW Inc.—see *548*	
537	Tecumseh Products Company	12
	Teledyne, Inc.—see *695*	
	Temtex Industries, Inc.—see *831*	
	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
	The Times Mirror—see *852*	
544	The Timken Company	12
545	The 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*	
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
	The Upjohn Company—see *853*	
576	Varian Associates, Inc.	9
	Velvet-O'Donnell Corporation—see *754*	
578	The Vendo Company	12
580	Walgreen Co.	8
	Jim Walter Corporation—see *316*	
582	Ward Foods, Inc.	12
	Warner Communications Inc.—see *728*	
584	Warner-Lambert Company	12
	Waste Management, Inc.—see *832*	
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*	

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
	White Consolidated Industries, Inc.—see *698*	
591	White Motor Corporation	12
	Whittaker Corporation—*see 699*	
	The Williams Companies—*see 833*	
	Winn-Dixie Stores, Inc.—*see 714*	
	Winnebago Industries, Inc.—*see 715*	
594	F. W. Woolworth Co.	1
596	Wm. Wrigley Jr. Company	12
597	The Wurlitzer Company	3
598	Xerox Corporation	12
600	Zenith Radio Corporation	12

ADDED FOR 1968 EDITION

601	*United Brands Company*	6
602	*ATI, Inc.*	9
603	*Albertson's, Inc.*	1
605	*American Building Maintenance Industries*	10
610	*Belden Corporation*	12
611	*Bobbie Brooks, Incorporated*	4
612	*Boise Cascade Corporation*	12
615	*Clarostat Mfg. Co., Inc.*	12
616	*Doyle Dane Bernbach International Inc.*	12
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
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	*Pantasote Inc.*	12
644	*The Sperry and Hutchinson Company*	12
645	*Standard Motor Products, Inc.*	12
646	*Supermarkets General Corporation*	1
647	*Tenneco Inc.*	12
648	*Triangle Pacific Corp.*	12
649	*United Foods, Inc.*	2
650	*Whirlpool Corporation*	12

ADDED FOR 1969 EDITION

652	*Brenco, Incorporated*	12
653	*Buckbee-Mears Company*	12
654	*Chicago Bridge & Iron Company*	12
656	*Dana Corporation*	8
658	*Diamond Shamrock Corporation*	12
659	*Engelhard Minerals & Chemicals Corporation*	12
660	*Ethyl Corporation*	12
662	*Foremost-McKesson, Inc.*	3
666	*Homasote Company*	12
667	*International Multifoods Corporation*	2

Co. No.		*Month in which fiscal year ends
668	*International Telephone and Telegraph Corporation*	12
669	*Interphoto Corporation*	2
670	*Iowa Beef Processors, Inc.*	10
671	*Jewel Companies, Inc.*	1
672	*Lafayette Radio Electronics Corporation*	6
673	*La Maur Inc.*	12
674	*Leslie Fay Inc.*	4
675	*Malone & Hyde, Inc.*	6
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
698	*White Consolidated Industries, Inc.*	12
699	*Whittaker Corporation*	10

ADDED FOR 1970 EDITION

701	*AEL Industries, Inc.*	2
702	*Humana Inc.*	8
703	*Hampton Industries, Inc.*	12
704	*LaBarge, Inc.*	12
706	*Lowe's Companies, Inc.*	1
709	*Pall Corporation*	7
710	*Reeves Brothers, Inc.*	6
711	*Sav-A-Stop Incorporated*	8
712	*The Standard Register Company*	12
713	*Pratt-Read Corporation*	6
714	*Winn-Dixie Stores, Inc.*	6
715	*Winnebago Industries, Inc.*	8

ADDED FOR 1971 EDITION

716	*Aberdeen Manufacturing Corporation*	12
718	*Bowne & Co., Inc.*	10
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

735	*The Greyhound Corporation*	12
736	*Philip A. Hunt Chemical Corporation*	12
737	*Milton Roy Company*	12

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
738	*Northwest Industries, Inc.*	12
740	*Tyson Foods, Inc.*	9

ADDED FOR 1973 EDITION

741	*Adams-Russell Co., Inc.*	9
742	*Bristol Products, Inc.*	12
744	*Dart Drug Corporation*	1
745	*Erb Lumber Co.*	12
746	*Ethan Allen, Inc.*	9
747	*F&B/CECO Industries, Inc.*	5
749	*Levi Strauss & Co.*	11
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
761	*IC Industries, Inc.*	12
762	*Knape & Vogt Manufacturing Company*	6
763	*Lee Enterprises, Incorporated*	9
764	*Lynnwear Corporation*	11
766	*Herman Miller, Inc.*	5
768	*The Narda Microwave Corporation*	6
769	*Rowe Furniture Corporation*	11
770	*Unifi, Inc.*	6

