1981

Accounting trends and techniques, 35th annual survey, 1981 edition

American Institute of Certified Public Accountants

1981 Accounting Trends & Techniques

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Thirty-Fifth Edition 1981

Accounting Trends & Techniques

Annual Survey of Accounting Practices Followed in 600 Stockholders' Reports

AICPA

American Institute of Certified Public Accountants

Thirty-Fifth Edition **1981**

Accounting Trends & Techniques

Thirty-fifth annual cumulative survey of the accounting aspects of the annual reports of 600 industrial and merchandising 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 1, 1981.

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PREFACE

Accounting Trends & Techniques—1981, Thirty-fifth Edition, is a compilation of data obtained by a survey of 600 annual reports to stockholders undertaken for the purpose of analyzing the accounting information disclosed in such reports. The annual reports surveyed were those of selected industrial and merchandising companies for fiscal periods ending between February 23, 1980 and February 1, 1981.

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. 360 of the companies were listed in the twenty-first (1967) edition and each retained the number assigned in that edition. The other 240 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 905 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.

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AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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Section 1: General

TABLE 1-1: INDUSTRY CLASSIFICATIONS

	1980	1979	1978	1977
Foods:				
Meat products	9	10	10	9
Dairy products	4	4	5	5
Canning, etc.	6	6	7	9
Packaged and bulk	18	19	19	20
Baking	4	5	4	5
Sugar, confections, etc.	6	6	7	6
Beverages	7	7	5	6
Tobacco products	6	6	6	7
Textiles	29	31	32	30
Paper products	18	17	15	15
Printing, publishing	9	9	8	7
Chemicals	25	25	23	23
Drugs, cosmetics, etc.	29	29	24	21
Petroleum	26	26	26	25
Rubber products, etc.	9	8	8	9
Shoes - manufacturing, merchandising, etc.	7	7	7	8
Building:				
Cement	3	2	3	3
Roofing, wallboard	11	10	11	12
Heating, plumbing	5	5	6	7
Other	17	16	16	18
Steel and Iron	19	19	18	21
Metal - nonferrous	18	18	20	17
Metal fabricating	21	20	18	11
Machinery, equipment and supplies	36	36	34	33
Electrical equipment, appliances	19	20	22	20
Electrical, electronic equipment	27	25	25	34
Business equipment and supplies	16	16	17	17
Containers - metal, glass, etc.	10	11	12	8
Autos and trucks (including parts, accessories)	22	22	20	23
Aircraft and equipment, aerospace	13	13	12	17
Railway equipment, shipbuilding, etc.	5	6	7	7
Controls, instruments, medical equipment, watches and clocks, etc.	14	13	12	15
Merchandising:				
Department stores	9	8	12	12
Mail order stores, variety stores	2	2	2	2
Grocery stores	18	17	17	14
Other	4	6	8	10
Motion pictures, broadcasting	7	7	6	6
Widely diversified, or not otherwise classified	92	93	96	88
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 usually disclosed in notes accompanying the basic financial statements.

COMPANIES SELECTED FOR SURVEY

All 600 companies included in the survey are registered with the Securities and Exchange Commission and are reported in either *Moody's Industrial Manual* or *Moody's OTC Industrial Manual.* Ninety percent of the survey companies have securities traded on one of the major stock exchanges—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.

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 financial information:

1. Audited financial statements—balance sheets as of the 2 most recent fiscal years, and statements of income and changes in financial position for each of the 3 most recent fiscal years.
2. Selected quarterly financial data for each quarterly period within the two most recent fiscal years.
3. Summary of selected financial data for last 5 years.
4. Management's discussion and analysis of financial condition and results of operations.
5. Market price of Company's common stock for each quarterly period within the two most fiscal years.
6. Segment information.

Examples of items 2, 3, 4, and 5 follow. Examples of segment information disclosures are presented on pages 21-42.

TABLE 1-2: REVENUE OF SURVEY COMPANIES

	1980	1979	1978	1977
Less than $100,000,000	71	71	90	101
Between $100,000,000 and $500,000,000	124	129	139	153
Between $500,000,000 and $1,000,000,000	91	98	100	96
Between $1,000,000,000 and $2,000,000,000	113	115	110	110
More than $2,000,000,000	201	187	161	140
Total Companies	**600**	**600**	**600**	**600**

Quarterly Financial Data

AMERICAN BILTRITE INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note N—Quarterly Financial Data (Unaudited)

Quarterly financial data for the years ended December 31, 1980 and 1979 is as follows: (Thousands of dollars, except per share amounts.)

	Year Ended December 31, 1980 Quarter			
	First	Second*	Third*	Fourth
Net sales	$54,071	$54,726	$42,973	$49,962
Gross margin	11,270	10,199	7,784	10,123
Earnings (loss) before extraordinary credit	471	(1,617)	(11,755)	339
Extraordinary credit (charge)	232	(232)		
Net earnings (loss)	703	(1,849)	(11,755)	339
Earnings (loss) per share:				
Earnings (loss) before extraordinary credit	$ .18	$ (.62)	$ (4.46)	$ .13
Extraordinary credit	$ .09	$ (.09)		
Net earnings (loss)	$ .27	$ (.71)	$ (4.46)	$ .13

*Includes provisions of $1,250 and $10,743 in the second and third quarters, respectively, for plant shutdown and product line rearrangement expenses.

	Year Ended December 31, 1979 Quarter			
	First	Second	Third	Fourth†
Net sales	$56,573	$53,358	$45,606	$52,043
Gross margin	13,461	12,779	10,083	10,010
Earnings (loss) before extraordinary credit	1,675	1,554	659	(568)
Extraordinary credit (charge)	915	905	423	(556)
Net earnings (loss)	2,590	2,459	1,082	(1,124)
Earnings (loss) per share:				
Earnings (loss) before extraordinary credit	$.63	$.60	$.25	$(.22)
Extraordinary credit	.35	.34	.16	(.21)
Net earnings (loss)	$.98	$.94	$.41	$(.43)

†Includes provision of $346 for plant shutdown and product line rearrangement expenses.

BIRD & SON, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11: Quarterly Financial Data (Unaudited)

Summarized quarterly financial data (in thousands of dollars, except for per share amounts) for 1980, 1979, and 1978 is shown below:

	Three months ended			
1980	March 31	June 30	Sept. 30	Dec. 31
Net sales	$73,091	$76,813	$85,343	$77,915
Gross profit	13,947	10,331	14,584	7,130
Earnings (loss) from continuing operations	1,127	(1,259)	1,325	(1,057)
Loss from discontinued operations	(260)	(334)	(2,068)	(1,058)
Net earnings (loss)	867	(1,593)	(743)	(2,115)
Earnings per share:				
Continuing operations	$ .27	$(.31)	$ .32	$(.26)
Discontinued operations	(.06)	(.09)	(.50)	(.26)
Net earnings	$ .21	$(.40)	$(.18)	$(.52)
1979				
Net sales	$66,138	$81,055	$91,318	$78,704
Gross profit	12,936	17,801	18,491	12,890
Earnings from continuing operations	1,790	3,869	4,176	2,268
Loss from discontinued operations	(124)	(114)	(291)	(231)
Net earnings	1,666	3,755	3,885	2,037
Earnings per share:				
Continuing operations	$ .43	$ .93	$1.00	$ .54
Discontinued operations	(.03)	(.03)	(.07)	(.05)
Net earnings	$ .40	$ .90	$ .93	$ .49
1978				
Net sales	$56,573	$76,741	$81,209	$69,344
Gross profit	12,194	19,052	20,042	17,099
Earnings from continuing operations	2,083	5,131	5,876	4,771
Loss from discontinued operations	(124)	(24)	(232)	(4)
Net earnings	1,959	5,107	5,644	4,767
Earnings per share:				
Continuing operations	$ .50	$1.24	$1.41	$1.15
Discontinued operations	(.03)	(.01)	(.05)	—
Net earnings	$ .47	$1.23	$1.36	$1.15

ESMARK, INC. (OCT)

FINANCIAL COMMENTS

Quarterly Financial Data (Unaudited)

The unaudited quarterly financial data for fiscal 1980 and 1979, in millions of dollars except per share data, follows.

Quarter ended	Jan. 26, 1980	April 26, 1980	July 26, 1980	Oct. 25 1980
Net sales	$614.0	$720.7	$776.5	$813.7
Gross profit	135.6	174.0	168.8	181.5
Earnings from ongoing operations	7.4	18.3	13.3	20.5
Net earnings	21.4	26.0	20.6	403.8
Earnings from ongoing operations per common share	.29	.79	.56	1.02
Net earnings per common share	.93	1.14	.89	20.94
Quarter ended	**Jan. 27, 1979**	**April 28, 1979**	**July 28, 1979**	**Oct. 27, 1979**
Net sales	$553.2	$648.4	$673.7	$721.5
Gross profit	131.0	154.2	148.3	170.3
Earnings from ongoing operations	8.4	19.3	10.6	19.6
Net earnings	17.3	23.4	23.6	24.4
Earnings from ongoing operations per common share	.37	.91	.48	.93
Net earnings per common share	.81	1.12	1.12	1.16

Net earnings for the quarter ended January 27, 1979 included charges of $1.6 million ($.08 per share) related to the announced closing of two operating facilities.

During the quarter ended April 28, 1979 the closing or disposition of certain property and operating facilities resulted in a net credit before income taxes of $3.7 million. Charges of $7.7 million and $6.0 million before income taxes were incurred related to the settlement of a Department of Energy compliance audit and the retention of product, respectively. These items resulted in a net charge to net earnings of approximately $4.3 million ($.21 per share). Earnings from ongoing operations include a credit of $1.4 million ($.07 per share) related to these charges.

Net earnings for the quarter ended October 27, 1979 included charges of $6.4 million ($.32 per share) related to the closing or disposition of certain operating facilities and equipment. Earnings from ongoing operations include $1.5 million ($.07 per share) related to these charges.

Net sales for the quarter ended July 26, 1980 include additional amounts related to the Danskin purchase which was retroactive to January 1, 1980. No earnings were realized on these net sales due to an allocation of purchase costs to the Danskin inventories.

Net earnings for the quarter ended October 25, 1980 include an after tax gain of $562.3 million resulting from the divestiture of the Company's Energy Segment and an after tax charge of $179.0 million representing a provision for costs and losses relating to other phases of the corporate restructuring program.

The earnings per common share from ongoing operations and net earnings per common share for the fourth quarter of 1980 are based upon the weighted average shares outstanding during the quarter. Earnings per common share from ongoing operations and net earnings per common share based upon average shares outstanding for the year would be $.97 and $18.94, respectively.

BANGOR PUNTA CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11: Quarterly Financial Information (Unaudited)

Quarterly results of operations were as follows:

Quarter In thousands of dollars except per share amounts	First	Second	Third	Fourth
1980				
Net sales	$204,979	$201,300	$178,651	$174,017
Gross profit	40,940	33,349	27,831	26,106
Earnings before extraordinary gain	11,853	6,343	10,838	2,838
Net income	11,853	6,343	10,838	4,801
Earnings per share before extraordinary gain:				
Primary	$ 2.42	$ 1.26	$ 2.19	$ .54
Fully diluted	1.83	1.10	1.72	.50
Common stock dividends paid per share	.20	.20	.25	.25
1979				
Net sales	$181,746	$206,229	$212,169	$185,755
Gross profit	32,110	35,996	39,729	32,024
Net income	6,793	7,743	9,530	5,680
Earnings per share:				
Primary	$ 1.35	$ 1.55	$ 1.91	$ 1.14
Fully diluted	1.13	1.26	1.50	.95
Common stock dividends paid per share	.15	.15	.15	.20

The third quarter results for fiscal 1980 include a net gain of $5,668,000 from the sale of farmland. This gain resulted in primary and fully diluted earnings per share of $1.17 and $.79, respectively.

Net income for the fourth quarter of fiscal 1980 includes an extraordinary gain of $1,963,000 on the redemption of the 5¾% bonds. This gain resulted in primary and fully diluted earnings per share of $.41 and $.33 respectively, for the quarter which are not included in the earnings per share amounts in the table above.

Results for the fourth quarter of fiscal 1979 were adversely affected by a $2,600,000 provision established for promotion and incentive programs designed to reduce certain recreational products inventories at the dealer and distributor level and the write-off of molds associated with certain discontinued fiberglass powerboat models.

CERTAINTEED CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13—Quarterly Data (Unaudited)

	Three Months Ended			
	March 31, 1980	June 30, 1980	September 30, 1980	December 31, 1980
	(Dollars in Thousands, Except for Per Share Amounts)			
Net sales	$211,893	$199,480	$238,618	$218,236
Gross profit	$ 28,063	$ 18,644	$ 36,960	$ 33,424
Income/(loss) from continuing operations	$ (87)	$ (2,407)	$ 4,606	$ 2,384
Net income/(loss)	$ (87)	$ (5,407)	$ 3,383	$ 2,384
Primary and fully diluted earnings/(loss) per common share:				
Continuing operations	$(.09)	$(.26)	$.26	$.09
Net income	$(.09)	$(.48)	$.17	$.09

	Three Months Ended			
	March 31, 1979	June 30, 1979	September 30, 1979	December 31, 1979
	(Dollars in Thousands, Except for Per Share Amounts)			
Net sales	$196,631	$225,288	$263,693	$230,592
Gross profit	$ 30,957	$ 35,240	$ 38,827	$ 35,037
Income from continuing operations	$ 2,186	$ 4,562	$ 8,443	$ 8,346
Net income	$ 2,186	$ 4,300	$ 8,443	$ 7,319
Primary and fully diluted earnings per common share:				
Continuing operations	$.08	$.26	$.53	$.52
Net income	$.08	$.24	$.53	$.45

(a) See Note 2 for details of discontinued operations.

(b) See Note 1 for effect on quarter ended December 31, 1980 of change in accounting for compensated absences.

(c) During 1980, certain inventory quantities were reduced. These reductions resulted in the liquidation of inventories carried at cost lower than the cost of replacing such inventories. The effect of the reductions was to increase gross profit by $1.9 million in the quarter ended September 30, 1980 and $1.1 million in the quarter ended December 31, 1980.

(d) Differences between estimated annualized effective tax rates used during 1979 and the final effective tax rate resulted in an income tax credit of $2.2 million ($.15 per share) in the quarter ended December 31, 1979.

EXXON CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 18: Summarized quarterly financial data (Unaudited)

	Millions of dollars			
1978	Sales and other operating revenue	Gross profit*	Net income	Per share
First	$15,013	$ 4,605	$ 695	$1.55
Second	15,280	4,972	690	1.55
Third	15,762	5,442	525	1.18
Fourth	17,841	6,127	853	1.92
Total	$63,896	$21,146	$2,763	$6.20
1979				
First	$18,417	$ 5,900	$ 955	$2.16
Second	18,292	6,137	830	1.88
Third	21,486	7,355	1,145	2.60
Fourth	25,360	7,908	1,365	3.10
Total	$83,555	$27,300	$4,295	$9.74
1980				
First	$ 27,124	$ 8,499	$1,925	$ 4.40
Second	25,831	8,282	1,030	2.36
Third	26,362	8,751	1,355	3.13
Fourth	29,132	8,848	1,340	3.10
Total	$108,449	$34,380	$5,650	$12.99

*Gross profit equals sales and other operating revenue less crude oil and product purchases, operating expenses and depreciation and depletion. 1978 and 1979 restated. See Note 2, page 29.

HARNISCHFEGER CORPORATION (OCT)

FINANCIAL NOTES

Note 14—Quarterly Results of Operations (Unaudited)

The summary of unaudited quarterly results of operations appears on page 2.

PAGE 2

Quarterly Results

	Quarter (1)				
	First	Second	Third	Fourth (2)	Year
	(Dollar amounts in thousands except per per share figures)				
Net Sales of Products:					
1980	$157,563	$171,369	$157,001	$148,136	$634,069
1979	117,688	138,813	148,684	151,123	556,308
Gross Profit:					
1980	$ 29,330	$ 33,429	$ 30,612	$ 37,192	$130,563
1979	23,994	28,201	30,456	32,601	115,252
Income (Loss) Before Extraordinary Charge:					
1980	$ (774)	$ 4,039	$ (2,205)	$ 3,681	$ 4,741
1979	(2,587)	2,457	1,749	(2,718)	(1,099)
Net Income (Loss) (3):					
1980	$ (774)	$ 4,039	$ (2,205)	$ 3,681	$ 4,741
1979	(2,587)	2,457	1,119	(2,981)	(1,992)
Income (Loss) Before Extraordinary Charge Per Common Share:					
1980	$(.09)	$ .46	$(.25)	$ .41	$ .53
1979	(.29)	.28	.19	(.30)	(.12)
Net Income (Loss) Per Common Share (3):					
1980	$(.09)	$ .46	$(.25)	$ .41	$ .53
1979	(.29)	.28	.12	(.33)	(.22)
Dividends Per Common Share:					
1980	$ .10	$ .10	$ .10	$ .10	$ .40
1979	.25	.25	.25	.25	1.00
Market Price of Common Stock (4):					
1980—High	$20¾	$15¼	$16¾	$18½	$20¾
Low	11⅞	11½	11⅞	14⅝	11½
1979—High	18¼	14⅜	25⅞	26	26
Low	13¾	12⅝	11¾	18⅛	11¾

(1) The first three quarters of 1980 were restated to reflect the adoption of LIFO at October 31, 1980. The resulting charges to net income were: $3,378 ($.38 per common share) in the first quarter, $2,363 ($.27 per share) in the second quarter, and $1,941 ($.22 per share) in the third quarter.

(2) For comments about the fourth quarter of 1980, see Management's Discussion and Analysis of the Summary of Operations.

(3) Included in the 1979 net income (loss) and net income (loss) per common share was an extraordinary charge of $893 ($.10 per share), of which $630 ($.07 per share) was reported in the third quarter and $263 ($.03 per share) was reported in the fourth quarter.

(4) As reported on the New York Stock Exchange; by fiscal quarter.

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

NOTES TO FINANCIAL STATEMENTS

Note O: Quarterly Operating Results (Unaudited)

Reference is made to the separate schedule included in this report on page 34 entitled "Quarterly Operating Results." The information included in that schedule for 1980, 1979 and 1978 is an integral part of the financial statements.

Quarterly Operating Results (Unaudited)

For years ended November 1, 1980 (52 weeks), November 3, 1979 (53 weeks) and October 28, 1978 (52 weeks)

(Dollar amounts in thousands, except per share data)	Net sales	Gross profit on sales	Net income	Income per share Primary	Income per share Fully diluted
Quarter ended (1980)					
Feb. 2					
originally reported	$ 435,132	$ 51,306	$10,281	$ .72	$ .70
adjustments (a)	—	4,582	5,963	.42	.40
restated amounts	435,132	46,724	4,318	.30	.30
May 3					
originally reported	515,473	54,818	10,409	.74	.70
adjustments (a)	—	240	4,018	.29	.27
restated amounts	515,473	54,578	6,391	.45	.43
Aug 2					
originally reported	460,771	46,558	6,667	.47	.45
adjustments (a)	—	210	4,763	.34	.32
restated amounts	460,771	46,348	1,904	.13	.13
Nov. 1	504,583	53,385	7,704	.55	.52
	$1,915,959	$201,035	$20,317	$ 1.43	$ 1.38
Quarter ended (1979)					
Feb. 3 (Fourteen weeks)	$ 434,620	$ 56,331	$ 9,683	$ .68	$ .65
May 5	455,373	56,965	10,157	.72	69
Aug. 4	448,209	61,376	12,297	.87	.83
Nov. 3	494,874	65,085	15,528(b)	1.09	1.05
	$1,833,076	$239,757(c)	$47,665	$ 3.36	$ 3.22
Quarter ended (1978)					
Jan. 28	$ 350,260	$ 45,425	$ 7,133	$ .50	$ .48
April 29	412,803	51,355	8,834	.62	.60
July 29	407,850	52,851	8,996	.64	.60
Oct. 28	480,538	57,969	11,462	.81	.78
	$1,651,451	$207,600(c)	$36,425	$ 2.57	$ 2.46

(a) Adjustments relate to a change to the LIFO method of determining inventory costs, a change in certain inventory cost elements, the cumulative effect of which was charged to the first quarter (see Note B), a change to the straight-line depreciation method, for financial reporting purposes (see Note C) and reclassification of certain items to Selling, general and administrative expenses.

(b) Includes $819,000 ($.06 per share) for the effect of interest capitalization for fiscal year 1979 (see Note A). Earlier quarters during the year have not been retroactively restated because the effect is not material in any quarter.

(c) Restated for the effect of the reclassification referred to above.

MARSHALL FIELD & COMPANY (JAN)

NOTES TO FINANCIAL STATEMENTS

Note 9

Selected quarterly financial data (in thousands) for the years ended January 31, 1981 and February 2, 1980 (unaudited):

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Year Ended January 31, 1981(C)					
Net Sales	$197,170	$205,882	$244,025	$365,423	$1,012,501
Gross Margin (after cost of sales and buying and occupancy expenses)	53,388	56,020	72,089	115,216	296,713
Net Income (Loss)	(1,275)	(609)	6,481(A)	16,089(B)	20,686
Net Income (Loss) Per Common Share	(.12)	(.06)	.63(A)	1.33(B)	1.78
Year Ended February 2, 1980					
Net Sales	$191,017	$199,607	$227,013	$286,659	$ 904,296
Gross Margin (after cost of sales and buying and occupancy expenses)	53,591	57,462	67,616	87,697	266,366
Net Income	408(D)	1,570(D)	6,134	10,828	18,940
Net Income Per Common Share	.04	.15	.60	1.06	1.85

(A) Includes gain on sale of land of $843,000, or 8 cents per share.

(B) Includes a non-recurring credit of $1,047,000, or 10 cents per share, for tax adjustments resulting primarily from refunds to be received on Illinois state income taxes.

(C) Operating results reflect the acquisition of J. B. Ivey & Company effective November 1, 1980. Due to the timing of the acquisition and the seasonal nature of the retail business, the effect of the merger on the Company's earnings per share for the year was an increase of 13 cents. If the Ivey merger had been in effect for the entire year, the results would have been a decrease of 15 cents from earnings per share excluding Ivey's. The effect of the Ivey merger on fourth quarter earnings per share was a decrease of 2 cents.

(D) Restated from previously reported amounts to reflect retroactive capitalization of interest on new store construction in accordance with Statement of Financial Accounting Standards No. 34 (See Note 1h).

WARNER-LAMBERT COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17—Quarterly Financial Information—Unaudited:

Quarterly consolidated sales and earnings for the past two years were as follows:

	First	Second	Third	Fourth
	(in thousands, except per share amounts)			
1980 Quarters				
Net sales	$840,071	$861,943	$879,952	$897,241
Gross profit	446,732	453,366	445,904	467,419
Income before income taxes	103,335	96,402	58,976	72,121
Net income	60,690	55,137	35,149	41,740
Net income per share	$.76	$.69	$.44	$.52
1979 Quarters				
Net sales	$764,565	$796,720	$817,415	$838,508
Gross profit	412,204	428,426	422,177	424,445
Income before income taxes	101,722	106,358	1,194	23,939
Net income	57,222	60,703	4,712	709
Net income per share	$.72	$.76	$.06	$.01

The third quarter results of 1979 include $71.0 million of pretax nonrecurring charges ($35.6 million after tax or $.45 per share). Results for the fourth quarter of 1979 include net nonrecurring charges before taxes of $30.7 million ($15.4 million after tax or $.19 per share) and additional tax expense of $12.5 million relating to settlement of the Parke-Davis tax case ($.16 per share).

Selected Information For Five Years

BROCKWAY GLASS COMPANY, INC. (DEC)

Five Year Financial Summary

	1980	1979	1978	1977	1976
	(dollar amounts, except per share figures, in thousands)				
SELECTED FINANCIAL DATA					
Operations:					
Net sales	$698,456	$585,133	$525,148	$457,187	$391,826
Income taxes(b)	6,909	7,316	21,965	14,405	15,138
Income from continuing operations	17,194	12,875(a)	25,898	19,082	23,970
Net income	17,927	16,392	16,024	19,731	24,581
Depreciation and amortization	24,757	20,911	18,814	16,872	13,757
Fixed asset additions	61,630	55,891	38,831	29,316	60,404
Per share data:(c)					
Income from continuing operations	2.32	1.75	3.53	2.62	3.31
Net income	2.42	2.22	2.18	2.71	3.39
Cash dividends on common stock	1.14	1.08	1.02	.93	.83
Book value	28.02	26.76	25.70	24.67	22.95
Average common shares outstanding (thousands of shares)	7,395	7,375	7,338	7,277	7,223
Balance sheet:					
Current assets	148,077	135,549	144,917	113,934	94,271
Current liabilities	75,141	76,924	78,278	48,941	51,902
Working capital	72,936	58,625	66,639	64,993	42,369
Property, plant and equipment—net	274,849	237,448	208,968	198,406	187,900
Total assets	431,946	381,978	361,979	320,428	290,075
Long-term debt	118,405	81,824	75,676	75,842	61,006
Shareholders' equity	207,587	197,829	189,095	179,915	166,550

Notes to Five Year Financial Summary

(a) Includes a charge of $7,500 ($4,012 or $.54 per share after tax) attributable to closing of Washington, Pennsylvania plant facilities.

(b) The provisions for Federal income taxes on income from continuing operations have been reduced by the investment tax credit accruing to the benefit of the Company in the year the credit arose as follows: 1980 $5,082 ($.69 per share); 1979 $2,970 ($.40 per share); 1978 $2,700 ($.37 per share); 1977 $2,501 ($.34 per share); 1976 $5,051 ($.70 per share).

(c) Earnings per share is calculated on the basis of the weighted average number of common shares outstanding during the year with 1977 and 1976 restated for the 1978 3 for 2 stock distribution. Other per share data has been similarly restated. The effect of outstanding common stock options on earnings per share is insignificant for all years.

THE MARLEY COMPANY (OCT)

Selected Financial Data

	Year Ended October 31 (In Thousands Except Per Share Data)				
	1980	1979	1978	1977	1976
Net sales	$486,613	$300,973	$240,698	$242,562	$230,898
Income from continuing operations	$ 20,900	$ 17,965	$ 17,026	$ 18,709	$ 15,902
Earnings per common share from continuing operations	$ 3.52	$ 3.54	$ 3.38	$ 3.75	$ 3.20**
Cash dividends per common share	$ 1.00	$ 1.00	$ 1.00	$ .70	$ .425**
Weighted average number of common shares outstanding	5,257*	5,081	5,041	4,995	4,976**
Total assets	$422,906	$199,045	$167,840	$156,373	$129,624
Long-term debt	$116,153	$ 14,200	$ 14,335	$ 14,465	$ 14,630
Series A Cumulative Preferred Stock	$ 42,351	$ —	$ —	$ —	$ —

*Includes dilutive effect of Common Stock equivalents.

**Adjusted to give retroactive effect to a two-for-one stock split in 1977.

HAMMERMILL PAPER COMPANY (DEC)

Five-Year Summary

	1980	1979	1978	1977	1976
Summary of Operations					
(Thousands of dollars)					
Sales	$1,182,837	$1,076,560	$ 912,294	$ 787,032	$ 689,939
Interest expense	11,334	13,270	12,775	12,664	11,250
Depreciation and depletion	30,078	27,034	24,431	23,006	20,212
Income taxes	26,348	23,437	18,753	10,891	11,497
Net income	40,264	35,049	26,059	19,525	22,733
Summary of Financial Position					
(Thousands of dollars)					
Total assets	$ 713,827	$ 644,939	$ 583,092	$ 542,535	$ 504,629
Working capital	137,819	167,593	158,828	148,386	123,642
Capital expenditures	99,884	52,047	39,697	41,268	56,346
Long-term obligations and preferred stock subject to mandatory redemption	179,909	184,069	182,599	185,608	166,259
Common shareholders' equity	320,205	279,387	255,078	238,417	228,748
Invested capital	565,389	521,097	491,542	471,300	436,117
Return on common shareholders' equity	13%	13%	10%	8%	10%
Long-term obligations as a percent of invested capital	32%	35%	37%	39%	38%
Common Stock					
Common shares outstanding at the end of the year	7,973,631	7,584,129	7,554,532	7,506,641	7,486,679
Number of shareholders	8,729	8,739	8,548	8,527	9,060
Net income per share					
Primary	$ 5.04	$ 4.47	$ 3.35	$ 2.51	$ 3.02
Fully diluted	4.69	4.17	3.14	2.37	2.82
Dividends paid per share	1.54½	1.42½	1.32½	1.30	1.22½
Book value per share	40.16	36.84	33.76	31.76	30.55

THE STANDARD OIL COMPANY (AN OHIO CORPORATION)

Selected Financial Data

Millions of Dollars	1980	1979	1978	1977	1976
Sales and operating revenue	$11,023	$7,916	$5,198	$3,523	$2,916
Income before interest and income taxes	3,868	2,434	1,130	493	235
Net income	1,811	1,186	450	181	137
Per share of common stock*					
Net income	7.37	4.91	2.00	1.09	.89
Cash dividends	1.40	.61	.41½	.34	.34
Working capital provided by operations	2,591	2,179	1,041	409	269
Total assets	12,080	9,209	8,326	7,778	6,260
Capital expenditures	1,007	602	762	1,087	1,699
Long-term debt and capital lease obligations	3,529	3,822	4,487	4,825	3,851
Debt to borrowed and invested capital	43%	53%	68%	74%	71%

*Adjusted for 1980 and 1978 two-for-one common stock splits.

TRIANGLE PACIFIC CORP.

Five Year Summary of Selected Financial Data

(In thousands, except per share amounts)

	1980	1979	1978	1977	1976
Summary of operations:					
Net sales	$207,692	$233,749	$207,765	$156,335	$ 85,725
Cost of sales	167,096	178,583	160,484	119,578	66,331
Selling, general and administrative	32,671	33,186	28,483	21,558	12,315
Interest, net of interest income	3,233	1,395	2,121	1,945	1,192
Income before income taxes	4,692	20,585	16,677	13,254	5,887
Provision for income taxes	1,789	9,283	8,194	7,255	2,997
Income from continuing operations	2,903	11,302	8,483	5,999	2,890
Income (loss) from discontinued operations	—	(409)	3,771	2,225	4,781
Net income (loss)	2,903	10,893	12,254	8,224	7,671
Average shares outstanding (1)	3,942	3,958	4,159	3,872	3,630
Per common share: (1)					
Income from continuing operations	.74	2.86	2.04	1.55	.80
Income (loss) from discontinued operations	—	(.10)	.91	.57	1.31
Net income (loss)	.74	2.76	2.95	2.12	2.11
Cash dividends	1.00	.85	.605	.3125	.20
Statistical Data:					
Current assets	57,436	63,630	69,610	64,017	56,980
Current liabilities	24,154	28,963	26,423	24,045	15,359
Working capital	33,282	34,667	43,187	39,972	41,621
Total assets	110,687	113,554	110,504	100,634	84,124
Capital expenditures (2)	8,666	19,343	12,409	5,931	2,354
Depreciation	5,214	4,196	3,130	1,796	822
Capitalization:					
Long-term debt	20,394	21,997	22,813	24,038	25,876
Shareholders' investment	62,609	60,703	58,733	49,513	39,549
Book value per share (1)	16.06	16.22	14.88	12.60	10.90
Ratios:					
Operating income as a percent of sales	5.6	11.2	11.1	11.9	10.2
Income from continuing operations as a percent of:					
Sales	1.4	4.8	4.1	3.8	3.4
Average shareholders' investment	4.7	18.9	15.7	13.5	8.0
Current assets to current liabilities	2.4	2.2	2.6	2.7	3.7
Debt capital to total capital	.25	.27	.28	.33	.40

(1) Adjusted to reflect two-for-one stock split on June 30, 1978.
(2) Exclusive of cash for acquisitions.
(3) Traded on the New York Stock Exchange.

UNITED STATES GYPSUM COMPANY (DEC)

Consolidated Five-Year Summary

(All dollar amounts in thousands except per-share figures)	1980	1979	1978	1977	1976
Operating Items					
Net sales	$1,474,371	$1,525,379	$1,398,032	$1,176,882	$962,872
Other income	18,348	12,442	10,122	1,944	3,933
Cost of products sold	1,162,730	1,150,802	1,050,942	930,203	779,304
Selling, administrative and other expenses	151,740	146,720	137,383	122,871	111,132
Interest expense	12,749	13,063	12,004	11,375	10,458
Taxes on income	71,077	103,689	98,654	54,616	29,094
% effective tax rate	42.9	45.6	47.5	47.8	44.1
Net earnings	94,423	123,547	109,171	59,761	36,817
% to net sales	6.4	8.1	7.8	5.1	3.8
% to average total capital employed	11.7	16.7	16.0	9.5	6.4
% to average stockholders' equity	14.4	20.6	20.0	12.3	7.8
Net earnings per share of common stock:					
Primary*	5.78	7.59	6.37	3.41	2.04
Assuming full dilution	5.65	7.21	6.02	3.29	2.03
Cash dividends declared per share of common stock	2.40	2.20	1.75	1.60	1.60
Capital expenditures	124,258	88,518	84,007	76,102	42,723
Total funds from operations	146,762	178,581	157,049	102,443	69,721
Financial Items					
Working capital	248,607	262,547	230,201	201,795	160,245
Current ratio	2.29	2.34	2.11	2.22	2.27
Property, plant and equipment, net of accumulated depreciation and depletion	623,639	546,654	513,482	475,160	436,874
Total assets	1,114,184	1,047,511	1,005,978	895,929	779,563
Long-term debt	133,764	128,415	129,059	146,069	107,907
% to stockholders' equity	19.7	20.5	22.1	28.8	22.6
Deferred income taxes	107,800	98,300	86,400	76,800	68,900
Reinvested earnings	613,905	560,475	491,385	414,292	384,124
Stockholders' equity	679,204	625,365	583,276	507,552	476,943
Book value per common share	40.74	37.35	31.54	26.92	25.12
Average number of employees	18,800	20,500	20,700	20,300	19,100

*After deducting $1.80 Convertible Preferred Stock cash dividends of $1,101 in 1980, $2,090 in 1979, $2,946 in 1978 and $2,947 for 1977 and 1976.

Management's Discussion and Analysis of Financial Condition and Results of Operations

ADAMS-MILLIS CORPORATION (DEC)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Net sales in 1980 increased $6,987,000 or 10% over 1979. The increase is due to a 5% increase in units sold primarily resulting from a gain in our total market share and a 5% increase in selling prices. Net sales in 1979 increased $8,699,000 or 14% over 1978.

Cost of goods sold increased to 88.2% of sales in 1980 from 86.3% in 1979. The increase in costs in 1980 is due primarily to a higher sales volume and increases in yarn, labor, and utilities. During the year we were unable to pass all of these costs to our customers through higher selling prices. From 1978 to 1979, the cost of goods sold as a percent of sales decreased from 87.5% to 86.3%. This improvement was due to increased selling prices and volume.

Selling and administrative expenses increased in 1980 from 1979 in dollar amount; however, there was a slight decrease as a percent of sales for the same period. The primary reasons for the increased expenses were increased salaries and the effects of inflation on other expense items. These same factors caused selling and administrative expenses to increase from 1978 to 1979.

In 1980 interest expenses decreased $257,000 or 26% from 1979. The decrease is due to a reduction in borrowings and the favorable interest rate on the Industrial Revenue Bond which was outstanding the entire year of 1980. Interest expenses increased substantially from 1978 to 1979 due to increased borrowings to finance a new hosiery plant, the rebuilding and addition of new machinery, and the significant increase in the prime lending rate during 1979.

The gain from discontinued operations in 1980 resulted from gains realized from the sale of the land, building, and machinery of the Texturing Division and the reversal of the remaining reserve for the carrying costs of the discontinued operation.

The loss on disposal of the discontinued Texturing Division in 1979 includes estimated losses on sales of equipment, losses from the operation of the facility from September 30, 1979 until the operations were terminated, and estimated costs to close the plant.

Liquidity and Capital Resources

A company's liquidity is determined by the ability to generate adequate amounts of cash to meet its needs. Internal liquidity is generated through the sale of inventory and collection of accounts receivable which is reduced by the payment of accounts payable and income taxes, while external sources include bank debt and the sale of stock.

Long-term debt as a percent of equity was 18% in 1978, 37% in 1979, and 26% in 1980. Borrowings were increased substantially in 1979 to finance a new hosiery mill and the rebuilding and addition of new machinery. Debt was reduced in 1980 through cash generated from operations and the sale of assets of the discontinued operations. As of December 28, 1980, the Company had $3,000,000 outstanding under debt agreements with banks with $4,000,000 available for additional borrowings.

At December 28, 1980, the Company had $6,000,000 available under short-term lines of credit with various banks.

At December 31, 1978, the Company had working capital of $12,573,000 or 36% of total assets; at December 30, 1979, working capital was $15,620,000 or 38% of total assets; and at December 28, 1980, working capital was $16,588,000 or 41% of total assets. Management is not aware of any potential problems in liquidity.

As of December 28, 1980, the Company had no material commitments for capital expenditures.

Trends

During the last five years the number of units sold has increased 85% for ladies hosiery, 27% for socks, and 68% for elastic covered yarn. Even with the significant increases in volume, earnings continue to be depressed due to the effects of inflation on yarn, labor, utilities and other costs. During 1980 yarn prices have increased an average of 12% and labor rates have increased approximately 7% while selling prices have increased only 5%. Increased selling prices and volume have helped to offset the effect of high inflation rates somewhat, but the Company has been unsuccessful in offsetting all cost increases.

AMERICAN SEATING COMPANY (DEC)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

Management considers liquidity as the ability of the Company to generate adequate amounts of cash to meet its needs. The primary measures of the Company's liquidity are accounts receivable and inventory balances as well as its borrowing ability. Accounts receivable at year-end increased in 1980, reflecting the high level of shipments in December. During 1980, the average number of days of sales in trade accounts receivable improved by 10% in spite of difficult economic conditions and continued high interest rates. Inventories declined approximately 10% reflecting the Company's continuing program of inventory management including new computerized controls currently being implemented.

During 1980, the Company consolidated its short-term financing into a $15 million revolving credit agreement which is convertible into a term loan in 1983.

The Company has no present material commitments for capital expenditures and does not anticipate incurring any such commitments through the balance of the year. The Company does not presently plan to borrow any additional funds, sell securities or enter into any financing arrangements other than a draw on its unused $5,000,000 line of credit which will be used for financing seasonal business peaks.

Results of Operations

Sales increases during the past three years have occurred in all industry segments of the Company except Foundry and Other. Unit growth has been primarily in the office product portion of the Institutional Furniture segment and in the Transportation Seating segment. In 1977, the Company introduced its line of open office systems furniture and in 1980 introduced a new office chair line. The transportation segment's growth over the past three years reflects increased shipments of seats for transit buses. Continued growth of this segment is largely dependent on federal funding levels for transit buses. While price increases have contributed to overall sales increase, management believes over half the growth in office products and transportation results from unit growth while increases in other products was largely from inflation. The decline in revenue in 1980 in the foundry segment reflects a weak market brought on by foundry overcapacity due to the depressed automotive market. Management expects the market for gray iron to remain weak at least through the first half of 1981.

Operating income has fluctuated as a percent of sales during the past three years. In 1978 and 1979, the Company incurred high promotional and start-up costs on its office products business and in 1979 for major new products for the transportation business. Also contributing to the 1979 loss was the effect of an accounting change from the FIFO method to the LIFO method of inventory valuation.

Interest expense has increased during the three years because of increased borrowings and higher interest rates. Increased borrowings were required to finance higher inventories principally in the Company's office systems and transportation business, and high capital expenditures to introduce new products (again primarily in the office systems and transportation business) and to achieve productivity gains.

Other income was higher in 1980 due primarily to interest income on the notes and obligations received from Joerns Furniture Company, Inc., and on the federal income tax refund, and from payment of management fees from joint ventures primarily from the Company's share of Interiors International Incorporated, a joint venture established to market furnishings in the Middle East.

The effective income tax rates have fluctuated mainly because of investment tax credits.

Management believes that as a result of competitive conditions in 1980, the Company was unable to pass on to customers the full impact of inflation. However, through unit cost reductions, the Company was able to offset this inability to fully recover inflationary increases in costs.

CAMPBELL TAGGART, INC. (DEC)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF CONSOLIDATED FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

The Company's continuing needs for cash are primarily dependent upon its real growth rate of sales and rate of inflation. Sales increases of 11 per cent, 14 per cent and 12 per cent for 1980, 1979 and 1978, respectively, along with significant increases in the costs of production, have resulted in increased needs for working capital to finance additional accounts receivable and inventory.

Working capital to meet these short-term needs comes primarily from funds provided from operations (income before minority interests plus depreciation and deferred income taxes). Additional funds are available from unused bank short-term lines of credit, which amounted to $58,000,000 at December 30, 1980. The unused lines of credit are available to support commercial paper borrowings, which totaled $13,540,000 at December 30, 1980. Campbell Taggart believes its lines of credit could be increased significantly, if necessary, and represent a continuing available source of short-term working capital.

Campbell Taggart's sources of funds for long-term growth include funds provided by operations and additional long-term debt. It has been the Company's policy over the past five years to pay approximately 40 per cent of prior year's earnings out as dividends to shareholders with the remaining 60 per cent of prior year's earnings consistently reinvested for growth. Long-term debt increases, when necessary, have included industrial revenue bonds and loans with banks and insurance companies. Issuance of long-term debt in the future is expected, as required, to support the Company's capital structure so as to assure the continuation of high debt quality ratings in worldwide capital markets. The decrease of $6,531,000 in long-term debt in 1980 is the result of increased funds from operations and decreased capital expenditures.

Capital expenditures in 1981 for property, plant and equipment will approximate $40,000,000.

Capital expenditures for the 10 years ended December 30, 1980 totaled $411,000,000. Campbell Taggart has been and continues to be committed to expanding physical facilities to keep them modern and efficient. Additions to property, plant and equipment are expected to continue to be financed as described above.

Operating Results

1980. Sales rose 11 per cent in 1980 to $1,113,147,000. The increase of $105,787,000 was the result of increased prices on the Company's products along with some changes in product mix with volume remaining relatively stable overall. These product mix changes included some shift in tonnage from white enriched bread and 10-count basic biscuits to higher priced, higher margin variety bread and specialty biscuits. The increased prices were substantially offset by increases in the cost of ingredients, packaging and energy.

Other income increased $2,808,000 due substantially to foreign exchange gains of $1,462,000 in 1980 compared to foreign exchange losses of $857,000 in 1979. The exchange difference resulted from the change in value of the U.S. Dollar against foreign currencies during both years.

1979. Sales in 1979 increased $122,741,000, or 14 per cent, over 1978. The increase was the result of increased volume of one per cent, primarily in bread and cake products, and increased prices of 13 per cent overall. Significant ingredient and energy cost increases offset the rise in sales prices during the year.

Interest expense rose $1,916,000 as a result of an increased level of outstanding debt and an increase in the prime interest rate and Eurodollar interbank rate. The increase was partially offset by interest expense capitalized on major construction projects in 1979 of $1,695,000.

The effective tax rate of 45.2 per cent in 1979 decreased from 48.9 per cent in 1978 due to a two per cent decrease in the U.S. federal statutory tax rate in 1979 and increased amortization of investment tax credits in 1979 of $907,000.

1978. Sales increased $97,199,000, or 12 per cent, due to a combination of firmer prices (up nine per cent) on the Company's products and an increased volume (up three per cent) of business in all major areas of the Company's operations, except bread and cake production in Spain, which was affected by a lengthy strike early in the year.

Income from operations was up only one per cent in 1978 due primarily to substantial increases in ingredient and labor costs and the continued escalation of energy costs. In addition, costs were increased by a lengthy strike in Spain early in the year and the resultant heavy advertising costs expended to regain lost market share.

Accounting for the Effects of Inflation

Refer to pages 16 through 19 for a discussion of the impact of inflation on the financial condition and results of operations of the Company.

CERTAINTEED CORPORATION (DEC)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Summary

The 1978 through 1980 period generally covered by this analysis was one of declining economic activity for suppliers to the construction industry. In 1978, new housing construction accounted for over 2 million starts, but was slowing by year-end. 1979 housing starts were 14 percent lower and 1980 were about 40 percent below 1978. While most raw materials and other costs increased notably during this period, very significant increases occurred in petroleum-based materials and utility costs particularly in 1980.

From 1977 through 1979 the Company carried out a major three year plant expansion program centered largely in the Fiber Glass segment of the business. This program, which increased manufacturing capacity in both existing and new products and locations, also disrupted normal manufacturing operations during its implementation. Many of the Company's expansion projects were completed in 1979, thus adding to fixed operating costs and financing costs in the years 1979 and 1980. Start-up costs also affected results from 1978 through 1980; however, they were heaviest in 1978 and 1979.

The low effective income tax rates reported, especially in

1979 and 1980, reflect investment tax credits of $11.3 million and $5.3 million, respectively.

1980

Net sales declined a nominal 5 percent in 1980 from 1979. However, physical units shipped declined by an estimated 13 percent due to the economic downturn, which had a particularly severe impact on new residential construction. Manufacturing operations were scaled down to demand levels in 1980 resulting in good inventory control, but a less favorable absorption of fixed charges than had occurred in 1979. The lower level of manufacturing activity, coupled with $10 million of higher depreciation charges, served to further lower margins. Profit margins also were impacted by numerous other cost increases, especially for energy and petroleum-based raw materials, which due to competitive pressures were not fully recovered by higher prices. Line start-up expenses, though of lesser impact than in the preceding two years, remained a cost factor in 1980.

1979

Net sales in 1979 rose 2 percent from 1978, but the increase was more than accounted for by price increases of about 7 percent between the two periods. The Company also experienced sharp raw material and energy increases which it was unable to fully pass through in pricing due to the competitive environment. As the result of an extensive three-year capital expansion program, largely completed in 1979, plant start-up costs and added depreciation charges were significant factors in increased costs over 1978. Also there was extensive and costly disruption to operations at our Wichita Falls, Texas, reinforcements plant from a destructive tornado. Interest expense, resulting from borrowings to finance the final stages of the capital expansion program coupled with higher rates, was nearly $9 million over 1978's level. These cost increases, combined with inadequate pricing and overall unit volumes that were lower than those of the previous year, were the main causes of a $65 million decrease in pretax income from continuing operations.

1978

Net sales in 1978 increased 9 percent over 1977 due to higher prices and, to a lesser extent, higher volumes. Selling price increases were generally pass-throughs of higher raw material and production costs. Results also were affected by work stoppages at key insulation and roofing facilities, and by plant downtime required to expand fiber glass insulation capacity. Other income included a gain realized from the sale of an insulation facility as required by the U.S. Justice Department. Excluding this facility sale, other income was virtually unchanged from 1977.

Results of Operations by Segment

Building Materials

Sales in 1980 for the building materials segment declined 15 percent from 1979. Roofing tonnage, however, was down nearly 30 percent. The sales decline reflects 1980's low level of new housing construction and remodeling activity due to high interest rates and the recessionary economy.

Roofing margins were substantially lowered by cost increases, particularly for asphalt and energy, unrecovered through product pricing.

Net sales in 1979 rose 7 percent from 1978. Price increases were the dominant cause of this change since volume shipped was up only slightly (except for vinyl siding which increased dramatically over the prior year). The overall volume increase was attributable to remodeling activity as new housing construction was down from 1978.

Fiber Glass

Net sales increased by more than 11 percent in 1980, due to higher sales volume of lower priced residential insulation products and to higher prices. 1980 shipments were aided by a full year operation of new West Coast insulation production facility and by a new insulation product, Insul-Safe II . . . both came on line in mid-1979. Our new reinforcements facility at Wichita Falls operated well during 1980, but demand only supported operations at 50 percent of capacity.

In 1979, sales dollars declined 7 percent from 1978. The decline was largely the result of the discontinuance of an insulation resale agreement related to the 1978 sale of an insulation plant. Operating results also were impacted heavily by significant start-up costs and by increased costs of raw materials and labor which, for the most part, were not passed on through higher prices.

Piping Products

Overall unit volume of piping products declined by about 15 percent in 1980, with a somewhat greater decline in A/C pipe and less in PVC pipe, attributed generally to the slowdown in new construction activity and cutback in federal funds for water and sewer projects.

Volume in 1979 was flat compared to 1978, although net sales improved due to overall price increases of about 8 percent. Record PVC shipments this year were tempered by softer demand for A/C pipe products.

Liquidity and Capital Resources

Liquidity

The Company has adopted centrally controlled cash and working capital management programs which have reduced the demand for cash and facilitated the rapid turnover of working capital. In addition, the Company pays fees to its banks in lieu of compensating balances for its confirmed lines of credit and for most of its purchased noncredit services. As a result, unproductive cash resources and other working capital components have been minimized. The working capital position of the Company at the end of fiscal years 1978, 1979 and 1980 has fluctuated within a narrow range about the $100 million level. The expected year-end 1981 working capital is not anticipated to change materially.

The Company's financial planning attempts to minimize the amount of short-term investments or short-term debt at any year-end. At year-end 1979, at the conclusion of its major three year capital expenditure program, the short-term debt outstanding was higher than normal; this has been reduced in 1980 to a reasonable level. No material long-term financing is presently planned for 1981 and a further reduction in debt is projected.

Seasonal cash requirements are financed from an array of short-term funding options available to the Company, including commercial paper, bankers' acceptances and Eurodollars. To support the open-market borrowing program and thus assure the availability of required funds, the Company maintains contractual revolving credit facilities, exceeding peak seasonal needs for working capital. These agreements provide financial flexibility through immediate access to cash.

Capital Spending and Resources

In 1979 the Company largely completed its major three year facilities expansion program, which almost doubled its prior investment in property, plant and equipment. This accomplished, capital expenditures in 1980 and 1981 are considerably lessened to necessary replacements, furnace rebuilding, and productivity improvement projects. As of December 31, 1980, the cost to complete approved additions to and replacements of property, plant and equipment approximates $15 million. Funds provided by operations will finance these expenditures as depreciation charges will exceed capital spending levels in both 1980 and 1981.

In early 1979, $25 million of long-term debt was issued to fund a portion of the large expansion program.

Inflation

Some of the effects of inflation have been discussed above, principal among which are increases in the cost of materials and other purchased inputs. Because of a very competitive environment, the Company has not been wholly successful in effecting price increases to cover these costs.

In measuring the impact of inflation under FAS No. 33, the Company believes that it compares favorably to many other manufacturers because it employs the LIFO method of accounting for most of its inventories and much of its investment in plant and equipment is new. It is also noteworthy that accelerated methods of depreciation are employed for a significant portion of the Company's fixed assets. More details on the effects of inflation are available in Note 14 of the Notes to Consolidated Financial Statements in this report.

ENGELHARD MINERALS & CHEMICALS CORPORATION (DEC)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The preceding Consolidated Financial Statements set forth details of the financial condition of the Company and its subsidiaries as of December 31, 1980 and 1979, and the results of operations and changes in financial position for the three years ended December 31, 1980. These statements show significant progress in revenues and earnings in recent periods, and the maintenance of a strong financial condition.

Revenues and earnings before income taxes for each of the Company's three operating Divisions for the past three years are shown in Note (2) of the Notes to Consolidated Financial Statements. Each of these operating segments has contributed to the Company's progress. Especially strong growth has been realized by the international marketing operations of the Philipp Brothers Division, which provides a dominant share of consolidated revenues and earnings.

The materials marketed by the Philipp Brothers Division and the precious metals utilized by the Engelhard Industries Division are purchased from outside resources. The international market prices of these materials tend to fluctuate widely from time to time. Changes in market prices influence revenues and cost of sales, but generally do not have a correlative effect on earnings. Earnings, particularly those of the Philipp Brothers Division, are influenced by a variety of constantly shifting market factors which affect supply and demand, and by frequent changes in the relative importance of the more than 150 materials marketed throughout the world.

Comparison of 1980 and 1979 Results

Net earnings of $532.7 million for the year 1980 exceeded the previous year's record earnings of $349.7 million by 52 per cent.

A substantial part of the earnings gain was attributable to the worldwide marketing operations of the Philipp Brothers Division, which registered pre-tax earnings of $589.6 million in 1980 compared with $433.9 million in 1979. Consolidated results were also bolstered by a strong performance of the precious metals operations of the Engelhard Industries Division, whose earnings before taxes more than doubled in 1980 to $77.6 million. Pre-tax earnings derived from the non-metallic minerals operations of the Minerals & Chemicals Division increased slightly to $35.1 million for the year.

Revenues rose by 47 per cent to $26.6 billion in 1980, reflecting expanded activity and higher international market prices for many materials. Philipp Brothers' sales of crude oil and oil products provided 44 per cent of total Corporate revenues in 1980 and 48 per cent in 1979. No other material or product contributed as much as 10 per cent of total revenues in either of those years.

Net earnings ascended throughout the year 1979 and the early part of 1980, reflecting a quickening tempo in industrial activity in principal world markets. During the remainder of 1980 marketing conditions were less favorable as a result of a deepening recession, first in the U.S. and later in other parts of the world, and rising interest costs. These latter conditions have persisted, and therefore results for the early months of 1981 are expected to reflect the current economic weakness.

Comparison of 1979 and 1978 Results

Net earnings in 1979 rose by 146 per cent to $349.7 million. Most of the gain was attributable to the worldwide marketing operations of the Philipp Brothers Division. The international marketing of crude oil and oil products contributed a significant portion of the increase in Philipp Brothers' earnings in 1979.

Total revenues of $18.1 billion exceeded those of 1978 by 78 per cent, reflecting expanded activity during the year and an escalation of international market prices for many materials. The largest share of revenues derived from sales of crude oil and oil products, which provided 48 per cent of total Corporate revenues in 1979 and 45 per cent in 1978.

Capital Resources and Liquidity

The Company traditionally has maintained a sound financial condition, which was further strengthened in 1979 and 1980 by substantial retentions of earnings. Thus, stockholders' equity increased by 43 per cent to a total of $1.128 billion in 1979, and further increased by 42 per cent in 1980 to $1.596 billion. Total assets also rose, from $2.9 billion in 1978 to $5.8 billion in 1979, with a further rise to $6.3 billion in 1980.

The Company's assets consist primarily of liquid current items, principally cash, trade receivables and inventories. Receivables and inventories typically have very high turnover rates; thus, at December 31, 1980 receivables represented only 8 per cent of 1980 sales, and inventories were 9 per cent of cost of sales for the year.

Precious metals inventories of the Engelhard Industries Division include a substantial portion carried on the last-in, first-out (LIFO) cost basis. At December 31, 1980 the market value of precious metals inventories carried on the LIFO method exceeded the carrying value by $232 million.

Capital expenditures increased from $79 million in 1979 to $414 million in 1980, principally as a result of the acquisition of significant interests in oil and gas exploration properties in the Canadian Beaufort Sea at a cost of $307 million. The Company's working capital nevertheless increased by $294 million in 1980, after giving effect to the issuance of $250 million of 11¾% debentures due August 1, 2005.

Management believes that the Company will continue to have adequate access to short-term and long-term credit markets to finance its future working capital requirements. It had substantial unused lines of credit available for additional short-term borrowings at December 31, 1980. Additional information on short-term and long-term debt appears in Note (4) of the Notes to Consolidated Financial Statements.

The Company's operations are not substantially affected by inflation and changing prices because of the current nature of its operations, typified by a rapid turnover of current assets and its relatively small investment in long-term assets. Further information on the effects of changing prices appears in the following section.

NATIONAL STEEL CORPORATION (DEC)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Operating Results

Following substantial improvement in earnings in 1978 and 1979 over those of the preceding three years, the recession of 1980, which affected the steel industry even more heavily than the general economy, had a severe impact on the Corporation's 1980 earnings.

During 1978 and 1979, demand for steel was relatively strong. Prices, while not fully keeping pace with inflationary pressures, were rising and the Corporation's facilities were operating at an acceptable level. These favorable conditions more than offset the adverse impact of a series of events:

1. strikes in the coal fields and iron ore mines and by rail and truck workers in 1978;
2. a continued increase in the level of steel imports throughout the two years;
3. a sharp decline in 1979's fourth quarter shipments of steel to the automotive industry, which is still a major market for the Corporation's steel products, notwithstanding the Corporation's strategy to shift a larger percentage of shipments to capital goods markets.

The net effect of these factors was that earnings per share increased from $3.10 in 1977 to $5.84 in 1978 and to $6.54 in 1979.

In 1980, however, the recession drove demand for steel to the lowest levels in almost 20 years. The Corporation's production declined 29%; shipments fell 20%; and sales dollars declined 12%. Profit margins were squeezed by this sharply reduced level of production, by continuing cost escalation and by severe price competition. Net earnings were further impacted by a $29-million charge covering the shutdown of four facilities. These included two iron ore facilities which had reached the end of their economically useful lives and a coal mine which is no longer needed. It also covered the anticipated cost of closing a fabricating plant which has become uneconomical to operate.

Offsetting these adverse developments in 1980 were:

1. the sale of excess steam coal reserves, which contributed $81.5 million to net income;
2. good performances by the Corporation's aluminum division and by United Financial Corporation of California which was acquired in January, 1980;
3. stringent cost reductions which were effected throughout the year.

Nevertheless, the final result was a decline in earnings per share from $6.54 in 1979 to $4.42 in 1980.

Reference is made to the discussion on the impact of inflation on the Corporation's operations on pages 28 and 29.

Liquidity and Sources of Capital

The combination of 1980's depressed earnings, heavy capital expenditures, particularly in the pollution control area, and a significant cash outlay for the acquisition of United Financial Corporation of California produced a major drain on the Corporation's capital resources. Cash requirements were met from the excess cash balances which had been developed in prior years for acquisition purposes, from the sale of excess steam coal reserves, from a significant reduction in inventory levels, and by bank borrowings under an existing revolving credit and term loan agreement.

Looking ahead, the Corporation's cash position will benefit from the cost-reduction programs implemented in 1980, from the closing down of the high-cost facilities mentioned earlier, and from the improved balance between steel operations and steel demand resulting from the 1980 inventory-reduction program. Further cost improvement is expected as new equipment such as the continuous slab caster at Granite City Steel comes on stream in 1981.

The Corporation's proposed capital expenditures for 1981 are approximately $216 million, almost one-half of which are targeted for environmental control facilities, with the balance to be applied to relining blast furnaces, rebuilding coke ovens and maintaining equipment. These capital requirements are expected to be covered adequately by internally generated funds, supplemented by proceeds from pollution control bonds issued by local governmental units. In addition, the Corporation has open lines of credit with banks under which $255 million is available for borrowing as needed.

PENNWALT CORPORATION (DEC)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations (1978 through 1980)

The economic downturn coupled with high inflation in costs had an adverse effect on the Company's operations in 1980. Dollar sales increased by 10% but the physical volume of shipments was actually down by an estimated 8 to 9%. As a result, profit margins were particularly squeezed this year. This is in contrast to the year 1979 when sales increased

17% over 1978, and the erosion of profit margins was offset in part by a $5.4 million gain on the sale of part interest in the Company's Mexican chemical affiliates. In an effort to arrest the continual erosion of profit margins due to cost increases, the Company initiated a major productivity improvement program in 1980 which is expected to reverse this trend in the future.

Chemical Operations

Although Chemical sales in 1979 were up 17% over 1978, earnings, excluding the $5.4 million Mexicanization gain, were off by 10%. In 1980, after a particularly strong fourth quarter, total year 1980 earnings exceeded 1979 (excluding Mexicanization) but were still slightly below 1978 levels. Sales volume in 1980 declined but dollar sales increased 7% as increased selling prices took effect.

Two areas registering significant profit declines in 1980 were Lucidol's organic peroxide initiators for the plastics industry and IsotronR fluorocarbons used for refrigerants and as blowing agents in the production of rigid foam insulation board. Both of these situations reflect those segments of the economy that were most seriously affected by the recession and have since strengthened.

The earnings slide in Inorganic Chemicals—largely chlorine and caustic—which started in the middle of 1978 continued through 1979 and early 1980. During the remainder of 1980, the situation improved and the downward trend was reversed. Likewise, the large loss incurred by Pennwalt Holland in 1979 was substantially reduced in 1980.

Pharmaceutical Operations

In 1978, Pharmaceuticals achieved earnings more than 40% higher than any preceding year. Continuing the trend, but at a somewhat slower rate, earnings in 1979 were up over 1978 by 9% on a 7% increase in sales, reflecting increases in both selling prices and physical volume. In 1980, earnings were not materially changed from the prior year. The cause of the hiatus in earnings improvement was centered in the prescription drug, IonaminR non-amphetamine anorectic. Sales of Ionamin were adversely affected by major advertising and promotion programs launched by competitors for non-prescription "diet pills" sold over the counter.

Dental Operations

Dental sales in 1980 were up over 1979 by 24% on top of a 1979 versus 1978 increase of 26%. Most of these increases were due to the pass-through of higher gold prices in the selling price realized for dental gold alloys. Unit sales of these alloys were adversely affected by the rapid run-up in the price of gold.

Dental earnings in 1980, although 17% lower than in 1979, exceeded those of 1978 by 25%. In 1979, improved operating results were further enhanced by the favorable effect on costs of reduced LIFO inventory qualities.

Equipment Operations

In Equipment, earnings in 1979 matched the record results of 1978 but were down 12% in 1980. The decline was centered in two equipment profit centers, S.S. White Industrial and CVI. The severe impact of the recession on the automotive industry triggered a decline in S.S. White Industrial sales of flexible shafting into that market. CVI's sales of nuclear containment air filters and advanced cryogenic equipment were down due to delay in the progress of nuclear energy development programs. In February 1981, the Company announced plans for the divestiture of CVI and the related subsidiary, Barnebey-Cheney, both of whose operations do not fit well with the rest of the Company.

Interest Expense

Interest expense increased by $4.9 million in 1980 (net of $1.7 million which was capitalized under new Financial Accounting Standards Board requirements) and $5.1 million in 1979. In both years, slightly over 50% of the increase was attributable to increased average borrowing required to finance higher levels of business, and the balance to increased rates. Weighted average interest rates on short-term borrowings increased from 8.5% in 1978 to 11.2% in 1979 and 13.6% in 1980.

Income Taxes and Inflation

Income taxes in both 1980 and 1979 reflect the benefit derived from United Kingdom "inventory stock relief" legislation. The lower effective tax rate in 1980 (34.9% versus 38.4% in 1979) is due to the greater impact of these and other credits on a lower earnings base.

When earnings are adjusted for inflation under the Constant Dollar and Current Cost methods, the effective tax rate for 1980 increases from 34.9% to 52.6% and 68.4% respectively. A more detailed discussion of the effect of inflation on the Company is presented in the section of this Annual Report on Supplementary Information on Changing Prices.

Liquidity and Capital Resources

The Company continues in a strong financial position. Total debt as a percent of total capitalization improved from 41.4% at the end of 1979 to 38.9% at the end of 1980. The ratio of current assets to current liabilities was 2.2 and 2.1 as of these same dates.

In January 1980, 320,950 shares of the Company's common stock were issued to acquire two small businesses. The approximate market value of these shares was $10.8 million. Otherwise, there has been no activity in the Company's stock for the past two years except for conversions and the issuance of common stock to employees under stock option and stock purchase plans.

Additions to property, plant and equipment totaled $67.5 million in 1979 and $55.5 million in 1980. Working capital of $86.1 million and $89.5 million provided from operations in these two years was sufficient to cover these expenditures and to pay dividends. The estimated cost to complete authorized major construction and capital additions at December 31, 1980 was $30.2 million.

Unused lines of credit amounted to $50.9 million at December 31, 1980. In addition, the Company had unused borrowing capacity of $40 million under a Revolving Credit and Term Loan Agreement expiring in 1983, and expects to have continued access to intermediate and long-term debt markets. This debt capacity plus the Company's earnings capacity is believed adequate to meet future capital needs.

REPUBLIC STEEL CORPORATION (DEC)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The decline in net income in 1980 is predominantly due to an economic recession which commenced late in 1979 and had its maximum impact in the third quarter. The sharp decline in steel consumption throughout most of the metalworking economy, particularly in the automotive sector, coupled with widespread steel inventory liquidations by customers, resulted in a drop in the Corporation's shipments of nearly 15 percent from the 1979 level and was the principal cause of lower net income. During 1980, average selling prices increased by 6.9 percent, but failed to completely offset increases in labor, material and energy costs. Also, the improved operating performance of our facilities, an increase in equity income, and the capitalization of interest as part of the cost of new facilities partially offset these cost increases.

Net income recorded in 1979 was the second highest earnings achieved by the Corporation, exceeding those of 1978, the previous second highest year, by approximately $10 million. The increase in net income was attributable primarily to an increase in equity income, capitalization of interest, and a lower effective tax rate. Sales increased 14.6 percent from 1978, including benefits of 9.1 percent from price increases and 2.9 percent from increased shipments. However, these benefits were more than offset by a deterioration in the cost/price relationship, particularly in the last half of the year.

Net income increased substantially in 1978 from 1977, primarily due to a 7.7 percent increase in shipments, higher selling prices, which benefited sales by approximately 9.3 percent, and a temporary improvement in the cost/price relationship. Partially offsetting these benefits were the effect of cold weather conditions in the first quarter of the year and the adverse effect of strikes in the iron ore and coal mines and the transportation industry.

Gross profit margins were 11.4 percent in 1978, 10.0 percent in 1979 and 7.9 percent in 1980. The margin decline from 1979 to 1980 was due primarily to the sharp reduction in 1980 shipments from those in 1979, while the margin decline from 1978 to 1979 was due primarily to constraints in the relationship of costs to selling prices in the steel industry generally and at Republic.

These two items, volume and cost/price relationships, are the principal factors affecting Republic's operating profitability over time. In the long run, volume changes are a function of cycles in the general economy.While increased oil and gas drilling and exploration continue to have a positive effect on steel demand, the level of imports entering domestic markets, the introduction of competitive materials as substitutes for steel, and the recent downsizing of American cars are adverse influences. Among the factors influencing the cost/price squeeze in the steel industry are operating and capital cost increases due to stringent environmental protection requirements, the growing capital requirements for the maintenance and replacement of steel plants, and governmental policies and competitive factors limiting price increases. Additional cost increases have resulted from inflation in both the labor and material components of production and sharp increases in interest rates for both long and short-term financings.

Liquidity and Capital Resources

The Corporation considers working capital a measure of its ability to meet short-term obligations. The following table sets forth working capital and the ratio of current assets to current liabilities for each of the last three years:

	December 31, 1980	1979	1978
	(Millions of Dollars)		
Working capital	$394.5	$353.4	$468.8
Ratio of current assets to current liabilities	1.6 to 1	1.6 to 1	2.0 to 1

The decline in working capital between 1978 and 1979 resulted from the implementation of a corporate objective to reduce working capital requirements. This reduction enabled the Corporation to fund a substantial portion of its capital spending in 1979 from internal sources. The working capital ratio was maintained at this more efficient level in 1980.

The Corporation believes the ratio of long-term debt to stockholders' equity and the ratio of long-term debt to total capitalization to be among the indicators of Republic's ability to enter a variety of financial markets and obtain financing at reasonable costs. The following table sets forth these ratios for the Corporation for each of the three years:

	December 31, 1980	1979	1978
Long-term debt to total capitalization	29.9%	22.5%	24.1%
Long-term debt to stockholders' equity	42.7%	29.0%	31.8%

In 1980, Republic incurred new long-term debt of $225.9 million including the following financings: a Eurodollar bond issue of $100 million due in 1988 with interest at 11.5 percent; two Ohio Air Quality Development Authority bond issues of $25 million each, one maturing 1999 through 2005 with interest at 8.375 percent and the other maturing 1990 through 1995 with interest floating at 5.1 percent plus 20 percent of the prime rate; a third Ohio Air Quality Development Authority bond issue of $13 million maturing 1983 through 2000 with interest at 9.25 percent; an Industrial Development Board of the City of Gadsden pollution control bond issue of $3.5 million due 1983 with interest floating at 70 percent of the average secondary certificate of deposit rate; late in the year the Corporation borrowed $50 million under its $200 million domestic Revolving Credit and Term Loan Agreement, terms of which are described in Note D to the Financial Statements. As of December 31, 1980, Republic had unused long-term financing commitments of $150 million under its $200 million Revolving Credit and Term Loan Agreement and $36 million under its 1979 Multicurrency Loan Facility. Short-term credit facilities consist of open lines of credit totaling $59 million with a group of domestic banks.

Republic has contingent obligations in the event certain associated companies are unable to make payments on their indebtedness to assume responsibility for the payment of amounts aggregating $218 million at December 31, 1980. The principal portion of these contingent obligations relates to facilities constructed at Reserve Mining Company, an associated company supplying iron bearing pellets to the corporation.

Capital Expenditures

Capital expenditures, including investments in and advances to associated companies and capitalized interest, were $346 million in 1980, compared to $341 million in 1979 and $211 million in 1978. Included in the above expenditures for 1980 was environmental spending of $74 million, 31 percent higher than the 1979 amount and 77 percent higher than 1978. The Corporation expects 1981 capital expenditures to approximate $300 million.

The estimated cost to complete approved construction projects in process was approximately $442 million at December 31, 1980, of which $81 million were firm commitments.

The company expects the steel industry to continue to be capital intensive. Republic intends to finance its short and long-term capital requirements primarily from funds which are internally generated. Further, the company anticipates that additional funding, if required, will be available from a number of sources. These include, among others, previously arranged financing commitments, new financings, project financing and funds derived from the sale of assets.

Common Stock and Dividends

At the August 1979 Board of Directors meeting, the dividend on common stock was increased from $.45 per share to $.50 per share. That increased rate has been maintained throughout 1980; however, no special dividend was paid in the fourth quarter 1980 as in 1979 and 1978. The dividends paid in 1980 totaled $32.4 million. The closing price of Republic common stock on December 31, 1980 was $23⅝, resulting in an annualized dividend yield of 8.5 percent.

The New York Stock Exchange is the principal market on which the Corporation's common stock is traded. As of December 31, 1980, the Corporation had 61,371 stockholders of record.

Effects of Inflation

Refer to pages 26 through 29 of the Annual Report for financial information on the effects of inflation using measurement bases required by the Financial Accounting Standards Board. Comments are included in those disclosures on the effect of changing prices on the Corporation's financial results.

SNAP-ON TOOLS CORPORATION (DEC)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following financial comments pertain to the last three years of operation. For additional information, there is an eleven-year summary of selected financial data on pages 26 and 27.

Financial Condition

The financial policies of Snap-on Tools Corporation have remained relatively constant. Through adherence to these traditional policies, the Company has established a strong financial base which has provided the flexibility and liquidity needed to meet future growth opportunities.

Snap-on Tools Corporation had working capital at the close of 1980 of $147.1 million, compared with $131.5 million at the end of 1979 and $116.0 million at the end of 1978. The ratio of current assets to current liabilities stood at 2.7 to 1 at year end. This ratio has remained consistent throughout the years as the ratio at the end of 1979 and 1978 was 2.6 to 1. Total long-term debt at year end was 15.6% of shareholders' equity compared with 15.7% and 19.1% at the end of 1979 and 1978. In achieving these favorable ratios and percentages, the Company has maintained its ambitious capital expansion program and dividend policy by utilizing working capital obtained from continuing operations while remaining financially strong.

Over the past three years, capital expenditures for Snap-on Tools Corporation have totaled $63.8 million. In 1980, $25.8 million was spent on new facilities and equipment, an increase of $2.6 million over 1979 and $10.9 million over 1978. While most of this expansion has been financed out of working capital, $7.0 million was financed through industrial revenue bonds in 1979 and 1980 at an interest rate of 6.6%.

In 1980, the Company paid cash dividends of $.83 per share ($16.5 million) compared to $.76 per share ($15 million) in 1979 and $.54 per share ($10.6 million) in 1978. During the last three years, an average of 37.2% of net earnings has been paid in dividends to the Company's shareholders.

Standard and Poor's and Moody's Investors Service have rated the Company's commercial paper at A-1 and P-1. These ratings, which are the highest for commercial paper, allow the Company increased accessibility to credit markets at lower costs. The Board of Directors has authorized the issuance of up to $50,000,000 of commercial paper of which $8,000,000 and $3,000,000 was outstanding at January 3, 1981 and December 29, 1979. As of January 3, 1981, the Company also had lines of credit under various banking arrangements totaling $41 million.

The Company's sales and dividends over the last five years have generally increased at a rate greater than that of inflation. While inflation has affected earnings in recent years, the real growth in earnings and the amounts retained by the Company have been sufficient to maintain the Company's capital base. Additional information regarding the impact of inflation and changing prices on the Company's sales and profits can be found beginning on page 21.

Results of Operations

In 1980, the Company reported sales of $401.8 million and earnings of $38.3 million, or $1.92 per share. This compares to sales of $373.6 million and $308.9 million in 1979 and 1978, and earnings of $42.6 million in 1979 and $32.2 million in 1978. Earnings per share for 1979 and 1978 were $2.16 and $1.64. Earnings for 1980 benefited from a United Kingdom tax law change regarding dividend distribution and stock relief of $.8 million or $.04 per share. Earnings in 1979 included a credit of $1.6 million, or $.08 per share, due to reversal of deferred income taxes in the United Kingdom. The continuing U.S. recession, inflation and higher financing costs were the principal contributors in the 1980 decline in earnings.

Although sales were higher in 1980, earnings were somewhat lower compared to the record results of 1979. Contributing to the sales improvement was an average domestic price increase of 11.2%. This increase was initiated to offset increased costs of labor, material and overhead and to maintain the Company's historic gross profit margins.

The professional automobile mechanic, the principal user of our products, was affected by the sluggish U.S. economy, and tended to postpone purchases of hand tools and related equipment. The closing of new car dealerships also disrupted sales. In 1980, however, the company continued to expand and strengthen its independent dealer network. With this action, the Company is prepared to respond to an improvement in the economy and to resume the growth that has been historically maintained.

Sales in non-U.S. markets were $88.6 million in 1980. This compares to $71.0 million in 1979 and $57.2 million in 1978. Non-U.S. business accounted for 22.1% of total sales in 1980, compared to 19.0% in 1979 and 18.5% in 1978. This market continues to offer a large growth potential to the Company.

Consolidated gross profit margins for 1980 were within a desirable level at 51.0%, showing a slight decrease over last year's record margins. This was caused by increased overhead costs associated with manufacturing capacity additions, a decline in manufacturing production hours and a 7-week strike at the Kenosha plant.

Interest expense was $4.9 million in 1980. This compares to $3.4 million in 1979 and $2.8 million in 1978. The 1980 increase was caused by higher levels of short-term borrowing at high interest rates. The borrowing was needed to finance the Company's short-term cash requirements.

The Company took several steps to respond to the economic downturn to help maintain its traditional levels of profitability. Price increases offset higher costs and enabled pretax margins to improve during the year. An austerity program was instituted to keep operating expenses and capital expenditures within reasonable limits without endangering the Company's long-term growth.

Market Price Data

AVON PRODUCTS, INC. (DEC)

STOCK MARKET AND DIVIDEND DATA

Avon capital stock is listed on the New York Stock Exchange (symbol: AVP). At December 31, 1980, there were approximately 35,600 shareholders of record. The price-earnings ratios are based on net earnings per share in each year and the high and low market prices shown below:

	1980		1979	
Quarter	High	Low	High	Low
First	$40⅝	$31⅛	$56	$45⅝
Second	38⅞	32⅝	49½	45¾
Third	40¾	34⅞	53¼	45⅞
Fourth	38⅝	32⅝	50¼	37¼
Price-earnings ratio	10	8	13	9

	Cash Dividends Per Share	
Quarter	1980	1979
First	$ .70	$ .65
Second	.75	.70
Third	.75	.70
Fourth	.75	.70
	$2.95	$2.75
Total dividends paid (in millions)	$177.5	$164.6
% to net earnings	74%	66%

THE COCA-COLA COMPANY (DEC)

STOCK MARKET INFORMATION

The common stock of the Company is traded on the New York Stock Exchange, Inc. The number of record holders of the Company's common stock at February 27, 1981, was 79,305. The high and low prices of each quarter for the past two years are as follows:

	1980		1979	
	High	Low	High	Low
First quarter	$38.875	$28.875	$46.125	$39.75
Second quarter	35.875	29.75	42.125	36.625
Third quarter	38.375	32.00	40.875	36.375
Fourth quarter	34.125	29.125	36.75	31.50

EATON CORPORATION (DEC)

COMMON SHARE PRICE AND DIVIDEND INFORMATION

(unaudited)

The table below presents the high and low market prices and cash dividends declared for the Company's Common Shares.

Quarter Ended	High	Low	Dividends
December 31, 1980	$32¾	$25¼	$ .43
September 30, 1980	34⅞	26¼	.43
June 30, 1980	27½	20¼	.43
March 31, 1980	27	21⅝	.43
December 31, 1979	29⅝	23⅝	.43
September 30, 1979	29⅛	25⅝	.43
June 30, 1979	26⅞	24⅜	.375
March 31, 1979	25⅝	23⅛	.375

At January 31, 1981 there were 35,071 holders of record of the Company's Common Shares.

LA MAUR INC. (DEC)

MARKET PRICE AND STOCKHOLDER MATTERS

The Company's common stock is traded on the American Stock Exchange, ticker symbol: LMR. Stock price ranges as reported on the Exchange are as follows:

	1980		1979	
	High	Low	High	Low
First Quarter	7⅜	3⅞	6¼	4
Second Quarter	4⅞	4⅛	6½	5⅛
Third Quarter	6⅞	4½	7¾	5¾
Fourth Quarter	10½	5½	7¾	4

As of March 11, 1981, there were approximately 1,648 holders of the Company's common stock.

Cash dividends have been paid over the past sixty consecutive quarterly periods. Dividends paid during the past two years were 5 cents per share during each quarter. There are presently no restrictions on the Company's present or future ability to pay such dividends.

THE MARLEY COMPANY

MARKET PRICE OF MARLEY'S COMMON STOCK

The Marley Common Stock is currently listed on the New York Stock Exchange, which is the principal market on which such stock is being traded. The following table sets forth the high and low sales prices per share of Marley Common Stock (as reported on the composite tape for issues listed on the New York Stock Exchange) and the dividends paid by Marley per share of Marley Common Stock during the fiscal quarters indicated.

	High	Low	Dividend
1979:			
First Quarter	30⅛	24⅞	.25
Second Quarter	26⅜	21⅜	.25
Third Quarter	25½	20¾	.25
Fourth Quarter	25¼	19	.25
1980:			
First Quarter	25⅛	20⅛	.25
Second Quarter	24¼	18¼	.25
Third Quarter	26⅝	19	.25
Fourth Quarter	35⅝	25⅛	.25

During the past two fiscal years dividends have been declared quarterly.

Pursuant to certain loan agreements Marley is restricted in the payment of dividends on shares of its Common Stock. For further information regarding these restrictions, see Note 5 of The Marley Company and Subsidiaries, Notes to Consolidated Financial Statements which is hereby incorporated by reference herein.

The holders of the Marley Preferred Stock are entitled to receive preferential and cumulative quarterly dividends at an annual rate of $3.45 per share. Dividends are cumulative from May 6, 1980 and will be payable quarterly on the fifteenth days of January, April, July and October of each year.

The approximate number of record holders of Marley Common Stock, as of January 21, 1981, was 2,909.

REVLON, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Common Stock Data (unaudited)

Revlon's common stock is listed and traded on the New York Stock Exchange, the Midwest Stock Exchange and the Pacific Stock Exchange. Quarterly high and low sales prices as reported in the consolidated transaction reporting system for 1980 and 1979 were:

	1980		1979	
Price per Share	High	Low	High	Low
First	$45¼	$35¾	$54⅜	$47⅜
Second	48¼	38½	50¼	44½
Third	53⅞	44½	54⅞	44½
Fourth	50⅛	42½	51⅞	44⅛

The approximate number of holders of record of common stock as of March 13, 1981 was 17,600.

Dividends on common stock are declared and paid on a quarterly basis. Dividends declared during 1980 and 1979 were:

Dividends per Share	1980	1979
First	$ .39	$ .32½
Second	.39	.39
Third	.39	.39
Fourth	.46	.39
	$1.63	$1.49½

Under various debt agreements, Revlon has agreed to certain restrictions on dividend payments. Under the most restrictive agreement, unrestricted consolidated retained earnings amounted to $338,488,000 at December 31, 1980. Common stock cash dividends may not be paid unless full cumulative dividends on the Convertible Preferred Stock have been paid.

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. *SFAS 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 *SFAS No. 14* by stating that the requirements of *SFAS 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 1980 financial statements of the survey companies.

TABLE 1-3: SEGMENT INFORMATION

	Number of Companies			
	1980	**1979**	**1978**	**1977**
Industry segments				
Revenue	458	457	445	324
Operating income or loss	405	410	397	287
Identifiable assets	454	452	444	307
Depreciation expense	449	450	439	303
Capital expenditures	442	443	432	299
Geographic areas				
Revenue	206	210	205	169
Operating income or loss	172	174	168	118
Identifiable assets	215	214	205	161
Depreciation expense	21	20	24	19
Capital expenditures	21	22	26	19
Export sales	109	88	101	59
Sales to major customers	102	85	85	59

Industry Segments

AMERICAN SEATING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17—Reporting by Industry Segment

American Seating Company is a manufacturer of institutional furniture and public seating products. The principal industry segments of the Company and the products and markets of each segment are as follows: Institutional Furniture includes furniture (including seating) for schools, auditoriums, theatres, civic centers, arenas, stadiums, business and government offices and other public buildings. Transportation Seating is used in rapid transit systems, city, intercity and school buses. Foundry Products relates to gray iron castings, steel tubing, and other metal and laminated products for original equipment manufacturers. Other Products includes cast iron stoves and all others not separately significant.

Information about the Company's continuing operations in different industries for the three years ended December 31, 1980 is as follows:

	(In Thousands of Dollars)		
	1980	1979	1978
Net sales:			
Institutional Furniture	$49,353	$43,544	$36,218
Transportation Seating	35,931	24,583	24,982
Foundry Products	7,217	9,018	8,139
Other Products	236	467	754
Consolidated Total	$92,737	$77,612	$70,094
Operating Profit (Loss):			
Institutional Furniture	$ 1,873	$(3,040)	$ (373)
Transportation Seating	4,273	1,487	4,011
Foundry Products	862	776	568
Other Products	(166)	(390)	(424)
Subtotal	6,842	(1,167)	3,782
General Corporate Expenses	(1,553)	(756)	(1,083)
Other income (expense)—net	(2,961)	(2,292)	(1,153)
Income Before Income Taxes	$ 2,328	$(4,215)	$ 1,546
Identifiable Assets:			
Institutional Furniture	$29,687	$28,938	$26,091
Transportation Seating	23,342	19,382	11,661
Foundry Products	5,747	5,903	5,816
Other Products	1,935	859	2,513
Corporate	3,525	4,571	2,815
Consolidated Total	$64,236	$59,653	$48,896
Depreciation and Amortization:			
Institutional Furniture	$ 1,132	$ 928	$ 952
Transportation Seating	663	707	396
Foundry Products	349	327	302
Other Products	38	13	48
Consolidated Total	$ 2,182	$ 1,975	$ 1,698
Capital Expenditures:			
Institutional Furniture	$ 1,906	$ 2,023	$ 1,625
Transportation Seating	2,147	1,574	638
Foundry Products	171	286	532
Other Products	88	18	1,034
Consolidated Total	$ 4,312	$ 3,901	$ 3,829

Sales were made to two major customers in amounts exceeding 10% of consolidated revenues. Sales to one such customer (primarily of transportation seating products) amounted to $16,172,000 in 1980, $10,563,000 in 1979 and $7,620,000 in 1978. Sales of transportation seating products to the other major customer amounted to $10,232,000 in 1980.

AMERICAN CYANAMID COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of dollars)

Note 10: Information About Operations by Businesses and Geographic Areas

The following commentary relates to tables appearing on pages 25 and 26.

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

In 1980, the company made a reclassification between the specialty chemicals and medical businesses to more appropriately reflect such operations. Prior years' data have been restated for comparability purposes.

Total sales between businesses were approximately $91,800 in 1980 ($90,600 in 1979 and $76,400 in 1978). These intersegment sales, which are made at cost, were not significant for any of the businesses except medical ($22,600 for 1980, $31,900 for 1979 and $23,900 for 1978) and specialty chemicals ($67,400 for 1980, $57,400 for 1979 and $51,100 for 1978).

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 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.

Third-quarter 1980 operating earnings were reduced by $13,600 in the specialty chemicals business as the result of several provisions for curtailment or withdrawal from certain product lines. Operating earnings of the consumer products business were also reduced in the third quarter of 1980 because of a $2,000 provision for consolidating certain manufacturing and distribution operations.

The agricultural business reflected the non-recurring gain of $11,800 in operating earnings realized from the sale of a Florida phosphate rock deposit in the fourth quarter of 1979. Fourth-quarter 1979 operating earnings were reduced in the specialty chemicals and Formica brand products businesses, $10,400 and $7,700, respectively, by provisions for consolidating certain manufacturing operations and a downward revision in the company's investments in some assets.

Businesses:	Agricultural	Medical	Specialty Chemicals	Consumer Products	Formica® Brand Products	Corporate	Consolidated
1980							
Net sales	$837,158	$695,167	$1,023,560	$492,230	$405,819		$3,453,934
Operating earnings	132,301	88,456	48,193	27,830	25,517		322,297
General corporate expenses						$(30,964)	(30,964)
Interest expense, net						(40,920)	(40,920)
Earnings of consolidated companies before taxes on income							250,413
Equity in net earnings of associated companies	482	5,281	6,535		284		12,582
Identifiable assets	649,879	426,711	774,586	212,820	297,473		2,361,469
Equity in net assets of and advances to associated companies	2,031	13,189	44,249		2,550		62,019
Corporate assets						493,075	493,075
Total assets							2,916,563
Depreciation and depletion	28,990	20,894	78,462	4,932	15,803	7,128	156,209
Capital additions	45,959	35,806	86,951	6,849	14,911	5,343	195,819
1979							
Net sales	$724,854	$612,779	$974,073	$444,513	$430,779		$3,186,998
Operating earnings	130,523	85,870	57,685	28,820	26,485		329,383
General corporate expenses						$(31,972)	(31,972)
Interest expense, net						(48,088)	(48,088)
Earnings of consolidated companies before taxes on income							249,323
Equity in net earnings of associated companies	416	4,315	5,769		272		10,772
Identifiable assets	598,888	380,505	798,302	189,375	315,377		2,282,447
Equity in net assets of and advances to associated companies	2,098	12,011	41,650		1,981		57,740
Corporate assets						486,575	486,575
Total assets							2,826,762
Depreciation and depletion	21,331	18,405	75,287	4,298	15,110	6,163	140,594
Capital additions	59,623	50,413	80,520	9,158	23,337	12,365	235,416
1978							
Net sales	$611,613	$540,482	$841,026	$391,254	$395,795		$2,780,170
Operating earnings	82,523	81,274	83,787	30,276	32,498		310,358
General corporate expenses						$(32,062)	$(32,062)
Interest expense, 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	337,721	764,663	135,183	304,537		2,077,681
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							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

Geographic areas:	United States	Other Western Hemisphere	Eastern Hemisphere	Adjustments and Eliminations	Consolidated
1980					
Net sales to unaffiliated customers	$2,223,794	$450,134	$780,006		$3,453,934
Intergeographic sales	135,085	32,886	23,527	$(191,498)	
Total net sales	2,358,879	483,020	803,533	(191,498)	3,453,934
Operating earnings	154,541	47,023	120,733		322,297
General corporate expenses					(30,964)
Interest expenses, net					(40,920)
Earnings of consolidated companies before taxes on income					250,413
Equity in net earnings of associated companies	5,559	439	6,584		12,582
Identifiable assets	1,552,309	306,697	502,463		2,361,469
Equity in net assets of and advances to associated companies	31,328	2,031	28,660		62,019
Corporate assets					493,075
Total assets					2,916,563
1979					
Net sales to unaffiliated customers	$2,061,617	$422,139	$703,242		$3,186,998
Intergeographic sales	116,319	26,605	19,039	$(161,963)	
Total net sales	2,177,936	448,744	722,281	(161,963)	3,186,998
Operating earnings	158,911	52,679	117,793		329,383
General corporate expenses					(31,972)
Interest expense, net					(48,088)
Earnings of consolidated companies before taxes on income					249,323
Equity in net earnings of associated companies	5,290	361	5,121		10,772
Identifiable assets	1,515,450	295,157	471,840		2,282,447
Equity in net assets of and advances to associated companies	26,082	1,952	29,706		57,740
Corporate assets					486,575
Total assets					2,826,762
1978					
Net sales to unaffiliated customers	$1,821,246	$355,861	$603,063		$2,780,170
Intergeographic sales	111,244	32,041	9,428	$(152,713)	
Total net sales	1,932,490	387,902	612,491	(152,713)	2,780,170
Operating earnings	151,412	43,404	115,542		310,358
General corporate expenses					(32,062)
Interest expense, 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					2,526,149

AMSTED INDUSTRIES INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Industry Segments

The company's products in each industry segment are described in the narrative section of the annual report to stockholders under the caption "Review of Operations."

Operating income is sales less operating expenses before allocation of general corporate expenses (net of interest income) and income taxes.

Identifiable assets are those assets that are used in the company's operations in each industry. Corporate assets are principally cash, short-term investments, prepaid items and fixed assets at a research facility. Foreign operations are not significant.

In Thousands

			General Industrial Products			
For the year 1980	Consolidated	Railroad Products	Construction & Building Products	Mechanical Power Transmission Components	Other Products	Total General Industrial Products
Sales	$914,868	$469,022	$223,587	$133,301	$88,958	$222,259
Operating income	$138,602	$105,664	$ 6,042	$ 14,082	$12,814	$ 26,896
General corporate expenses	(3,713)					
Income before taxes	$134,889					
Property additions		$ 27,742	$ 6,844	$ 5,229	$ 2,013	$ 7,242
Depreciation expense		$ 8,393	$ 7,165	$ 2,967	$ 1,630	$ 4,597
At 9/30/80:						
Identifiable assets	$415,783	$176,908	$129,788	$65,804	$43,283	$109,087
Corporate assets	37,538					
Total assets	$453,321					
For the year 1979						
Sales	$855,725	$428,261	$218,422	$128,878	$80,164	$209,042
Operating income	$127,940	$ 88,455	$ 14,017	$ 15,867	$ 9,601	$ 25,468
General corporate expenses	(8,093)					
Income before taxes	$119,847					
Property additions		$ 14,582	$ 4,013	$ 4,003	$ 1,814	$ 5,817
Depreciation expense		$ 7,344	$ 7,057	$ 2,894	$ 1,736	$ 4,630
At 9/30/79:						
Identifiable assets	$395,348	$156,480	$133,833	$ 65,591	$39,444	$105,035
Corporate assets	26,308					
Total assets	$421,656					

BRUNSWICK CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4: Segment Information

	Industry segments							Geographic segments				
(dollars in millions)	Technical	Medical	Products	Recreation Centers	Marine Power	Eliminations	Total segments	United States	Foreign	Eliminations	Corporate	Consolidated
1980												
Net sales												
Customers	$304.9	244.3	176.1	109.3	365.1	—	$1,199.7	958.3	241.4	—	—	$1,199.7
Intersegment	—	—	4.4	—	—	(4.4)	—	93.1	1.6	(94.7)	—	—
	$304.9	244.3	180.5	109.3	365.1	(4.4)	$1,199.7	1,051.4	243.0	(94.7)	—	$1,199.7
Operating earnings (loss)	$ 38.8	35.3	17.7	11.0	(11.2)	1.1	$ 92.7	76.3	16.5	(.1)	(35.7)	$ 57.0
Assets	235.6	169.3	107.2	62.8	283.4	(4.3)	854.0	719.9	137.5	(3.4)	70.3	924.3
Capital expenditures	8.6	14.9	3.2	9.9	19.8	—	56.4				3.5	59.9
Depreciation	5.7	9.2	2.7	7.3	19.7	(.7)	43.9				1.2	45.1
1979												
Net sales												
Customers	$307.8	219.5	157.7	99.2	473.1	—	$1,257.3	1,031.1	226.2	—	—	$1,257.3
Intersegment	.1	—	4.7	—	—	(4.8)	—	86.5	2.3	(88.8)	—	—
	$307.9	219.5	162.4	99.2	473.1	(4.8)	$1,257.3	1,117.6	228.5	(88.8)	—	$1,257.3
Operating earnings	$ 42.0	30.6	15.3	9.9	37.5	.6	$ 135.9	115.9	20.7	(.7)	(33.2)	$ 102.7
Assets	243.7	165.4	94.9	63.4	340.8	(5.2)	903.0	774.6	131.9	(3.5)	86.0	989.0
Capital expenditures	8.6	15.0	5.2	8.7	33.8	(.5)	70.8				.5	71.3
Depreciation	6.3	8.8	2.5	6.7	14.6	(1.2)	37.7				1.0	38.7
1978												
Net sales												
Customers	$208.4	198.0	171.6	93.2	455.2	—	$1,126.4	947.7	178.7	—	—	$1,126.4
Intersegment	.1	—	5.5	—	—	(5.6)	—	71.7	2.7	(74.4)	—	—
	$208.5	198.0	177.1	93.2	455.2	(5.6)	$1,126.4	1,019.4	181.4	(74.4)	—	$1,126.4
Operating earnings	$ 28.4	27.3	8.0	9.7	53.3	(.9)	$ 125.8	109.8	16.6	(.6)	(28.0)	$ 97.8
Assets	227.8	154.2	107.6	59.0	274.7	(6.2)	817.1	700.8	119.4	(3.1)	116.3	933.4
Capital expenditures	26.8	16.0	4.6	10.4	22.9	(1.0)	79.7				1.4	81.1
Depreciation	5.3	8.5	2.4	6.4	12.8	(.1)	35.3				1.1	36.4

Net sales to customers include insignificant amounts sold to unconsolidated affiliated companies. Sales between the United States and foreign operations generally are priced with reference to prevailing market prices.

Operating earnings of segments do not include corporate administration, other expense and income of a non-operating nature and provisions for income taxes. The 1980 operating loss of Marine Power includes the favorable impact of significantly reduced inventories valued using the last-in, first-out (LIFO) method of accounting. This caused operating earnings to be charged with prior years' inventory costs, which were approximately $12.3 million lower than current replacement costs. Operating earnings include provisions for losses on disposal of discontinued product lines in 1980 of $.2 million for Technical and $3.4 million for Medical and, in 1978, of $1.9 million for Medical and $5.8 million for Recreation Products.

Corporate assets include cash and marketable securities, certain installment notes receivable, and investments in unconsolidated affiliates. Increases in the 1979 Technical segment balances were due primarily to 1978 acquisitions.

CHAMPION INTERNATIONAL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 15: Business Segments

Information about the company's operations in different businesses for the three years ended December 31, 1980 is as follows:

(in thousands of dollars)	Building Products	Paper	Packaging	Eliminations	Consolidated
Net Sales to Unaffiliated Customers:					
1980	$1,557,041	$1,472,640	$723,037	$ —	$3,752,718
1979	1,788,735	1,307,462	654,763	—	3,750,960
1978	1,743,502	1,164,295	567,348	—	3,475,145
Intersegment Net Sales:					
1980	$ 40,904	$ 3,013	$ 3,514	$(47,431)	$
1979	29,613	1,045	1,382	(32,040)	—
1978	25,648	1,185	363	(27,196)	—
Total Net Sales:					
1980	$1,597,945	$1,475,653	$726,551	$(47,431)	$3,752,718
1979	1,818,348	1,308,507	656,145	(32,040)	3,750,960
1978	1,769,150	1,165,480	567,711	(27,196)	3,475,145
Segment Income from Operations:					
1980	$ 65,677	$ 204,914	$ 46,364	$ —	$ 316,955
1979	165,211	210,933	62,715	—	438,859
1978	191,234	160,675	46,050	—	397,959
Identifiable Assets:					
1980	$ 815,527	$1,158,315	$620,345	$ —	$2,594,187
1979	807,536	1,087,081	530,096	—	2,424,713
1978	742,997	943,933	407,547	—	2,094,477
Capital Expenditures:					
1980	$ 56,236	$ 56,943	$ 98,399	$ —	$ 211,578
1979	77,753	139,147	126,225	—	343,125
1978	84,655	156,105	76,699	—	317,459
Depreciation Expense and Cost of Timber Harvested:					
1980	$ 65,452	$ 54,426	$ 25,295	$ —	$ 145,173
1979	66,096	41,193	22,816	—	130,105
1978	55,336	37,346	20,822	—	113,504

Information about the company's operations in different geographic areas for the three years ended December 31, 1980 is as follows:

(in thousands of dollars)	U.S.	Canada	All Other	Eliminations	Consolidated
Net Sales to Unaffiliated Customers:					
1980	$3,248,992	$384,770	$118,956	$ —	$3,752,718
1979	3,199,443	432,689	118,828	—	3,750,960
1978	2,975,984	405,056	94,105	—	3,475,145
Intersegment Net Sales:					
1980	$ 962	$ 16,032	$ 1,662	$(18,656)	$ —
1979	813	19,028	984	(20,825)	—
1978	774	10,999	1,541	(13,314)	—
Total Net Sales:					
1980	$3,249,954	$400,802	$120,618	$(18,656)	$3,752,718
1979	3,200,256	451,717	119,812	(20,825)	3,750,960
1978	2,976,758	416,055	95,646	(13,314)	3,475,145
Segment Income from Operations:					
1980	$ 259,290	$ 18,853	$ 38,812	$ —	$ 316,955
1979	350,797	46,944	40,833	285	438,859
1978	329,268	40,592	28,237	(138)	397,959

Identifiable Assets:					
1980	$2,143,947	$266,065	$184,175	$ —	$2,594,187
1979	1,997,961	259,466	167,286	—	2,424,713
1978	1,717,435	220,920	156,407	(285)	2,094,477
Capital Expenditures:					
1980	$ 188,637	$ 19,392	$ 3,549	$ —	$ 211,578
1979	311,442	27,088	4,595	—	343,125
1978	296,211	16,198	5,050	—	317,459
Depreciation Expense and Cost of Timber Harvested:					
1980	$ 126,547	$ 12,569	$ 6,057	$ —	$ 145,173
1979	111,852	12,186	6,067	—	130,105
1978	96,413	11,478	5,613	—	113,504

A reconciliation of segment information to consolidated amounts is as follows:

(in thousands of dollars) Years Ended December 31	1980	1979	1978
Consolidated segment income from operations	$ 316,955	$ 438,859	$ 397,959
General corporate expense	(66,146)	(57,094)	(42,166)
Consolidated income from operations	250,809	381,765	355,793
Equity in net income of unconsolidated affiliates	6,922	5,696	4,674
Interest and debt expense (net of interest capitalized)	(57,614)	(41,371)	(44,612)
Other income (expense)—net	23,924	6,733	(2,869)
Income before income taxes	$ 224,041	$ 352,823	$ 312,986
Consolidated segment identifiable assets	$2,594,187	$2,424,713	$2,094,477
Timber, timberlands, corporate and other assets	745,331	615,772	761,627
Total assets	$3,339,518	$3,040,485	$2,856,104
Consolidated segment capital expenditures	$ 211,578	$ 343,125	$ 317,459
Timber, timberlands and corporate capital expenditures	143,542	107,030	76,404
Total capital expenditures	$ 355,120	$ 450,155	$ 393,863
Consolidated segment depreciation expense and cost of timber harvested	$ 145,173	$ 130,105	$ 113,504
General corporate depreciation expense	2,329	2,068	1,752
Total depreciation expense and cost of timber harvested	$ 147,502	$ 132,173	$ 115,256

(a) Intersegment net sales are made at prevailing market prices. The majority of intersegment net sales consists of chip sales by the building products segment to the paper and packaging segments. Sales to foreign customers or to a single customer are insignificant. The accounting policies described in Note 1 are also applicable to the company's business segments.

(b) Corporate identifiable assets and capital expenditures include the assets and capital expenditures of the company's timber and timberlands operations and the discontinued furnishings business. General corporate expenses are principally general and administrative expenses.

The company's timber and timberlands assets and related capital expenditures support all segments, but were not allocated to the various segments because the identification of the specific timber and timberlands assets associated with any one segment is impossible to determine and any allocation of these assets to the segments would be arbitrary. The timber that has been harvested and transferred as logs or pulpwood to the various business segments has been included in the operating results of the segments at cost.

(c) Beginning in 1980, the company has made minor changes in its segment information to conform the classifications between different operations. Prior year amounts have been reclassified to conform to the current year's presentation. The reclassification had no effect on the information about the company's operations in different geographic areas. As a result of this reclassification, the building products segment's net sales (before intersegment eliminations), income from operations and identifiable assets decreased and the paper segment's net sales (before intrasegment eliminations), income from operations and identifiable assets increased as follows:

Years Ended December 31 (in thousands of dollars)	1979	1978
Total Net Sales (before eliminations)	$43,417	$34,175
Income from Operations	$17,212	$ 7,484
Identifiable Assets	$31,375	$32,179

COLT INDUSTRIES INC (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 8: Segment Information

The company's operations are conducted through divisions within five industry segments consisting of:

Industrial and Power Equipment—fabricated metal products, weighing systems, industrial diesel engines and accessories, compressors, machine tools and measuring equipment, transformers, and firearms;

Fluid Control Systems—automotive carburetors, pumps, and aerospace fuel systems and controls;

Materials—specialty carbon and low-alloy steels, stainless and other special-purpose steels;

Industrial Seals and Components—gaskets, packings, valves, and other devices to prevent leakage and seal out contaminants;

Shock Mitigation Systems—aircraft landing gear assemblies and other shock mitigation and flight control systems.

Information on the company's industry segments for the three years ended December 31, 1980 is as follows (in millions):

Industry Segments	Operating Income	Sales	Total Assets	Depreciation and Amortization	Capital Expenditures
1980					
Industrial and Power Equipment	$ 88.6	$ 626	$ 310	$ 7.7	$ 17.1
Fluid Control Systems	35.2	391	163	4.8	11.9
Materials	9.6	734	460	34.2	58.0
Industrial Seals and Components	44.0	307	223	8.7	9.7
Shock Mitigation Systems	19.1	145	128	2.4	11.5
Intersegment elimination	—	(37)	—	—	—
Total segments	196.5	2,166	1,284	57.8	108.2
Interest expense	(24.4)	—	—	—	—
Interest income	16.4	—	—	—	—
Corporate unallocated	(20.0)	—	154	.1	.2
Consolidated	$168.5	$2,166	$1,438	$57.9	$108.4
1979					
Industrial and Power Equipment	$ 77.3	$ 600	$ 294	$ 9.3	$ 12.2
Fluid Control Systems	50.0	367	145	3.7	15.8
Materials	59.4	808	434	24.3	22.3
Industrial Seals and Components	40.0	303	219	8.0	11.8
Shock Mitigation Systems	6.7	106	87	2.3	3.6
Intersegment elimination	—	(43)	—	—	—
Total segments	233.4	2,141	1,179	47.6	65.7
Interest expense	(29.6)	—	—	—	—
Interest income	14.3	—	—	—	—
Corporate unallocated	(15.6)	—	123	.3	—
Consolidated	$202.5	$2,141	$1,302	$47.9	$ 65.7
1978					
Industrial and Power Equipment	$ 55.2	$ 516	$ 318	$ 8.5	$ 16.3
Fluid Control Systems	48.4	320	116	6.4	6.1
Materials	44.3	664	395	20.3	20.0
Industrial Seals and Components	31.9	250	190	6.6	8.8
Shock Mitigation Systems	14.2	92	74	2.1	4.7
Intersegment elimination	—	(34)	—	—	—
Total segments	194.0	1,808	1,093	43.9	55.9
Interest expense	(29.8)	—	—	—	—
Interest income	13.1	—	—	—	—
Corporate unallocated	(14.7)	—	171	.3	.1
Consolidated	$162.6	$1,808	$1,264	$44.2	$ 56.0

Information on the company's operations by geographic segments for the three years ended December 31, 1980 is as follows (in millions):

Geographic Segments	Operating Income	Sales	Total Assets
1980			
Domestic Operations	$168.4	$2,001	$1,227
Foreign Operations	28.1	191	132
Intersegment elimination	—	(26)	(75)
Total segments	196.5	2,166	1,284
Interest expense	(24.4)	—	—
Interest income	16.4	—	—
Corporate unallocated	(20.0)	—	154
Consolidated	$168.5	$2,166	$1,438
1979			
Domestic Operations	$220.3	$1,984	$1,110
Foreign Operations	13.1	182	130
Intersegment elimination	—	(25)	(61)
Total segments	233.4	2,141	1,179
Interest expense	(29.6)	—	—
Interest income	14.3	—	—
Corporate unallocated	(15.6)	—	123
Consolidated	$202.5	$2,141	$1,302
1978			
Domestic Operations	$187.0	$1,664	$1,018
Foreign Operations	7.0	164	139
Intersegment elimination	—	(20)	(64)
Total segments	194.0	1,808	1,093
Interest expense	(29.8)	—	—
Interest income	13.1	—	—
Corporate unallocated	(14.7)	—	171
Consolidated	$162.6	$1,808	$1,264

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

NOTES TO FINANCIAL STATEMENTS

Note N—Financial Information Regarding Industry Segments

Reference is made to the separate schedule included in this report on pages 32 and 33 entitled "Financial Information Regarding Industry Segments." The information included in that schedule for 1980, 1979 and 1978 is an integral part of the financial statements.

FINANCIAL INFORMATION REGARDING INDUSTRY SEGMENTS

Information about the Company's industry segments for the years ended November 1, 1980 (52 weeks), November 3, 1979 (53 weeks), and October 28, 1978 (52 weeks) is summarized below. (Dollar amounts in thousands)

	Adjusted 1980 (LIFO basis)	Effect of changes(1)	Before changes 1980 (FIFO basis)	1979 (FIFO basis)	1978 (FIFO basis)
Net sales to unaffiliated customers					
Apparel fabrics	$ 892,559	—	$ 892,559	$ 867,159	$ 759,804
Home furnishings	573,408	—	573,408	536,820	554,187
Industrial products	220,950	—	220,950	232,081	184,613
Commercial printing	165,374	—	165,374	138,396	99,928
Other	63,668	—	63,668	58,620	52,919
Net sales	$1,915,959	—	$1,915,959	$1,833,076	$1,651,451
Operating income					
Apparel fabrics	$ 39,199	$ 15,916	$ 55,115	$ 63,917	$ 49,880
Home furnishings	23,464	15,086	38,550	35,892	33,088
Industrial products	8,103	3,860	11,963	15,505	13,499
Commercial printing	17,894	1,096	18,990	16,683	12,351
Other	3,818	677	4,495	4,005	4,339
Total operating income	92,478	36,635	129,113	136,002	113,157
General corporate expenses, net	(29,025)	—	(29,025)	(25,359)	(24,270)
Interest expense	(36,536)	—	(36,536)	(29,878)	(26,962)
Income before taxes	$ 26,917	$ 36,635	$ 63,552	$ 80,765	$ 61,925
Identifiable assets					
Apparel fabrics	$ 444,487	$ 15,916	$ 460,403	$ 439,727	$ 414,060
Home furnishings	344,026	15,086	359,112	349,059	342,815
Industrial products	99,039	3,860	102,899	108,876	104,219
Commercial printing	100,541	1,096	101,637	83,299	68,648
Other	23,943	677	24,620	21,440	19,951
	1,012,036	36,635	1,048,671	1,002,401	949,693
Corporate	58,316	—	58,316	38,251	23,885
Total assets	$1,070,352	$ 36,635	$1,106,987	$1,040,652	$ 973,578
Capital expenditures					
Apparel fabrics	$ 37,030	—	$ 37,030	$ 20,882	$ 26,330
Home furnishings	17,277	—	17,277	32,260	23,808
Industrial products	8,226	—	8,226	5,710	4,035
Commercial printing	17,682	—	17,682	11,261	5,563
Other	851	—	851	1,295	730
	81,066	—	81,066	71,408	60,466
Corporate	2,559	—	2,559	425	526
Total capital expenditures	$ 83,625	—	$ 83,625	$ 71,833	$ 60,992
Depreciation and amortization					
Apparel fabrics	$ 23,405	$ 936	$ 24,341	$ 24,503	$ 23,949
Home furnishings	19,354	764	20,118	18,310	17,241
Industrial products	4,907	265	5,172	5,020	4,219
Commercial printing	4,256	2	4,258	3,610	2,798
Other	752	45	797	653	633
	52,674	2,012	54,686	52,096	48,840
Corporate	651	—	651	587	580
Total depreciation and amortization	$ 53,325	$ 2,012	$ 55,337	$ 52,683	$ 49,420

(1) In 1980, the Company adopted the LIFO method of determining inventory costs, changed certain inventory cost elements, and changed to the straight-line depreciation method, for financial reporting purposes, for plant and equipment acquired in 1980 and future years. (See Notes B and C to the financial statements.)

Intersegment sales are not material.

Corporate assets are principally cash and fixed assets at corporate offices and the research center.

Stevens' textile manufacturing and marketing programs are supervised through 10 basic corporate divisions, keyed to the major markets served by the Company. The Company distributes the great majority of its products through its own sales organization, with each line of products having separate sales staffs serving the trades and customers involved. The Company services more than 16,000 customers' accounts. The principal sales office of the Company is in New York City and the Company has general regional sales offices in 17 other cities in the United States. Some products in the home furnishings classification are sold through independent distributors. One customer of a subsidiary company accounts for approximately 21% (1980), 25% (1979) and 24% (1978) of the sales of the commercial printing segment.

Stevens' export sales of products produced in the United States amounted to less than 5% of total net sales in fiscal 1980, 1979 and 1978. In addition, Stevens has modest investments in textile operations in Canada, Mexico and England, and in joint ventures in France and New Zealand. None of these foreign investments involves any substantial risks or constitutes a significant portion of the Company's operations.

Operating income is total revenue less costs and expenses of operation. In computing operating income, none of the following has been deducted: general corporate expenses, interest on indebtedness and taxes on income.

The reported segment information necessarily includes allocations of the cost of assets and expenditures shared by or related to more than one of the Company's segments. Although management believes such allocations are reasonable, the assets and operating income do not necessarily reflect how such data might appear if the segments were operated as separate businesses.

A brief description of the operations of the industry segments follows:

Apparel fabrics: Units included in Apparel fabrics weave or knit greige goods from cotton, synthetic yarns and fibers, wool or a combination of these raw materials and sell these goods either in the greige or finished state to converters, garment manufacturers and retailers serving the home sewing market. The fabrics which the Company produces are used for slacks, jeans, dresses, shirts, rainwear, outerwear, underwear, and like items.

Home furnishings: Plants comprising the Home furnishings segment produce fabrics using primarily cotton and synthetic fibers or a combination of both. Products include, among others, sheets and pillowcases, terry towels and faceclothes, tablecloths, kitchen products, drapery, curtain and upholstery fabrics, bedspreads, comforters and carpeting.

Industrial products: Industrial products are sold to the industrial trade and include filtration products, insect screening, fabrics for headliners for automobiles, molded floor carpeting for automobiles, canvas, and similar products.

Commercial printing: Operations in the Commercial printing segment include the printing of retail catalogs, periodicals, rate books, television guides, telephone books, and general commercial printing products.

Other: The Company has modest other operations which include the sale and service of aircraft, elastomeric and plastic products and the operation of retail stores primarily for employees.

WALT DISNEY PRODUCTIONS (SEP)

Consolidated Statement of Income

	1980	1979
Revenues		
Entertainment and recreation	$643,380,000	$571,079,000
Motion pictures	161,400,000	134,785,000
Consumer products and other....	109,725,000	90,909,000
Total revenues	914,505,000	796,773,000
Costs and Expenses of Operations		
Entertainment and recreation	515,848,000	450,435,000
Motion pictures	112,725,000	94,556.000
Consumer products and other....	54,632,000	46,087,000
Total costs and expenses of operations	683,205,000	591,078,000
Operating Income Before Corporate Expenses		
Entertainment and recreation	127,532,000	120,644,000
Motion pictures	48,675,000	40,229,000
Consumer products and other....	55,093,000	44,822,000
Total operating income before corporate expenses.........	$231,300,000	$205,695,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5: 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 41 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 $914,505,000 ($796,773,000—1979) included foreign revenues (considered as export sales) related to the following geographic areas:

	1980	1979
Europe	$ 95,749,000	$ 71,628,000
Western Hemisphere (excluding the United States)	24,413,000	19,947,000
Other	13,701,000	13,289,000
	$ 133,863,000	$ 104,864,000

Capital expenditures by business segment were:

Entertainment and recreation	$ 157,834,000	$ 54,804,000
Motion pictures	2,020,000	1,541,000
Consumer products and other......................	140,000	42,000
Corporate	306,000	242,000
	$ 160,300,000	$ 56,629,000

Depreciation expense by business segment was:

Entertainment and recreation	$ 41,780,000	$ 39,053,000
Motion pictures	921,000	805,000
Consumer products and other	199,000	411,000
Corporate	193,000	170,000
	$ 43,093,000	$ 40,439,000

Amortization expense of film production costs (classified under Motion Pictures) was $33,889,000 and $31,823,000 for fiscal years 1980 and 1979, respectively.

Identifiable assets by business segment were:

Entertainment and recreation	$ 825,364,000	$ 684,856,000
Motion pictures	154,135,000	113,269,000
Consumer products and other	30,265,000	23,221,000
Corporate	337,643,000	375,078,000
	$1,347,407,000	$1,196,424,000

Corporate assets are principally cash and short term investments.

STEWART-WARNER CORPORATION (DEC)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 10: Business Segment Data

The Corporation's revenue and income are attributable to the four principal industry segments detailed in the accompanying summary. Total revenue by industry segment represents sales to unaffiliated customers as reported in the consolidated statements of income. Intersegment and export sales are not material. Corporate assets, as shown in the schedule below, consist principally of cash, time deposits and marketable securities (dollars in millions):

	Industry Segments						Geographic Segments	
	Electronic and Electro-mechanical Systems and Products	Fabricated Metal Products and Hardware	Vehicular Service Equipment and Materials	Specialty Products and Others	Corporate	Consolidated	United States	Foreign
1980								
Net sales	$142.0	$50.5	$72.1	$72.1	$ —	$336.2	$304.1	$32.1
Income from operations	17.6	4.8	10.1	3.2	(3.1)	32.6	29.7	2.9
Identifiable assets	90.8	39.3	47.4	54.6	4.1	236.2	211.3	24.9
Additions to plant and equipment	3.9	1.4	2.0	1.5	—	8.8	8.1	.7
Depreciation provisions	2.2	1.3	.9	1.3	—	5.7	5.0	.7
1979								
Net sales	175.3	50.7	65.4	74.6	—	366.0	339.0	27.0
Income from operations	22.4	5.0	10.0	5.5	(4.4)	38.5	36.3	2.2
Identifiable assets	93.8	37.7	40.1	55.2	4.4	231.2	206.3	24.9
Additions to plant and equipment	5.0	2.0	1.3	3.7	—	12.0	11.1	.9
Depreciation provisions	2.1	1.2	.7	1.1	—	5.1	4.6	.5
1978								
Net sales	153.7	50.5	59.1	70.8	—	333.6	308.0	25.6
Income from operations	22.5	7.4	10.5	3.4	(3.8)	40.0	38.8	1.2
Identifiable assets	82.9	35.7	33.4	50.1	11.9	214.0	193.9	20.1
Additions to plant and equipment	4.0	1.9	1.1	1.8	—	8.8	7.2	1.6
Depreciation provisions	2.0	1.1	.7	1.1	—	4.9	4.4	.5

Foreign Operations

CLARK EQUIPMENT CORPORATION (DEC)

FINANCIAL REVIEW

Description of Business

The Company is a highly integrated manufacturer of capital goods. Its present business is axles and transmissions and related components, material handling equipment, and construction machinery. Approximately one-third of the output of axles, transmissions, and related components is transferred to other product plants and used in the production of material handling equipment and construction machinery, where it is estimated that such axles, transmissions, and components represent between 20% and 30% of manufacturing costs. The rental of products and the sale of replacement parts are important phases of the Company's operations. Sales to the U.S. Government account for less than 2% of total sales.

Specified financial information by industry segments and geographic areas for the five years ended December 31, 1980 is summarized as follows and is discussed on Page 16.

GEOGRAPHIC AREAS
(Amounts in millions)

	1980	1979	1978	1977	1976 (Unaudited)
Sales to unaffiliated customers:					
United States	$ 968.4	$1,189.2	$1,031.4	$ 891.8	$ 833.1
Canada	86.5	99.0	79.6	71.3	67.5
Europe	261.6	228.7	192.2	177.8	199.1
South America	164.0	164.6	154.1	126.2	121.1
Australia	38.0	37.3	36.2	34.1	34.7
Other	15.2	12.9	9.8	7.3	5.5
Transfers between geographic areas:					
United States	130.1	116.5	96.3	104.7	96.2
Canada	18.7	28.9	27.5	40.7	27.5
Europe	7.1	3.2	4.4	2.6	.4
South America	1.0	4.2	4.3	—	—
Other	.8	.4	.2	1.5	—
Eliminations	(157.7)	(153.2)	(132.7)	(149.5)	(124.1)
Consolidated sales	$1,533.7	$1,731.7	$1,503.3	$1,308.5	$1,261.0
Operating profit:					
United States	$ 76.5	$ 125.6	$ 116.9	$ 113.1	$ 86.0
Canada	7.4	14.3	6.6	5.9	6.8
Europe	27.6	33.4	24.2	12.9	15.1
South America	18.7	28.8	29.2	18.3	29.6
Australia	5.0	4.3	1.8	1.0	2.7
Other	.2	.7	9	(.4)	.5
Eliminations	(1.3)	—	.4	(.7)	.4
	134.1	207.1	180.0	150.1	141.1
Equity in income of:					
Finance subsidiaries	48.9	39.5	28.8	23.7	19.7
Minority-owned associated companies	5.0	1.5	4.7	1.2	(5.4)
General corporate expense*	(70.5)	(35.9)	(39.0)	(31.8)	(34.5)
Interest expense	(25.2)	(22.6)	(23.0)	(27.3)	(34.1)
Income before income taxes	$ 92.3	$ 189.6	$ 151.5	$ 115.9	$ 86.8
Identifiable assets:					
United States	$ 384.5	$ 449.4	$ 439.3	$ 411.5	$ 396.9
Canada	30.4	35.0	32.2	39.2	32.4
Europe	167.5	174.6	130.8	122.5	120.3
South America	156.0	132.3	123.8	117.3	127.6
Australia	22.5	29.9	28.8	32.8	30.1
Eliminations and other	(8.7)	(11.4)	(13.9)	(17.9)	(8.8)
	752.2	809.8	741.0	705.4	698.5
Investments and advances to:					
Finance subsidiaries	155.7	150.1	125.0	106.6	96.8
Minority-owned associated companies	30.7	22.5	26.1	30.4	29.3
Corporate assets	103.7	80.7	82.8	81.7	75.5
Total assets	$1,042.3	$1,063.1	$ 974.9	$ 924.1	$ 900.1

*1980 includes a pre-tax provision of $13.7 million for costs relating to the disposition of the Lima, Ohio, crane business; 1979 was net of the $11.1 million pre-tax gain from the sale of Tremec stock.

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 includes adjustments which represent the net change in intergeographic area operating profit in beginning and ending inventories. In computing operating profit, none of the following items have 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 $6.0, $4.8, $4.8, $5.2, and $4.5 million, representing intersegment operating profit in inventory and $2.5, $6.5, $10.1, $14.0, and $5.4 million of intersegment receivables at December 31, 1980 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, short-term investments, and fixed assets maintained for general corporate purposes.

On the $968.4, $1189.2, $1031.4, $891.8, and $833.1 million U.S. sales to unaffiliated customers in 1980 and each of the four previous years, $182.8, $147.2, $106.0, $97.5, and $113.7 million, respectively, are export sales, principally to Europe and South America.

In 1980 foreign finance companies accounted for $35.7 million of revenue, $1.3 million of operating profit, and $209.0 million of total assets of the combined finance operations, of which $23.2, $0.4, and $126.2 million, respectively, relate to operations in Europe. In 1979 foreign finance companies accounted for $23.2 million of revenue, $2.3 million of operating profit, and $190.4 million of total assets of the combined finance operations, of which $14.2, $1.2, and $120.0 million, respectively, relate to operations in Europe. Operating profit represents income before income taxes.

THE COCA-COLA COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13: Industry Segment and Geographic Data

The industry segment and geographic data for 1980, 1979 and 1978 presented on pages 40 and 41 are an integral part of these financial statements.

OPERATIONS IN GEOGRAPHIC AREAS

Information about the Company's operations in different geographic areas is presented below (in thousands). Neither Africa nor Canada is a significant geographic area, as defined by FASB 14; therefore, these areas have been grouped in accordance with the Company's management organizational structure. Inter-company transfers between geographic areas are not material.

	Year Ended December 31		
	1980	1979	1978
Net sales:			
United States and Puerto Rico	$3,271,123	$2,662,472	$2,354,624
Latin America	568,197	422,259	341,169
Europe and Africa	1,235,067	1,065,492	841,936
Canada and Pacific	838,208	811,179	800,188
Total net sales	$5,912,595	$4,961,402	$4,337,917
Operating income from geographic areas:			
United States and Puerto Rico	$ 297,621	$ 272,132	$ 271,950
Latin America	150,221	101,091	83,743
Europe and Africa	286,718	277,356	224,570
Canada and Pacific	127,578	144,463	151,854
Total from geographic areas	862,138	795,042	732,117
Other income, net of other deductions	(39,538)	(2,568)	559
General expenses	(58,301)	(50,282)	(41,280)
Income before income taxes	$ 764,299	$ 742,192	$ 691,396
Identifiable assets at year-end:			
United States and Puerto Rico	$1,708,180	$1,499,945	$1,236,057
Latin America	425,332	311,018	244,090
Europe and Africa	617,227	571,749	515,344
Canada and Pacific	366,017	345,687	333,576
Total by geographic areas	3,116,756	2,728,399	2,329,067
Corporate assets (principally marketable securities and fixed assets)	289,202	209,642	253,742
Total assets at year-end	$3,405,958	$2,938,041	$2,582,809

EASTMAN KODAK COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Segment Information (in part)

Financial information by geographic areas is as follows:

(in thousands)	United States	Canada and Latin America	Europe	Asia, Africa, Australia	Eliminations	Consolidated
1980						
Sales to unaffiliated customers	$5,698,417	$852,722	$2,715,190	$467,974		$9,734,303
Transfers among geographic areas	1,357,029	77,334	47,289	1,709	$(1,483,361)	
Total sales	$7,055,446	$930,056	$2,762,479	$469,683	$(1,483,361)	$9,734,303
Earnings from operations	$1,497,330	$143,616	$ 268,892	$ 35,080	$ (48,481)	$1,896,437
Assets by geographic areas Dec. 28, 1980	$6,284,199	$666,371	$2,034,631	$316,321	$ (547,531)	$8,753,991
1979						
Sales to unaffiliated customers	$4,788,734	$656,061	$2,222,874	$360,562		$8,028,231
Transfers among geographic areas	1,095,092	49,585	37,820	1,699	$(1,184,196)	
Total sales	$5,883,826	$705,646	$2,260,694	$362,261	$(1,184,196)	$8,028,231
Earnings from operations	$1,167,272	$133,489	$ 309,696	$ 38,927	$ (760)	$1,648,624
Assets by geographic areas Dec. 30, 1979	$5,443,051	$547,842	$1,724,819	$262,841	$ (424,425)	$7,554,128
1978						
Sales to unaffiliated customers	$4,325,505	$533,160	$1,863,142	$291,116		$7,012,923
Transfers among geographic areas	918,301	35,926	27,609	1,541	$ (983,377)	
Total sales	$5,243,806	$569,086	$1,890,751	$292,657	$ (983,377)	$7,012,923
Earnings from operations	$1,260,130	$ 97,245	$ 286,038	$ 27,847	$ (25,749)	$1,645,511
Assets by geographic areas Dec. 31, 1978	$5,013,642	$461,245	$1,458,809	$230,119	$ (362,748)	$6,801,067

Transfers among geographic areas are made on a basis intended to reflect the market value of the products, recognizing prevailing market prices and distributor discounts.

The parent company's equity in the net assets and net earnings of subsidiaries outside the United States is as follows:

(Amounts in millions)	1980	1979	1978
Net assets	$1,453.0	$1,286.9	$1,101.3
Net earnings	$ 254.3	$ 289.3	$ 219.6

DRESSER INDUSTRIES, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note L (in part): 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 page 4 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, short-term investments and receivables.

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 Geographic Area is summarized as follows:

(In Millions of Dollars) Years Ended October 31,	1980	1979	1978
Sales and service revenues to unaffiliated customers			
United States	$3,061.6	$2,688.7	$2,345.0
Canada	224.6	164.5	131.1
Latin America	158.0	120.2	111.1
Europe	384.5	307.3	280.7
Mid East, Far East and Africa	187.6	176.7	186.1
Intergeographic area sales and service revenues			
United States	138.8	103.5	92.7
Canada	25.6	24.1	20.1
Latin America	1.4	2.1	10.7
Europe	50.8	44.5	35.2
Mid East, Far East and Africa	15.5	3.1	7.0
Eliminations	(232.1)	(177.3)	(165.7)
Total sales and service revenues	$4,016.3	$3,457.4	$3,054.0
Operating profit			
United States	$ 420.6	$ 385.4	$ 346.8
Canada	33.7	21.1	8.7
Latin America	10.3	5.6	17.5
Europe	32.9	42.0	48.4
Mid East, Far East and Africa	18.3	11.3	24.4
Adjustments and eliminations	(13.2)	(3.1)	(.1)
Total operating profit	$ 502.6	$ 462.3	$ 445.7
Identifiable assets			
United States	$1,854.0	$1,633.5	$1,419.5
Canada	163.1	141.6	108.1
Latin America	105.2	74.0	66.7
Europe	295.7	236.6	226.6
Mid East, Far East and Africa	165.9	131.6	119.9
Adjustments and eliminations	(180.9)	(108.5)	(92.2)
Total identifiable assets	$2,403.0	$2,108.8	$1,848.6
United States export sales			
Canada	$ 49.1	$ 40.0	$ 47.8
Latin America	128.3	127.6	95.6
Europe	165.2	85.0	42.4
Mid East, Far East and Africa	222.3	182.9	188.3
Total United States export sales	$ 564.9	$ 435.5	$ 374.1

G.D. SEARLE & CO. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Financial Reporting for Segments of the Company:

The company operates principally in three industry segments: pharmaceutical /consumer products, medical products and optical products. The operations of each segment are autonomous from the other segments and sales between segments are minimal.

Operations in the pharmaceutical/consumer products segment involve the research, development, manufacture and sale of ethical pharmaceuticals (i.e. pharmaceuticals which are sold by prescription of a physician) and proprietary nonprescription pharmaceuticals sold over the counter.

Operations in the medical products segment involve the manufacture and sale of a variety of supplies and equipment used in hospitals, nursing homes and other health care facilities. They also supply high-purity gases to laboratories.

Operations in the optical segment involve the manufacture and retail sale of prescription eyeglasses and contact lenses.

Corporate assets are principally cash, time and bank certificates of deposit and marketable securities. Included in these assets are the Puerto Rican pharmaceutical subsidiary owned time and bank certificates of deposit and marketable securities of $305,779,000 at December 31, 1980 and $351,890,000 at December 31, 1979. Interest and dividend income related to corporate assets are classified as nonoperating items.

Trade Sales (in thousands)	1980	1979	1978
Pharmaceutical/consumer products	$ 589,509	$ 505,550	$446,480
Medical products	295,393	261,970	233,024
Optical	196,625	130,652	91,713
Other	31	197	26
Total	$1,081,558	$ 898,369	$771,243
Operating Earnings (in thousands)			
Pharmaceutical/consumer products	$ 162,495	$ 149,166	$123,576
Medical products	(534)	2,632	9,249
Optical	22,702	17,146	14,017
Other	(113)	(1,323)	(1,655)
Operating earnings of product groups	$ 184,550	$ 167,621	$145,187
Corporate expenses	(13,583)	(14,156)	(15,484)
Total	$ 170,967	$ 153,465	$129,703
Assets at December 31 (in thousands)			
Pharmaceutical/consumer products	$ 428,287	$ 338,614	$321,104
Medical products	183,053	174,594	170,190
Optical	135,946	112,672	51,962
Corporate and other	384,013	429,669	357,941
Eliminations	(1,301)	(288)	2,353
Subtotal	$1,129,998	$1,055,261	$903,550
Discontinued diagnostic operations	—	76,361	73,361
Total	$1,129,998	$1,131,622	$976,911

Capital Expenditures and Acquired Net Fixed Assets (in thousands)			
Pharmaceutical/consumer products	$ 43,140	$ 18,810	$ 11,788
Medical products	11,129	11,046	12,943
Optical	23,599	32,542	13,239
Corporate and other	546	398	248
Subtotal	$ 78,414	$ 62,796	$ 38,218
Discontinued diagnostic operations	—	1,257	2,195
Total	$ 78,414	$ 64,053	$ 40,413
Depreciation (in thousands)			
Pharmaceutical/consumer products	$ 10,326	$ 9,049	$ 8,891
Medical products	5,028	4,729	4,226
Optical	7,523	4,800	3,010
Corporate and other	1,876	1,744	904
Subtotal	$ 24,753	$ 20,321	$ 17,031
Discontinued diagnostic operations	—	1,850	2,156
Total	$ 24,753	$ 22,171	$ 19,187

Intercompany export sales between geographic areas are accounted for on a cost plus profit margin basis. Trade sales and intercompany export sales between geographic areas from continuing operations for the years ended December 31, 1980, 1979 and 1978 are as follows:

Trade Sales (in thousands)	1980	1979	1978
United States and Puerto Rico	$ 707,634	$ 603,470	$498,311
Europe/Africa/Middle East	220,851	169,823	156,838
Canada/Latin America	80,282	62,977	54,771
Asia/Pacific	72,791	62,099	61,323
Total	$1,081,558	$ 898,369	$771,243
Intercompany Export Sales (in thousands)			
United States and Puerto Rico	$ 44,174	$ 32,408	$ 28,548
Europe/Africa/Middle East	13,191	2,250	2,190
Canada/Latin America	11,801	9,958	19,572
Asia/Pacific	265	4,069	4,749
Eliminations	(69,431)	(48,685)	(55,059)
Total	$ —	$ —	$ —
Total Sales (in thousands)			
United States and Puerto Rico	$ 751,808	$ 635,878	$526,859
Europe/Africa/Middle East	234,042	172,073	159,028
Canada/Latin America	92,083	72,935	74,343
Asia/Pacific	73,056	66,168	66,072
Eliminations	(69,431)	(48,685)	(55,059)
Total	$1,081,558	$ 898,369	$771,243

Operating earnings from continuing operations and assets dedicated to operations in each geographic area for the years ended December 31, 1980, 1979 and 1978 are as follows:

Operating Earnings (in thousands)	1980	1979	1978
United States and Puerto Rico	$ 115,563	$ 105,931	$ 90,258
Europe/Africa/Middle East	45,625	45,227	38,812
Canada/Latin America	12,669	11,935	7,423
Asia/Pacific	10,175	8,580	10,534
Corporate	(13,583)	(14,156)	(15,484)
Eliminations	518	(4,052)	(1,840)
Total	$ 170,967	$ 153,465	$129,703
Assets at December 31 (in thousands)			
United States and Puerto Rico	$ 462,224	$ 418,122	$385,763
Europe/Africa/Middle East	167,218	133,361	99,654
Canada/Latin America	88,373	79,317	77,611
Asia/Pacific	42,106	32,609	30,708
Corporate	378,526	407,272	330,456
Eliminations	(8,449)	(15,420)	(20,642)
Subtotal	$1,129,998	$1,055,261	$903,550
Discontinued diagnostic operations	—	76,361	73,361
Total	$1,129,998	$1,131,622	$976,911

U.S. (includes Puerto Rico) and international sales, in percents, grouped by industry segments, are as follows:

	1980		1979		1978	
	U.S.	International	U.S.	International	U.S.	International
Pharmaceutical/consumer products	47%	53%	50%	50%	51%	49%
Medical products	85%	15%	83%	17%	77%	23%
Optical	91%	9%	93%	7%	93%	7%
Total	65%	35%	67%	33%	65%	35%

TEXASGULF INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 7: Industry Segment Information

Financial information by industry segment and geographic area for 1980, 1979, and 1978 are summarized in the accompanying tables. Operating income consists of revenues less operating expenses but before interest expense and income taxes.

Industry Segment	Sales	Operating Income (Loss)	Identifiable Assets	Capital Expenditures	Depreciation and Amortization
		(amounts in millions)			
1980					
Chemicals	$ 662.5	$238.8	$ 906.1	$135.2	$21.6
Metals	390.2	185.1	789.7	133.8	12.3
Oil and Gas	35.7	6.3	155.3	79.0	7.4
Other	1.7	(6.7)	24.9	4.1	1.5
Corporate	—	—	134.4	—	—
Total	$1,090.1	$423.5	$2,010.4	$352.1	$42.8
1979					
Chemicals	$ 464.1	$130.2	$ 763.7	$ 44.6	$19.3
Metals	298.8	109.2	637.7	68.3	11.1
Oil and Gas	23.6	1.4	97.7	51.1	4.8
Other	2.8	(17.8)	22.3	1.0	1.9
Corporate	—	—	126.7	—	—
Total	$ 789.3	$223.0	$1,648.1	$165.0	$37.1
1978					
Chemicals	$ 340.6	$ 61.2	$ 723.9	$ 17.3	$18.1
Metals	239.2	53.7	579.6	45.3	9.6
Oil and Gas	21.2	(.4)	63.0	22.2	3.4
Other	1.3	(11.7)	25.3	5.3	1.2
Corporate	—	—	122.0	—	—
Total	$ 602.3	$102.8	$1,513.8	$ 90.1	$32.3

		(amounts in millions)					
		Sales to Customers in:					
Geographic Area	Total	U.S.	Canada	Europe	Other	Operating Income (Loss)	Identifiable Assets
1980							
U.S.	$ 605.5	$454.5	$ 7.5	$ 94.2	$ 49.3	$182.4	$1,005.1
Canada	484.6	244.1	94.2	94.6	51.7	224.2	831.5
Other	—	—	—	—	—	16.9	39.4
Corporate	—	—	—	—	—	—	134.4
Total	$1,090.1	$698.6	$101.7	$188.8	$101.0	$423.5	$2,010.4
1979							
U.S.	$ 440.7	$328.2	$ —	$ 46.7	$ 65.8	$ 96.7	$ 805.6
Canada	348.6	163.6	82.7	78.9	23.4	129.1	677.4
Other	—	—	—	—	—	(2.8)	38.4
Corporate	—	—	—	—	—	—	126.7
Total	$ 789.3	$491.8	$ 82.7	$125.6	$ 89.2	$223.0	$1,648.1
1978							
U.S.	$ 320.5	$258.2	$ .9	$ 21.8	$ 39.6	$ 39.8	$ 752.6
Canada	281.8	136.2	65.0	58.2	22.4	62.4	573.2
Other	—	—	—	—	—	.6	66.0
Corporate	—	—	—	—	—	—	122.0
Total	$ 602.3	$394.4	$ 65.9	$ 80.0	$ 62.0	$102.8	$1,513.8

Export Sales

ANALOGIC CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Business operations:

The Company's operations constitute a single segment within the electronics industry: the design, manufacture and sale of high-technology, high-precision analog/digital signal processing instruments and systems typically for the industrial market.

Revenue from operations includes export sales, primarily to customers in European countries, of approximately $27,900,000 or 42% and $16,900,000 or 35% of total revenue for the years ended July 31, 1980 and 1979, respectively. One export customer accounted for approximately $13,311,000 or 20% and $6,325,000 or 13% of total revenue in 1980 and 1979, respectively. One domestic customer accounted for $10,879,000 or 16% and $10,361,000 or 21% of total revenue in 1980 and 1979, respectively.

PAXALL, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9: Segment Reporting

The Company is engaged in one industry segment, the manufacture and distribution of packaging and processing equipment. Information about the Company's continuing operations in different geographic areas for the years ended October 31, 1979 and 1980 as follows:

	(Thousands of dollars)				
	United States	Europe	Corporate	Eliminations	Consolidated
Net Sales—					
Unaffiliated customers:					
1979	$24,659	$10,453	$ 213	$ —	$35,325
1980	27,038	21,754	113	—	48,905
Between geographic areas:					
1979	$ 80	$ 139	$ —	$(219)	$ —
1980	564	117	—	(681)	—
Total:					
1979	$24,739	$10,592	$ 213	$(219)	$35,325
1980	$27,602	$21,871	$ 113	$(681)	$48,905
Income from operations:					
1979	$ 2,745	$ 252	$(1,199)	$ —	$ 1,798
1980	$ 2,798	$ 714	$(1,016)	$ —	$ 2,496
Assets:					
1979	$15,921	$ 9,514	$ 1,216	$ —	$26,651
1980	$15,800	$12,665	$ 984	$ —	$29,449

Export sales for the year ended October 31, 1980 consisted of the following amounts, by geographic area:

Canada	$1,237,344
Europe	1,366,769
Far East	341,893
Central/South America	780,769
Africa	98,707
	$3,825,482

WEYERHAEUSER COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Export Sales

The Company is engaged in the sale of products for export from the United States. These sales consist principally of pulp, newsprint, logs and wood chips to Japan and pulp, linerboard, lumber and plywood to Europe. The following table compares for the periods shown the Company's export sales from the United States to customers in Japan and elsewhere with its total sales to all customers.

	Sales for Export			
	Customers in Japan	Customers Outside Japan	Total Export Sales	Total Sales to all Customers
1980	$666,000	$474,000	$1,140,000	$4,536,000
1979	649,000	329,000	978,000	4,423,000
1978	486,000	243,000	729,000	3,799,000

Major Customers

BRIGGS & STRATTON CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7: Industry Segments

Certain information concerning the Company's industry segments is presented below (in thousands of dollars):

	Fiscal Year Ended June 30 1980	1979
SALES—		
Engines and parts	$669,305	$539,447
Locks	39,257	51,517
	$708,562	$590,964
INCOME FROM OPERATIONS—		
Engines and parts	$ 85,375	$ 79,687
Locks	1,903	8,788
	$ 87,278	$ 88,475
ASSETS—		
Engines and parts	$281,491	$197,506
Locks	30,007	27,892
Unallocated	29,986	64,649
	$341,484	$290,027
DEPRECIATION EXPENSE—		
Engines and parts	$ 9,866	$ 8,253
Locks	818	648
	$ 10,684	$ 8,901
EXPENDITURES FOR PLANT AND EQUIPMENT—		
Engines and parts	$ 52,443	$ 21,794
Locks	2,672	2,988
	$ 55,115	$ 24,782

Unallocated assets include cash, marketable securities, future income tax benefits and other assets. Export sales for fiscal 1980 were $179,115,000 (25% of total sales) and for fiscal 1979 were $127,375,000 (22% of total sales), principally to customers in Canada and European countries. Sales to unaffiliated customers of the Company's wholly-owned West German subsidiary acquired July 1, 1979, were $15,805,000.

The largest customer of the Company for the past two years has been MTD Products, Inc. Engine sales to this customer were $70,355,000 (10% of total sales) in fiscal 1980 and $72,388,000 (12% of total sales) in fiscal 1979.

ANADITE, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Industry Segment Information

The Company is engaged in the manufacture and sale of forgings, castings and providing metal processing and finishing services.

Net sales consist of sales and services to unaffiliated customers, with intersegment sales being immaterial. One customer accounted for 10.3% of consolidated sales in 1980; during 1979, one customer accounted for 10.6% of consolidated sales. Segment operating income includes all costs and expenses directly related to the segment involved. General corporate expenses principally represent the costs associated with managing all industry segments and cannot be specifically identified with a particular industry segment. General corporate assets include principally cash and temporary cash investments, notes receivable, and prepaid income taxes.

The Company's operations in foreign countries and its sales to customers in foreign countries are not material.

The amounts shown in the table below with respect to the forging segment do not include data with respect to the Company's two aluminum forging facilities sold in 1979 (see Note 7). These amounts, along with the amounts relating to the sale of industrial supplies, have been included in the caption "other". (000 omitted)

	For the Years Ended October 31, 1980	1979
Net Sales:		
Forging	$55,265	$51,936
Casting	13,521	10,173
Metal processing and finishing	12,308	7,944
Other	1,447	5,639
Total	$82,541	$75,692
Operating Income (Loss):		
Forging	$ 4,766	$ 4,827
Casting	1,480	978
Metal processing and finishing	1,865	1,246
Other	(121)	(243)
General Corporate Expenses	(1,500)	(1,119)
Total	$ 6,490	$ 5,689
Interest Expense	(863)	(734)
Other, Net	520	(2,221)
Income Tax Provision	(2,800)	(1,215)
Net Income for the Year	$ 3,347	$ 1,519
Capital Expenditures:		
Forging	$ 2,814	$ 2,928
Casting	572	285
Metal processing and finishing	210	565
Other (principally Corporate in 1979)	128	1,000
Total	$ 3,724	$ 4,778
Depreciation:		
Forging	$ 890	$ 797
Casting	245	250
Metal processing and finishing	291	269
Other	37	158
Total	$ 1,463	$ 1,474
Identifiable Assets, at October 31:		
Forging	$28,335	$26,687
Casting	6,448	5,501
Metal processing and finishing	6,191	4,036
Other	823	1,829
Corporate	4,621	7,434
Total	$46,418	$45,487

OXFORD INDUSTRIES, INC. (MAY)

NOTES TO FINANCIAL STATEMENTS

Note H: Significant Customers

Approximately 29% in 1980 and 34% in 1979 of the Company's revenues were derived from sales to a national retail chain. Sales to another national retail chain accounted for 14% of Company revenues in 1980 and 13% in 1979,

ROCKWELL INTERNATIONAL CORPORATION (SEP)

NOTES TO FINANCIAL STATEMENTS

Note 23 (in part): Industry segment information

The largest single customer of the Company is the United States Government and its agencies. Government sales for 1980 aggregated approximately $2.6 billion of which $1.6 billion were Aerospace, $0.8 billion were Electronics and $0.2 billion were other industry segments. Corresponding government sales for 1979 aggregated approximately $2.3 billion of which $1.4 billion were Aerospace, $0.7 billion were Electronics and $0.2 billion were other industry segments. No other customer accounts for 10% or more of consolidated sales for either year.

TABLE 1-4: MONTH OF FISCAL YEAR END

	1980	1979	1978	1977
January	25	21	25	22
February	14	15	14	12
March	15	12	12	16
April	8	8	9	7
May	10	10	11	10
June	39	39	38	38
July	12	13	13	15
August	21	20	19	19
September	41	45	44	43
October	25	27	30	32
November	11	11	12	13
Subtotal	**221**	**221**	**227**	**227**
December	379	379	373	373
Total Companies	**600**	**600**	**600**	**600**

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 ending 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 twenty-five survey companies used a 52–53 week fiscal year.

During 1980, four companies changed the date of their fiscal year end. Examples of such changes and examples of fiscal year definitions follow.

Change in Date of Fiscal Year Ending

AMERICAN MOTORS CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note A (in part): Summary of Accounting Policies

Change in Fiscal Year

In connection with the Renault investment (described in Note B) the Company and its subsidiaries have changed their fiscal year-end from September 30 to December 31. This change has no effect on the accompanying financial statements and is effective for the period ended December 31, 1980.

Although the financial statements required to be included in the Company's Annual Report on Form 10-K are to be reported on the basis of the twelve months ended September 30, as previously reported, as well as for the three months ended December 31, 1980, the financial statements to be included in future reports will be based on twelve-month periods ended December 31. In order to allow for comparability with future reports, financial statements for the twelve months ended December 31, 1980 and 1979 also are being presented.

HILLER AVIATION, INC.

Consolidated Balance Sheets

	August 31, 1980	August 25, 1979

Consolidated Statements of Income

	Year ended	
	August 31, 1980	August 25, 1979

Consolidated Statements of Changes in Financial Position

	Year ended	
	August 31, 1980	August 25, 1979

SUMMARY OF ACCOUNTING POLICIES

Fiscal Year

The Company has changed its fiscal year end from the last Saturday in August to August 31.

Definition of Fiscal Year

HAMMERMILL PAPER COMPANY (DEC)

SUMMARY OF ACCOUNTING POLICIES

Fiscal Year

The company's fiscal year is 52 or 53 weeks, ending on the Sunday nearest December 31. Quarterly reports to shareholders are presented at the end of the 12th, 24th and 36th weeks of each year.

JOHNSON & JOHNSON (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Annual Closing Date

The Company follows the concept of a fiscal year which ends on the Sunday nearest to the end of the calendar month of December. In 1981, the Sunday closest to the end of December is January 3, 1982. Johnson & Johnson's 1981 fiscal year will end on that date and will consist of 53 weeks.

JOY MANUFACTURING COMPANY (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Statement of Accounting Policies

Basis of Presentation

The Company's fiscal year ends with the last Friday in September. The three most recent fiscal years ended at September 26, 1980, September 28, 1979 and September 29, 1978. Unless otherwise specified, all references to a year in these notes are to the fiscal year ended in the year stated.

The consolidated financial statements generally include the accounts of the Company and all wholly owned subsidiaries. Investments in partially owned subsidiaries are carried at equity in net assets.

KMART CORPORATION (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Fiscal Year: The company's fiscal year ends on the last Wednesday in January. Fiscal years 1980 and 1979 consisted of 52 weeks and ended on January 28, 1981 and January 30, 1980, respectively. Fiscal year 1978 consisted of 53 weeks and ended on January 31, 1979.

LESLIE FAY INC. (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Significant Accounting Policies

(b) Fiscal Year

The Company operates on a fiscal year ending on the Saturday closest to April 30. The 1980 fiscal year, which ended on May 3, 1980, included 53 weeks, while the 1979 fiscal year ended on April 28, 1979, included 52 weeks.

SNAP-ON TOOLS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Summary of Accounting Policies

b. Accounting Period

A fiscal year ending on the Saturday nearest December 31 was adopted by the Company effective January 1, 1979. The 1980 and 1979 fiscal years ended on January 3, 1981 (53 weeks) and December 29, 1979, instead of December 31, as in previous years. This change does not have a material effect on the comparability of the financial statements.

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

	1980	1979	1978	1977
To nearest dollar	114	134	161	184
To nearest thousand dollars:				
Omitting 000	306	274	254	233
Presenting 000	107	141	139	146
To nearest million dollars	73	51	46	37
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, extended the requirement for presenting comparative financial statements to include annual reports to stockholders issued in connection with proxy solicitations. Rule 14c-3 was recently amended to require that, effective for fiscal years ending after December 15, 1980, annual reports to stockholders should include comparative balance sheets, and statements of income and changes in financial position for each of the 3 most recent fiscal years.

NOTES TO FINANCIAL STATEMENTS

Securities and Exchange Commission *Regulations S-X* and *S-K*, Section 545 of *Statement on Auditing Standards No. 1,* and *SAS No. 32* 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.

Segment information.

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

	1980	1979	1978	1977
General and direct references	302	341	343	336
General reference only	291	250	247	255
Direct reference only	4	6	7	7
No reference to notes	3	3	3	2
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.

ARCHER DANIELS MIDLAND COMPANY (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries except National City Bancorporation and ADM Leasco, Inc., a leasing company. Upon consolidation, all significant intercompany accounts and transactions are eliminated. Investments in National City Bancorporation, ADM Leasco, Inc. and 50%-owned companies are carried at cost plus equity in undistributed earnings since acquisition.

Nature of Business

The Company is in the business of procuring, transporting, storing, processing and merchandising raw agricultural products. Net export sales to unaffiliated foreign customers totalled $782,000,000 in fiscal 1980, and $528,000,000 in fiscal 1979.

Net Sales

Gross margins from grain merchandised, rather than the total sales value thereof, are included in net sales.

Inventories

Inventories of most grains, flour and meal are valued on the basis of market prices in the applicable market location at June 30, adjusted for gains and losses on open purchase and sale contracts, which value approximates cost. Advances received on sales of grain are netted against the applicable inventory accounts. The Company generally follows a policy of hedging its transactions in these and certain other commodities to minimize risk due to market fluctuations.

Certain inventories including soybean oil, raw sugar, corn and corn products are valued at cost, last-in, first out (LIFO) method which is not in excess of market prices.

Inventories of other raw materials, sundry products and supplies are valued at the lower of cost, first-in, first-out (FIFO) method or market prices.

Property, Plant and Equipment

Property, plant and equipment 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. Other gains or losses resulting from property disposals are credited or charged to operations currently.

Pension Plans

The Company and its subsidiaries have noncontributory and trusteed pension plans covering substantially all of their employees. The costs charged to earnings include current service costs and the amortization of prior service costs over periods ranging from 30 to 40 years. It is the Company's policy to fund, as a minimum, pension contributions as required by the Employee Retirement Income Security Act (ERISA).

Income Taxes

Income taxes are provided on pre-tax earnings reported in the financial statements except for the undistributed earnings of certain foreign and export subsidiaries which the Company intends to reinvest indefinitely.

Deferred income taxes result from timing differences between pre-tax earnings reported in the financial statements and taxable income which consist principally of depreciation, capitalized interest, refundable interest and undistributed earnings of foreign and export subsidiaries which may 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.

Net Earnings Per Share

Net earnings per share is determined by dividing net earnings by the weighted average number of common shares outstanding during the year. The impact of common stock equivalents is not material.

Reclassification

Certain amounts in the 1979 financial statements have been restated to conform to the classifications adopted in 1980.

Interest Costs

Effective July 1, 1979, the Company adopted a policy of capitalizing interest costs on certain assets constructed for its own use, to comply with Financial Accounting Standards Board (FASB) Statement No. 34. The Company previously followed the policy of expensing interest costs as incurred. The impact on the 1980 financial statements was not material. Because FASB Statement No. 34 prohibits retroactive application, prior year amounts have not been restated.

TABLE 1-7: DISCLOSURE OF ACCOUNTING POLICIES

	Number of Companies			
	1980	1979	1978	1977
Depreciation methods	594	595	589	581
Consolidation basis	590	589	589	584
Inventory pricing	562	559	555	557
Interperiod tax allocation	538	541	544	546
Property	512	506	514	504
Employee benefits	356	376	355	360
Earnings per share calculation	351	336	311	295
Amortization of intangibles	300	304	309	320
Translation of foreign currency	164	188	213	238
Research and development costs	160	173	N/C	N/C
Leasing transactions	96	117	116	N/C
Capitalization of interest	92	49	N/C	N/C

N/C—Not Compiled.

GEO. A. HORMEL & COMPANY (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A—Summary of Significant Accounting Policies

Principles of Consolidation: The consolidated financial statements include the accounts of Hormel and all of its majority-owned subsidiaries after elimination of all significant intercompany accounts, transactions and profits. Investments in unconsolidated foreign companies are included in the financial statements at the Company's equity therein.

Segment Information: Hormel is engaged in a single business segment designated as "meat and food processing". As a federally inspected food processor, it slaughters livestock for processing into meat products which are sold at the wholesale trade level. Export sales account for less than 2% of sales. No customer accounts for more than 3% of sales.

Inventories: Inventories are valued at the lower of cost or market. Livestock and the materials portion of products are determined by the first-in, first-out method. Inventoriable expenses, packages and supplies are determined by the last-in, first-out method.

Property, Plant and Equipment: Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the related assets. Maintenance and repairs are charged to operations when incurred. Renewals and betterments of a nature considered to materially extend the useful life of the assets are capitalized.

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.

Income Taxes: Provision is made in the financial statements for deferred income taxes arising primarily from timing differences in accounting for depreciation for tax and financial reporting purposes and the effect of a change in accounting method for compensated absences (see Note F). Investment tax credits are recorded under the flow-through method of accounting as a reduction of the current provision for federal income taxes.

Earnings Per Share: Earnings per share of Common Stock are based on the weighted average number of shares outstanding during the year. Earnings per share have been retroactively adjusted to reflect the two-for-one stock split in 1980. (See Note B.)

Fiscal Year: The Company's fiscal year ends on the last Saturday in October.

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

SUMMARY OF ACCOUNTING POLICIES

The dominant portion of JCPenney's business consists of selling merchandise and services to consumers through stores, including catalog operations.

Basis of Presentation. The accompanying financial statements, Financial Review, and Ten Year Financial Summary have been restated to exclude the assets, liabilities, income, and expenses of The Treasury discount operation, which is being discontinued.

Definition of Fiscal Year. JCPenney's fiscal year ends on the last Saturday in January. Fiscal year 1980 ended January 31, 1981; 1979 ended January 26, 1980; and 1978 ended January 27, 1979. They comprised 53 weeks, 52 weeks, and 52 weeks, respectively. The accounts of JCPenney Financial Services are on a calendar year basis.

Basis of Consolidation. The consolidated financial statements present the results of all merchandising operations and those real estate subsidiaries whose properties are presently being utilized in merchandising operations. Intercompany items and transactions have been eliminated in consolidation. Not consolidated are J.C.Penney Financial Corporation, JCPenney Financial Services, and JCP Realty, Inc., which are accounted for on the equity basis.

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

Sales. Sales include merchandise and services, net of returns, and exclude sales and value added taxes.

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

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

Properties. Maintenance and repairs are charged to current operations as incurred, and improvements are capitalized.

Depreciation. The cost of buildings and equipment is depreciated on a straight line basis over the estimated useful lives of the assets. The principal annual rates of depreciation are 3 per cent for store buildings, 2½ per cent to 4 per cent for warehouse and office buildings, and 10 per cent for fixtures and equipment. Property rights under capital leases and improvements to leased premises are amortized on a straight line basis over the term of the lease or their useful life, whichever is shorter.

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

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

Pension Cost. The cost of pension benefits has been determined by the entry age normal actuarial method. Unfunded actuarial liabilities are amortized over a period not to exceed 30 years.

PEPSICO, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include the accounts of PepsiCo, Inc. and its subsidiaries. All significant intercompany transactions have been eliminated.

Marketable Securities. Marketable securities are stated at cost which approximates market and include time deposits of $107,871,000 in 1980 and $132,004,000 in 1979.

Inventories. Inventories are stated at the lower of cost (computed on the average or first-in, first-out method) or net realizable value.

Property, Plant and Equipment. Land, buildings, and machinery and equipment are stated at cost. Depreciation is calculated principally on a straight-line basis over the estimated useful lives of the respective assets.

In accordance with Statement of Financial Accounting Standards No. 34, beginning in 1980 interest costs associated with the construction of new facilities or major expansions are capitalized and amortized over the lives of the related assets. The amount of interest capitalized in 1980 was $11,168,000 (seven cents per share) with a corresponding reduction in interest expense.

Valuation of returnable bottles and cases is based on periodic physical inventories of those in-plant and on estimates of those in-trade. In-plant and estimated in-trade breakage, less related customers' deposits, is charged to cost of sales. Returnable bottles and cases are adjusted to deposit value within one year of acquisition except for the initial introduction of new soft drink package sizes which are adjusted to deposit value over four years. In foreign operations, returnable bottles and cases and the related customers' deposits are translated into U.S. dollars at current rates of exchange.

Goodwill. Goodwill represents the excess of cost over net tangible assets of companies acquired, certain operating rights (prior to 1980) and trademarks. Approximately $60 million, relating to acquisitions made prior to November 1, 1970, is not amortized unless there is an impairment of value. The remaining $97 million is amortized over appropriate periods not exceeding 40 years. Amortization was $4,363,000 in 1980, $3,887,000 in 1979 and $3,170,000 in 1978.

Marketing Costs. Costs of advertising and other marketing and promotional programs are charged to expense during the year, generally in relation to sales, and, except for materials in inventory and prepayments, are fully expensed by the end of the year in which the cost is incurred.

Income Taxes. Deferred income taxes arise from the deferral of investment tax credits, which are amortized over the estimated useful lives of the related assets, and from timing differences between financial and tax reporting, principally depreciation.

Taxes which would result from dividend distributions by foreign subsidiaries to the U.S parent are provided to the extent dividends are anticipated. All other undistributed earnings of subsidiaries operating outside the U.S. have been reinvested indefinitely in foreign operations. Accordingly, no provision has been made for additional taxes, not material in amount, that might be payable with respect to such earnings in the event of remittance.

Fiscal Year. PepsiCo's fiscal year ends on the last Saturday in December. Fiscal years 1980, 1979 and 1978 ended on December 27, 29, and December 30, respectively.

Net Income Per Share. Net income per share is computed by dividing net income by the average number of common shares and common share equivalents outstanding during each year. The conversion of all convertible debentures would not result in a material dilution.

Business Segments. Information related to revenues, operating profits, identifiable assets, depreciation and amortization expense and capital expenditures for PepsiCo's business segments is presented on page 39.

Audit Committee of the Board of Directors. The Audit Committee of the Board, composed entirely of outside directors, meets on a regular basis with PepsiCo's financial management, internal auditors, and independent accountants to review internal and external audit plans, activities, and recommendations, as well as PepsiCo's financial controls.

RAYTHEON COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note A: Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the parent company and all domestic and foreign subsidiaries. Certain subsidiaries, principally foreign, are included on the basis of fiscal years ending in November to facilitate prompt reporting of consolidated accounts. All material intercompany transactions have been eliminated. The financial statements have been restated to reflect the 1980 pooling of interests with Beech Aircraft Corporation (see Note O). Certain administrative and selling expenses have been reclassified to research and development expenses.

Marketable Securities

Marketable securities, other than equity securities, are valued at cost in the absence of a permanent decline in market value plus accrued interest where appropriate.

Marketable equity securities are valued at the lower of aggregate cost or market value. Dividends are recorded as income when declared.

Contracts in Process

Sales under long-term contracts are recorded under the percentage of completion method, wherein costs and estimated gross margin are recorded as sales as the work is performed. Costs include direct engineering and manufacturing costs, applicable overheads and special tooling and test equipment. Estimated gross margin provides for the recovery of allocable research, development (including bid proposal), marketing and administration costs and for accrued income. Accrued income is based on the percentage of estimated total income that incurred costs to date bear to estimated total costs after giving effect to the most recent estimates of cost and funding at completion. When appropriate, increased funding is assumed based on expected adjustments of contract prices for increased scope and other changes ordered by the customer. Some contracts contain incentive provisions based upon performance in relation to estimated targets to which applicable recognition has been given in the contract estimates. Since many contracts extend over a long period of time, revisions in cost and funding estimates during the process of work have the effect of adjusting in the current period earnings applicable to performance in prior periods. When the current contract estimate indicates a loss, provision is made for the total anticipated loss. In accordance with these practices, contracts in process are stated at cost plus estimated profit but not in excess of realizable value.

Inventories

Aircraft products inventories are stated at the lower of cost (last-in, first-out) or market. Work in process including finished aircraft is stated at total cost incurred (including overhead and initial tooling) reduced by estimated costs of units delivered.

All other inventories are stated at cost (principally first-in, first-out or average basis) but not in excess of net realizable value.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Betterments and major renewals are capitalized and included in property, plant and equipment accounts while expenditures for maintenance and repairs and minor renewals are charged to expense. When assets are retired or otherwise disposed of, the assets and related allowances for depreciation and amortization are eliminated from the accounts and any resulting gain or loss is reflected in income.

Provisions for depreciation are computed generally on the sum-of-the-years-digits method, except for certain operations which use the straight-line or declining-balance method. Depreciation provisions are based on estimated useful lives (buildings—20 to 45 years; machinery and equipment—3 to 18 years; equipment leased to others—5 years) which approximate U.S. Treasury guidelines. Leasehold improvements are amortized over the lesser of the life of the lease or the estimated useful life of the improvement.

Excess of Cost Over Net Assets of Acquired Companies

The excess of cost over acquired net assets is amortized on the straight-line method over its estimated useful life but not in excess of 40 years.

Investments

Investments which are included in "Other assets" represent equity ownership of 20% to 50% in affiliated companies and of less than 20% in other companies. Investments in affiliated companies are accounted for under the equity method, wherein the company's share of their earnings and income taxes applicable to the assumed distribution of such earnings are included in net income. Other investments are stated at cost.

Commissions

The company pays commissions to sales representatives, distributors and agents under various arrangements in return for services rendered in connection with obtaining orders. Such commissions are charged to income as related sales are recorded and, for income statement purposes, are applied as a reduction of sales. In some cases, payment of such commissions is made upon the company's receipt of advance payments under the related contracts or in accordance with schedules contained in the contracts governing commissions, and such amounts are applied as a reduction of advance payments received. Sales have been reduced by $17,242,000; $24,387,000 and $24,737,000 in 1980 through 1978, respectively, for commission expense.

Federal and Foreign Income Taxes

The company and its domestic subsidiaries provide for federal income taxes on pretax accounting income at rates in effect under existing tax law less investment tax credits and DISC (Domestic International Sales Corporation) tax benefits (both recorded on a flow-through basis) and other tax credits. Foreign subsidiaries have recorded provision for income taxes at applicable foreign tax rates in a similar manner. In addition, the company provides for federal income and foreign withholding taxes on undistributed earnings of foreign subsidiaries in excess of amounts deemed necessary for their future operations.

Lease Accounting

Revenues from noncancelable lease contracts for periods exceeding thirty-six months are generally accounted for as sales-type leases wherein the present values of all payments, net of executory costs, are recorded currently as revenues and the related costs of the equipment are charged to cost of sales. Associated interest is recorded over the terms of the lease agreements. All other leases are accounted for under the operating method wherein revenues are recorded as earned over the lease term and the related costs are amortized over the rental equipment life. Service revenues are recognized ratably over contractual periods or as services are performed.

Research and Development Expenses

Research and development expenditures for company-sponsored projects are expensed as incurred.

Pension Costs

The company and its subsidiaries have several pension and retirement plans covering the majority of employees, including certain employees in foreign countries.

Annual charges to income are made for costs of the plans including current service costs and interest on and amortization of unfunded prior service costs over periods from ten to thirty years. It is the company's policy to fund these pension costs annually.

Translation of Foreign Currencies

Assets and liabilities of the foreign subsidiaries are translated into United States dollars at the applicable rates of exchange in effect at their year end, except that inventories and property, plant and equipment are translated at historical rates. Revenue and expense accounts are translated at the year's average rates of exchange, except for depreciation and cost of sales which are translated at the same rates as the related assets. Realized and unrealized exchange gains and losses are included in net income.

Employee Stock Option Plans

Proceeds from the sale of common stock issued under employee stock option plans 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. There are no charges or credits to income with respect to the plans. Income tax benefits arising from employees' premature disposition of option shares and exercise of non-qualified stock options are credited to additional paid-in capital.

Earnings per Common Share

Earnings per common share are based upon the weighted average number of common shares outstanding during each year. In 1979 and 1978, earnings per common share assume the full conversion of the Beech 4¾% convertible debentures.

Fully diluted earnings per common share include the additional shares resulting from the assumed exercise of all outstanding dilutive stock options, reduced by the number of shares repurchasable from the assumed proceeds of such options.

RCA CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 1: Summary of Accounting Policies:

Principles of Consolidation. The consolidated financial statements include the accounts of RCA Corporation and its majority-owned subsidiaries, except for C.I.T. Financial Corporation and its subsidiaries (C.I.T.), RCA Credit Corporation (RCA Credit), and Electron Insurance Company. These subsidiaries are not consolidated because their operations are principally finance and insurance. RCA's investment in these subsidiaries and in companies in which RCA has a 20- to 50-percent interest is stated at equity. Certain amounts in the 1979 and 1978 financial statements have been reclassified to conform with the 1980 presentation.

Inventories. Inventories are stated at the lower of cost or market. For most of the domestic inventories, cost has been determined on a last-in, first-out (LIFO) basis. With respect to the remaining inventories, cost was determined on a first-in, first-out (FIFO) basis.

Domestic inventories for which cost has been determined on a LIFO basis aggregated $254.7 million and $306.9 million at December 31, 1980 and 1979, respectively. The current replacement cost of such inventories exceeded carrying value by approximately $57.2 million and $55.9 million at December 31, 1980 and 1979, respectively. The LIFO inventories at December 31, 1979, included the amounts for Banquet Foods Corporation and Random House, Inc.

Revenue-Earning Equipment. Rental automobiles of The Hertz Corporation (Hertz), a wholly owned subsidiary of RCA, are held for approximately one year and, accordingly, are classified as current assets. Depreciation of rental automobiles and other revenue-earning equipment is computed on the straight-line method on the basis of estimated useful lives of the respective assets. Upon disposal, the difference between the net proceeds from sale and the remaining book value is reflected as an adjustment of depreciation expense.

TV Program Costs. In the normal course of business, the National Broadcasting Company, Inc. (NBC), a wholly owned subsidiary of RCA, enters into commitments to acquire broadcast material or the rights to broadcast certain programs including sports, series, and other programming on television. At December 31, 1980, these commitments approximated $800 million, with payments extending principally within a five-year period.

As payments are made, they are included in prepaid expenses or in other assets. During the season the program is aired, costs are amortized to expense on the basis of projected revenues or are charged directly to expense when a property is determined not to be usable. The unamortized costs included in prepaid expenses amounted to $392 million in 1980 and $420 million in 1979.

Plant and Equipment. Plant and equipment is stated at cost and is generally depreciated on a straight-line basis over estimated useful lives. Repairs and maintenance are charged to expense as incurred; renewals and betterments, which significantly extend the useful lives of existing plant and equipment, are capitalized. Leasehold improvements are capitalized and amortized over the term of each respective lease. Gains or losses on dispositions of plant and equipment are reflected in earnings as realized. Supplemental depreciation is provided when warranted to recognize abnormal economic conditions or obsolescence.

Public-Liability/Property-Damage Risks. Other noncurrent liabilities include a provision by Hertz for public-liability and property-damage risks in connection with the company's operations to a maximum of $1 million per occurrence. Hertz purchases supplemental coverage for amounts beyond $1 million per occurrence. Provision for losses that are incurred but not reported is charged to income currently.

Pension Plans. RCA and its subsidiaries have pension plans available to substantially all employees after specified periods of service. The RCA Retirement Plan is the largest of the plans and is available to substantially all eligible employees of RCA Corporation and most domestic subsidiaries.

Employees contribute a part of the cost of current-service benefits under the RCA Retirement Plan. RCA contributes the remaining cost of current-service benefits and the entire cost of prior-service and other benefits under a level premium cost method. Pension expense, principally for current-service benefits, under the RCA Retirement Plan, separate plans of consolidated subsidiary companies, and union plans was $153 million for 1980, $126 million for 1979, and $114.7 million for 1978.

The accrued cost of current-service benefits is funded currently; cost of prior-service benefits and related interest is funded ratably over 20 years.

At January 1, 1980, the date of the most recent actuarial determinations, the actuarial present value of accumulated RCA Retirement Plan benefits totaled $1.33 billion, of which $1.27 billion was for vested benefits. The net assets of this Plan available for payment of benefits aggregated $1.22 billion. The assumed rate of return used in determining the actuarial present value of accumulated Plan benefits in 1980 was 7 percent for retired Plan participants and 6 percent for active Plan participants.

Regulated Subsidiaries. RCA Global Communications, Inc. (RCA Globcom) and RCA American Communications, Inc. (RCA Americom), wholly owned subsidiaries of RCA, are required to maintain their accounts in accordance with the accounting principles and practices prescribed by the Federal Communications Commission (FCC). Certain accounting policies followed by these companies, such as the capitalization of certain research and development costs, differ from those of RCA's nonregulated businesses. The income tax accounting policy of these companies includes the flow-through of the tax effect of interest capitalized during construction. In addition, RCA Globcom also flows through investment tax credits and the tax effects of timing differences, including depreciation deductions accelerated for tax purposes.