ADDED FOR 1975 EDITION

771	*Alco Standard Corporation*	9
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
784	*Dun & Bradstreet Companies, Inc.*	12
785	*Dynamics Corporation of America*	12
786	*Cleveland Calendering & Coating Corp.*	4
788	*Gulton Industries, Inc.*	2
789	*Heublein, Inc.*	6
791	*J. Walter Thompson Company*	12
792	*United Nuclear Corporation*	3

ADDED FOR 1977 EDITION

793	*Baird Corporation*	9
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

Co. No.		*Month in which fiscal year ends
800	*Duplex Products Inc.*	10
802	*Fluor Corporation*	10
803	*Franklin Mint Corporation*	12
804	*Lenox, Incorporated*	12
805	*Marriott Corporation*	12
806	*The Murray Ohio Manufacturing Company*	12
807	*Opelika Manufacturing Corporation*	9
808	*Seligman & Latz, Inc.*	10

ADDED FOR 1978 EDITION

809	*Acme-Cleveland Corporation*	9
810	*American Broadcasting Companies, Inc.*	12
811	*Beehive International*	9
812	*Certified Corp.*	6
813	*Coleco Industries, Inc.*	12
814	*Commercial Metals Company*	8
815	*Conroy, Inc.*	8
816	*Gould Inc.*	12
817	*Johnson Products Co., Inc.*	8
818	*Kroehler Mfg. Co.*	12
819	*The Marley Company*	10
820	*McDonald's Corporation*	12
821	*Microform Data Systems, Inc.*	7
822	*Paccar Inc.*	12
823	*Pioneer Hi-Bred International, Inc.*	8
824	*Pneumo Corporation*	11
825	*Premier Industrial Corporation*	5
826	*Reliance Universal Inc.*	11
827	*Rival Manufacturing Company*	12
828	*Service Corporation International*	4
829	*Stange Co.*	12
830	*Supreme Equipment & Systems Corp.*	7
831	*Temtex Industries, Inc.*	8
832	*Waste Management, Inc.*	12
833	*The Williams Companies*	12

ADDED FOR 1979 EDITION

834	*The Charter Company*	12
835	*Chemineer, Inc.*	9
836	*Chromalloy American Corporation*	12
837	*Dayton Malleable Inc.*	8
838	*Digital Equipment Corporation*	6
839	*Doe Spun Inc.*	4
840	*Foster Wheeler Corporation*	12
841	*Fotomat Corporation*	1
842	*Gulf Resources & Chemical Corporation*	12
843	*Kerr-McGee Corporation*	12
844	*Lucky Stores, Inc.*	1
845	*MetPath Inc.*	9
846	*NATCO Industries, Inc.*	12
847	*Owens-Corning Fiberglas Corporation*	12
848	*Pentron Industries, Inc.*	6
849	*Revlon, Inc.*	12
850	*The Southland Corporation*	12
851	*Stauffer Chemical Company*	12
852	*The Times Mirror*	12
853	*The Upjohn Company*	12

*Months numbered in sequence, January through December

Companies Included in Thirty-second Edition Not Included in this Edition of the Survey

9 Airco, Inc.
22 American Air Filter Company, Inc.
59 Arden-Mayfair, Inc.
76 Basic Incorporated
101 Borg-Warner Corporation
149 Colonial Stores Incorporated
201 The Duplan Corporation
265 The Grand Union Company
297 Houdaille Industries Inc.
299 Hudson Pulp & Paper Corp.
336 Leslie Salt Co.
354 P.R. Mallory & Co., Inc.
402 National Starch and Chemical Corporation
407 Neptune International Corporation
499 Simmons Company
506 Sola Basic Industries, Inc.
562 The United Piece Dye Works
607 The Ansul Company
617 Electric Hose & Rubber Company
618 Food Fair, Inc.
631 Marhoefer Packing Company, Inc.
707 Lykes Corporation
733 FDI, Inc.
743 Citation Manufacturing Company, Inc.
759 Gloucester Engineering Co., Inc.
767 Multi-Amp Corporation
783 Den-Tal-Ez, Inc.
787 General Recreation Inc.
790 King Optical Corporation
801 Falcon Seaboard Inc.

Index

A

B

C

D

E

F

M

N

O

P

Q

R

S

T

U

W

Y