Research and Development Costs. For RCA's nonregulated businesses, the costs and expenses related to basic research, applied research, engineering, and product development, including those involved in the obtaining of domestic and foreign patents, are expensed as incurred. Subsequent revenue therefrom is included in income of the business segment to which it relates. During 1980, 1979, and 1978, research and development costs aggregated $196.9 million, $173.4 million, and $140.5 million, respectively, net of reimbursements from the U.S. Government and other customers totaling $233.7 million in 1980, $205.2 million in 1979, and $198.5 million in 1978.

Long-Term Contracts. Revenue from long-term contracts is accounted for principally by the percentage-of-completion method applied on an individual contract basis.

Goodwill. The excess of cost over fair value of net assets of acquired subsidiaries is amortized on a straight-line basis generally over 40 years.

Taxes on Income. Income taxes are provided based on earnings reported for financial statement purposes. The provision for taxes differs from amounts currently payable because of timing differences in the recognition of certain income and expense items for financial reporting and tax purposes. The tax effects of these timing differences are reported as deferred taxes on income.

Investment tax credits are deferred for financial reporting purposes and amortized ratably over the useful lives of the respective assets. The credit for tax purposes is claimed when the assets are put into service.

U.S. income taxes have not been provided on unremitted earnings of foreign subsidiaries that have been or are intended to be permanently reinvested abroad or on off-shore earnings planned for repatriation in a tax-free liquidation.

SUN COMPANY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiaries (more than 50 percent owned) except those subsidiaries engaged in leasing, finance, insurance and real estate activities. The accounts of these subsidiaries are not included in the consolidated financial statements because of the nature of their businesses. Investments in unconsolidated subsidiaries and affiliated companies (20 to 50 percent owned) are carried at cost plus equity in undistributed earnings.

Inventories

Inventories of crude oil and refined products are valued at cost which is less than market. The cost of domestic inventories is principally determined on a last-in, first-out method (Lifo), while the cost of foreign inventories is determined on a first-in, first-out method (Fifo).

Materials, supplies and other inventories are valued principally at the lower of average cost or market. Shipyard work in process is valued at the lower of cost or market less progress billings.

Oil and Gas Operations

Oil and gas operations are accounted for according to the "successful efforts" method of accounting as promulgated by Statement of Financial Accounting Standards No. 19—Financial Accounting and Reporting by Oil and Gas Producing Companies under which the principal costs associated with these operations are accounted for as follows:

Property Acquisition Costs . . . Costs incurred to purchase, lease or otherwise acquire a proved or unproved property are capitalized when incurred. Costs of unproved properties are transferred to proved properties when reserves are found.

Exploration Costs . . . Exploration costs, including geological and geophysical costs and costs of carrying and retaining unproved properties, are charged to income as incurred. Exploratory drilling costs are capitalized initially; however, if proved reserves are not found such capitalized costs are charged to expense.

Development Costs . . . Development drilling and other associated costs incurred to obtain access to proved reserves and to provide facilities for extracting, treating, gathering and storing oil and gas are capitalized.

Production Costs . . . Costs incurred to operate and maintain wells and equipment and to lift oil and gas to the surface are generally expensed.

Depreciation, Cost Depletion and Amortization . . . Impairment of unproved properties whose acquisition costs are not individually significant is provided for through amortization of such properties over their projected holding periods; costs of such properties surrendered or abandoned are charged to accumulated amortization. The Company considers none of its unproved properties to have acquisition costs significant enough to require individual assessment of impairment. The acquisition costs of proved properties are depleted by the unit of production method based on proved reserves. Development costs and capitalized exploratory drilling costs which result in the discovery of proved reserves are amortized/depreciated by the unit of production method based on proved developed reserves. In all cases the unit determination is by property.

Dismantlement, Restoration and Abandonment Costs . . . Estimated future expenses of dismantlement, restoration and abandonment are accrued through a charge to income currently on a unit of production basis; actual costs are charged to the accrual.

Mining Operations

Capitalization Policy . . . Costs incurred to purchase, lease or otherwise acquire properties are capitalized when incurred. Exploration costs and costs of carrying and retaining undeveloped properties are charged to income as incurred. Mine development costs incurred prior to the operating stage or to expand the capacity or productivity of operating mines are capitalized. Mine development costs incurred to maintain current production are generally expensed. Mobile equipment and significant additions and improvements to plant and mine equipment which expand capacity, increase productivity or are for environmental protection are capitalized. Other plant and mining equipment costs are generally charged to income as incurred.

Overburden removal costs of oil sands operations are deferred and expensed as the underlying reserves are mined, while those for coal operations are expensed.

Depreciation and Cost Depletion . . . Property acquisition costs and capitalized development costs are depleted by the unit of production method based on estimated reserves. Capitalized plant and equipment are generally depreciated over the lesser of their useful lives or the life of reserves. Depreciation over the life of reserves is on a unit of production basis, while depreciation over useful lives is principally on a straight-line basis.

Dismantlement, Restoration and Abandonment Costs . . . Estimated future expenses of dismantlement, restoration and abandonment are accrued through a charge to income currently on a unit of production basis; actual costs are charged to the accrual.

Depreciation and Retirements

Plants and equipment, other than those relating to mining and oil and gas operations, are generally depreciated on a straight-line basis over their estimated useful lives.

Profits and losses on the disposals of fixed assets are generally reflected in income. For certain property groups the cost, less salvage, of property sold or abandoned is charged to accumulated depreciation and depletion, except gains and losses for these groups are taken into income for unusual retirements or retirements involving an entire property group.

Maintenance and Repairs

Maintenance and repairs are charged to expense as incurred; renewals and betterments are capitalized, with adjustment made for the cost of property retired or replaced, less accumulated depreciation and salvage recovered.

Taxes

Certain items of income and expense are recognized for financial statement purposes in different time periods than for tax purposes. Tax deferral allocations are provided for these timing differences at current tax rates and reversed at the rates in effect in subsequent periods.

U.S. income and foreign withholding taxes are provided on undistributed earnings of foreign subsidiaries deemed not to be permanently invested to the extent that taxes on distribution of such earnings would not be offset by foreign tax credits. In addition, U.S. income taxes are provided on undistributed earnings of affiliated companies.

Investment tax credits other than credits resulting from contributions to the Employee Stock Ownership Plan which do not affect income are included as a reduction of Federal income tax expense in the year the credit is earned.

Taxes collected on the sale of products and remitted to governmental agencies are not included in the consolidated statements of income.

Pension Expense

The Company and certain of its subsidiaries have noncontributory Pension Plans providing retirement benefits for their employees. Pension expense includes normal cost plus amortization of prior service costs principally over 30 years. The Company's policy is to fund the total pension expense and such additional amounts as deemed appropriate.

Interest Capitalization

Interest cost during the construction and preoperating stages of major construction and development projects is capitalized as part of the cost of the asset and is depreciated or depleted over the asset's life. During 1980 the Company changed its criteria for determining projects subject to interest capitalization to conform to the requirements of Statement of Financial Accounting Standards No. 34. The change did not have a material impact on the consolidated financial statements.

ACCOUNTING CHANGES

As indicated in Table 1-8, the most frequently disclosed accounting changes in the survey companies 1980 annual report included changing the cost basis of inventories to LIFO, capitalization of interest on construction as required by *Statement of Financial Accounting Standards No. 34* which was effective for fiscal years beginning after December 15, 1979, and early compliance with *Statement of Financial Accounting Standards No. 43* which requires accruing for employee compensated absences. *SFAS No. 43* will be effective for fiscal years beginning after December 15, 1980.

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

Change in Accounting Estimates

AMERICAN BROADCASTING COMPANIES, INC (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note M: Program Amortization

Based on a Company study completed in the fourth quarter of 1980 of the relationships between program revenues and costs, amortization rates for prime-time programming were modified. In order to more closely match revenues and costs for programming during prime time, amortization rates on the original broadcast were reduced and the rates on subsequent broadcasts of a program were increased. This modification of amortization rates for prime-time programming increased net earnings by $8,928,000 or $.32 per share for the year 1980.

FEDDERS CORPORATION (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Property, plant and equipment

Depreciation is provided on the straight-line basis over the estimated useful life of each item, except that jigs and dies are depreciated on the double-declining balance method.

Replacements, betterments and additions to property, plant and equipment are capitalized at cost. Expenditures for maintenance and repairs are charged to income as incurred. Upon sale or retirement of property, plant and equipment, the cost and accumulated depreciation are removed from the respective accounts and any gain or loss is reflected in income.

During the third quarter of 1980, the Company revised earlier estimates of salvage values for machinery and equipment. This change in accounting estimate had the effect of reducing the fiscal 1980 loss by approximately $1,000,000 ($.09 per share).

TABLE 1-8: ACCOUNTING CHANGES

	Number of Companies			
	1980	1979	1978	1977
Interest capitalization	137	33	N/C	N/C
Actuarial cost methods or assumptions	81	42	32	37
LIFO method adopted or extended	49	48	14	10
Compensated absences	23	—	—	—
Change in reporting entity	7	8	3	7
Lease capitalization	4	33	98	97
Oil and gas operations	3	25	9	N/C
Other	22	34	17	40

N/C—Not Compiled.

THE GENERAL TIRE & RUBBER COMPANY (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (in part): Inventories

At November 30, 1980 and 1979, inventories applicable to government and certain other contracts included estimated general and administrative costs of $15,200,000 and $9,700,000, respectively, while the remainder of such costs were included in Cost of Products Sold in the Statements of Consolidated Income. Such estimates assumed that costs have been removed from Inventories on a basis proportional to the amounts of each cost element expected to be included in Cost of Products Sold. Approximately $41,000,000 and $35,000,000 of such allocable general and administrative costs were incurred in 1980 and 1979, respectively.

During 1980, the Company conducted an extensive study and evaluation of maintenance supply requirements and related inventory quantities. As a result of this study and evaluation, the Company revised its estimates of the ultimate utility of maintenance supply inventories and, accordingly, the November 30, 1980 carrying value was increased $3,000,000 resulting in an increase in net income of approximately $1,600,000 or $.07 per share.

If LIFO inventories had been stated at current cost, they would have been greater by approximately $179,000,000 and $163,000,000 at November 30, 1980 and 1979, respectively. As a result of the LIFO method of accounting for inventories, a 1980 reduction in inventory quantities resulted in charges to cost of products sold at the lower manufacturing costs of prior periods. The estimated LIFO effect increased net income approximately $3,500,000, or $.15 per share.

UNION CARBIDE CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

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

Fixed assets and depreciation—Fixed assets are carried at cost. Expenditures for replacements are capitalized and the replaced items are retired. Gains and losses from the sale of property are included in income.

Depreciation is calculated on a straight-line basis. The Corporation and its subsidiaries use other depreciation methods (generally accelerated) for tax purposes where appropriate.

Prior to 1980, depreciation was generally calculated utilizing 1962 U.S. Internal Revenue Service guideline lives. Effective January 1, 1980, Union Carbide commenced using revised estimated useful lives rather than the guideline lives to depreciate the cost of machinery and equipment. See Note 2.

Following is a summary of lives used for calculating depreciation in 1980:

Class of Property	Lives used
Land improvements	20 years
Buildings	20 to 40 years
Machinery and equipment	13 to 20*
Leasehold improvements	Lease period

*Prior to 1980, lives used were 10 to 18 years.

Note 2 (in part): Accounting Changes

Results for 1980 include the effects of several accounting changes adopted as of January 1, 1980. These changes, which do not affect income tax payments or cash flow, are described below.

* * * * * * * *

As also explained in Note 1, revised estimated useful lives have been used to depreciate the cost of machinery and equipment rather than the shorter Internal Revenue Service guideline lives adopted in 1962. The effect of this change in accounting estimate was to increase 1980 net income by approximately $94 million, or $1.41 per share.

UNITED STATES TOBACCO COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (in part)

Goodwill

It is the Company's policy to carry goodwill, acquired prior to November 1, 1970, at cost until such time as there may be evidence of diminution in value. During 1980 the Company began amortizing the goodwill associated with two of its subsidiaries. Amortization (no tax benefit) for 1980 was approximately $1,920,000 (21 cents per share). This goodwill is being amortized over a three-year period ending December 1982. The remaining goodwill is not being amortized because, in the opinion of management, there has been no diminution in value.

Change in Accounting Principles

ANHEUSER-BUSCH COMPANIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Capitalization of Interest

Effective January 1, 1980, interest relating to the cost of acquiring certain fixed assets is capitalized. This interest is included as part of the cost of the related asset and is amortized over its estimated useful life. See Note 2 for additional discussion.

Note 2: Changes in Accounting

Capitalized Interest

Effective January 1, 1980, the company was required to adopt Financial Accounting Standards Board Statement No. 34—Capitalization of Interest Cost. Accordingly, interest that relates to the cost of acquiring certain fixed assets as defined in the statement is capitalized. In 1980, the company incurred $75.6 million in interest costs of which $41.7 million has been capitalized. The effect of this change in accounting has been to increase net income for the year ended December 31, 1980 by $21.7 million or $.48 per share.

Investment Tax Credit

In 1979, the company changed its method of accounting for the investment tax credit. Effective January 1, 1979, the investment tax credit is included in earnings as a reduction of the provision for federal income taxes in the year the related assets are placed in service (flow-through method) rather than amortized over the estimated useful lives of the related assets (deferral method). This change was made because management believes that the flow-through method more accurately reflects the effect of investment decisions on the company's earnings and results in financial reporting more consistent with that of most industrial companies and particularly those companies in the beverage and food industry.

The effect of the change in 1979 was to increase net income by $72.3 million or $1.60 per share, consisting of $52.1 million or $1.15 per share from the cumulative effect of investment tax credits generated subsequent to 1971 and $20.2 million or $.45 per share from the effect of 1979 investment tax credits. The pro forma amounts reflect what net income would have been in 1978 had the flow-through method been used.

OSCAR MAYER & CO. INC. (OCT)

FINANCIAL REVIEW

Properties and Depreciation

Additions to properties amounted to $57,286,000 in 1980 compared with $46,091,000 in 1979. Beginning in 1980, large, long-term construction projects included capitalized interest cost in accordance with the Financial Accounting Standards Board's Statement No. 34. Interest capitalized amounted to $2,413,000 of a total interest cost in 1980 of $14,556,000. As a result, net income was increased by $1,237,000 or $.08 per share in 1980. Contractual commitments for construction of plant facilities were approximately $11,000,000 at October 25, 1980. Depreciation expense for 1980 was $26,793,000 compared with $23,029,000 in 1979.

R. J. REYNOLDS INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Capitalization of Interest Costs

Effective January 1, 1980, the Company adopted Statement of Financial Accounting Standards No. 34, whereby interest costs related to certain long-term construction projects are capitalized rather than charged directly to expense. Accordingly, of total interest costs incurred during 1980 of $163.2 million, $35.9 million was capitalized. The effect was to increase net earnings in 1980 by $19.0 million, or 18 cents per common share.

SCHERING-PLOUGH CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share figures)

Accounting Policies (in part)

Interest Capitalization

In accordance with Financial Accounting Standards Board Statement No. 34, effective January 1, 1980 the Company is capitalizing interest costs as part of the construction cost of plant and equipment. Interest costs incurred during 1980 were $34.3, of which $7.7 has been capitalized. Prior to 1980 all interest costs were expensed as incurred. This accounting change increased 1980 net income by $4.2, or 8 cents per common share.

STANDARD OIL COMPANY (INDIANA)

NOTES TO FINANCIAL STATEMENTS

Note 13: Capitalized Interest

Effective January 1, 1980, the company adopted the policy of capitalizing interest where it relates to the financing of major projects under development. Prior to 1980 all interest was expensed as incurred. This accounting change, made in accordance with Financial Accounting Standards Board Statement No. 34, resulted in the capitalization of interest of $6.9 million, which increased net income by $6.0 million, or $.02 per share.

BELL & HOWELL COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Inventories. Beginning in 1980, the Company changed the method of valuing substantially all of the domestic inventories of the Learning Systems & Materials line of business from the first-in, first-out (FIFO) method to the last-in, first-out (LIFO) method, which is not in excess of market. The Company plans to adopt the LIFO method of valuation for the domestic inventories of the Specialized Business Equipment line of business beginning in 1981. The change is being made over two years to provide adequate time for implementation. The change to the LIFO method provides a better matching of current costs with current revenues in the determination of net earnings. The effect of this change was to reduce net earnings for 1980 by $613,000, or $.11 per share. There is no cumulative effect of this change on prior years' reported earnings. At the end of 1980, $22,953,000 of inventories were valued using the LIFO method; if the FIFO method had been used, they would have been valued $1,246,000 higher than reported. All other inventories are valued at the lower of FIFO cost or market. Inventory cost includes material, labor and overhead.

Inventories used in the determination of cost of products sold for 1980, 1979 and 1978 were (in thousands):

Year End	
1980	$132,089
1979	114,938
1978	99,510
1977	94,969

Inventoried costs relating to long-term contracts were $528,000 and $3,467,000 at the end of 1980 and 1979, respectively, and progress payments netted against inventories were $2,791,000 and $1,996,000, respectively.

PHILIP A. HUNT CHEMICAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (in part): Inventories

During 1980, the Company changed its method of valuing inventory from the first-in, first-out (FIFO) method to the last-in, first-out (LIFO) method for substantially all domestic inventories. This change was made because management believes LIFO more clearly reflects income by providing a closer matching of current costs against current revenues. The change had the effect of reducing inventories at December 27, 1980 by $730,000, and income from continuing operations by $394,000 which is equal to $.07 per share of common stock for the year then ended. The effect of the change on prior years is not determinable; accordingly, there is no cumulative effect of the change at December 27, 1970.

The December 29, 1979 inventory as previously stated using the FIFO method is the amount of the beginning inventory for the current year under the LIFO method.

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

NOTES TO FINANCIAL STATEMENTS

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

Accounting Changes

In the fourth quarter of fiscal 1980, effective November 4, 1979, the Company adopted the LIFO (last-in, first-out) method of determining cost for substantially all of its domestic inventories, changed certain cost elements of inventory (see Note B), and changed its method of depreciating newly acquired plant and equipment to the straight-line method for financial reporting purposes (see Note C). The LIFO method was adopted to more fairly present the results of the Company's operations by matching current costs with current revenues and the other changes were made to make the Company's accounting policies more consistent with those currently prevailing in the textile industry.

The net effect of these changes was to decrease 1980 net income by $18,575,000 or $1.31 per share.

Note B (in part): Inventories

The inventories are summarized as follows:

(Dollar amounts in thousands)	1980	1979
Raw materials	$ 43,339	$ 42,508
Work in process	72,014	75,526
Goods in process	82,211	88,759
Finished goods	118,219	124,144
Supplies, waste, etc.	8,732	8,225
	$324,515	$339,162

In the fourth quarter of fiscal 1980, effective November 4, 1979, the Company adopted the LIFO method of determining cost of substantially all of its domestic inventories. The LIFO method was adopted to match current costs with current revenues. There is no cumulative effect on prior years because November 3, 1979 inventories valued on the FIFO basis are the opening LIFO inventories. At the same time, the Company changed certain cost elements of inventory and reclassified certain related costs (approximately $31,400,000) from the Cost of goods sold to Selling, general and administrative expenses. The cumulative effect has been included as an operating expense in the 1980 Statement of Income. Proforma effect of this change for prior years is not given because the effect is not material. Those affected elements reported in prior years as Cost of goods sold have been reclassified as Selling, general and administrative expenses. The effect of these changes for the year ended November 1, 1980 was as follows:

(Dollar amounts in thousands, except per share data)	Decrease in inventory	Decrease in net income	Per share
LIFO	$33,900	$17,200	$1.21
Cost elements	4,300	2,200	.16
	$38,200	$19,400	$1.37

Note C: Fixed Assets

Property, plant and equipment consist of the following:

(Dollar amounts in thousands)	1980	1979
Land	$ 4,881	$ 5,044
Buildings	206,665	200,728
Machinery, equipment, etc.	663,497	566,231
Leasehold improvements	5,901	5,298
Construction in progress	28,572	6,137
	909,516	783,438
Less: Accumulated depreciation	594,421	532,431
	315,095	251,007
Capitalized under lease agreements:		
Land	1,150	1,150
Buildings	8,768	8,686
Machinery, equipment, etc.	27,236	91,532
	37,154	101,368
Less: Accumulated amortization	5,048	31,405
	32,106	69,963
	$347,201	$320,970

For plant and equipment acquired after November 3, 1979, the Company adopted the straight-line depreciation method for financial reporting purposes. The effect of this change in accounting was to increase net income by $825,000 ($.06 per share).

BAYUK CIGARS INCORPORATED (DEC)

Statement of Income and Retained Earnings

	1980	1979	1978
	($000 omitted except per share data)		
Income before extraordinary credit and cumulative effect of accounting change.	$ 2,922	$ 1,931	$ 1,731
Extraordinary credit—utilization of tax loss carryforward	288	1,272	1,479
Cumulative effect on prior years of a change in accounting principle relating to marketable securities —Note 3	245	—	—
Net Income	$ 3,455	$ 3,203	$ 3,210

* * *

Per share of common stock, based on weighted average shares outstanding —1,883,447 (1980); 2,041,092 (1979); 2,326,572 (1978)			
Income before extraordinary credit and cumulative effect of accounting change	$ 1.55	$ .95	$ .74
Extraordinary credit	.15	.62	.64
Cumulative effect of accounting change	.13	—	—
Net income	$ 1.83	$ 1.57	$ 1.38
Proforma amounts assuming the first-in, first-out method of accounting for marketable securities is applied retroactively:			
Income before extraordinary credit	$ 2,922	$ 2,176	$ 1,731
Per share of common stock	$ 1.55	$ 1.07	$ .74
Net income	$ 3,210	$ 3,448	$ 3,210
Per share of common stock	$ 1.70	$ 1.69	$ 1.38

NOTES TO THE FINANCIAL STATEMENTS

($000 omitted from dollar amounts except for per share data)

Note 3—Marketable securities and commodities

Prior to January 1, 1980, the company has used the specific identification method as the basis for determining gains and losses on marketable security transactions. Effective January 1, 1980, the first-in, first-out method was adopted to more accurately reflect the financial results on a consistently determined basis of significant increases in the volume of securities transactions and the change in the nature of the marketable securities portfolio whereby certain securities are positioned so as to reduce the company's exposure to market risk. If the company had continued to use the specific identification method, income before extraordinary credit and net income would have been greater by $243 ($.13 per share) and $88 ($.04 per share), respectively.

At December 31, 1980, there were unrealized gains of $864, unrealized losses of $716 and realized gains of $562 relating to the company's marketable securities owned and its liability to deliver marketable securities sold but not yet purchased.

Net losses on marketable securities for the year ended December 31, 1978 includes $94 of gross unrealized losses charged to operations in September 1978 as part of the accounting to transfer securities from a long-term investment to a current asset classification.

Trading in gold and gold futures is carried out to provide the company a good yield at a moderate risk. Due to the company's practices with regard to investing in gold bullion and futures contracts, the company believes the most meaningful and appropriate measure of results of this activity is to reflect in the financial statements the net gain or loss from commodity transactions during the year on the specific identification basis, and from valuation adjustments to market for gold bullion and futures contracts.

The company's commodities positions at December 31, 1980 are summarized as follows:

	Cost	Market
Gold bullion	$ 19,061	$ 21,642
Long gold futures	13,614	14,407
	$ 32,675	$ 36,049
Short gold futures	$(40,544)	$(35,928)

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.

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

	1980	1979	1978	1977
Nature of Subsidiaries Not Consolidated				
Finance related				
Credit	97	93	94	97
Insurance	49	42	31	35
Leasing	22	22	18	17
Banks	5	7	6	10
Real estate	27	27	25	30
Foreign	28	27	33	37
Number of Companies				
Consolidating all significant subsidiaries	422	434	428	423
Consolidating certain significant subsidiaries	170	156	163	167
Not presenting consolidated financial statements	8	10	9	10
Total Companies	**600**	**600**	**600**	**600**

All Subsidiaries Consolidated

DENTSPLY INTERNATIONAL INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies (in part)

All subsidiaries have been consolidated in the financial statements. Subsidiaries outside North America are included in the consolidated financial statements on a one-month lag basis.

GENERAL PORTLAND INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies (in part)

General Portland Inc.'s accounting and reporting policies conform to generally accepted accounting principles and industry practices and are applied on a consistent basis between periods except for the changes in accounting methods discussed below. Certain amounts in the consolidated financial statements have been restated or reclassified to conform with the 1980 financial statement presentation. The following is a summary of the company's significant accounting policies:

Consolidation

The consolidated financial statements include the accounts of the company and its subsidiaries, each of which is wholly-owned. All material intercompany accounts and transactions have been eliminated. The company has liquidated its retail furniture operations and the amounts relative to such operations are shown separately in the accompanying financial statements.

THE GILLETTE COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (in part)

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all majority owned subsidiaries. Investments in less than majority owned companies are accounted for on the equity method. Intercompany accounts and transactions have been eliminated.

In order to permit sufficient time to assemble the data necessary for consolidation, accounts of subsidiaries outside the United States and Canada have been included on the basis of fiscal years generally ending November 30, except for the Braun group of companies, whose fiscal year ends September 30.

GEO. A. HORMEL & COMPANY (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Principles of Consolidation: The consolidated financial statements include the accounts of Hormel and all of its majority-owned subsidiaries after elimination of all significant intercompany accounts, transactions and profits. Investments in unconsolidated foreign companies are included in the financial statements at the Company's equity therein.

JOHNS-MANVILLE 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 Company and all of its subsidiaries.

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

Certain reclassifications have been made to prior years' consolidated financial statements to conform to the 1980 presentation.

M. LOWENSTEIN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of M. Lowenstein Corporation and all domestic and foreign subsidiaries ("the Company"). All material intercompany accounts and transactions have been eliminated in consolidation. Investments in affiliates which are not majority owned are recorded on the equity basis. The Company's equity in the affiliates' net income was $694,000 in 1980, $1,386,000 in 1979, and for 1978 the Company's equity in accumulated net losses exceeded the amount of the investment. Dividends totalling $336,000 in 1980 and $58,000 in 1979 were received from such affiliates. The 1979 and 1978 financial statements have been reclassified to conform to 1980 account classifications.

SIMPLICITY PATTERN CO. INC. (JAN)

NOTES TO THE FINANCIAL STATEMENTS

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

Basis of Consolidation—The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All inter-company transactions including estimated intercompany profits in inventories of the consolidated subsidiaries have been eliminated in the accompanying financial statements. The accounts of the Australian, New Zealand and South African subsidiaries have been consolidated for the three fiscal years ended December 31, 1980 with appropriate consideration given to the effect of intercompany transactions for each January.

STONE CONTAINER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (in part)

Principles of Consolidation:

The consolidated financial statements include the accounts of the Company and all subsidiaries which are more than 50% owned. Investments in non-consolidated affiliated companies are accounted for by the equity method when ownership is 20% to 50%, and accounted for by the cost method when ownership is less than 20%.

WALBRO 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 Walbro Corporation (Company) and all its subsidiaries. All material intercompany accounts and transactions are eliminated. All subsidiaries, except Walbro Far East, Inc., and its wholly-owned consolidated subsidiary Walbro Singapore PTE. Ltd., (WFE), are wholly-owned. WFE is 98% owned. The Consolidated Balance Sheets at December 31, 1980, 1979 and 1978 include WFE at September 30, 1980, 1979 and 1978, respectively. The consolidated statements of income, stockholders' equity and changes in financial position include WFE for the years ended September 30, 1980, 1979 and 1978, respectively.

All Significant Subsidiaries Consolidated

GENERAL SIGNAL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

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

Consolidation and related matters

The financial statements include the accounts of General Signal Corporation and its foreign and domestic subsidiaries (the Company). Investments in certain minor foreign subsidiaries, as well as 50-percent-or-less owned companies, are stated at cost plus equity in undistributed earnings since acquisition. All significant intercompany transactions have been eliminated.

The accompanying financial statements have been restated to reflect the merger with Xynetics, Inc. in 1980, accounted for as a pooling of interests (note 3).

Foreign currency exchange gains and losses were immaterial in 1980, 1979 and 1978.

GUARDIAN INDUSTRIES CORP. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Guardian Industries Corp., and all of its domestic and foreign subsidiaries, except for a 50.2%-owned Australian subsidiary, which is not significant and which is stated at cost plus equity in undistributed net income since the date of acquisition. The accounts of a wholly-owned Canadian subsidiary and a 60%-owned Luxembourg subsidiary have been consolidated on the basis of fiscal years ending November 30 and October 31, respectively. All significant intercompany transactions are eliminated.

OCCIDENTAL PETROLEUM 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 Occidental Petroleum Corporation, all majority-owned subsidiaries (except certain insignificant subsidiaries which include two wholly-owned subsidiaries; Occidental Land, Inc., a discontinued real estate operation, and Occidental Finance Corporation) and Occidental's interests in assets, liabilities and operations of oil and gas joint ventures (Occidental). All material intercompany accounts and transactions have been eliminated. There were no significant intercompany profits or losses from transactions with affiliates not consolidated. Investments in affiliates are carried at the equity in their net assets.

Certain statements, notes and supplementary data have been expanded, changed or included to conform to recent changes in reporting requirements.

H. H. ROBERTSON COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Summary of Accounting Policies

Consolidation

The consolidated financial statements include the accounts of H. H. Robertson Company and all significant majority-owned subsidiaries. All significant intercompany transactions are eliminated from the consolidated financial statements.

The Company's consolidated foreign subsidiaries, except those located in Canada, have fiscal years ending November 30 to facilitate the preparation of the Company's consolidated financial statements.

Finance-Related Subsidiaries Not Consolidated

AMERICAN SEATING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Accounting Policies

The consolidated financial statements include the accounts of American Seating Company and all majority owned subsidiaries, except American Seating Credit Corporation, a wholly owned finance subsidiary, which is accounted for by the equity method (see Note 6). Investment in unconsolidated 20-50% owned affiliates are also accounted for by the equity method (see Note 5). All material intercompany transactions and accounts are eliminated in consolidation.

COLT INDUSTRIES INC (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 1 (in part): Summary of Accounting Policies

Principles of Consolidation—Investments in which the company's ownership of common voting stock is over 50 percent are consolidated in the financial statements except for a wholly-owned finance subsidiary which is accounted for on the equity basis. This finance subsidiary is not consolidated since its operations are not similar to the operations of the consolidated group. Investments in which the company has stock ownership of at least 20 percent but not over 50 percent are accounted for on the equity basis. Intercompany transactions are eliminated.

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, except for Foster Wheeler Power Systems, Inc., a wholly owned subsidiary engaged in leasing operations, which is accounted for on the equity basis. (See Note 9.)

GETTY OIL COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Principles of Consolidation

The accounts of corporations in which Getty owns more than 50 percent of the common or voting stock (except ERC Corporation, see Note 7) are consolidated in the financial statements, along with Getty's interests in assets, liabilities and operations of unincorporated joint ventures. Corporations in which Getty has common or voting stock ownership of 20 percent, but not over 50 percent, are accounted for by the equity method. Getty's equity in the earnings or losses of the latter companies and ERC is included in the dividends, interest and other income caption in the consolidated statement of income. Investments in companies in which Getty owns less than 20 percent are carried at cost, with dividends recorded in income as received.

Note 7 (in part): Investment in Unconsolidated Insurance Subsidiary

During 1980 Getty acquired 100 percent of the stock of ERC Corporation, a holding company, which owns all of the stock of Employers Reinsurance Corporation, a multiple line property and casualty reinsurer. Employers wholly owns three life insurance companies, American Defender Life Insurance Company, National Fidelity Life Insurance Company and The Centennial Life Insurance Company. Due to the dissimilar nature of Getty's business and that of ERC, Getty accounts for its investment in ERC by the equity method. The condensed consolidated balance sheet of Employers on December 31, 1980 and 1979, and the related condensed consolidated statement of income for the years then ended are presented below. Condensed financial information is presented for Employers since it represents Getty's insurance operations and is the only significant subsidiary of ERC.

NATIONAL STEEL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (in part): Significant Accounting Policies

Principles of Consolidation: The consolidated financial statements include the accounts of National Steel Corporation and subsidiaries except for United Financial Corporation of California (UFC). The Corporation accounts for UFC by the equity method, since UFC's principal subsidiary's (Citizens Savings and Loan Association) operations are dissimilar to those of the consolidated group.

Foreign Subsidiaries Not Consolidated

COOPER INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all majority owned subsidiaries, except for certain African and South American subsidiaries the investments in which are recorded at cost because of restrictions upon the transfer of earnings and other economic uncertainties. Investments of 50% or less in affiliated companies are accounted for on the equity method, unless significant economic or political considerations indicate that the cost method is appropriate.

HARNISCHFEGER CORPORATION (OCT)

FINANCIAL NOTES

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

Consolidation—The consolidated financial statements include the accounts of all majority-owned subsidiaries except a wholly-owned domestic finance subsidiary, which is accounted for under the equity method, and a wholly-owned Brazilian subsidiary, which is carried at cost due to economic uncertainty. Intercompany transactions have been eliminated in the consolidated financial statements.

Financial statements of certain consolidated subsidiaries, principally foreign, are included on the basis of their fiscal years ending July 31 through September 30. Such fiscal periods have been adopted by the subsidiaries in order to provide for a timely consolidation with the Corporation.

Subsidiary Controlled by Independent Voting Trust

GENERAL ELECTRIC COMPANY (DEC)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The financial statements consolidate the accounts of the parent General Electric Company and those of all majority-owned and controlled companies ("affiliated companies"), except finance companies whose operations are not similar to those of the consolidated group. All significant items relating to transactions among the parent and affiliated companies are eliminated from the consolidated statements.

The nonconsolidated finance companies are included in the statement of financial position under investments and are valued at equity plus advances. In addition, companies in which GE and/or its consolidated affiliates own 20% to 50% of the voting stock ("associated companies") are included under investments, valued at the appropriate share of equity plus advances. After-tax earnings of nonconsolidated finance companies and associated companies are included in the statement of earnings under other income.

A nonconsolidated uranium mining company (see note 12) is also included under investments and is valued at lower of cost or equity, plus advances.

Note 12 (in part): Investments

Investment in the nonconsolidated uranium mining affiliate consists of investment in a wholly owned affiliate (established in the course of obtaining a U.S. Department of Justice Business Advisory Clearance Procedure Letter in connection with the 1976 Utah merger) to which all of the then existing uranium business of Utah has been transferred. All common stock of this affiliate has been placed in a voting trust controlled by independent voting trustees. Prior to the year 2000, General Electric and its affiliates may not withdraw the common stock from the voting trust except for sale to unaffiliated third parties. Directors and officers of the affiliate may not be directors, officers, or employees of General Electric, Utah or of any of their affiliates. Uranium may not be sold by this affiliate, in any state or form, to, or at the direction of, General Electric or its affiliates.

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 cost 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 1980 the survey companies reported 34 business combinations accounted for as a pooling of interests of which 17 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

HARRIS CORPORATION (JUN)

Consolidated Statement of Retained Earnings

	1980	1979
Balance at beginning of year, including $22,407,000 at July 1, 1978 applicable to pooled company	$308,415,676	$255,581,318
Net income for the year	79,682,432	68,771,846
Cash dividends ($.72 per share in 1980 and $.60 per share in 1979)	(20,438,185)	(15,535,488)
Cash dividends of pooled company	(205,237)	(402,000)
Adjustment for change in fiscal year of pooled company	593,000	
Balance at end of year	$368,047,686	$308,415,676

NOTES TO FINANCIAL STATEMENTS

In February, 1980 the Corporation acquired Farinon Corporation, a manufacturer of telecommunication equipment, for 4,070,099 shares of Common Stock in a transaction accounted for as a pooling of interests. Prior to the acquisition, Farinon's fiscal year ended on March 31, and Farinon's financial information reflected in the Corporation's restated consolidated financial statements as of and for the year ended June 30, 1979 are as of, and for the year ended, March 31, 1979. For 1980 the fiscal year-end of Farinon has been changed to conform to that of the Corporation. Farinon's net income for the period April 1, to June 30, 1979 of $593,000 has been credited to retained earnings as of July 1, 1979. Income from sales, rentals and services and net income of both companies for the periods preceding acquisition were:

	Year Ended June 30, 1979	Two Quarters Ended December 28, 1979 (Unaudited)
Income from sales, rentals and services		
Harris	$ 982,111,408	$525,659,066
Farinon	92,770,000	55,994,000
	$1,074,881,408	$581,653,066
Net income		
Harris	$ 63,088,846	$ 33,287,016
Farinon	5,683,000	2,612,000
	$ 68,771,846	$35,899,016

TABLE 1-10: BUSINESS COMBINATIONS

	1980	1979	1978	1977
Poolings of Interests				
Prior year's financial statements restated	17	22	31	31
Prior year's financial statements not restated	17	17	25	17
Total	**34**	**39**	**56**	**48**
Purchase Method	**159**	**185**	**149**	**118**

ELI LILLY AND COMPANY (JUN)

Consolidated Statements of Income and Reinvested Earnings

(Dollars in thousands, except per-share data)

	1980	1979	1978
Net Income	$ 341,974	$ 333,676	$ 280,252
Reinvested earnings at beginning of year, as previously reported	1,432,253	1,244,822	1,083,839
Reinvested earnings of acquired company—Note C	13,269	9,124	6,347
Reinvested earnings at beginning of year, as restated	1,445,522	1,253,946	1,090,186
Deduct cash dividends—per share:			
Paid: 1980—$2.20; 1979—$1.95; 1978—$1.65	165,262	142,100	116,492
Declared in 1980, payable in March, 1981—$.575	43,573	—	—
Reinvested Earnings at End of Year	$1,578,661	$1,445,522	$1,253,946

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note C—Acquisition

On May 7, 1980, the Company exchanged 2,436,315 shares (.70 of a share for each share acquired) of its common stock for all the outstanding shares of Physio-Control Corporation. Physio-Control designs, manufactures, and sells electronic instrumentation for use in the cardiovascular and dialysis fields of medicine. The acquisition has been accounted for under the pooling of interests method and, accordingly, the Company's 1978 and 1979 consolidated financial statements have been restated to include the accounts and operations of Physio-Control. Physio-Control's previously reported financial results have been recast to reflect years ended December 31.

Net sales and net income included in the consolidated statements of income and reinvested earnings for 1978, 1979, and the three months ended March 31, 1980, are as follows:

	Previously Reported	Physio-Control (unaudited)	Combined
		(Millions)	
Net sales			
Year ended December 31, 1978	$1,852.1	$30.5	$1,882.6
Year ended December 31, 1979	2,205.8	45.0	2,250.8
Three months ended March 31, 1980	704.3	13.3	717.6
Net income			
Year ended December 31, 1978	277.5	2.8	280.3
Year ended December 31, 1979	329.5	4.2	333.7
Three months ended March 31, 1980	115.3	1.1	116.4

Earnings per share were reduced by 9 cents in both 1978 and 1979 and 13 cents in 1980 through dilution.

RAYTHEON COMPANY (DEC)

Statements of Stockholders' Equity

	Years Ended December 31, 1980, 1979 and 1978			
	Common Stock		Additional	Retained
	Shares	Par Value	Paid-in Capital	Earnings
		In thousands		
Balance at December 31, 1977				
As previously reported	30,916	$38,645	$ 78,443	$ 506,296
Pooling of interests—Beech Aircraft	8,449	10,562	18,262	87,260
As restated	39,365	49,207	96,705	593,556
Net income				186,563
Dividends declared				
$1.30 per share				(40,456)
Pooled company prior to merger	85	106	3,271	(12,091)
Conversion of Beech debentures and other transactions of a pooled company prior to merger	348	435	8,474	(199)
Proceeds under common stock option plans	340	425	6,551	
Balance at December 31, 1978	40,138	50,173	115,001	727,373
Net income				240,340
Dividends declared				
$1.70 per share				(53,263)
Pooled company prior to merger				(11,443)
Payment in lieu of common shares pursuant to acquisition contingency agreement			(488)	
Conversion of Beech debentures and other transactions of a pooled company prior to merger	402	503	9,131	(5)
Proceeds under common stock option plans	312	390	8,770	
Balance at December 31, 1979	40,852	51,066	132,414	903,002
Net income				282,257
Dividends declared				
$2.10 per share				(87,313)
Pooled company prior to merger				(3,092)
Redemption of Beech debentures and other transactions of a pooled company prior to merger	409	510	9,099	
Proceeds under common stock option plans	422	528	15,125	
Balance at December 31, 1980	41,683	$52,104	$156,638	$1,094,854

NOTES TO FINANCIAL STATEMENTS

Note O: Merger of Beech Aircraft Corporation

The merger of the company and Beech Aircraft Corporation was completed in February, 1980. Under the Agreement of Merger, each Beech shareholder received .775 shares of the company's common stock (9,965,000 shares) in exchange for each Beech share.

The merger was accounted for as a pooling of interests and, accordingly, the operations of Beech are included for all years. The net sales and net income for Beech Aircraft Corporation in 1980 prior to the effective date of the merger were approximately $72,000,000 and $5,000,000, respectively. Tax benefits of the Beech Domestic International Sales Corporation have been recorded on a flow-through basis in 1980. The amount of such tax benefits deferred by Beech in 1978 and 1979 are immaterial and have been included in 1980 net income ($3,976,000 or $.10 per share).

Separate results of operations of the combined entities for the years 1980 through 1978 are as follows:

	1980	1979	1978
Net sales		In thousands	
Raytheon Company .	$4,245,773	$3,727,930	$3,239,302
Beech Aircraft Corporation	756,315	626,308	547,379
	$5,002,088	$4,354,238	$3,786,681
Net income			
Raytheon Company .	$ 226,087	$ 197,151	$ 150,034
Beech Aircraft Corporation...........	56,170	43,189	36,529
	$ 282,257	$ 240,340	$ 186,563

PURCHASES

BAIRD CORPORATION (SEP)

NOTES TO FINANCIAL STATEMENTS

Note 2: Acquisition of Labtest Equipment Company

Effective August 14, 1980, the Company acquired all the outstanding shares of Labtest Equipment Company (Labtest), a designer and manufacturer of spectrochemical instruments. The purchase price was $989,916 payable $287,076 at the closing and $378,348 and $324,942 in 6% notes due April 1981 and April 1982, respectively. Interest on the notes has been imputed at 11% for purposes of determining the debt to be recorded on the Company's books. The acquisition has been accounted for as a purchase transaction. The excess of the purchase price over the fair value of the net assets acquired of $428,677 will be amortized over forty years using the straight-line method.

Unaudited pro forma consolidated results of operations for the year ended September 30, 1980, as though Labtest had been acquired as of October 1, 1979 are:

	1980
Net sales	$40,894,000
Net income	1,539,000
Net income per share	1.11

Comparable amounts for 1979 are not included since Labtest was incorporated on May 1, 1979.

GENERAL HOST CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 2: Businesses Acquired

As of July 26, 1980, the Company purchased substantially all of the outstanding stock of Hickory Farms of Ohio, Inc., a specialty food franchisor and retailer, at a total cost of approximately $41,300,000. Of the total purchase price, approximately $11,200,000 represented property, plant and equipment which is being depreciated over the estimated remaining useful lives, $13,000,000 represented cost in excess of the net assets acquired which is being amortized over 40 years, and $13,800,000 represented franchise agreements and other intangibles which are being amortized over periods ranging from 5 to 40 years, all using the straight-line method.

On December 3, 1980, the Company purchased all of the outstanding stock of Hickory Farms Sales Corp., a franchisee of Hickory Farms of Ohio, at a total cost of approximately $12,600,000. Of the total purchase price, approximately $8,000,000 represented property, plant and equipment which is being depreciated over the estimated remaining useful lives, $1,700,000 represented cost in excess of the net assets acquired which is being amortized over 40 years, and $1,700,000 represented other intangibles which are being amortized over approximately 5 years, all using the straight-line method.

The income of these acquired businesses, which comprise the Company's Specialty Food Stores business segment, is included in the consolidated statement of income from the dates of the respective acquisitions. The pro forma consolidated results of operations of the Company, as if both businesses had been acquired at the beginning of 1980 and 1979, are as follows:

(In thousands, except per share amounts)	Pro forma Year Ended Dec. 27, 1980	Dec. 29, 1979
Sales of continuing operations......	$455,620	$424,745
Income from continuing operations before income taxes.............	$ 11,360	$ 15,811
Income taxes.........................	5,773	6,837
Income from continuing operations.	5,587	8,974
Discontinued operations, after income taxes.......................	(22,751)	10,565
Income (loss) before extraordinary gains..............................	(17,164)	19,539
Extraordinary gains.................	7,141	9,216
Net income (loss)....................	$(10,023)	$ 28,755
Primary earnings per share:		
Income from continuing operations	$ 1.96	$ 3.70
Discontinued operations..........	(7.98)	4.36
Income (loss) before extraordinary gains......................	(6.02)	8.06
Extraordinary gains...............	2.50	3.81
Net income (loss)................	$ (3.52)	$ 11.87
Fully diluted earnings per share:		
Income from continuing operations	$ 1.91	$ 3.03
Discontinued operations..........		3.29
Income before extraordinary gain		6.32
Extraordinary gain................		2.95
Net income		$ 9.27

Pro forma adjustments consist principally of increases in interest expense and decreases in interest income resulting from the assumed investment of funds in these businesses prior to the actual dates of acquisition, amortization of intangibles, and in 1980, operating losses of these businesses prior to acquisition.

HMW INDUSTRIES, INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Acquisitions

On March 10, 1980, the Company, through a newly formed wholly owned subsidiary, Chairmakers, Inc. (Chairmakers), purchased all the assets and business of a group of privately held companies, the largest of which was formerly known as Chairmakers, Inc., a manufacturer of family room furniture. The minimum purchase price of $3,480,000 was satisfied by payment of $2,220,000 in cash and the issuance of promissory notes for $1,260,000 (see Note 4). The purchase price may be increased by a maximum of $3,300,000, contingent upon the consolidated future earnings of Chairmakers and its newly acquired subsidiary Fort Smith Chair Company (Fort Smith), which does business as Ayers Furniture Industries, through 1983. In the event the purchase price is increased, such increase is to be paid in three annual installments beginning April 1, 1984.

On June 13, 1980, Chairmakers acquired all of the stock of Fort Smith, a manufacturer and assembler of upholstered sofas, chairs and other furniture. Under the terms of the acquisition, the former shareholders of Fort Smith are entitled to receive 10 percent of the net income of Fort Smith for the fiscal years ending January 31, 1983 through January 31, 1987, subject to specified reductions and provided that the aggregate amount to be paid shall not exceed $500,000.

These acquisitions have been accounted for by the purchase method. Accordingly, the results of the operations of Chairmakers and Fort Smith have been included with those of the Company since the dates of acquisition. The purchase price for Chairmakers resulted in an excess of acquisition cost over net assets acquired of $498,000 and will increase for any payments in excess of the minimum purchase price. Had the acquisitions occurred at February 1, 1979, the pro forma unaudited results of operations for the twelve months ended January 31, 1981 and 1980 would be as follows:

	1981	1980
Revenues	$109,076,000	$119,456,000
Income before extraordinary credit	$ 3,322,000	$ 4,957,000
Net income	$ 4,513,000	$ 9,337,000
Income per common share:		
Income before extraordinary credit	$1.15	$1.73
Net income	$1.56	$3.27

The above unaudited pro forma results of operations, insofar as they pertain to the periods prior to the acquisition of Chairmakers and Fort Smith, are based upon financial information furnished by the management of the respective companies. The results have been adjusted to reflect the tax benefit of losses on the results of operations of these companies, the adjustment for officers' salaries to the amount determined by their employment contracts, the deductions for interest expense on the promissory notes and the amortization of the excess of acquisition cost over net assets acquired.

On August 1, 1979, a subsidiary of the Company acquired all of the stock of Waldom Electronics, Inc. (Waldom), a nationwide distributor of electronic components. The purchase price of $3,500,000 was satisfied by payment of $500,000 in cash and the issuance of promissory notes for $3,000,000 (see Note 4).

This acquisition was accounted for by the purchase method. Accordingly, the results of operations of Waldom have been included with those of the Company since the date of acquisition. The purchase price resulted in an excess of acquisition cost over net assets acquired.

The pro forma results, had the acquisition occurred at February 1, 1978, would not have had a significant impact on the Company's consolidated results of operations.

MARSHALL FIELD & COMPANY (JAN)

NOTES TO FINANCIAL STATEMENTS

Note 11: On November 1, 1978, the Company, through a subsidiary, acquired all of the outstanding common and preferred shares of John Breuner Company in exchange for 1,189,059 shares of the Company's preferred stock with an approximate fair market value of $20,363,000. This merger has been accounted for as a purchase. A lawsuit filed in 1977, alleging that Breuners and its then directors breached their fiduciary duty in connection with Breuners' tender offer for shares of its common stock and that the price offered was inadequate, was settled in 1979 for approximately $1.1 million, of which $480,000 has been recovered through insurance proceeds. These amounts plus related legal fees effectively reduced the fair value of net assets of Breuners at date of acquisition to $21,932,000. The excess of adjusted net assets acquired over the fair market value of the Company's Preferred Stock issued on such exchange was used to reduce the book value of furniture and fixtures acquired.

On October 21, 1980, the Company, through a subsidiary, acquired all of the outstanding common shares of J. B. Ivey & Company in exchange for 1,075,023 shares of a newly-created series of the Company's preferred stock with an approximate fair value of $28,600,000. The approximate book value of the net assets acquired was $36,212,000. The excess of the adjusted net assets acquired over the fair market value of the Company's preferred stock issued at the time of the acquisition was used to reduce the book value of furniture and fixtures acquired.

Each share of preferred stock issued in connection with the Ivey acquisition is initially convertible into 1.75 shares of the Common Stock. The conversion ratio will increase by .05 shares per year, to a maximum of 2.0 shares at the end of five years if Ivey achieves certain net sales levels during that period.

Had the Company, Breuners and Ivey been combined as of January 31, 1978, the pro-forma combined net sales would have been $1,112,654,000 in fiscal 1980; $1,048,365,000 in fiscal 1979 and $977,825,000 in fiscal 1978; the pro-forma net income would have been $20,030,000 in 1980, $21,607,000 in 1979, and $24,792,000 in 1978; and the pro-forma net income per common share would have been $1.65 in 1980, $1.78 in 1979, and $2.04 in 1978.

JEWEL COMPANIES, INC. (JAN)

NOTES TO FINANCIAL STATEMENTS

Acquisition

Effective November 6, 1980 the Company acquired Sav-On-Drugs, Inc. The Company acquired 28.3% of the outstanding common shares of Sav-On for $37,929,000 in a cash tender offer that expired on September 19, 1980 and received the remaining Sav-On common shares in exchange for 3,850,745 shares of a new issue of Jewel $2.31 cumulative convertible preferred stock with a fair market value of $96,269,000. The total cost of the acquisition, including expenses, was $138,274,000. The excess of the total acquisition cost over the fair value of net assets acquired was $17,196,000 and is being amortized on the straight-line basis over forty years.

The acquisition has been accounted for as a purchase. Accordingly, the results of operations of Sav-On have been included in the consolidated results of the Company since November 6, 1980.

The following unaudited pro forma data present the results of operations of the Company as if Sav-On had been acquired at the beginning of fiscal 1979. The following data reflects adjustments for interest on borrowed funds, amortization of goodwill, additional depreciation on revalued purchased assets, the conversion from accelerated to straight-line depreciation for book purposes for certain of Sav-On's assets and preferred dividend requirements for the new cumulative convertible preferred stock.

(In thousands except per share data)	1980	1979
Sales	$4,731,567	$4,211,924
Earnings from continuing operations	66,028	55,412
Net earnings	57,374	56,785
Per average common share outstanding—		
Primary:		
Earnings from continuing operations	5.06	4.17
Net earnings	4.29	4.29
Fully diluted:		
Earnings from continuing operations	4.63	3.93
Net earnings	4.03	4.02

During 1979, Sav-On adopted the LIFO method of inventory valuation. However, Jewel used the FIFO method of inventory valuation. Assuming both Jewel and Sav-On used the FIFO method in 1979, the primary and fully-diluted net earnings per share would have been $4.53 and $4.22, respectively.

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." *SFAS 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 1980 annual reports of the survey companies. The balance sheets of 204 survey companies showed a caption, without an amount, for contingencies and/or commitments. Examples of contingency and commitment disclosures follow. Additional examples of disclosures concerning obligations to maintain working capital or restrict dividends are presented in connection with Table 2-25.

LOSS CONTINGENCIES

Litigation

AMAX INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 22 (in part): Contingent liabilities and guarantees

Anamax Mining Company, in which AMAX is a 50 percent partner, AMAX and others are defendants in a lawsuit seeking injunctive relief and monetary damages. The U.S. Government has brought the action in federal court in its own right and on behalf of the Papago Indian Tribe and others alleging withdrawal of excessive amounts of surface and groundwater from the Santa Cruz River Basin in derogation of their rights. Plaintiffs in a related action consolidated with this one seek a decree that they have a prior right to such water as necessary for use on the reservation, a permanent injunction preventing use of groundwater in such manner as to interfere with their rights and damages in an unspecified amount. The U.S. Government has also asserted claims to use water on certain of its reserved lands within the Basin. If this suit is concluded adversely to Anamax and no legislative solution is achieved, Anamax could be denied water currently essential to its operations. While management of Anamax believes sufficient water to continue operations could be obtained on an economic basis, no definitive assurance can be given whether or when such water could be obtained.

AMERICAN MAIZE-PRODUCTS COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 12: Litigation

The Company is one of eight defendants in a civil suit filed in December 1979 in the United States District Court for the Northern District of California entitled "United States of America vs. CPC International, Inc. et al." The Government's complaint alleges a conspiracy in violation of a 1950 Federal Trade Commission order and demands statutory penalties.

TABLE 1-11: CONTINGENCIES AND COMMITMENTS

	Number of Companies			
	1980	1979	1978	1977
Loss Contingencies				
Litigation	354	353	310	330
Guarantee of indebtedness	132	122	138	128
Possible tax assessment	89	88	97	88
Sale of receivables with recourse	71	70	60	65
Renegotiation of government contracts	23	30	45	46
Government regulations	19	20	N/C	N/C
Other—described	59	48	52	33
Gain Contingencies				
Investment credit carryforward	84	79	54	41
Operating loss carryforward	77	77	75	73
Plaintiff litigation	21	22	14	30
Commitments				
Dividend restrictions	425	427	423	418
Plant expansion	115	106	93	109
Purchase agreements	28	29	23	39
Employment contracts	16	14	16	25
Additional payments in connection with an acquisition	4	9	7	16
Other—described	21	24	19	25

N/C—Not Compiled.

In April 1980, the civil action brought by the Government was dismissed without prejudice. The Government has appealed and commenced a second action with a modified complaint. A related grand jury investigation commenced in early 1980 and was formally discontinued in December 1980.

In addition, a number (33 at February 1, 1981) of private antitrust actions have been commenced against the same defendants and other wet millers, purportedly as class actions on behalf of purchasers of corn products, seeking treble damages, in substantial but unspecified amounts. Two consumer actions have also been commenced claiming damages on behalf of indirect purchasers of corn derivative products.

The Company denies the allegations in the Government, private and consumer actions and plans a vigorous defense. In the opinion of management, the Company's liability, if any, would not materially affect its financial condition.

ANDERSON, CLAYTON & CO. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9: The Company, among many if not all other domestic companies selling hybrid seed corn, was named a defendant in a class action in Indiana for damages allegedly incurred by farmers as a result of the leaf blight that affected the 1970 crop year. After many procedural hearings and following a denial by the Supreme Court of Indiana in late 1979 for a rehearing, the matter against the Company was dismissed with prejudice on February 28, 1980.

On September 20, 1979, the Company was named a third-party defendant in a lawsuit alleging that defendants sold plaintiffs cottonseed and cottonseed products contaminated with aflatoxin. This complaint was dismissed against the Company on April 18, 1980 but plaintiffs have now filed an amended complaint to add the Company as a direct defendant. The suit asks for $22 million in damages plus $10 million punitive damages. Another suit pertains to a subsidiary acting as agent in moving a facility for a third party. The subsidiary and third party are sued for $1.3 million damages plus $25 million punitive damages. In each of these matters, Counsel for the Company says it is impossible at this stage to render an opinion as to the ultimate liability of the Company because discovery has not commenced. Management of the Company is of the opinion that the outcome of the suits will have no material effect on the Company's financial position or results of operations.

ARMSTRONG WORLD INDUSTRIES, INC. (DEC)

FINANCIAL REVIEW

Litigation

Since 1970 the Company has been named as one of a number of defendants in lawsuits alleging injury to the health of individuals incurred in connection with the installation and removal of asbestos-containing products. Nearly all such suits against the Company allege exposure to asbestos-containing insulation products manufactured or sold by it. Approximately 3,850 suits have asserted claims on behalf of approximately 5,790 individual plaintiffs. As of December 31, 1980, about 3,290 of such suits involving approximately 5,200 individuals remain pending, an increase from the 1,900 suits involving approximately 2,700 individuals as of December 31, 1979. At year-end 1980, the Company had also received similar separate claims not arising out of litigation and involving approximately 60 individuals. Two suits assert claims in behalf of an unspecified number of individuals, one of which involves asbestos insulation products, and the other allegedly involves employees of a gasket fabricator. Most complaints in which damages are specified seek recovery against the defendants of $1,000,000 plus punitive damages. A substantial number of complaints seek much higher damages. Of the cases that have been fully litigated, the largest recovery against the Company was $8,250; of the cases that have been settled, higher amounts have been paid, but the average settlement has been lower than the $8,250 amount. The Company's products may not be involved in a number of these suits. The Company discontinued the sale of all asbestos insulation products in 1969. However, because of the time period prior to manifestation of injury resulting from exposure to asbestos fibers and the inability to determine the number of future cases claiming that such injury arose from exposure to the Company's products, the number of potential unasserted claims and the potential liability therefrom with which the Company may be involved in the future cannot reasonably be ascertained.

The extent of insurance coverage for the bulk of such lawsuits and potential unasserted claims is disputed by the insurance carriers of the Company. In 1980 the Company filed suit against its primary and excess carriers in a California state court to resolve the dispute concerning the carriers' obligations. Based upon a review of the coverage issues by counsel for the Company, the Company believes it has a substantial legal basis for establishing its rights to defense and indemnification, within provable periods of coverage, from its carriers in respect of substantially all such suits and claims. It is probable that resolution of this complex matter will take at least several years.

Even though the potential unasserted claims and liability therefrom cannot be ascertained and there is no assurance of prevailing in the dispute with the Company's insurance carriers, after consideration of the factors discussed above and the Company's experience with this litigation, the Company believes that its liability for these lawsuits and claims would not have a material adverse effect on the Company's financial position.

ATI, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10: Litigation

On July 9, 1976, the Company commenced an action in the Supreme Court of the State of New York against a customer for $57,653 for work, labor and services and related charges. In answering the complaint, the customer alleged counterclaims for alleged defective work and overcharges, seeking $1,160,000 in damages.

In October 1978, the Company was also named as a defendant in an action wherein the plaintiffs allege, among other things, that an aerosol insecticide manufactured by the Company for the plaintiffs was defective in that the cans delivered either leaked or emitted foam instead of spray. The plaintiffs have sued for alleged actual damages in the amount of $2,500,000 and exemplary damages in the additional amount of $2,000,000. The Company has counterclaimed in the amount of $75,000 claiming losses due to plaintiffs' cancellations of orders with the Company.

The Company and its counsel are of the opinion that defenses against these actions exist and that the ultimate liability, if any, will not have a material effect upon the Company.

In April 1980, the Company reached an agreement to settle certain litigation which had been brought against it in a prior year. The settlement called for the payment of $10,000 in cash and, in addition, the Company agreed to credit the plaintiff with $150,000 in the form of a 20% discount off of the regular invoice price for its pharmaceutical products through September 1987. In the event that purchases of these products do not meet or exceed certain specified yearly levels, the Company will be required to make additional cash payments. The present value of these payments (approximately $31,000) and the $10,000 referred to above were recorded in operations during the year ended September 27, 1980.

BROWN & SHARPE MANUFACTURING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6: Contingencies

During 1978 certain Chamberlain subsidiaries together with three other unrelated sub-contractors were joined as additional defendants in a product liability action which began in 1974 in the Commercial Court of Paris, France. Court appointed experts in a nonbinding report had originally estimated the plaintiff's total damages to be approximately $14,300,000. In January, 1981 the Court issued an order, subject to appeal, which required a new expert report and restricted the potential liability of the Chamberlain subsidiaries to approximately $1,400,000. It is impossible at this time to estimate the total damages, if any, which may be assessed against all the defendants or the ultimate effect on the Company. The existence of this claim was known to the Company and had been taken into account by it in its acquisition of Chamberlain in 1979. The Company intends to continue vigorous defense of the claim. On the basis of information presently available, and the advice of Counsel, the Company is of the opinion that any resulting liability and costs would not have a material effect on the consolidated financial position of the Company.

EAGLE-PICHER INDUSTRIES, INC. (NOV)

NOTES TO FINANCIAL STATEMENTS

Litigation

As of November 30, 1980 the Company is one of a number of companies involved in approximately 6,100 claims involving injuries allegedly caused by contact with asbestos-containing insulation products of the various companies. The Company last manufactured such products in 1971. Approximately 800 claims, some of which have been covered by insurance, were disposed of through November 30, 1980. The Company's average cost per claim, including legal fees, has been approximately $7,000. Charges to operations for expenses of asbestosis litigation amounted to approximately $2,400,000 in 1980 compared with $1,500,000 in 1979. Expenses of disposing of such claims in the future, and the period of time over which such expenses will be incurred are not reasonably predictable. However, it is the opinion of management that such costs will not have a materially adverse effect upon the financial condition of the Company.

GENERAL HOST CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 15: Litigation

On June 10, 1980, the Company purchased 267,850 shares of its common stock from a group of shareholders who had purchased the stock in conjunction with Clabir Corporation. The purchase price was $25.00 per share, of which $20.00 per share was paid in cash and the remaining $5.00 per share by three-year promissory notes, for a total purchase price of $6,696,000. The Company also acquired an option to purchase another 466,450 of its shares from Clabir. The price of the option was $2.50 per share or $1,166,000. The Company exercised the option and, on November 10, 1980, purchased the 466,450 shares for an additional $22.50 per share, $17.50 per share in cash and $5.00 per share by three-year promissory notes, for a total additional purchase price of $10,495,000. Pursuant to the agreement granting the option, Clabir is prohibited from purchasing the Company's common stock for a five-year period.

Three lawsuits have been commenced challenging the propriety of these transactions. Each of the plaintiffs asserts claims derivatively as a shareholder of the Company for damages allegedly caused by the Board of Directors' authorization of the purchase of the Company's common stock at a price in excess of that at which the stock then was selling on the open market. The Board of Directors views the claims to be without merit. Two of the actions also seek to recover damages from Clabir for its role in the transactions, and one of these demands that "short-swing" profits allegedly received by Clabir in violation of Section 16 (b) of the Securities Exchange Act of 1934 as a result of the transactions be repaid to the Company. All three lawsuits are purportedly brought for the benefit of the Company, and, if they were to result in decisions in favor of the plaintiffs, damages would be awarded to the Company. Additional lawsuits could be commenced against the Company, but the possible effects of any such lawsuits on the Company cannot be estimated.

GENERAL REFRACTORIES COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15: Litigation and Contingencies

During 1980, the United States District Court for the District of Delaware rendered an adverse decision in a suit the Company initiated for infringement of one of its patents. In that decision, the court invalidated the patent and awarded the defendant attorneys' fees of $375,000. The Company is currently appealing this decision. In the opinion of management and its special patent counsel there is a reasonable probability the decision will be reversed.

In connection with the above litigation, the defendant has asserted claims against the Company for treble damages under the anti-trust laws, although no specific amount of damages was asserted. Because of the preliminary nature of these claims and the pendency of the Company's appeal, no assessment of the possibility of success of such claims has been made by special patent counsel.

The Company (including its subsidiaries) is also a party to various other claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, all such matters are adequately covered by insurance, or if not so covered, are without merit or are of such kind, or involve such amounts that unfavorable disposition would not have a material effect on the financial position of the Company.

JOHNS-MANVILLE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5—Contingencies

The Company is a defendant or co-defendant in a substantial number of lawsuits brought by present or former insulation workers, shipyard workers, factory workers and other persons alleging damage to their health from exposure to dust from asbestos fiber or asbestos-containing products manufactured or sold by the Company and, in most cases, by certain other defendants. The majority of these claims allege that the Company and other defendants failed in their duty to warn of the hazards of inhalation of asbestos fiber and dust originating from asbestos-containing products. In the opinion of Management, the Company has substantial defenses to these legal actions, resulting in part from prompt warnings of the possible hazards of exposure to asbestos fiber emitted from asbestos-containing insulation products following the 1964 publication of scientific studies linking pulmonary disease in insulation workers to asbestos exposure.

Also included in these legal actions are a number of cases brought by some of the Company's own employees and by employees of other manufacturing companies which use asbestos fiber in their operations. These suits typically allege that the Company and other defendants failed to warn of the hazards associated with the use of such fiber. In the opinion of Management, the Company has substantial defenses to these legal actions including the fact that, with respect to employees of other manufacturing companies, it had no special knowledge not in the possession of the plaintiffs' employers which would give rise to a special duty on the part of the Company, and, with respect to the employees of the Company, that applicable workers' compensation statutes provide appropriate defenses to most such claims.

It is the Company's belief that the claims and lawsuits pending and which may arise in the future relate to events and conditions existing in prior years. More specifically, it is the Company's belief, based on the following factors and assumptions, that since at least prior to the period covered by these financial statements, no significant new potential liabilities have been created for the Company with respect to diseases known to be related to asbestos and arising from asbestos fiber and/or asbestos-containing products manufactured or sold by the Company:

—That since the mid-1970's, the Company has sold asbestos fiber in the United States only in pressure pack, block form or other similar condition and not in a loose form;

—That by 1973, the Company had ceased domestic manufacture of thermal insulation products containing asbestos which are the products principally involved in disease claims made against the Company;

—That the Occupational Safety and Health Administration (OSHA) established a maximum exposure standard for asbestos fiber of five fibers per cubic centimeter in 1972 and lowered that standard to two fibers per cubic centimeter in 1976. It is assumed that compliance with such standards in the work place was achieved within a reasonable time following such promulgation and is continuing to date; and

—With respect to any use not complying with the OSHA asbestos standards, the Company's defensive posture with respect to claims arising out of such environments will be significantly enhanced.

As of December 31, 1980, the Company was a defendant or co-defendant in 5,087 asbestos/health suits brought by approximately 9,300 individual plaintiffs. This represents a substantial increase from the December 31, 1979 level of 2,707 cases (brought by approximately 4,100 plaintiffs) and the December 31, 1978 level of 1,181 cases (brought by approximately 1,500 plaintiffs). During 1979, the Company was named as a defendant in an average of 141 cases per month (brought by an average of 196 plaintiffs) as compared with an average of 65 cases per month (brought by an average of 83 plaintiffs) in 1978. During the first three quarters of 1980, the Company was named as a defendant in an average of 194 cases per month (brought by an average of 382 plaintiffs); this rate increased to an average of 304 cases per month (brought by an average of 403 plaintiffs) in the fourth quarter of 1980. During 1980, the Company disposed of 402 claims at an average disposition cost (excluding legal expenses) of $23,300, substantially all of which was paid by applicable insurance. This level of disposition cost represents a significant growth from the pre-1980 level of approximately $13,000 per claim. The growth in these two areas has significantly increased the uncertainties as to the future number of similar claims which the Company may receive, and the future disposition costs of the pending and future claims. Also during 1980, to resolve uncertainties as to the correct interpretation of a number of provisions in the various policies of insurance maintained by the Company and applicable to these claims, it was necessary for the Company to bring a declaratory judgment action to have such issues resolved by a court of law. While it continues to be the Company's opinion that its position with respect to these issues is sound and in accord with the weight of judicial precedents, any litigation involves uncertainties to some degree.

Because of the uncertainties associated with the asbestos/health litigation, and in spite of the substantial defenses the Company believes it has with respect to these claims, the eventual outcome of the asbestos/health litigation cannot be predicted at this time and the ultimate liability of the Company after application of available insurance cannot be estimated with any degree of reliability. No reasonable estimate of loss can be made and no liabiltiy has been recorded in the financial statements. Liabilities, if any, relating to asbestos/health litigation will be recorded in accordance with generally accepted accounting principles when such amounts can be reasonably estimated. Depending on how and when these uncertainties are resolved, the cost to the Company could be substantial.

KERR-MCGEE CORPORATION (DEC)

FINANCIAL REVIEW

Contingencies

Westinghouse Electric Corporation filed suit in 1976 against 29 uranium producers, including the company, alleging violations of the antitrust laws in connection with the production and sale of uranium. Westinghouse has claimed that its damages (which would be trebled by law if it prevailed) amount to more than a billion dollars. In May 1978, the company filed an answer and a counterclaim for damages in an amount not specified, alleging violations of the antitrust laws by Westinghouse. Subsequent to December 31, 1980, Westinghouse and the company reached an agreement in principle for the settlement of the action, subject to approval of a definitive agreement. The company's management believes that obligations under the proposed settlement agreement will not have a material effect upon its financial statements.

In January 1981, two groups of utilities, one located in Wisconsin and the other in New England, filed suit in the Northern District of Illinois against the company and most of the other defendants in the Westinghouse litigation. The complaint specifically incorporates the portions of the Westinghouse complaint which allege that the company and other uranium producers combined and conspired to restrain trade in uranium. No amounts of damages are specified. Discovery has not started. Accordingly, counsel has not formed a judgment as to the ultimate outcome of the action.

The plaintiffs have appealed from the dismissal by the trial court, on jurisdictional grounds, of litigation brought in Arizona in 1979 against certain uranium mining companies, including the company, seeking to hold the companies liable for cancer and other lung diseases allegedly contracted by Navajo miners in uranium mines on the reservation.

On May 18, 1979, a jury in Oklahoma City rendered a verdict against the company in the amount of $505,000 actual damages alleged to have been sustained by an employee of the company's Cimarron plutonium facility and $10 million punitive damages. The verdict has not been reflected in the accompanying financial statements. The company is seeking reversal of the judgment on appeal, based upon numerous errors which it believes were committed by the trial court.

LA MAUR INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note H: Litigation

The financial statements for the year ended December 31, 1979 made provision for a judgment against the Company of $270,000, together with interest thereon, arising out of an action instituted in 1976 alleging appropriation of a trade secret and breach of an implied contract by the Company. In March 1980, the South Dakota Supreme Court denied the Company's petition for a rehearing with respect to the reinstatement of said judgment against the Company, and the judgment has since been paid in full.

In November 1980, an action was commenced against the Company alleging that the termination by the Company of the plaintiff's distributorship agreement constituted an illegal restraint of trade and commerce, that the Company had engaged in illegal monopolistic practices, that the Company had violated the United States securities laws, that the Company had violated the Robinson-Patman Act and that the Company breached its contractual agreements with the plaintiff. Damages are claimed against the Company of $10,000,000 trebled, together with plaintiff's costs and attorney's fees. The Company has denied all liability and intends to vigorously defend this action. In the opinion of management of the Company, this action can be successfully defended or resolved without material adverse effect on the financial position of the Company.

LYNCH CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note G: Litigation

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

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

MERCK & CO., INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 5: Contingent Liabilities

There are various legal proceedings against the Company including one group of product liability cases brought against the Company and varying numbers of other pharmaceutical companies seeking in excess of $3.5 billion in damages, alleging injury from the use of certain synthetic estrogen drugs, including diethylstilbestrol (DES), manufactured by the defendant companies. (These and other legal proceedings to which the Company is a party are discussed more fully in Item 3, Legal Proceedings, in Form 10-K Annual Report, which is available upon request as noted in the front of this report.) While it is not feasible to predict or determine the outcome of any of these cases, it is the opinion of the Company that their outcome will have no material adverse effect on the financial position of the Company.

POTLATCH CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 15: Litigation ($000)

On April 2, 1980, the company settled for $600 the class action in the U.S. District Court for the Southern District of Texas which alleged violation of the antitrust laws by conspiring to fix, raise and stabilize the price of corrugated containers. The settlement is subject to final approval of the court. Eleven non-class actions containing the same allegations remain pending. The company withdrew from the corrugated container business at the end of 1975, and claims against the company subsequent to that date have been dismissed.

During the year the company also settled for $1,127 all but one of the private actions growing out of the folding carton litigation in the U.S. District Court for the Northern District of Illinois, Eastern Division. Said litigation was based on allegations that manufacturers of folding cartons violated the antitrust laws by conspiring to fix, raise and stabilize the price of folding cartons. An action filed in the same court by an independent manufacturer of folding cartons alleging that integrated manufacturers of folding cartons violated the antitrust laws by conspiring to establish, maintain and fix the price of paperboard was settled for $12.

Also in 1980 the company settled for $63 actions brought by fourteen states and their governmental entities in the U.S. District Court for the Eastern District of Pennsylvania alleging violation of the antitrust laws by manufacturers of fine paper in conspiring to fix, raise and stabilize the price of fine paper. The settlement is subject to final court approval. An action brought by New York, based on the same allegations, and one filed in California under state law involving reprographic paper, remain pending.

If plaintiffs should prevail in any of the outstanding proceedings, or all of them combined, the company could incur additional costs. However, management and counsel for the company are of the opinion that the ultimate disposition of any of the above proceedings, or all of them combined, would not have a material adverse effect on the company's financial position.

Guarantee of Indebtedness of Others

ARMADA CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4: Meridian Industries, Inc., an Affiliated Company

At December 31, 1980, the Company owned 44.7% of the outstanding common shares of Meridian. Messrs. Jerry D. Luptak, Leonard Friedman, Herbert S. Epstein, Harold Beznos and Arthur E. Chambers are officers and/or directors of both the Company and Meridian.

The Company also holds $450,000 principal amount of subordinated debentures, due July 31, 1977, convertible until July, 1981 into 450,000 common shares; 10,838 preferred shares; and warrants, expiring July 31, 1981, for 1,833,000 Meridian common shares at $1.00 per share. If all warrants were exercised, the debentures and preferred shares were converted, the Company would hold 74% of Meridian common stock.

Because of the loss incurred by Meridian in 1980, the Company wrote off its remaining investment and charged operations with $670,000.

The Company has guaranteed borrowings of Formed Tubes, Inc. and/or Fuel Systems, Inc., subsidiaries of Meridian, of $1,000,000 of a $2,800,000 long-term bank debt, $4,000,000 of short-term bank debt and rental payments under a $1,500,000 Industrial Revenue Bond. Each of the above borrowings is collateralized by a first lien on assets of those companies. In the event that Armada has to make payment under the guarantees, Armada would be entitled to the collateralized positions of the lenders. Management believes the pledged assets of these companies are adequate to cover any obligation it may incur under the guarantees.

BORG-WARNER CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Contingent Liabilities

Borg-Warner Corporation has guaranteed $100.0 million of receivables sold to its financial services companies at December 31, 1980 and 1979 and $96.6 million at December 31, 1978.

The company has also guaranteed borrowings of $91.6 million of its financial services companies other than Borg-Warner Acceptance Corporation and $30.2 million of other unconsolidated subsidiaries and affiliates at December 31, 1980. These guarantees were $150.7 million and $20.8 million respectively at December 31, 1979.

The company as part of an unsecured loan agreement has agreed to maintain its current assets less its current liabilities at not less than $275 million.

The company has agreed to make additional contributions to the capital of its unconsolidated finance subsidiary, Borg-Warner Acceptance Corporation, if at any time its shareholder's equity is below $100 million.

It is the opinion of management and counsel that various claims and litigation in which Borg-Warner is currently involved will not materially affect the company's financial position or earnings.

CERTAINTEED CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12—Contingencies

(a) In a suit brought by a former sales agent, a jury late in 1979 returned a damage verdict against the Company in the amount of $9.8 million on contract and fraud claims. In January 1981 the Court of Appeals reversed the verdict and remanded for a new trial the issues of liability and damages on these claims. If the plaintiff pursues a new trial, it is management's opinion, based in part upon the opinion of the Company's counsel, that the ultimate outcome of this suit will not materially affect the Company's operations or financial position.

(b) Pursuant to the terms of a 1977 agreement with Builders Investment Group ("BIG"), the Company agreed to indemnify BIG against specified losses it may sustain in connection with certain real estate loans. The Company's maximum exposure under the indemnity is limited to $6.5 million and would be funded, if and as required, by the issuance of the Company's long-term subordinated 10% debentures. The Company has issued debentures for $2.4 million representing uncontested claims under this indemnity agreement at December 31, 1980. In connection with the settlement of other litigation related to BIG, the Company may also be required to issue up to $.6 million of debentures. It is management's opinion that the remaining contingencies will not have a material effect on the Company's operations or financial position.

(c) The Company is a party to a number of other legal actions arising in the ordinary course of its business. In the opinion of the Company's management, the Company has adequate legal defenses and/or insurance coverage respecting each of these actions and does not believe that they will materially affect the Company's operations or financial position.

HILLER AVIATION, INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (in part): Commitments and Contingencies

At August 31, 1980, the Company was contingently liable to a bank for approximately $142,000 as guarantor of customers' bank loans to purchase helicopters from the Company. These guarantees expire in January 1981 and July 1988. In addition the Company is contingently liable to a bank on letters of credit relating to performance bonds for approximately $421,000 for delivery of spare parts to foreign customers.

SUN COMPANY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13 (in part): Commitments and Contingent Liabilities

Sun is contingently liable for guarantees of loans payable by associated companies and others of approximately $31 million at December 31, 1980. Sun is also contingently liable as guarantor of annual rental payments of other companies of $14 million at December 31, 1980. Management considers that losses, if any, from these guarantees would not be significant.

THE WILLIAMS COMPANIES (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (in part): Contingent Liabilities and Commitments.

Other Matters. Williams has guaranteed repayment of 49 percent of $20.7 million outstanding borrowings (payable through 1983) of Fosfago-Fosfatos de Goias S.A., a partially owned company. As described in Note 3, Williams has agreed to indemnify WIGI and its subsidiaries and affiliates against certain liabilities. Guarantees have also been made with respect to various lease agreements and debt related to other previously discontinued operations. Certain subsidiaries are committed under various long-term contracts for purchase and sale of materials which are necessary for the normal conduct of their businesses. These guarantees and commitments are not expected to result in any materially adverse financial effect in the future.

Guarantees Other Than Guarantees of Indebtedness

BROWN GROUP, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note G (in part): Commitments and Contingencies

Contingent Liabilities

The Corporation is guarantor on certain long-term leases of the former G. R. Kinney Corporation and its subsidiaries with minimum rentals of approximately $2,841,000 in 1981 and lesser amounts thereafter. These leases expire at various dates to 1988 and are subject to renewal options at reduced rentals which may extend certain leases for periods up to 15 years. F. W. Woolworth Co., to which the business and assets of the former G. R. Kinney Corporation were sold in 1963, has agreed to indemnify the Corporation against any loss which it may experience by reason of these guarantees.

In addition, the Corporation is guarantor of certain other long-term leases of various non-affiliated companies with minimum rentals of approximately $1,606,000 in 1981 and lesser amounts thereafter.

In the opinion of the Corporation there are no contingent liabilities which would materially affect the consolidated financial position of the Corporation and its subsidiaries at November 1, 1980.

CONCORD FABRICS INC. (AUG)

NOTES TO FINANCIAL STATEMENTS

Note L—Contingent Liability:

In connection with certain warehouse space previously leased by the Company, the Company is contingently liable for the landlord's losses up to approximately $350,000 a year if the current tenant fails to fulfill its lease obligations. The contingency could extend to 1996, or expire by 1988 if certain lease renewal conditions are met.

UNITED TECHNOLOGIES CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 15 (in part): Commitments and Contingent Liabilities

A large portion of the Corporation's sales to the United States Government since September 30, 1976 may be subject to the profit limitations of the Vinson Act. The legislative status of that Act is under review by the Congress. Management believes that no refunds should be required under such profit limitations applicable to sales to date.

The Corporation is engaged in various legal proceedings and, at December 31, 1980, was contingently liable in the amount of $51,559,000, representing discounted accounts and notes receivable, and participations in guarantees of aircraft financing arrangements and of related customer securities. Management does not expect that amounts, if any, which may be required to be paid by reason of such litigation, discounted receivables or guarantees will be of material importance to the financial condition or earnings of the Corporation.

The Corporation extends performance and operating cost guarantees, which are beyond its normal warranty and service policies, for extended periods on some of its products, particularly commercial aircraft engines. Liability under such guarantees is contingent upon future product performance and durability. Management has no present reason to believe that such guarantees will result in material losses to the Corporation.

THE VENDO COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18 (in part): Contingencies and Litigations

(b) Trust Fund Guarantee

The Company closed its Kansas City plant in May 1977. In connection with the plant closing, the question arose whether a minimum benefit, provided to eligible employees pursuant to a collective bargaining agreement between the Company and the United Steelworkers of America, survived the plant closing and was subject to the minimum funding and vesting requirements imposed by the Employee Retirement Income Security Act of 1974 ("ERISA"). The Company took the position that the minimum benefit were not subject to ERISA and that, even if the benefit was subject to ERISA, the Company would not incur any additional liabilities to the eligible employees. In November 1979 the union and certain former employees filed a class action against the Company, the Vendo Profit Sharing Retirement Trust Plan, Trustees for the Plan and the Profit Sharing Advisory Committee seeking to obtain benefits under the minimum benefit provisions of the collective bargaining agreement as described above and for certain other relief. All defendants answered the material allegations of the complaint and asserted numerous affirmative defenses. A stipulation of settlement has been signed by all parties to the suit, obligating Vendo for payments of approximately $100,000, and no liability to the Plan. $100,000 is included in all other accrued liabilities in the accompanying consolidated balance sheet. The settlement is subject to court approval. If settlement is not finally accomplished, the Company intends to defend the action vigorously. At the present time, the Company cannot assess the probability of the Company being held liable in the litigation but believes the liability, if any, resulting therefrom would not materially affect the Company's financial statements.

Proposed Tax Assessments

ELI LILLY AND COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note F (in part): Income Taxes

The proposed deficiencies received by the Company from the Internal Revenue Service in March, 1976, were amended in September, 1980, to reflect a proposed deficiency of income taxes of $11.7 million for 1971, $11.6 million for 1972, and $10.9 million for 1973. The Company is contesting the proposed deficiencies in the Tax Court; no trial date has been set. In July, 1980, the Company received a statutory notice of a proposed deficiency of income taxes of $8.7 million for 1974 and $15.7 million for 1975. The Company likewise is contesting these proposed deficiencies in the Tax Court. These proposed deficiencies relate primarily to subsidiary operations in Puerto Rico, and for 1975 to certain other issues. In the opinion of the Company, additional taxes that may ultimately result from these proposed deficiencies, and from possible proposed deficiencies related to the same issues for 1976 through 1980, would not have a material adverse effect on the consolidated financial statements. Returns for 1976 and 1977 are currently under examination.

POLAROID CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (in part): Contingencies

In June 1980, the Company received a report of an Internal Revenue Service Examining Officer proposing adjustments to the Company's taxable income for the years 1974 and 1975 which would result in additional income taxes for those years of about $30,000,000, plus interest. The Examining Officer's position, if sustained, might have an impact on years subsequent to 1975. The proposed adjustments result from the Examining Officer's reallocation of gross income to the Company from certain of its foreign subsidiaries under the purported authority of Section 482 of the Internal Revenue Code. The proposed adjustments are primarily directed to the prices the Company charged its foreign subsidiaries for finished goods and components and the royalties paid to the Company by its foreign manufacturing subsidiaries for the use of its patents and other intangibles. The Company has filed a protest to the proposed adjustments and has requested a hearing with the Office of Regional Director of Appeals. The Company has been advised that in the opinion of its General Counsel such income reallocation is unwarranted under Section 482 of the Internal Revenue Code and the Treasury Regulations promulgated thereunder.

TEXASGULF INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 2 (in part): Income Taxes

The audit of the company's U.S. federal income tax returns for the years 1966 through 1973 has recently been completed, subject to administrative review, with a number of issues raised by the Internal Revenue Service resolved in the company's favor. The company expects to receive an assessment later this year for about $25 million for tax and interest relating to the unresolved issues. These issues will be litigated. The company's treatment of taxes paid to Ontario pursuant to the Ontario Mining Tax Act on income from the Kidd Creek Mine remains the most significant unresolved issue. The company has claimed this tax as a credit against U.S. income taxes. The Service has asserted the tax should be a deduction in arriving at U.S. taxable income.

The Service in January 1978 issued a published ruling to the effect that the Ontario mining tax, for periods prior to April 10,1974, does not constitute a creditable foreign income tax. In November 1980, a Trial Judge of the United States Court of Claims Trial Division issued a recommended decision with respect to another taxpayer which holds that the Ontario mining tax paid for the years 1964 and 1965 was not eligible for foreign tax credit. This recommended decision will be reviewed by the Court of Claims.

The company has been advised by its outside counsel on this issue that it has a meritorious position notwithstanding the published ruling and the Trial Judge's recommended decision. Counsel believes that the published ruling and the Trial Judge's recommended decision are incorrect, and that there is a reasonable possibility that the Court of Claims will not adopt the recommended decision.

In 1975 the Ontario Mining Tax Act was amended effective April 10, 1974. For the subsequent period, counsel believes that the company has a substantial chance to ultimately prevail in its contention that the Ontario mining tax, under the amended Act, is eligible for the foreign tax credit.

Should the Service prevail with respect to the unresolved issues, the ultimate liability will not have a material adverse effect on the financial position of the company.

WESTINGHOUSE ELECTRIC CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (in part): Income Taxes

The federal income tax returns of the Corporation and its wholly owned subsidiaries are settled through December 31, 1973. For 1974 and 1975 the Internal Revenue Service has proposed reallocations to the U.S. parent company of a portion of the income of certain domestic subsidiaries operating in Puerto Rico under tax incentive grants. Such proposed reallocations would result in additional taxes of $14.5 million. If similar reallocations were made for subsequent years, substantial additional taxes would be assessed for the years 1976 through 1980. Tax counsel for the Corporation has advised that the proposed reallocations are not appropriate under the law. Accordingly, the Corporation will vigorously contest the proposed reallocations for 1974 and 1975 and any similar reallocations for later years. Management believes that adequate provisions for taxes, including tax deficiencies applicable to the ultimate resolution of the reallocation issues, have been made through December 31, 1980.

Receivables Sold With Recourse

CMI CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (in part): Commitments and Contingent Liabilities

The Company and its subsidiaries lease certain facilities and equipment under various lease agreements, most of which are cancellable upon thirty days notice. Rentals under such agreements aggregated $507,672 in 1980, $399,266 in 1979 and $360,602 in 1978. Commitments under noncancellable long-term leases are not material.

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.

At December 31, 1980, the Company and certain subsidiaries are contingently liable for notes receivable sold with recourse approximating $264,000 and have guaranteed a portion of borrowings of certain foreign and domestic customers approximating $721,000.

COMPUGRAPHIC CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (in part): Commitments and Contingent Liabilities

Contingent Liabilities

The Company has certain third party leasing programs, primarily with Chase Commercial Corporation, a subsidiary of Chase Manhattan Bank, N.A. Chase purchased equipment subject to customer leases aggregating $39,519,000 in 1980 and $30,272,000 in 1979. Chase's purchase commitment, which is renegotiated annually, was $42,000,000 in 1980.

The Company was also contingently liable for approximately $6,573,000 in 1980 for lease contracts sold under these arrangements and also guarantees certain liabilities of its subsidiary corporations, which amounted to $3,853,000 in 1980. The Company's German Subsidiary was also contingently liable in the amount of $1,951,000 for receivables which were sold with recourse.

INTERNATIONAL TELEPHONE AND TELEGRAPH CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Commitments and Contingencies (in part)

The Corporation and its subsidiaries consolidated have guaranteed the borrowings of others of approximately $115,000,000 (including $45,000,000 relating to insurance and finance subsidiaries) at December 31, 1980, and are contingently liable for receivables discounted of approximately $1,245,000,000 (including $660,000,000 of receivables reflected in the statements of insurance and finance subsidiaries) arising principally from sales of telecommunications equipment to public administrations.

SAXON INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note H (in part): Contingent Liabilities, Commitments and General Comments

At December 31, 1980 the Company was contingently liable in the maximum approximate amount of $585,000 to an unaffiliated lessor in the event certain photocopier equipment which was sold to and placed under lease by such lessor is returned to the lessor within a stated period. The Company was contingently liable to repurchase accounts receivable and leases sold with recourse in the approximate amount of $13,527,000.

U.S. INDUSTRIES, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note H (in part): Commitments and Contingencies

The Corporation is a party to income maintenance agreements with certain creditors of USI Credit Corp., the major finance subsidiary, to make payments to USI Credit Corp. if that subsidiary's income falls below specified levels. The Corporation was not required to make such payments during 1980, 1979 or 1978.

Consolidated subsidiaries were contingently liable for up to $28.1 million in respect to notes receivable and conditional sales contracts discounted.

Government Regulations

CITIES SERVICE COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13 (in part): Commitments and Contingent Liabilities—The Company and certain subsidiaries have guaranteed debt obligations of approximately $8.5 million of companies in which substantial stock investments are held. Also, under long-term agreements with certain pipeline companies in which stock interests are held, the Company and its subsidiaries have agreed to provide specified minimum revenues from crude or product shipments. It is not anticipated that any significant loss will result from any of the above described agreements.

On April 28, 1980 the Company commenced an action in the United States District Court for Delaware against the Department of Energy (DOE) and its Secretary for a declaratory judgment determining that certain crude oil supply transactions and the reports for these transactions to the DOE have fully complied with applicable regulations. The Company believes that the transactions and reports were in compliance; however, on November 13, 1980, DOE's Office of General Counsel issued its Interpretation of the regulations concluding that the DOE is unable to determine whether or not the transactions are lawful and the DOE has recently advised the Court that for it to determine whether a regulatory violation existed, an investigation of both the Company and the other parties to the transactions would be required but that the DOE had made no decision to initiate such investigation. If it is ultimately determined by the courts that the transactions and the related reports violate DOE regulations, the Company could be required to make payments in substantial amounts. No provision has been made for this contingency which could have an adverse after-tax effect of up to $147 million through January 28, 1981, the date of decontrol.

Operations of the Company and its subsidiaries, in addition to those described in the foregoing paragraph, have been subject to the regulatory provisions of the DOE. The Company believes it has substantially complied with the regulations as issued; however, questions are expected to be raised by the DOE, some of which may involve substantial amounts.

CONOCO INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9: Contingent liabilities

Conoco's petroleum operations in the United States are subject to Department of Energy (DOE) regulations that have been inconsistently interpreted and applied by the DOE. During 1979 and 1980 the DOE issued notices of probable violation and proposed disallowance to Conoco, which allege pricing violations and cost overcharges in the amount of $339,000,000 during various periods through December 31, 1979. Based upon Conoco's review of the notices and recent judicial rulings, it appears that a significant portion of the allegations have been incorrectly determined or are without merit. Management believes that the final disposition of the DOE allegations, including Conoco's estimate of the effects from the audit periods through December 31, 1980, would not have had a material effect on the Company's financial position at that date.

PHELPS DODGE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16 (in part): Contingencies

In February 1981, the Corporation reached agreement with the federal Environmental Protection Agency ("EPA") on a program to bring its Morenci and Ajo, Arizona smelters into compliance with Clean Air Act requirements for sulfur dioxide and particulate emissions limitations by January 1, 1985 for Morenci and December 31, 1985 for Ajo. Pursuant to the agreement, a consent decree is to be issued by the federal District Court in Arizona. The decree is expected to result in expenditures of about $150 million at Morenci and $45 million at Ajo (in 1980 dollars). The Corporation plans to evaluate whether the anticipated costs of compliance at Ajo would make closure of that smelter, which will be permitted by the decree, the economically preferable course of action. The costs of installing the additional facilities at the Corporation's Douglas, Arizona smelter that would be required to bring that smelter into compliance with the applicable particulate and sulfur dioxide emission regulations cannot be economically justified, and unless current law is changed or there is a substantial, favorable change in economic circumstances, the Corporation will be forced to close the Douglas smelter by January 1, 1988 at the latest.

THE SUPERIOR OIL COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contingencies

The Federal government has proposed new interpretations of old laws regarding irrigation water rights. These proposals, commonly referred to as the 160 Acre Limitation, generally would limit the use of water from Federally funded irrigation projects to farms of 160 acres or less. Enforcement would have a major impact upon agriculture throughout the entire western United States. The full impact of such enforcement on the company's agricultural operations cannot be predicted, but management believes that the primary effect would be a significant increase in irrigation costs. The 160 Acre Limitation is the subject of legal and political controversy, and the outcome is uncertain.

The company's domestic operations are subject to certain regulations administered by the Department of Energy (DOE). During 1980 the DOE completed an audit of the company's compliance with crude oil pricing regulations for the period August 1973 through December 1979. The company is currently reviewing the DOE's claims arising from the audit and in those instances in which it is probable the DOE's position is correct, provisions, none of which are material, have been made in the company's financial statements. DOE pricing regulations are extremely involved and complex and frequently require extensive interpretation. The company's policy has been to comply with its understanding of all regulations. The company believes all claims by the DOE will ultimately be resolved in a manner which will not materially affect the company's financial position.

There are other suits and claims against the company, none of which in the opinion of management and counsel, will either individually or in the aggregate have a material adverse effect on the company.

WEYERHAEUSER COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 10 (in part): Legal Proceedings

Although not material either individually or in the aggregate, the Securities and Exchange Commission requires disclosure of the following administrative or judicial proceedings by governmental authorities relating to environmental matters.

On November 28, 1980, the Company's Craig, Oklahoma fiberwood facility received a "Section 309" (Clean Water Act) Administrative Order from the Environmental Protection Agency ("EPA") requesting information relating to certain, recent unpermitted discharges and steps being taken to prevent their recurrence. The Company responded to that Order on January 5, 1981. On December 2, 1980, the Company's Briar, Arkansas gypsum board facility received a "Section 114" (Clean Air Act) letter from the EPA ordering the performance of certain emission tests. The Company responded to that letter on January 14, 1981 requesting that the order be withdrawn until installation of new control equipment, which would make the tests technologically feasible, is completed.

The Company, through its memberships in the American Paper Institute and National Forest Products Association, is an interested party, although not named as a party plaintiff, in a number of petitions for judicial review of regulations issued by the EPA. One currently pending lawsuit, *American Paper Institute v. Costle,* filed in August 1979 in the United States Court of Appeals for the Fourth Circuit, includes the Company as a named party plaintiff and challenges the methodology that the EPA has announced it will employ in settling effluent guidelines based on the application of "best conventional technology". The Company is a named party in a lawsuit filed in October 1980 in the Western District Court, Roanoke Division of West Virginia by *American Paper Institute v. EPA* challenging the EPA's consolidated permit regulations.

During the fourth quarter of 1980, the Company received citations for one violation of air pollution control standards and three violations of water pollution control standards, for which fines totaling two hundred fifty dollars and ten thousand seven hundred fifty dollars, respectively, were levied which, along with certain other air and water violation proceedings previously reported in Company reports filed with the SEC, were pending as of December 28, 1980. Seven air pollution and five water pollution violation proceedings were terminated on payments of fines aggregating three thousand fifty dollars and eight thousand seven hundred fifty dollars, respectively. Also during the fourth quarter, the Company reported or received notices of 93 violations relating to air pollution control standards and 17 violations relating to water pollution control standards for which no fines have been proposed.

Unasserted Claims

KUHLMAN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unasserted Claim

The Company has a potential unasserted claim, as a result of the enactment of the Employee Retirement Income Security Act of 1974 (ERISA), relating to the termination of a union negotiated pension plan at a facility where manufacturing operations were discontinued in 1975. The Company takes the position that (1) it has complied with all the ERISA filing requirements relating to the plan, (2) it has no additional liability in excess of the plan assets since terms of the plan made no unrestricted promise to pay benefits in excess of such assets, and (3) the amount, which is approximately $600,000 net of income taxes, if asserted, would not be material to the consolidated financial statements.

On December 18, 1979, the Company was served with an application by the Pension Benefit Guaranty Corporation (PBGC) to the U.S. District Court (Court) for the Eastern District of Michigan, in which the PBGC asked the Court to appoint it trustee of this pension plan and to determine that the plan is covered by the plan termination insurance provisions of ERISA. However, this application of the PBGC did not assert the possible claim described above. To preserve its defenses with respect to the possible claim described above, the Company opposed this application of the PBGC in Court. On January 13, 1981, the Court gave the PBGC what it had requested in its application by entering an order granting the PBGC's motion for it to act as trustee of this pension plan. The Company plans to appeal this order to the U.S. Court of Appeals for the Sixth Circuit.

SCHLUMBERGER LIMITED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contingency

During 1980, a floating hotel, the Alexander Kielland, functioning as a dormitory for offshore work crews in the North Sea, capsized in a storm. The substructure of the floating hotel had been originally built as a drilling rig by an independent shipyard from a design licensed by a subsidary of the Company. The Company's subsidiary was not involved in the ownership or operation of the drilling rig or in its conversion or use as a floating hotel. The accident is being investigated by a Commission appointed by the Norwegian Government, which has not yet rendered its report.

While the Company does not believe it has liability in this matter, litigation may ensue which would involve complex international issues which could take several years to resolve and would involve substantial legal and other costs. In the opinion of the Company, any liability that might ensue would not be material in relation to its financial position or results of operations.

Contract Cost Claims

HALLIBURTON COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 12 (in part): Contingencies

South Texas Project

Brown & Root has undertaken to perform the engineering and construction services relating to a two-unit, nuclear fueled steam-electric generation station (the "South Texas Project") on the basis of reimbursement of most costs and payment of an additional amount for other costs and fees pursuant to an Engineering and Construction Contract (the "Contract") dated October 31, 1972, between Brown & Root and Houston Lighting & Power Company ("HL&P"), acting as Project Manager for itself and the other Participants ("Participants") in the Project.

A preliminary conceptual estimate prepared for the South Texas Project in 1973 estimated the cost of the Project at approximately $1.14 billion and in-service dates for the two units of 1980 and 1982. Based on a revised estimate in late 1979, approved by all Participants, the estimated cost of the Project increased to $2.7 billion and the in-service dates were delayed approximately four years. As a result of such delays, it will be necessary to obtain authorization of the Nuclear Regulatory Commission to extend existing construction permits (expiring in May, 1982, and October, 1983) for the two units.

It is the Company's position that the delayed in-service dates and substantial increases in total expenditures with respect to the South Texas Project are primarily attributable to complexity of project design, changing regulatory requirements, increased costs associated with construction delays and inflation as well as revision of assumptions relating to labor productivity and material requirements in light of actual Project construction experience.

A new comprehensive engineering and financial review is expected to be completed in mid-1981. Preliminary reports indicate that there has been a potential further delay in the in-service dates for each unit as estimated in 1979 of approximately fourteen months and a yet undetermined increase in the estimated Project costs. In addition, the 1979 estimated in-service dates and costs do not reflect additional costs and delays which may result from changes in regulatory requirements arising out of the Three Mile Island accident.

Differences between Brown & Root and HL&P, acting on behalf of the Participants, have arisen with respect to certain Project costs. Negotiations with respect to these differences are in the preliminary stages and as yet the issues involved and related costs have not been fully defined. While the Company cannot predict the outcome of these negotiations, it does not believe that the final resolution of these differences will have a material adverse effect on the consolidated financial statements of the Company.

The City of Austin, Texas, one of the Participants, has engaged legal counsel to advise whether the City has a litigable claim against HL&P or Brown & Root resulting from the delays experienced and the increases in cost estimates in excess of the initial preliminary estimates. The Company cannot predict whether any claim will be asserted by the City against Brown & Root but it does not believe that any such claim would have a material adverse effect on the consolidated financial statements of the Company.

Product Recall

QUAKER STATE OIL REFINING CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 5: Contingencies

Quaker State's petroleum operations are subject to continuous Department of Energy (DOE) audits involving complex federal pricing and allocation regulations. As of December 31, 1980, the DOE has raised various issues which resulted in the issuance of an amended notice of probable violation alleging violations in the amount of approximately $34 million, which includes alleged overcharges or overrecoveries of approximately $14 million. It is not possible to predict the outcome of these issues; however, the Company has attempted in good faith to comply with the regulations and will defend its position in these matters.

During the period from November 13 to December 23, 1980, a change in an additive component purchased from one of its suppliers caused certain oil refined and shipped to fail to meet the Company's low-temperature performance requirements. The Company has recalled this product and has arranged for reimbursement to its customers and the ultimate consumers of all costs associated with the product. Estimated costs of the recall program, net of estimated third party reimbursement, in the amount of $3,500,000 has been charged to 1980 operations.

The Company believes that the final determination and resolution of the above matters and any liability finally determined in excess of amounts provided will not have a material effect on Quaker State's financial position.

Costs Related to Suspended Operations

OCCIDENTAL PETROLEUM CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (in part): Contingent liabilities and commitments

An Occidental subsidiary, Occidental Resource Recovery Systems, Inc. (ORRS), is a partner with a subsidiary of Combustion Equipment Associates, Inc. (CEA) in a project for the construction and operation of a waste-to-energy facility for a governmental authority in Bridgeport, Connecticut. Until the completion of the facility and its performance in accordance with specified standards, the partnership may be obligated to pay amounts equivalent to the debt service on approximately $50 million of outstanding bonds issued to finance the facility. The partnership subcontracted the construction and debt service obligations to CEA, which provided a surety bond in the amount of $16 million. Under CEA's management the facility was unable to meet the performance standards. In December 1980, following its filing for reorganization in bankruptcy, the subcontract was rejected by CEA and terminated with the approval of the bankruptcy court. ORRS thereupon assumed control of the facility and has suspended further construction and start-up operations pending the outcome of studies and discussions with other participants in the project. In December 1980, Occidential made a charge to expense of $20 million for estimated carrying costs related to the facility. Management believes that any additional liabilities related to the project are not likely to have a material adverse effect upon Occidental's consolidated financial position.

Natural Gas Sale Contracts

TEXACO INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14 (in part): Contingent Liabilities

Louisiana Gas Deliverability—The Company announced in September, 1980 a downward revision in estimated net proved reserves of natural gas in the United States on the basis of preliminary results of a study by its outside consultants. The consultants have now confirmed the results of their preliminary study. Reserves of natural gas to meet interstate gas sales commitments are sufficient, as are reserves to meet most intrastate contracts. However, older, long-term intrastate contracts with commercial customers in Louisiana potentially provide for delivery of quantities of natural gas through 1985 in excess of what petroleum reserve studies indicate can be made available on the basis of current estimated reserves. Assuming customers' facilities are fully utilized, and putting aside Texaco's rights and defenses and without regard to the success of the Company's accelerated exploration program, these contracts could require delivery of an estimated potential maximum of approximately 1.8 trillion cubic feet of natural gas between January, 1981 and December, 1985. Current sales prices under the contracts primarily entered into in the late 1950s and 1960s average about $.34 per MCF. This is significantly lower than current market prices. Reserves estimated to be available for delivery through 1985 to intrastate commercial customers in Louisiana are approximately 1.1 trillion cubic feet. Subsequent to 1985, the difference between the maximum contract quantities to be delivered and the estimated reserves available for delivery is substantially smaller and such differential, if any, will depend upon the success of the Company's accelerated exploration program and other efforts.

Texaco is continuing to take actions to provide additional supplies of natural gas, including strong exploration and development efforts and the use of enhanced recovery techniques. In addition, Texaco intends to minimize demand requirements under existing contracts through discussion with various affected customers and the exercise, as appropriate, of certain contractual rights and defenses.

If delivery of the estimated potential maximum contract quantities through 1985 were to be required, and again putting aside Texaco's contractual rights and defenses, the present value of the cumulative incremental cost of the necessary natural gas based on current market prices, would be approximately $815 million, after related income tax effect. Texaco is optimistic that it will be successful in its actions to ameliorate this situation, in which case the ultimate financial effect would be lessened. However, pending the outcome of these actions, including, as appropriate, exercise of the Company's contractual rights and defenses, it is not possible to quantify the resulting future financial impact on the Company. Pending the ultimate resolution of this matter, the Company's 1980 earnings in the United States have been appropriately charged to reflect Management's estimate of the possible costs associated with the matter through year-end 1980. As the situation develops further during the remaining years of the contracts, current net income for these future periods will likewise reflect any appropriate costs.

In Management's opinion, based on evaluation of information developed through investigations, including those by counsel and independent consultants, it is not anticipated that the final outcome of this matter, including such incremental costs that may be incurred, will be materially important in relation to the consolidated financial position of the Company and its subsidiaries.

GAIN CONTINGENCIES

Operating Loss or Investment Credit Carryforwards

ARMSTRONG WORLD INDUSTRIES, INC. (DEC)

FINANCIAL REVIEW

Available loss carryforwards

At December 31, 1980, the Company's British subsidiary had loss carryforwards of $45.4 million available for financial reporting purposes and $85.5 million available to be used without time limit for British income tax purposes.

(millions)		Differences		
Years	Financial reporting purposes (pounds)	Accelerated depreciation (pounds)	Other tax relief** (pounds)	Income tax purposes (pounds)
1974-1976	4.6	9.1	4.3	18.0
1977	5.7	6.3	2.8	14.8
1978	3.8	(1.0)	(2.0)	.8
1979	1.3	(0.8)	(1.0)	(0.5)
1980	3.6	(0.3)	(0.6)	2.7
Total	19.0	13.3	3.5	35.8
Total*	$45.4	$31.7	$ 8.4	$85.5

*Total pounds sterling translated to dollars at year-end 1980 exchange rate of $2.3875.

**Inventory tax relief included in Other.

GENERAL REFRACTORIES COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (in part): Income Taxes

The provision (credit) for income taxes consists of:

	1980	1979	1978
	(dollars in thousands)		
Currently payable			
United States			
Federal	$ —	$ 550	$ 1,000
State	—	350	348
Foreign	1,431	760	529
	1,431	1,660	1,877
Deferred			
United States..............	—	436	408
Foreign	(12)	509	(2,564)
	(12)	945	(2,156)
Charge equivalent to foreign income taxes.............	2,100	—	—
	$3,519	$2,605	$ (279)

Deferred taxes on income are provided to recognize timing differences in reporting certain income and expenses for financial and tax purposes. The significant components of deferred taxes included in the provision (credit) for income taxes are as follows:

	1980	1979	1978
	(dollars in thousands)		
United States			
Depreciation	$ —	$232	$ 347
Other	—	204	61
	$ —	$436	$ 408
Foreign			
Depreciation	$(1,269)	$315	$(3,124)
Pensions	1,375	83	794
Other	(118)	111	(234)
	$ (12)	$509	$(2,564)

The 1980 provision for income taxes includes a charge in lieu of foreign income taxes of $2,100,000 to recognize the benefit from use by certain European subsidiaries of operating loss carryforwards generated in prior years.

At December 31, 1980, the Company has available as benefits to reduce future U.S. federal and foreign income taxes, subject to applicable limitations, the following estimated credits and carryforwards:

Year Expires	Foreign Tax and Investment Tax Credit	Net Operating Loss Carryforward Domestic	Foreign
	(dollars in thousands)		
1981	$ —	$ —	$ 1,000
1982	1,000	—	3,000
1983	1,000	—	5,000
1984	1,000	—	3,000
1985	500	—	5,000
Balance (1986 and later)...............	1,000	2,600	8,000(1)
	$4,500	$2,600	$25,000

(1) Represent indefinite carryforwards.

Investment tax credits are recognized as a reduction of U.S. federal income tax expense under the flow-through method.

REPUBLIC STEEL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note E (in part): Income Taxes

At December 31, 1980, the Corporation had investment tax credit carryforwards of $70,139,000 for income tax accounting (expiring $2,211,000 in 1984, $19,104,000 in 1985, $31,720,000 in 1986, and $17,104,000 in 1987 on a first-in, first-out basis) which have been recorded using the flow-through method for financial statement accounting as a reduction of previously recorded deferred income taxes.

TEXASGULF INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 2 (in part): Income Taxes

Pre-tax income was contributed from:

	(amounts in thousands)		
	1980	1979	1978
U.S. operations	$181,246	$ 84,288	$ 9,699
Foreign operations	240,055	124,229	58,007
	$421,301	$208,517	$67,706

Income tax expense comprises:

	(amounts in thousands)		
	U.S. Federal	Foreign	Total
1980			
Current taxes	$20,950	$94,450	$115,400
Deferred taxes	26,650	(7,250)	19,400
	$47,600	$87,200	$134,800
1979			
Current taxes	$ 7,600	$40,400	$ 48,000
Deferred taxes	12,900	10,750	23,650
	$20,500	$51,150	$ 71,650
1978			
Current taxes	$ 200	$ (500)	$ (300)
Deferred taxes	1,500	16,400	17,900
	$ 1,700	$15,900	$ 17,600

Deferred tax expense results from timing differences in the recognition of transactions for tax return and financial statement purposes. The nature and the tax effect of these differences in 1980, 1979 and 1978 were as follows:

	(amounts in thousands)		
	1980	1979	1978
Excess of tax over book depreciation:			
U.S.	$23,100	$13,200	$ 2,850
Foreign	(9,200)	8,150	14,450
Capitalized interest	3,500	7,750	—
Intangible drilling	7,650	3,650	2,850
Minimum tax	(6,950)	(5,200)	2,550
Other	1,300	(3,900)	(4,800)
	$19,400	$23,650	$17,900

Total tax expense of 32 percent of pre-tax income for 1980, 34 percent for 1979 and 26 percent for 1978 is less than the amount which would be provided by applying the U.S. federal income tax rate of 46 percent for 1980 and 1979 and 48 percent for 1978. The lower rates are primarily the result of percentage depletion deductions (11 percent in 1980, 15 percent in 1979 and 22 percent in 1978) and 3 percent in 1980 due to utilization of investment tax credits. The benefit in 1979 was reduced by restrictions on utilization of available foreign tax credits.

At December 31, 1980, the company had investment tax credit carryforwards of approximately $18,800,000 available as credits against future U.S. federal income taxes. Of this amount, $2,400,000 expires in 1983, $3,450,000 in 1984, $1,250,000 in 1985, $3,150,000 in 1986 and $8,550,000 in 1987. The company also had investment tax credit carryforwards of approximately $16,550,000 (Canadian) available as credits against future Canadian federal income taxes. Of this amount, $4,800,000 expires in 1984 and $11,750,000 expires in 1985.

Plaintiff Litigation

ALLEGHENY LUDLUM INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17: Contingent asset

In January, 1980, a Federal District Court in Houston, Texas, following a jury trial completed earlier, entered judgment of approximately $18,900,000 in favor of Chemetron Corporation, a wholly-owned subsidiary of Allegheny, against Marathon Manufacturing Corporation and two individual defendants in a suit brought for securities law violations. That judgment has been appealed by the defendants and, since the outcome cannot be predicted at this time, no portion of the judgment has been reflected in the accompanying financial statements.

SYBRON CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 15: Contingencies

In the conduct of the Corporation's business, it is involved in normal litigation matters. In the opinion of Management, the ultimate disposition of such litigation should not have a material adverse effect on the financial position of the Corporation.

In 1980, the Corporation successfully completed a legal action in the United Kingdom against a competitor and several former employees. It is not known at this time what recovery may be realized by the Corporation from this judgement.

COMMITMENTS

Obligations to Maintain Working Capital or Restrict Dividends

AMAX INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 19: Retained earnings

At December 31, 1980, under the most restrictive of the agreements entered into in connection with the notes and debentures payable (which also impose restrictions based on earnings and working capital), approximately $786 million of retained earnings was available for the payment of cash dividends. Retained earnings at December 31, 1980 included $169 million of undistributed earnings of affiliates accounted for by the equity method.

AMERICAN SEATING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (in part): Long Term Obligations

Under the Company's various long-term loan agreements, it has agreed to the following most restrictive covenants that can affect its ability to pay dividends: to maintain a ratio of current assets to current liabilities of at least 1.75 to 1.0; to maintain working capital in excess of $25,000,000; to maintain consolidated tangible net worth above a minimum level, which increases every six months by the greater of $500,000 or an amount computed on earnings (at December 31, 1980 the level was calculated to be $19,060,000); to limit the payment of dividends on common shares and repurchases of stock to $1,000,000 plus 70% of consolidated net earnings after December 31, 1976 less all dividends paid after December 31, 1976. Under this last restriction, the Company had a deficit or a negative balance of $16,000 at December 31, 1980. Accordingly, until the Company's consolidated net earnings exceed such deficit balance no dividends may be paid. Under one of the Company's long-term loan agreements, the Company has agreed not to declare dividends on its common stock without the lender's consent. Resumption of dividend payments in the future will depend upon future earnings, business conditions, financial needs of the Company, contractual restrictions imposed by lenders and other relevant factors which cannot be accurately predicted at this time.

CHRYSLER CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 10: Dividend Restrictions

Under the Chrysler Corporation Loan Guarantee Act of 1979, the Corporation may not pay any dividends on its common or preferred stock during the period beginning on the date of the enactment of the Act and ending on the date on which loan guarantees issued under the Act are no longer outstanding. In addition, Chrysler's agreements with its institutional lenders prohibit the payment of dividends until such time as the company achieves consolidated net worth of $3.5 billion. Chrysler's consolidated net worth as of December 31, 1980 was $459.2 million.

THE CONTINENTAL GROUP, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Dividend Restrictions

At December 31, 1980 approximately $350 million of retained earnings represented undistributed earnings of consolidated subsidiaries and $130 million represented undistributed earnings of companies accounted for on the equity basis (including the Insurance Operations).

Under a debt agreement which expires in 1982, approximately $75 million of the undistributed earnings of a foreign consolidated subsidiary were restricted.

At December 31, 1980, the Company's equity in Insurance Operations ($528.2 million) exceeded the combined statutory unassigned surplus of its insurance subsidiaries by $325.7 million. Dividends from insurance subsidiaries of the Insurance Operations are payable from the statutory unassigned surplus and, without prior state insurance department approval, are limited during any twelve month period to formula amounts. At December 31, 1980, such formula amount for the payment of dividends in 1981 was approximately $41 million.

At December 31, 1980 the most restrictive terms of certain notes and indentures limit the amount the Company may expend for cash dividends and for purchase, redemption or retirement of the Company's capital stock to approximately $470 million.

THE GOODYEAR TIRE & RUBBER COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Retained Earnings

Certain domestic loan agreements contain a formula based on domestic earnings which limits the amount that may either be distributed as dividends or used for treasury stock acquisitions. At December 31, 1980, $251,457,000 was available for such purposes. In addition, approximately $400,000,000 of retained earnings of foreign subsidiaries was available for payment of dividends to the Company. Dividends from foreign subsidiaries increase the amount of unrestricted retained earnings available for payment of dividends to the Company's shareholders.

WILLAMETTE INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (in part): Long-term Debt

Several of the long-term debt agreements contain restrictive covenants pertaining to working capital and dividend distributions, among other things. Net working capital of the Company and its subsidiaries at December 31, 1980 exceeded the minimum required under the agreements. Under the most restrictive requirement relating to dividend distributions, consolidated retained earnings of $180,800 at December 31, 1980 were free of restriction. Future earnings available for dividend distribution are limited to 70% of consolidated net earnings.

The Company has available a $31 million commitment for term loan financing with a number of banks and another $10 million revolving credit line with a bank of which $5 million had been used on December 31, 1980. These commitments have a fee of ½% on the unused portion and are cancellable at any time by the Company without penalty.

Capital Expenditures

CHAMPION INTERNATIONAL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 9 (in part): Commitments

The company has options, expiring in 1982, to acquire additional acreage of timberlands in Michigan and Wisconsin. If these options are exercised, the company will have to pay an additional $14,196,000.

In addition to its normal capital expenditure programs, the company is engaged in two major capital expansion projects with an estimated total cost of approximately $650,000,000: construction of a pulp mill in Quinnesec, Michigan, and installation of an additional fine paper machine at Courtland, Alabama. As of December 31, 1980, only engineering and other preliminary site studies were underway. These projects are expected to be completed in 1984.

COLT INDUSTRIES INC (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 10 (in part): Commitments and Contingencies

The total amount of firm commitments to contractors and suppliers in connection with capital expenditures approximated $33,000,000 on December 31, 1980.

DUPLEX PRODUCTS INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note H—Purchase Commitments

Commitments for the purchase of major capital additions amounted to $6,063,000 at October 25, 1980, for which deposits of $460,000 have been made.

HEWLETT-PACKARD COMPANY (OCT)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (in part): Commitments and Contingencies

At October 31, 1980, the Company and its subsidiaries were committed for plant site acquisition, facility construction and related machinery and equipment purchases aggregating $180 million.

PENNWALT CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Capital Commitments

At December 31, 1980, the estimated cost to complete authorized major construction and capital additions was $30,182,000.

SAFEWAY STORES, INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note H: 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 $97,000,000 at year-end 1980.

WHEELING-PITTSBURGH STEEL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note I (in part): Commitments and Contingencies

On March 19, 1979 the Corporation signed a Consent Decree with the United States Environmental Protection Agency. The Commonwealth of Pennsylvania and states of Ohio and West Virginia are intervenors in the proceedings. The Consent Decree resolves all significant existing environmental proceedings in these states and establishes a timetable for installation of environmental control facilities designed to meet present federal and state requirements for emission control by the end of 1982. Management is not aware of any significant present or pending environmental litigation not encompassed by the Consent Decree. The Consent Decree does not impose penalties under Section 120 of the Clean Air Act which may be assessed in the future by EPA. Section 120 penalties are required by statute to prevent any financial gain as a result of not complying with air pollution standards as of July 1, 1979. The Corporation has not received any notice of noncompliance under Section 120. Although Section 120 final regulations have been promulgated, the Corporation cannot, because of various factors, assess the extent of possible penalties under Section 120.

The Corporation has estimated that expenditures for environmental control facilities required to comply with this Consent Decree will approximate $86,500,000, while estimated rail mill spending approximates $105,000,000. Funds expended on the Consent Decree and the rail mill projects through December 31, 1980 totaled $30,594,000 and $70,680,000, respectively, and substantial purchase commitments have been made in connection therewith. While such commitments are cancelable, cancellation would result in payment for related work in progress and reasonable profits thereon.

Capital expenditures, operating costs of environmental control programs being constructed at present as well as costs and capital expenditures of possible future programs are expected to be significant. It is impossible to predict what environmental requirements the Corporation will be required to meet in the future.

Employment Contracts

ANADITE, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (in part): Commitments

The Company has an employment agreement with an officer which extends to March 31, 1985, that provides for a minimum annual salary (currently $84,000) and annual increases of an amount equal to 10% of the prior year's salary level. The agreement also provides for the accrual of deferred compensation for the benefit of the officer in an amount equal to 50% of the salary paid to the officer each year. Further, the agreement provides for an incentive award equal to varying percentages of incentive earnings, as defined. The incentive awards earned in 1980 and 1979 were $84,000 and $46,000, respectively. The award is payable 50% in cash and 50% in common stock, or 100% in cash if the officer so elects. Another officer had a similar employment agreement which was terminated on November 10, 1979, in conjunction with the transactions discussed in Note 7.

ARDEN GROUP, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 15: Commitments and Contingent Liabilities:

During 1979, the Company entered into employment agreements with the Chairman of the Board of Directors and two key executive officers which, in addition to base salaries provide for bonuses contingent on earnings and/or the market value of the Company's Common stock over base values assigned to the stock in the agreements. Two of the contracts expire December 31, 1981. The third expires December 31, 1983, but, is automatically extended for one year periods unless certain notices to terminate are given by either the employee or the Company. The maximum aggregate bonus payable annually under the first two is $130,000 and, under the third, $150,000. Bonuses accrued in 1980 and 1979 for the first two were, in the aggregate, $61,811 and $106,836, respectively. Bonuses accrued for the third for 1980 and 1979 were $150,000 each year.

A key employee of a wholly-owned subsidiary of Arden has entered into an employment agreement with the subsidiary. The agreement provides for a base salary and a bonus based on net income (as defined) before income taxes each year through January 3, 1987. The bonus accrued for the individual during 1980, 1979 and 1978 amounted to $367,683, $270,625 and $301,762, respectively. A former employee of the subsidiary, who was also a director of the Company, was employed by the subsidiary under a similar agreement. The bonus accrued for the individual during 1978 amounted to $301,762.

The Company is contingently liable as a guarantor of notes or contracts and as sublessor or assignor of assigned leases. Any liability arising as a result of these guarantees would have no significant effect on the consolidated financial position of the Company. See Note 17 regarding a purchase commitment.

RUSS TOGS, INC. (JAN)

NOTES TO FINANCIAL STATMENTS

Note H—Employment Agreements

The Company's current management agreements (which expire on January 30, 1982) with three senior executives provide for an annual base salary of $200,000 each and require the executives to continue as consultants to the Company at an annual compensation of $100,000 for the four year period following termination of their employment. During the term of employment, each executive will also receive incentive compensation equal to 2½% of the Company's pre-tax earnings (as defined) in excess of increasing amounts ranging from $5,000,000 in the fiscal year ended in 1979 to $5,788,125 in the fiscal year ending 1982. Incentive compensation for each executive aggregated $311,000, $299,000 and $203,000 for the fiscal years ended January 31, 1981, February 2, 1980 and February 3, 1979 respectively.

The Company has employment contracts with divisional officers, most of which provide for incentive compensation based upon earnings performance of their respective division.

Inventory Purchase Agreements

CONCORD FABRICS INC. (AUG)

NOTES TO FINANCIAL STATEMENTS

Note M—Purchase Commitments

At August 31, 1980, the Company had outstanding purchase commitments to purchase greige goods aggregating approximately $18,000,000.

Repurchase of Company Stock

M. LOWENSTEIN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11: Commitments and contingencies

The Company is a defendant in various lawsuits. In the opinion of management, these suits should not result in judgments which in the aggregate would have a materially adverse effect on the Company's financial position.

A subsidiary has agreements with each of its minority shareholders (who are also employees of such subsidiary) to purchase their shares in such subsidiary, principally in varying increments to 1990, or the earlier of death or termination of employment of such shareholder under certain conditions. The purchase price is based on the greater of the subsidiary's book value or a multiple of earnings over a designated period of time. Although the obligation to purchase such shares is expected to arise in future years under varying conditions, if the purchase price of the aggregate minority interest were computed in accordance with the agreements as of December 27, 1980, such purchase price would exceed the recorded amount of such minority interest by approximately $11,200,000. The Company is substituted for the subsidiary, if the subsidiary fails to make such purchase.

MOSINEE PAPER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (in part): Commitments, Contingencies, Litigation, and Related Party Transactions

The Company has an agreement with two executives and officers which commits the Company to repurchase 50,000 shares of common stock at the prevailing market price less $6.25 per share. The repurchase commitment, if requested on December 31, 1980, would have amounted to $56,250.

SUPREME EQUIPMENT & SYSTEM CORP. (JUL)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (in part): Commitments and Contingencies:

B) The company and its principal stockholder have entered into an agreement which contains a provision that the company, upon demand, will repurchase certain of his shares in the event of his death. The purchase price will be based on the market value of the company's shares during a specified period prior to the repurchase date, but is limited to $500,000. The company has sufficient insurance on the life of the principal stockholder to meet its obligation under this agreement.

Completion Agreement

ALUMINUM COMPANY OF AMERICA (DEC)

NOTES TO FINANCIAL STATEMENTS

(In millions, except share amounts)

Note H: Commitments and Contingent Liabilities

Guarantees on outstanding indebtedness of others totaled $83.7 at December 31, 1980, including $58.6 applicable to an affiliate which operates a bauxite mining project in the Republic of Guinea.

In December 1980 Alcoa Aluminio S.A., a Brazilian subsidiary, signed a Credit Agreement with an international syndicate of banks providing for borrowings of up to $750 to finance its expansion program. This program involves primarily the construction of a large alumina refining and aluminum smelting complex at Sao Luis in the State of Maranhao, Brazil. Prior to any drawdown under the Credit Agreement Alcoa must enter into a Completion Agreement under which it will agree (1) to use its best efforts to cause that complex to be completed by Alcoa Aluminio and (2) to cause Alcoa Aluminio to obtain funds or to provide funds to Alcoa Aluminio sufficient to ensure Alcoa Aluminio's compliance with certain financial covenants set forth in that Credit Agreement. These obligations of Alcoa would continue until certain tests of completion are satisfied or until Alcoa's performance is excused by the occurrence and continuance of any specified event of sovereign relief such as expropriation or insurrection and until the financial covenants referred to above are complied with.

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 1980 annual reports on the survey companies.

Examples of subsequent event disclosures follow.

Business Combinations

AMF INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Acquisitions

On February 6, 1981, the Company also acquired the stock of Scientific Drilling International (SDI) for two million shares of AMF common stock. SDI is a privately owned Irvine, California based company which provides worldwide orientation and survey equipment and related services to the oil field directional drilling market. The acquisition will be accounted for as a pooling of interests. On a combined pro-forma basis, AMF's revenue, net income, and earnings per share would have been as follows (in thousands of dollars):

	1980	1979	1978
Revenue	$1,563,330	$1,457,344	$1,330,444
Net Income	$ 58,506	$ 54,159	$ 46,354
EPS	$2.60	$2.43	$2.09

TABLE 1-12: SUBSEQUENT EVENTS

	Number of Companies 1980	1979	1978	1977
Business combinations pending or effected	36	51	62	51
Debt incurred, reduced or refinanced	22	29	17	33
Stock splits or dividends	20	12	16	7
Sale of assets	19	19	19	14
Litigation	10	11	7	19
Other—described	38	33	39	19

BRENCO, INCORPORATED (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 2: Acquisitions After the Close of the Year

Brenco acquired all of the outstanding common stock of Washburn Wire Company of Rumford, Rhode Island after the close of business December 31, 1980 for which Brenco issued approximately 32,000 shares of its stock which were acquired for this purpose in January, 1981.

The total acquisition cost was approximately $842,000 which consisted of the cost of the above mentioned shares, acquisition expenses and the value of a Washburn stock option which Brenco assumed for 7,680 shares of Brenco stock.

The fair value of net assets Brenco acquired in the acquisition exceeded the acquisition price by $1,412,000 which will be credited to Washburn's property, plant and equipment.

Brenco will account for the acquisition as a purchase and accordingly will include Washburn's results of operations in its financial statements beginning January 1, 1981. The results of operations for the two companies combined for the past two years, with certain appropriate adjustments, and the elimination of Washburn's extraordinary credits, are presented below. The combination has not been audited.

	1980	1979
	(In thousands except per share amounts)	
Net sales	$105,202	$102,377
Net income	12,068	14,424
Net income per share	1.22	1.45

The combined figures do not necessarily show what the results would have been had the acquisition taken place on January 1, 1979 because Brenco intends to purchase a substantial part of its steel requirements from Washburn and these purchases would have affected Washburn's profits during these years.

Financial data for Brenco and Washburn combined as of December 31, 1980, follows:

ASSETS	(In Thousands)
Current assets	$36,869
Property, plant and equipment—net	38,700
	$75,569
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities	$16,996
Long term debt	1,244
Stockholders' equity	57,329
	$75,569

In addition, after the close of business on December 31, 1980, the Company acquired a 51% interst in FSA Rebuilding Inc. of Los Angeles, a small bearing repair shop. The acquisition cost and FSA's results of operations are not material to Brenco's consolidated financial statements.

THE DOW CHEMICAL COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note A: Significant Event Subsequent to December 31, 1980. Under the terms of an Agreement and Plan of Reorganization dated November 1, 1980 with Richardson-Merrell Inc. (RMI), the Company will acquire the ethical pharmaceutical business of RMI for a price of $260 million to be paid in Dow common stock. The number of shares to be issued will be based upon the average market price of Dow common stock for the twenty trading days immediately preceding the closing date. The determination of the closing date in 1981 is contingent upon the satisfactory performance of all requirements of the agreement by both parties. The ethical pharmaceutical sales and net income reported by RMI for the fiscal year ended June 30, 1980 were $282 million and $10 million, respectively.

GIDDINGS & LEWIS, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 1: Acquisitions

On December 19, 1980, the stockholders of Snyder Corporation approved the merger of Snyder Corporation into a wholly owned subsidiary of Giddings & Lewis, Inc., subject to the receipt of a favorable ruling from the Internal Revenue Service as to matters of importance to the Snyder Corporation stockholders. When a ruling satisfactory to the Snyder Corporation has been received, the merger will be consummated in a transaction to be accounted for as a pooling of interests. Under the terms of the agreement, the stockholders of Snyder Corporation will receive 434,568 shares of Giddings & Lewis common stock in exchange for their shares of common stock of Snyder Corporation. The following pro forma supplementary information presents summarized financial data as if the merger had been consummated prior to December 31, 1980. The pro forma data is not necessarily indicative of results which would have occurred if the companies had actually been combined for the periods presented.

Pro forma combined condensed balance sheet data as of December 31, 1980 (unaudited) ($000's omitted):

Assets:	
Current assets	$165,984
Other assets	3,111
Net property, plant, and equipment	44,694
	$213,789
Liabilities and shareholders equity:	
Current liabilities	$ 48,648
Long-term debt	17,376
Other liabilities	4,205
Shareholders' equity:	
Common stock	13,956
Capital in excess of par value	27,448
Retained earnings	102,156
	143,560
	$213,789

Pro forma combined condensed statement of income data (unaudited) ($000's omitted except per share data) (a):

	Year ended December 31, 1980	1979	1978
Net sales	$366,126	$300,845	$236,702
Income from operations	$ 62,562	$ 58,937	$ 38,092
Net income	$ 32,477	$ 31,960	$ 19,743
Net income per share (b):			
Primary	$5.03	$4.86	$3.03
Fully diluted	$4.90	$4.59	$2.83

(a) The pro forma data for 1979 and 1978 includes the results of operations of Snyder Corporation for its years ended June 30, 1980 and 1979, respectively. The data for 1980 includes the results of operations of Snyder Corporation recast to a year ended December 31, 1980. Accordingly, the net sales and net income of Snyder Corporation for the six-month period ended June 30, 1980, in the amounts of $27,058,000 and $2,331,000, respectively, are included in the data for both 1980 and 1979.

(b) Per share computations give effect to the additional common shares to be issued upon consummation of the merger.

The Company acquired certain businesses in purchase transactions having an aggregate cost of $3,754,000, $5,351,000, and $950,000 in 1980, 1979, and 1978, respectively. The operations of each of the acquired businesses have been included in the accompanying consolidated statement of income and retained earnings from the dates of acquisition. Operating results of these businesses were not material to the consolidated operating results in any of the periods and, accordingly, pro forma results are not presented.

SQUARE D COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three Years Ended December 31, 1980 *(Dollars in thousands, except per share)*

NOTE M: SUBSEQUENT EVENT

In January 1981, the shareholders of General Semiconductor Industries, Inc. (GSI) approved a merger with Square D Company. Square D issued 1,445,798 common shares to the shareholders of GSI in exchange for all of the outstanding common stock of GSI. This transaction, which is not reflected in the accompanying financial statements for 1980 and prior years, will be accounted for as a pooling of interests.

The following summarizes, on an unaudited pro forma basis, the results of operations as though GSI had been merged on January 1, 1978:

	1980	1979	1978
Net sales	$1,013,847	$837,528	$735,415
Net earnings	84,716	73,817	67,624
Net earnings per common share	3.29	2.92	2.68

Debt Incurred, Reduced or Refinanced

ARDEN GROUP, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 18: Subsequent Event

On October 28, 1980, the Company solicited the holders of its 7% and 8¼% debentures for their consents to modify the indentures pursuant to which they were issued, and offered to purchase all outstanding 7% debentures for $1,000 principal amount of 8¼% debentures for each $1,000 principal amount of the 7% debentures.

The exchange of debentures was conditioned upon, among other things, obtaining consents to the modifications of the 7% debenture indenture from the holders of not less than 66⅔% of the outstanding 7% debentures, and consents to the modifications of the 8¼% debenture indenture from the holders of not less than a majority of the outstanding 8¼% debentures.

On March 18, 1981, it was determined that the necessary consents for the modifications and the issuance of 8¼% debentures in exchange for 7% debentures tendered had been obtained and that $1,452,800 face amount of 7% debentures had been tendered for exchange. After consideration of certain cash payment and expenses related to the request for consents to the modifications and exchange offer, the exchange of the debentures tendered will result in an extraordinary gain of approximately $720,000, net of deferred tax provision. In order to accommodate holders of 7% debentures who had not yet tendered their debentures for exchange, the Company extended the expiration date of the exchange offer to April 10, 1981. Additional tenders and the resulting exchange would increase the amount of the extraordinary gain.

The modifications will relieve Arden and the Company from all of the present restrictions in the indentures on the payment of dividends and acquisition of shares of the Company's stock during periods when there are accumulated unpaid interest or sinking funds payments on the 7% debentures.

GENESCO INC. (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 19: Post-Balance Sheet Event

Effective September 24, 1980, certain of the Company's long-term loan agreements were amended to permit the Company to pay fixed dividends on and to make mandatory redemptions of shares of its $4.50 Preferred Stock and its $4.25 Series A Preference Stock. The aggregate amount of such payments is limited to $800,000 during the fiscal year ending July 31, 1981 and $200,000 during any subsequent fiscal year.

On September 24, 1980 the board of directors declared dividends on the $4.50 Preferred Stock for all periods then in arrears and for the current quarter and authorized payment on November 17, 1980 of such dividends ($305,190) and of all redemption arrearages ($299,400) on the $4.50 Preferred Stock.

THE BFGOODRICH COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts)

Subsequent Event—Exchange Offer

On February 13, 1981, the Company concluded an Exchange Offer made January 13, 1981 to holders of its 8¼ percent Sinking Fund Debentures and its 7 percent Subordinated Debentures. The Exchange Offer resulted in the issuance of over 2,560,000 shares of the Company's $3.125 Cumulative Convertible Preferred Stock, Series C.

The following table sets forth certain financial information of the Company at December 31, 1980 giving pro forma effect to the Exchange Offer:

	Amount Outstanding December 31, 1980	Principal Amounts Exchanged	Amount Adjusted for Exchange
8¼% Sinking Fund Debentures........	$ 68,064	$44,802	$23,262
7% Subordinated Debentures...........	51,034	41,948	9,086
Total	$119,098	$86,750	$32,348
$3.125 Cumulative Convertible Preferred Stock, Series C Issued ...	$ —	$64,085	$64,085

The Exchange Offer results in an extraordinary gain of approximately $17,900, which will be reported in the first quarter of 1981. The gain represents the difference between (i) the fair market value of Series C Stock issued and (ii) the net carrying amount of debentures exchanged after consideration of unamortized debt discount and issuance expenses and expenses of the Exchange Offer. The exchange is a nontaxable transaction for tax reporting purposes.

PFIZER INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Event

In February, 1981, the Company issued $150 million 8¾% Convertible Subordinated Debentures Due 2006. The Debentures are convertible into common stock at $56.50 per share. The Debentures are also subject to redemption through a sinking fund commencing in 1992. Approximately 2.7 million shares are reserved for issuance on conversion of these Debentures.

WEYERHAEUSER COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Dollar amounts in thousands except per share figures

Note 7 (in part): Debt

On January 15, 1981 the Company entered into a five year revolving credit/three year term loan agreement with a group of banks which provides for (1) borrowings up to $325,000 at varying interest rates based, at the Company's option, on either the Prime rate, ½% over Certificate of Deposit rates or ½% over London interbank Eurodollar market rates, (2) a commitment fee of ⅜% on the unused amount of credit, (3) conversion of the notes as of January 15, 1986 to a three year term loan payable in twelve equal quarterly installments and bearing interest at varying rates, at the Company's option, based on either ¼% over Prime rate, ¾% over Certificate of Deposit rates or ¾% over London interbank Eurodollar market rates, and (4) maintenance of consolidated working capital of $90,000, as defined under the credit agreement. Compensating balances are not required to support this arrangement or any borrowings under the agreement.

Sale of Assets

CHICAGO PNEUMATIC TOOL COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Subsequent Event

On January 26, 1981, the company entered into an agreement to sell its stock ownership (approximately 65%) of Wreckair Holdings, Ltd., a consolidated Australian subsidiary, for cash. The company's net investment at January 2, 1981 was approximately $12,500,000. The results of operations of Wreckair Holdings, Ltd. for the periods presented are not material to the company on a pro forma basis. The sale will be completed in early March and will result in an estimated one-time gain in the first quarter of approximately $.40 per share.

CULBRO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14—Subsequent Event

On January 26, 1981 the Corporation signed a definitive agreement with Sandoz, Ltd. providing for the acquisition of its proprietary medicine division by Sandoz for a cash purchase price of $94,000,000. The closing of this transaction, expected to take place in March, is subject to normal conditions, including obtaining certain governmental consents. The gain on this transaction, after applicable income taxes, is estimated at $54,000,000.

Although no definite plan has been made, the Corporation anticipates that the majority of the proceeds will be used to reduce outstanding indebtedness.

See Note 11 for financial data relating to this division.

EASCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11—Subsequent Event

In March 1981, the company entered into an agreement in principle for the sale of the assets and business of Greiner Engineering Sciences, Inc., which constitute all of the company's engineering services segment. The company will receive cash of $4.6 million plus a $1.15 million note with interest at 10% due in one year. The gain on the sale would approximate $1.2 million. Engineering segment data are set forth on pages 26 and 27.

JOSLYN MFG. AND SUPPLY CO. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Discontinued Operations

On February 2, 1981, the Company sold the assets and certain liabilities of the Stainless Steels Division for approximately $29,000,000 in cash. It is anticipated that a gain of approximately $1,000,000 after taxes may be reported in 1981 as a result of this transaction. The Company has contingent liabilities related to collection of receivables and a final determination of the unfunded past service cost of pensions that could reduce this gain.

Sales of the Stainless Steels Division were $59,947,000, $57,907,000, and $48,077,000 for 1980, 1979 and 1978, respectively. The Division is a producer of stainless steel bars, billets and shapes for the forgings and fittings industries and is a supplier to steel service centers throughout the United States.

As of June 30, 1978, the Company sold substantially all of the operating assets and certain liabilities of Brewer-Titchener Corporation (BTC) for $5,818,000 in cash, which approximated the net book value.

The Consolidated Statement of Income, the Consolidated Statement of Financial Position and the related Notes to Consolidated Financial Statements have been restated for all periods presented to reflect Stainless Steels and BTC as discontinued operations. Prior year Consolidated Balance Sheets have been restated to show the current assets, net of current liabilities of the Stainless Steels Division as Net Current Assets of Discontinued Operations and other assets (including property, plant and equipment) of Stainless Steels as Noncurrent Assets of Discontinued Operations. Stainless Steels' total assets reduced by its liabilities are classified as Net Current Assets of Discontinued Operations as of December 31, 1980, because these net assets were sold for cash on February 2, 1981.

An analysis of income from these discontinued operations as shown on the Consolidated Statement of Income is as follows:

	YEAR ENDED DECEMBER 31,		
	1980	1979	1978
Income from Discontinued Operations before Taxes	$9,893,000	$4,972,000	$5,327,000
Income Taxes	4,825,000	2,350,000	2,651,000
Income from Discontinued Operations after Income Taxes	$5,068,000	$2,622,000	$2,676,000

The income taxes shown above represent current liabilities at that time and consist of federal and state income taxes, reduced by investment tax credit earned.

As indicated in Note 2, the Company adopted LIFO in 1979 and the effect of this change on the Stainless Steels Division was to decrease Income from Discontinued Operations after Income Taxes by $660,000 in 1980 and by $1,104,000 in 1979.

Litigation

COPPERWELD CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8—Commitments and Contingent Liabilities

The Corporation has outstanding purchase commitments of approximately $14,083,000 for new plant and equipment at December 31, 1980.

In November 1976, Independence Tube Corporation filed suit in the Federal District Court in Chicago, Illinois against Copperweld, its wholly owned subsidiary, Regal Tube Company, and Yoder Company, a machinery supplier, alleging that Copperweld and Regal: violated the Federal anti-trust laws; induced Yoder to refrain from supplying a mill, equipment and tooling to Independence and caused Yoder to breach its contract with Independence; interfered with the operation of Independence's business; and made defamatory statements concerning the financial condition of Independence. Plaintiff sought to recover damages in the amount of $24 million relating to violations of antitrust laws, such amount to be trebled; $24 million compensatory and $24 million punitive damages for interference with plaintiff's business and economic advantages; and $10 million compensatory and $10 million punitive damages for defamatory statements.

On February 17, 1981, the jury returned verdicts; that Copperweld and Regal conspired to keep Independence out of business; Copperweld interfered with a contract between Independence and Yoder; Regal interfered with a contract between Independence and an Independence customer; and Regal commercially defamed Independence.

On March 6, 1981, the jury returned a verdict assessing damages as follows: $2,499,009 against Copperweld and Regal by reason of the alleged violations of the anti-trust laws, and against Copperweld for inducement of the breach by Yoder of its contract with Independence, which amount will be trebled under the anti-trust laws to $7,497,027; and $15,000 against Regal by reason of the improper interference by Regal with Independence's relationship with a customer and the commercial defamation of Independence by Regal to that Independence customer. In addition to the damages described above, it is anticipated that Independence will seek to assess the Corporation and Regal with substantial counsel fees and expenses under the anti-trust laws.

Copperweld and Regal intend to immediately file post-trial motions before appeal and to file appeals from the judgment entered against them with the Seventh Circuit Court of Appeals, and they intend to prosecute such appeals vigorously. While the ultimate outcome of this matter cannot be predicted with certainty at this time, management believes it will not have a material adverse effect on the financial position or business of the Corporation. Therefore, no provision for loss has been made in the accompanying financial statements.

PENTRON INDUSTRIES, INC. (JUN)

NOTES TO FINANCIAL STATEMENTS

Note 10: Litigation

During 1977, a lawsuit was filed by Nucorp, Inc. against the Company, the president of its previously owned subsidiary, Capital Dredge & Dock Corporation, and a former director of Nucorp, alleging violations of the Securities Exchange Act of 1934. The suit alleges that Pentron, during the negotiations leading up to the sale of Capital Dredge, engaged in a course of conduct that constituted a scheme to defraud the buyer. The suit seeks to recover the purchase price (1,100,000 plus 168,500 shares of Pentron stock transferred to Pentron in the exchange), $500,000 for losses the buyer claims it suffered while operating Capital Dredge, plus damages of $2,000,000 charging common law fraud involving the same basic factual situation.

The suit was tried in October 1977 and a decision on behalf of Pentron was rendered in March 1978. Nucorp appealed the matter to the United States Court of Appeals, which on July 21, 1980 affirmed the Pentron favorable decision. Nucorp also filed a motion with the District Court to vacate the original judgment. This motion was denied on March 11, 1980 and Nucorp has filed a Notice of Appeal to the Sixth Circuit Court of Appeals.

Stock Dividends or Splits

EMERSON RADIO CORP. (MAR)

NOTES TO FINANCIAL STATEMENTS

Note H (in part): Stock Dividends and Split

(3) On April 30, 1980 the Board of Directors declared a 10% stock dividend on its $.10 par value common stock, which is to be paid on June 13, 1980 to shareholders of record on May 16, 1980. The financial statements at March 31, 1980 give retroactive effect to this dividend.

HILLER AVIATION, INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13—Subsequent Event

On September 8, 1980 the Board of Directors declared a three for two stock split to be distributed October 31, 1980 to shareholders of record on September 30, 1980. Accordingly, in the August 31, 1980 balance sheet, an amount equal to the par value of the additional shares to be issued has been charged to Retained Earnings and credited to Capital Stock ($153,462). Per share and other related data have been adjusted to give retroactive effect to the stock split.

STONE CONTAINER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Capital Stock (in part)

On January 26, 1981 the Board of Directors approved a 3-for-2 stock split, effective March 13, 1981. Accordingly, Stockholders' Equity at December 31, 1980, and all amounts per share and number of shares for all periods included in the Consolidated Statements of Income and Notes to the Financial Statements have been retroactively adjusted to reflect the split.

Capital Stock Transactions Other Than Business Combinations

DOYLE DANE BERNBACH INTERNATIONAL INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note L—Subsequent Events

On March 17, 1981, the Registrant's Board of Directors took the following actions:

(1) Voted to amend, subject to shareholders' approval, the Certificate of Incorporation to increase the number of authorized shares ($.50 par value) from 6,000,000 to 10,000,000.

(2) Reduced the number of shares authorized for issuance under the Non-Qualified Stock Option Plan from 410,000 to 310,000 shares of its common stock.

(3) Amended the Long-Term Incentive Award Plan to increase the number of shares of common stock authorized for issuance and performance units authorized for grant from 200,000 in each case to 300,000 in each case.

(4) Ratified an agreement whereby the Registrant agreed to sell to an officer of a subsidiary and the officer agreed to purchase 60,000 shares of the Registrant's common stock at a purchase price of $17.375 per share. The written agreement formalizing this transaction was entered into on March 17, 1981. The purchase price is equal to the market value of the stock at the date of the original offer. The officer has until December 31, 1990 to pay for such shares, but shares will be issued from time to time as and when they are actually paid for. The agreement also provides for compensation, measured by dividends, during the period any shares remain unissued.

KENNECOTT CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Transactions Related to Curtiss-Wright Corporation and Dorr-Oliver, Incorporated

Pursuant to a "Notice of Offer to Purchase For Cash" announced on November 21, 1980, and concluded on January 8, 1981, Kennecott acquired approximately 2.1 million shares (25.2%) of the outstanding common stock of Curtiss-Wright

Corporation for an aggregate cost of $86.6 million. This amount has been classified in "Investments and notes receivable" in the accompanying consolidated balance sheet.

In transactions subsequent to the offer which were recorded in 1981, Kennecott purchased in various open market transactions 653,400 additional shares of the common stock of Curtiss-Wright for an aggregate cost of $27.9 million. On January 27, 1981, Kennecott and Curtiss-Wright entered into agreements whereby Kennecott acquired from Curtiss-Wright 100% of the common stock of Dorr-Oliver, Incorporated and all of the shares of the capital stock of Kennecott owned by Curtiss-Wright (4.75 million shares) for a total consideration having a value of $280 million.

The total consideration consisted of $168 million in cash and the 2.75 million shares of the common stock of Curtiss-Wright owned by Kennecott, at Kennecott's cost (net of expenses). Pursuant to the agreements, all pending litigation between Kennecott and Curtiss-Wright was ended, and the parties agreed for a period of ten years not to purchase additional shares of the other or otherwise seek to control or influence the management, Board of Directors or policies of the other.

The acquisition of Dorr-Oliver will be accounted for as a purchase. Accordingly, its financial condition and results of operation will be included in Kennecott's consolidated financial statements for all periods subsequent to the date of acquisition.

If the acquisitions of Dorr-Oliver and the Kennecott shares and the related payment consisting of $168 million in cash and the Curtiss-Wright shares were assumed to have occurred on December 31, 1980, the pro forma effect on Kennecott's consolidated financial condition is presented below on a condensed basis:

(In millions of dollars)	
Cash & mkt. securities	$ 100
Other current assets	878
Total current assets	978
Investments and notes receivable	449
Fixed assets, net	1,490
Other assets	116
Total assets	$3,033
Current debt	$ 99
Other current liabilities	512
Total current liabilities	611
Long-term debt	741
Deferred taxes, sundry reserves, etc.	243
Shareholders' equity (28.5 million shares outstanding)	1,438
Total liabilities and shareholders' equity	$3,033

Information to fully allocate the purchase price is not yet available. Accordingly, the purchase price of $105 million is included in "Investments and notes receivable" in the above pro forma balance sheet.

Assuming the acquisitions of Dorr-Oliver and the Kennecott shares had occurred on January 1, 1980, the pro forma effect on sales, net income and earnings per share is $2,463.3 million, $177.9 million and $6.24, respectively.

MUNSINGWEAR, INC. (DEC)

Consolidated Balance Sheets

	1980	1979
Long-term debt, excluding current installments	$14,565,798	$16,465,260
Capitalized lease obligations	5,260,685	5,552,750
Short-term debt to be retired through sale of common stock (note 7)	12,400,000	—
Deferred income taxes	2,914,000	2,376,000

Note 7: Sales of Company Stock

On January 19, 1981, the Company sold 245,385 shares of previously unissued common stock to three Japanese companies. The stockholders of the Company, at a special meeting on February 24, 1981, approved the issuance and sale of an additional 323,073 shares of common stock to the same companies.

The proceeds of the sales of stock are $12,506,076 or $22.00 per share, which, after issue costs of approximately $106,000, will be used to reduce current debt. Such current debt at December 31, 1980 has been excluded from current liabilities in the accompanying consolidated balance sheet.

The stock purchase agreements contain certain covenants, including restrictions on the sale, transfer, pledge or other disposal of the shares. The Company has the option to repurchase all such shares offered by the investors at the market price, as specified in the agreement. The investors may not, without prior consent of the Company's Board of Directors, increase their aggregate holdings of voting securities, including conversion and other rights, to more than 33½ percent of the total combined voting power of all voting securities at the time outstanding.

The investors hold exclusive licenses to manufacture and market certain products bearing Company trademarks in various countries in the Far East. Royalties earned on these licenses comprised a substantial portion of the Company's royalty income in 1980, 1979 and 1978 included in the consolidated statement of operations. At December 31, 1980 the Company's receivables include $662,000 representing payments to be received by the Company on the license agreements and for direct sales to the investors.

PRATT & LAMBERT, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note O: Treasury Stock Acquired

On January 21, 1981 the company entered into an agreement to purchase 99,600 shares of its common stock and 8,300 shares of its convertible preferred stock. The purchased shares which were acquired for a cash consideration of approximately $2,300,000, will be held as treasury stock.

SERVICE CORPORATION INTERNATIONAL (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9: Subsequent Event—Proposed Stock Redemption

On June 19, 1980, the Company announced that its Board of Directors had approved an agreement to redeem 709,461 shares of the Company's common stock from its current largest stockholder (approximately 20%) in exchange for certain real property. Consummation of the transaction is subject to stockholder approval and certain other conditions.

This transaction, which, in the opinion of counsel, is nontaxable to the Company, provides for: (1) the exchange of 5 acres of improved real property with a current recorded value of approximately $1,600,000 for all shares held by the stockholder; (2) the elimination of the conversion rights on the Company's currently existing $1,000,000 convertible debenture held by the same stockholder (See Note 5); (3) the obligation by the Company to pay up to a maximum of $3,000,000 in the event the stockholder sells the property for less than $11,000,000 within three years from the closing of the redemption or if the Company elects, it may exercise its right of first refusal to purchase the property on the same terms and pay such difference; and (4) the Company will lease the property for two years for $150,000 per year rental in continuation of the operation of the funeral home currently located on the property. The Company intends to relocate the operation in a new facility after that time.

If the above transaction is consummated, the Company may liquidate, by borrowing under its revolving credit loan agreement, the outstanding debt of approximately $1,000,000 that currently exists on the property and will recognize the effect of the transaction as follows:

	Income Effect of Transaction	Effect on Stockholders' Equity
	(Thousands)	
Stock redeemed—		
709,461 shares valued at $9⅝ per share—market value at date agreement was signed ..	$6,828	$(6,828)
Less:		
Book value of property...........	1,600	
Estimated expense of redemption	400	
Gain	4,828	
Contingent portion of gain deferred	3,000	
Gain to be reported in fiscal 1981.........................	$1,828	1,828
Cumulative reduction in stockholders' equity.........................		$(5,000)

TIME INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Events

In February 1981, the Company sold 3,000,000 shares of Series C $4.50 Cumulative Convertible Preferred Stock, par value $1. The net proceeds of approximately $145.6 million are expected to be used to partially finance 1981 capital expenditures, which are estimated to be approximately $300 million. Additional funds necessary to finance such capital expenditures will be provided by internally generated funds and existing borrowing facilities.

Lease

ALPHA INDUSTRIES, INC. (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12: New Plant Lease

In April, 1980, the Company leased an additional manufacturing and engineering facility for a term of ten years with the option to extend this term for two additional five year periods. The annual rental payments are set for each five year period of the lease, with an annual payment of $167,400 for the first five years of the lease and annual payments for the next five year period to be determined based on the increase, if any, in the consumer price index but not to exceed 20% of the base annual rent. The rent increases for the second and third five year renewals are also based on the consumer price index but are not to exceed 27½% of the annual rentals as last adjusted. In addition, there is a purchase option which may be exercised in the sixth year of the initial term or in the eleventh year if the term is extended. The Company is responsible for real estate taxes, insurance and maintenance of the leased property.

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 1980, 88 survey companies disclosed related party transactions. Examples of such disclosures follow.

Transactions Between Affiliated Companies

PHOENIX STEEL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 2—Financial Relationship with Creusot-Loire and Affiliates

In April 1976, the Company consummated an agreement with Creusot-Loire, a French company engaged in, among other things, the manufacture of specialty steel products. Under the agreement the Company received $12,000,000 in exchange for issuing to UCL Securities, Inc. (UCL), an affiliate of Creusot-Loire, 1,000,000 shares of common stock at $4 per share, an $8,000,000 ten year 8% subordinated convertible note (Series A) and an option until April 1981 to purchase up to $3,825,000 face amount of ten year 8% subordinated convertible notes (Series B)—see Note 6. In April 1977, UCL purchased 2,540,000 shares of common stock and 842,400 shares of Series A convertible preferred stock in a rights offering to shareholders (see Note 8). In April 1978, the Company issued 1,018,182 shares of common stock at $2.75 per share ($2,800,000) and 94,000 shares of Series B convertible preferred stock at $50 per share ($4,700,000) to

Creusot-Loire. In May 1979, UV Industries, Inc. exercised its option acquired in 1976 to sell to UCL 600,000 shares of the Company's common stock at $5.05 per share. As of December 31, 1980, Creusot-Loire and its affiliates together owned an aggregate of 5,158,182 shares of the Company's common stock (56.2% of the issued and outstanding).

In order for the Company to obtain $33,000,000 of long-term lines of credit aggregating $53,000,000 (see Note 6) it was necessary for Creusot-Loire to deliver Letters of Moral Intent to the banks involved. Borrowings under such lines of credit would be repayable prior to scheduled maturity should Creusot-Loire withdraw such Letters of Moral Intent. The agreements governing the $53,000,000 lines of credit contain various provisions giving the lenders the right to accelerate the maturity of such indebtedness should the extent of the ownership or control of the Company by Creusot-Loire and affiliates decrease below various levels specified in such agreements. Neither Creusot-Loire nor its affiliates are under any obligation to the Company to assist in obtaining or maintaining financing. Creusot-Loire and its affiliates have, however, informed the Company that they have no intention of diminishing their present interest in the Company.

In April 1976 the Company also entered into an agreement with Creusot-Loire (the "Technical Assistance Agreement") under which Creusot-Loire is to provide technical assistance and know-how to the Company through June 30, 1984. The annual fee under the Technical Assistance Agreement is the lesser of $1,000,000 (subject to escalation in certain circumstances) or 10% of the pretax earnings of the Company's Claymont plant, provided that in no case shall such fee be less than $300,000 per year commencing July 1, 1977 or $400,000 per year commencing July 1, 1980. To date, the minimum fees have been due under the Technical Assistance Agreement for each year. In addition to the fee under the Technical Assistance Agreement, Creusot-Loire is entitled to receive per diem compensation and expense reimbursement for the visits of Creusot-Loire personnel. Such charges amounted to $31,000 in 1980 ($44,000 and $60,000 in 1979 and 1978, respectively).

In addition to the Technical Assistance Agreement, the Company in the normal course of business is involved in transactions with Creusot-Loire and its affiliates. Such transactions are summarized as follows:

	1980	1979	1978
Purchases of production materials	$ 30,000	$ 768,000	$1,409,000
Sales commissions	4,000	20,000	75,000
Consulting and other services	15,000	31,000	132,000
	$ 49,000	$ 819,000	$1,616,000
Sales to Creusot-Loire and affiliates	$ 672,000	$1,031,000	$2,168,000

With respect to these transactions, accounts receivable from and accounts payable to Creusot-Loire and affiliates at year-end were:

	1980	1979
Accounts receivable	$ 46,000	$ 9,000
Accounts payable	$100,000	$76,000

GETTY OIL COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Basis of Accounting for Subsidiaries and Affiliates

On December 31, 1980, 1979, and 1978, the undistributed earnings of Getty's foreign subsidiaries were $225,347,000, $455,673,000 and $273,886,000, respectively. A substantial portion of these undistributed earnings are required to support the operations of certain subsidiaries. Management expects that any additional United States income taxes on repatriation of the undistributed earnings not required to support operations would be offset by foreign tax credits.

In prior periods, in recognizing losses attributable thereto, Getty wrote down to zero its investment in Mitsubishi Oil Company, Limited, a refiner and marketer of petroleum products in Japan, and therefore discontinued recognition of its 50 percent share of Mitsubishi Oil's operations. For the fiscal year ended March 31, 1980, the date of the latest audited financial statements, Getty's share of Mitsubishi Oil's income was $69,977,000 and its equity in Mitsubishi Oil on March 31, 1980, was $26,334,000. The increase in Getty's equity position was primarily attributable to net foreign currency translation gains which resulted from the strengthening of the U. S. dollar in relation to the local currency. This proved to be a temporary situation and the dollar has since weakened to a point where Getty's positive equity in Mitsubishi Oil on December 31, 1980, has been eliminated. Therefore, Getty has not recognized its equity share of Mitsubishi Oil's operations in 1980. In 1980, 1979 and 1978, Getty received $5,223,000, $3,417,000 and $3,639,000, respectively, in dividends from Mitsubishi Oil and recorded such dividends in income.

Revenues include sales to Mitsubishi Oil of $371,701,000 in 1980, $211,840,000 in 1979 and $230,006,000 in 1978. Getty had trade receivables from Mitsubishi Oil of $30,734,000 on December 31, 1980, and $18,369,000 on December 31, 1979. Sales to Tohoku Oil Company, Limited, 56.7 percent owned by Mitsubishi Oil, were $29,018,000 in 1978. Getty had no sales to Tohoku Oil during 1980 and 1979 and had no trade receivables from Tohoku Oil on December 31, 1980 or 1979.

Transactions Between Company and Management or Stockholders

ARDEN GROUP, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 14: Related Party Transactions:

Two directors of the Company and one former director are associated with law firms that render or have rendered various legal services for the Company. The Company paid these firms, in the aggregate, approximately $539,000, $592,000 and $886,000, during 1980, 1979 and 1978, respectively, for their legal services. During 1979 and 1978 $40,000 and $363,000, respectively, of these legal fees were in connection with the Company's 1978 restructuring, and in 1980 $92,000 were in connection with the Company's 1980 Exchange Offer, which are described in Notes 6 and 8. Payments for additional legal services to one of the law firms, approximately 90% of which is recoverable from insurance carriers for services rendered to directors in litigation to which such directors are parties, amounted to approximately $23,000 and $43,000 in 1979 and 1978, respectively.

One director was formerly a partner in an accounting firm that provided financial consulting services to the Company during 1979 and 1978, for which the Company paid approximately $1,600 and $9,000, respectively.

In 1978, a director and an officer/director of the Company entered into stock purchase agreements with the Company whereby the Company agreed to issue, and the individuals agreed to purchase, an aggregate of 150,000 shares of the Company's Common stock at $2.375 per share, the market value of the shares on the date of the agreements, or $356,250. Concurrently, the Company agreed that, upon request from the individuals, it would lend them the funds required for the purchase, evidenced by collateralized notes that will be due and payable 5 years from the date of the purchase at an interest rate of 6% per annum. In 1979, the shares were purchased for cash. At the time of the purchase of 100,000 shares, the Company loaned one of the individuals $212,500, collateralized by a second lien on real property.

During 1980, the same individuals entered into similar agreements to purchase an additional 150,000 shares of the Company's Common stock at $3.375 per share, the market value of the shares on the day preceding the day the shares were purchased, or $506,250. At the time of the purchase, a second loan was made to one of the individuals in the amount of $303,750 payable concurrently with the first loan above mentioned at an interest rate of from 6% to 9% increasing or decreasing by ¼ of 1% as the prime lending rate increases or decreases by 1%. The initial interest rate on the loan was 7%. The collateral for the second loan is the same real property collateralizing the first loan.

See Note 6 regarding a bank loan, Note 13 regarding ownership interest in property leased by the Company, and Note 15 regarding employment agreements with officers and directors.

UNITED STATES TOBACCO COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 11 (in part): Other Matters

The Company leases from certain officers of a subsidiary, one of whom is an officer and director of the Company, approximately 15,500 acres of farmland situated in Washington State adjacent to its vineyard operations. The lease is for three years, ending December 31, 1982, at an annual rental of $1,175,000. The Company has an option to purchase the farmland at a price of $14,000,000, exercisable any time prior to June 30, 1982.

WINNEBAGO INDUSTRIES, INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8: Related Party Transactions

The Company purchases airline travel tickets from Travel House, Ltd., a company owned by Mary Joe Boman, wife of Gerald E. Boman, Senior Vice president of the Company and daughter of John K. Hanson, Chairman of the Board and President of the Company. Such purchases for fiscal 1980 and 1979 amounted to $115,511 and $45,760, respectively. In addition, the Company has an annual net lease with the Bomans for the use of a meeting facility. Rentals for fiscal 1980 and 1979 were $20,000 and $24,000, respectively.

The Company incurred expenses in fiscal 1980 and 1979 of $16,699 and $115,501 for the research and development of a motor home carburetion system by Billings Energy Corporation. John K. Hanson, Chairman of the Board and President, has substantial investments in Billings Energy Corporation and its subsidiary, Billings Computer Corporation. In addition, a member of the Board of Directors of the company had an investment in and served through June of 1980 as a director of Billings Energy Corporation.

In addition, the Company made purchases in fiscal 1980 and 1979 of $184,290 and $28,936 from Billings Computer Corporation for computer hardware and software to expand the Energy Management System purchased in fiscal 1979 from John K. Hanson for $131,618. This system was designed by Billings Energy Corporation to reduce the energy cost utilized in the manufacturing facilities. The hardware and software costs of this system have been capitalized and will be amortized over its useful life.

During fiscal 1980, the Company incurred expenses of $32,804 for the research and development work in connection with a distributive data processing system by Billings Computer Corporation.

CLEVELAND CALENDERING & COATING CORP. (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note F—Related Party Transactions

Certain individuals who are related parties, have dealt with the Company as individuals and/or through corporations of which they are principals or officers. These corporations engage in a line of business similar to that of the Company. Such transactions were comprised of:

	Year Ended April 30,	
	1980	1979
Sales (comprising 47% in 1980 and 56% in 1979 of consolidated net sales)	$3,392,052	$3,032,549
Direct purchases of inventory (comprising 11% in 1980 and 13% in 1979 of consolidated purchases)	473,511	517,749
Purchase of equipment	0	13,903
Purchasing and handling fees charged to Company	136,331	119,709
Commissions on sales charged to Company	30,398	31,506

In addition to the above, related parties forgave debt arising from accrued commissions and salaries in the total amount of $102,507 during the year ended April 30, 1980. This amount has been included in the consolidated statement of operations as an extraordinary item for 1980.

Convertible subordinated debentures of $226,000 (Note D) were issued to related parties during 1980 for $110,000 cash and $116,000 reduction in amounts due for purchasing and handling fees and commissions.

Compensation in the amount of $60,000 has been incurred for one of the related parties for services rendered to the Company during each of the fiscal years ended in 1980 and 1979.

The Company has a five year employment agreement with an officer and director providing for annual compensation in the amount of $50,000 through 1982.

Major Customers

UNIVERSAL LEAF TOBACCO COMPANY, INCORPORATED (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (in part): Commitments and Other Matters:

A material part of the Company's tobacco business is dependent upon a few customers, of whom the loss of any one would have a materially adverse effect on the Company. During the year ended June 30, 1980, three customers accounted for $147,346,000, $114,043,000 and $53,810,000 of revenues, excluding reimbursement for purchases of green tobacco on the warehouse floor upon specific orders from customers. Revenues from the same customers for the year ended June 30, 1979, were $147,724,000, $132,409,000 and $65,033,000, respectively. Sales represented by reimbursements for the year ended June 30, 1980, amounted to $320,720,000, of which $314,501,000 was to one of the above customers. Comparable sales for the year ended June 30, 1979, were $405,667,000 of which $396,883,000 was to the same customer. Although there are no formal continuing contracts with these customers, the Company has done business with each for over twenty-five years.

INFLATION ACCOUNTING

Effective for fiscal years ended on or after December 25, 1979, *Statement of Financial Accounting Standards No. 33* requires the disclosure of constant dollar and current cost information. This requirement applies to financial statements for companies with inventories and gross property aggregating more than $125 million or with total assets amounting to more than $1 billion. Four hundred and fifty of the survey companies disclosed constant dollar information in 1980 as compared to 326 in 1979. Of these companies, 406 disclosed current cost information in 1980, as compared to 119 in 1979.

Statement of Financial Accounting Standards No. 39, a supplement to *FASB Statement No. 33,* requires that mining companies, effective for fiscal years ended on or after December 25, 1980, disclose certain quantity and price information for mineral reserves as specified in paragraphs 13 and 14 of Statement 39.

Examples of disclosures of constant dollar, current cost, and mineral reserve information follow.

Constant Dollar and Current Cost Information

COLT INDUSTRIES INC (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 11: Supplementary Information on Changing Prices (Unaudited)

In compliance with the Financial Accounting Standards Board (FASB) Statement No. 33, "Financial Reporting and Changing Prices," management has estimated the impact of inflation on the company's operations for the year ended December 31, 1980.

The objective of the FASB rule is to measure the estimated effects of inflation on business enterprises, inasmuch as it is generally recognized that financial statements prepared under the traditional historical cost basis do not adequately reflect the impact of inflation.

The reader is cautioned that the financial information presented below is determined in accordance with the experimental techniques set forth in the FASB rule. The information does not reflect all of the effects of inflation and other economic factors on the company's current costs of operating the business. In addition, the information required by the FASB rules does not recognize the customary business relationships between cost changes and changes in selling prices. The company has attempted over the years to adjust selling prices to maintain profit margins. Competitive conditions permitting, the company modifies its selling prices to recognize cost changes as incurred. Accordingly, it is management's view that the data presented below cannot be used alone to estimate the total effect of inflation on net earnings as reported.

The FASB rule requires that the effects of inflation on the company be measured under two methods, both of which involve the use of assumptions and estimates. Therefore, the resulting measurements should be viewed in that context and not as precise indicators of all of the effects of inflation. The first method provides data adjusted for general inflation using the Consumer Price Index for all Urban Consumers (CPI-U) as the measure of the general inflation rate. The objective of this approach is to provide financial information in dollars of equivalent value or purchasing power (constant dollars). The second method of measurement adjusts for changes in specific prices (current cost) related to individual assets and expenses. The objective of this method is to reflect the effects of changes in specific prices of the resources actually used in the company's operations.

The effects of inflation under the constant dollar method were determined by adjusting the historical cost of inventories; property, plant, and equipment; cost of sales; and depreciation expense to average 1980 dollars by use of the CPI-U. With respect to the current cost method, inventories were estimated based on quantities on hand at the end of 1980 and costs in effect during the fourth quarter of 1980. Cost of sales, on a current cost basis, was estimated by taking into account the approximate time lag between incurring costs and their subsequent conversion into sales revenue. The current cost of property, plant, and equipment was estimated by adjusting historical cost by externally generated industrial price indices relevant to the plant and equipment of the company. Depreciation expense, on a current cost basis, was computed by adjusting historical cost depreciation by the same indices used to develop the estimated current cost of property, plant, and equipment.

Following is the statement of earnings and shareholders' equity adjusted for changing prices for the year ended December 31, 1980 (in thousands of dollars, except per share data):

	As Reported in the Financial Statements (Historical Cost)	Adjusted for General Inflation (Constant Dollars)	Adjusted for Changes in Specific Prices (Current Cost)
Net sales	$2,165,602	$2,165,602	$2,165,602
Costs and expenses—			
Cost of sales	1,727,850	1,736,819	1,735,671
Selling and administrative	203,434	203,434	203,434
Depreciation and amortization	57,851	80,234	80,942
Interest—net	7,931	7,931	7,931
Total costs and expenses	1,997,066	2,028,418	2,027,978
Earnings before income taxes	168,536	137,184	137,624
Provision for income taxes	70,785	70,785	70,785
Effective tax rate	42.0%	51.6%	51.4%
Net earnings	$ 97,751	$ 66,399	$ 66,839
Earnings per common share including common equivalent share	$ 7.38	$ 4.97	$ 5.01
Shareholders' equity at December 31, 1979	$ 621,592	$ 950,305	$ 957,569
Net earnings (as reported above)	97,751	66,399	66,839
Gain from decline in purchasing power of net amounts owed	—	25,773	25,773
Excess of increase in general inflation ($124,825) over increase in current cost ($100,071)	—	—	(24,754)
Dividends and other changes in shareholders' equity	(41,707)	(41,707)	(41,707)
Shareholders' equity at December 31, 1980	$ 677,636	$1,000,770	$ 983,720

At December 31, 1980, current cost of inventories and net property, plant, and equipment was $598,381,000 and $639,131,000, respectively. This compares with historical cost of inventories and net property, plant, and equipment at year-end of $452,985,000 and $437,143,000, respectively.

The decline in earnings before income taxes under the constant dollar and current cost methods is primarily the result of increased depreciation expense, reflecting the higher values for property, plant, and equipment. The FASB rule does not, however, permit the offset of higher costs by any tax benefit since such additional costs are not tax deductible. As a result, the effective tax rate for 1980 increases from 42.0 percent on a historical cost basis to 51.6 percent on a constant dollar basis and to 51.4 percent on a current cost basis. The gain from the decline in purchasing power of net amounts owed was determined by restating, in average 1980 dollars, the monetary assets held and liabilities owed during the year. Monetary assets and liabilities are items that are or will be converted into a fixed number of dollars regardless of changes in prices, such as cash, receivables, payables, and debt. Since the company held net monetary liabilities during 1980, a period in which the purchasing power of the dollar declined, a gain was recognized under the requirements of this FASB rule. Since this gain does not represent a receipt of cash, it should not be considered as providing funds for reinvestment or dividend distribution. During 1980, the specific prices of the company's inventories and property, plant, and equipment increased at a rate approximately 20 percent less than the general inflation rate.

The previously stated increases in the effective tax rate emphasize the need to reconsider national tax policies in order to give recognition to the reality of inflation which has adverse effects on a company's ability to retain earnings to meet the escalating costs of replacing and expanding its productive capacity.

Following are supplementary financial data for the five years ended December 31, 1980 (in millions of dollars, except per share data):

	1980	1979	1978	1977	1976
Net sales	$2,165.6	$2,140.5	$1,807.9	$1,525.5	$1,345.8
Constant dollars information					
Net sales	2,165.6	2,429.9	2,283.5	2,074.4	1,948.0
Net earnings	66.4	100.7			
Earnings per common share	4.97	7.56			
Shareholders' equity at year-end	1,000.8	950.3			
Current cost information					
Net earnings	66.8	99.1			
Earnings per common share	5.01	7.44			
Shareholders' equity at year-end	983.7	957.6			
Excess of increase in general inflation over increase in current cost	(24.8)	(33.6)			
Other information					
Gain from decline in purchasing power of net amounts owed	25.8	30.2			
Cash dividends per common share	2.90	2.84	2.57	2.32	2.17
Market price per common share at year-end	43⅛	47	44¼	42⅜	51¼
Average consumer price index	246.8	217.4	195.4	181.5	170.5

The five-year supplementary financial data show the effect of adjusting selected historical and current cost data for 1980 and 1979 to average 1980 dollars, as measured by the CPI-U. In addition, sales, cash dividends, and market prices per common share for the year 1976 through 1980 have also been restated to average 1980 dollars. During the last five years, dividends paid to holders of the company's common stock have increased more than the general rate of inflation. The constant dollar and current cost amounts for shareholders' equity were determined by adjusting shareholders' equity, as reported in the financial statements, for the difference between historical cost and the restated costs of monetary assets and liabilities; inventories; and property, plant, and equipment.

GETTY OIL COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 22: Supplementary Financial Information Adjusted for Changing Prices (Unaudited)

The following financial information, presented in accordance with the methods outlined by the Financial Accounting Standards Board, is intended to demonstrate the effects of inflation and other price changes on Getty's results of operations. Historical dollar amounts as reported in the primary financial statements have been adjusted to show the effects of (1) general inflation (constant dollar), and (2) changes in specific prices (current costs).

The guidelines established by the FASB for computing this data allow for significant flexibility, and the FASB encourages experimentation in methodology and application. Accordingly, these computations necessarily required numerous assumptions and estimations, and should be reviewed with consideration for the experimental and subjective nature of the information. The financial information presented is only an indication of the approximate effects and not precise calculations of the effects of price changes including inflation.

To measure the effect of general inflation, the primary financial data has been restated into 1980 constant dollars, i.e., dollars of the average purchasing power during 1980, using the Consumer Price Index for All Urban Consumers. Under this procedure, historical costs of inventories and related costs of goods sold and property, plant and equipment and related depreciation, depletion and amortization are adjusted to reflect the change in the level of the CPI that has occurred since the date the assets were acquired. Revenues and other expenses for the current year are unchanged from amounts reported in the primary financial statements as they already approximate average 1980 constant dollars.

The current cost method is designed to approximate the effect on income of the difference between the historical cost of inventories and property, plant and equipment and the current cost of replacing those inventories and property, plant and equipment. Current cost of inventories was determined by applying the first-in, first-out method of costing to ending inventories. Current cost of crude oil and products sold was based on applying the last-in, first-out method of costing ending inventories adjusted for prior years' layer liquidations. Current cost of property, plant and equipment was estimated by grouping assets into functions and applying appropriate indices to the historical amounts. Current cost depreciation, depletion and amortization was based on the average current cost of property, plant and equipment. The depreciation method and useful lives are the same as those used in preparing the primary financial statements.

Additional information is provided concerning the impact of inflation due to the company's net monetary position. In periods of inflation, holders of money and other monetary assets lose purchasing power since a given amount of money will buyer fewer goods and services. Conversely, debtors gain during these periods because obligations are payable in dollars of reduced purchasing power. The net effect is referred to as gains or losses in purchasing power of net monetary items which is shown in the accompanying financial information.

The following financial information presents a comparison of Getty's results of operations and other financial data as presented in the primary financial statements with similar data prepared on the constant dollar and current cost methods. The adjusted net income under both the constant dollar and current cost methods are lower than the net income reported in the primary financial statements. While the adjusted earnings presented include higher depreciation, depletion and amortization costs, these higher costs do not result in any change in the provision for income taxes since existing tax legislation is based on reported gains not on true economic gains. This is readily apparent by noting that Getty's effective tax rate under the constant dollar and current cost methods is 71.9 percent and 82.7 percent, respectively, which are substantially higher than the 64 percent effective tax rate reported in the primary financial statements.

Statement of net income adjusted for general inflation and changes in specific prices for the year ended December 31, 1980, was as follows:

	As Reported in the Primary Financial Statements	Adjusted for General Inflation (Constant Dollar) (In thousands)	Adjusted for Changes in Specific Prices (Current Cost)
Sales and other revenue	$10,436,827	$10,436,827	$10,436,827
Product and material costs, including operating expenses	6,320,096	6,327,412	6,330,660
Selling, general and administrative expenses	233,559	233,559	233,559
Exploratory costs, including dry holes, lease rentals and undeveloped lease amortization	334,673	363,001	345,800
Depreciation and depletion	500,097	729,842	1,025,553
Interest expense	60,243	60,243	60,243
Excise, property and other operating taxes	564,802	564,802	564,802
Provision for income taxes	1,551,491	1,551,491	1,551,491
	9,564,961	9,830,530	10,112,108
Net income	$ 871,866	$ 606,477	$ 324,719
Effective income tax rate	64%	71.9%	82.7%
Gain from decline in purchasing power of net monetary items		$ 159,778	$ 159,778

Inventories and property, plant and equipment on December 31, 1980, adjusted for general inflation and changes in specific prices, were as follows:

	As Reported in the Primary Financial Statements	Adjusted for General Inflation (Constant Dollar) (In thousands)	Adjusted for Changes in Specific Prices (Current Cost)
Inventories	$ 198,025	$ 280,308	$ 771,786
Property, plant and equipment (net)	$ 5,204,978	$ 7,428,582	$10,497,364
Increase in current cost of inventories and property, plant and equipment held during the year			$ 1,602,413
Effect of increase in general price level on inventories and property, plant and equipment held during the year			1,160,032
Excess of increase in current cost over increase in the general price level			$ 442,381

The following is a five-year comparison of selected supplemental financial data adjusted for the effects of general inflation and changes in specific prices:

	Years ended December 31				
	1980	1979	1978	1977	1976
	(In thousands of average 1980 dollars except per share amounts and CPI)				
Sales and other revenue	$10,436,827	$5,813,240	$4,746,729	$4,819,596	$4,741,015
Historical cost information adjusted for general inflation					
Income from continuing operations	606,477	451,775	213,515	273,623	247,262
Income from continuing operations per common share	7.37	5.48	2.58	3.31	3.29
Stockholders' equity at year end (1)	6,470,195	5,906,924	5,507,264	5,200,339	4,597,455
Historical cost adjusted to current cost					
Income from continuing operations	324,719	156,558	5,806	43,298	46,689
Income from continuing operations per common share	3.94	1.90	.05	.51	.60
Stockholders equity at year end (1)	10,086,067	8,908,626	8,242,790	8,124,551	6,704,415
Excess of increase in current cost of inventories and property, plant and equipment, over the increase in the general price level	442,381	586,032	428,797	1,014,767	845,592
General information					
Gain from decline in purchasing power of net monetary items	159,778	94,706	49,117	19,173	8,224
Cash dividends per common share	1.90	1.59	1.36	1.29	.91
Market price per common share at year end	$ 91.88	$ 83.72	$ 47.68	$ 58.98	$ 71.11
Average consumer price index (1967 base year)	246.8	217.4	195.4	181.5	170.5

(1) Stockholders' equity on a historical accounting basis was $4,164,308,000, $3,429,018,000, $2,941,727,000, $2,702,254,000 and $2,143,565,000 on December 31, 1980, 1979, 1978, 1977 and 1976, respectively.

KENNECOTT CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15: Supplementary Information on Changing Prices (Unaudited)

Background Information: Kennecott's primary financial statements report financial information on the basis of historical cost in accordance with generally accepted accounting principles. Historical cost does not provide for recognition of the full impact of inflation on operating results and net assets.

The Financial Accounting Standards Board (FASB) has prescribed that certain supplementary financial information be provided on an experimental basis using two methods, "constant dollar" and "current cost". The objective of both methods is to express financial statement elements in dollars having the same general purchasing power. At a minimum, the FASB requires that property, plant and equipment, inventory, cost of sales and depreciation, depletion and amortization be presented after adjustment for changing prices.

Under the "constant dollar" method, the Consumer Price Index (CPI) is used to translate historical costs into average 1980 dollars. Under the "current cost" method, specific prices or indices (rather than the CPI) are used to translate historical costs into current dollars. In developing its current cost estimates Kennecott has referred primarily to published and internally developed specific indices and to its own recent construction cost experience.

The reader is cautioned that both the constant dollar and current cost methods are experimental. Neither method measures fully all of the complex effects of inflation. Further, the reported effect of inflation among various companies will be influenced as much by accounting policies followed in the primary financial statements as by a comprehensive plan of debt, capital and inventory management.

Kennecott believes current cost information may be more relevant than constant dollar information. However, the usefulness of current cost information prepared in accordance with the FASB's requirements is limited. It presumes that all productive facilities are replaced at once; it ignores the operating efficiencies which accompany asset replacement as well as technological advancement and changing economic or other conditions which may influence the mode of asset replacement, and it gives no effect to the method of financing.

Kennecott's mineral resource assets are not renewable and are individually unique. Discovery and development of a mineral property are dependent on diverse geologic, geographic, environmental and economic factors which are impossible to fully anticipate. Consequently, neither the constant dollar information nor the current cost information for Kennecott's mineral resource assets necessarily represents the cost of replacing those assets.

Net Income (Adjusted): Net income for 1980, as adjusted for the effect of general inflation and current cost estimates, is as follows:

(In millions of dollars)	
Net income reported in primary financial statements.....	$ 192.4
Less, adjustments to increase certain historical costs for the effect of general inflation:	
Cost of goods sold.....	50.3
Depreciation, depletion and amortization.....	69.3
	119.6
Income adjusted for the effect of general inflation	72.8
Less, further adjustments based on current cost estimates:	
Cost of goods sold.....	2.6
Depreciation, depletion and amortization.....	4.1
	6.7
Income adjusted to reflect certain current cost estimates	$ 66.1
Gain on net monetary liabilities repayable in dollars of diminished purchasing power.....	$ 67.4
Effect of increase in the general price level during 1980 on inventory and property, plant and equipment	$ 385.2
Less, increase in specific prices.....	339.3
Excess of 1980 increase in general inflation over specific prices.....	$ 45.9

Assets (Adjusted): Inventory and property, plant and equipment, net of accumulated depreciation, depletion and amortization, as reported in the primary financial statements at December 31, 1980, and as adjusted to reflect current cost estimates, are as follows:

(In millions of dollars)	
Inventory:	
Reported in primary financial statements.....	$ 464.5
Adjusted for current cost estimates.....	$ 605.2
Property, plant and equipment, net of accumulated depreciation, depletion and amortization:	
Reported in primary financial statements.....	$1,490.3
Adjusted for current cost estimates.....	$2,772.4

Five-Year Summary of Selected Supplementary Data: A five-year comparison of selected supplementary data (with certain data presented for 1980 and 1979 only), as reported in the primary financial statements and as adjusted for the effect of general inflation and current cost estimates, is as follows:

(In millions of dollars, except per share amounts)	1980	1979	1978	1977	1976
Sales:					
Reported in primary financial statements	$2,255.8	$2,433.6	$1,885.9	$ 925.2	$ 956.2
Adjusted for general inflation*	$2,255.8	$2,762.7	$2,381.9	$1,258.1	$1,384.1
Net income:					
Reported in primary financial statements	$ 192.4	$ 130.4	$ 5.0	$ 7.3	$ 8.8
Per share	$ 5.79	$ 3.93	$ .15	$ .22	$ .27
Adjusted for general inflation*	$ 72.8	$ 58.8	—	—	—
Per share*	$ 2.19	$ 1.77	—	—	—
Adjusted for current cost estimates*	$ 66.1	$ 38.6	—	—	—
Per share*	$ 1.99	$ 1.16	—	—	—
Gain from decline in general purchasing power of net monetary amounts owed*	$ 66.7	$ 80.7	—	—	—
Excess of increase in general inflation over specific prices*.	$ 45.9	$ 104.3	—	—	—
Net assets at end of year:					
Reported in primary financial statements	$1,615.8	$1,467.7	—	—	—
Adjusted for general inflation*	$3,092.8	$3,017.2	—	—	—
Adjusted for current cost estimates*	$2,912.8	$2,891.3	—	—	—
Cash dividends paid per share:					
Reported in primary financial statements	$ 1.40	$ 1.05	$ .60	$ .60	$ .60
Adjusted for general inflation*	$ 1.40	$ 1.18	$ .76	$ .82	$ .87
Market price per share at end of year:					
Actual	$ 26.87	$ 31.50	$ 19.87	$ 22.25	$ 27.75
Adjusted for general inflation*	$ 25.67	$ 33.77	$ 24.12	$ 29.52	$ 39.30
Average Consumer Price Index (1967 equals 100)	246.8	217.4	195.4	181.5	170.5

*All years are expressed in average 1980 dollars.

The financial information adjusted for changing prices highlights the fact that, as inflation persists, replacement of nonmonetary assets (such as inventories and property, plant and equipment) requires more and more dollars. Therefore, expenses expressed in inflation adjusted dollars are higher than expenses conventionally reported in historical costs.

The information also reflects the fact that, as a consequence of inflation, debts will be repayed in dollars which are less valuable than the dollars originally borrowed. This effect is reported above as the gain on net monetary amounts owed which, to some degree, offsets the higher costs of goods sold and depreciation, depletion and amortization resulting from the adjustments for changing prices.

Since the tax code does not provide relief from the cost of inflation, and since the foregoing data in accordance with FASB requirements does not contain adjustments for federal and state income taxes, the effective tax rate based on current cost adjusted income is more than double the effective tax rate computed on a conventional basis. Hopefully, price change reporting will contribute to clear recognition of the real resource drain imposed by the present tax system in an inflationary economy.

THE LTV CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note S—Summary Information on Changing Prices (Unaudited)

Introduction

One of the more serious problems facing the United States and its businesses is the current double digit rate of inflation. Inflation, at its current level, severely reduces purchasing power and distorts the reported historical financial results of business. In an attempt to address the issue of inflation and the effect that it has on specific elements included in financial statements, the Financial Accounting Standards Board (FASB) issued Statement No. 33, "Financial Reporting and Changing Prices".

There is no consensus regarding the best method to use in determining the effects of inflation, therefore, the FASB requires companies to use two methods to calculate costs for comparison. One is called constant dollar and the other current cost—and the differences between the two can be quite large.

The constant dollar method presents financial information in terms of dollars having equal purchasing power. This method, through the use of the Consumer Price Index for all Urban Consumers (CPI), restates the historical cost of inventories and property, plant and equipment in average 1980 dollars. The CPI encompasses a wide range of consumer related commodities and is, therefore, not necessarily indicative of changes in cost incurred by a capital intensive company such as LTV.

The current cost method identifies certain assets and expenses used in the operations of the Company and reflects the effect of the change in prices for these specific items. This method restates the historical cost of inventories and property, plant and equipment (including mineral reserves) to current cost using appropriate indices and appraisals.

Both methods of inflation related accounting make an unrealistic assumption concerning replacement of productive facilities. They assume that facilities have to be replaced as they are used, when in practice, businesses cannot and do not make such an assumption. A business usually has a program for facilities replacement which extends over a period of time. Replacement may be made with other facilities having a different cost or having a greater production capacity. There are factors other than depreciation that also have to be considered in determining inflation adjusted cost of products sold. Labor, material and overhead costs can increase or decrease on a per unit basis when future technology or requirements are considered.

Subjective judgment and numerous assumptions are involved in developing the required disclosures; therefore, the following results, amounts and discussions should not be considered precise indicators of either the effects of inflation or the value of the assets of the Company.

Financial Data Adjusted for Effects of Changing Prices

The statement of consolidated income for the two years ended December 31, 1980 adjusted for changing prices is as follows (in millions):

	Year Ended December 31,					
	Historical Cost		Constant Dollar		Current cost	
	1980	1979	1980	1979*	1980	1979*
Net sales and revenues	$8,010.0	$7,996.8	$8,010.0	$9,076.4	$8,010.0	$9,076.4
Cost of products sold	7,277.2	7,230.6	7,337.3	8,247.3	7,326.2	8,247.3
Depreciation and amortization	128.8	132.4	179.1	200.7	301.8	344.5
Other costs and expenses	540.2	512.7	540.2	581.8	540.2	581.8
Interest and other income	(87.1)	(50.1)	(60.9)	(56.8)	(77.6)	(51.4)
Income taxes	23.0	24.6	23.0	27.9	23.0	27.9
	7,882.1	7,850.2	8,018.7	9,000.9	8,113.6	9,150.1
Income (loss) from continuing operations	$ 127.9	$ 146.6	$ (8.7)	$ 75.5	$ (103.6)	$ (73.7)
Gain from decline in purchasing power of net amounts owed			$ 224.4	$ 293.8	$ 224.4	$ 293.8

*In average 1980 dollars.

The increase in general inflation over the increase in specific prices on a current cost basis of inventories and net property, plant and equipment amounted to $211.4 million in 1980 and $176.9 million in 1979 as follows (in millions):

	Year Ended December 31,	
	1980	1979
Increase in general inflation	$568.8	$649.7
Increase in specific prices	357.4	472.8
Increase in general inflation over increase in specific prices	$211.4	$176.9

*In average 1980 dollars.

The following is a five-year comparison of selected financial information adjusted for the effects of changing prices (in millions, except per share data):

	1980*	1979*	1978*	1977*	1976*
Net sales and revenues:					
In historical dollars	$8,010.0	$7,996.8	$5,260.5	$4,703.3	$4,448.3
Adjusted for effects of general inflation	8,010.0	9,076.4	6,644.1	6,396.5	6,441.1
Income (loss) from continuing operations:					
In historical dollars	127.9	146.6			
Adjusted for effects of general inflation	(8.7)	75.5			
Adjusted for specific price changes	(103.6)	(73.7)			
Income (loss) from continuing operations per primary share:					
In historical dollars	3.95	5.02			
Adjusted for effects of general inflation	(0.62)	2.29		This information is not required	
Adjusted for specific price changes	(3.79)	(3.30)			
Net assets at year-end:					
In historical dollars	818.9	697.0			
Adjusted for effects of general inflation	1,902.1	1,759.0			
Adjusted for specific price changes	3,092.4	3,260.6			
Excess of increase in general inflation over increases in specific prices on inventory and property	211.4	176.9			
Gain from decline in purchasing power of net amounts owed	224.4	293.8			
Market price per common share at year-end:					
In historical dollars	20¼	8	6⅝	6⅜	13⅜
Adjusted for effects of general inflation	19⅜	8⅝	8	8½	19
Average consumer price index	246.8	217.4	195.4	181.5	170.5

*All values, except for historical cost data, are stated in average 1980 dollars.

Under the current cost method, inventories and property, plant and equipment valued in year-end dollars were $1,455.7 million and $3,751.3 million, respectively, for 1980 and $1,367.0 million and $3,661.8 million, respectively, for 1979.

The Company's Steel Group owns various iron ore and coal mines in the United States and has interests in various companies which own and operate iron ore, coal and limestone properties. A description of the quantities of reserves and 1980 production is summarized as follows (in thousands of tons):

	Proven Reserves December 31, 1980	Steel Group's Share of 1980 Production	Average Market Price At Mine Per Ton
Consolidated Properties:			
Iron Ore (Gross Tons) (1)	3,477	668	$37.08
Metallurgical Coal (Net Tons)	89,113	2,780	$47.70
Equity Interest Properties:			
Iron Ore (Gross Tons) (1)	605,800	7,593	$37.08
Metallurgical Coal (Net Tons)	39,030	1,815	$47.70
Limestone (Gross Tons)	135,950	1,220	$ 2.90

(1) Iron content equals approximately 64%.

Proven coal reserves sold during 1980 amounted to approximately 274,115,000 gross tons. The average market prices are not indicative of the value of the above reserves since significant costs will be incurred in extracting such reserves. Therefore, an aggregate value for the above reserves cannot be determined by multiplying the market price by the tons of mineral reserves.

Explanation of Information Presented

The constant dollar amounts for both inventory and for property, plant and equipment were determined by applying the CPI to the historical cost of the assets at the dates that the assets were acquired by the Company. A considerable portion of the assets of the Company's capital intensive steel group were acquired through acquisitions in 1968 and 1978. The capital intensive ocean shipping group's assets were also acquired in 1978. The acquired assets were reduced to their fair value for accounting purposes as a result of applying the rules applicable to the purchase of a business. It is the acquisition dates and the fair values that were assigned to the acquired assets at the acquisition dates that are used to establish the historical cost values in determining constant dollar amounts.

The current cost amounts for property, plant and equipment were determined primarily by applying appropriate industrial construction indices to historical costs. To determine the current cost of the property of an acquired business, the indices were applied to the original historical cost of the property at the dates originally purchased by the acquired company.

The last-in, first-out (LIFO) method of valuing inventory is used for approximately 72% of the inventory, therefore, for both the constant dollar and current cost approaches the adjustment to cost of products sold is limited primarily to a reinstatement of the value of the liquidation of those LIFO quantities carried as though acquired at lower costs which prevailed in earlier years. Additionally, under the constant dollar method, for those inventories valued under the first-in, first-out (FIFO) or the average cost methods, cost of products sold was increased to reflect costs in terms of average 1980 dollars. For the current cost method, however, no adjustment was necessary for inventories valued by FIFO or average cost, because the inventory turned rapidly or was purchased for specific fixed-price contracts.

The inflation disclosures do not contain adjustments to or allocations of historical income taxes since taxes are based on historical costs (1979 taxes are expressed in average 1980 dollars).

Management's Discussion

Income from continuing operations under both the constant dollar and current cost methods for 1980 and 1979 is lower than reported in the Company's historical financial statements primarily because of adjustments to cost of products sold, depreciation expense and to gains and losses on property dispositions.

The majority of the Company's inventories are valued under the LIFO method resulting in historical cost of products sold which already reflect the impact of inflation on its current recorded cost. The adjustments are therefore limited primarily to removing the dollar effect of the liquidation, $49 million in 1980 and $36 million in 1979, of LIFO inventory quantities.

The significant impact of inflation on the Company results primarily because the Company operates in capital intensive industries, e.g., steel and ocean shipping, which result in significantly higher depreciation charges than other industries. Depreciation expense increased by $50.3 million in 1980 and $68.3 million in 1979 under constant dollars and by $173.0 million in 1980 and $212.1 million in 1979 under current costs. The increase in depreciation represents 37% of the constant dollar adjustment and 75% of the current cost adjustment in 1980 reflecting an increase in the cost of property, plant and equipment of $753 million (43%) under the constant dollar and over $2 billion (115%) under the current cost methods. The inflation disclosures show that historical cost depreciation understates the real capital recovery needs of the Company and that historically higher earnings would be required to generate funds from operations to replace property, plant and equipment which have substantially higher current costs. This is reflected by the Company's capital expenditure pattern in recent years, whereby internally generated funds from operations have been supplemented by long and short-term borrowings. Additionally, burdens imposed by government actions have required substantial capital expenditures for facilities, many of which have not added to efficiency or productive capacity. The increase in current cost depreciation over constant dollar depreciation reflects the fact that a substantial portion of the Company's property was acquired through mergers since 1968, 16% of which was acquired at the end of 1978, and was valued for constant dollar purposes at the cost to the Company at the acquisition date. As a result the constant dollar value of property only reflects the effects of inflation on this property since the dates of the merger. Additionally, specific prices have increased more rapidly over the period of time since the assets were acquired than has general inflation.

Under the constant dollar method, gains from property dispositions were decreased by $26.2 million in 1980 as a result of increasing the net book value of the property sold. The 1979 gain was increased by $6.7 million as a result of restating 1979 amounts to average 1980 dollars. Under the current cost method, gains or losses are excluded with the result being to reduce income by $9.5 million in 1980 and by $4.7 million in 1979 before adjusting to average 1980 dollars.

The gain from decline in purchasing power of net amounts owed of $224.4 million in 1980 and $293.8 million in 1979 results from an excess of net monetary liabilities (obligations to pay a fixed sum of money) over monetary assets (cash or claims to an amount of money which is fixed). In the Company's consolidated balance sheet, a substantial portion of the liabilities are monetary and accordingly, the Company reflects a significant gain from decline in purchasing power of net amounts owed. This unrealized gain reflects the decreased purchasing power required to satisfy obligations since inflated dollars will be used for payment. This gain is not included in the determination of inflation adjusted income from continuing operations.

The increase in general inflation over the increase in current costs of inventory and property, plant and equipment indicates that specific prices during 1980 and 1979 are increasing at a slower rate than the general inflation rate. This is a reversal of the trend that existed prior to 1976 when specific price increases traditionally exceeded the rate of general inflation. Of the $211.4 million and $176.9 million increase in 1980 and 1979, respectively, 84% and 69%, respectively, was from increases in property, plant and equipment whereas inventory accounts for the balance.

Net sales and revenues for the last five years are shown on both an historical and constant dollar basis. Sales on a historical cost basis remained substantially unchanged in 1980 compared with 1979, but on an inflation adjusted basis sales declined by 12%.

MARATHON OIL COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note O—Supplemental Information on the Effects of Changing Prices (unaudited)

Basis of preparation of supplemental data

As required by Financial Accounting Standards Board (FASB) Statement No. 33 and supplemental Statement No. 39, "Financial Reporting and Changing Prices", the Company must provide information concerning the effects of changing prices to supplement the primary historical cost basis financial statements. Statements No. 33 and No. 39 require disclosures which are intended to address two different aspects of the inflationary environment: (1) the constant dollar method which measures the effect of changes in the general price level on the purchasing power of the dollar and (2) the current cost method which measures changes in specific prices applicable to the individual resources used by the Company.

The constant dollar method adjusts the historical dollars to dollars of the same general purchasing power so that revenues for each year are matched with expenses expressed in dollars of the same general purchasing power. This adjustment to common units of measurement—constant dollars—is accomplished by using an index which measures general inflation. Statement No. 33 prescribes the use of the U.S. Consumer Price Index for All Urban Consumers (CPI-U).

The current cost method reflects the effect of changes in the specific prices of the resources used in the Company's operations. This method measures the resources and their consumption based on the current cost of replacing them with like resources rather than in terms of the historical cost amounts actually expended to acquire them. These values do not consider technological improvements and efficiencies associated with the normal replacement of productive capacity. Adjustments for changes in specific prices of property, plant and equipment were based on price indices related to the resources being measured.

Management analysis and interpretation of changing prices information

Although inflation, a realistic concern, is not fully reflected in historical cost financial statements, the user of historical cost financial statements adjusted to constant dollars or current cost should be cognizant of inherent limitations of such numbers for several reasons:

Both of these methods inherently involve the use of assumptions, approximations and estimates, therefore, the resulting measurements should be viewed in that context and not as precise indicators of the effects of inflation. They do not necessarily represent amounts for which the assets could be sold or costs which would be incurred in future periods, or the manner in which actual replacement of assets will occur. Users are cautioned that the supplemental statements are experimental and may be misleading.

The CPI-U, used in computing constant dollars, is a statistical measure of change over time in the prices and services in major expenditure groups—such as food, housing, apparel, transportation, health and recreation—typically purchased by all urban consumers. Since this measure is a rough approximation of the changing prices of a specific group of goods and service, its relevance to other changing prices, such as a measurement of industrial inflation, must be viewed cautiously.

In arriving at current cost amounts, the Company used industry related indices, engineering estimates, and the Gross National Product—Implicit Price Deflator. These methods are subjective.

Adjusted net income

1980 net income adjusted for constant dollars is $203 million less than the corresponding amount reported in the primary income statement. This decrease is a result of calculating depletion, depreciation and lease impairment expense on property, plant and equipment restated in average 1980 dollars. 1980 net income adjusted for changes in current costs is $289 million less than the amount reported in the primary income statement. This decrease is a result of calculating depletion, depreciation and lease impairment expense on property, plant and equipment on the estimated current cost of property, plant and equipment presently in use by the Company. The higher amounts for depletion, depreciation and lease impairment expense calculated for the current cost disclosure indicates the Company's property, plant and equipment costs are rising at a rate faster than the rate of general inflation. This is an expected result and reflects the increasing costs of searching for and developing new mineral reserves in increasingly remote and difficult environments.

The current costs of products sold was determined using the Last-in First-out (LIFO) inventory method which is the same method used by the Company in its primary financial statements.

Statement No. 33 requires that all income taxes not be modified for the effects of inflation. Present tax laws do not allow deductions for higher depreciation adjustments to reflect the effect of inflation. Thus, the effective income tax rate in this disclosure is significantly greater than the rate in the primary statements. During periods of persistent inflation and rapidly increasing prices, such a tax policy effectively results in a higher tax on shareholders' investment in the Company.

Gain from decline in purchasing power of net amounts owed

Inflation also affects monetary assets, such as cash and receivables, which lose purchasing power during inflationary periods since these assets will purchase fewer goods or services in time. Conversely, holders of liabilities benefit during such periods because less purchasing power will be required to satisfy their obligations. In this latter instance, the resultant hypothetical gain, computed by application of the CPI-U, is an unrealized gain not available for distribution to the shareholders.

Increase in current cost over general price level

Inventories and property, plant and equipment for 1980, calculated by the current cost method, exceeded amounts calculated by the constant dollar method for the same assets by $317,791,000. This indicates that during the current year the specific price of inventories and property, plant and equipment increased at a rate faster than the general rate of inflation computed using the CPI-U. Such amounts, commonly known as "holding gains or losses" are not included in income from continuing operations but are presented separately in this disclosure.

Five-year comparison of selected financial data

All amounts in the five-year comparison (except "as reported" amounts) are stated in average 1980 constant dollars. The ommission of certain data reflects a partial application of inflation accounting methods as permitted by Statement No. 33.

Statement of Consolidated Income Adjusted for Changing Prices

	Year Ended December 31, 1980		
	As reported in the primary statements	Adjusted for general inflation (constant dollars)	Adjusted for changes in specific prices (current costs)
	thousands	thousands of average 1980 dollars	
Total revenues	$8,754,198	$8,754,198	$8,754,198
Cost of products sold and operating expenses	5,349,704	5,349,704	5,349,704
Depletion, depreciation and lease impairment	315,441	518,723	604,411
Other expense	1,238,228	1,238,228	1,238,228
Interest expense	123,263	123,263	123,263
Provision for income taxes	1,348,546	1,348,546	1,348,546
	8,375,182	8,578,464	8,664,152
Net Income	$ 379,016	$ 175,734	$ 90,046
Effective income tax rate	78%	88%	94%
Gain from decline in purchasing power of net amounts owed—unrealized		$ 240,384	$ 240,384
Increase in specific prices (current cost) of inventories and property, plant and equipment held during the year*			$1,175,785
Effect of increase in general price level			857,994
Excess of increase in specific prices over increase in the general price level			$ 317,791

*At December 31, 1980, current cost of inventory was $1,791,206,000 (historical amount—$583,621,000) and current cost of property, plant and equipment, net of allowances for depletion, depreciation and lease impairment was $6,263,217,000 (historical amount—$3,388,662,000).

Statement of Consolidated Income Adjusted for Changing Prices

	Year Ended December 31, 1979		
	As reported in the primary statements	Adjusted for general inflation (constant dollars)	Adjusted for changes in specific prices (current costs)
	thousands	thousands of average 1980 dollars	
Total revenues	$7,199,522	$8,171,457	$8,171,457
Cost of products sold and operating expenses	4,774,669	5,419,249	5,419,249
Depletion, depreciation and lease impairment	258,810	453,493	538,716
Other expense	858,471	974,365	974,365
Interest expense	110,023	124,876	124,876
Provision for income taxes	902,287	1,024,096	1,024,096
	6,904,260	7,996,079	8,081,302
Income before extraordinary credit	295,262	175,378	90,155
Extraordinary credit	27,960	31,735	31,735
Net income	$ 323,222	$ 207,113	$ 121,890
Effective income tax rate	74%	83%	89%
Gain from decline in purchasing power of net amounts owed—unrealized		$ 258,054	$ 258,054
Increase in specific prices (current cost) of inventories and property, plant and equipment held during the year*			$1,529,631
Effect of increase in general price levels			834,405
Excess of increase in specific prices over increase in the general price level			$ 695,226

*At December 31, 1979, current cost of inventory was $1,664,033,000 (historical amount—$484,736,000) and current cost of property, plant and equipment, net of allowances for depletion, depreciation, and lease impairment was $6,000,677,000 (historical amount—$3,007,763,000).

Five-Year Comparison of Selected Supplemental Financial Data Adjusted for Effects of Changing Prices in Average 1980 Dollars (Except "As Reported" Amounts)

	1980	1979	1978	1977	1976
	Years Ended December 31 — thousands, except per share amounts				
Total revenues:					
As reported	$8,754,198	$7,199,522	$4,954,710	$4,656,940	$3,856,216
Adjusted for general inflation	8,754,198	8,171,457	6,257,799	6,333,438	5,583,801
Income before extraordinary credit:					
As reported	379,016	295,262			
Adjusted for general inflation	175,734	175,378			
Adjusted for specific price changes	90,046	90,155			
Income per share before extraordinary credit:					
As reported	6.27	4.88			
Adjusted for general inflation	2.91	2.90			
Adjusted for specific price changes	1.49	1.49			
Excess of increase in specific prices of inventories and properties over increase in general price level	317,791	695,226			
Purchasing power gain from holding net monetary liabilities during the year	240,384	258,054			
Net assets at year-end:					
As reported	1,923,396	1,688,787			
Adjusted for general inflation	4,236,169	3,871,233			
Adjusted for specific price changes	6,005,536	5,617,496			
Cash dividends declared per common share:					
As reported	1.95	1.40	1.10	1.10	.98
Adjusted for general inflation	1.95	1.59	1.39	1.49	1.41
Market price per common share at year-end:					
Historical amount	70.75	50.00	27.38	24.44	28.19
Adjusted for general inflation	67.57	53.68	33.30	32.41	39.91
Average consumer price index	246.8	217.4	195.4	181.5	170.5

MCDONALD'S CORPORATION (DEC)

INFORMATION ON THE EFFECTS OF CHANGING PRICES—INFLATION (UNAUDITED)

Basis of Presentation

During 1979, the Financial Accounting Standards Board (FASB) adopted experimental disclosure rules requiring the inclusion of supplemental information in annual reports of large publicly owned companies. The FASB Statement intends that these disclosures will provide information useful in assessing the more significant effects of inflation on a business enterprise.

The following condensed financial statements compare the traditional historical cost-based financial statements for 1980 and 1979 with financial statements comprehensively adjusted under two methods: constant dollar, which gives effect to general inflation; and current cost, which gives effect to changes in prices of specific goods and services utilized by the Company.

The FASB Statement requires, under constant dollar adjustment, that the effect of changes in the purchasing power of the dollar (general inflation) be measured by the Consumer Price Index for all Urban Consumers (CPI-U), which is issued by the U.S. Department of Labor. The constant dollar financial statements presented herein are adjusted using the CPI-U index as of December 31, 1980 (constant dollars at December 31, 1980).

The current cost adjusted financial information is also expressed in year-end 1980 constant dollars and gives effect to the changing prices of the specific assets used by the Company in its business, which prices may change at rates different from general inflation. The adjusted data reflects the current cost of actual assets owned (reproduction cost), not the cost of assets that would be incurred to replace existing assets (replacement cost).

These current costs were determined by applying specific price indices for the major components of property, equipment and intangible assets to the applicable historical costs. The land indices were generally developed internally, using actual prices paid by the Company in each year for comparable sites in various geographic areas. For buildings, applicable external indices for each country have generally been used, the integrity of which has been tested internally by accumulating costs related to comparable buildings. The equipment and intangible assets indices were also developed internally based upon actual cost experience. For countries outside the U.S., current costs were determined on a local currency basis and translated at current exchange rates. Although the indices used for these computations appear to be compatible with the changing costs experienced by the Company, the final results could differ significantly from costs that will be incurred in the future.

Depreciation and amortization expense, as adjusted, reflects the same methods and estimated lives used in the historical financial statements. Depreciation and amortization of property, equipment and intangibles included in the adjusted financial data is as follows:

	1980	1979
	(In thousands of dollars)	
Historical cost	$116,409	$ 94,955
Constant dollar	168,955	149,854
Current cost	156,676	142,760

In reporting the adjusted amounts for 1979 financial information, all financial statement items are adjusted to year-end 1980 dollars. For 1980, all monetary balance sheet items are stated at the same amounts as in the historical financial statements. Inventories on both a constant dollar and a current cost basis approximate historical amounts. Other nonmonetary assets and stockholders' equity are stated in year-end 1980 dollars or current cost expressed in year-end 1980 dollars. All revenues and expenses, except depreciation and amortization and other amounts related to nonmonetary items, are adjusted from average to year-end 1980 dollars. The provision for income taxes is also adjusted from average to year-end 1980 dollars. Income taxes have not been adjusted for increased depreciation and amortization expense on either a constant dollar or a current cost basis, as the current tax regulations do not permit a deduction for this increase.

Commentary

The Company believes it has generally dealt effectively with inflationary pressures and rising prices. While the accompanying constant dollar and current cost data is intended to provide information about the more significant effects of inflation on the Company, we believe that there may be limitations as to its meaningfulness in this regard because of the Company's asset composition, its financing activities, and the nature of its operations relative to other companies and the differing effects of inflation on businesses. The following comments are provided to assist in the analysis of the data.

Sales by Company-owned restaurants and Revenues from franchised restaurants principally relate to over-the-counter sales of food products to the public. Menu prices have generally been adjusted to compensate for cost increases. The increases in the Company's systemwide sales for the last five years, as stated in year-end 1980 dollars, better reflect the growth of the Company's operations than do the increases in total revenues for the same period because of the lower percentage growth in the number of Company-owned restaurants as compared to franchised restaurants.

In determining constant dollar and current cost income, the FASB Statement requires that depreciation expense be adjusted for changing prices. For the current year, depreciation and amortization expense is increased by $52,546,000 on a constant dollar basis and $40,267,000 on a current cost basis from the historical cost amount. The effect of inflation on property and equipment is inseparable from its effect on the debt used to finance such assets. The purchasing power gain on the debt is an economic benefit to the Company since, with inflation, the debt is paid back in cheaper dollars. Accordingly, we believe that this gain should be viewed as an adjustment to interest and therefore have included it in arriving at constant dollar net income.

Substantially all existing restaurants conform to the Company's current designs and specifications, and restaurant equipment improvements are made on a continuing basis. Because the related property and equipment expenditures have largely been made in recent years and include substantial amounts for land, the increase in depreciation and amortization for both constant dollar and current cost purposes is not as large as might be expected. At year end 1980 the Company's investment in property and equipment increases from historical cost amounts by $944 million for constant dollar purposes and by $695 million on a current cost basis with corresponding increases in Stockholders' equity.

One objective of the FASB Statement is to permit assessment of a company's ability to replace productive assets which will likely cost more in future years. In making this assessment as it relates to McDonald's, consideration must be given to franchise arrangements covering the majority of restaurants whereby the franchisees repair and maintain restaurant buildings which are included in Property and equipment in the accompanying Condensed consolidated balance sheet. Franchisees also spend substantial amounts improving and remodeling the restaurant building. In addition, consideration must be given to the fact that land, which represents 23% of historical cost productive assets, is not likely to require significant replacement. Furthermore, during 1980 the Company introduced a new free-standing restaurant building design, the Series 80 building, which is smaller and more standardized and results in lower construction costs than previous free-standing designs. The amounts shown for productive assets in the Company's constant dollar and current cost balance sheet have not been adjusted to reflect this lower cost and therefore should not be considered indicative of the level of future expenditures which the Company will be required to make to maintain the earning power of its productive assets.

The increase in current cost of property and equipment held during the year amounted to $201,435,000 in 1980 and $211,479,000 in 1979. General inflation outpaced these increases by $116,801,000 in 1980 and $103,254,000 in 1979. The specific price increases for the Company's productive assets have been less than general inflation during the past two years, due primarily to the unusually large increase in the CPI-U, which is not reflective of the actual increases in property costs incurred by the Company during those years.

In summary, the Company feels that its rapid inventory turnover, its menu price adjustments, its substantial property holdings, which are partially financed by debt repayable in cheaper dollars in inflationary times, and its effectiveness in controlling property and equipment costs, have helped to cushion against inflation. Furthermore, as a result of the property holdings, Stockholders' equity per share at December 31, 1980 on a current cost basis is $47.72 and on a constant dollar basis is $53.69, compared to $28.42 on a historical cost basis. However, it should be emphasized that the constant dollar and current cost amounts, which have not been adjusted for any future income tax effects, are based upon procedures prescribed by the FASB Statement and are not based upon appraisal or other traditional methods of valuation.

Condensed Consolidated Balance Sheet

(In thousands of dollars)

	December 31, 1980	Year-end 1980 dollars		December 31, 1979	Year-end 1980 dollars	
	Historical cost as reported	Constant dollars	Current cost	Historical cost as reported	Constant dollars	Current cost
Assets:						
Current assets	$ 233,940	$ 234,754	$ 234,479	$ 246,730	$ 278,069	$ 278,033
Other assets and deferred charges	111,589	143,751	160,247	92,490	125,769	130,919
Property and equipment, at cost	2,706,696	4,005,164	3,698,032	2,331,870	3,647,873	3,478,292
Less accumulated depreciation and amortization	479,548	833,892	776,170	386,933	713,449	698,214
Net property and equipment	2,227,148	3,171,272	2,921,862	1,944,937	2,934,424	2,780,078
Intangible assets, net	70,692	107,574	101,468	69,849	109,365	108,170
Total assets	$2,643,369	$3,657,351	$3,418,056	$2,354,006	$3,447,627	$3,297,200
Liabilities and stockholders' equity:						
Current liabilities	$ 332,622	$ 332,622	$ 332,622	$ 274,307	$ 308,312	$ 308,312
Long-term debt	969,790	969,790	969,790	966,123	1,085,890	1,085,890
Security deposits by franchisees	59,651	59,651	59,651	54,633	61,406	61,406
Deferred income taxes	140,423	140,423	140,423	106,777	120,014	120,014
Stockholders' equity	1,140,883	2,154,865	1,915,570	952,166	1,872,005	1,721,578
Total liabilities and stockholders' equity	$2,643,369	$3,657,351	$3,418,056	$2,354,006	$3,447,627	$3,297,200

Condensed Consolidated Statement of Income

(In thousands of dollars, except per share data)

	Year ended December 31, 1980	Year-end 1980 dollars		Year ended December 31, 1979	Year-end 1980 dollars	
	Historical cost as reported	Constant dollars	Current cost	Historical cost as reported	Constant dollars	Current cost
Revenues:						
Sales by Company-owned restaurants	$1,697,767	$1,777,565	$1,777,565	$1,495,216	$1,777,203	$1,777,203
Revenues from franchised restaurants	486,577	509,446	509,446	416,637	495,212	495,212
Other revenues—net	31,119	26,815	27,673	26,082	25,172	26,918
Total revenues	2,215,463	2,313,826	2,314,684	1,937,935	2,297,587	2,299,333
Costs and expenses:						
Company-owned restaurants	1,417,020	1,511,399	1,502,332	1,247,333	1,504,918	1,499,916
Expenses directly applicable to revenues from franchised restaurants	74,301	97,814	94,248	59,001	84,579	82,895
General, administrative and selling expenses	230,702	243,094	242,797	214,501	258,889	257,892
Interest expense	90,847	95,118	95,118	72,592	86,282	86,282
Total costs and expenses	1,812,870	1,947,425	1,934,495	1,593,427	1,934,668	1,926,985
Income before provision for income taxes	402,593	366,401	380,189	344,508	362,919	372,348
Provision for income taxes	181,700	190,240	190,240	155,900	185,302	185,302
Income before holding gain	220,893	176,161	$ 189,949	188,608	177,617	$ 187,046
Purchasing power gain on net amounts owed—holding gain		145,761	$ 145,761		150,334	$ 150,334
Net income	$ 220,893	$ 321,922		$ 188,608	$ 327,951	
Per share:						
Income before holding gain	$5.49	$4.38	$4.72	$4.68	$4.41	$4.64
Purchasing power gain on net amounts owed—holding gain		3.62	$3.62		3.73	$3.73
Net income	$5.49	$8.00		$4.68	$8.14	

Condensed Consolidated Statement of Changes in Stockholders' equity

(In thousands of dollars)

	Historical cost as reported	Constant dollars	Current cost
Balance at December 31, 1979, historical cost	$ 952,166	$ 952,166	$ 952,166
Cumulative adjustment to year-end 1979 dollars to reflect changing prices		713,369	579,532
Balance at December 31, 1979 in year-end 1979 dollars		1,665,535	1,531,698
Adjustment of December 31, 1979 balance to reflect general inflation in 1980		206,470	189,880
Balance at December 31, 1979 in year-end 1980 dollars		1,872,005	1,721,578
1980 activity:			
Income before holding gain	220,893	176,161	189,949
Purchasing power gain on net amounts owed—holding gain		145,761	145,761
Property and equipment—			
Increase in current cost			201,435
Less effect of increase in general prices			318,236
Excess of increase in general prices over increase in current cost of property and equipment ($103,254 in 1979)			(116,801)
Cash dividends	(29,731)	(31,128)	(31,128)
Other	(2,445)	(7,934)	6,221
Balance at December 31, 1980	$1,140,883	$2,154,865	$1,915,570

Selected Additional Financial Data in Year-End 1980 Dollars

(In thousands of dollars, except per share data)

	1980	1979	1978	1977	1976
Year ended December 31:					
Systemwide sales	$6,519,000	$6,401,000	6,050,000	$5,322,000	$4,642,000
Total revenues	$2,313,826	$2,297,587	$2,210,935	$2,001,921	$1,782,939
Cash dividends declared per share	$ .77	$ .61	$ .43	$ .21	$ .15
At December 31:					
Market price per share	$ 48.75	$ 48.76	$ 61.14	$ 71.51	$ 79.13
Stockholders' equity per share					
Constant dollars	$ 53.69	$ 46.57			
Current cost	$ 47.72	$ 42.83			
Consumer price index	258.4	229.9	202.9	186.1	174.3

SCOTT PAPER COMPANY (DEC)

EXPERIMENTAL INFLATION ADJUSTED DATA

The rate of inflation which the economy has experienced in recent years has raised questions about the usefulness of traditional financial statements in assessing a company's current performance and its ability to sustain that performance or grow in future periods. In order to evaluate this influence, the Financial Accounting Standards Board commencing in 1979 required companies to report experimentally on the impact of inflation upon asset values and income. This experimental data is developed on both a constant dollar and a current cost basis.

Constant dollar data attempts to measure the effect of general inflation on the earnings statement and balance sheet by adjusting the historical cost of fixed assets, inventories and net monetary assets or liabilities by the change in the Consumer Price Index (CPI). Current cost data reflects the effect of changes in the prices of specific resources utilized by the Company and measures the impact of these price changes on the earnings statement and balance sheet.

The new Standard permits but does not require the restatement of earnings from equity affiliates. A significant share of the Company's net income is derived from this source, and the Company will continue to evaluate the effect of inflation on the financial statements of its foreign affiliates during the experimental period. No adjustment has been made for the 1980 gain on the sale of assets of Elk River Timber Company Limited in either the constant dollar or current cost information.

Adjustments to Consolidated Earnings and Changes in Shareholders' Equity

Constant Dollar Method: Product costs as reported include the application of the last-in first-out (LIFO) inventory valuation method which adjusts for the approximate effect of inflation. In developing constant dollar data for 1980, an additional inflation adjustment of $11,000,000 was made primarily for non-LIFO inventory items and supplier affiliate costs.

Income was further reduced by $70,100,000 for additional depreciation and cost of timber harvested resulting from the adjustment of historical costs by the change in the CPI during the periods in which the assets were held. The total change in net income resulting from constant dollar price changes during 1980 was a reduction of $87,000,000 as compared with a reduction of $61,100,000 in 1979.

In addition to adjustments to the fixed assets and inventories as reflected in the earnings statement, the net monetary liability position of the Company must also be adjusted in order to determine the total effect of inflation on shareholders' equity. Net monetary liabilities at the end of 1980 were $637,800,000 and consisted of current liabilities, long-term debt and deferred taxes reduced by cash, time deposits, receivables and other monetary items. In 1980 the adjustment resulting from applying the CPI to the net monetary liability position amounted to $74,600,000. This gain is primarily related to long-term debt and, expressed in terms of reduced purchasing power, represents an effective reduction in the amount needed to repay the debt.

The $876,800,000 positive adjustment to shareholders' equity at December 27, 1980 includes this gain on net monetary liabilities as well as the current and prior years' cumulative effect of inflation on fixed assets and inventories.

Current Cost Method: The Company's net income for 1980 adjusted for current costs decreased only $700,000 from that reported under the constant dollar method. The current cost of harvesting timber was $6,000,000 higher than computed under the constant dollar method, and depreciation was $5,600,000 greater. Offsetting these higher charges was a favorable adjustment to product costs of $10,900,000 principally representing elimination of the current year's expenses for managing timber resources since in the current cost method these expenses have been included in developing the cost of timber harvested. Plant and equipment and related depreciation have been adjusted to current cost by the application of specific indices published by an independent appraisal firm.

The total change from reported net income resulting from current cost price changes was a reduction of $87,700,000 as compared to a reduction of $60,900,000 in 1979.

Shareholders' equity on a current cost basis at the end of 1980 was $227,700,000 higher than the comparable constant dollar amount reflecting the generally higher rate of increase in specific prices of resources used by the Company in past years than that of the CPI. However, during 1980 the effect of inflationary factors on the Company's principal fixed assets and inventories was less than that of the general level of inflation by $25,500,000.

Management's Discussion of the Impact of Inflation on the Company

The Company's utilization of the LIFO inventory method ensures that current inflated material and supply costs are recognized in determining reported income and, more importantly, recognized in the Company's pricing decisions.

U.S. tax laws also allow the LIFO method in determining taxable income. Unfortunately, U.S. tax laws fail to provide an equivalent of LIFO for the impact of the higher present costs of replacing the fixed assets which are wearing out and must eventually be replaced. The difference between the historical depreciation which is now charged to expense and that depreciation which would provide for replacement of assets at today's values is currently reported as profit and is taxed accordingly. Accelerated tax depreciation is of some benefit, but this benefit does not provide additional capital; it only changes the time of recognition of historical cost depreciation.

The net result is that less cash remains than is required to provide a reasonable return to stockholders, replace assets currently being utilized and provide for growth. In 1980 income remaining for distribution as dividends and for reinvestment in the business has been reduced from $133,500,000 to $46,500,000 when measured on a constant dollar basis and to $45,800,000 when measured by current costs.

Consolidated Earnings and Changes in Shareholders' Equity Adjusted for General Inflation and Changes in Specific Prices

			1980			1978
	As Reported	In Average 1980 dollars Adj. For		As Reported	In Average 1979 Dollars Adj. For	
(In millions, except on a per share basis)	in the Primary Statements	General Inflation	Specific Price Changes	in the Primary Statements	General Inflation*	Specific Price Changes
Sales	$2,083.2	$2,083.2	$2,083.2	$1,908.1	$1,908.1	$1,908.1
Product costs	1,296.1	1,307.1	1,296.2	1,170.7	1,178.0	1,167.5
Depreciation and cost of timber harvested	109.4	179.5	191.1	104.3	157.1	167.4
Other operating expenses	568.7	568.7	568.7	482.3	482.3	482.3
Interest	24.0	24.0	24.0	26.7	26.7	26.7
	1,998.2	2,079.3	2,080.0	1,784.0	1,844.1	1,843.9
Income from operations	85.0	3.9	3.2	124.1	64.0	64.2
Other income and (expense)	52.6	46.7	46.7	14.5	13.5	13.5
Income before taxes	137.6	50.6	49.9	138.6	77.5	77.7
Taxes on income	48.3	48.3	48.3	45.6	45.6	45.6
Income before share of earnings of international affiliates	89.3	2.3	1.6	93.0	31.9	32.1
Share of earnings of international affiliates	44.2	44.2	44.2	44.1	44.1	44.1
Net income	$ 133.5	$ 46.5	$ 45.8	$ 137.1	$ 76.0	$ 76.2
Earnings per common share	$3.43	$1.19	$1.17	$3.52	$1.95	$1.95
Shareholders equity—beginning	$1,026.4	$1,915.6	$2,169.5	$ 924.3	$1,593.8	$1,860.9
Net income as above	133.5	46.5	45.8	137.1	76.0	76.2
Dividends paid	(39.2)	(39.3)	(39.2)	(35.2)	(35.2)	(35.2)
Changes in common stock	.4	.4	.4	.2	.2	.2
Gain from decline in real value of net amounts owed	—	74.6	74.6	—	72.4	72.4
Increase in current cost of assets	—	—	273.4	—	—	246.4
General price level changes on assets	—	—	(298.9)	—	—	(277.5)
Shareholders' equity—ending	$1,121.1	$1,997.9	$2,225.6	$1,026.4	$1,707.2	$1,943.4
Book value per common share	$28.64	$51.17	$57.02	$26.21	$43.72	$49.79

The current cost of inventory was $322,700,000 and $287,400,000 at December 27, 1980 and December 29, 1979, respectively. The current cost of property, plant, and equipment was $1,874,500,000 and $1,647,000,000 at December 27, 1980 and December 29, 1979, respectively. In accordance with Financial Accounting Standards Board Statement No. 33, taxes on income have not been adjusted.

*Restated for refinements in methodology to be consistent with 1980.

Selected Supplementary Data Adjusted for Inflation

(Constant dollar and current cost expressed in average 1980 dollars)	1980	1979	1978	1977	1976
Average consumer price index	246.8	217.4	195.4	181.5	170.5
(In millions, except on a per share basis)					
Sales					
As reported	$2,083.2	$1,908.1	$1,724.9	$1,520.2	$1,373.8
In constant dollars	2,083.2	2,166.1	2,178.6	2,067.1	1,988.6
Net income					
As reported	$133.5	$137.1	$93.6	$99.2	$73.2
In constant dollars	46.5	86.3	65.3	—	—
At current cost	45.8	86.5	—	—	—
Earnings per common share					
As reported	$3.43	$3.52	$2.41	$2.56	$2.01
In constant dollars	1.19	2.21	1.68	—	—
At current cost	1.17	2.21	—	—	—
Dividends per common share					
As reported	$1.00	$ .90	$ .80	$ .76	$ .72
In constant dollars	1.00	1.02	1.01	1.03	1.04
Net assets at year end					
As reported	$1,121.1	$1,026.4	$ 924.3	$ 859.1	$ 789.2
In constant dollars	1,997.9	1,938.1	1,825.8	—	—
At current cost	2,225.6	2,187.4	2,122.5	—	—
Current cost decrease relative to general price level	$25.5	$35.3	—	—	—
Unrealized gain from decline in purchasing power of net amounts owed	$74.6	$82.2	$60.9	—	—
Market price per common share at year end					
As reported	$21.38	$18.75	$13.75	$14.00	$20.75
In constant dollars	20.42	20.13	16.72	18.57	29.38

TEXTRON INC. (DEC)

EFFECTS OF INFLATION AND CHANGING PRICES

General

During recent years, the U.S. has experienced significant increases in the rate of inflation. Many of the effects of such increases are not taken into account fully nor are they readily apparent in traditional financial statements which are prepared in accordance with generally accepted accounting principles and based on historical data. Thus, while most readers of financial statements are well aware of the spiraling cost of raw materials and continuing increases in wage rates, the total effect of inflation on business often is overlooked or not fully appreciated. In order to provide more information about the effects of inflation, the Financial Accounting Standards Board (FASB) now requires large companies to publish supplemental information to the financial statements prepared on the traditional (historical) basis. The FASB has established certain guidelines for adjusting financial information reported in historical dollars. These guidelines prescribe two supplementary income calculations—one dealing with the effects of general inflation ("constant dollar" approach) and the other dealing with the effects of changes in specific prices of certain resources used ("current cost" approach).

Constant Dollar

The constant dollar approach attempts to compensate for the decrease in the general purchasing power of the dollar by adjusting certain historical financial information in average current year dollars as measured by the Consumer Price Index for All Urban Consumers (CPI-U). The amounts reported in the historical statement of income that are required to be adjusted for inflation are depreciation expense and cost of sales as it pertains to first-in, first-out (FIFO) inventories (exclusive of inventories pertaining to long-term contracts). For the current year, sales and all other elements of income before income taxes are considered to reflect average price levels during the year, and accordingly are not adjusted.

Current Cost

The current cost approach adjusts the historical costs of specific assets (inventories and property, plant and equipment) to estimates of their costs if purchased or replaced during the current year. Current cost data for property, plant and equipment were developed on the basis of indexes published by governmental or other external organizations appropriate to the various industries in which Textron is engaged. Depreciation expense was calculated on the indexed cost of such property, plant and equipment using the same methods and estimated useful lives as used in the historical financial statements. Inventories were measured on the basis of recent production or replacement costs. Cost of sales related to FIFO inventories (exclusive of inventories pertaining to long-term contracts) were adjusted by applying indexes to reflect price changes during the period of time the inventories were held.

Cost of Sales

Because Textron uses the last-in, first-out (LIFO) method for a substantial part of its inventory the most recent costs for these inventories have been charged to income and, therefore, no adjustment of Cost of Sales for LIFO inventories is required in the restatements under either the Constant Dollar or Current Cost approaches.

Income Taxes

Present tax laws do not allow deductions for the higher depreciation and cost of sales resulting from the constant dollar or current cost adjustments. Even though expenses reported in the restated financial statement are substantially higher than those reflected on the historical basis, there is no reduction allowed in the income tax provision for higher depreciation. In other words, income taxes are levied on Textron in real terms at rates which exceed established statutory rates, the net effect of which is the imposition of a tax on shareholders' investment in Textron during periods of rapidly increasing inflation.

Supplementary Five-Year Data

The five-year comparison of supplementary financial data expresses selected information under both the constant dollar and current cost method in terms of the average current year dollars as measured by the CPI-U.

Gain in Purchasing Power of Net Monetary Liabilities

Another item appearing in the following restatement is Gain in purchasing Power of Net Monetary Liabilities. This item is based on the concept that during inflationary periods monetary assets, such as cash and receivables, decrease in value while monetary liabilities, such as debts owed to others, can be settled with dollars of diminished purchasing power. The result is a net gain in purchasing power if monetary liabilities exceed monetary assets. The amount of this gain has been calculated based on Textron's average net monetary liabilities multiplied by the change in the CPI-U for the year. It should be recognized that while this gain represents an economic benefit to Textron in the form of increased purchasing power, it does not represent income which can be reported for book purposes nor does it constitute funds available for distribution to shareholders.

Statement of Income Adjusted for the Effects of Changing Prices

(In millions)

	For the Year Ended January 3, 1981			For the Year Ended December 29, 1979
	As Reported in the Financial Statements (Historical Cost)	Adjusted for General Inflation (Constant Dollar)	Adjusted for Changes in Specific Prices (Current Cost)	Adjusted for Changes in Specific Prices (Current Cost)
Sales	$3,376.7	$3,376.7	$3,376.7	$3,095.4
Cost and expenses:				
Cost of sales	2,507.9	2,553.3	2,553.3	2,326.7
Selling and administrative expenses	475.9	475.9	475.9	427.2
Depreciation	64.9	86.1	95.3	87.0
	3,048.7	3,115.3	3,124.5	2,840.9
Operating income	328.0	261.4	252.2	254.5
Interest expense—net	32.1	32.1	32.1	20.2
Income from continuing operations before income taxes	295.9	229.3	220.1	234.3
Income taxes	126.5	126.5	126.5	130.7
Income from continuing operations	$ 169.4	$ 102.8	$ 93.6	$ 103.6
Effective income tax rate	42.8%	55.2%	57.5%	55.8%

Supplemental Five-Year Comparison of Selected Financial Data Adjusted for the Effects of Changing Prices

(In millions except per share amounts)

	1980	1979	1978	1977	1976
Historical cost information adjusted for general inflation (constant dollar basis)					
Sales	$3,376.7	$3,513.3	$3,703.7	$3,424.4	$3,420.7
Income from continuing operations	$ 102.8	$ 131.6			
Income per common share—continuing operations	$ 2.74	$ 3.50			
Net assets at year end	$1,466.1	$1,563.2			
Historical cost information adjusted for specific price changes (current cost basis)					
Income from continuing operations	$ 93.6	$ 117.6			
Income per common share—continuing operations	$ 2.50	$ 3.12			
Net assets at year end	$1,547.5	$1,702.1			
Other information					
Gain in purchasing power of net monetary liabilities	$ 35.2	$ 23.9			
Increase in inventories and property, plant and equipment held during the year:					
Using the general inflation index (constant dollar)	$ 197.6	$ 210.0			
Using specific prices (current cost)*	154.9	185.5			
Increase in general inflation in excess of increase in specific prices	$ 42.7	$ 24.5			
Dividends per common share (in average 1980 constant dollars)	$ 1.80	$ 2.07	$ 2.03	$ 1.91	$ 1.70
Market price per common share at year end (in average 1980 constant dollars)	$ 28.89	$ 28.05	$ 31.17	$ 35.14	$ 38.94
Average consumer price index for all urban consumers (CPI-U)	246.8	217.4	195.4	181.5	170.5

*At January 3, 1981 and at December 29, 1979, current cost of inventory was $1,053.6 million and $986.0 million, respectively; and current cost of property, plant and equipment net of accumulated depreciation was $634.1 million and $672.6 million, respectively.

TIME INCORPORATED (DEC)

Supplemental Information on the Effects of Changing Prices (Unaudited)

Statement of Net Income Adjusted for Changing Prices

Year ended December 31, 1980 (in thousands)		
Net income as reported in the statement of income		$141,203
Adjustments to restate costs for the effect of general inflation:		
Production and manufacturing costs	$(26,514)	
Depreciation, amortization, and depletion	(23,906)	(50,419)
Net income adjusted for general inflation		90,784
Adjustments to reflect the difference between general inflation and changes in specific prices (current costs):		
Production and manufacturing costs	$ 14,743	
Depreciation, amortization and depletion	(7,407)	7,336
Net income adjusted for changes in specific prices		$ 98,120
Increase in specific prices (current cost) of inventories, property and equipment held during the year		$103,664
Effect of increase in general price level		224,836
Excess of increase in general price level over increase in specific prices (current cost)		$121,172

Notes to Supplemental Information on the Effects of Changing Prices (Unaudited)

Basis of Supplemental Data. This supplementary financial information discloses certain effects of inflation on inventories and property and equipment.

The effects of inflation have been measured in two ways. The first was determined by using the Consumer Price Index (CPI) for all Urban Consumers prepared by the Bureau of Labor Statistics of the U.S. Department of Labor. The second approach (Current Cost) measures inflation by specific price changes of certain assets.

Net Income. The Company's primary financial statements are prepared on the historical basis of accounting.

Adjustments to restate costs for the effects of general inflation represent the historical amounts of depreciation, amortization, and depletion, and that portion of production and manufacturing costs determined under the FIFO method of inventory, adjusted to reflect the change in the level of CPI that has occurred since the date the related properties and inventories were acquired. Production and manufacturing costs, as determined under the LIFO method of inventory, already approximate average constant dollars and remain unchanged from those amounts in the primary financial statements.

Adjustments to restate costs for the effects of changes in specific prices represent the historical amounts of production and manufacturing costs, and depreciation, amortization, and depletion adjusted to reflect current cost at the date of sale and the average current cost depreciation of property and equipment restated to reflect current cost, respectively. Current cost was computed using appropriate external cost indices, appraisals and direct pricing methods. The current cost of timber and timberland and related depletion was based on estimated reforestation costs and forest management expenditures required to bring a newly harvested area to the existing maturity of present timberland holdings. Pending further recommendations of the Financial Accounting Standards Board, theatrical and television production inventories and related costs have been adjusted using the constant dollar method only, and the resulting amounts have been included in both the constant dollar and current cost computations. The depreciation, amortization, depletion, and inventory accounting methods used to develop this supplementary financial information are the same as the methods used by the Company in its primary financial statements.

Income Taxes. No adjustments to, or allocations of, the amount of income tax expense in the primary financial statements were made in the computation of the supplemental information. Present tax laws do not allow for higher cost adjustments for the effects of inflation.

Purchasing Power Gain from Holding Net Monetary Liabilities During the Year. When prices are increasing, the holding of monetary assets (e.g., cash and receivables) results in a loss of general purchasing power. Similarly, liabilities are associated with a gain of general purchasing power. The amount has been calculated based on the Company's average net monetary liabilities for the year multiplied by the change in the CPI for the year. Such amounts do not represent funds available for distribution to shareholders.

Increases in Specific Prices to Inventories, Plant and Equipment Held During the Year. Under current cost accounting, increases in specific prices of inventories, plant and equipment held during the year are not included in net income but are presented separately. The current cost increase is adjusted by the effect of general inflation measured by applying the annual rate of change in the CPI to the average current cost balances of inventories and plant and equipment.

Effects of Inflation. The economy has experienced relatively high rates of inflation for a number of years, and current indications are that this trend will continue. In order to offset the resulting rise in the costs of operations the Company has attempted to adjust selling prices to maintain profit margins over the years and currently expects to continue this approach to cope with future cost changes.

Five-Year Comparison of Selected Supplemental Financial Data Adjusted for Effects of Changing Prices (stated in average 1980 dollars) (unaudited)

	1980	1979	1978	1977	1976
	(in thousands except for per share amounts)				
HISTORICAL COST INFORMATION ADJUSTED FOR GENERAL INFLATION					
Revenues	$2,881,783	$2,842,695	$2,144,135	$1,699,475	$1,502,863
Net Income	90,784	115,819			
Net Income Per Common Share—fully diluted	$3.23	$4.14			
Net Assets at Year-End*	1,500,000	1,600,000			
CURRENT COST INFORMATION					
Net Income	98,120	119,783			
Net Income Per Common Share—fully diluted	3.49	4.28			
Excess of Increase in General Price Level of Inventories, and Property and Equipment Over Increase in Specific Prices	121,172	159,810			
Net Assets at Year-End*	1,800,000	1,700,000			
OTHER INFORMATION					
Purchasing Power Gain From Holding Net Monetary Liabilities During the Year	65,937	62,438			
Cash Dividends Declared Per Common Share	$1.765	$1.84	$1.83	$1.71	$1.56
Market Price Per Common Share at Year-End	$59.82	$50.59	$52.01	$52.38	$52.39
Average Consumer Price Index	246.8	217.4	195.4	181.5	170.5

*Net assets represent the historical cost amounts reported in the primary financial statements adjusted for the effects of general inflation and changes in specific prices, respectively, on inventories and property and equipment.

At December 31, 1980 and 1979 the current cost of inventories was $282,533,000 and $300,583,000, and property and equipment, net of accumulated depreciation was $1,706,845,000 and $1,582,015,000, respectively. Adjustments to reflect the difference between general inflation and changes in specific prices were $9,262,000 for production and manufacturing costs and ($5,298,000) for depreciation, amortization and depletion in 1979. The increase in specific prices of inventories, and property and equipment held during the year 1979 was $64,394,000.

Mineral Reserve Information

ALUMINUM COMPANY OF AMERICA (DEC)

INFLATION AND CHANGING PRICES

Supplementary Financial Information (unaudited)

* * *

Bauxite Reserve Data

Shown below is additional supplemental information as required by Statement No. 39 (an amendment to No. 33) regarding Alcoa's estimated commercially recoverable bauxite reserves and production for the year 1980.

(tons in thousands)	
Reserves at the beginning of year	532,500 tons
Aluminum content	22%
Bauxite mined*	9,453 tons
Primary aluminum produced	1,596 tons
U.S. Average market price of aluminum (cents/lb.)	$0.761

*For production and sale of bauxite, alumina, chemicals and aluminum

Alcoa's share of its equity companies commercially recoverable bauxite reserves at the beginning of 1980 were estimated to be approximately 462,000 tons.

GETTY OIL COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 23: Selected Information Related to Minerals Activities

The following is a summary of selected quantity and price information for minerals activities for the year ended December 31, 1980:

Proved and probable reserves at beginning of year	
Uranium ore—thousand tons	4,846
—percent uranium oxide	.203
Coal—thousand tons	180,413
Purchases of mineral reserves in place	
Coal—thousand tons	48,937
Uranium ore milled—thousand tons	474
Production	
Uranium oxide—thousand pounds	1,404
Coal—thousand tons	359
Average market price (industry average)	
Uranium oxide—dollars per pound	$31.79
Coal—dollars per ton	20.00

KENNECOTT CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15 (in part): Supplementary Information on Changing Prices (Unaudited)

Mineral Resource Statistical Data—1980: In addition to the foregoing information, the FASB also requires companies with mineral resource assets to provide supplementary information in 1980 relating to mineral reserves, production and average market prices.

Mineral Reserves	Copper Properties	Ozark Lead Company	QIT-Fer et Titane Inc.
Estimated ore reserves			
—tons	2.8 billion	27.0 million	85.3 million
Recoverable primary metal			
—millions of tons	16.1 copper	1.3 lead	32.0 titanium slag
		.1 zinc	22.8 iron
Recoverable by-product metals			
—millions of troy ounces	9.1 gold		
	98.0 silver	4.3 silver	
—thousands of tons	270.0 molybdenum		
Production			
1980 ore milled-tons	48.2 million	1.6 million	2.6 million
1980 mineral production			
—thousands of tons	335.9 copper	72.6 lead	860.9 titanium slag
	4.0 molybdenum	5.9 zinc	612.5 iron
			34.4 iron powder
—thousands of troy ounces	211.3 gold		
	2,840.3 silver	216.6 silver	

Average Market Prices (extracted from various industry publications)

copper	96.7 cents per lb.	gold	$650.00 per troy oz.
lead	42.4 cents per lb.	silver	$ 19.50 per troy oz.
zinc	37.4 cents per lb.	molybdenum	$ 9.36 per lb.

KOPPERS COMPANY, INC. (DEC)

Mineral Assets Price and Quantity Information

The table below provides information relating to Koppers mineral reserves. Estimates for proven and probable mineral reserves were obtained at the times of acquisition of the reserves, which range from 1967 to the present.

(Volumes are in thousands of tons; $ are per-ton values.)	Years Ended December 31, 1980	1979	1978	1977	1976
Proven and probable reserves at beginning of year					
Coal	71,048	72,619	2,619	250	—
Stone	1,480,014	1,286,701	1,255,504	1,162,857	1,172,926
Sand and Gravel	388,211	400,433	392,708	242,300	245,843
Additions resulting from purchases of in-place mineral reserves					
Coal	76,000	—	70,000	2,375	250
Stone	387,081	223,875	54,120	112,744	6,524
Sand and Gravel	70,295	9,580	24,740	162,814	2,196
Reductions resulting from production					
Coal	2,039	1,571	—	6	—
Stone	32,645	30,562	22,923	20,097	16,593
Sand and Gravel	19,524	21,802	17,015	12,406	5,739
Proven and probable reserves at end of year					
Coal	145,009	71,048	72,619	2,619	250
Stone	1,834,450	1,480,014	1,286,701	1,255,504	1,162,857
Sand and Gravel	438,982	388,211	400,433	392,708	242,300
Average market price					
Coal*	$30.49	$25.99	—	$22.70	—
Stone	$ 3.68	$ 3.23	$2.78	$ 2.50	$2.34
Sand and Gravel	$ 3.22	$ 2.68	$2.39	$ 2.33	$2.36
Average royalty rate					
Coal*	$ 2.52	$ 1.94	—	$ 2.27	—

*NOTE: Koppers primarily acts as a lessor to coal mining companies and receives a royalty fee on each ton sold.

LONE STAR INDUSTRIES, INC. (DEC)

SUPPLEMENTAL INFORMATION ON EFFECTS OF CHANGING PRICES

(Unaudited)

* * *

In October, 1980 the Financial Accounting Standards Board issued Statement No. 39, "Financial Reporting and Changing Prices: Specialized Assets," a supplement to Statement No. 33. Statement No. 39 requires the company to provide the following supplemental information related to mineral reserves (in thousands except per-ton data):

Tons of proven mineral reserves at December 31, 1980:	
Limestone (1)	627,000
Sand and Gravel	736,000
Stone	1,000,000
Tons of proven mineral reserves used in production during 1980:	
Limestone	7,450
Sand and Gravel	16,799
Stone	16,075
Average 1980 sales price per ton:	
Sand and Gravel	$4.02
Crushed Stone	$4.88

(1) Represents Lone Star's proven reserves of high grade limestone. The company has additional unproven limestone reserves that can be used for production. During 1980, 51 million tons of limestone were purchased and approximately 40 million tons of limestone were sold through the new production payment. The proven reserves of limestone exclude the company's percentage share of reserves of joint ventures which amounted to 260 million.

OCCIDENTAL PETROLEUM CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17: Mineral Reserves and Price Information (unaudited)

The following table presents supplementary information related to Occidental's mining operations as of December 31, 1980:

Reserves (thousands of tons):	
Coal—	
Steam	2,643,070
Metallurgical	1,186,346(3)
Phosphate	95,000
Silver and gold ore (1)	9,838(2)
Recoverable mineral products:	
Coal	100%
Phosphate	69.8%
Silver (ounces per ton - soluble)—	
Candelaria mine	1.83
Gold (ounces per ton)—	
Candelaria mine (soluble)	.0067
Alligator Ridge mine	.122
Ore crushed and heaped (thousands of tons):	
Silver and gold ore	716(2)
Minerals produced:	
Coal (thousands of tons)—	
Steam	13,622
Metallurgical	6,409(3)
Phosphate (thousands of tons)	5,009
Silver (ounces)—	
Candelaria mine	161,617(2)
Alligator Ridge mine	87(2)
Gold (ounces)—	
Candelaria mine	636(2)
Alligator Ridge mine	1,526(2)
Purchase of minerals in place (thousands of tons)—	
Coal	9
Average sales price:	
Coal (per ton)—	
Steam	$34.57
Metallurgical	43.14
Phosphate (per ton)	27.36
Silver (per ounce)—	
Candelaria mine	18.33
Alligator Ridge mine	16.60
Gold (per ounce)—	
Candelaria mine	610.36
Alligator Ridge mine	614.24

(1) As of the beginning of the year.

(2) Represents Occidental's share.

(3) Includes amounts related to an unconsolidated joint-venture operation.

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

	1980	1979	1978	1977
Balance Sheet	544	544	538	534
Statement of Financial Position	45	43	48	53
Statement of Financial Condition	11	13	14	13
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

	1980	1979	1978	1977
Account form	358	363	376	386
Report form	235	228	216	202
Financial position form	7	9	8	12
Total Companies	**600**	**600**	**600**	**600**

TABLE 2-3: CASH—BALANCE SHEET CAPTIONS

	1980	1979	1978	1977
Cash	384	403		
Cash and			460	459
Equivalents	38	35		
Cash includes certificates of deposit or time deposits	71	66	55	76
Cash combined with marketable securities	107	96	85	65
Total Companies	**600**	**600**	**600**	**600**

CASH

Table 2-3 shows that 64% of the survey companies present cash as a single item and use the the caption *cash*. Of the 107 companies showing a balance sheet caption combining cash and marketable securities, 49 disclosed separate amounts either parenthetically on the balance sheet or in a note to the financial statements. Sixty-six companies, in addition to showing a caption for cash, presented a separate caption for certificates of deposit and/or time deposits. Examples of captions for cash and cash items follow.

AMP INCORPORATED AND PAMCOR, INC. (DEC)

	1980	1979
	($000)	
Current Assets		
Cash	$12,515	$14,299
Time deposits	16,771	26,747
Marketable securities, at cost, which approximates market	62,742	54,119

ARVIN INDUSTRIES, INC. (DEC)

	1980	1979
	($000)	
Current Assets:		
Cash and temporary investments	$32,242	$32,424
Accounts receivable and unbilled charges—less provisions for losses and contract disallowances of $2,465 and $2,640, respectively	66,726	68,273

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3—Cash and Temporary Investments:

Cash and temporary investments at fiscal year end were as follows:

	1980	1979
Cash	$5,999,000	$12,860,000
Temporary investments, at cost (approximates market)	26,243,000	19,564,000
	$32,242,000	$32,424,000

Cash of a foreign subsidiary amounting to $681,000 at year end 1980 and 1979 was pledged as security for short-term notes payable to banks of approximately the same amounts.

BANGOR PUNTA CORPORATION (SEP)

	1980	1979
	($000)	
Current Assets		
Cash and cash equivalents	$19,438	$30,962
Receivables, less allowances ($2,492 in 1980 and $2,116 in 1979)	64,739	64,526

DUPLEX PRODUCTS INC. (OCT)

	1980	1979
CURRENT ASSETS		
Cash and cash equivalents	$4,283,000	$2,619,000
Marketable securities—at cost (which approximates market)	52,000	788,000

EVANS PRODUCTS COMPANY (DEC)

	1980	1979
	($000)	
CURRENT ASSETS		
Cash	$18,793	$22,542

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Compensating Cash Balances

During 1980 informal arrangements were maintained with a number of banks which generally required the Company and its unconsolidated finance subsidiary to maintain compensating cash balances of 7½% of the loan commitments plus 7½% of the average daily outstanding debt balances. The average daily collected bank ledger balance required to be maintained under the informal arrangements, including service arrangements, were $33,720,000 during 1980. The average daily collected bank ledger balances maintained in satisfaction of the informal arrangements during 1980 amounted to $28,434,000 which were fulfilled by an average book balance of $19,470,000. The daily collected bank ledger balance, or compensating balance, was calculated using the average of 1¾ days outstanding deposits and checks. These cash balances may be withdrawn at the Company's volition.

EXXON CORPORATION (DEC)

	1979	1980
Current assets		
Cash, including time deposits of $1,755,758,000 and $1,967,569,000	$2,515,964,000	$2,761,557,000

GENERAL SIGNAL CORPORATION (DEC)

	1980	1979
	($000)	
Current assets:		
Cash and time deposits	$ 35,996	$ 31,753
Short-term investments, at cost, which approximates market	49,200	45,260
Accounts receivable, less allowance—1980, $6,744; 1979, $6,025	290,086	254,004

THE HOOVER COMPANY (DEC)

	1980	1979
	(in thousands)	
CURRENT ASSETS		
Cash, including time deposits of $25,344 in 1980 and $34,266 in 1979	$ 31,509	$ 48,058
Marketable securities	512	3,660
Notes and accounts receivable, less allowances of $2,923 in 1980 and $2,351 in 1979	136,954	143,639

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Marketable Securities: Marketable securities are stated at cost plus accrued interest, which approximates market value.

JOHNSON & JOHNSON (DEC)

	1980	1979
	(Dollars in Millions)	
Current assets		
Cash and cash items	$ 92.8	127.3
Marketable securities, at cost, which approximates market value	266.3	184.0
Accounts receivable, trade, less allowances $22.2 (1979-$19.8)	643.8	541.7

MARRIOTT CORPORATION (DEC)

	1980	1979
	(in thousands)	
Current Assets		
Cash and cash equivalents.......	$11,900	$12,445
Marketable securities, at cost which approximates market ..	15,536	8,825

RAYBESTOS-MANHATTAN, INC. (DEC)

	1980	1979
	($000)	
Current Assets		
Cash (Note E)	$ 1,833	$ 917
Temporary investments—at cost, which approximates market.........................	5,400	10,645
Trade accounts receivable, less allowance of $1,268,268 for 1980 and $453 for 1979.....	39,252	38,414

Note E—Notes Payable

Notes payable consist of the following:

	December 28, 1980	December 30, 1979
Banks	$ 679	$1,566
Others	5,912	3,552
	$6,591	$5,118

Notes payable to banks represent borrowings against domestic short-term bank lines, borrowings of foreign subsidiaries and current maturities of long-term notes payable to banks.

Notes payable to others generally represent current maturities of other long-term debt.

The Company has available unused domestic and foreign lines of credit, principally bearing interest at the prime rate, of approximately $16,500 and $12,000 at December 28, 1980 and December 30, 1979, respectively. These lines generally do not have termination dates, but are reviewed periodically for renewal.

Included in cash were compensating balances with several banks of approximately $900 and $450 pursuant to informal arrangements in consideration for unused domestic lines of credit of approximately $13,500 and $9,000 at December 28, 1980 and December 30, 1979, respectively.

R.J.REYNOLDS INDUSTRIES, INC. (DEC)

	1980	1979
	(Dollars in Millions)	
Current assets:		
Cash and short-term investments (Note 3)	$ 188.3	$164.8
Accounts and notes receivable (less allowances of $40.2 and $27.4, respectively)..........	1,019.6	815.1

Note 3: Cash and Short-term Investments

Short-term investments at December 31, 1980 and 1979, valued at cost (approximate market), amounted to $45.0 million and $68.4 million, respectively. Short-term investments at December 31, 1980, principally consist of certificates of deposit.

The Company's cash balances include demand deposits maintained in the form of compensating balances with domestic banks covering both outstanding borrowings and future credit availability to meet short-term financial needs. The Company's cash needs for its daily operations generally exceed compensating balance amounts. The compensating balances represent, on the average, approximately 10 percent of unused lines of credit and approximately 20 percent of outstanding borrowings drawn down under these arrangements. (See Note 6.)

During 1980, cash was placed in a restricted interest bearing trust account with a foreign bank as substitute collateral for the Company's Ship Mortgage Bonds, all of which are due within one year. These funds, which are restricted as to withdrawal by the Company, amounted to $8.9 million at December 31, 1980. (See Note 8.)

ST. REGIS PAPER COMPANY (DEC)

	1980	1979
	(Thousands)	
Current assets:		
Cash	$ 34,821	$ 39,800
Time deposits	272,161	174,658
Short-term investments, at cost approximating market.........	99,270	115,540
Accounts receivable—customers (less allowances of $10,669 in 1980 and $9,166 in 1979)	260,788	249,803
Other accounts and notes receivable	44,250	34,150
Inventories, at lower of cost or market..........................	275,586	271,669
Total	$986,876	$885,620

SCHERING-PLOUGH CORPORATION (DEC)

	1980	1979	1978
	(Dollars in millions)		
Current Assets			
Cash	$ 17.8	$ 23.8	$ 7.2
Time deposits	317.3	171.6	192.0
Marketable securities, at cost which approximates market	87.9	94.0	49.5
Accounts receivable, less allowances—1980, $28.6; 1979, $20.8; 1978, $12.3...........	290.3	258.0	209.9

VULCAN MATERIALS COMPANY (DEC)

	1980	1979
	($000)	
Current assets		
Cash, including certificates of deposit: 1980, $4,504; 1979, $4,159 (Note 2)	$10,463	$12,211
Marketable securities at cost (approximates market)	31,273	18,750

Note 2: Cash

Thirteen banks extended lines of credit totaling $15,500,000 to the company during 1980 for the purpose of short-term financing. The company informally agreed to maintain with those banks average collected balances of about $2,042,000, including balances required to compensate the banks for a wide range of other services. The company actually maintained average collected balances of about $2,249,000, which significantly exceeded average end-of-month company book balances. All required balances were on an average annual basis and were unrestricted as to use. Six of the thirteen banks extended $11,500,000 in additional lines of credit for a portion of 1980 for which the company paid commitment fees, but was not required to maintain compensating balances. The latter credit lines were not in effect at the end of the year.

WHEELABRATOR-FRYE INC. (DEC)

	1980	1979
	($000)	
Current Assets		
Cash and cash equivalents	$227,491	$ 70,998
Receivables, less allowance for doubtful accounts	295,201	170,924

NOTES TO FINANCIAL STATEMENTS

Note 11 (in part): Supplemental Financial Information

Cash and cash equivalents included the following as of December 31:

(thousands)	1980	1979
Cash	$ 24,860	$24,760
Cash equivalents	202,631	46,238
	$227,491	$70,998

Cash equivalents are carried at cost, which approximates market. They principally consisted of interest-bearing bank deposits and bank certificates of deposit.

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. *SFAS 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 420 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

ARCHER DANIELS MIDLAND COMPANY (JUN)

	1980	1979
	(In thousands)	
Current Assets		
Cash	$ 11,768	$ 23,762
Marketable securities—Note 2	113,977	48,807
Receivables, less allowance for doubtful accounts (1980—$6,594,000; 1979—$5,765,000)	155,905	178,439

Note 2—Marketable Securities

Marketable securities are carried at the lower of cost or market and consist of the following:

	1980	1979
	(In thousands)	
Certificates of deposit:		
With National City Bank of Minneapolis	$ 25,861	$ 5,050
Other banks	4,346	11,708
United States Government obligations	78,293	30,195
Other	5,477	1,854
TOTAL	$113,977	$48,807

DIAMOND INTERNATIONAL CORPORATION (DEC)

		1980		1979
	(In thousands of dollars)			
Current Assets				
Cash		$ 3,854		$ 15,723
Money market investments (at lower of cost or market)		25,009		15,848
Receivables:				
Accounts receivable:				
Trade accounts	$149,101		$153,262	
Other	6,076		5,368	
Notes receivable	4,820		2,036	
Unbilled amounts for finished products manufactured under contracts	10,609		14,618	
	170,606		175,284	
Less allowances for doubtful accounts, returns, etc.	5,327	165,279	5,427	169,857

THE PITTSTON COMPANY (DEC)

	1980	1979
	(In thousands)	
Current Assets:		
Cash	$ 30,649	30,179
Short-term investments (Note 2)	44,944	27,558
Accounts receivable:		
Trade	283,739	210,731
Other	10,751	11,917
	294,490	222,648
Less estimated amount uncollectible	3,894	3,251
	290,596	219,397

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Short-Term Investments: Short-term investments are carried at the lower of cost or market value.

Note 2: Short-Term Investments

Consist of the following:

December 31	1980	1979
	(In thousands)	
Marketable equity securities, at market (cost $966,000 in 1980 and 1979)	$ 783	903
Other investments:		
Certificates of deposit and time deposits	14,005	13,137
U.S. Treasury bills	206	—
U.S. Government obligations acquired under repurchase agreements	27,450	10,700
Private Export Funding Corporation obligations	2,500	2,500
New York City bonds	—	318
Total Short-Term Investments	$44,944	27,558

SCOA INDUSTRIES INC. (JAN)

	1981	1980
Current assets:		
Cash	$ 5,594,000	$ 8,316,000
Marketable securities, at lower of cost or market	94,096,000	82,737,000
Receivables, less allowance of $480,000 and $445,000	11,653,000	10,823,000

NOTES TO FINANCIAL STATEMENTS

Marketable securities

Marketable securities consist of the following:

	January 31, 1981	January 26, 1980
Marketable equity securities at market	$ 2,933,000	$ 4,118,000
Temporary cash investments at cost which approximates market	91,163,000	78,619,000
	$94,096,000	$82,737,000

The Company's portfolio of temporary cash investments included principally time deposits and commercial paper at January 31, 1981, and principally time deposits and bankers acceptances at January 26, 1980. The Company's marketable equity security portfolio consists of preferred stocks, which had a cost of $3,558,000 and $4,998,000 as of January 31, 1981 and January 26, 1980, respectively. The market value of the Company's marketable equity security portfolio was determined by the specific identification method of accounting and, at January 31, 1981, there were no unrealized gains pertaining to these securities.

It is the Company's policy to accrue dividend and interest income when earned. No material realized gains or losses on the sale of marketable equity securities were included in the determination of net income. Net income was charged $450,000 in fiscal 1980 and $603,000 in fiscal 1979, after related income taxes, as a result of lower of cost or market adjustments on these securities.

TABLE 2-4: MARKETABLE SECURITIES—VALUATION

	Number of Companies			
	1980	1979	1978	1977
Cost				
Approximates market	251	250	263	261
No reference to market ..	22	15	11	7
Market value disclosed...	14	8	5	4
Lower of cost or market	31	35	38	30
Market value.................	3	2	—	3

At Cost—Approximates Market

ANCHOR HOCKING CORPORATION (DEC)

	1980	1979
Current assets:		
Cash	$ 9,913,000	$12,630,000
Marketable securities, at cost plus accrued interest (approximate market)............	4,108,000	3,716,000
Accounts and notes receivable, less allowance for doubtful items of $2,468,000 (1979—$2,245,000)	105,482,000	99,609,000

AVON PRODUCTS, INC.

	1980	1979
	(in millions of dollars)	
Current assets		
Cash	$ 25.7	$ 34.7
Short-term investments	282.7	272.2
Accounts receivable (less allowance for doubtful accounts of $13.3 and $11.4)............	240.3	213.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies (in part)

Short-term investments—Short-term investments are stated at cost plus accrued interest, which approximates market value.

Short-Term Investments

Short-term investments consisted primarily of certificates of deposit and time deposits.

BAXTER TRAVENOL LABORATORIES, INC. (DEC)

	1980	1979
	($000)	
Current assets		
Cash	$ 11,784	$ 12,900
Certificates of deposit	8,397	3,712
Marketable securities, at cost, which approximates market ..	1,830	878
Accounts receivable, principally trade, less allowance for doubtful accounts of $4,492 in 1980 and $4,271 in 1979 ...	278,446	241,829

BECTON, DICKINSON AND COMPANY (SEP)

	1980	1979
	Thousands of dollars	
Current Assets		
Cash	$ 5,469	$ 2,499
Short-term investments	50,539	46,335
Trade receivables, less allowances of $8,842 in 1980 and $7,595 in 1979	186,162	169,901

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (in part)

Short-Term Investments—Short-term investments are stated at cost plus accrued interest, which approximates market.

BROWN GROUP, INC. (OCT)

	1980	1979
Current Assets		
Cash	$ 2,567,112	$ 3,226,757
Short-term investments, at cost which approximates market ..	31,851,100	4,000,000
Receivables, less allowances of $6,440,000 in 1980 and $6,031,000 in 1979..........	146,805,245	135,491,200

FLEETWOOD ENTERPRISES, INC. (APR)

	1980	1979
	($000)	
Current assets:		
Cash (Note 2)........................	$3,613	$6,064
Temporary investments (Note 2)...	1,500	1,000

Note 2: Cash and Temporary Investments

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

FLUOR CORPORATION (OCT)

	1980	1979
	($000)	
Current Assets:		
Cash	$ 24,310	$ 9,593
Short-term money market instruments—at cost which approximates market	192,316	154,688

LYNCH CORPORATION (DEC)

	1980	1979
CURRENTS ASSETS		
Cash	$ 417,597	$ 183,354
Short-term investments	5,451,723	3,095,000
Trade accounts receivable, less allowances of $86,000 in 1980 and $100,000 in 1979	3,145,638	3,368,321

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (in part): Accounting and Reporting Policies

Short-Term Investments: Short-term investments consist principally of certificates of deposit and commercial paper and are stated at cost, which approximates market.

THE STANDARD OIL COMPANY (AN OHIO CORPORATION)

	1980	1979
	($000)	
Current Assets		
Cash, including time deposits of $301,361 and $41,569	$ 321,827	$ 192,447
Marketable securities	1,675,933	1,090,825

NOTES TO FINANCIAL STATEMENTS

Note B: Marketable Securities and Investments

Short-term marketable securities are carried at cost, which approximates market, and consist primarily of repurchase agreements collateralized by securities of the U.S. Federal government and its agencies. Investments include $37.8 million of investments in non-consolidated affiliates carried primarily under the equity method and long-term marketable securities carried at cost. Long-term marketable securities at December 31, 1980 were $1,784 million at cost and $1,621 million at market and consist primarily of securities of the U.S. government and its agencies, debt securities of corporations, and securities of states and other political subdivisions of the United States and their agencies.

TIME INCORPORATED (DEC)

	1980	1979
	(in thousands)	
Current Assets		
Cash	$ 21,439	$ 47,577
U.S. Government and other short-term securities—at cost (approximately market)	12,887	26,994
Receivables, less allowances of $57,948,000 in 1980 and $47,858,000 in 1979	397,561	347,753
Inventories—at lower of cost or market:		
Work in process and finished goods	168,097	159,758
Paper and other materials	94,750	90,398
Prepaid expenses	170,144	121,574
Total Current Assets	$864,878	$794,054

WARNER-LAMBERT COMPANY (DEC)

	1980	1979
	(Thousands of Dollars)	
Current Assets:		
Cash	$ 12,912	$ 29,678
Time deposits	312,335	302,902
Government guaranteed and corporate debt securities, at cost which approximates market	35,029	74,825
Receivables, less allowances of $17,599 in 1980 and $20,151 in 1979	541,472	546,997

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 most frequently showed as current assets. Examples of receivables shown as current assets follow.

TABLE 2-5: CURRENT RECEIVABLES

	1980	1979	1978	1977
Trade Receivable Captions				
Accounts receivable	209	209	207	202
Receivables	153	162	164	156
Accounts and notes receivable	128	129	139	155
Trade accounts receivable	110	100	90	87
Total Companies	**600**	**600**	**600**	**600**
Receivables Other Than Trade Receivables		**Number of Companies**		
Tax refund claims	51	51	36	59
Investees	37	35	23	25
Contracts	31	22	20	18
Installment notes or accounts	19	23	24	24

Income Tax Refund Claims

DAYTON MALLEABLE INC. (AUG)

	1980	1979
Current Assets		
Cash and short-term investments	$15,200,000	$21,104,000
Trade accounts receivable, less allowance for doubtful accounts of $100,000	11,120,000	16,361,000
Inventories	2,068,000	2,852,000
Federal income taxes recoverable arising from carryback of net operating loss	4,502,000	-0-
Deferred federal income taxes	1,391,000	927,000
Prepaid expenses	1,485,000	1,263,000
Total Current Assets	$35,766,000	$42,507,000

INTERNATIONAL PAPER COMPANY (DEC)

	1980	1979
	(In millions of dollars)	
Current Assets		
Refundable federal income taxes (Note 2)	$82.9	

Note 2 (in part): Income Taxes

The components of income from continuing operations, and the provision for income taxes thereon are:

In millions	1980	1979	1978
Earnings:			
U.S.	$220.6	$361.2	$238.3
Outside U.S.	178.5	154.4	113.0
Earnings from continuing operations before income taxes	$399.1	$515.6	$351.3
Current Tax Provision:			
U.S.			
Federal	$(29.0)	$ 44.9	$ 66.4
State	5.9	19.1	12.9
Outside U.S.	82.6	56.4	48.2
	59.5	120.4	127.5
Deferred Tax Provision:			
U.S. Federal	17.9	40.0	(.3)
Outside U.S.	7.7	7.4	.4
	25.6	47.4	.1
Provision for Income Taxes	$ 85.1	$167.8	$127.6

At December 31, 1980, the Company was eligible for an $82.9 million income tax refund primarily resulting from the investment tax credit carry back provisions of the Federal income tax code.

JOHNSON PRODUCTS CO., INC. (AUG)

	1980	1979
Current assets:		
Cash (including certificates of deposit of $15,000 in 1980 and $994,000 in 1979)	$ 550,000	$ 1,915,000
Commercial paper	—	2,654,000
Receivables:		
Trade, less allowance for doubtful accounts of $132,000 in 1980 and $275,000 in 1979	8,061,000	7,149,000
Other	322,000	605,000
Refundable income taxes (Note 13)	2,310,000	749,000
Inventories	6,624,000	4,727,000
Prepaid expenses	891,000	859,000
Total current assets	$18,758,000	$18,658,000

Note 13 (in part): Income Taxes

Refundable income taxes appearing on the balance sheet amounting to $2,310,000 at August 31, 1980 and $749,000 at August 31, 1979, results primarily from the carryback of net operating losses in 1980 and the overpayment of estimated taxes in 1979.

LUKENS STEEL COMPANY (DEC)

	1980	1979
	($000)	
Current Assets		
Cash	$ 7,403	3,246
Short-term investments, at cost which approximates market	—	800
Receivables, less allowance of $940 in 1980 and $1,179 in 1979	50,403	46,209
Refundable income taxes (Note 5)	2,451	4,556

Note 5 (in part): Income Taxes

Refundable income taxes represent primarily the excess of estimated tax payments made over income taxes currently payable and the carryback of investment tax credit.

The analysis below explains the difference between the statutory federal income tax rate and our effective income tax rate.

	1980	1979	1978
Statutory federal income tax rate	46.0%	46.0%	48.0%
State income tax less federal tax benefit	3.8	3.9	4.3
Investment tax credit	(21.5)	(21.6)	(6.3)
Other	(1.7)	(1.6)	(.5)
Effective income tax rate	26.6%	26.7%	45.5%

Receivables from Investees

ALLIS-CHALMERS CORPORATION (DEC)

	1980	1979
	(thousands)	
Current Assets		
Receivables	$335,026	$281,242

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Allis-Chalmers Corporation and its subsidiaries except finance, insurance and marketing subsidiaries. Certain non-U.S. subsidiaries are included on the basis of their years ending November 30. Investments in unconsolidated finance, insurance and marketing subsidiaries and other unconsolidated companies, 20% or more owned, are accounted for by the equity method. Income attributable to minority interests is included in Interest Earned, Other Income-Net in the statement of income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Receivables

Receivables include the following:

December 31	1980	1979
	(thousands)	
Trade accounts	$232,587	$196,263
Due from unconsolidated subsidiaries	19,564	18,500
Progress receivables on long-term contracts not billed to customers	112,664	102,560
Allowance for doubtful accounts	(11,750)	(16,234)
Discounts and other allowances	(18,039)	(19,847)
	$335,026	$281,242

Trade accounts include installment notes of $11.5 million and $19.4 million from dealers and customers, of which approximately $2.5 million and $4.6 million mature after one year, and retentions under long-term contracts, of which $4.2 million and $6.7 million at December 31, 1980 and 1979 are collectible after one year.

Progress receivables represent revenue recognized on long-term contracts that had not been billed and was not billable to customers at the balance sheet dates. The December 31, 1980 and 1979 amounts will be billed in accordance with contract terms, with approximately $13.9 million and $19.7 million to be collected beyond one year.

AM INTERNATIONAL, INC. (JUL)

	1980	1979
	($000)	
Current assets:		
Cash	$ 4,137	$7,806
Receivables from AM Leasing	15,137	4,918

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (in part): AM International Leasing Corporation

AM International Leasing Corporation (AM Leasing) is a wholly owned subsidiary which finances equipment leased to the Company's customers. Long-term noncancellable leases of equipment recorded as sales by the Company, most of which were financed by AM Leasing, amounted to $72,787,000 in 1980 and $52,386,000 in 1979. In the Consolidated Statement of Income, pre-tax income of AM Leasing, adjusted for initial finance charges and intercompany transactions, is included in "Other income" and its provision for income taxes is included in the consolidated tax provision.

THE SIGNAL COMPANIES, INC. (DEC)

	1979	1980
	(Dollars in millions)	
Current Assets		
Cash	$101.5	$ 87.7
Short-term investments (at cost, which approximates market)	25.9	35.6
Accounts and notes receivable (net)	511.4	609.6

NOTES TO FINANCIAL STATEMENTS

Note 7: Accounts and Notes Receivable

The following is a summary of accounts and notes receivable at December 31, 1979 and 1980:

(Dollars in millions)	1979	1980
Notes receivable	$ 5.5	$ 3.9
Trade accounts receivable	475.1	563.7
Retentions receivable on completed contracts	14.5	21.1
Mack Financial Corporation	7.7	11.8
Other	17.1	18.8
	519.9	619.3
Allowance for doubtful accounts	(8.5)	(9.7)
	$511.4	$609.6

XEROX CORPORATION (DEC)

	1980	1979
	(Dollars in millions)	
Current Assets		
Cash	$ 86.8	$ 42.2
Bank time deposits, interest bearing	228.8	267.7
Marketable securities, at the lower of cost or market	207.3	447.7
Trade receivables (less allowance for doubtful receivables: 1980—$59.1; 1979—$60.1)	1,163.8	1,120.4
Receivable from Xerox Credit Corporation	196.3	—
Accrued revenues	376.8	259.3
Inventories, at the lower of average cost or market	1,086.4	785.8
Other current assets	168.9	180.5
Total current assets	$3,515.1	$3,103.6

NOTES TO FINANCIAL STATEMENTS

Xerox Credit Corporation

The Company's investment in Xerox Credit Corporation (XCC), a wholly owned finance subsidiary, is carried at underlying equity, as shown in the subsidiary's financial statements. The condensed financial data set forth below have been summarized from the audited financial statements of XCC as of and for the year ended December 31, 1980:

(Dollars in millions)	1980
Assets	
Cash	$ 1.6
Investments, net	354.8
Due from Xerox Corporation	3.9
Other assets	.3
Total	$360.6
Liabilities and Shareholder's Equity	
Notes payable to Xerox Corporation	$200.2
Short-term debt	25.3
Accounts payable and accrued liabilities	3.9
Long-term debt	40.0
Deferred income taxes	12.0
Shareholder's equity	79.2
Total	$360.6
Summary of Operations	
Total revenues	$ 14.2
Operating expenses	9.6
Income taxes	1.6
	11.2
Net income	$ 3.0

XCC's first full year of operations was 1980. During the year XCC engaged in various leveraged lease transactions. Under these leases, the cost of assets leased to others is financed principally by nonrecourse loans from debt participants, while beneficial ownership of the property is retained by XCC.

Effective November 1980, the Company initiated a program of selling to XCC certain long-term trade accounts receivable which relate to the Company's sold equipment. The amount of such sales of receivables for 1980 was $304.3 million. In payment, the Company receives interest bearing promissory notes from XCC which are payable upon demand. The amount of such promissory notes held by the Company as of December 31, 1980 was $200.2 million. The operating agreement with XCC specifies that XCC shall, at the time of sale, retain an allowance for losses on receivables at an amount which will be sufficient to provide adequate protection against future losses on the portfolio. The amount of the allowance is determined principally on the basis of past collection experience.

In addition, the terms of the support agreement with XCC provide that the Company will make income maintenance payments to XCC, to the extent necessary, so that XCC's earnings shall not be less than one and one-quarter times XCC's fixed charges.

CLARK EQUIPMENT COMPANY (DEC)

	1980	1979
	Amounts in thousands	
Current Assets:		
Cash	$10,133	$14,579
Short-term investments, including time deposits in 1979, at cost plus accrued interest	59,429	37,150
Accounts and notes receivable, less allowance for doubtful accounts of $7,204,000 and $5,161,000 at respective dates	69,068	71,753
Accounts and notes receivable from finance subsidiaries	11,537	14,197

Contracts

FOSTER WHEELER CORPORATION (DEC)

	1980	1979
CURRENT ASSETS		
Cash	$149,648,179	$193,332,380
Short-term investments, at cost (which approximates market value)	53,100,446	24,649,521
Accounts and notes receivable:		
Trade	291,894,908	269,000,328
Other	48,017,593	30,128,111

NOTES TO FINANCIAL STATEMENTS

Note 3: The following tabulation shows the components of trade accounts and notes receivable:

	1980	1979
From long-term contracts:		
Amounts billed due in one year.	$200,234,201	$168,089,693
Retentions:		
Billed:		
Estimated to be due in:		
1980		14,396,335
1981	17,121,346	1,688,588
1982	4,222,393	353,183
1983	892,331	145,894
1984	131,824	
Total billed	22,367,894	16,584,000
Unbilled:		
Estimated to be due in:		
1980		38,347,181
1981	48,779,307	10,995,720
1982	11,766,489	2,664,348
1983	640,840	30,682
Total unbilled	61,186,636	52,037,931
Total retentions	83,554,530	68,621,931
Total receivables from long-term contracts	283,788,731	236,711,624
Other trade and notes receivable	14,731,070	37,944,535
	298,519,801	274,656,159
Less allowance for doubtful accounts	6,624,893	5,655,831
	$291,894,908	$269,000,328

DRAVO CORPORATION (DEC)

	1980	1979
	($000)	
Current assets:		
Cash	$ 13,266	$ 18,526
Marketable securities—at cost (approximates market)	15,638	2,700
Accounts and notes receivable	234,655	197,742

NOTES TO FINANCIAL STATEMENTS

Accounts and Notes Receivable

Receivables at December 31 include:

(In thousands)	1980	1979
Trade receivables, net of allowance for uncollectibles of $1.3 million in 1980 and $1.4 million in 1979	$ 95,188	$ 89,769
Engineering construction contract receivables, net of allowance for uncollectibles of $137,000 in 1980 and $215,000 in 1979	119,104	90,215
Receivables, unconsolidated affiliates	7,900	6,462
Retainage:		
Due after contract completion	21,179	13,976
Deduct: Billings on contracts in progress	8,716	2,680
	12,463	11,296
	$234,655	$197,742

Net retainage includes $4.9 million in 1980 and $2.1 million in 1979 estimated to be collectible after one year.

MARTIN MARIETTA CORPORATION (DEC)

	1980	1979
	($000)	
Current Assets:		
Notes and accounts receivable	$334,506	$288,587

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note C: Notes and Accounts Receivable ($000)

	1980	1979
Commercial accounts receivable	$236,867	$193,080
Receivables under long-term contracts:		
United States Government:		
Amounts billed	20,975	19,153
Recoverable costs and accrued profits not billed	37,659	32,193
Amounts withheld, due upon completion of contracts	886	3,506
	59,520	54,852
Other customers:		
Amounts billed	13,272	5,964
Recoverable costs and accrued profits not billed	9,427	18,786
Total receivables under long-term contracts	82,219	79,602
Notes and other current receivables	20,356	20,720
	339,442	293,402
Less allowances for uncollectible receivables	4,936	4,815
Total	$334,506	$288,587

Recoverable costs and accrued profits not billed will be billed on the basis of contract terms and delivery schedules. Amounts due after one year are classified as other noncurrent assets.

The provision for uncollectible receivables was $1,410,000 in 1980, $1,030,000 in 1979, and $2,160,000 in 1978.

Installment Receivables

AMF INCORPORATED (DEC)

	1980	1979
Current Assets		
Cash	$ 36,794	$ 24,208
Notes and accounts receivable (Note 4)	350,239	323,827

Note 4: Notes and Accounts Receivable

Notes and accounts receivable from customers at December 31 include the following, net of unearned interest of

$32,475,000 and $37,632,000 at December 31, 1980 and December 31, 1979, respectively (in thousands of dollars):

	1980	1979
Amounts due within one year	$297,419	$268,029
Amounts due beyond one year	75,602	82,976
	373,021	351,005
Allowance for possible losses	(22,782)	(27,178)
	$350,239	$323,827

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 $64,996,000 at December 31, 1980 and $71,091,000 at December 31, 1979, net of unearned interest, ranged generally from 12% to 16% in the United States, and from 8% to 24% overseas during 1980.

Notes and accounts receivable due beyond one year at December 31, 1980 and December 31, 1979 include approximately $33,216,000 and $39,900,000, respectively, of investment in sales-type leases, net of unearned interest of $11,299,000 and $13,714,000, respectively.

Minimum future payments receivable under sales-type leases included in accounts receivable and installment notes receivable are due as follows (in thousands of dollars):

	Sales-Type Leases	Installment Notes Receivable
1981	$10,660	$28,503
1982	9,333	13,370
1983	7,786	10,126
1984	6,368	10,484
1985	5,422	9,650
After 1985	14,313	10,511
	$53,882	$82,644

INTERNATIONAL BUSINESS MACHINES CORPORATION (DEC)

	1980	1979
	(Dollars in millions)	
Current Assets:		
Cash	$ 281	$ 298
Marketable securities, at lower of cost or market	1,831	3,473
Notes and accounts receivable—trade, less allowance: 1980, $195; 1979, $188	4,562	4,299
Other accounts receivable	315	372
Inventories, at lower of average cost or market	2,293	1,842
Prepaid expenses	643	567
	$9,925	$10,851

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Notes and Accounts Receivable—Trade

At December 31, 1980, notes and accounts receivable—trade included $608 million of installment receivables maturing after one year, net of unearned interest. Of this amount, 56% matures in 1982 and the balance in decreasing amounts through 1985. Annual interest rates on installment receivables generally range from 6% to 21%.

JIM WALTER CORPORATION (AUG)

	1980	1979
	(in thousands)	
Current assets:		
Cash	$ 27,951	$ 76,375
Instalment notes receivable (Note 2)	1,519,415	1,236,190
Less—		
Provision for possible losses	(13,212)	(10,911)
Unearned time charges.....	(788,089)	(633,997)
	718,114	591,282
Trade receivables, less $10,605,000 and $10,200,000 provision for possible losses	275,158	302,874
Other notes and accounts receivable	12,322	10,984
Inventories, at lower of cost (first in, first out or average) or market:		
Finished goods	159,343	157,828
Goods in process	32,438	31,433
Raw materials and supplies...	130,374	125,133
Houses held for resale	892	1,243
	323,047	315,637
Prepaid expenses and other current assets	8,437	6,236
Total current assets	1,365,029	1,303,388

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 and are secured by first mortgages or contracts for deed. Of the gross amount of $1,519,415,000 an amount of $1,385,860,000 is due after one year. Instalment notes receivable are included in current assets since they are within the operating cycle of the partially-finished homes business. Instalment payments estimated to be receivable within each of the five years from August 31, 1980 are $133,555,000, $129,683,000, $124,959,000, $121,557,000 and $120,409,000, respectively, and $899,252,000 after five years. Time charges are included in equal parts in each monthly payment and are taken into income as collected.

Other

DAN RIVER INC. (DEC)

	1980	1979
	(amounts in thousands)	
Current assets:		
Notes and accounts receivable:		
Trade	$ 85,984	$73,883
Due from factor	18,147	18,478
Other	1,827	2,506
	105,958	94,867
Less allowance for discounts, interest and doubtful receivables	3,196	3,002
Net notes and accounts receivable	$102,762	$91,865

SIMKINS INDUSTRIES INC. (SEP)

	1980	1979
Current assets:		
Cash	$ 1,587,114	$1,179,736
Marketable securities—at cost	216,356	372,644
Accounts and notes receivable, net of allowance of $144,063 and $96,368	14,368,982	9,847,994
Mortgage notes receivable due within one year	9,208,376	1,881,907

STAUFFER CHEMICAL COMPANY (DEC)

	1980	1979
	(Dollars in thousands)	
Current Assets		
Cash	$ 20,868	$ 24,712
Receivables:		
Trade—Net of Allowance for Doubtful Receivables: 1980—$3,884; 1979—$2,963	295,111	266,726
Notes and Other	66,692	41,836
Receivable from Facility Disposals	132,808	

NOTES TO FINANCIAL STATEMENTS

Facility Disposals and Asset Write-Downs

In December, 1980, the Company sold a major portion of its Fertilizer and Mining Division, comprised of phosphate rock reserves in Utah and associated mining and fertilizer manufacturing operations, and its Chemical Systems Division business. Also, the Company recorded asset write-downs (primarily plant and inventories) and estimated shutdown expenses (plant closing costs and 1981 operating losses) for other operations and properties, principally plastics resins, food ingredient products, and a phosphate rock-processing plant, which do not fit long-range plans. These assets (estimated net realizable value of $23,089,000) are currently shut down or the subject of negotiations for sale and are expected to be disposed of by the end of 1981.

Components of the net gain recorded in the fourth quarter of 1980 are summarized below:

	(In thousands)
Gain on facility disposals	$110,991
Write-down of assets to estimated net realizable value	(86,069)
Accrued Shutdown Expenses	(14,107)
Gain on facility disposals—net	10,815
Income tax credits	4,017
After-tax gain ($.34 per share)	$ 14,832

The current receivable due the company at December 31, 1980, from the facilities sold is $132,808,000, of which substantially all has been collected.

RECEIVABLES USED FOR FINANCING

Table 2-6 shows that 102 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 provisions of *APB Opinion No. 22, Disclosure of Accounting Policies.* The amount of differential included in each period for which an income statement is presented and the amount deferred at the date of the latest balance sheet presented should also be disclosed.

Examples of disclosures made in the reports of the survey companies financing receivables follow. Examples of receivables sold with recourse are also presented in connection with Table 1-11

TABLE 2-6: RECEIVABLES USED FOR FINANCING

	1980	1979	1978	1977
Receivables sold with recourse	71	70	61	65
Receivables sold without recourse	14	14	15	9
Receivables used as collateral	25	22	30	28
Total References	**110**	**106**	**106**	**102**
Reference to receivable financing	102	101	99	98
No reference to receivable financing	498	499	501	502
Total Companies	**600**	**600**	**600**	**600**

Receivables Sold With Recourse

HARNISCHFEGER CORPORATION (OCT)

FINANCIAL NOTES

Note 13—Contingent Liabilities

At October 31, 1980, contingent liabilities were approximately $38,700,000 representing primarily the recourse portion of receivables discounted with banks, and to a lesser extent, letters of credit, performance bonds and guarantee of bank loans of an unconsolidated subsidiary.

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

	1981	1980	1979
		(In millions)	
Current assets			
Receivables, net	$981	$665	$467

1980 FINANCIAL REVIEW

Receivables were as follows:

(In millions)	1980	1979	1978
Customer receivables			
Regular charge	$1,912	$2,118	$1,985
Time payment	706	756	644
	2,618	2,874	2,629
Less allowance for doubtful accounts (2% of customer receivables)	52	58	53
	2,566	2,816	2,576
Other receivables, net	203	191	190
Receivables, net	$2,769	$3,007	$2,766
Company	$ 981	$ 665	$ 467
Financial	$1,788	$2,342	$2,299

Customer receivables due after one year were approximately $536 million at year end 1980, $552 million at year end 1979, and $447 million at year end 1978.

In February 1980, the Company entered into a 12-year agreement with a subsidiary of Citicorp (CIC), whereby CIC purchases on an ongoing, monthly basis approximately 10 per cent of the Company's customer receivables. Pursuant to the agreement, the Company is continuing to service these receivables.

RCA CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17: RCA Credit Corporation: RCA Credit is a wholly owned unconsolidated finance subsidiary of RCA that purchases certain installment receivables from RCA. The debt of RCA Credit is not guaranteed by RCA; however, under an operating agreement RCA has agreed to repurchase receivables that are in default and to maintain net earnings of RCA Credit at an established multiple of fixed charges. The earnings of RCA Credit are not material to the consolidated financial statements.

The investment in RCA Credit is stated at equity in the accompanying consolidated financial statements. Summarized financial information for RCA Credit at December 31, 1980 and 1979, is as follows:

	(In millions)	
	1980	1979
Installment receivables purchased from RCA (net of unearned finance charges of $91,397,000 in 1980 and $74,609,000 in 1979)	$313.0	$255.1
Other assets	1.4	1.2
	$314.4	$256.3
Commercial paper and promissory notes	$262.8	$212.7
Other liabilities	4.8	3.8
RCA's investment in RCA Credit	46.8	39.8
	$314.4	$256.3

Installment receivables at December 31, 1980, become due in millions as follows: 1981, $91.7; 1982, $79.9; 1983, $68.5; 1984, $56.6; 1985, $42.6; all years thereafter, $65.1.

Commercial-paper borrowings outstanding at December 31, 1980, were $76.8 million. Long-term debt aggregated $186 million at December 31, 1980, with maturities in millions for each of the next five years as follows: 1981, $17; 1982, $15.9; 1983, $8.5; 1984, $11.2; 1985, $28.2.

Receivables Sold Without Recourse

NORTHWEST INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (in part)

Accounts Receivable. The company routinely sells, without recourse, certain trade receivables to financial institutions. The amount of such receivables sold averaged approximately $63,000,000 during 1980 and $46,000,000 during 1979 and was $60,000,000 at the end of 1980.

Receivables Used as Collateral

CHEMINEER, INC. (SEP)

	1980	1979
Current Assets:		
Cash	$ 469,261	$ 452,902
Accounts receivable—less allowance for doubtful accounts of $83,000—1980; $132,000—1979 (Note B)	7,845,310	7,319,079

Note B (in part): Long-Term Debt

Long-term debt consists of the following:

	October 3 1980	September 28 1979
Bank credit agreement	$4,000,000	$7,000,000
Capitalized lease obligations due through 1984	1,323,381	2,222,288
Mortgage notes payable in monthly installments of $4,260 through June, 1983, including interest at 10% with final balance due July, 1983	415,643	431,749
Other	13,160	84,613
	5,752,184	9,738,650
Less current maturities	1,726,047	1,977,294
	$4,026,137	$7,761,356

Under the bank credit agreement, the outstanding term loan portion of $2,500,000 is repayable in quarterly installments of $250,000 plus interest at ¾% over prime (14¾% at October 3, 1980). In addition, the bank credit agreement provides for a maximum revolving credit line of $5,500,000, available at prime plus ¾% (14¾% at October 3, 1980) through October, 1982, of which $1,500,000 is outstanding. The agreement also provides for a commitment fee of ½% per annum on the unused portion of the revolving credit line.

The bank credit agreement contains certain restrictive covenants which, among other things, require a current ratio test as defined in the agreement and certain other provisions limiting the incurrence of additional debt, the amount of annual operating lease payments, the purchase or disposal of fixed assets, the purchase of its own stock and the payment of cash dividends ($330,000 was available for dividends at October 3, 1980).

All property, plant and equipment at October 3, 1980, is pledged as collateral under the above debt obligations. In addition, accounts receivable and inventories are pledged as collateral under the bank credit agreement.

CHOCK FULL O'NUTS CORPORATION (JUL)

	1980	1979
Current assets:		
Cash and in 1980, cash equivalents	$7,352,574	$ 7,513,361
Receivables:		
Trade—Note 2(a)	7,657,593	8,838,950
Other	1,094,094	1,388,896
	8,751,687	10,227,846
Less allowances for doubtful accounts and discounts	258,000	247,288
	8,493,687	9,980,558

Note 2 (in part): Long-Term Debt

Long-term debt consists of the following:

	July 31, 1980	1979
Advances under financing agreement (a)		$4,894,640
4½% Convertible subordinated debentures (b)	$1,867,800	2,193,400
6% note payable on October 1, 1982 (c)	1,000,000	1,000,000
6% note payable (d)	405,000	507,500
Other	115,184	254,171
	3,387,984	8,849,711
Less current portion	627,000	586,850
	$2,760,984	$8,262,861

(a) There have been no borrowings under the financing agreement subsequent to January 31, 1980. Under the agreement, advances were available to a subsidiary to the extent of 90% of the eligible receivables and 70% of the eligible inventory up to a maximum amount of $8,000,000. Interest on advances was charged at 2½% per annum above the prime rate and any advances are not required to be repaid until February 1982. Amounts outstanding under the agreement were guaranteed by the Company. The outstanding loan balance fluctuates and at various times repayments are made which will bring the outstanding balance below the amount outstanding at the end of a fiscal year. As the Company has the ability to draw the loan balance back to the maximum amount available of $8,000,000, the entire outstanding loan balance at July 31, 1979 was classified as long-term debt. In addition to the collateral described above, the lenders have a security interest in the Company's trademarks and in the machinery and equipment of the subsidiary.

MICROFORM DATA SYSTEMS, INC. (JUL)

	1980	1979
CURRENT ASSETS		
Cash	$ 115,467	$ 94,785
Trade accounts receivable (less allowance of $321,310 in 1980 and $388,510 in 1979)—Note D	3,747,485	3,549,922

Note D (in part): Notes Payable and Long-Term Debt

In May 1980, the Company amended an existing credit agreement with a bank. Under the amendment the Company issued two classes of Preferred Stock and granted a warrant to purchase Common Stock (see Note E) to the bank in exchange for certain debt then outstanding. The balance of the Company's outstanding debt ($5,000,000) was refinanced under a term loan which bears interest at the bank's prime rate plus 2%. The amendment also made available to the Company a $2,000,000 revolving line of credit which bears the same rate of interest.

Certain provisions of the bank credit agreement, as amended, prohibit the payment of Common Stock dividends, limit acquisition by the Company of its Common Stock, limit future borrowings, limit the acquisition of additional fixed assets, restrict the amount of lease obligations which may be incurred and require the maintenance of certain financial ratios, including working capital, current ratio and tangible net worth. All borrowings under the credit agreement are collateralized by accounts receivable, inventories, and equipment.

PIONEER HI-BRED INTERNATIONAL, INC. (AUG)

	1980	1979
Current Assets		
Cash, including certificates of deposit 1980 $9,935,605; 1979 $16,422,729 (Note 4)	$11,417,319	$20,099,136
Marketable securities, at amortized cost (approximates market)	60,182,539	19,927,493
Receivables:		
Trade, less allowance for doubtful accounts (Note 4)	14,378,185	14,843,225
Notes and contracts, current portion, less allowance for doubtful accounts (Note 4)	587,759	3,251,620
Other	1,556,468	1,526,103

NOTES TO FINANCIAL STATEMENTS

Note 4. Pledged Assets, Notes Payable, Lines of Credit and Long-Term Debt

At August 31, 1980, the Company had available lines of credit, substantially all of which are informal, totaling $62,000,000. Of these lines of credit, $25,000,000 required a compensating balance of 10% of the line of credit, $5,000,000 required fixed compensating balances of $162,000 and the remaining $32,000,000 required no compensating balances. Borrowings under these lines of credit bear interest at rates ranging from the prime rate to 117% of the prime rate of the various lending institutions. At August 31, 1980 the Company had no outstanding borrowings under these lines of credit.

Additional information regarding bank borrowings for the years ended August 31, 1980 and 1979 is as follows:

	1980	1979
Maximum borrowings	$61,356,000	$32,520,000
Average borrowings	$ 9,290,000	$ 9,800,000
Average interest rate	16.75%	13.20%

Average borrowings were computed on daily balances outstanding. Average interest rates were computed using the weighted average of the outstanding balances during the year, after giving effect to compensating balances.

The Company has debt of $30,000,000 bearing interest at 8¾% and payable in June 1981. This obligation is unsecured. However, the Company has agreed, among other things, to maintain a minimum working capital balance and an agreed ratio of net income to fixed charges.

Other long-term debt with an August 31, 1980 balance of $11,271,834 bears interest at 4%–11½% and requires varying annual principal payments through 2008. $10,588,537 of this long-term debt is collateralized by receivables of $3,792,695, inventories of $10,312,630 and property and equipment with a depreciated cost of $12,773,912.

The maturities of long-term debt for the next five fiscal years are as follows: $31,390,043; $2,178,261; $632,093; $876,570; $638,309.

THE VENDO COMPANY (DEC)

	1980	1979
	($000)	
CURRENT ASSETS:		
Cash	$ 2,302	$ 3,940
Receivables		
Accounts	10,829	11,806
Notes (Note 4)	2,007	3,721
	12,836	15,527
Less—Allowances for doubtful accounts	2,130	1,974
	10,706	13,553

Note 4: Receivables and Installment Contracts

Current notes receivable consist of installment sales contracts with terms up to sixty months. Foreign subsidiaries have pledged receivables totaling $1,191,000 in 1980 and $1,531,000 in 1979 as collateral on short-term notes payable.

The Company is contingently liable to repurchase contracts sold by foreign subsidiaries should they become delinquent. Unpaid balances of contracts sold approximated $428,000 at December 31, 1980.

TABLE 2-7: DOUBTFUL ACCOUNT CAPTIONS

	1980	1979	1978	1977
Allowance for doubtful accounts	267	269	270	262
Allowance	135	130	125	129
Allowance for losses	37	36	42	38
Reserve	27	28	33	30
Reserve for doubtful accounts	8	8	6	7
Allowance for uncollectible accounts	11	12	12	9
Other caption titles	13	12	14	19
	498	495	502	494
Receivables shown net	15	17	9	15
No reference to doubtful accounts	87	88	89	91
Total Companies	**600**	**600**	**600**	**600**

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 or sale returns.

TABLE 2-8: INVENTORY COST DETERMINATION

	Number of Companies			
	1980	1979	1978	1977
Methods				
Last-in first-out (lifo)	396	374	343	332
First-in first-out (fifo)	382	390	392	392
Average cost	238	241	224	227
Other	57	56	52	47
Use of LIFO				
All inventories	26	20	14	10
50% or more of inventories	205	194	205	194
Less than 50% of inventories	94	94	101	93
Not determinable	71	66	23	35
Companies Using LIFO	**396**	**374**	**343**	**332**

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 methods used by the survey companies to determine inventory cost and indicates the portion of inventory cost determined by LIFO. As indicated in Table 2-8, it is not uncommon for a company to use more than one method in determining the total cost of inventory. Methods of inventory cost determination classified as Other in Table 2-8 include specific identification, accumulated costs for contracts in process, and "current cost".

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.

One hundred and four 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

CRADDOCK-TERRY SHOE CORPORATION (SEP)

	1980	1979
Current Assets		
Cash	$ 1,271,000	$ 701,000
Trade receivables, less allowances for doubtful accounts and discounts (1980—$1,075,000; 1979—$1,107,000)	21,936,000	24,042,000
Inventories—Note B	21,140,000	20,476,000
Prepaid expenses	1,480,000	1,481,000
Total Current Assets	$45,827,000	$46,700,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

Note B—Inventories

Inventories are comprised of the following:

	1980	1979
Finished goods	$15,350,000	$14,402,000
Goods in process	1,843,000	1,867,000
Raw materials	3,947,000	4,207,000
	$21,140,000	$20,476,000

TABLE 2-9: INDUSTRY CLASSIFICATION OF COMPANIES USING LIFO

	1980		1979	
	No.	%*	No.	%*
Foods:				
Meat products	5	56	5	50
Dairy products	—	—	—	—
Canning, etc.	4	67	4	67
Packaged and bulk	8	44	9	47
Baking	—	—	1	20
Sugar, confections, etc.	6	100	6	100
Beverages	4	57	3	43
Tobacco products	4	67	3	50
Textiles	20	69	20	65
Paper products	16	89	16	94
Printing, publishing	6	67	5	56
Chemicals	23	92	21	84
Drugs, cosmetics, etc.	12	41	10	34
Petroleum	24	92	24	92
Rubber products	8	89	7	87
Shoes—manufacturing, merchandising, etc.	4	57	3	43
Building:				
Cement	1	33	—	—
Roofing, wallboard	10	91	9	90
Heating, plumbing	3	60	3	60
Other	13	76	12	75
Steel and iron	17	89	17	89
Metal—nonferrous	14	78	14	78
Metal fabricating	20	95	19	95
Machinery, equipment and supplies	29	81	27	75
Electrical equipment, appliances	11	58	12	60
Electrical, electronic equipment	10	37	9	36
Business equipment and supplies	6	38	5	31
Containers	9	90	9	82
Autos and trucks (including parts, accessories)	17	77	16	73
Aircraft and equipment, aerospace	7	54	8	62
Railway equipment, shipbuilding, etc.	1	20	2	33
Controls, instruments, medical equipment, watches and clocks, etc.	10	71	7	54
Merchandising:				
Department stores	9	100	7	87
Mail order stores, variety stores	2	100	2	100
Grocery stores	14	78	12	71
Other	4	100	4	67
Motion pictures, broadcasting	1	14	1	15
Widely diversified, or not otherwise classifed	44	46	42	45
Total Companies	**396**	**66**	**374**	**62**

*Percent of total number of companies for each industrial classification included in the survey.

ABBOTT LABORATORIES (DEC)

	1980	1979	1978
	(dollars in thousands)		
Current Assets:			
Cash and cash items (including marketable securities, at cost which approximates market, of $11,011 in 1980, $9,113 in 1979 and $5,637 in 1978)	$118,107	$ 78,255	$ 43,130
Trade receivables, less allowances of $16,860 in 1980, $15,406 in 1979 and $14,217 in 1978	342,456	303,781	250,770
Inventories—			
Finished products	200,600	153,322	125,012
Work in process	70,709	65,344	65,956
Materials	116,253	112,785	107,302
Total inventories	387,562	331,451	298,270
Prepaid expenses and other receivables	115,514	108,671	85,447
Total Current Assets	$963,639	$822,158	$677,617

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Inventories—Inventories are valued at the lower of cost (first-in, first-out basis) or market. Cost includes material and applicable conversion costs.

MILTON ROY COMPANY (DEC)

	1980	1979
Current assets:		
Cash	$ 490,000	$ 537,000
Accounts receivable, less allowance for doubtful accounts of $182,000 and $155,000	10,756,000	9,173,000
Notes receivable, within one year	657,000	827,000
Inventories	14,235,000	12,820,000
Prepaid expenses	452,000	401,000
Deferred income taxes	504,000	142,000

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Inventories:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5—Inventories:

Inventories entering into the determination of costs of goods sold of continuing operations for the three years ended December 31, 1980 were:

	(Thousands) December 31,			
	1980	1979	1978	1977
Inventories	$14,235	$12,820	$10,539	$9,274

Composition of inventories of continuing operations was:

	(Thousands) December 31,	
	1980	1979
Raw materials & supplies	$ 6,887	$ 6,238
Work in process	3,680	3,263
Finished goods	3,668	3,319
	$14,235	$12,820

MINNESOTA MINING AND MANUFACTURING COMPANY (DEC)

	1980	1979	1978
	(Dollars in thousands)		
Current Assets			
Cash and interest-bearing bank deposits	$ 188,264	$ 162,135	$ 241,456
Marketable securities, at cost which approximates market	21,043	100,967	200,107
Accounts receivable, less allowance of $55,100 in 1980, $47,400 in 1979, and $40,300 in 1978	1,102,066	959,548	840,755
Inventories			
Finished goods	702,747	617,165	508,831
Work in process	369,062	332,745	271,012
Raw materials and supplies	364,476	360,050	293,209
Total inventories	1,436,285	1,309,960	1,073,052
Other current assets	124,469	115,374	97,224
Total current assets	$2,872,127	$2,647,984	$2,452,594

NOTES TO FINANCIAL STATEMENTS

Accounting Policies (in part)

Inventories: Inventories are stated at the lower of cost or market, with cost generally determined on a first-in, first-out basis and market based on the lower of replacement cost or realizable value.

REVLON, INC. (DEC)

	1980	1979
	($000)	
Current assets:		
Cash and time deposits	$ 329,695	$183,176
Short-term investments, at cost plus accrued interest which approximates market	53,628	76,167
Accounts receivable—trade, less allowances of $25,243 and $17,519	445,153	299,067
Inventories	480,663	366,348
Prepayments	74,865	46,949
Other	22,869	17,244
Total current assets	$1,406,873	$988,951

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (in part)

Inventories: Inventories are stated at the lower of cost (substantially on a first-in, first-out basis) or market.

Inventories

Inventories consist of the following:

	December 31,	
	1980	1979
	(000's omitted)	
Finished goods	$230,072	$184,900
Work-in-process	90,127	61,746
Raw materials and supplies	160,464	119,702
	$480,663	$366,348

THE STANDARD REGISTER COMPANY (DEC)

	1980	1979
Current Assets		
Cash	$ 4,160,901	$ 4,322,227
Temporary cash investments, at cost which approximates market	12,203,431	2,773,330
Accounts receivable, less allowance for losses of $514,518 and $486,119, respectively	52,061,100	50,466,494
Inventories (Note 2)	29,188,719	29,709,719
Prepaid expense	309,883	252,580
Total current assets	$97,924,034	$87,524,320

NOTES TO FINANCIAL STATEMENTS

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

Inventories—Inventories are valued at the lower of cost or market. Paper and printed product inventory costs are determined by the last-in, first-out method (LIFO), while costs for mechanical products are determined substantiallyby the first-in, first-out method (FIFO). Printed finished product inventory includes forms stored for customers.

Note 2—Inventories

Costs of paper and printed product inventories are determined by the last-in, first-out method (LIFO). If the first-in, first-out method (FIFO) of inventory valuation had been used, these inventories would have been $15,846,391 higher at December 28, 1980, $12,403,210 higher at December 30,-1979 and $9,077,508 higher at December 31, 1978. Mechanical finished products and parts are valued at standard costs which approximate actual costs on a FIFO basis.

Inventories were divided between printed and mechanical products at the respective year-end as follows:

	December 28, 1980	December 30, 1979	December 31, 1978
Printed:			
Finished products	$13,302,060	$12,109,457	$ 8,275,442
Jobs in process	3,126,335	4,101,720	3,094,335
Materials and supplies	6,846,985	8,292,766	7,534,745
Total	$23,275,380	$24,503,943	$18,904,522
Mechanical:			
Finished products	$ 1,445,672	$ 1,231,610	$ 1,128,702
Jobs in process and parts	4,208,519	3,709,090	2,998,931
Materials and supplies	259,148	265,076	243,876
Total	$ 5,913,339	$ 5,205,776	$ 4,371,509
Total inventories	$29,188,719	$29,709,719	$23,276,031

LIFO

ACME-CLEVELAND CORPORATION (SEP)

	1980	1979
Current Assets		
Inventories—Note A		
Work in process and finished products	$72,118,401	$56,372,480
Raw materials and supplies	18,535,853	14,692,132
Total Inventories	$90,654,254	$71,064,612

Note A (in part):

Inventories—Inventories are priced at cost (principally last-in, first-out method) not in excess of replacement market. The following table indicates what inventories, net earnings and earnings per share would have been had the Corporation used the first-in, first-out (FIFO) method of inventory valuation adjusted for income taxes at the U.S. statutory rate and assuming no other adjustments. This information is presented to enable a reader to make comparisons with companies using the FIFO method of inventory valuation.

	1980	1979
	(In thousands of dollars, except per share data)	
Inventories	$150,416	$118,502
Net earnings	$23,880	$24,219
Net earnings per share	$5.58	$5.39

During 1980 and 1979 certain inventory quantities were reduced. This reduction resulted in a liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years as compared with the cost of 1980 and 1979 purchases, the effect of which increased net earnings by approximately $150,000 and $600,000 or $.04 and $.14 per share in 1980 and 1979, respectively.

BETHLEHEM STEEL CORPORATION (DEC)

	1980	1979	1978
	(dollars in millions)		
Current Assets:			
Cash	$ 51.2	$ 67.9	$ 55.0
Marketable securities, at cost (approximating market)	214.8	233.1	238.4
Receivables, less allowances of $7.5, $7.4 and $6.1	775.7	762.6	673.2
Inventories (Note C)	758.5	780.6	634.8
Total Current Assets	$1,800.2	$1,844.2	$1,601.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (in part): Accounting Policies

Inventories—Inventories are predominantly valued at cost as determined by the last-in, first-out (LIFO) method. Contract work in progress is valued at cost less billings, adjusted for estimated partial profits and losses. Generally, partial profits are recognized on a pro-rata basis after a contract has reached 75% completion; losses are recognized when first apparent. All other inventories are valued at the lower of cost or market, cost being determined by the first-in, first-out (FIFO) and average cost methods.

Note C: Inventories

(dollars in millions)	December 31, 1980	1979	1978
Ferrous materials (principally iron ore and scrap).	$ 458.1	$ 378.1	$ 363.3
Energy related materials (coal, coke and fuel oil)..	243.3	220.4	136.2
All other raw materials, and supplies....................	106.1	120.4	109.9
Finished and semi-finished products	901.0	930.8	764.5
Contract work in progress less billings rendered.....	104.9	135.1	97.8
Total at replacement cost	$1,813.4	$1,784.8	$1,471.7
Less excess of replacement cost over LIFO values	1,054.9	1,004.2	836.9
	$ 758.5	$ 780.6	$ 634.8

The values of inventories on the consolidated balance sheets are based on the following accounting methods:

LIFO	$ 572.8	$ 602.6	$ 490.7
FIFO or average cost	111.4	99.1	96.0
Contract work in progress less billings rendered.....	74.3	78.9	48.1
	$ 758.5	$ 780.6	$ 634.8

At December 31, 1980, 1979 and 1878, certain LIFO inventory quantities were lower than their respective year earlier levels. These liquidations reduced cost of sales by $73 million, $24.6 million and $40.7 million in 1980, 1979 and 1978, respectively.

BRUNSWICK CORPORATION (DEC)

	1980	1979
	(dollars in thousands)	
Current assets		
Cash, including bank time deposits of $809 and $4,879.......	$ 9,579	$ 17,864
Accounts and notes receivable, less allowances of $13,184 and $12,654..................	173,419	178,969
Inventories (Note 5).............	293,461	341,248

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Summary of accounting policies

Inventories. Domestic inventories are valued principally 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). Inventory cost includes material, labor and manufacturing overhead.

Note 5: Inventories

As of January 1, 1979, the last-in, first-out (LIFO) method of valuing inventories was extended to certain of the domestic inventories of the Medical and Recreation Products segments, which previously used the first-in, first-out (FIFO) method of inventory valuation. The change to the LIFO method, which charges the most recent product costs to results of operations, provides a better matching of current costs with current revenues in the determination of net earnings. The effect of this change was to reduce net earnings for 1979 by $1.1 million, or $.06 per share. There was no cumulative effect of this change on prior years' reported earnings.

During 1980, certain inventory quantities, valued using the last-in, first-out (LIFO) method of accounting, were substantially decreased. This caused results of operations to be charged with prior years' inventory costs which are lower than current costs. The effect of the liquidation of LIFO inventory quantities increased 1980 net earnings by approximately $6.4 million, or $.32 per share.

At December 31, 1980, 1979 and 1978, $179.0 million, $215.0 million and $115.0 million, respectively, of inventories were valued using the LIFO method. If all inventories valued at LIFO cost had been valued at FIFO cost, net earnings would have been increased $8.5 million, or $.42 per share, in 1980; $10.3 million, or $.51 per share, in 1979; and $3.1 million, or $.16 per share, in 1978. In addition, if the FIFO method of inventory accounting had been used by the Company for inventories valued at LIFO, inventories at December 31, would have been $56.4 million, $39.6 million and $18.8 million higher than reported for 1980, 1979 and 1978, respectively. The FIFO cost of inventories at these dates was approximately the same as current cost.

The book basis of LIFO inventories exceeds the tax basis by approximately $7.0 million as a result of applying the provisions of Accounting Principles Board Opinion No. 16 in a 1978 purchase business combination.

The following inventories at December 31 were used in the computation of cost of sales:

(dollars in thousands)	1980	1979	1978	1977
Finished goods	$145,489	$160,389	$134,647	$139,019
Work-in-process	97,589	126,876	123,787	93,706
Raw materials........	50,383	53,983	39,805	33,500
Inventories	$293,461	$341,248	$298,239	$266,225

DENTSPLY INTERNATIONAL INC. (DEC)

	1980	1979
Current assets		
Cash	$ 811,427	$ 2,163,240
Marketable securities (at cost which approximates market) .	478,324	1,501,551
Notes and accounts receivable, less discounts and allowances: 1980—$2,323,996; 1979—$1,915,044........	50,425,583	49,856,731
Inventories	69,483,836	70,700,155
Prepaid expenses and other current assets	2,946,550	3,119,372
Total current assets	$124,145,720	$127,341,049

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies (in part)

The cost of $8,630,000 and $11,190,000 of inventories at

December 31, 1980 and 1979 was determined by the last-in, first-out method. Other inventories were determined substantially by the first-in, first-out or the average cost methods, but not in excess of net realizable value.

Inventories

December 31,	1980	1979
Finished goods	$42,182,387	$42,672,067
Work in process	12,563,732	13,059,455
Raw materials and supplies	14,737,717	14,968,633
	$69,483,836	$70,700,155

During 1980 and 1979 certain LIFO inventory quantities were reduced. Had these quantities been replaced, the higher cost of replacement would have been charged to cost of sales, thus decreasing 1980's and 1979's net income by an estimated $698,000 and $605,000 or $.15 and $.13 per share. LIFO inventories were $6,557,000 and $5,905,000 less than FIFO or average cost at December 31, 1980 and 1979.

FEDERATED DEPARTMENT STORES, INC. (JAN)

	1981	1980
	($000)	
Current Assets:		
Merchandise inventories	$724,136	$652,262

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Merchandise inventories are substantially all valued by the retail method and stated on the LIFO (last-in, first-out) basis, which is lower than market. The LIFO basis is applied to give recognition to the effects of inflation in the cost of sales by matching current costs with current revenues.

THE YEAR IN REVIEW

Inventories

Merchandise inventories at the 1980 year-end were $724.1 million, compared with $652.3 million at the end of 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. Management believes that the LIFO method, which charges the most recent merchandise costs to the results of current operations, provides a better matching of current costs with current revenues in the determination of net income.

At year-end 1980, 1979 and 1978 inventories were $217.5 million, $180.0 million and $146.4 million lower than they would have been had the retail method been used without the application of the LIFO basis. This application resulted in charges of 36 cents per share in 1980, 33 cents per share in 1979 and 23 cents per share in 1978.

LA MAUR INC. (DEC)

	1980	1979
Current Assets		
Cash	$ 568,000	$ 567,000
Marketable securities (at cost, which approximates market)	1,900,000	500,000
Receivables (less allowance of $150,000 and $140,000)	8,256,000	7,696,000
Inventories	4,101,000	4,523,000
Other current assets	583,000	245,000
Total Current Assets	$15,408,000	$13,531,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

Note B: Inventories

Inventories consisted of the following at December 31:

	1980	1979
Raw materials	$3,303,000	$3,157,000
Work in process	1,073,000	845,000
Finished goods	1,871,000	2,324,000
	6,247,000	6,326,000
Less reduction to LIFO cost	2,146,000	1,803,000
	$4,101,000	$4,523,000

Using the LIFO method of accounting for inventories, as opposed to FIFO, had the effect of reducing net earnings by $179,000 or $.13 per share in 1980, $191,000 or $.14 per share in 1979 and $63,000 or $.05 per share in 1978.

THE MEAD CORPORATION (DEC)

	1980	1979
	(All dollar amounts in millions)	
Current assets:		
Cash	$ 24.6	$ 51.7
Accounts receivable, less allowance for doubtful accounts of $14.1 in 1980 and $13.3 in 1979	296.5	271.0
Inventories (Note B)	203.7	227.1
Prepaid expenses	12.3	10.6
Total current assets	$537.1	$560.4

NOTES TO FINANCIAL STATEMENTS

Note A (in part): Accounting Policies

Inventories—The inventories of finished and semi-finished products and raw materials are stated at the lower of cost or market, determined on the last-in, first-out (LIFO) basis. Stores and supplies are stated at cost determined on the first-in, first-out (FIFO) basis.

Note B: Inventories

Inventories consist of:

December 31	1980	1979
(All dollar amounts in millions)		
Finished and semi-finished products	$121.9	$139.5
Raw materials	41.9	47.6
Stores and supplies	39.9	40.0
	$203.7	$227.1

During 1980, a reduction in inventory quantities resulted in a liquidation in LIFO inventory dollars, the effect of which increased reported net earnings by approximately $5.3 million ($.19 per fully diluted common share).

Had all inventories valued at LIFO been stated at current replacement cost, inventories would have been $140.1 million and $113.2 million higher than reported at December 31, 1980 and 1979, respectively. Earnings would have been higher by approximately $14.0 million ($.51 per fully diluted common share), $9.2 million ($.34 per share), and $1.7 million ($.06 per share) than reported for the years ended December 31, 1980, 1979, and 1978, respectively, if the annual charge to state inventories on the LIFO basis were not necessary.

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

	1981	1980	1979
		(In millions)	
Current assets			
Merchandise inventories .	$1,571	$1,687	$1,970

1980 FINANCIAL REVIEW

Merchandise inventories at year end 1980 were $1,571 million, a decrease of approximately 7 per cent from $1,687 million at year end 1979.

Substantially all inventories are valued at the lower of cost, last-in, first-out (LIFO), or market, determined by the retail method. If the first-in, first-out (FIFO) method of inventory valuation had been used by the Company, inventories at year end would have been $344 million higher for 1980, $233 million higher for 1979, and $141 million higher for 1978.

The LIFO method of inventory valuation offsets the effect of inflation on merchandise inventories and more appropriately matches current costs with current sales. Increases in general merchandise prices charged to customers of retailers are typically less than increases in costs incurred by retailers to acquire, display, and deliver merchandise. This results in continued pressure on gross margins and requires the retail industry to emphasize resource conservation and increased productivity.

Some companies in the retail industry use the FIFO method in valuing part or all of their inventories. Had JCPenney used the FIFO method and made no other assumptions with respect to changes in income resulting therefrom, income and income per share from continuing operations would have been:

	1980	1979	1978
Income from continuing operations (In millions)	$325	$308	$295
Income from continuing operations per share	$4.63	$4.45	$4.40

RAYBESTOS-MANHATTAN, INC. (DEC)

	1980	1979
	($000)	
Current Assets		
Cash	$ 1,833	$ 917
Temporary investments—at cost, which approximates market	5,400	10,645
Trade accounts receivable, less allowance of $1,268 for 1980 and $453 for 1979	39,252	38,414
Inventories (Notes A-3 and B)	66,267	63,210
Miscellaneous receivables and other current assets	8,151	3,435
Deferred income taxes	5,558	1,876
Total current assets	$126,461	$118,497

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(ooo's omitted, except share data)

Note A (in part): Summary of Accounting Policies

3. Inventories—Inventories are stated at the lower of cost or market value. As detailed in Note B, in 1980 the Company changed its method of accounting for domestic inventories from the first-in, first-out method (FIFO) to the last-in, first-out method (LIFO). Costs for foreign inventories are determined generally on the FIFO method.

Note B—Inventories

In the fourth quarter of 1980 the Company changed its method of accounting for domestic inventory costs (which account for 89% of consolidated investories at December 28, 1980) from the FIFO method to the LIFO method effective for the fifty-two weeks ended December 28, 1980. This change was made because management is of the opinion that LIFO more clearly reflects income by providing a closer matching of current costs against current sales. The change had the effect of reducing consolidated inventories at December 28, 1980 by $1,838 and increasing the net loss by $923 ($.40 per share) for the fifty-two weeks then ended.

There is no cumulative effect of the change on prior periods because the December 30, 1979 inventory, as previously stated using the FIFO method, is treated as the amount of the beginning inventory for the current period under the LIFO method. Accordingly, pro forma results of operations for prior periods under the LIFO method are not presented.

A summary of inventories follows:

	December 28, 1980	December 30, 1979
Finished goods	$31,868	$26,624
Work in process	22,244	21,682
Raw materials	12,155	14,904
	$66,267	$63,210

The current cost of inventories exceeded the LIFO carrying amount by $4,300 at December 28, 1980.

REICHHOLD CHEMICALS, INC. (DEC)

	1980	1979
	(Dollars in thousands)	
Current assets:		
Cash and cash equivalents.......	$ 12,161	$ 10,233
Trade receivables, less allowance for doubtful accounts (1980—$3,568; 1979—$2,964)	132,866	129,173
Inventories	74,682	81,535
Maintenance supplies	7,551	7,105
Prepaid expenses and other.....	2,278	2,355
Total current assets	$229,538	$230,401

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Accounting Policies

Inventories—All domestic inventories are stated at cost determined on the last-in, first-out (LIFO) method of inventory valuation. Market value of domestic inventories is not lower than LIFO cost. Inventories of foreign subsidiaries are stated at the lower of cost (first-in, first-out (FIFO)) or market value. Inventory costs include raw material, labor and manufacturing overhead.

Note 5: Inventories. Inventories consist of the following:

	1980	1979
	(In thousands)	
Last-in, first-out (LIFO) method.....	$48,941	$58,453
First-in, first-out (FIFO) method:		
Raw materials and work in process............................	15,076	13,836
Finished products	10,665	9,246
	25,741	23,082
Total	$74,682	$81,535

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

If inventories valued on the LIFO method were valued on a FIFO basis, the balances at December 31, 1980 and 1979 would be increased by approximately $49,497,000 and $42,033,000, respectively.

The use of the LIFO method reduced pretax income by $7,464,000 in 1980 and $15,193,000 in 1979 (net of an increase in pretax income of $2,248,000 in 1980 and $1,967,000 in 1979, resulting from liquidation of LIFO inventory quantities carried at lower prior year costs). In 1978, the use of the LIFO method reduced income by $3,597,000.

REVERE COPPER AND BRASS INCORPORATED (DEC)

	1980	1979
	(Thousands)	
Current assets		
Cash and temporary cash investments...........................	$ 15,478	$ 14,007
Receivables, less allowance for doubtful accounts (1980, $1,672; 1979, $2,316)......	80,033	90,933
Inventories	120,128	142,274
Prepaid expenses................	1,975	1,350
Total current assets	$217,614	$248,564

NOTES TO FINANCIAL STATEMENTS

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

Inventories are stated at the lower of cost or market. In 1980 the Company expanded its use of the last-in, first-out method of inventory valuation, and cost for the major portion of inventories was determined by that method. Cost of the remainder of the inventories is determined principally by the first-in, first-out method.

Note C: Inventories

	1980	1979
	(Thousands)	
Primary and fabricated aluminum ..	$ 78,920	$ 94,662
Fabricated copper and brass........	21,202	28,852
Metal stampings.....................	12,023	12,105
Other	7,983	6,655
	$120,128	$142,274

In the fourth quarter of 1980 the Company expanded, effective January 1, 1980, its use of the last-in, first-out (LIFO) method of inventory valuation to a substantial additional portion of its inventories in order to more closely match current costs with current revenues. The effect of this change was to reduce net income for the year 1980 by $2,804,000 or $.49 per share. It is not practicable to restate prior years or determine the cumulative effect of the change. As of December 31, 1980, inventories valued on a LIFO basis amounted to $74,166,000 ($22,071,000 at December 31, 1979). If valued on a first-in, first-out basis, such inventories would be increased by $90,551,000 ($84,017,000 at December 31, 1979).

During 1980 inventory quantities were reduced resulting in a liquidation of certain LIFO inventory layers carried at costs which were lower than the cost of current purchases, the effect of which increased net income by approximately $1,772,000 or $.31 per share, including $1,433,000 or $.25 per share in the fourth quarter.

Purchases from Ormet Corporation, an unconsolidated affiliate, were $107,376,000, $96,931,000 and $86,031,000 in 1980, 1979 and 1978, respectively.

Purchases from and sales to ASARCO Incorporated, a principal stockholder, in the ordinary course of business at prevailing market prices were $13,601,000 and $4,138,000 in 1980, $23,150,000 and $9,298,000 in 1979, and $19,313,000 and $8,223,000 in 1978.

STERNDENT CORPORATION (DEC)

	1980	1979
Current assets		
Cash	$ 6,828,244	$ 6,832,760
Trade receivables, net of allowance for uncollectible accounts: 1980—$2,539,000, 1979—$2,031,000	32,428,492	46,552,958
Inventories (Notes 1 and 3)		
Gold and silver	1,758,200	1,834,086
Raw materials and work in process	10,245,513	13,038,493
Merchandise and finished goods	13,370,017	12,821,737
Total inventories	25,373,730	27,694,316
Prepaid expenses and other current assets	1,139,276	1,410,696
Total current assets	$65,769,742	$82,490,730

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

Inventories—Inventories are valued at the lower of cost or market. The costs of domestic inventories of gold and silver are principally determined on the last-in, first-out (LIFO) method. The costs of all other inventories are determined principally by the first-in, first-out (FIFO) method.

Note 3: Inventories

For domestic inventories of gold and silver stated on the last-in, first-out (LIFO) basis, the current replacement cost exceeds LIFO value by $22,965,000, and $31,690,000 at January 2, 1981, and December 28, 1979 respectively.

A substantial portion of the Company's gold and certain silver inventories owned at year-ends 1979, 1978 and 1977 were sold early in 1980, 1979 and 1978 and repurchased at various times during the respective years. In 1980, the repurchase price was approximately $1,015,000 ($6,366,000 in 1979 and $3,280,000 in 1978) higher than the selling price. These excess costs were offset by a reduction of inventory quantities, which resulted in a liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years as compared with current costs. As a result of these offsetting transactions, there was no impact on cost of goods sold in any year.

VULCAN MATERIALS COMPANY (DEC)

	1980	1979
	($000)	
Current assets		
Cash, including certificates of deposit: 198C, $4,504; 1979, $4,159	$ 10,463	$ 12,211
Marketable securities at cost (approximates market)	31,273	18,750
Accounts and notes receivable:		
Customers, less allowance for doubtful accounts: 1980, $3,670; 1979, $3,489	103,345	103,527
Other	4,416	3,453
Inventories (below estimated current cost by $40,562 for 1980 and $32,495 for 1979)	81,017	71,274
Prepaid expenses	1,935	2,087
Total current assets	$232,449	$211,302

NOTES TO FINANCIAL STATEMENTS

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

Inventories—Inventories, other than operating supplies, are stated at cost determined by the last-in, first-out (LIFO) method. Such cost includes raw materials, direct labor and production overhead. Substantially all operating supplies are carried at average cost. In the aggregate, inventory cost does not exceed market.

Note 3. Inventories

Inventories at December 31 are as follows (thousands of dollars):

	1980	1979
Finished products	$42,373	$37,775
Raw materials	12,318	9,402
Products in process	1,275	2,467
Operating supplies and other	25,051	21,630
Total inventoires	$81,017	$71,274

Inventories valued under the LIFO method at December 31, 1980 and 1979, were $56,279,000 and $49,929,000, respectively. If all inventories valued at LIFO cost had been valued under the methods (substantially average cost) used prior to the adoption of the LIFO method, net earnings would have been increased by approximately $3,148,000, or $.27 per share, in 1980, $3,564,000, or $.31 per share, in 1979 and $2,556,000, or $.22 per share, in 1978.

WEYERHAEUSER COMPANY (DEC)

	1980	1979
	($000)	
Current assets:		
Cash, including interest bearing time deposits $118,616 and $236,140	$ 68,766	$ 176,136
Short-term investments, at cost which approximates market	40,678	186,790
Receivables, less allowances $5,575 and $5,177	491,684	429,523
Inventories (Note 2):		
Logs and chips	93,581	88,082
Lumber, plywood and panels	113,787	129,298
Pulp and paper	27,823	17,395
Paperboard, containers and cartons	44,427	56,552
Other products	63,893	49,974
Total product inventories	343,511	341,301
Materials and supplies	137,486	124,141
Prepaid expenses	19,083	37,925
Total current assets	$1,101,208	$1,295,816

Note 2—Inventories

Inventories are stated at the lower of cost or market. Cost includes labor, materials and production overhead. The last-in, first-out (LIFO) method is used to cost substantially all domestic raw materials, in process and finished goods inventories; either the first-in, first-out (FIFO) or average cost method is used to cost all other inventories. Had the FIFO method been used to cost all inventories the amounts at which product inventories are stated would have been $207,687 and $173,902 greater at December 28, 1980 and December 30, 1979 respectively.

On August 31, 1979 Weyerhaeuser Company acquired Dixieline Lumber Company in a transaction accounted for as a tax free exchange for federal income tax purposes. For financial reporting purposes, under Accounting Principles Board Opinion No. 16, this acquisition is required to be accounted for as a purchase, consequently a new basis of accounting for Dixieline Lumber Company's LIFO inventories was established. Under purchase accounting Dixieline Lumber Company's LIFO inventories are greater than those reportable for federal income tax purposes by $4,126, $3,947 and $3,475 at August 31, 1979, December 30, 1979 and December 28, 1980, respectively. The effect upon income was to increase cost of goods sold by $179 for the period August 31, 1979 through December 30, 1979, and to increase cost of goods sold by $472 for 1980.

Average Cost

BAKER INTERNATIONAL CORPORATION (SEP)

	1980	1979
	($000)	
Current assets:		
Cash	$ 7,534	$ 8,135
Receivables—less allowance for doubtful accounts: 1980, $6,740,000; 1979, $5,233,000	333,130	253,849
Inventories (Note 1):		
Finished goods	241,818	207,801
Work in process	88,166	70,736
Raw materials	74,762	57,370
Total inventories	404,746	335,907
Prepaid expenses and other	22,195	11,465
Total current assets	$767,605	$609,356

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

Inventories. Inventories are stated at the lower of cost or market and are principally valued by using currently adjusted standards which approximate actual cost under the average cost method.

At September 30, 1980 and 1979, LIFO inventories of an acquired company have a tax basis approximately $2,044,000 less than that for financial statement purposes resulting from the valuation of such inventories in accordance with the purchase accounting provisions of Accounting Principles Board Opinion No. 16.

GENERAL REFRACTORIES COMPANY (DEC)

	1980	1979
	(dollars in thousands)	
Current Assets:		
Cash	$ 5,300	$ 6,360
Notes and accounts receivable trade, less allowance $3,028,000 (1980) and $1,917,000 (1979)	63,345	87,509
Other receivables	7,113	9,287
Inventories	94,415	86,952
Prepaid and other	6,035	5,113
Total current assets	$176,208	$195,221

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5: Inventories

	1980	1979
	(dollars in thousands)	
Finished products	$29,548	$30,998
Work in process	8,629	5,318
Raw materials	43,470	35,570
Supplies and repair parts	12,768	15,066
	$94,415	$86,952

Inventories are stated at the lower of cost or market. The Company uses the last-in, first-out (LIFO) method of determining costs of approximately 15% of the inventories and the average cost method for substantially all other inventories.

If the average cost method utilizing current costs had been used for inventory valuation instead of the LIFO method, inventories would have been higher by $18,096,000 (1980), and $15,478,000 (1979). During 1980, 1979 and 1978, certain inventory quantities were reduced, resulting in a liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years. The effect was to increase net income by approximately $1,890,000 ($.50 per share) and $870,000 ($.23 per share) and reduce the net loss by approximately $1,325,000 ($.35 per share) for 1980, 1979 and 1978 respectively.

STANDARD BRANDS INCORPORATED (DEC)

	1980	1979
	($000)	
Current Assets		
Cash	$ 70,480	$ 34,009
Receivables, less allowances of $11,284 in 1980 and $7,655 in 1979	319,912	272,354
Inventories	555,877	468,610
Prepaid expenses	13,178	13,490
Total Current Assets	$959,447	$788,463

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies

Inventories, which are stated principally at the lower of average cost or market, include material, labor, factory overhead, and $26,000,000, $12,700,000 and $10,400,000 of excise taxes in 1980, 1979 and 1978, respectively.

Inventories

Inventories consisted of the following categories at December 31:

($000 omitted)	1980	1979
Finished products	$203,325	$165,408
Products in process	114,950	78,541
Raw materials and supplies	237,602	224,661
Total inventories	$555,877	$468,610

Production Cost

ROCKWELL INTERNATIONAL CORPORATION (SEP)

	1980	1979
	(In millions)	
Current assets		
Inventories	$1,175.4	$1,092.6

NOTES TO FINANCIAL STATEMENTS

Note 3: Inventories

Inventories at September 30 are summarized as follows (in millions):

	1980	1979
Finished goods	$ 311.7	$ 275.0
Inventoried costs related to United States Government contracts and other long-term contracts and programs	235.0	203.9
Work in process	557.6	534.2
Raw materials, parts and supplies	358.4	328.0
Total	1,462.7	1,341.1
Less allowance to adjust the carrying value of certain inventories (1980, $689.4 million; 1979, $710.0 million) to a last-in, first-out (LIFO) basis	225.8	194.4
Remainder	1,236.9	1,146.7
Less progress payments on long-term contracts and programs	61.5	54.1
Inventories	$1,175.4	$1,092.6

Inventories are stated at the lower of cost (using LIFO, FIFO, or average methods) or market (determined on the basis of estimated realizable values), less progress payments received. Title to all inventories related to those United States Government contracts that provide for progress payments vests in the United States Government.

The 1980 provision to decrease the carrying value of certain inventories to a LIFO basis was partially offset by the impact of a reduction of certain LIFO inventories. This reduction decreased the LIFO provision by $26.4 million and increased net income by $12.0 million.

Inventoried costs related to United States Government fixed-price-type contracts and other long-term contracts and programs of the aerospace and electronics businesses are stated generally at the total of the direct costs of manufacturing, engineering and tooling, and overhead costs applicable thereto, less costs allocated to delivered items and reductions, where applicable, to estimated realizable values. Except for the business aircraft and certain electronics divisions of these businesses, general and administrative expenses (including bidding expenses and independent research and development costs) allowable in accordance with United States Government procurement practices are included in overhead costs.

In accordance with industry practice, inventoried costs related to long-term contracts and programs of the aerospace and electronics businesses include amounts which are not expected to be realized within one year.

At September 30, 1980 and 1979 inventoried costs do not include any significant amounts of unamortized tooling, learning curve and other deferred costs, or claims or other similar items subject to uncertainty concerning their realization.

General and administrative expenses related to United States Government contracts incurred and charged to inventoried costs were $227.4 million and $186.8 million in 1980 and 1979, respectively. General and administrative expenses remaining in inventoried costs are estimated at $12.4 million and $10.7 million at September 30, 1980 and 1979, respectively. Such estimates assume that general and administrative expenses for each contract have been relieved from inventories on a basis proportional to total costs charged to inventories.

WARNER COMMUNICATIONS INC. (DEC)

	1980	1979
	($000)	
Current assets:		
Cash and short-term investments ..	$226,304	$212,020
Accounts and notes receivable, less allowances for doubtful receivables and returns (1980—$204,280; 1979—$152,289) ..	445,868	333,052
Inventories	228,705	214,714
Advance royalties....................	53,217	53,237
Other current assets.................	32,127	24,192
Total current assets	$986,221	$837,215

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting for Motion Pictures

Current assets include (1) the cost allocated to theatrical markets of films released, less amortization, and films completed and not released, and (2) the cost of television films in production pursuant to a contract of sale. Costs allocated to secondary markets, films in production and all other costs related to film production are classified as non-current assets.

Production costs applicable to theatrical and television release of each film production are amortized based upon management's estimate of the total revenue that will be realized. Such estimates are revised periodically and losses, if any, are provided for in full.

Film rights for television exhibition include (1) a portion of the cost of released feature productions which is allocated to television exhibition based generally upon the income expected to be derived therefrom and (2) the cost of exclusive licenses to distribute certain feature motion pictures for television exhibition.

The Company recognizes income from television licensing agreements when each film is available for telecasting by the licensee, provided certain conditions of sale have been met.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Inventories:

Inventories consist of the following:

As of December 31 (Thousands)	1980		1979	
	Current	Non-Current	Current	Non-Current
Consumer electronics and toys	$ 73,024	—	$ 77,193	—
Film productions for theatrical exhibition:				
Released, less amortization......	42,935	—	10,322	—
Completed and not released	11,799	—	16,528	—
In process	—	$ 53,354	—	$89,896
Film rights for television exhibition, less amortization.................	23,271	82,899	39,190	69,258
Records, tapes, magazines, books and other	77,676	—	71,481	—
	$228,705	$136,253	$214,714	$159,154

Inventories of motion picture films are stated at the lower of cost less amortization, or estimated realizable value. Records, tapes, magazines, books, electronic games and toys are stated at the lower of average cost or estimated realizable value.

In accordance with industry practice, records, tapes, magazines and books are usually sold to customers with the right to return unsold items. Revenues from these and other sales represent gross sales less a provision for future returns. It is WCI's general policy to value returned goods included in inventory at estimated realizable value but not in excess of cost.

Provisional Cost

GULF RESOURCES & CHEMICAL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Inventories—

Inventories, stated at the lower of cost (which includes material, labor and overhead) or market, with cost determined by the first-in, first-out (FIFO), last-in, first-out (LIFO), average cost, or provisional cost method are summarized below:

(In thousands)	1980	1979
Finished products	$16,838	$14,175
Work in process	30,058	29,210
Raw materials	30,667	17,729
Parts and supplies	6,009	3,825
	$83,572	$64,939
LIFO cost	$25,791	$29,191
FIFO cost	18,701	15,334
Average cost	27,190	20,414
Provisional cost of metals purchased for which prices have not yet been fixed	11,890	—
	$83,572	$64,939

At December 31, 1980 and 1979, replacement or current cost was approximately $30,400,000 and $80,700,000 in excess of the amount of inventories stated on the LIFO method.

During the years ended December 31, 1980, and 1979, lower costs were reflected in cost of sales as a result of reductions in LIFO inventory quantities at Gulf's custom smelting operations. These reductions, computed on a monthly basis, increased net income by $21,000,000 ($2.21 per share on a fully diluted basis) and $6,000,000 ($.71 per share on a fully diluted basis) for 1980 and 1979, net of Federal and state income taxes at statutory rates.

Forward Hedging Metals Sales and Purchases of Provisionally Priced Concentrates (in part)

Effective January 1, 1980, Gulf changed its method of accounting for (a) forward hedging sales of purchased precious and base metals in concentrates and (b) purchases of provisionally priced concentrates in order to provide better matching of revenues and costs in its custom smelting activities. Forward hedging metals sales are recorded when the contract of sale is made, with deferral of the conversion profit until delivery of the refined metal, and purchases of provisionally priced concentrates will be recorded as LIFO inventory when the purchase price is finalized. Prior to finalizing the purchase price, the provisionally priced concentrates will be reflected in a separate inventory category at the provisional price with subsequent adjustments until the price is finalized. Previously, hedging sales were recorded upon delivery of refined metal and provisionally priced purchases recorded in LIFO inventory at the provisional price upon receipt of concentrates with subsequent adjustments until the purchase price was finalized. The cumulative effect of these changes as of January 1, 1980, was to increase net income by $3,711,000, (net of Federal and state income taxes at statutory rates). The reduction in LIFO inventories in 1980, which includes the $3,711,000 cumulative effect, was an integral part of the accounting changes. A request for approval of these changes for tax purposes has been made to the Internal Revenue Service and Gulf anticipates receiving approval during 1981.

Market

CONAGRA, INC. (MAY)

	1980	1979
	(Dollars in thousands)	
Current assets		
Cash	$ 7,504	$ 9,804
Receivables, less allowance for doubtful accounts of $5,207 and $3,460, respectively	87,627	83,598
Recoverable income taxes	8,404	50
Inventories		
Grain	32,206	22,162
Finished products and in process	93,605	30,459
Raw materials, containers and supplies	7,954	6,479
Advances on purchases	4,970	7,420
	138,735	66,520
Prepaid expenses	4,057	2,143
Total current assets	$246,327	$162,115

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Inventories: Grain, flour and major feed ingredient inventories are hedged to the extent practicable and are generally stated at market including adjustment to market of open contracts for purchases and sales. Inventories not hedged are priced at the lower of average cost or market.

THE PILLSBURY COMPANY (MAY)

	1980	1979
	(In millions)	
Current assets:		
Cash (Note 5)	$ 15.9	$ 8.4
Marketable securities, at cost (approximates market)	38.6	29.3
Receivables, less allowance for doubtful accounts of $7.3 million and $6.4 million, respectively	348.7	274.4
Inventories (Note 3)	403.6	405.6
Advances on purchases	90.1	156.4
Prepaid expenses	41.9	32.5
Total current assets	$938.8	$906.6

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Inventories

The company follows a policy of hedging grain and certain other inventories to the extent considered practicable to minimize risk due to market price fluctuations. Grain is stated on the basis of market prices at May 31, including adjustment to market of open contracts for purchases and sales. Substantially all other inventories are stated at cost (first-in, first-out) or market, whichever is lower and include material, direct labor and manufacturing overhead.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Inventories

	1980	1979
	(In millions)	
Grain	$ 40.9	$ 75.1
Finished products	210.8	196.1
Raw materials, containers and supplies	151.9	134.4
	$403.6	$405.6

Inventories used in determining cost of sales were the total amounts above and $245.8 million at May 31, 1978.

TABLE 2-10: PREPAID ITEMS

	Number of Companies			
	1980	**1979**	**1978**	**1977**
Prepaid expenses	267	276	279	295
Prepaid expenses and other current assets	95	92	89	79
Prepaid expenses and taxes paid in advance	28	23	19	35
Taxes paid in advance	16	25	13	18
Supplies and prepaid expenses	8	6	8	10
Other captions indicating prepaid expenses	49	48	55	39

PREPAID EXPENSES

Table 2-10 summarizes the prepaid expense captions appearing in the current asset section of the survey companies' balance sheets. Rarely is the nature of a prepaid expense caption disclosed. Examples of companies disclosing the nature of a prepaid expense caption follow.

ADAMS-RUSSELL CO., INC. (SEP)

	1980	1979
Current Assets:		
Prepaid expenses—		
Film contract rights (Note 1c).	$144,100	$239,500
Consulting and noncompetitive agreements (Note 1h)	114,800	105,300
Other	219,400	227,000

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

(c) Film Contract Rights—Film contract rights are recorded at the full contract price when purchased. Costs of such contracts are amortized on a straight-line basis over the life of each contract.

(h) Consulting and Noncompetitive Agreements—Consulting and noncompetitive agreements are being amortized over a five to seven-year period.

CHRYSLER CORPORATION (DEC)

	1980	1979
	(In millions of dollars)	
Current Assets:		
Cash	$ 101.1	$ 188.2
Time deposits	2.6	120.8
Marketable securities—at lower of cost or market	193.6	165.3
Accounts receivable (less allowance for doubtful accounts: 1980-$40.3 million; 1979-$34.9 million)	476.2	610.3
Inventories (Note 4)	1,916.0	1,873.8
Prepaid insurance, taxes and other expenses	101.6	102.3
Income taxes allocable to the following year	70.1	60.0
TOTAL CURRENT ASSETS	$2,861.2	$3,120.7

HAMMERMILL PAPER COMPANY (DEC)

	1980	1979
	($000)	
Current assets		
Cash	$ 3,146	$ 6,331
Short-term investments, at cost, which approximates market	1,392	21,593
Accounts receivable, less allowances of $4,335 and $3,085, respectively	131,821	125,561
Inventories (see detail)	137,453	125,331
Prepaid insurance and other expenses	3,293	3,249
Total current assets	$277,105	$282,065

MATTEL, INC. (JAN)

	1980	1979
	($000)	
Current Assets		
Cash	$ 31,019	$ 29,275
Accounts receivable, less allowance of $19,200,000 in 1981 and $12,200,000 in 1980	160,591	160,227
Inventories	151,242	158,527
Prepaid expenses	28,400	23,066
Deferred income tax benefits	14,673	14,148
Total current assets	$385,925	$385,243

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Prepaid Expenses—Advertising costs related to certain printed products distributed in several installments are amortized as each installment is sold. Purchased art and editorial costs and advance royalty payments related to published works are amortized as publications are sold.

THE MAYTAG COMPANY (DEC)

	1980	1979
CURRENT ASSETS		
Cash	$ 4,027,998	$ 3,234,813
Marketable securities, including certificates of deposit—at cost (approximately market)	58,079,196	58,036,403
Prepaid pension contribution	7,500,000	3,000,000
Trade accounts receivable, less allowance (1980—$110,000; 1979—$100,000)	25,581,990	23,130,857

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 such other current asset accounts follow.

Deferred Income Tax

BRIGGS & STRATTON CORPORATION (JUN)

	1980	1979
CURRENT ASSETS:		
Future Income Tax Benefits	$7,797,000	$5,940,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Future Income Tax Benefits: Where timing differences relating to current assets and current liabilities result in a higher taxable income than that recorded in the accounts, the tax effect is shown as future income tax benefits, a current asset in the balance sheet.

GENERAL FOODS CORPORATION (MAR)

	1980	1979
	($000)	
Current Assets		
Cash	$ 37,513	$ 14,178
Temporary Investments, including time deposits of $106,277 in 1980 and $175,960 in 1979 (at cost, which approximates market)	140,582	277,119
Receivables, less allowances of $15,029 in 1980 and $13,109 in 1979	669,499	535,437
Inventories		
Finished Product	589,286	500,207
Raw Materials and Supplies	413,669	318,620
	1,002,955	818,827
Deferred Income Tax Benefits	65,031	63,049
Prepaid Expenses	35,413	27,027
Current Assets	$1,950,993	$1,735,637

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Significant Accounting Policies

Income Taxes—Income taxes are based on amounts included in the consolidated statements of earnings. Deferred taxes result from differences between the time that certain revenue and expense items are recognized in computing tax expense for financial statement purposes and when these items are reported for income tax purposes. Investment tax credits reduce the provision for income taxes as earned.

INTERNATIONAL PAPER COMPANY (DEC)

	1980	1979
	(In millions of dollars)	
Current Assets		
Deferred income taxes (Note 2).	$57.5	$52.0

Note 2: Income Taxes

The components of income from continuing operations, and the provision for income taxes thereon are:

In millions	1980	1979	1978
Earnings:			
U.S.	$220.6	$361.2	$238.3
Outside U.S.	178.5	154.4	113.0
Earnings from continuing operations before income taxes	$399.1	$515.6	$351.3
Current Tax Provision:			
U.S.			
Federal	$(29.0)	$ 44.9	$ 66.4
State	5.9	19.1	12.9
Outside U.S.	82.6	56.4	48.2
	59.5	120.4	127.5
Deferred Tax Provision:			
U.S. Federal	17.9	40.0	(.3)
Outside U.S.	7.7	7.4	.4
	25.6	47.4	.1
Provision for Income Taxes.	$ 85.1	$167.8	$127.6

At December 31, 1980, the Company was eligible for an $82.9 million income tax refund primarily resulting from the investment tax credit carry back provisions of the Federal income tax code.

The principal items giving rise to deferred income taxes are:

In millions	1980	1979	1978
Accelerated depreciation	$29.8	$17.7	$16.6
Legal settlements	(4.6)	13.3	(15.0)
Swiss Franc bond redemption			11.7
Mill closing		10.1	(8.9)
Other, net	.4	6.3	(4.3)
Total	$25.6	$47.4	$ .1

A reconciliation of the statutory U.S. income tax rate to the Company's effective income tax rate follows:

	1980	1979	1978
Statutory U.S. income tax rate	46.0%	46.0%	48.0%
Reduction (increase) resulting from:			
Income taxed at capital gains rate	9.2	11.1	9.1
Investment tax credit	18.0	5.9	4.0
Other, net	(2.5)	(3.5)	(1.4)
Effective income tax rate	21.3%	32.5%	36.3%

Deferred income taxes classified as a current asset relate to current assets and current liabilities and result primarily from items expensed for financial reporting purposes before they are taken as tax deductions. These include higher Canadian inventory costs provided for book purposes (LIFO) than for tax purposes (FIFO).

Non-current deferred income taxes relate primarily to accelerated depreciation of plant and equipment for tax purposes.

TABLE 2-11: OTHER CURRENT ASSET CAPTIONS

	Number of Companies			
	1980	**1979**	**1978**	**1977**
Nature of Asset				
Deferred income taxes	75	70	60	62
Unbilled costs	28	34	30	26
Property held for resale	27	19	18	23
Advances or deposits	14	12	15	11
Other—identified	25	24	27	24
Other current assets	105	99	91	78

SPS TECHNOLOGIES, INC. (DEC)

	1980	1979
	($000)	
Current assets		
Cash	$ 2,616	$ 3,682
Accounts and notes receivable less allowance for doubtful receivables of $1,794 (1979—$1,359)	65,991	47,395
Inventories	72,721	65,115
Deferred income taxes	4,897	3,966
Prepaid expenses	2,179	1,810
Total current assets	$148,404	$121,968

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Significant Accounting Policies

Income Taxes—Income taxes are provided on the unremitted earnings of unconsolidated affiliates on the assumption that such earnings will be realized as dividends in the future. Deferred income taxes are provided for timing differences between financial and taxable income before income taxes. Long-term construction contracts are accounted for under the percentage of completion method for financial reporting purposes and completed contract method for income tax purposes. Investment tax credits are recognized under the flow-through method.

Unbilled Costs

HARRIS CORPORATION (JUN)

	1980	1979
Current Assets		
Cash	$ 27,996,211	$ 11,870,472
Trade accounts and notes receivable:		
Accounts receivable	237,070,180	207,759,852
Installment notes (including $14,960,000 in 1980 and $11,034,000 in 1979 due after one year)	26,852,435	22,948,570
	263,922,615	230,708,422
Less deferred interest income (4,565,000 in 1980 and $2,475,000 in 1979) and allowances for collection losses	11,077,398	8,654,456
Total Trade Accounts and Notes Receivable	252,845,217	222,053,966
Unbilled costs and accrued earnings on fixed price contracts based on percentage-of-completion accounting (less progress payments of $180,086,000 in 1980 and $101,796,000 in 1979)	92,364,356	64,378,682

A.C. NIELSEN COMPANY (AUG)

	1980	1979
	($000)	
Current Assets:		
Cash and deposits earning interest	$ 17,077	$ 22,445
Marketable securities, at cost which approximates market	5,034	4,903
Accounts receivable:		
Clients (less allowance of $1,365,000 in 1980 and $654,000 in 1979 for doubtful accounts)	116,889	88,217
Other	5,544	4,888
Advances to clients (Note 1)	12,480	13,426
Unbilled expenditures for clients (Note 1)	51,722	35,957
Prepaid expenses	12,586	10,360
Total current assets	$221,332	$180,196

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. Such payments are reflected as advances to clients in the balance sheet.

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.

Property Held for Sale

AMERICAN BILTRITE INC. (DEC)

	1980	1979
	($000)	
CURRENT ASSETS		
Cash	$13,479	$ 8,958
Accounts receivable, less allowances of $2,619 ($2,789 in 1979) for doubtful accounts and discounts	25,289	28,209
Inventories		
Finished goods	10,026	16,501
Work in process	4,445	4,228
Raw materials and supplies	5,975	7,320
	20,446	28,049
Land, buildings and equipment sold or expected to be sold in 1981—at estimated realizable value	6,655	
Prepaid expenses and other current assets	1,139	2,245
TOTAL CURRENT ASSETS	$67,008	$67,461

BIRD & SON, INC. (DEC)

	1980	1979
Current Assets:		
Cash	$ 1,406,000	$ 1,978,000
Accounts and notes receivable, less allowances—$927,000 in 1980 ($991,000 in 1979).	43,288,000	49,987,000
Recoverable federal and state income taxes	6,010,000	—
Inventories	50,855,000	48,526,000
Assets of discontinued operations at estimated realizable value—Note 2	1,764,000	—
Prepaid expenses	3,519,000	2,179,000
Total current assets	$106,842,000	$102,670,000

Note 2: Loss from Discontinued Operations

Late in the third quarter and early in the fourth quarter of 1980, all of the operations of the Paperboard Products Group were discontinued, and in December of 1980, the Company decided to withdraw from the business of manufacturing sound and vibration control materials marketed principally to the automotive industry. The operating assets of these businesses, exclusive of certain realty, have been sold or offered for sale. The results of operations of these businesses are included in the consolidated statement of earnings under the caption "Loss from discontinued operations," and include:

	Year ended December 31,		
	1980	1979	1978
Net sales	$13,527,000	$19,228,000	$18,134,000
Costs and expenses	15,265,000	20,904,000	19,075,000
Income tax benefits	(839,000)	(916,000)	(557,000)
Operating loss from discontinued operations	$ 899,000	$ 760,000	$ 384,000

The consolidated statement of earnings for the year ended December 31, 1980, includes a provision for loss on disposal of assets and close-down costs consisting of the following:

Loss on disposal of property, plant and equipment...	$3,504,000
Loss on realization of inventories and receivables....	112,000
Operating losses during phase-out period	404,000
Accruals for sundry obligations and expenses	800,000
Income tax benefits	(1,999,000)
Net provision for loss on disposal of assets and close-down costs.....................................	$2,821,000

It is expected that the disposition of these operations will be substantially completed within one year.

OPELIKA MANUFACTURING CORPORATION (SEP)

	1980	1979
Current assets:		
Cash	$ 1,436,000	$ 1,441,000
Accounts receivable less allowance for doubtful accounts: $200,000 in 1980 and 1979	11,986,000	12,801,000
Refundable income taxes.........	2,325,000	—
Inventories	20,175,000	21,814,000
Assets related to discontinued operation	3,546,000	5,980,000
Prepaid expenses.................	578,000	597,000
Total current assets	$40,046,000	$42,633,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (in part): Discontinued operation

Effective September 1980, the Board of Directors authorized management to terminate the manufacture of children's apparel and to pursue a plan to liquidate the related inventories.

Included in the loss from discontinued operation in 1980 is a charge of $1,159,000 to write down the inventories to net realizable value.

The assets related to the discontinued operation at September 27, 1980 are stated at estimated realizable value and consist of trade receivables of $841,000 and inventories of $2,705,000.

Advances

ENGELHARD MINERALS & CHEMICALS CORPORATION (DEC)

	1980	1979
	(Thousands of Dollars)	
Current Assets:		
Cash	$ 484,562	$ 370,645
Receivables, less allowance for doubtful items of $29,141,000 in 1980 and $24,943,000 in 1979	2,167,191	2,807,605
Advances on materials in transit and for future delivery	157,910	139,977

THE BFGOODRICH COMPANY (DEC)

	1980	1979
	($000)	
Current Assets		
Cash	$ 24,701	$ 34,634
Short-term securities, at cost (approximate market)	14,987	32,330
Accounts and notes receivable, less allowances for doubtful receivables (1980—$7,336; 1979—$6,888)................	515,281	437,645
Reimbursable advances—Convent Chemical Corporation	2,853	8,118
Inventories	466,764	521,664
Prepaid expenses.................	10,491	12,018
Total Current Assets...........	$1,035,077	$1,046,409

NOTES TO FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts)

Convent Chemical Corporation

Convent Chemical Corporation ("CCC"), a corporate joint venture of Goodrich and Bechtel Petroleum, Inc., is constructing chlorine-caustic soda and ethylene dichloride facilities in Convent, Louisiana. CCC also owns and operates a former Goodrich chlorine-caustic soda plant in Calvert City, Kentucky.

Bechtel is the contractor for the construction of the new facilities and Goodrich is the construction supervisor and manager. Goodrich has entered into a management agreement with CCC under which Goodrich provides all managerial, administrative, financial, technical, marketing and other services necessary for the operation of CCC's business and maintenance of its facilities.

Construction has been financed principally through CCC's issuance of $160,000 of debt, secured by mortgages on the Convert and Calvert City facilities. As of December 31, 1980, Goodrich has provided an additional $50,222 to fund construction. Goodrich has agreed to provide CCC with funds to complete construction of the Convent plants to the extent funds from other sources are insufficient.

Goodrich requires chlorine for the production of ethylene dichloride. Ethylene dichloride is an intermediate chemical used in the production of polyvinyl chloride, a primary product of Goodrich's chemical operations. Under a long-term contract, Goodrich is required to purchase the greater of its chlorine requirements from CCC, subject to CCC's ability to produce, or a minimum quantity of chlorine which is less than Goodrich's anticipated minimum requirements. Such purchases are at a defined published price less a discount. Goodrich is also obligated to advance funds to CCC to the extent CCC's revenues are insufficient to pay its cash obligations. Goodrich is entitled to recover advances caused by low market prices to the extent subsequent market prices exceed specified levels. Goodrich also is entitled to recover advances caused by continuing delivery shortfalls irrespective of chlorine prices.

Under another long-term contract, CCC will toll chlorine and ethylene into ethylene dichloride for Goodrich at its Convent facility.

Goodrich has agreed to purchase, at cost, CCC's assets at its Convent, Louisiana facility if the Convent plants are not completed by December 31, 1981. The facilities are expected to be completed in 1981. In addition, Goodrich has agreed to purchase such assets approximately at cost less depreciation if it fails to meet its payment obligations under the chlorine purchase contract.

As of December 31, 1980, Goodrich has purchased 50 percent of CCC's common stock for $8,550. In addition, Goodrich received 68,300 shares of CCC's $90 Cumulative Convertible Preferred Stock, $1 par value in exchange for $3,100 in cash and the Company's chlorine-caustic soda plant in Calvert City which had a carrying value of $7,738. No gain was recognized on the exchange.

Goodrich uses the equity method of accounting for its common stock investment in CCC. However, the amounts included in the Statement of Income also reflect earnings attributable to Goodrich's investment in preferred stock. Goodrich recognized income of $1,579 in 1980 and $1,555 in 1979 on its investment in CCC. In 1978, Goodrich's share of CCC's loss was $840. Total preferred dividends received from CCC were $4,606 during 1980, and $3,149 during 1979 of which $3,027 and $2,434, respectively, were accounted for as returns of investment.

At December 31, 1980, Goodrich had made advances to or on behalf of CCC of $64,190 of which $2,853 are reimbursable in 1981 and the remainder are reimbursable after completion of the Convent facilities.

INTERNATIONAL MULTIFOODS CORPORATION (FEB)

	1980	1979
	($000)	
Current assets:		
Cash	$ 2,693	$ 5,036
Temporary cash investments at cost, which approximates market	1,606	1,887
Accounts and notes receivable, less allowance for doubtful receivables, $2,895 in 1980; $2,605 in 1979	107,306	106,611
Advances on grain purchases	5,247	3,322

JOY MANUFACTURING COMPANY (SEP)

	1980	1979
	(In Thousands)	
Current Assets		
Cash (Note 5)	$ 14,565	$ 13,772
Receivables (Note 2)	220,677	201,633
Inventories (Note 3):		
Finished goods	104,942	93,709
Work in process and semifinished goods	121,519	119,602
Raw material	34,289	32,266
Advances to suppliers	7,244	10,657
Prepaid expenses and deposits	15,929	14,057
Total Current Assets	$519,165	$485,696

Commodities

BAYUK CIGARS INCORPORATED (DEC)

	1980	1979
	($000)	
Current assets		
Cash	$ 712	$ 333
U.S. Government securities at cost (approximate market)	2,383	2,955
Accounts receivable, less allowance for doubtful accounts, $100 (1980 and 1979)	2,788	3,076
Inventories at lower of cost or market	6,122	6,495
Marketable securities at cost (market $7,540, 1980; $11,746, 1979)—Note 3	7,356	11,356
Commodities at market value—Note 3	21,642	—
Prepaid expenses	396	227
Total current assets	$41,399	$24,442

NOTES TO THE FINANCIAL STATEMENTS

($000 omitted from dollar amounts except for per share data)

Note 3—Marketable securities and commodities

Prior to January 1, 1980, the company had used the specific identification method as the basis for determining gains and losses on marketable security transactions. Effective January 1, 1980, the first-in, first-out method was adopted to more accurately reflect the financial results on a consistently determined basis of significant increases in the volume of securities transactions and the change in the nature of the marketable securities portfolio whereby certain securities are positioned so as to reduce the company's exposure to market risk. If the company had continued to use the specific identification method, income before extraordinary credit and net income would have been greater by $243 ($.13 per share) and $88 ($.04 per share), respectively.

At December 31, 1980, there were unrealized gains of $864, unrealized losses of $716 and realized gains of $562 relating to the company's marketable securities owned and its liability to deliver marketable securities sold but not yet purchased.

Net losses on marketable securities for the year ended December 31, 1978 includes $94 of gross unrealized losses charged to operations in September 1978 as part of the accounting to transfer securities from a long-term investment to a current asset classification.

Trading in gold and gold futures is carried out to provide the company a good yield at a moderate risk. Due to the company's practices with regard to investing in gold bullion and futures contracts, the company believes the most meaningful and appropriate measure of results of this activity is to reflect in the financial statements the net gain or loss from commodity transactions during the year on the specific identification basis, and from valuation adjustments to market for gold bullion and futures contracts.

The company's commodities positions at December 31, 1980 are summarized as follows:

	Cost	Market
Gold bullion	$ 19,061	$ 21,642
Long gold futures	13,614	14,407
	$ 32,675	$ 36,049
Short gold futures	$(40,544)	$(35,928)

Rental Assets

RCA CORPORATION (DEC)

	1980	1979
	(In millions)	
Current assets		
Cash	$ 31.2	$ 70.4
Short-term investments, at cost (approximates market)	143.6	135.2
Receivables (less allowance for doubtful accounts: 1980, $44,309,000; 1979, $43,686,000)	1,236.5	1,112.5
Inventories		
Raw materials	167.3	219.9
Work in process (less progress payments on government contracts: 1980, $74,241,000; 1979, $70,880,000)	154.0	160.3
Finished goods	243.6	321.0
Rental automobiles of Hertz, at cost (less accumulated depreciation: 1980, $119,701,000; 1979, $104,162,000)	682.7	628.4
Investment in net assets held for sale	208.1	—
Prepaid expenses	536.3	582.1
Total current assets	$3,403.3	$3,229.8

NOTES TO FINANCIAL STATEMENTS

Note 1 (in part): Summary of Accounting Policies

Revenue-Earning Equipment. Rental automobiles of The Hertz Corporation (Hertz), a wholly owned subsidiary of RCA, are held for approximately one year and, accordingly, are classified as current assets. Depreciation of rental automobiles and other revenue-earning equipment is computed on the straight-line method on the basis of estimated useful lives of the respective assets. Upon disposal, the difference between the net proceeds from sale and the remaining book value is reflected as an adjustment of depreciation expense.

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 assets classified as Property, Plant, and Equipment by the survey companies. Examples of Property, Plant, and Equipment disclosures follow.

Table 2-14 summarizes the descriptive captions used to describe the accumulated allowance for depreciation.

TABLE 2-12: LAND CAPTIONS

	1980	**1979**	**1978**	**1977**
Land	404	399	388	396
Land and *improvements*	102	108	109	99
Land and buildings	29	32	29	32
Land combined with other identified assets	15	14	20	27
No caption with term *land*	15	10	11	13
	565	563	557	567
Line of business classification	35	37	43	33
Total Companies	**600**	**600**	**600**	**600**

BREAKDOWN BY NATURE OF PROPERTY

AEL INDUSTRIES, INC. (FEB)

Consolidated Balance Sheet

	1980	1979
Property, plant and equipment, at cost (Notes 1 and 4):		
Land	$ 338,733	$ 338,733
Buildings and improvements	5,876,136	5,672,364
Machinery and equipment	9,060,555	7,568,422
CATV systems	8,978,621	7,895,910
Deferred CATV systems development expense	2,802,703	1,526,740
Office furniture and equipment	1,302,149	1,192,214
Construction in progress	4,569,071	1,008,912
	32,927,968	25,203,295
Less accumulated depreciation and amortization	11,172,849	9,245,720
Net property, plant and equipment	$21,755,119	$15,957,575

Consolidated Statement of Changes in Financial Position

Source:		
Net income (loss)	$(177,144)	$1,997,915
Items not affecting working capital in the current period:		
Depreciation and amortization of plant and equipment	2,052,839	1,438,344
Amortization of debt discount	49,658	58,302
Provision for (reduction of) deferred income taxes	(874,000)	1,351,900
Gain on repurchase of debentures	(92,763)	(112,013)
Share in net (income) loss of unconsolidated affiliate, net of applicable income taxes	(151,000)	140,000
Working capital provided from operations	$ 807,590	$4,874,448

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

Depreciation and amortization—Depreciation and amortization of plant and equipment are computed on the straight-line method.

Deferred CATV systems development expense—The Company's CATV subsidiaries capitalize certain costs during the system development period (see Note 4).

Note 4: Deferred CATV systems development expense—Effective for the most recent fiscal year, the Company adopted the Statement of Position for Cable Television Companies issued by the American Institute of Certified Public Accountants. The Company's CATV subsidiaries previously deferred the excess of operating costs over related revenues during the period of system development and amortized such amounts over a five year period. The change in accounting involves the recognition of certain costs as period costs which are charged to operations as incurred; the recognition of a portion of certain other costs incurred during the development period as expenses of the period based on subscriber levels; and the amortization of deferred systems development expense over ten years, the depreciable life assigned to the CATV distribution system.

The effect of the implementation of these revised accounting principles on prior periods as well as the current period was not material. Accordingly, prior period financial statements have not been restated. The development period for the various systems presently under construction is expected to be concluded by February, 1982. CATV systems development expenses capitalized were $1,275,963 and $782,987 in fiscal years 1980 and 1979, respectively.

TABLE 2-13: DEPRECIABLE ASSET CAPTIONS

	1980	1979	1978	1977
Buildings				
Buildings	284	284	283	286
Buildings and improvements	177	170	168	176
Buildings and land or equipment	71	78	76	71
Buildings combined with other identified assets	10	9	15	15
No caption with term *buildings*	16	14	15	12
	558	555	557	560
Line of business classification	42	45	43	40
Total Companies	**600**	**600**	**600**	**600**
Other Depreciable Asset Captions		**Number of Companies**		
Machinery and /or *equipment*	447	450	444	445
Machinery and/or *equipment* combined with other assets	100	93	103	129
Construction in progress	232	225	213	227
Leasehold improvements	128	123	126	122
Leased assets	123	103	103	71
Automobiles, marine equipment, etc.	79	73	83	73
Furniture, fixtures, etc.	55	53	59	52
Assets leased to others	19	22	34	34

ANHEUSER-BUSCH COMPANIES, INC. (DEC)

Consolidated Balance Sheet

	1980	1979
	(In millions)	
Plant and Equipment:		
Land	$ 25.6	$ 24.2
Buildings	670.3	604.5
Machinery and equipment	1,472.1	1,202.8
Construction in progress	518.2	275.5
Other real estate	10.2	11.1
	2,696.4	2,118.1
Less accumulated depreciation	749.0	656.3
	$1,947.4	$1,461.8

Consolidated Statement of Changes in Financial Position

(1978 omitted for presentation purposes)

Financial resources were provided by:		
Operations—		
Income before cumulative-effect of an accounting change	$ 171.8	$ 144.3
Charges to income not involving working capital—		
Depreciation	99.4	75.4
Deferred income taxes	67.8	41.0
Other, net	8.3	3.6
Working capital provided by operations	$ 347.3	$ 264.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Plant and Equipment—Plant and equipment is carried at cost and includes expenditures for new facilities and those which substantially increase the useful lives of existing plant and equipment. Maintenance, repairs and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any profit or loss on disposition is credited or charged to income.

The company provides for depreciation of plant and equipment on methods and at rates designed to amortize the cost over their estimated useful lives (buildings 2% to 10% and machinery and equipment 4% to 25%). Depreciation is computed principally on the sum-of-the-years-digits method for property acquired between January 1, 1954 and December 31, 1974, and the straight line method is used for property acquired prior to and after this period.

A portion of the land held by the company is for investment purposes and is not an integral part of the company's primary operations. This land has been classified in the Consolidated Balance Sheet as investment properties.

TABLE 2-14: ACCUMULATED DEPRECIATION

	1980	1979	1978	1977
Accumulated depreciation	291	299	292	302
Accumulated depreciation and amortization	167	162	162	144
Accumulated depreciation, amortization and depletion	34	35	33	38
Accumulated depreciation and depletion	19	17	18	23
Allowance for depreciation	27	29	33	38
Allowance for depreciation and amortization	23	22	23	23
Allowance for depreciation and depletion	7	9	7	5
Other captions	32	27	32	27
Total Companies	**600**	**600**	**600**	**600**

BANGOR PUNTA CORPORATION (SEP)

	1980	1979
	($000)	
Property, Plant and Equipment, Net	$134,072	$123,611

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Property, Plant and Equipment—Land is carried at cost and other properties at cost less accumulated depreciation. Certain leases have been capitalized and the leased assets are included in property, plant and equipment. Refer to note 8 for information on capital leases. Major replacements and betterments are capitalized while maintenance and repairs are expensed as incurred. Provision for depreciation is based on estimated useful lives of the related assets and is computed generally on the straight-line method.

Note 4: Property, Plant and Equipment

A summary of properties at cost and accumulated depreciation follows:

	Depreciation Rates	September 30 1980	1979
In thousands of dollars			
Farmlands		$ 8,926	$ 10,533
Land		7,160	7,669
Buildings and site improvements	2½% to 10%	81,395	73,880
Machinery and equipment	5% to 10%	108,781	97,368
Molds, jigs and dies	33⅓%	24,241	22,523
Leasehold improvements	Useful life	2,325	2,417
		232,828	214,390
Accumulated depreciation		98,756	90,779
		$134,072	$123,611
Depreciation charged to operations		$ 16,744	$ 14,156

The sale of farmland in fiscal 1980, resulting in a net gain of $5,668,000, contributed $1.17 primary and $.79 fully diluted earnings per share. The total contribution to net sales and operating profit from the farming of this acreage is immaterial to the current- and prior-year's results of operations.

See note 8 with respect.to capitalized leases.

CHOCK FULL O'NUTS CORPORATION (JUL)

Consolidated Balance Sheets

	1980	1979
Property, plant and equipment—at cost		
Land	$ 236,954	$ 236,954
Buildings and improvements	1,648,188	1,637,862
Leaseholds and leasehold improvements	3,397,499	3,181,204
Machinery and equipment	21,193,455	21,324,380
Leased property under capital lease	4,923,993	4,919,668
	31,400,089	31,300,068
Less allowances for depreciation and amortization	20,215,581	19,570,327
	$11,184,508	$11,729,741

Consolidated Statements of Changes in Financial Position

Financial resources provided by:		
Income from continuing operations	$3,301,456	$2,069,270
Items not affecting working capital:		
Depreciation and amortization of property, plant and equipment	1,324,375	1,305,829
Amortization of deferred charges	27,378	18,513
Loss on disposition of fixed assets	139,305	181,513
Deferred income taxes	(1,144,000)	
Working capital provided by continuing operations, exclusive of extraordinary credit	$3,648,514	$3,575,125

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Significant Accounting Policies

Property, Plant and Equipment—Depreciation and amortization of property, plant and equipment are computed by the straight-line method at rates calculated to amortize the costs of assets over their estimated useful lives.

COLT INDUSTRIES INC. (DEC)

Consolidated Balance Sheet

	1980	1979
	(In thousands)	
Property, Plant and Equipment at Cost (Note 1)		
Land and improvements	$ 26,004	$ 24,733
Buildings and equipment	159,446	150,536
Machinery and equipment	705,317	670,702
Leasehold improvements	9,183	7,159
Construction in progress	76,042	32,093
	975,992	885,223
Less accumulated depreciation and amortization	538,849	494,568
	$437,143	$390,655

Consolidated Statement of Changes in Financial Position

(1978 omitted for presentation purposes)

Source of Funds		
Net earnings	$ 97,751	$111,375
Items not requiring use of working capital—		
Depreciation and amortization	57,851	47,876
Deferred income taxes	73	784
Working capital provided from operations	155,675	160,035
Long-term debt	36,631	8,251
	$192,306	$168,286

Note 1 (in part): Summary of Accounting Policies

Property and Depreciation—Depreciation and amortization of plant and equipment are provided generally by using the straight-line method, based on estimated useful lives of the assets which, in some instances, may be less than the lives allowed for tax purposes. For federal income tax purposes, most assets are depreciated using allowable accelerated methods and the Class Life Asset Depreciation Range System (ADR).

The ranges of estimated useful lives used in computing depreciation and amortization for financial reporting were as follows:

	Years
Land improvements	10-25
Buildings and equipment	10-50
Machinery and equipment	3-25
Leasehold improvements	Generally life of lease

The cost of special equipment and facilities purchased for specific contracts is amortized over a period not exceeding the lesser of the contract life or the estimated useful life of the asset.

Interest cost incurred during the period of construction of plant and equipment is capitalized as part of the cost of such plant and equipment.

Renewals and betterments are capitalized by additions to the related asset accounts, while repair and maintenance costs are charged against earnings. The company and its subsidiaries generally record retirements by removing the cost and accumulated depreciation from the asset and reserve accounts, reflecting any resulting gain or loss in earnings.

At December 31, 1980 and 1979, the company and certain of its subsidiaries had the following assets recorded under capital leases (in thousands):

	1980	1979
Land and improvements	$ 882	$ 683
Buildings and equipment	19,246	16,379
Machinery and equipment	27,683	26,383
Leasehold improvements	930	—
Construction in progress	4,964	—
	53,705	43,445
Less—Accumulated depreciation and amortization	20,050	24,986
	$33,655	$18,459

FLUOR CORPORATION (OCT)

Consolidated Balance Sheet

	1980	1979
	($000)	
Property, Plant and Equipment—at cost		
Land	$ 35,760	$ 27,728
Buildings and improvements	192,489	182,291
Machinery and equipment	215,515	170,530
Drilling and marine equipment	164,294	161,175
Oil and gas properties	186,106	98,299
Construction in progress	39,854	9,697
	834,018	649,720
Less accumulated depreciation, depletion and amortization	232,841	191,806
Net property, plant and equipment	$601,177	$457,914

Consolidated Statement of Changes in Financial Position

Sources of Working Capital		
Net earnings	$131,889	$ 98,671
Charges (credits) to earnings not affecting working capital		
Increase in noncurrent deferred income taxes	71,714	62,498
Depreciation, depletion and amortization	49,233	46,887
Dry-hole writeoffs	4,991	3,349
Amortization of intangible assets	2,424	2,423
Equity in net (income) loss of Peabody Holding Company	(4,364)	270
Other	(774)	6,883
Working capital provided from operations	$255,113	$220,981

FINANCIAL REVIEW

Major Accounting Policies (in part)

Property, Plant and Equipment—Additions and major improvements are capitalized. Expenditures for maintenance and repairs which do not extend the useful life of the applicable assets are charged to expense as incurred. When property or equipment is retired or disposed of, the asset and accumulated depreciation, depletion or amortization accounts are adjusted accordingly and any profit or loss on disposition is recognized currently. In 1980, the company adopted FASB Statement No. 34, Capitalization of Interest Cost, which requires the capitalization of interest costs during the period of property, plant and equipment construction.

In 1980, the company retroactively conformed its successful-efforts method of accounting for oil and gas activities to the successful efforts method as prescribed under FASB Statement No. 19, Financial Accounting and Reporting for Oil and Gas Producing Companies, which had an immaterial effect on the results of operations for 1980 and 1979.

Depreciation, Depletion and Amortization—Depreciation is provided using principally the straight-line method to write off the cost of the assets over their estimated useful lives. Depreciation rates in effect are: building and improvements 2% to 33⅓%; machinery and equipment 5% to 50%; drilling and marine equipment 6⅔% to 33⅓%. Leasehold improvements are amortized over the lives of respective leases. Depreciation, depletion and amortization of capitalized costs for producing oil and gas properties are provided by the unit-of-production method based upon proved reserves. The excess of cost over net assets of acquired companies is being amortized on the straight-line method over 40 years.

MARRIOTT CORPORATION (DEC)

Consolidated Balance Sheet

	1980	1979
	($000)	
Property and Equipment, at cost		
Land	$ 95,834	$ 103,009
Buildings and improvements	285,564	323,059
Leasehold improvements	304,737	251,409
Furniture and equipment	314,370	284,733
Property under capital leases	34,641	29,724
Cruise ships	12,321	11,903
Construction in progress	140,604	62,501
	1,188,071	1,066,338
Depreciation and amortization	(271,688)	(241,160)
	$ 916,383	$ 825,178

Consolidated Changes in Financial Position

(1978 omitted for presentation purposes)

Sources of Funds		
Net income	$ 72,030	$ 71,000
Add expenses not requiring current outlay of working capital—		
Depreciation and amortization of property and equipment	55,863	50,623
Deferred income taxes	11,510	8,786
Other	10,889	10,525
From operations	$150,292	$140,934

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (in part)

Property and Equipment—The cost of new units includes interest, rent charges and real estate taxes incurred during construction. Capitalized interest totaled $12,546,000 in 1980, $4,705,000 in 1979 and $4,766,000 in 1978. Replacements and improvements, including most costs of converting units, are capitalized.

Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of asset or lease life.

Upon sale or retirement of property and equipment (excluding normal sales or retirements of theme park rides and equipment), the costs less accumulated depreciation and salvage are charged or credited to income. Theme park rides and equipment are depreciated under the composite method and no gain or loss is recognized on normal sales or retirements.

THE PITTSTON COMPANY (DEC)

	1980	1979
	(In thousands)	
Property, Plant and Equipment, at cost (Note 3):		
Bituminous coal lands	$141,011	$132,103
Land, other than coal lands	13,754	14,021
Buildings	57,748	56,901
Machinery and equipment	705,680	669,988
	918,193	873,013
Less accumulated depreciation, depletion and amortization	319,034	291,336
	$599,159	$581,677

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Property, Plant and Equipment: Expenditures for maintenance and repairs are charged to expense, and the costs of renewals and betterments are capitalized. Depreciation is provided principally on the straight line method at varying rates depending upon estimated useful lives. Depletion of bituminous coal lands is provided on the basis of tonnage mined in relation to the estimated total of recoverable tonnage in the ground. Mine development costs, including deficits at mines in the development stage, are capitalized and amortized over the estimated useful life of the mine. A mine is considered under development until all of the planned production units have been placed in operation.

Note 3: Property, Plant and Equipment

The amount of depreciation, depletion and amortization charged to expense was $60,195,000 in 1980, $54,127,000 in 1979 and $53,603,000 in 1978.

Deficits incurred at mines in the development stage amounted to $8,000,000 in 1980, $13,600,000 in 1979 and $5,500,000 in 1978. These amounts were capitalized, in accordance with Company policy.

As required by FASB Statement No. 34, which became effective for fiscal years beginning after December 15, 1979, the Company capitalized $5,831,000 of interest cost in 1980. The effect was to increase 1980 net income by $3,099,000 or $.08 per share.

FUNCTIONAL CLASSIFICATION

THE WILLIAMS COMPANIES (DEC)

Consolidated Balance Sheet

	1980	1979
	(Thousands)	
Property, plant and equipment, at cost (Note 8)	$1,920,304	$1,591,269
Less accumulated depreciation and depletion	502,505	400,743
Property, plant and equipment—net	$1,417,799	$1,190,526

Consolidated Statement of Changes in Financial Position

(1978 omitted for presentation purposes)

Working capital provided:		
Income from continuing operations	$138,696	$ 69,450
Add (deduct) items not requiring outlay of working capital in the current period:		
Depreciation and depletion	105,334	92,728
Provision for deferred income taxes	49,247	24,709
Share of Peabody Holding Company, Inc.'s net (income) loss	(24,015)	(3,302)
Other—net	17,926	12,860
Total from continuing operations	$287,188	$196,445

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Depreciation and depletion—Depreciation (including amortization of capitalized leases) is provided substantially on the straight-line method over estimated useful lives. Depletion of the cost of oil and gas reserves and phosphate mineral deposits and depreciation of certain mining equipment are calculated on the unit-of-production method based on estimated proved reserves.

Note 8. Property, plant and equipment

Property, plant and equipment (including capitalized leases—see Note 10) is summarized as follows:

	(Thousands)			
	1980		1979	
	Cost	Net	Cost	Net
Fertilizer	$ 953,182	$ 699,472	$ 724,457	$ 521,442
Oil and gas	296,425	227,566	237,196	197,712
Natural gas pipeline	74,489	61,394	59,845	51,231
Products pipeline system	458,369	326,355	445,103	324,096
Metals	69,119	48,270	59,952	42,603
Other	68,720	54,742	64,716	53,442
	$1,920,304	$1,417,799	$1,591,269	$1,190,526

Oil and gas properties include lease acquisition, geological and geophysical costs and drilling in progress attributable to unproved properties of $44 million in 1980 and $35 million in 1979.

The following tables summarize certain additional information related to the oil and gas properties:

	(Thousands)		
	1980	1979	1978
Capitalized costs incurred:			
Lease acquisition	$13,839	$ 5,687	$ 6,130
Exploration	36,821	13,573	10,680
Development	9,636	17,529	28,121
	$60,296	$36,789	$44,931
Depreciation and depletion expense (rate per MMBtu—$1.32 in 1980, $1.07 in 1979 and $.99 in 1978)	$29,827	$24,564	$15,769
Gross revenues*	$67,976	$46,834	$28,170
Less: Production costs, windfall profit taxes and severance taxes	11,998	5,771	4,181
Net revenues	$55,978	$41,063	$23,989

*Includes $40,454,000 in 1980; $26,787,000 in 1979; and $14,954,000 in 1978 of sales to a wholly owned pipeline subsidiary at current market prices.

CROWN CENTRAL PETROLEUM CORPORATION (DEC)

Consolidated Balance Sheets

	1980	1979
	(thousands of dollars)	
Property, Plant and Equipment		
Land	$ 19,424	$ 18,230
Oil and gas properties (successful efforts method)	111,640	77,527
Refinery and petrochemical plant	159,034	137,838
Marketing facilities	57,386	52,440
Pipelines and other equipment	13,293	11,869
Reactor materials—long-term projects	11,000	11,000
	371,777	308,904
Less allowances for depreciation, depletion and amortization	115,089	91,426
Total Property, Plant and Equipment	$256,688	$217,478

Consolidated Statements of Income

(1978 omitted for presentation purposes)

Costs and expenses:		
Costs and operating expenses	$1,127,024	$847,000
Selling and administrative expenses	53,171	42,843
Depreciation, depletion and amortization	22,752	17,854
Production and other operating taxes	16,804	9,708
Interest	10,131	8,388
Abandonments and sales of property, plant and equipment (net of proceeds)	6,938	6,923
	$1,236,820	$932,716

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (in part):

Property, Plant and Equipment: Property, plant and equipment is carried at cost. Depreciation and amortization of plant and equipment are provided on the straight-line method over estimated useful lives.

Upon sale or retirement, the costs and related accumulated depreciation or depletion are eliminated from the respective accounts, and the resulting gain or loss is included in income.

Routine current maintenance, repairs and replacement costs are charged against income. Turnaround costs, which consist of complete shutdown and inspection of significant units of the refinery at intervals of two or more years for necessary repairs and replacements, are deferred and amortized over the related period. Expenditures which materially increase values, change capacities or extend useful lives are capitalized.

Lease acquisition costs and drilling and development costs of producing oil and gas properties are capitalized and depleted by the unit-of-production method. The Company historically has utilized the successful efforts method of accounting for exploration and development costs. Under that method, exploratory costs, including geophysical and geological expenses, lease rentals and intangible drilling costs related to nonproducing wells are charged to expense.

Note D—Expenditures Related to Certain Long-Term Projects

The Company engages in various long-term projects which involve certain risks and contingencies and which may ultimately be abandoned. Expenditures believed to have value independent of the project are capitalized ($14,596,000 at December 31, 1980). Other expenditures relating to these projects have been charged to expense as incurred ($2,296,000 in 1980, $477,000 in 1979 and $946,000 in 1978).

The major portion of these expenditures related to a planned refinery to be built on the East Coast and included contracts for design and engineering work, reactor material and related fabrication work totalling $11,000,000. Management believes that the materials and related fabrication work completed to date have a value in excess of $11,000,000 if used in the planned refinery. In the event this refinery project is abandoned, the recovery of this amount would be dependent upon the sale to a purchaser engaged in a project where the material can be used in its present form. If the material cannot be used in its present form, it is estimated that its resale value would probably be substantially less than the amount capitalized, although this value cannot readily be determined at this time. However, in the opinion of management, potential adjustments, if any, would not be material to the Company's financial position.

Design and feasibility studies are currently being conducted at the direction of the joint venture partners in the proposed refinery project in North Carolina, the results of which should indicate whether these reactor materials can be used directly or through an exchange in the planned refinery. Management expects to use this material in the planned refinery project or a similar project and thereby recover the investment.

TABLE 2-15: INVESTMENTS—VALUATION BASES

	Number of Companies			
	1980	**1979**	**1978**	**1977**
Equity	335	332	332	330
Cost	106	116	124	136
Cost less allowances for decline in value	14	13	19	27
Lower of cost or market	20	20	19	19

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, corporate joint ventures, and 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.

FASB Interpretation No. 35 was issued in May 1981 to clarify the criteria for applying the equity method of accounting to minority owned companies. The provisions of *FASB Interpretation No. 35* will be effective for fiscal years beginning after June 15, 1981.

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.

Equity Method

THE BENDIX CORPORATION (SEP)

Consolidated Balance Sheet

	1980	1979
	(in millions)	
Total Current Assets	$1,652.8	$1,263.3
Investments	226.6	171.8
Land, Buildings, and Equipment—Net	705.9	547.2
Goodwill and Other Intangibles (Less Amortization)	91.2	64.7
Net Assets of Discontinued Operations	203.0	186.3
Miscellaneous Assets	44.0	30.8
Total	$2,923.5	$2.264.1

Consolidated Statement of Income

Income from Consolidated Operations	$128.8	$115.2
Equity in net earnings of nonconsolidated companies	57.9	27.8
Income from Continuing Operations	$186.7	$143.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (in part)

Consolidated Financial Statements and Related Matters—The consolidated financial statements comprise those of the Corporation and all of its subsidiaries, except for a finance subsidiary. The equity method of accounting is used for the finance subsidiary and for other investments in nonconsolidated companies where the Corporation is able to exercise significant influence over operating and financial policies. Under this method, equity in net earnings or losses is included in consolidated income currently rather than when realized through receipt of dividends; investments are stated at cost plus equity in net earnings, adjusted by income taxes. Other investments in nonconsolidated companies are carried at cost. The financial statements of subsidiaries outside the U.S. and Canada generally are included in the consolidated financial statements on the basis of fiscal years ending August 31.

Investments

The Corporation owns 5,106,900 shares (approximately 20.6%) of the outstanding shares of ASARCO Incorporated (Asarco). The investment is accounted for under the equity method of accounting.

The excess at date of acquisition of the Corporation's equity in net assets over the cost of its investment has been allocated among certain of Asarco's assets and liabilities (resulting principally in an increase to last-in, first-out inventories and reductions to investments and properties); the portion allocated to properties is being amortized over the estimated average remaining lives of such properties. Equity in earnings of Asarco is included in the consolidated results of operations based on its results for twelve-month periods ended June 30, adjusted by income taxes on equity earnings. Income taxes are provided at capital gains rates on undistributed earnings and dividend rates on distributed earnings.

The Corporation's equity in net assets of Asarco as of September 30, 1980 and 1979, net of deferred income taxes, was $236.2 million and $197.8 million, respectively; its fiscal 1980 and 1979 equity in earnings was $55.5 million and $25.5 million, respectively. The Corporation received dividends from Asarco of $12.8 million and $4.0 million in fiscal 1980 and 1979, respectively.

Summarized unaudited financial information for Asarco as of June 30, 1980 and 1979 and for the twelve-month periods then ended is set forth below:

	1980	1979
	(in millions)	
Net current assets	$ 279.8	$ 242.8
Investments	705.5	544.3
Properties and other other assets	722.0	695.3
Long-term debt and other noncurrent liabilities	(439.1)	(451.8)
Net Assets	$1,268.2	$1,030.6
Income from products and services	$ 307.9	$ 227.9
Equity in earnings of nonconsolidated associated companies	211.6	111.5
Other deductions—Net	(125.5)	(138.1)
Income taxes	(74.0)	(37.2)
Net Earnings	$ 320.0	$ 164.1

On October 29, 1980, the Corporation announced an agreement under which its shares of Asarco common stock will be sold to Asarco for $55 a share. Under the agreement, which is contingent upon approval of Asarco's stockholders and the completion of its financing arrangements, it is expected that the sale of at least sixty percent of the shares will occur by the end of January 1981, with the balance being sold by June 1981. The Corporation's gain on the transaction, after taxes and other effects on income, is expected to exceed $75 million.

Under an operating agreement with the Corporation, a finance subsidiary may acquire the products of the Corporation and its subsidiaries for lease to its customers. The finance subsidiary also from time to time may purchase notes (without recourse) from the Corporation and its subsidiaries at agreed upon discount rates. The Corporation is reimbursed for certain administrative services rendered to the finance subsidiary and is required to maintain net earnings of the finance subsidiary at an estimated multiple of fixed charges.

Condensed financial information for the finance subsidiary as of September 30, 1980 is set forth below:

	1980
	(in millions)
Assets	
Lease contracts and notes receivable	$60.6
Other assets	1.3
Total	$61.9
Liabilities and Stockholders' Equity	
Notes payable to banks	$34.4
Other liabilities	9.8
Stockholders' equity	17.7
Total	$61.9

DETAILS TO CONSOLIDATED BALANCE SHEET

Investments		
Nonconsolidated companies (at equity)		
Asarco (market, $301.5 and $181.7, respectively)	$193.0	$149.5
Other companies	26.3	16.5
Other investments (at cost, market $26.5 and $28.3, respectively).	7.3	5.8
Total	$226.6	$171.8

CORNING GLASS WORKS (DEC)

Consolidated Balance Sheets

	1980	1979
	($000)	
Investments		
Associated companies, at equity	$280,187	$221,659
Others, at cost	12,957	7,225
	$293,144	$228,884

Consolidated Statements of Income and Retained Earnings

(1978 omitted for presentation purposes)

Income before minority interest and equity earnings	$ 75,463	$ 81,901
Minority interest in earnings of subsidiaries	(2,518)	(2,202)
Equity in earnings of associated companies	41,775	45,244
Net Income	$114,720	$124,943

STATEMENT OF ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of all significant subsidiary companies. The major foreign subsidiaries are consolidated as of dates up to four weeks earlier than the consolidated balance sheet dates.

The equity method of accounting is used for all investments in associated companies in which the company's interest is 20% or more, except Owens-Corning Fiberglas Corporation. The company, under a 1949 consent decree, is enjoined from exercising any control over Owens-Corning Fiberglas Corporation (see Note 6). Under the equity method, the company recognizes its share in the net earnings or losses of these associated companies as they occur rather than as dividends are received. Investments in Owens-Corning Fiberglas Corporation and in companies in which the ownership interest is less than 20% are carried at cost.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6: Investments

Investments in net assets of associated companies accounted for under the equity method amounted to $280,187,000 at December 28, 1980, and $221,659,000 at December 30, 1979. Of these amounts, Dow Corning Corporation, a 50%-owned manufacturer of silicones, with operations substantially in the United States and Europe, represented $187,965,000 and $163,715,000, respectively. The financial position and results of operations of Dow Corning are summarized as follows:

In thousands	1980	1979	1978
Net sales	$681,518	$610,154	$479,049
Cost of sales	403,907	356,118	274,971
Gross margin	277,611	254,036	204,078
Operating expense	149,743	131,652	100,190
Income from operations	127,868	122,384	103,888
Other income (expense) net	1,813	4,457	(2,505)
Income before taxes on income	129,681	126,841	101,383
Taxes on income	55,810	55,390	45,117
Net income	$ 73,871	$ 71,451	$ 56,266
Corning's equity in net income	$ 36,936	$ 35,726	$ 28,133

In thousands	December 28, 1980	December 30, 1979
Current assets	$342,039	$315,638
Plant and equipment, net	342,300	273,999
Other assets	15,306	13,952
	699,645	603,589
Current liabilities	172,379	133,412
Loans payable beyond one year	91,512	102,523
Other liabilities and deferred credits	59,454	40,225
Net assets	$376,300	$327,429

Summary financial information is presented below for Corning's major international glass manufacturing equity basis companies. Increasingly, business in Latin American and Asian countries is conducted through joint projects with local investors. This grouping is comprised of Borosil Glass Works Limited; Crown Corning Limited, Iwaki Glass Company, Ltd.; Rigolleau, S.A.; and Samsung-Corning Company, Ltd.

In thousands	1980	1979	1978
Net sales	$254,274	$231,515	$169,764
Cost of sales	184,038	163,709	117,133
Gross margin	70,236	67,806	52,631
Operating expense	37,672	32,491	26,847
Income from operations	32,564	35,315	25,784
Other expense, net	10,574	10,721	15,455
Income before taxes on income	21,990	24,594	10,329
Taxes on income	12,013	10,032	6,470
Net income	$ 9,977	$ 14,562	$ 3,859
Corning's equity in net income	$ 4,317	$ 8,999	$ 1,073

In thousands	December 28, 1980	December 30, 1979
Current assets	$145,583	$125,579
Plant and equipment, net	66,282	59,390
Other assets	12,077	10,519
	223,942	195,488
Current liabilities	122,167	96,957
Loans payable beyond one year	8,307	16,006
Other liabilities and deferred credits	12,442	8,727
Net assets	$ 81,026	$ 73,798

The following information is presented for all equity basis companies and for Owens-Corning Fiberglas Corporation ("OCF"):

In thousands	1980	1979	1978
Equity in undistributed earnings of equity basis companies included in retained earnings	$205,895	$180,326	$146,529
Dividends received from equity basis companies	$ 18,293	$ 11,486	$ 8,399
Dividends received from OCF	$ 8,873	$ 9,020	$ 7,564
Excess of quoted market value over cost of investment in OCF	$212,803	$211,689	$197,309

A list of investments accounted for at equity appears on page 53.

Under a consent decree, Corning is required to divest 90% of its OCF holdings by October 1986. Substantial extraordinary gains (measured by the difference between Corning's cost and the fair value of OCF stock) will be generated when the OCF stock is divested. If Corning exchanges these shares for outstanding Corning common shares, the Internal Revenue Service has advised that Corning would not be subject to a capital-gains tax on the exchange. However, no decision has been made as to the timing or method of disposition.

SUBSIDIARIES AND ASSOCIATES

Principal Associated Companies

Equity Basis Investments (percent owned in parentheses)

ALS Corporation
Osaka, Japan
(33.3%)

Asahi Medico, K.K.
Tokyo, Japan
(33.3%)

Borosil Glass Works Limited
Bombay, India
(39.5%)

Crown Corning Limited
Sydney, N.S.W., Australia
(50%)

Dow Corning Corporation
Midland, Mich.
(50%)

Iwaki Glass Company, Ltd.
Tokyo, Japan
(49.8%)

N-Cor Ltd.
Nagoya, Japan
(50%)

Pittsburgh Corning Corporation
Pittsburgh, Pa.
(50%)

Radelcor Instruments Sales Ltd.
Budapest, Hungary
(49%)

Samsung-Corning Company, Ltd.
Seoul, Korea
(50%)

Siecor G.m.b.H.
Munich, Germany
(50%)

Siecor Corporation
Hickory, N.C.
(50%)

Vitrocrisa Kristal, S.A.
Monterrey, Mexico
(45%)

Cost Basis Investment

Owens-Corning Fiberglas Corporation
Toledo, Ohio

ASARCO INCORPORATED (DEC)

Consolidated Balance Sheet

	1980	1979
	($000)	
Investments:		
Nonconsolidated associated companies (equity method)	$717,880	$626,442
Other companies (at cost)	1,767	1,921
Total Investments	$719,647	$628,363

Consolidated Statement of Earnings

(1978 omitted for presentation purposes)

Earnings from operations	$ 81,451	$139,578
Equity in earnings of nonconsolidated associated companies	195,040	177,198
Earnings before taxes on income and cumulative effect on prior years of changes in accounting policies	$276,491	$316,776

NOTES TO FINANCIAL STATEMENTS

Note 4: Investments

Asarco has substantial interests in associated companies in Australia, Mexico and Peru which are also engaged in mining, smelting and refining of nonferrous metals. These companies are: M.I.M. Holdings Limited (MIM); Mexico Desarrollo Industrial Minero, S.A. (MEDIMSA); and Southern Peru Copper Corporation (SPCC). Asarco also has an investment in Revere Copper and Brass Incorporated (Revere), a fabricator of copper, brass and aluminum and a producer of primary aluminum in the United States. Fiscal years for MIM end June 30 and for MEDIMSA, February 28.

Taxes have not been provided on the undistributed earnings of associated companies more than 50% owned, accounted for by the equity method, where earnings have been reinvested indefinitely. At December 31, 1980, the cumulative amount of equity in such undistributed earnings on which income taxes have not been provided is $299.9 million.

Southern Peru Copper Corporation In June 1980, the Cuajone financing agreements were amended to permit SPCC to pay dividends. As consideration for these amendments Asarco and the other stockholders of SPCC agreed to indemnify certain guarantors to the extent and in proportion to any dividends paid by SPCC in excess of those previously permitted. On September 25, 1980, SPCC paid the first dividend since June 1972. The dividend to Asarco was $25.4 million.

Peruvian law gives workers in mining companies an increasing participation in profits, in the proceeds from liquidation and in management committees. Profit participation is made in cash and in the form of ownership shares and interest-bearing obligations issued by the Peruvian branch of SPCC. At the end of 1980 the workers' participation in the Peruvian branch of SPCC was approximately 9%. Eventually, through participation in future earnings, this percentage may increase up to 33⅓%.

Major Investments Accounted for by the Equity Method
(dollars in thousands)

	MIM June 30 1980	SPCC Dec. 31, 1980	MEDIMSA Feb. 29, 1980	Revere Dec. 31, 1980	Other Dec. 31, 1980
Financial Position	(a)		(a)		
Current Assets	$556,082	$346,623	$172,436	$217,614	$29,423
Current Liabilities	(420,030)	(155,518)	(107,511)	(93,773)	(10,997)
Working Capital	136,052	191,105	64,925	123,841	18,426
Property-Net	715,390	654,009	98,963	174,767	5,763
Other Assets	62,775	1,267	183,773	40,429	34
Long-Term Debt	(99,981)	(145,600)	(174,782)	(141,902)	—
Other Liabilities	(14,464)	(24,017)	(3,294)	—	(197)
Deferred Income Taxes	(131,078)	(112,455)	(3,634)	(16,159)	—
Minority Interests	(21)	(65,087)	(632)	—	—
Net Assets	$668,673	$499,222	$165,319	$180,976	$24,026
		at December 31, 1980			
Asarco's Interest	48.9%	52.3%	34.0%	33.0%	Various
Asarco's Investment	$ 291,359	$261,090	$78,904	$77,172(b)	$9,355
Market Value (c)	$1,219,000	N.A.	N.A.	$45,500(b)	N.A.
		For the Years Ended December 31			
Net Sales	(d)		(d)		
1980	$964,788	$517,641	$420,805(e)	$748,079	$59,659
1979	791,682	549,876	433,034	788,122	57,901
1978	467,456	293,401	276,615	680,767	45,783
Net Income (Loss)	(d)		(d)		
1980	$210,503	$ 85,434	$ 53,176(e)	$ 21,865(f)	$ 7,149
1979	189,642	120,309	56,243	25,713	3,928
1978	51,968	29,861	26,360	(19,043)(f)	895
Equity Earnings (Loss) Reported by Asarco					
1980	$113,395	$ 47,942	$ 22,783(g)	$ 6,803	$ 4,117
1979	92,248	62,922	16,163	8,481	(2,616)
1978	32,774	15,617	6,774	7,074	324
Dividends to Asarco					
1980	$ 68,073	$ 25,413	$ 2,994	$ —	$ 1,419
1979	30,911	—	2,678	—	492
1978	14,264	—	2,090	—	624

(a) Translated into U.S. dollars at rates in effect at December 31, 1980, of: MIM-Australian $1 equals US $1.1740 (rate at June 30, 1980, was A$1 equals US $1.1500); MEDIMSA-Mexican MN $1 equals US $0.0432 (rate at February 29, 1980, was MN$1 equals US $0.0437). MEDIMSA's statements as of February 29, 1980, include operations through December 31, 1979.

(b) Includes investment at cost of $22,839 in 5½% Convertible Subordinated Debentures due 1992. Market value is approximately $15,000.

(c) Represents value for Asarco's investments in common stock investments and the investment referred to in (b) above, based upon quoted market prices where available. Values are not necessarily indicative of amounts realizable in the event of a sale.

(d) Translated at the monthly average exchange rate.

(e) Represents the nine months ended November 30, which includes operating results through September 30.

(f) Includes pre-tax gain relating to the Jamaican alumina plant claim settlement of $2.0 million in 1980 and an after-tax loss from the plant writedown of $40.2 million in 1978.

(g) Represents earnings for fiscal year ended November 30, 1980, which includes operations for 12 months ending September 30, 1980 (Note 2).

NATIONAL DISTILLERS AND CHEMICAL CORPORATION (DEC)

Consolidated Balance Sheet

	1980	1979
	($000)	
Investments in associated companies (Note 9)	$146,964	$146,028
Miscellaneous investments and other receivables	26,004	15,158
Deferred charges and other assets.	8,414	8,276
Property, plant and equipment—less accumulated depreciation 1980—$394,965; 1979—$410,859	487,131	520,748
Goodwill—net of amortization	61,841	62,997

Consolidated Statement of Income and Retained Earnings

(1978 omitted for presentation purposes)

Net sales continuing operations	$2,055,049	$2,063,031
Cost of goods sold	1,697,237	1,706,242
Gross profit on sales	357,812	356,789
Selling, advertising and other operating expenses	169,342	156,985
Operating income	188,470	199,804
Corporate and general expenses	(20,067)	(24,870)
Interest on long-term debt	(26,463)	(29,149)
Unusual (charges) credits:		
Plant shutdown costs	(38,000)	
Gain on sale of European operations		22,039
Other income (expense) net	3,684	3,081
	107,624	170,905
Provision for taxes on income	(54,343)	(80,369)
Earnings of insurance subsidiaries	17,950	17,788
Share of earnings of associated companies—net (Note 9)	39,381	25,744
Income from continuing operations	$ 110,612	$ 134,068

Note 9—Investments in Associated Companies

Summary financial information for associated companies as a group is as follows:

	December 31	
Balance sheet data	1980	1979
Current assets	$286,394	$287,453
Property, plant and equipment—net	258,204	248,221
Other assets	89,835	60,515
	$634,433	$596,189
Current liabilities	$132,570	$106,963
Long-term debt	80,311	67,530
Other liabilities	60,770	61,430
Shareholders' equity	360,782	360,266
	$634,433	$596,189
National's share of shareholders' equity	$146,964	$146,028

	Year Ended December 31		
Income statement data	1980	1979	1978
Revenues	$740,015	$619,228	$477,471
Net earnings	113,910	47,874	55,388
Distributions	74,262	55,781	36,709
National's share of earnings	39,381	25,744	26,075
National's share of distributions	34,910	24,901	15,450

At December 31, 1980, the Company's share of the undistributed earnings of corporate associated companies was $30,909.

Investments in associated companies consist of interests in:

	%Owned	
	1980	1979
National Petro Chemicals Corporation, a domestic corporation	50	50
National Helium Corporation, a domestic corporation	50	50
U.S.I. Far East Corporation, a Taiwanese corporation	43	50
Unilever-Emery N.V., a Dutch corporation	—	50
Quimic S.A. de C.V., a Mexican corporation	49	49
Poliolefinas, S.A., a Brazilian corporation	28	28
United Polymers Corporation, a Taiwanese corporation	—	20
RMI Company, a domestic partnership	50	50
Syngas Company, a domestic partnership	33.6	33.3

As a result of the merger of United Polymers Corporation into U.S.I. Far East Corporation in June 1980, the Company's percentage investment in U.S.I. Far East was reduced from 50 to 43 per cent.

In December 1980, the Company sold its investment in Unilever-Emery N.V. to the other 50 per cent stockholder.

Prior to 1980 the Syngas Company was in the formative stage and had no revenues. In 1980 Syngas became operational, supplying synthesis gas to the partner owners. Since the production of Syngas is purchased by the partner owners, the above income statement data for the year 1980 do not include any amounts with respect to Syngas. The Company's share of the 1980 results of operations of Syngas is included with costs and expenses in determining profits of the Chemical Division.

The Company includes its share of the income or loss and investment tax credits of the domestic partnerships, RMI Company and Syngas Company, in computing its taxable income. The resulting tax (expense) or benefit (except with respect to Syngas in 1980) is included in share of earnings and associated companies. Such (expense) benefit was ($15,272) in 1980, $1,337 in 1979 and $4,064 in 1978.

The Company is contingently liable in respect of indebtedness of certain of the associated companies for moneys borrowed. At December 31, 1980, the maximum amount of the

Company's contingent liability was estimated at $30,350, assuming the other investor in one of the associated companies makes its required contribution should the liability arise.

OWENS-CORNING FIBERGLAS CORPORATION (DEC)

Consolidated Balance Sheet

	1980	1979
	(In thousands of dollars)	
Other Assets		
Investments in affiliates (Note 3)	$ 58,788	$54,194
Prepaid expenses and other assets	52,076	38,206
	$110,864	$92,400

Consolidated Statement of Income

(1978 omitted for presentation purposes)

Income Before Provision for National Income Taxes and Equity in Net Income of Affiliates	$53,166	$178,708
Provision for national income taxes	10,614	72,573
Income Before Equity in Net Income of Affiliates	42,552	106,135
Equity in net income of affiliates (Note 3)	11,769	3,131
Net Income	$54,321	$109,266

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in Affiliates

Investments in affiliates are accounted for using the equity method, under which the Company's share of earnings of these affiliates is reflected in income as earned and dividends are credited against the investment in affiliates when received.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Investments in Affiliates

Investments in affiliates are accounted for using the equity method and are carried at the Company's equity in the underlying net assets. These affiliates, which generally are engaged in the manufacture of fibrous glass products for the insulation, construction, reinforcements, and textile markets, are:

	Percent Ownership
AGEMOC, A.S. (Spain)	50.0%
Bayer Owens-Corning Glasswool, S.A. (Belgium)	49.5
Veroc Technology A/S (Norway)	49.0
Fiberglas Canada Inc.	49.0
Australian Fibre Glass Pty. Ltd.	40.0
Fiberglas Colombia, S.A.	40.0
New Zealand Fibre Glass, Ltd.	40.0
Scandinavian Glasfiber AB (Sweden)	40.0
Vitro-Fibras, S.A. (Mexico)	40.0
Eurostar, S.A. (France)	32.0
Polyplaster, S.A. (Brazil)	31.7
Amiantit Fiberglass Industries, Ltd. (Saudi Arabia)	30.0
ACI Fibreglass (Philippines), Inc.	28.8
Asahi Fiber Glass Company, Ltd. (Japan)	28.0
Fibreglass South Africa Pty. Ltd.	25.5

Summarized combined financial information for the Company's affiliates is:

	1980	1979
	(In thousands of dollars)	
At December 31—		
Total assets	$545,791	$478,582
Total liabilities	396,434	362,048
For the year—		
Net sales	605,134	552,618
Net income	33,252	21,046

In November 1979, the Company acquired the outstanding stock of American Borate Corporation, which owned the remaining minority interest in American Borate Company, a mining venture. Prior to the acquisition, the Company reported its share of the results of operations of American Borate Company as equity in net income of affiliates.

The Company's equity in undistributed net income of affiliates was $40,172,000 at December 31, 1980.

AMAX INC. (DEC)

Consolidated Statements of Financial Position

	Note	1980	1979
		in thousands of dollars	
Investments			
Alumax Inc.	9	$276,500	$233,460
Other affiliates accounted for by the equity method	9	301,320	48,730
Investments accounted for by the cost method	10	57,370	74,930
		$635,190	$357,120

Consolidated Statements of Current and Retained Earnings

(1978 omitted for presentation purposes)

Sales	$2,949,170	$2,865,390
Costs applicable to sales		
Costs and operating expenses	1,734,310	1,874,470
Depreciation and depletion	198,290	171,180
Selling and general	170,210	162,840
Taxes other than income taxes	85,700	73,980
Exploration	117,870	82,050
Research	26,530	21,380
	2,332,910	2,385,900
	616,260	479,490
Equity in earnings before income taxes		
Alumax Inc.	82,870	73,110
Other affiliates	39,840	1,370
Earnings from operations	738,970	553,970

NOTES TO FINANCIAL STATEMENTS

(in thousands of dollars unless otherwise indicated and except per share amounts)

Note 1 (in part): Summary of accounting policies

Investments—The equity method of accounting is used for investments owned 20 percent or more, except for investments in African companies. Under this accounting method, AMAX reports currently its share of the investee's income or loss. Investments in African companies and companies which are less than 20 percent owned are carried at or below cost and income is recorded as dividends are received.

Note 9: Equity company information

Investments in affiliates accounted for by the equity method are shown below. AMAX's interest in each is stated within parentheses.

	Market Quotations(1)	1980	1979
Alumax Inc. (50%)		$276,500	$233,460
Adobe Oil & Gas Corporation (1980—30%, 1979—22%)(2)	$173,590	$ 74,030	$ 46,310
Hecla Mining Company (21%)	50,400	43,160	
	$223,990	117,190	46,310
Fresnillo group of companies (40%)		183,570	
Rosario Mexico S.A de C.V. (49%)		550	
Other		10	2,420
Other affiliates accounted for by the equity method		$301,320	$ 48,730
Total equity investments		$577,820	$282,190

(1) AMAX makes no representation that these 1980 year-end quotations on security exchanges could be realized on sales of the holdings.

(2) AMAX is contemplating the disposal of this investment in 1981.

Summarized financial information for these companies is set out below. The excess of the cost of the investments over AMAX's share in the related underlying book values at the dates of acquisition has been attributed to assets of the companies, principally mineral properties, and appropriate adjustments of depreciation and depletion have been made in determining AMAX's equity in their net earnings.

	1980	1979
Sales		
Aluminum	$ 968,440	$ 872,850
Base and precious metals	247,940	4,670
Energy	153,000	92,400
Other	770	2,690
	1,370,150	972,610
Costs and expenses	1,007,210	811,160
Earnings before income taxes	362,940	161,450
Income taxes	120,340	54,800
Net earnings for year	$ 242,600	$ 106,650
Current assets	$ 613,590	$ 470,790
Property, plant and equipment (net)	832,100	615,530
Other assets	51,890	27,820
Total assets	1,497,580	1,114,140
Current liabilities	206,930	199,710
Long-term liabilities and deferred credits	493,100	361,670
Net assets at year-end	$ 797,550	$ 552,760
AMAX's share in net assets	$ 357,220	$ 237,930

AMAX's equity in the earnings of these affiliates and dividends received from them are shown below.

	1980	1979
Equity in earnings before taxes	$ 122,710	$ 74,480
Income taxes	53,460	25,590
Equity in net earnings	$ 69,250	$ 48,890
Dividends received by AMAX	$ 20,580	$ 6,650

Condensed financial statements of Alumax Inc., the principal equity affiliate, are on page 33.

Note 10: Investments accounted for by the cost method

	Market Quotations(1)	1980	1979
Imetal S.A. (11%)	$13,840	$21,120	$21,120
Louisiana Land and Exploration Company			14,970
African investments(2)	25,320	4,740	4,740
Australian Consolidated Minerals S.A.(2)	11,430	3,150	3,150
	$50,590	29,010	43,980
Botswana RST Limited			
Common and preferred stocks(2)(3)	$ 2,950		
Notes(2)		26,260	28,780
Other		2,100	2,170
		$57,370	$74,930

(1) AMAX makes no representation that these 1980 year-end quotations on security exchanges could be realized on sales of the holdings.

(2) After provisions for impairment or amortization.

(3) AMAX holds 30% of the common stock (quoted) and 37,500,000 preferred shares (not listed on a security exchange). See also note 22, contingent liabilities and guarantees.

(4) Percentage stated within parentheses represents AMAX's interest.

Cost Method

AMPCO-PITTSBURGH CORPORATION (DEC)

	1980	1979
Total current assets	$136,348,836	$141,613,519
Investment in Buffalo Forge Company, at cost (market value $1,300,000)	1,190,862	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8—Subsequent Events:

Marketable securities were sold in January 1981, realizing a gain, net of tax, of approximately $4,300,000 which will be reflected in 1981 net income. These securities include Crouse-Hinds Company common stock (acquired in exchange for Belden Corporation common stock after merger of the two companies) which accounted for substantially all of the gain.

The Corporation has commenced a cash tender offer for any and all shares of the common stock of Buffalo Forge Company (BFC) at $37.50 per share. The offer, which commenced on January 7, 1981, has been subsequently extended and amended and, at the time of this printing, was scheduled to expire on March 12, 1981. On March 5, 1981, the Board of Directors of BFC recommended that BFC's shareholders accept the Corporation's offer. As of March 5, 1981, the Corporation owned approximately 4% of BFC common shares.

To acquire all of the outstanding shares of BFC, the Corporation would have to pay not less than approximately $83,000,000 and not more than approximately $104,000,000, depending on the outcome of litigation concerning certain disputed shares of BFC held by Ogden Corporation, a New York Stock Exchange listed company. If the higher amount has to be paid, BFC would retain 9% notes due in 1991 in the principal amount of approximately $18,600,000 from Ogden Corporation. The Corporation will finance the purchase of BFC shares with borrowings under the Corporation's revolving credit loan together with internally generated funds.

CENTRONICS DATA COMPUTER CORP. (JUN)

	1980	1979
Other assets		
Investments in marketable debt securities, at cost (Note 5)	$34,493,549	$34,876,958
Patent application costs, less accumulated amortization (1980, $133,665; 1979, $83,287)	493,983	296,610
Deferred charges and deposits	775,160	776,412
	$35,762,962	$35,949,980

Note 5: Investments in marketable debt securities

The investments in marketable debt securities, consisting of U.S. Government guaranteed notes and Puerto Rican government 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 investments amounted to approximately $29,700,000 in 1980 and $32,900,000 in 1979. See Note 9.

INTERCO INCORPORATED (FEB)

	1980	1979
	($000)	
Total current assets	$853,190	$734,547
Marketable investments securities	37,707	37,509

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands except per share data)

Note 1 (in part): Significant Accounting Policies

Marketable Investment Securities—Marketable investment securities consist of bonds and preferred stocks held for long-term investment. Dividend and interest income are accrued as earned. The cost of marketable investment securities sold is determined on the specific identification method.

Marketable equity securities (preferred stocks) are carried at the lower of cost or market. A valuation allowance, representing the excess of cost over market of these equity securities, is included in stockholders' equity. Other marketable investment securities (bonds) are carried at cost as there is no indication of a permanent impairment in value in any portion of the portfolio and there is no present intention to liquidate the securities portfolio at less than cost.

Note 4. Marketable Investment Securities—Marketable investment securities consist of the following:

	1980	1979
Equity securities, at cost	$ 3,506	$ 3,506
Less valuation allowance	580	—
Equity securities, at market	2,926	3,506
Bonds, at cost	34,781	34,003
	$37,707	$37,509

Marketable investment securities earned $213 and $125 in dividend income and $2,722 and $2,212 in interest income in fiscal years 1980 and 1979, respectively.

The portfolio of equity securities includes gross unrealized losses of $580 at February 29, 1980. Net realized losses on the sale of securities, after applicable taxes, included in the determination of net earnings for fiscal 1980 amounted to $90. There were no realized gains or losses during fiscal 1979. The valuation allowance included in stockholders' equity increased $580 in fiscal 1980 as compared to no change in fiscal 1979.

SCOPE INDUSTRIES (JUN)

	1980	1979
Total current assets	$ 4,343,919	$ 7,057,921
Notes receivable	782,018	807,192
Property and equipment at cost:		
Machinery and drilling equipment	4,829,321	7,964,913
Land, buildings and improvements	3,861,456	3,504,766
	8,690,777	11,469,679
Less accumulated depreciation and amortization	4,103,219	5,356,404
	4,587,558	6,113,275
Other investments at cost: (Market $27,766,650 in 1980 & $11,043,750 in 1979)	19,319,211	10,420,048
(Note 11)	$29,032,706	$24,398,436

Note 11: Other Investments

Other investments consist of 1,000,600 shares of Avnet, Inc. Common Stock at June 30, 1980 and 589,000 at June 30, 1979. It is management's present intention to hold this stock on a long term basis.

WM. WRIGLEY JR. COMPANY (DEC)

	1980	1979	1978
		($000)	
Total current assets	$181,092	$177,267	$168,336
Marketable equity securities, at cost (market value, 1980—$14,289; 1979—$10,128; 1978—$9,578)	2,602	2,602	2,602

Lower of Aggregate Cost or Market Value

CBI INDUSTRIES, INC. (DEC)

	1980	1979
	Thousands of dollars	
Total current assets	$400,387	$323,232
Other assets:		
Investments (Note 5)	70,711	79,167
Equity in unconsolidated affiliates	39,749	23,706
Other assets	36,412	34,656
Total other assets	146,872	137,529

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(thousands of dollars, except per share amounts)

Note 5: Investments

CBI's temporary cash investments consist of U.S. Government securities; state, county and municipal bonds; commercial paper; and certificates of deposit. These investments mature within one year and are shown in the balance sheet at cost, which approximates market value.

Investments classified as other assets consist of various government obligations, corporate bonds and certificates of deposit which mature after one year; real estate mortgages; and marketable equity securities. These items, held for long-term investment purposes to meet future needs of the business, as shown in the balance sheet, are:

	December 31, 1980	1979
Government obligations, corporate bonds and certificates of deposit	$10,704	$13,280
Real estate mortgages, net of unamortized discount of $309 in 1980 and $348 in 1979	7,255	7,861
Marketable equity securities	52,752	58,026
Total investments	$70,711	$79,167

Investments in government obligations, corporate bonds and certificates of deposit are shown in the balance sheet at cost, which approximates market value.

Real estate mortgages have terms of 30 years and were purchased at a discount. CBI's investment in these mortgages is shown in the balance sheet at unpaid principal balance less unamortized discount.

Marketable equity securities are shown in the balance sheet at cost. Market value is:

	December 31, 1980	1979
Aggregate cost	$ 52,752	$58,026
Gross unrealized gain	56,778	25,874
Gross unrealized loss	(120)	(1,174)
Market value	$109,410	$82,726

Net realized gains and (losses) from the sale of marketable equity securities of $35,489 in 1980, $11,652 in 1979 and ($1,024) in 1978 are reported in other income (expense). The first-in, first-out method is used to determine the cost of each security at the time of sale.

THE CLEVELAND-CLIFFS IRON COMPANY (DEC)

	1980	1979
Total current assets	$211,945,000	$145,090,000
Marketable securities—at cost—Note I	26,290,000	26,334,000

Note I—Marketable Securities

Securities are carried at the lower of aggregate cost or market at the balance sheet date. The market value of the listed securities in the portfolio was $30.0 million at December 31, 1980 (1979-$32.7 million). The cost of securities in the portfolio for which there is no quoted market price was $10.0 million at December 31, 1980 and 1979. At December 31, 1980, there were gross unrealized gains of $14.3 million and gross unrealized losses of $.6 million pertaining to individual securities whose market values were above or below cost, respectively. The steel companies, whose securities are included in the portfolio at December 31, 1980, participate with other steel companies in mining ventures managed by the Company. On January 27, 1981, the Company sold its entire investment in one of the steel companies in the portfolio for $2.1 million which approximated book cost.

CRANE CO. (DEC)

	1980	1979
Total Current Assets	$462,777,843	$457,888,887
Investments and Other Assets:		
Investments (Market $142,580,000; $82,395,000 in 1979) (see page 9)	57,849,696	45,811,803

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Investments and Other Assets

Long-term investments are valued, in the aggregate, at the lower of cost or market. Details of long-term investments are as follows:

	December 31, 1980	1979
	(in thousands)	
Atlantic Richfield Company—2,000,000 common shares	$47,500	$47,500
Deferred income taxes on unrealized gain	(4,083)	(4,083)
Harsco Corp.—433,400 common shares	13,676	—
Other	757	2,395
	$57,850	$45,812

On January 26, 1981 the Company announced a cash tender offer for an additional 1,600,000 shares of Harsco Corporation.

MOTT'S SUPER MARKETS, INC. (DEC)

	1980	1979
Total Current Assets	$28,605,969	$23,923,102
Investments (Note 4)		
Marketable Securities	26,695	1,303,601
Wakefern Food Corporation	2,358,630	1,891,809
	2,385,325	3,195,410

Note 4: 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:

	January 3, 1981	December 30, 1979	December 30, 1978
Aggregate Cost	$ 26,695	$1,303,601	$1,482,334
Aggregate Market Value	$166,539	$1,651,010	$1,574,652
Gross Unrealized Gains	$144,131	$ 430,330	$ 231,563
Gross Unrealized losses	$ 4,462	$ 82,921	$ 139,244
Net Realized Gain or Loss Included in Net Income	$515,919	$ 276,811	$ 70,667
Change in Valuation Allowances Included in Equity Section	$ —	$ —	$ (136,591)
Amount of Above Change Included in Net Income	$ —	$ —	$ —

Wakefern Food Corporation—Investment in Wakefern Food Corporation, ("Wakefern"), a cooperative buying organization, is stated at cost. There is no material equity appreciation or depreciation in the company's investment. Wakefern holds the stock certificates as collateral for any amounts due them by the company. The cost of investment in a new off-shore insurance company formed by Wakefern is included.

SIMKINS INDUSTRIES, INC. (SEP)

	1980	1979
Total current assets	$43,463,140	$25,422,575
Property, plant and equipment, at cost, less accumulated depreciation; 1980—$21,127,349; 1979—$20,673,453	16,556,031	12,707,617
Marketable securities—at market (note 3)	6,990,678	8,398,535
Mortgage notes receivable, net of allowance of $814,455 and $510,770	17,368,690	15,125,990
Other non-current assets	189,960	163,612
Total assets	$84,568,499	$61,818,329

Note 3: Marketable securities

The Company's current and non-current marketable securities are valued at the lower of aggregate cost or aggregate market value. On September 30, 1980 the aggregate cost of current securities was $216,356, and the aggregate market value, $260,075. On September 30, 1979, the respective values were $372,644 and $519,387. Gross unrealized gains on September 30, 1980 were $43,719, at September 30, 1979, $146,173. The aggregate cost of non-current securities was $8,116,858 and the aggregate market value was $6,990,678 at September 30, 1980. On September 30, 1979 the aggregate cost was $8,812,875 and the aggregate market value, $8,398,535. Valuation allowance of $1,126,180 has been provided to recognize the difference between aggregate cost and market value of non-current securities at September 30, 1980. Gross unrealized gains of non-current securities were $192,641 and gross unrealized losses $1,318,821 at September 30, 1980 and $482,160 and $896,500 respectively at September 30, 1979. The net realized loss on securities sold was $41,036 in 1980, and a gain of $892,818 in 1979. Security sales are on a first-in, first-out basis.

NONCURRENT RECEIVABLES

Chapter 3, Section A of *ARB No. 43* states that the concept of current assets excludes "receivables arising from unusual transactions (such as the sale of capital assets, or loans or advances to affiliates, officers, or employees) which are not expected to be collected within twelve months." *APB Opinion No. 21* requires the imputation of a realistic interest rate to most long-term receivables not bearing interest or bearing an interest rate lower than the prevailing rate. Exceptions to the aforementioned requirement are listed in paragraph 3 of *Opinion No. 21*. Table 2-16 summarizes the balance sheet captions used to describe noncurrent receivables. Examples of noncurrent receivables follow.

TABLE 2-16: NONCURRENT RECEIVABLES

	1980	1979	1978	1977
Balance Sheet Description				
Long-Term Receivables ...	36	43	39	55
Notes Receivable	35	33	16	32
Notes and accounts receivables combined	14	14	12	9
Accounts Receivable	10	7	2	2
Other—described	34	33	37	23
Receivables combined with other investments, deposits, etc.	67	71	93	84
Total Presentations..........	**196**	**201**	**199**	**205**
Number of Companies				
Presenting noncurrent receivables	185	189	190	191
Not presenting noncurrent receivables	415	411	410	409
Total Companies..............	**600**	**600**	**600**	**600**

BLUE BELL, INC. (SEP)

	1980	1979
	($000)	
Total Current Assets.................	$730,702	$577,235
Property, At cost:		
Land and land improvements	7,116	5,460
Buildings	67,345	54,250
Machinery, equipment, etc.	130,420	97,580
Improvements to leased property	17,361	12,796
Total	222,242	170,086
Less accumulated depreciation and amortization	98,060	81,901
Property, net.......................	124,182	88,185
Note Receivable, 7¾%—Due May 1990................................	5,000	5,000
Other Assets	8,890	8,738
Total	$868,774	$679,158

BURROUGHS CORPORATION (DEC)

	1980	1979
	($000)	
Total current assets	$2,033,961	$1,712,006
Installment accounts due after one year................................	349,366	323,171

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5: Accounts and Notes Receivable

Accounts and notes receivable balances comprise the following:

	(thousands) December 31 1980	December 31 1979
Accounts receivable	$ 833,921	$802,379
Current portion of installment accounts..............................	172,953	167,808
	1,006,874	970,187
Less—Allowance for doubtful accounts..............................	(67,968)	(33,771)
—Unearned finance charges...	(32,269)	(27,064)
	$ 906,637	$909,352

Installment Accounts Due After One Year are shown net of unearned finance charges of $54,619 and $50,713 in 1980 and 1979, respectively.

CHOCK FULL O'NUTS CORPORATION (JUL)

	1980	1979
Total current assets	$24,930,798	$27,640,421
Property, plant and equipment—at cost		
Land	236,954	236,954
Buildings and improvements	1,648,188	1,637,862
Leaseholds and leasehold improvements.....................	3,397,499	3,181,204
Machinery and equipment	21,193,455	21,324,380
Leased proeprty under capital lease	4,923,993	4,919,668
	31,400,089	31,300,068
Less allowances for depreciation and amortization	20,215,581	19,570,327
	11,184,508	11,729,741
Noncurrent notes receivable, other assets and deferred charges—Note 7(b)	1,811,416	2,085,857
	$37,926,722	$41,456,019

Note 7 (in part): Other Comments

(b) As of July 31, 1980 and 1979, "Noncurrent notes receivable, other assets and deferred charges" include a $1,000,000 note receivable due on October 1, 1982, bearing interest at 6%, which represents the balance of the consideration received from the sale of the Company's discontinued brewery operation in October 1977.

EMPIRE GAS CORPORATION (JUN)

	1980	1979
Other Assets		
Investment in equity securities, at cost—approximate market value $3,727,500		$2,917,741
Goodwill	$1,280,026	1,318,519
Mortgage receivable (Note 9)	1,289,167	
Other	900,440	521,581
	$3,469,633	$4,757,841

Note 9

In late fiscal 1979, the Company sold the assets of three operating subsidiaries and received cash and a note collateralized by mortgages on the assets sold and on other assets of the purchaser and by guarantees of the purchaser's major stockholders. The purchaser discontinued payments on the note and in 1980, the Company repurchased the note from a bank to which it had been sold. The Company has sued to collect the note and the purchaser has filed a counterclaim. The suits are now in discovery stages and the eventual outcome of the litigation is not presently determinable. Management believes that there will not be a material loss on collection of the note.

PORTEC, INC. (DEC)

	1980	1979
	($000)	
Total current assets	$ 73,976	$ 80,465
Property, Plant and Equipment, at Cost		
Land	2,322	2,338
Buildings and improvements	21,017	20,027
Machinery and equipment	35,234	31,378
	58,573	53,743
Less accumulated depreciation	(21,208)	(17,893)
Total property, plant and equipment	37,365	35,850
Investment in Portec Lease Corp.	3,894	3,266
Note Receivable on Sale of Division	2,236	2,838
Other Assets and Deferred Charges	1,603	887
Total Assets	$119,074	$123,306

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (in part): Discontinued Operations

In 1978, the Company sold certain assets of its Belting Products Division at approximately net book value; sale of the remaining assets was completed in 1979. During 1979, the Company incurred a pretax loss of $445,000 ($231,000 loss after tax) on the final disposition of the Division's assets.

In 1979, the Company sold its Electric Products Division for $2,045,000 in cash and a note receivable of $3,738,000, net of interest at 7% per annum, due in installments over five years commencing in 1980. A loss of $1,679,000 ($959,000 loss after tax) was recorded in 1979 for estimated losses related to final disposition of assets and other costs.

GRANGER ASSOCIATES (AUG)

	1980	1979
Total current assets	$16,346,259	$17,097,271
Equipment and improvements—net	2,515,797	2,646,335
Long-term notes receivable	794,751	225,421
Investment and other assets	235,227	74,344
	$19,892,034	$20,043,371

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Notes Receivable

Notes receivable consist of the following:

	1980	1979
8% note, due in annual installments of $43,750 to August 11, 1984, plus accrued interest collateralized by business assets and capital stock of Dayton International, Inc.	$175,000	$218,750
6½% note, due from former officer in minimum annual installments of $7,825 with a final payment in 1984—collateralized by Granger Associates' common stock	46,952	58,628
Notes at prime plus 1½%, due in equal quarterly installments of $12,187 to January 20, 1982	85,312	—
Non-interest bearing note, net of 8% imputed interest, due in four semi-annual installments of $60,000 to June, 1980	—	126,150
6% notes, due in equal semi-annual installments of $50,000 from May, 1981 to May, 1987	650,000	—
Total	957,264	403,528
Less current portion	162,513	178,107
Long-term notes receivable	$794,751	$225,421

KUHLMAN CORPORATION (DEC)

	1980	1979
Total current assets	$40,647,535	$41,533,877
Mortgage note receivable (Note 7)	986,544	—

Note 7: Mortgage Note Receivable

In 1980, the Company sold the Sturgis, Michigan, plant of Bronson Specialties, Inc. for $100,000 cash and a $1,000,000 mortgage note receivable. The note bears interest at 104% and is due in monthly installments of $10,000, including interest, through December 31, 1984, when the remaining balance of $931,074 is due.

WYNN'S INTERNATIONAL, INC. (DEC)

	1980	1979
Total current assets	$ 96,359,000	$ 84,648,000
Property, plant and equipment, at cost less accumulated depreciation and amortization	12,965,000	18,272,000
Costs in excess of fair value of businesses acquired, less accumulated amortization of $738,000 ($613,000 in 1979)	9,698,000	8,019,000
Notes receivable from sale of businesses	8,940,000	—
Other assets	1,388,000	1,326,000
	$129,350,000	$112,265,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5: Notes Receivable from Sale of Businesses

Notes receivable at December 31, 1980 consist of the following (in thousands):

10% note receivable, due in monthly installments of $49,000 including interest and principal commencing September 18, 1980 with final installment due in August 18, 1985	$5,590
Note receivable, 10% interest payable quarterly through August 18, 1982, principal of $1,500,000 due August 18, 1982, and monthly installments beginning September 18, 1982 of $52,000 plus interest at the prevailing interest rate at the Federal Reserve Bank in San Francisco plus 5%, final installment due August 18, 1985	3,383
	8,973
Less current portion	33
	$8,940

XEROX CORPORATION (DEC)

	1980	1979
	(Dollars in millions)	
Total current assets	$3,515.1	$3,103.6
Trade Receivables Due after One Year	199.4	274.2
Rental Equipment and Related Inventories		
At cost (less accumulated depreciation: 1980—$2,770.1; 1979—$2,678.0)	1,922.3	1,736.4
Land, Buildings and Equipment		
At cost (less accumulated depreciation and amortization: 1980—$1,033.4; 1979—$880.3)	1,369.4	1,222.3
Investments, at equity		
Fuji Xerox Co., Ltd.	114.8	105.7
Xerox Credit Corporation	79.2	—
Total investments	194.0	105.7
Other Assets	149.0	111.4
Total Assets	$7,349.2	$6,553.6

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 prevalence of goodwill recognized in a business combination. Table 2-17 excludes certain assets often considered to be intangible which are classified as components of Property, Plant, and Equipment.

Goodwill

CENTRAL SOYA COMPANY, INC. (AUG)

	1980	1979
	($000)	
Property, plant and equipment, less accumulated depreciation of $139,058 ($140,785 in 1979)	$195,686	$175,721
Cost in excess of net assets of subsidiaries, less accumulated amortization of $5,415 ($4,368 in 1979)	41,573	11,013
Other assets	6,137	4,829

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Cost in Excess of Net Assets of Subsidiaries

Cost in excess of the net assets of purchased subsidiaries is amortized, on a straight line basis, over periods not exceeding 40 years.

CHEMINEER, INC. (SEP)

	1980	1979
Property, Plant and Equipment—at cost		
Land	$ 395,431	$ 359,495
Buildings and improvements	4,087,215	3,542,823
Machinery and equipment	7,926,484	8,118,880
	12,409,130	12,021,198
Less accumulated depreciation	4,269,306	4,107,040
	8,139,824	7,914,158
Other Assets	492,101	477,277
Excess of Cost Over Net Assets Acquired—less amortization	2,233,428	2,293,428

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (in part): Accounting Policies

Excess of Cost Over Net Assets Acquired—Cost in excess

TABLE 2-17: INTANGIBLE ASSET VALUATION

	Number of Companies			
	1980	1979	1978	1977
Assets Being Amortized				
Goodwill recognized in a business combination	266	271	277	264
Patents, patent rights	56	55	54	45
Trademarks, brand names, copyrights	22	26	23	20
Licenses, franchises, memberships	21	22	18	20
Other—described	18	10	19	25
Intangible assets (not otherwise described)	24	18	9	12
Assets Not Being Amortized				
Goodwill recognized in a business combination	143	156	165	175
Trademarks, brand names, copyrights	8	8	8	7
Other—described	5	5	3	4
Intangible assets (not otherwise described)	6	3	2	1
Other Bases				
Nominal value	4	7	6	5
Basis not determinable	17	12	11	13

of net assets of an acquired company is being amortized on a straight-line basis over forty years.

DRESSER INDUSTRIES, INC. (OCT)

	1980	1979
	In Millions of Dollars	
Investments and Other Assets		
Investments in unconsolidated subsidiaries and affiliates	$ 76.5	$ 45.3
Intangible assets—Note D	44.0	46.2
Long-term receivables and investments	65.9	61.8
Other assets	23.0	21.4
Total Investments and Other Assets	$209.4	$174.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Intangible Assets—The excess of cost over net assets of businesses acquired after October 31, 1970 is amortized on a straight-line basis over the estimated period benefited, not to exceed 40 years. The excess of cost over net assets of businesses acquired prior to October 31, 1970 will not be amortized unless it should develop that such intangible assets have a limited or readily determinable useful life. The costs of patents acquired in connection with business acquisitions are amortized on a straight-line basis over the remaining economic life of the respective patents, but in no event longer than the remaining legal life.

Note D—Intangible Assets

Intangible assets relate to businesses acquired and consist principally of the acquisition costs allocated to patents of $24.2 million and $25.3 million and the excess of cost over net assets at date of acquisition of $17.4 million and $17.3 million at October 31, 1980 and 1979 respectively. Approximately $15.1 million of the excess of cost over net assets arose from acquisitions prior to October 31, 1970 and is not being amortized.

Patents are being amortized over an average life of approximately 13 years. Patent amortization was $3.0 million in 1980 and $2.9 million in 1979. Amortization of excess of cost over net assets at date of acquisition was $1.5 million in 1980 and $2.5 million in 1979.

FAIRCHILD INDUSTRIES, INC. (DEC)

	1980	1979
	($000)	
Costs in Excess of Net Assets Acquired, Less Accumulated Amortization of $371 and $25	$83,987	$ 951
Other Assets	2,224	1,036

NOTES TO FINANCIAL STATEMENTS

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

Costs in Excess of Net 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.

INSILCO CORPORATION (DEC)

	1980	1979
	($000)	
Intangible Assets, less accumulated amortization of $4,396 (1979—$3,702)	$48,564	$49,203
Other Assets	17,973	15,222

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Accounting Policies

Intangible Assets—Intangible assets include the excess of cost over net tangible assets of businesses acquired by purchase prior to November 1, 1970 (27,061,000 at December 31, 1980) which is not being amortized since there has been no diminution in value. The remaining intangible assets ($21,503,000 at December 31, 1980) are being amortized using the straight-line method over periods of up to 40 years.

INTERLAKE, INC. (DEC)

	1980	1979
	(In thousands)	
Investments and Other Assets:		
Investments in and advances to associated companies	$43,793	$45,164
Other assets (Note 1)	35,438	24,097
	$79,231	$69,261

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

Goodwill—Other assets includes goodwill of $8,095,000 and $8,497,000 at December 28, 1980 and December 30, 1979, respectively. Goodwill represents the excess of the purchase price over the fair value of the net assets of acquired companies and is being amortized on a straight-line method over a period of approximately thirty years. In 1979, Goodwill was reduced $1,585,000 as a result of United Kingdom stock relief tax credits for periods prior to acquisition.

PUROLATOR, INC. (DEC)

	1980	1979
	($000)	
Property, plant and equipment at cost	$167,477	$133,214
Less accumulated depreciation and amortization	64,985	54,725
Net property, plant and equipment	102,492	78,489
Intangible assets (note 4)	3,603	17,656
Less accumulated amortization	590	2,007
Net intangible assets	3,013	15,649
Other assets	805	3,566

Note 4: Intangible Assets

Intangible assets consist of the following:

(Dollars in thousands) December 31	1980	1979
Excess of cost over underlying value of net assets of companies acquired	$2,022	$13,080
Franchise costs and other intangibles	1,581	4,576
	$3,603	$17,656

Enactment of the Motor Carrier Act of 1980 and recent actions of the Interstate Commerce Commission and various states which regulate the motor carrier industry simplified entry by new carriers and eliminated many route, territory and commodity restrictions for existing carriers. As a result, the Financial Accounting Standards Board issued Statement No. 44 requiring the write-off in 1980 of costs assigned to operating rights which resulted in an extraordinary charge of $12,363,000.

Since there is uncertainty at this time as to the deductibility of this write-off for tax purposes, no tax benefit has been reflected in the financial statements.

Intangible assets are being amortized on a straight-line basis over their estimated lives, which periods do not exceed forty years.

SCHLUMBERGER LIMITED (DEC)

	1980	1979
	($000)	
Investments in Affiliated Companies	$ 167,582	$ 191,886
Long-term Investments and Receivables	47,222	52,248
Fixed Assets less accumulated depreciation	1,758,592	1,334,920
Excess of Investment over Net Assets of Subsidiaries Purchased less amortization	296,270	305,915
Other Assets	40,622	32,651

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Accounting Policies (in part)

Excess of Investment Over Net Assets of Subsidiaries Purchased—Costs in excess of net assets of purchased subsidiaries having an indeterminate life are amortized on a straight-line basis over 40 years. Accumulated amortization was $25 million and $16 million at December 31, 1980 and 1979, respectively.

STERNDENT CORPORATION (DEC)

	1980	1979
Other assets		
Excess of acquisition cost over the value of assets acquired (Note 1)	$14,339,170	$15,359,014
Notes and accounts receivable due after one year	758,373	1,010,457
Other assets	776,596	879,372
Total other assets	$15,874,139	$17,248,843

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

Amortization of excess acquisition cost—The excess of cost over the value of net assets of businesses purchased prior to November 1970 totaling $5,638,000 is not being amortized. For purchases consummated since that date, the excess $8,702,000 at January 2, 1981 and $9,696,000 at December 28, 1979, net of $949,000 and $693,000 accumulated amortization, is being amortized on a straight-line basis over 40 years.

TRIANGLE INDUSTRIES, INC. (DEC)

	1980	1979
Receivables due after one year	$1,576,000	$1,865,000
Excess of cost over value of net tangible assets of businesses acquired, less accumulated amortization (1980—$67,000; 1979—$49,000)	1,955,000	1,973,000
Other assets	449,000	680,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (in part)

Amortization of intangibles—The excess of cost over value of net tangible assets of businesses acquired, arising from acquisitions accounted for as purchases prior to October 31, 1970, is not being amortized since there is no present indication of any impairment in the value of these intangibles. The excess of cost over value of net tangible assets of businesses acquired during 1977 is being amortized on the straight-line basis over their estimated lives, but not in excess of ten years.

Patents

CERTAINTEED CORPORATION (DEC)

	1980	1979
	($000)	
Property, Plant and Equipment, at cost		
Land	$ 9,244	$ 9,239
Buildings	128,528	121,994
Equipment	477,713	445,723
Construction in progress	22,828	40,905
	638,313	617,861
Less: Accumulated depreciation	225,133	184,064
	413,180	433,797
Intangible Assets, at amortized cost, principally patents	6,858	8,141

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Significant Accounting Policies

Intangible Assets: Costs of purchased patents are being amortized by the straight-line method over the legal lives of the patents. Goodwill of $1.1 million is being amortized over the next 6 years. The $1.3 million excess of the Company's carrying amount of investments in affiliates over its equity in their net assets is being amortized over the next 16 years. Preoperating expenses related to new facilities, and research and development costs are expensed as incurred.

OPELIKA MANUFACTURING CORPORATION (SEP)

	1980	1979
Property, plant and equipment	$15,736,000	$14,602,000
Patents—net of amortization of $368,000 in 1980 and $184,000 in 1979	2,409,000	2,593,000
Other assets and deferred charges.	424,000	559,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Patents: Patents are carried on the basis of cost less accumulated amortization. Amortization in provided on the straight-line method over the average estimated useful life of 15 years.

HUGHES TOOL COMPANY (DEC)

	1980	1979
	($000)	
Other assets and deferred charges:		
Excess of cost over values assigned to net assets acquired (less accumulated amortization: 1980, $4,802; 1979, $2,700)	$ 81,742	$ 71,580
Patents (less accumulated amortization: 1980, $3,542; 1979, $2,536)	8,229	8,117
Investments in (at equity) and advances (1980, $5,916; 1979, $1,183) to affiliates	17,709	7,940
Other	32,684	27,431
Total other assets and deferred charges	$140,364	$115,068

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Excess of cost over values assigned to net assets acquired—This amount is being amortized over 40 years on the straight-line method.

Research and development, and patents—Research and development expenditures are charged to operations as incurred. The cost of purchased patents is being amortized over the statutory lives of the patents on the straight-line method.

UMC INDUSTRIES, INC. (DEC)

	1980	1979
	($000)	
Other Assets		
Patents, trademarks and licenses, net	$ 1,835	$ 2,051
Cost in excess of net assets of purchased businesses, net	11,558	11,903
Long-term notes receivable	4,485	—
Other	1,438	2,003
	$19,316	$15,957

NOTES TO FINANCIAL STATEMENTS

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

Intangibles—Cost in excess of net assets of purchased businesses is amortized on a straight-line basis over 40 years from the date of acquisition.

Patents, trademarks and licenses are amortized on a straight-line basis over the period covered or the estimated useful life, if shorter.

Franchise Costs

MCDONALD'S CORPORATION (DEC)

	1980	1979
	($000)	
Property and equipment		
Property and equipment, at cost	$2,706,696	$2,331,870
Less accumulated depreciation and amortization	479,548	386,933
Net property and equipment	2,227,148	1,944,937
Intangible assets, net	70,692	69,849

FINANCIAL COMMENTS

Summary of significant accounting policies (in part)

Intangible assets—Costs allocated to unlimited term franchise rights reacquired prior to November 1970 are not being amortized. All other costs allocated to reacquired franchise rights are being amortized on the straight line method over periods up to 40 years.

Intangible assets, net—Set forth below is the composition of the intangible assets at December 31, 1980 and 1979.

	1980	1979
	(In thousands of dollars)	
Unlimited term franchise rights, not being amortized	$13,599	$13,599
Other franchise rights	55,142	54,520
Other intangible assets	1,951	1,730
Intangible assets, net	$70,692	$69,849

Trademarks

UNITED BRANDS COMPANY (JUN)

	1980	1979
	($000)	
Total current assets	$ 570,471	$ 536,630
Investments and long-term receivables	37,053	21,219
Property, plant and equipment, net	331,953	336,360
Other assets and deferred charges.	10,994	10,471
Trademarks	46,469	44,919
Excess of cost over fair value of net assets acquired	267,075	267,805
Total assets	$1,264,015	$1,217,404

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Intangibles: Generally the cost of trademarks and the excess of cost of businesses acquired prior to 1971 over the fair value of net assets of such businesses have not been amortized, as it is the opinion of the Company that the benefits to be derived from these businesses will be of indefinite duration. Intangibles acquired after 1970 are being amortized on a straight-line basis over the lesser of their estimated lives or 40 years. The Company evaluates goodwill and trademarks on a continuing basis (see Note 5).

Note 5—Intangibles.

Consistent with Accounting Principles Board Opinion No. 17, the excess of cost of investment over the fair value of net assets of businesses acquired (goodwill) of $264,472,000 and trademarks of $43,160,000 recorded prior to 1971 have not been amortized. These assets are related principally to the acquired operations of United Fruit Company. In accordance with Company policy (see Note 1), management and the Board of Directors have reviewed the continuing value of such goodwill and trademarks and have concluded that there has been no permanent impairment or indication of limited life and, accordingly, no write-down or amortization is required.

Goodwill and trademarks acquired subsequent to 1970 of $5,912,000 are being amortized over 10 to 40 years; $177,000 and $137,000 were expensed for the years ended June 30, 1980 and 1979, respectively.

Licenses

TWENTIETH CENTURY-FOX FILM CORPORATION (DEC)

	1980	1979
	($000)	
Film Costs—Non-Current, net of amortization	$121,177	$ 72,956
Investments and Long-Term Receivables:		
Receivables from television agreements	41,753	43,131
Investments, at equity in net assets	4,662	4,782
Other, at cost	7,173	5,705
Property and Equipment, at cost, less accumulated depreciation and amortization	189,127	177,194
Other Assets:		
Television stations' licenses, contracts and network affiliation agreements	10,804	11,251
Excess of costs over net assets of acquired companies	25,472	26,169

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, including capital lease amortization, was

$15,721,000, $12,293,000 and $9,612,000 in 1980, 1979 and 1978, 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.

COLUMBIA PICTURES INDUSTRIES, INC. (JUN)

	1980	1979
	($000)	
Broadcasting licenses	$ 3,160	$ 3,260
Excess of cost over net assets of acquired company	19,456	19,990
Other assets and deferred charges.	12,547	9,133

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A—Summary of Significant Accounting Policies

Intangibles—The excess of cost over net assets of an acquired company and the broadcasting licenses of three radio stations are being amortized on a straight-line basis over 40 years.

Software

THE DUN & BRADSTREET CORPORATION (DEC)

	1980	1979
Other Assets		
Deferred Charges	$ 17,881,000	$ 20,742,000
Purchased Computer Software	27,737,000	27,473,000
Other Intangibles	51,082,000	36,784,000
Goodwill	126,819,000	117,623,000
Total Other Assets	$223,519,000	$202,622,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Other Assets. Purchased Computer Software ($27,737,000) and certain Other Intangibles ($31,986,000) and Goodwill ($108,619,000) are being amortized, using the straight-line method,over seven years, twelve to forty years and forty years, respectively. Remaining intangibles which arose from acquisitions initiated prior to October 31, 1970 are considered to have continuing value and are not being amortized.

Note 7 (in part): Supplemental Financial Position Information

Purchased Computer Software, Other Intangibles and Goodwill

Years Ended December 31, 1979 and 1980	Purchased Computer Software	Other Intangibles	Goodwill
Balance January 1, 1979		$24,861,000	$ 34,982,000
Additions at cost	$30,088,000	13,340,000	86,162,000
Amortization charged to costs and expenses	(2,615,000)	(1,405,000)	(1,631,000)
Other deductions		(12,000)	(1,890,000)
Balance December 31, 1979	27,473,000	36,784,000	117,623,000
Additions at cost	1,072,000		35,974,000
Amortization charged to costs and expenses	(4,341,000)	(1,865,000)	(4,913,000)
Other deductions and reclassifications	3,533,000	16,163,000	(21,865,000)
Balance December 31, 1980	$27,737,000	$51,082,000	$126,819,000

AM INTERNATIONAL, INC. (JUL)

	1980	1979
	($000)	
Total current assets	$523,021	$389,610
Investment in and advances to AM Leasing	10,911	10,166
Rental equipment, net	13,580	17,808
Property, plant and equipment net.	84,560	83,169
Property under capital leases, net.	7,239	8,479
Other assets	46,821	35,008
Total assets	$686,132	$544,240

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (in part): Components of Certain Balance Sheet Accounts

The components of certain balance sheet accounts are as follows:

(Dollars in thousands)	1980	1979
Other assets:		
Lease and installment contracts receivable, due after one year less unearned income of $1,278 in 1980 and $839 in 1979	$ 4,118	$ 3,433
Excess of cost over the net assets of businesses acquired	8,127	8,314
Software	8,461	8,894
Other intangible assets	5,286	5,242
Long term receivables	6,697	—
Deferred charges	5,086	5,903
Future income tax benefits	9,046	3,222
	$46,821	$35,008

The excess of cost over the net assets of businesses acquired (goodwill) is amortized over periods of 40 years or less using the straight-line method and amounted to $354,000 in 1980 and $242,000 in 1979. Software and other intangible assets are amortized using the straight-line method based on estimated useful lives ranging from two to seven years and amortization amounted to $3,937,000 in 1980 and $1,747,000 in 1979.

OTHER NONCURRENT ASSET CAPTIONS

Table 2-18 summarizes the nature of assets (other than property, investments, noncurrent receivables, and intangible assets) classified as noncurrent assets on the balance sheets of the survey companies. Effective for fiscal periods beginning on or after January 1, 1975, FASB *Statement of Financial Accounting Standards No. 2* 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 asset presentations and disclosures, except assets leased to others, follow. Examples of assets leased to others are presented in connection with Table 2-27.

TABLE 2-18: OTHER NONCURRENT ASSETS

	Number of Companies			
	1980	1979	1978	1977
Segregated cash or securities	59	49	46	58
Assets leased to others	35	29	8	13
Property held for sale	32	26	22	30
Deferred income taxes	27	29	31	31
Debt expense	19	21	18	22
Prepaid expenses	14	10	15	16
Cash surrender value of life insurance	11	12	15	20
Employee benefits	9	8	2	8
Start up costs	6	9	6	9
Other identified noncurrent assets	57	60	42	35
Deferred charges or *Other Noncurrent assets*—not described	521	525	531	487

Segregated Funds

ACME-CLEVELAND CORPORATION (SEP)

	1980	1979
Property, Plant, and Equipment—at cost		
Land	$ 3,830,121	$ 3,330,186
Buildings	36,478,562	31,840,422
Machinery and equipment	95,505,676	76,423,132
	135,814,359	111,593,740
Less allowances for depreciation and amortization	60,693,774	55,397,666
Total Property, Plant, and Equipment	75,120,585	56,196,074
Construction funds held in escrow—Note D	2,241,612	4,397,004

Note D (in part): Long-Term Obligations

Also in 1980, the Corporation concluded agreements whereby the City of Cadillac, Michigan and the City of Cynthiana, Kentucky issued Industrial Revenue Bonds in the amounts of $2,500,000 and $4,000,000, which proceeds have been used to reimburse the Corporation for constructing and equipping new manufacturing facilities. The bonds bear interest at the floating rate of 60% of AmeriTrust's prime rate. At September 30, 1980 the total of $6,500,000 was outstanding at a 7.8% rate. Construction funds in escrow represents the bond proceeds that have not been expended and are pending reimbursement to the Corporation for qualified expenditures for capital expansion.

THE BARDEN CORPORATION (OCT)

	1980	1979
Properties, Plants and Equipment—at cost:		
Land	$ 272,815	$ 272,815
Buildings and improvements	8,480,388	7,007,475
Machinery and equipment	14,689,139	12,101,124
	23,442,342	19,381,414
Less—allowance for depreciation	11,870,198	11,024,907
	11,572,144	8,356,507
Funds Held by Trustee—Note B	1,992,320	4,726,929

Note B—Long-term debt consists of 6.5% Industrial Development Bonds issued September 25, 1979. The bonds are payable in quarterly installments of $138,889 commencing January 1, 1981 and ending October 1, 1989. The Loan Agreement provides, among other things, for restrictions on borrowings and requires the Company to maintain certain financial ratios and a level of working capital on a consolidated basis.

Funds held by trustee represent unexpended proceeds from the Industrial Development Bonds which are restricted for plant expansion and equipment.

JOY MANUFACTURING COMPANY (SEP)

	1980	1979
	($000)	
Investments and Advances	$ 5,533	$ 3,571
Property, Plant and Equipment		
Land	7,153	6,716
Buildings	90,432	83,450
Machinery and equipment	185,954	167,486
Rental equipment	12,502	10,875
Property, plant and equipment at cost	296,041	268,527
Less accumulated depreciation and amortization	(113,685)	(99,695)
Net Property, Plant and Equipment	182,356	168,832
Goodwill (less accumulated amortization of $1,800 and $1,553)	3,133	3,380
Other Assets (Note 4)	25,407	14,767

Note 4: Other Assets

At September 26, 1980 and September 28, 1979, other assets included restricted cash balances of $9,187,000 and $8,740,000, respectively. These amounts represented the unexpended proceeds from industrial revenue obligations, which were committed to purchase additional plant and equipment. Noncurrent pension prepayments comprise a significant portion of the remaining balance for both years.

STRUTHERS WELLS CORPORATION (NOV)

	1980	1979
Total current assets	$41,919,974	$42,221,769
Property, plant and equipment—at cost, net of accumulated depreciation and amortization	19,624,850	14,078,888
OTHER ASSETS:		
Marketable equity securities	104,776	208,341
Restricted cash from Industrial Revenue Bonds	3,958,129	—
Noncurrent receivables	1,222,471	451,318
Undeveloped properties held for future partnerships	417,728	204,753
Other assets	169,207	208,257
Deferred charges	362,040	—
	6,234,351	1,072,669
	$67,779,175	$57,373,326

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (in part): Notes Payable and Long-Term Liabilities

(B) Industrial development revenue bonds consist of:

(i) $1,000,000 limited obligations of the City of Gulfport, Mississippi. The bonds are redeemable at an increasing principal amount from 1983 through 2000 and bear interest ranging from 10.25% to 11.25%.

(ii) $4,000,000 limited obligations of the City of Winfield, Kansas. The bonds are redeemable from 1982 through 2000 and bear an 11.25% interest rate.

Included in other assets is $3,958,000 of restricted cash received by the Company through the bonds which will be used for expansion of facilities and $314,000 of deferred charges incurred in connection with the financing (including a placement fee of $80,000 paid to a securities brokerage firm in which a Director of the Company is an officer).

Plant and equipment constructed or acquired with the proceeds of the bond offering will be available to subsidiaries of the Company for their operations under long-term leases requiring rental payments (guaranteed by the Company) sufficient to support debt service of the bonds. The subsidiaries will have the option to acquire the facilities at any time for an amount equal to the outstanding bonds plus accrued interest.

Deferred Income Taxes

MACMILLAN, INC. (DEC)

	1980	1979
	($000)	
Goodwill	$46,315	$46,398
Other assets, including deferred income taxes of $7,064 in 1980 and investment in securities of $10,664 in 1979	9,858	13,188

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Income taxes—Income tax provisions are based on earnings reported in the financial statements. Deferred income taxes included in current liabilities relate principally to installment sales and foreign tax credits. Noncurrent deferred taxes relate primarily to prepublication costs. The investment tax credit is recorded as a reduction of the income tax provision for the current year. Unremitted earnings of foreign subsidiaries and a Domestic International Sales Corporation which are permanently reinvested and on which United States income taxes have not been provided amounted to approximately $21,000 at December 31, 1980. If such earnings were distributed, foreign income tax credits would be available to substantially reduce any resulting income tax liability.

TEMTEX INDUSTRIES, INC. (AUG)

	1980	1979
Total current assets	$11,082,142	$13,531,734
Other assets		
Deferred federal income taxes—Note H	50,147	44,016
Other assets	350,937	420,101
	401,084	464,117

Note H (in part): Federal Income Taxes

Deferred income taxes are provided for timing differences related to certain items of revenue and expense which are recognized in different periods for tax and accounting purposes. The effect of major differences are as follows:

	1980	1979
Compensation timing differences ...	$(24,488)	$ 78,900
Inventory valuation allowance	—	46,669
Excess of book basis over tax basis of inventory sold..................	—	44,904
DISC commission income	(53,989)	75,911
Other items individually less than 15% of total	(8,778)	23,018
Deferred Taxes (Credit)	$(87,255)	$269,402

SMITHKLINE CORPORATION (DEC)

	1980	1979
Total current assets	$ 988,722,000	$ 838,537,000
Time deposits—long-term ..	45,400,000	53,966,000
Investments and other assets	22,421,000	13,813,000
Property, plant and equipment:		
Land	18,175,000	17,114,000
Buildings	278,529,000	203,107,000
Machinery and equipment	312,369,000	255,644,000
	609,073,000	475,865,000
Less accumulated depreciation	187,285,000	158,117,000
	421,788.000	317,748,000
Deferred income taxes	12,583,000	14,627,000
Goodwill and other intangibles	63,497,000	48,917,000
Total assets	$1,554,411,000	$1,287,608,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Income Taxes—Deferred income taxes are provided on timing differences between book and tax income. The timing differences relate principally to depreciation, pensions, compensation and allowances. Investment tax credits, which are not material, are recorded under the flow-through method of accounting and are applied as a reduction of income taxes.

Property Held For Sale

EVANS PRODUCTS COMPANY (DEC)

	1980	1979
	($000)	
Total Current Assets.................	$401,081	$393,246
Property, Plant and Equipment	244,587	227,173
Investments in Unconsolidated Subsidiaries	200,767	133,893
Deferred Taxes	3,057	(14,478)
Other Assets	38,374	37,278
	$887,866	$777,112

SIGNIFICANT ACCOUNTING POLICIES

Discontinued Facilities

Discontinued facilities are valued at estimated net realizable values. All costs expected to be incurred in future periods by these facilities are recognized at the date the decision is made to discontinue operations or at the date material revisions to cost estimates are required.

NOTES TO FINANCIAL STATEMENTS

Other Assets

Other assets are comprised of the following:

(in thousands)	1980	1979
Excess of cost over net assets of businesses purchased	$11,411	$10,502
Timber rights..........................	7,837	8,203
Logging roads, net of amortization.	5,646	5,509
Deferred charges and other	7,681	6,291
Discontinued facilities held for sale	5,799	6,773
	$38,374	$37,278

NL INDUSTRIES, INC. (DEC)

	1980	1979
	($000)	
Total current assets	$ 822,429	$ 725,033
Investments—Unconsolidated partially-owned companies, at equity, and other investments, at cost	142,699	110,865
Property, plant and equipment, at cost, less accumulated depreciation and depletion of $455,721,000 in 1980 and $417,657,000 in 1979..........	711,817	598,964
Net assets of discontinued operations (Note 1)	38,187	94,042
Other assets..........................	58,921	57,972
	$1,774,053	$1,586,876

Note 1: Discontinued Operations

During 1979, management developed and adopted plans to sell the following business segments—recycled and all other lead operations, ceramics operations and Australian rutile and zircon mining operations. In December 1979, the Board of Directors authorized management to pursue a plan to sell the Magnesium operation and the sale was consummated during 1980. Except for certain lead operations, which are intended to be sold in 1981, all discontinued operations have been sold.

Operating results of the discontinued operations, including the operations intended to be sold, have been reclassified in the consolidated statement of income as "Income (Loss) from Discontinued Operations, Net of Income Taxes" (income of $.20 and a loss of $.03 per share of common stock in 1979 and 1978, respectively). See page 27 for the factors affecting the income tax provisions. Net sales of the discontinued operations aggregated $313,856,000 in 1979 and $354,196,000 in 1978.

At December 31, 1980 and 1979, the estimated net realizable value of the net assets are shown in the consolidated balance sheet caption "Net Assets of Discontinued Operations". These assets include, in each year, net working capital, net property, plant and equipment and other assets.

UNITED FOODS, INC. (FEB)

	1980	1979
Total current assets	$57,127,305	$61,869,880
Property and equipment, less accumulated depreciation and amortization	26,267,114	28,075,756
Other assets		
Property and equipment, held for disposal, at lower of depreciated cost or estimated realizable value	371,286	793,561
Notes receivable, less current maturities	141,985	520,056
Due from related parties	400,601	386,462
Deferred costs	362,044	431,163
Excess of cost over underlying equity in assets purchased	144,121	179,751
Total other assets	1,420,037	2,310,993
	$84,814,456	$92,256,629

SUMMARY OF ACCOUNTING POLICIES

Property, Equipment, Depreciation and Amortization

Property and equipment, other than capital leases, are stated at cost. Capital leases are capitalized based on the lower of the present value of future minimum lease obligations or the fair market value of the asset leased. Expenditures for additions, renewals and betterments are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation or amortization are eliminated from the accounts and the resulting gain or loss is included in determining the results of operations.

Depreciation on property and equipment, other than capital leases is computed principally on the straight-line method for financial reporting purposes and accelerated methods for income tax reporting purposes. Amortization of capital leases is computed on the straight-line method for both financial reporting and income tax purposes. Depreciation and amortization are computed over the following estimated useful lives:

	Years
Buildings	20-60
Equipment	3-12
Capital leases	Term of lease

Property and equipment, held for disposal, represents non-operating properties carried at the lower of cost less accumulated depreciation or estimated realizable value.

Cash Surrender Value of Life Insurance

DUPLEX PRODUCTS INC. (OCT)

	1980	1979
Other assets		
Cash surrender value of life insurance policies, less loans of $616,000 in 1980 and $636,000 in 1979	$ 194,000	$176,000
Notes receivable, less current maturities	288,000	—
Deposits and other	725,000	712,000
	$1,207,000	$888,000

JOHNSON PRODUCTS CO., INC. (AUG)

	1980	1979
Other assets:		
Cash value, officers' life insurance (Note 5)	$ 35,000	$1,226,000
Investments	1,415,000	395,000
Miscellaneous receivables	73,000	86,000
Unamortized excess cost over net assets of business acquired	101,000	121,000
	$1,624,000	$1,828,000

Note 5: Cash Value, Officers' Life Insurance:

The Company maintains life insurance policies on certain of its officers and employees. The policies are of two types, split-dollar insurance and key-man insurance. Under the split-dollar insurance the Company pays the premium and receives upon termination of the policy, or the death of the insured, the cash surrender value of the policy and the insured designates a beneficiary to receive the balance of benefits paid. Under the key-man insurance the Company receives the cash surrender value if the policy is terminated, and upon the death of the insured receives all benefits payable.

In 1980 cash surrender values have been reduced by $1,275,000 in outstanding policy loans, since the Company has no current intention of repayment.

The face amount and net cash surrender values relating to key-man insurance were $4,326,000 and $15,000 in 1980 and $4,300,000 and $281,000 in 1979, respectively.

Pension Plan Assets In Excess of Vested Benefits

FIRST NATIONAL SUPERMARKETS, INC. (MAR)

	1980	1979
	($000)	
Other assets:		
Prepaid pension expense (Note 2)	$5,730	$5,880
Other assets	2,130	2,342
Total other assets	$7,860	$8,222

NOTES TO FINANCIAL STATEMENTS

Note 1: Merger of Pick-N-Pay and Finast and Unaudited Pro-forma Financial Information:

First National Supermarkets, Inc. (The Company) is the surviving entity of the May 25, 1978, tax-free merger of Pick-N-Pay Supermarkets, Inc. (Pick-N-Pay) and First National Stores Inc. (Finast), a regional supermarket chain.

Under the terms of the merger, new common shares and convertible preferred shares were issued to Pick-N-Pay's and Finast's shareholders. (See Note 9).

For financial reporting purposes, the merger was accounted for as a purchase of Finast by Pick-N-Pay and, accordingly, the accompanying financial statements reflect the combined operations subsequent to the date of merger.

Unaudited pro-forma condensed financial information for the fiscal year ended March 31, 1979, as if the merger occurred as of the beginning of that fiscal year is as follows:

(In thousands, except per share amount)	
Sales	$1,239,083
Net income	$ 3,312
Net income per share	$.77

Note 2 (in part): Summary of Significant Accounting and Reporting Policies:

Retirement Plans—Retirement benefits for substantially all full-time and certain part-time employees are provided under the Company's three non-contributory retirement plans or by industry plans administered jointly by management and union representatives. Most employees are covered by industry plans.

Prior service cost of $1,910,000 under one of the Company plans is being amortized over 30 years. At the date of merger, the assets of one plan exceeded vested benefits (including all prior service costs) and has been reflected as prepaid pension expense. This balance will be amortized each year by an amount equal to the normal pension expense adjusted for the five-year moving average of actuarial gains and losses. The amortization for the year ended March 29, 1980, and March 31, 1979, was $150,000 and $73,000 respectively.

The Company has recorded a $4,790,000 liability for the estimated unfunded vested benefits applicable to employees covered by a union pension plan in which Finast's participation was terminated. It is anticipated that this amount will be funded from the excess of assets over vested benefits of the Company's pension plan discussed above.

Total pension expense, which primarily represented contributions to industry pension plans, was $5,115,000 and $5,588,000 in fiscal 1980 and 1979 respectively.

Forward Sell Currency Hedges

AIR PRODUCTS AND CHEMICALS, INC. (SEP)

	1980	1979
	($000)	
Total current assets	$487,396	$411,389
Investments, and other noncurrent assets (Note 5)	74,429	58,622

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 11 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.

Note 5: Investments and Other Noncurrent Assets

Components are as follows:

	30 September	
	1980	1979
	(in thousands)	
Investments in joint ventures, at cost adjusted for equity in undistributed earnings or losses since acquisition—		
South African	$11,469	$10,810
Mexican	10,254	—
Others	4,960	3,577
Notes and other long-term receivables	7,132	3,520
Other investments	1,878	6,414
	35,693	24,321
Amount deferred on forward sell currency hedges	33,311	31,985
Other deferred charges	5,425	2,316
	$74,429	$58,622

In January 1980, the company purchased a 25% equity interest in CryoInfra, S.A. de C.V. and CO_2 de Mexico, S.A. de C.V., two subsidiaries of the Infra Group of Mexico, for $10 million.

The amount deferred on forward sell currency hedges is recognized concurrently with the receipt of revenues from the related foreign long-term sale-of-product agreements. Accordingly, revenues were reduced $3,613,000 in 1980 and $2,872,000 in 1979.

Start-up Costs

BURLINGTON INDUSTRIES, INC. (SEP)

	1980	1979
	($000)	
Investments and other assets:		
Investments and receivables.....	$19,997	$18,700
Deferred charges (Note A).......	21,191	13,881
Total investments and other assets	$41,188	$32,581

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

Plant start-up costs: Certain major plant start-up costs, incurred during preoperating and initial production, are included in the accompanying balance sheets as deferred charges and amortized on a straight-line basis over five years. Amounts deferred at September 27, 1980 and September 29, 1979, were $16,249,000 and $9,118,000, respectively.

Debt Issue Cost

PNEUMO CORPORATION (NOV)

	1980	1979
	($000)	
Total current assets	$232,674	$176,205
Other assets		
Intangibles resulting from acquisitions..........	6,584	4,446
Notes receivable, less allowances ($216,000 in 1980 and 1979)........	1,027	960
Unamortized debt issuance expense and other assets	3,802	3,857
	11,413	9,263

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Properties, Depreciation and Amortization: Depreciation and amortization of assets are being provided by use of the straight-line method. This method has been used in a manner intended to amortize the cost of assets over their estimated useful lives. Normal maintenance and repair costs are expensed as incurred. Gains and losses on sales or retirements are included in operations.

The present value of capital lease obligations is classified as long-term debt or capitalized lease obligations and the related assets are classified as property, plant and equipment. Amortization of the assets is included in depreciation expense. Capital subleases are accounted for as direct financing subleases and classified as accounts receivable and other assets.

Debt discount and issuance expense are amortized by use of the interest method.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note B—Long-Term Debt

Long-term debt consists of the following:

	(in thousands) November 30 1980	1979
Senior Indebtedness:		
Notes payable to banks	$ 2,500	
10.30% Senior Notes due December 1, 1991—payable in annual installments beginning in fiscal 1983	29,020	$12,669
10% Promissory Notes—payable $1,500,000 in 1981 and 1982........	3,000	4,500
7¼% Industrial Revenue Bonds, due January 1, 1997 with annual sinking fund requirements in increasing amounts beginning in 1983	4,000	4,000
9¼% First Mortgage Note—due in monthly installments to June, 1998, secured by land and warehouse buildings having a net book value of $3,863,000..........	3,139	3,207
6% to 6¾% Industrial Development Revenue Bonds, due October 1, 1992 with annual sinking fund requirements	1,350	
Other	1,004	1,272
	44,013	25,648
Subordinated Indebtedness:		
11⅝% Subordinated Sinking Fund Debentures due 1994, with annual sinking fund requirements of $2,300,000 beginning in 1985	23,000	23,000
9⅝% Subordinated Sinking Fund Debentures due 1998, with annual sinking fund requirements of $1,875,000 beginning in 1988, less unamortized discount of $2,604,000 in 1980 ($2,795,000 in 1979)..........	22,396	22,205
6¼% Subordinated Debentures due July 1, 1985, with annual sinking fund requirements of $300,000 to 1984, less unamortized discount of $50,000 in 1980 ($68,000 in 1979)..........	1,594	1,836
	46,990	47,041
	91,003	72,689
Less current portion	1,906	1,818
	$89,097	$70,871

Tooling Costs

THE CESSNA AIRCRAFT COMPANY (SEP)

	1980	1979
Property, plant and equipment—at cost		
Land	$ 1,120,846	$ 1,089,967
Buildings and improvements	75,095,697	69,034,045
Machinery and equipment	95,616,655	88,273,199
	171,833,198	158,397,211
Less accumulated depreciation and amortization	90,158,065	84,495,532
	81,675,133	73,901,679
Deferred tooling (Note 1e)	25,048,394	19,460,932
Other assets	2,469,230	2,709,427

Note 1 (in part): Accounting policies

e. Deferred tooling—The cost of production tooling is deferred and amortized to expense, primarily by the unit-of-production method. Production tooling is amortized over an estimated three years of deliveries.

Merchandiser Costs

KNAPE & VOGT MANUFACTURING COMPANY (JUN)

	1980	1979
Other:		
Cash surrender value of keyman life insurance	$435,582	$378,097
Deferred merchandiser costs	238,874	370,438
Patent license—net	—	225,656
Total other assets	$674,456	$974,191

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Merchandisers

Merchandiser costs are deferred and amortized on a straight-line basis over a three-year period.

Prepaid Mineral Royalties

REPUBLIC STEEL CORPORATION (DEC)

	1980	1979
	(Thousands of Dollars)	
Total current assets	$1,002,283	$ 923,525
Investments and Other Assets		
Investments in associated companies	$ 106,211	$ 110,440
Other assets	8,383	13,767
	$ 114,594	$ 124,207
Properties, Plants and Equipment	$3,557,478	$3,298,400
Less allowances for depreciation	1,704,947	1,630,098
	$1,852,531	$1,668,302
Deferred		
Prepaid mineral royalties and other deferred charges	47,424	33,838
	$3,016,832	$2,749,872

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies (in part)

Mine Development: Expenditures for development of new mines are capitalized and amortized over their estimated useful lives; however, mine development expenditures related to operating mines are charged to income as incurred. Mineral royalties are charged to cost at tonnage rates calculated to amortize the total royalties over the estimated recoverable tonnage.

Advertising Rights

STEWART-WARNER CORPORATION (DEC)

	1980	1979
Other assets:		
Investment in affiliated distributorships	$1,693,000	$1,401,000
Due from officers and employees	444,000	563,000
Investment in advertising rights	853,000	2,201,000
Long-term receivables, prepaid expenses and other assets	2,425,000	3,069,000
	$5,415,000	$7,234,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Advertising Rights—Production costs of electronic information display systems which have been constructed by the Corporation and exchanged for advertising rights are amortized on a straight-line basis over the lives of the rights. Such advertising rights are sold by the Corporation under long-term agreements which provide for payments, over the lives of the advertising rights, of aggregate amounts sufficient, at a minimum, to recover all such production costs.

CURRENT LIABILITIES

Paragraphs 7 and 8 of Chapter 3A of *ARB No. 43*, as amended by FASB *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.

TABLE 2-19: SHORT-TERM DEBT

	1980	1979	1978	1977
Description				
Notes or Loans				
Payee indicated	137	197	143	152
Payee not indicated	199	200	220	223
Short-term debt or borrowings	78	61	67	67
Commercial paper	29	22	20	19
Other	24	17	17	12
Total Presentations	**467**	**497**	**467**	**473**
Number of Companies				
Showing short-term debt	424	461	447	444
Not showing short-term debt	176	139	153	156
Total Companies	**600**	**600**	**600**	**600**

BAIRD CORPORATION (SEP)

	1980	1979
Current liabilities:		
Foreign bank loans (note 5)	$ 1,424,092	$1,567,903
Current portion of long-term debt	655,469	474,484
Accounts payable	3,262,172	2,860,586
Advance payment from customer	709,906	—
Accrued expenses	2,797,480	2,172,166
Federal, state and foreign income taxes	2,636,869	2,093,501
Total current liabilities	$11,485,988	$9,168,640

Note 5: Foreign Bank Loans

Bank loans to foreign subsidiaries are collateralized by their respective receivables and inventories and guaranteed by the parent company. These loans consist of overdraft lines of credit.

The short-term borrowings from banks averaged approximately $1,411,000 at an average interest rate of approximately 14.5% during the year. The maximum amount of short-term borrowings at any month-end was $1,653,000.

CONCORD FABRICS INC. (AUG)

	1980	1979
Current Liabilities:		
Notes payable—banks (Note E)	$2,400,000	$ 8,700,000
Current portion of notes payable—insurance company (Note G)	775,000	775,000
Accounts payable	5,359,522	6,729,879
Accrued expenses and taxes	1,161,808	1,392,640
Income taxes	39,642	29,279
Total current liabilities	$9,735,972	$17,626,798

Note E—Notes Payable—Banks:

At August 31, 1980, the Company had total unused bank lines of credit aggregating $12,600,000. Amounts borrowed are generally due in 30 to 90 days. The line of credit arrangements are informal and are cancellable at the banks option and provide for borrowings at less than 1% over the prime lending rate on a discounted basis. The Company is generally expected to maintain compensating bank balances (computed on an average annual basis) equal to 15% to 20% of its average annual bank borrowings. The banks have advised that the Company has been in substantial compliance with its compensating balance arrangements, and that withdrawal of bank balances is not legally restricted.

The maximum amount of notes payable outstanding (based on month-end balances) was $9,000,000 in 1980 and $10,800,000 in 1979. Average notes payable outstanding during the year (based on daily balances) was $5,800,000 in 1980 and $6,450,000 in 1979; the weighted average interest rates approximated 15.6% and 12.1% a year in 1980 and 1979, respectively.

Note G—Notes Payable—Insurance Company

The agreement with The Prudential Insurance Company of America (Prudential) requires maintenance of minimum working capital of $18,000,000, continuity of management, prohibits pledging of assets and restricts borrowings, loans and leases. Prudential has (1) modified the minimum working capital requirement to $16,000,000 through August 31, 1981 and (2) amended the maximum permitted current borrowings to $15,000,000 with a provision that such borrowings will not exceed $2,000,000 for a consecutive sixty day period during the year ending August 31, 1981.

In addition, cumulative payments for cash dividends and redemption of capital stock are limited to 50% of net earnings (as defined) subsequent to August 31, 1975; there are no cumulative earnings available for such payments at August 31, 1980.

The Company's indebtedness is payable $775,000 a year to July 1, 1990; interest at 10.15% a year on the unpaid balance is payable semi-annually.

EMERSON RADIO CORP. (MAR)

	1980	1979
Current Liabilities:		
Notes and acceptances payable (Note D)	$10,594,000	$ 6,827,000
Accounts payable	2,965,000	2,777,000
Accrued expenses	1,405,000	1,355,000
Income taxes payable	65,000	1,867,000
Total current liabilities	$15,029,000	$12,826,000

Note D—Notes and Acceptances Payable:

Notes and acceptances payable at March 31, 1980 are summarized as follows:

Notes and acceptances payable—bank	$ 9,904,000
Notes payable to officers	690,000
TOTAL	$10,594,000

Notes and acceptances payable—bank are due April 1980 through June 1980, bear interest at 15.5%–20% and are collateralized by trust receipts representing a security interest in the underlying mechandise and proceeds of disposition.

Notes payable to officers are due on demand and bear interest at 1% below the Company's borrowing rate from its banks.

FMC CORPORATION (DEC)

	1980	1979
	($000)	
Current liabilities		
Short-term debt (Note 7):		
Banks	$ 60,841	$ 45,315
Commercial paper	5,298	756
Total short-term debt	66,139	46,071
Accounts payable, trade and other	416,706	421,264
Payrolls	69,836	65,334
Accrued and other liabilities	178,969	134,685
Current portion of long-term debt	36,952	28,292
Income taxes payable	35,580	37,504
Total current liabilities	$804,182	$733,150

Note 7: Short-term debt and compensating balance agreements

At December 31, 1980, FMC had $300,000,000 of unused domestic bank credit lines. These lines bear interest generally at the prime rate and were available to either FMC or FMC Finance Corporation to provide support for domestic commercial paper borrowings.

FMC maintains informal credit arrangements in many foreign countries. Foreign lines of credit, which usually include overdraft facilities, typically do not require the maintenance of compensating balances, as credit extension is subject to the availability of funds. At December 31, 1980, $60,841,000 was extended to FMC pursuant to these arrangements.

FMC maintains compensating balances, where required, generally in amounts equal to 5% of the lines of credit. Total compensating balances to be maintained by FMC amounted to approximately $12,000,000 at December 31, 1980, however, after considering "float" in certain of FMC's operating bank accounts, none of the December 31, 1980 consolidated cash balance was needed as compensating balances under these arrangements.

GENERAL SIGNAL CORPORATION (DEC)

	1980	1979
	($000)	
Current liabilities:		
Short-term borrowings (note 6)	$ 42,972	$ 41,043
Note payable for acquired company (note 3)	32,905	—
Accounts payable	106,380	102,767
Accrued expenses	106,528	110,076
Income taxes	64,899	55,154
Total current liabilities	$353,684	$309,040

Note 3 (in part): Acquisitions

Purchases: In December 1980, the Company acquired Stock Equipment Company for cash and 150,000 shares of the Company's common stock with a total value of approximately $40,000, of which $32,905 represents the note payable for the acquired company at December 31, 1980 and paid on January 5, 1981. Stock Equipment is a leading manufacturer of coal-handling equipment for electric generating plants. The Company's results of operations include those of Stock Equipment for the month of December 1980.

Note 6 (in part): Long-term debt and short-term borrowings

Short-term borrowings—There are no significant agreements between the Company and its banks, either in writing or otherwise, to maintain compensating balances which would constitute support for existing borrowing arrangements, including both outstanding borrowings and the assurance of future credit availability. However, it is the Company's internal financial policy to maintain balances sufficient in the Company's judgment to have credit available as the Company may require.

The Company has established credit facilities with various banks in the United States and abroad. Such facilities are denominated in the local currency, and aggregated approximately $155,000 and $90,000 at December 31, 1980 and 1979, respectively. The terms of the borrowing arrangements include interest principally at rates equal to those charged prime customers of the banks. The amount of unused available borrowings under the credit facilities was approximately $119,000 and $61,000 at December 31, 1980 and 1979, respectively. Included in the facilities are lines of credit and in 1980 a $40,000 revolving credit agreement which permits issuance of either domestic or Eurodollar short-term notes through March 13, 1983, convertible thereafter to two-year term loans. The agreement provides for a commitment fee of ⅜ of 1% per annum on the unused portion of the facility. The remaining facilities expire at various dates in 1981 and 1982 but can be withdrawn at any time at the option of the banks.

The average amount of short-term debt outstanding during 1980 was approximately $40,000 ($32,000 in 1979 and $25,000 in 1978) with a related weighted average interest rate of approximately 16% (13% in 1979 and 11% in 1978). The weighted average interest rate is determined on the basis of actual interest expense for the periods divided by the average outstanding borrowings. The maximum amount of short-term borrowings at any month-end during 1980 was $44,240, $36,729 in 1979 and $30,210 in 1978. The weighted average interest rate on short-term borrowings included in the balance sheet at December 31, 1980 was approximately 16% and at December 31, 1979 and 1978 was approximately 15% and 13%, respectively.

MIRRO CORPORATION (DEC)

	1980	1979
CURRENT LIABILITIES:		
Notes payable to banks	$ 7,750,000	$ 7,000,000
Current maturities of long-term debt	1,008,000	1,004,000
Accounts payable	10,474,440	10,906,048
Accrued liabilities	3,638,954	3,701,436
Accrued income taxes	1,259,248	3,141,032
Total current liabilities	$24,130,642	$25,752,516

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Notes Payable to Banks—

The following is a summary of significant data concerning notes payable to banks:

	1980	1979
Maximum outstanding borrowings during the year	$18,500,000	$9,000,000
Weighted weekly average amount outstanding during the year	11,977,000	6,625,000
Weighted weekly average interest rate during the year	15.0%	12.4%
Weighted average interest rate on outstanding borrowings at year end	21.5%	15.3%

The Company has lines of credit available totaling $19,000,000 of which $11,250,000 was unused at December 31, 1980. Certain of the credit arrangements require the Company to maintain compensating balances on the total lines of credit outstanding. At December 31, 1980, compensating balance requirements under lines of credit total $1,268,000. These arrangements are on a best effort basis and do not restrict the use of such balances if needed for general corporate purposes.

THE QUAKER OATS COMPANY (JUN)

	1980	1979
	(Millions of Dollars)	
Current Liabilities:		
Short-term debt	$155.1	$ 88.1
Current portion of long-term debt	6.8	4.6
Accounts payable and accrued expenses	257.0	205.9
Income taxes payable	17.3	18.2
Dividends payable	8.3	7.1
Current liabilities	$444.5	$323.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Short-Term Debt

	Millions of Dollars 1980	1979
Notes payable to banks—		
Non-U.S. subsidiaries	$ 67.3	$44.5
Commercial paper—		
Dealer placed	65.8	21.6
Master trust notes	22.0	22.0
	$155.1	$88.1
Weighted average interest rates on debt outstanding at end of year—		
Notes payable to banks—non-U.S.	27.7%	19.4%
Commercial paper—U.S.	8.3%	9.7%
Weighted average interest rates on debt outstanding during the year—		
Notes payable to banks—non-U.S. (computed on month-end balances)	27.2%	17.2%
Commercial paper—U.S. (computed on daily balances)	12.3%	9.4%
Weighted average amount of debt outstanding during the year	$125.2	$78.8
Maximum month-end balance during the year	$155.1	$95.3

TEXACO INC. (DEC)

	1980	1979
Current Liabilities:		
Notes payable and long-term debt due within one year	$ 185,637,000	$ 249,992,000
Accounts payable (includes payables to significant nonsubsidiary companies of $2,747 million in 1980 and $2,452.5 million in 1979)	4,439,488,000	4,214,214,000
Accrued liabilities	1,229,963,000	736,717,000
Estimated income and other taxes	1,637,735,000	1,579,650,000
Total current liabilities	$7,492,823,000	$6,780,573,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6: Notes Payable and Long-Term Debt Due Within One Year

As of December 31,	1980	1979
Notes payable to banks	$ 25,313,000	$ 94,074,000
Notes payable to others	41,053,000	10,043,000
Long-term debt due within one year:		
Indebtedness	72,813,000	96,716,000
Capital lease obligations	46,458,000	49,159,000
Total	$185,637,000	$249,992,000

Texaco Inc. and its consolidated subsidiary companies had bank borrowings outstanding in the United States and foreign countries. The weighted average interest rates for notes payable to banks at December 31, 1980 and 1979 were 16.4% and 12.0%, respectively. The weighted average interest rates on notes payable to banks include the cost of foreign currency borrowings throughout the Company's worldwide operations.

The maximum amounts of commercial paper and notes payable to banks outstanding at any month-end during 1980 and 1979 aggregated at $108,000,000 and $342,000,000, respectively. The average amounts outstanding during the years 1980 and 1979 amounted to $82,000,000 and $177,000,000 at weighted average interest rates of 12.6% and 10.6%, respectively. The averages were determined by using the average of the amounts outstanding as of each month-end.

As of December 31, 1980, the Company had unused bank lines of credit in excess of $1 billion. No fees were charged for these lines of credit and the lines may be withdrawn at any time at the option of each individual bank. In addition, the unconsolidated subsidiary finance company had such credit lines in excess of $300,000,000. For a majority of the unconsolidated finance company's lines of credit, no fees were charged and the lines may be withdrawn at any time at the option of each individual bank.

UNITED TECHNOLOGIES CORPORATION (DEC)

	1980	1979
	($000)	
Current Liabilities:		
Short-term borrowings	$ 663,548	$ 436,473
Accounts payable	912,722	748,411
Accrued salaries, wages and employee benefits	406,933	339,167
Other accrued liabilities	764,091	636,333
Long-term debt—currently due	25,573	31,380
Income taxes:		
Currently payable	122,983	117,307
Deferred	102,568	—
Advances on sales contracts	186,842	206,727
Total Current Liabilities	$3,185,260	$2,515,798

NOTES TO FINANCIAL STATEMENTS

Note 10—Short-Term Borrowings and Lines of Credit:

The following summarizes the short-term borrowings of the Corporation and its subsidiaries as of December 31, 1980 and 1979:

	1980	1979
	In Thousands of Dollars	
Bank borrowings	$147,800	$424,563
Commercial paper	515,748	11,910
	$663,548	$436,473

At December 31, 1980, the Corporation had bank credit lines totaling $1,500,000,000. These comprised $500,000,000 of formal lines with banks (available on an either/or basis to the Corporation, UT Credit and CDCC) and $1,000,000,000 under a Revolving Credit Agreement (available on an either/or basis to the Corporation and UT Credit). The bank lines provide for short-term borrowings through March 1, 1982, at interest rates up to prime rates and for a commitment fee of ¼% per year. The Revolving Credit Agreement provides for borrowings through September 30, 1986, at interest rates ranging from the prime rate to ⅛% above such rate and for a commitment fee of up to ½% per year on undrawn amounts. At the end of 1980, $38,000,000 of the bank borrowings above were outstanding under the formal bank lines by the Corporation; in addition, $32,400,000 had been borrowed under such lines by UT Credit. The unused bank lines and the Revolving Credit Agreement serve as informal backup facilities for the commercial paper.

Under informal arrangements, the Corporation maintains compensating demand deposits with banks which, although they fluctuate from time to time, average $55 to $60 million.

TRADE ACCOUNTS PAYABLE

All the survey companies disclosed the existence of amounts owed to trade creditors. As shown in Table 2-20, such amounts were usually described as *Accounts Payable* or *Trade Accounts Payable*.

AMERICAN MOTORS CORPORATION (DEC)

	1980	1979
	($000)	
CURRENT LIABILITIES		
Short-term debt	$ 50,514	$ 12,100
Current maturities of long-term debt	3,918	3,139
Accounts payable		
Trade	182,822	164,536
Affiliated company	8,705	7,591
Other	50,407	94,869
Salaries, wages and amounts withheld from employes	39,700	37,864
Other accrued liabilities	97,063	128,394
Taxes on income	1,157	10,610
TOTAL CURRENT LIABILITIES	$434,286	$459,103

THE PILLSBURY COMPANY (MAY)

	1980	1979
	(In millions)	
Current liabilities:		
Notes payable	$ 21.5	$ 18.0
Trade accounts payable	372.8	289.0
Advances on sales	54.4	133.5
Accrued liabilities	121.7	112.1
Taxes on income	74.2	49.6
Current portion of long-term debt	30.3	22.4
Total current liabilities	$674.9	$624.6

TABLE 2-20: CURRENT LIABILITIES—TRADE CREDITORS

	1980	1979	1978	1977
Description				
Accounts payable, payables, or trade payables in a separate caption	485	447	426	422
Accounts payable combined with accrued liabilities or accrued expenses	102	137	157	167
Other captions	13	16	17	11
Total Companies	**600**	**600**	**600**	**600**

MCDONNELL DOUGLAS CORPORATION (DEC)

	1980	1979
	Dollar amounts in millions	
Current Liabilities		
Notes payable to banks	$ 241.3	$ —
Accounts and drafts payable	597.6	516.9
Accrued expenses	114.3	104.3
Employee compensation	181.6	151.4
Income taxes, principally deferred	597.8	616.1
Progress payments received	169.4	142.3
Estimated modification, completion, and other contract adjustments	401.6	377.6
Current maturities of long-term debt	7.8	7.1
Total Current Liabilities	$2,311.4	$1,915.7

SUN CHEMICAL CORPORATION (DEC)

	1980	1979
Current liabilities		
Bank loans	$ 21,083	$ 27,400
Current maturities of long-term debt	7,870	3,461
Accounts payable	50,850	48,306
Accrued expenses		
Salaries and wages	12,634	11,367
Interest	3,555	2,605
Taxes on income	8,023	16,885
Other	15,862	25,626
Total current liabilities	$119,877	$135,650

UMC INDUSTRIES, INC. (DEC)

	1980	1979
	($000)	
Current Liabilities		
Notes and loans payable to banks	$ 8,934	$10,592
Accounts payable	17,978	18,224
Wages, salaries and commissions	6,287	6,710
Accrued pension expense	4,308	2,973
Other accrued liabilities	7,724	7,141
Income taxes	4,624	3,465
Current maturities of long-term debt	404	829
Total current liabilities	$50,259	$49,934

EMPLOYEE RELATED LIABILITIES

Table 2-21 shows the nature of employee related liabilities disclosed by the survey companies as current liabilities. As shown in Table 2-21, the number of survey companies disclosing an amount for employee related liabilities increased dramatically in 1980. Examples of captions describing employee related liabilities follow.

BRIGGS & STRATTON CORPORATION (JUN)

	1980	1979
CURRENT LIABILITIES:		
Accounts Payable	$29,065,000	$18,580,000
Accrued Liabilities—		
Wages and Salaries	12,048,000	10,560,000
Retirement Plan	18,756,000	16,137,000
Taxes, Other Than Income Taxes	2,345,000	2,719,000
Other	17,461,000	11,841,000
Total Accrued Liabilities	50,610,000	41,257,000
Federal and State Income Taxes	11,424,000	11,345,000
Total Current Liabilities	$91,099,000	$71,182,000

BROWN GROUP, INC. (OCT)

	1980	1979
Current Liabilities		
Trade accounts payable	$ 57,617,718	$ 59,406,418
Employee compensation	16,186,256	15,605,194
Employee benefits	15,376,240	10,800,020
Other accrued expenses	32,886,897	25,645,669
Federal and state income taxes	10,863,872	14,931,941
Current maturities of long-term debt	2,010,073	1,293,137
Total Current Liabilities	$134,941,056	$127,682,379

TABLE 2-21: EMPLOYEE RELATED LIABILITIES

	Number of Companies			
	1980	**1979**	**1978**	**1977**
Salaries, wages, payrolls, commissions	272	202	216	211
Compensation	64	N/C	N/C	N/C
Withholdings, payroll taxes	25	35	31	18
Pension or profit-sharing contributions	104	72	69	66
Other	46	52	51	52
Number of Companies				
Disclosing employee related liabilities	373	241	228	229
Not disclosing	227	359	372	371
Total Companies	**600**	**600**	**600**	**600**

N/C—Not Compiled.

GIDDINGS & LEWIS, INC. (DEC)

	1980	1979
Current liabilities:		
Loans payable	$ 1,023,037	$ 1,037,324
Accounts payable	12,079,579	9,615,562
Income taxes	5,932,822	11,374,780
Accrued liabilities:		
Wages, salaries, and other compensation	9,409,591	5,655,675
Advance payments by customers	1,958,300	11,742,559
Pension contribution	3,234,962	633,715
Other	7,336,093	5,732,413
	21,938,946	23,764,362
Long-term debt due within one year	1,967,493	1,805,457
Total current liabilities	$42,941,877	$47,597,485

HMW INDUSTRIES, INC. (JAN)

	1981	1980
Current:		
Notes payable	$ 3,843,000	$ 3,937,000
Current portion of long-term debt	3,566,000	2,967,000
Accounts payable	5,897,000	2,903,000
Accrued liabilities (Note 5)	6,311,000	5,773,000
Total current liabilities	$19,617,000	$15,580,000

Note 5: Accrued Liabilities

The consolidated accrued liabilities consist of the following (in thousands):

	January 31	
	1981	1980
Salaries and wages	$1,229	$1,042
Bonuses and fringe benefits*	836	1,362
Other	4,246	3,369
	$6,311	$5,773

*The Company maintains Management Incentive Plans covering officers and certain other salaried employees of the Company and its subsidiaries pursuant to which such persons may become entitled to awards based primarily on the annual earnings of their employer, whether the Company or a subsidiary.

LEVI STRAUSS & CO. (NOV)

	1980	1979
	($000)	
Current Liabilities:		
Current maturities of long-term debt	$ 14,963	$ 15,832
Short-term borrowings	48,642	53,535
Accounts payable	135,006	154,929
Accrued liabilities	93,875	83,802
Compensation and payroll taxes	55,313	57,636
Pension and profit sharing	20,982	27,545
Taxes based on income	68,309	85,069
Dividend payable	15,335	11,357
Total current liabilities	$452,425	$489,705

MCGRAW-HILL, INC. (DEC)

	1980	1979
	(thousands of dollars)	
Current liabilities		
Notes payable	$ 19,611	$ 55,646
Current portion of long-term debt	2,157	7,907
Accounts payable	49,421	49,145
Accrued royalties	19,724	18,499
Accrued compensation	22,451	21,738
Accrued contributions to retirement plans	14,374	13,766
Income taxes currently payable	53,190	41,129
Deferred income taxes	16,639	12,876
Unearned revenue	60,979	45,684
Other current liabilities	27,442	26,473
Total current liabilities	$285,988	$292,863

MOSINEE PAPER CORPORATION (DEC)

	1980	1979
Current liabilities:		
Current maturities of long-term debt	$ 2,470,988	$ 2,210,662
Accounts payable	3,658,171	3,304,100
Accrued and other liabilities	4,371,506	4,271,196
Accrued income taxes	401,764	2,016,000
Total current liabilities	$10,902,429	$11,801,958

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4—Accrued and Other Liabilities

Details of accrued and other liabilities are as follows:

	December 31,	
	1980	1979
Payrolls	$1,560,204	$1,727,542
Taxes, other than income	608,564	552,192
Employee retirement plans	685,346	637,093
Cash dividends declared	329,434	296,892
Interest	847,372	933,176
Other	340,586	124,301
Total	$4,371,506	$4,271,196

NATIONAL STEEL CORPORATION (DEC)

	1980	1979
	($000)	
Current Liabilities		
Accounts payable	$324,489	$261,834
Salaries and wages	124,264	134,915
Withheld and accrued taxes	94,026	88,126
Pension and other employee benefits	137,792	126,256
Other accrued items	51,434	50,186
Income taxes	28,180	50,728
Long-term obligations due within one year	20,444	21,182
Total Current Liabilities	$780,629	$733,227

RAYBESTOS-MANHATTAN, INC. (DEC)

	1980	1979
	($000)	
Current Liabilities		
Notes payable	$ 6,591	$ 5,118
Accounts payable	20,964	14,926
Dividends payable	929	927
Income taxes	1,464	907
Accrued liabilities (Note H)	25,474	16,009
Total current liabilities	$55,422	$37,887

Note H (in part): Other Assets, Accrued Liabilities and Other Income, Net

Accrued liabilities consist of the following:

	1980	1979
Salaries and wages	$ 5,023	$ 3,805
Pension costs	655	1,400
Taxes withheld and accrued	4,024	1,909
Interest	1,502	1,718
Workmen's compensation	2,010	2,155
Facilities realignment	3,050	—
Other	9,210	5,022
	$25,474	$16,009

STANADYNE, INC. (DEC)

	1980	1979
	(In thousands)	
Current Liabilities		
Current portion of debt and short-term borrowings	$ 1,999	$ 3,584
Accounts payable	12,871	15,855
Accrued liabilities:		
Salaries and other compensation	2,730	4,739
Vacation	5,806	5,280
Pension	6,380	5,061
Employee health insurance benefits	3,202	—
Taxes other than on income	2,477	2,342
Other	3,716	4,021
Taxes on income	91	1,114
Total Current Liabilities	$39,272	$41,996

INCOME TAX LIABILITY

Table 2-22 summarizes the descriptive balance sheet captions used to describe the current liability for income taxes.

AMP INCORPORATED AND PAMCOR, INC. (DEC)

	1980	1979
	($000)	
Current Liabilities		
International bank loans	$ 50,134	$ 49,709
Accounts payable	60,305	65,542
Accrued payrolls and employee benefits	35,386	32,557
Accrued taxes on income	76,405	77,605
Accrued expenses—other	17,127	16,775
Current portion of long-term debt	2,134	4,176
Total current liabilities	$241,491	$246,364

ANHEUSER-BUSCH COMPANIES, INC. (DEC)

	1980	1979
	(In millions)	
Current Liabilities:		
Short-term borrowings	$ 16.3	$ —
Installment purchase obligation	30.0	—
Accrued interest payable	23.4	13.6
Accounts payable	168.0	158.0
Due to customers for returnable containers	26.6	24.3
Accrued salaries, wages and benefits	50.6	49.3
Accrued taxes, other than income taxes	54.2	45.7
Estimated federal and state income taxes	21.6	10.4
Other current liabilities	9.6	6.0
Total current liabilities	$400.3	$307.3

TABLE 2-22: CURRENT INCOME TAX LIABILITY

	1980	**1979**	**1978**	**1977**
Income taxes	366	351	361	341
Federal income taxes	35	37	37	45
Taxes—type not specified	34	32	34	45
Federal and state income taxes	33	31	29	33
Federal, state, and foreign income taxes	29	30	28	26
U.S. and foreign income taxes	27	23	29	32
Federal and foreign income taxes	21	27	21	22
Other captions	19	23	19	16
	564	554	558	560
No caption for taxes payable	36	46	42	40
Total Companies	**600**	**600**	**600**	**600**

DUPLEX PRODUCTS INC. (OCT)

	1980	1979
CURRENT LIABILITIES		
Notes payable to bank	$ —	$ 2,000,000
Current portion of long-term debt	1,141,000	766,000
Current capital lease obligations	328,000	436,000
Accounts payable	7,218,000	7,161,000
Accrued expense	6,204,000	5,289,000
Income taxes		
Current	654,000	4,731,000
Deferred	790,000	—
Total current liabilities	$16,335,000	$20,383,000

LUKENS STEEL COMPANY (DEC)

	1980	1979
	($000)	
Current Liabilities		
Short-term borrowings	$ 3,744	$10,199
Accounts payable	32,346	23,020
Accrued employment costs, etc.	21,218	17,947
Accrued income taxes	268	1,377
Deferred income taxes (Note 5).	5,380	5,553
Total current liabilities	$62,956	$58,096

Note 5 (in part): Income Taxes

Taxes deferred to future years reflect principally the acceleration of depreciation expense deductions allowable for tax purposes. The current liability for deferred income taxes relates to the acceleration of pension expense deductions.

OUTBOARD MARINE CORPORATION (SEP)

	1980	1979
CURRENT LIABILITIES:		
Notes payable	$ 19,000,000	$ 25,396,000
Accounts payable—		
Trade	26,342,000	33,239,000
Other	9,744,000	8,418,000
	36,086,000	41,657,000
Accrued liabilities—		
Compensation	11,123,000	11,121,000
Pension programs	6,119,000	10,055,000
Taxes, other than income taxes	3,895,000	4,509,000
Other, including interest of $5,168,000 in 1980 and $5,197,000 in 1979	25,254,000	21,079,000
	46,391,000	46,764,000
Accrued income taxes—		
Federal	5,043,000	4,785,000
State	308,000	183,000
Foreign	3,381,000	4,457,000
	8,732,000	9,425,000
Current maturities and sinking fund requirements of long-term debt	2,869,000	1,951,000
Total current liabilities	$113,078,000	$125,193,000

MICROFORM DATA SYSTEMS, INC. (JUL)

	1980	1979
CURRENT LIABILITIES		
Notes payable	$ 750,000	$2,180,243
Trade accounts payable and accrued expenses	2,058,525	3,863,526
Customer advances	493,611	462,987
Employee compensation	687,405	658,815
Dividends payable	66,950	—
State income taxes payable	51,300	11,000
Current maturities of long-term debt	716,973	442,623
TOTAL CURRENT LIABILITIES	$4,824,764	$7,619,194

THE TIMES MIRROR COMPANY

	1980	1979
	($000)	
Accounts payable	$189,208	$170,881
Employees' compensation	51,092	43,225
Income taxes	22,060	23,344
Other taxes	11,240	9,949
Dividends payable	14,663	12,219
Current portion of long-term debt and notes payable	15,296	16,074
Total Current Liabilities	$303,559	$275,692

TABLE 2-23: CURRENT AMOUNT OF LONG-TERM DEBT

	Number of Companies			
	1980	**1979**	**1978**	**1977**
Current *portion* of long-term debt	189	201	196	186
Current *maturities* of long-term debt	175	181	175	180
Long-term debt *due* or *payable* within one year	83	77	82	79
Current *installment* of long-term debt	46	44	51	44
Current amount of long-term leases	87	80	76	29
Other captions	6	8	11	16

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.

THE AMERICAN SHIP BUILDING COMPANY (SEP)

	1980	1979
	($000)	
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 764	$ 543
Current maturities of capital lease obligations	320	305
Accounts payable	6,409	7,098
Accrued wages and salaries	1,375	1,580
Accrued state and local taxes, other than income taxes	2,332	1,784
Accrued interest	1,329	851
Dividends payable	1,038	912
Other accrued liabilities	4,582	3,810
Accrued and deferred Federal income taxes	9,406	3,162
Total current liabilities	$27,555	$20,045

COMPUGRAPHIC CORPORATION (SEP)

	1980	1979
	($000)	
Current liabilities:		
Notes payable to banks	$ 8,496	$28,406
Current portion of long-term debt	1,272	349
Accounts payable	13,851	16,434
Customer deposits	2,437	2,033
Accrued expenses	23,572	18,317
Accrued income taxes	2,499	7,059
Total current liabilities	$52,127	$72,598

JOY MANUFACTURING COMPANY (SEP)

	1980	1979
	(In Thousands)	
Current Liabilities		
Short-term borrowings	$ 28,924	$ 22,376
Long-term debt payable within one year	4,137	8,750
Accounts payable	61,335	55,615
Advances from customers	22,932	31,878
Accrued payrolls and employee benefits	23,978	17,877
Income taxes	13,609	4,765
Deferred income taxes	14,247	12,836
Dividend payable	6,199	5,599
Other current liabilities	16,836	17,444
Total Current Liabilities	$192,197	$177,140

KERR-MCGEE CORPORATION (DEC)

	1980	1979
	(In thousands of dollars)	
Current Liabilities		
Notes payable	$ 22,000	$ 9,100
Accounts payable	313,395	226,857
Long-term debt due within one year	9,058	11,218
Taxes on income	91,270	70,220
Accrued liabilities	82,854	69,430
Total Current Liabilities	$518,577	$386,825

K MART CORPORATION (JAN)

	1981	1980
	($000)	
Current Liabilities:		
Long-term debt due within one year	$ 1,845	$ 2,161
Obligations under capital leases due within one year	57,153	50,890
Notes payable		185,540
Accounts payable—trade	1,060,185	1,057,556
Accrued payrolls and other liabilities	269,472	188,307
Taxes other than income taxes	133,744	112,034
Dividends payable	28,377	25,796
Income taxes	120,068	160,373
Total current liabilities	$1,670,844	$1,782,657

LABARGE INC (DEC)

	1980	1979
Current liabilities:		
Notes payable to bank	$ 8,000,000	$ 4,000,000
Trade accounts payable	6,832,865	7,007,578
Accrued income taxes	1,055,346	414,316
Accrued employee compensation	641,223	363,187
Accrued taxes other than income	295,691	443,704
Current maturities of long-term obligations	336,236	495,924
Other accrued liabilities	1,069,106	621,709
Total current liabilities	$18,230,467	$13,346,418

LYNCH CORPORATION (DEC)

	1980	1979
Current liabilities		
Trade accounts payable	$ 417,702	$ 748,268
Taxes on income	1,224,645	120,000
Compensation, taxes, pension and other accruals	1,479,069	1,224,992
Dividends payable	130,944	—
Customers, advances	467,669	422,686
Current installments of long-term debt	9,360	8,859
Current installments of capital lease obligation	231,675	209,598
Total Current Liabilities	$3,961,064	$2,734,403

NATIONAL PRESTO INDUSTRIES, INC. (DEC)

	1980	1979
	(Dollars In Thousands)	
Current liabilities:		
Current installments on long-term debt	$ 571	$ 103
Accounts payable	10,641	8,652
Federal and State income taxes	5,218	3,840
Accrued liabilities	3,724	2,919
Deferred income taxes	7,784	6,044
Dividends payable	1,310	1,308
Liabilities of discontinued business		1,382
Total current liabilities	$29,248	$24,248

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.

TABLE 2-24: OTHER CURRENT LIABILITIES

	Number of Companies			
	1980	**1979**	**1978**	**1977**
Taxes not combined with Federal income taxes	165	119	107	103
Dividends payable	103	108	108	106
Customer advances, deposits	71	60	54	54
Interest	98	59	47	43
Deferred taxes	47	48	47	51
Guarantees, warranties, service contract obligations	39	27	22	15
Billings on uncompleted contracts	24	21	21	22
Estimated costs related to discontinued operations	14	18	19	20
Due to affiliated companies	19	12	10	15
Other — Described	67	42	41	67

Billings in Excess of Related Costs

CBI INDUSTRIES, INC. (DEC)

	1980	1979
	Thousands of dollars	
Current liabilities:		
Notes payable	$ 27,241	$ 17,856
Accounts payable	36,893	38,941
Accrued profit sharing contribution	12,500	10,150
Other accrued liabilities	49,393	42,991
Contracts in progress with progress billings exceeding related accumulated costs		
Progress billings	660,188	537,993
Accumulated costs	(460,338)	(358,106)
Income taxes	17,725	12,880
Total current liabilities	$343,602	$302,705

Customer Advances

ROCKWELL INTERNATIONAL CORPORATION (SEP)

	1980	1979
	(In millions)	
Current liabilities		
Short-term debt	$ 41.4	$ 132.7
Accounts payable-trade	496.9	447.9
Advance payments from customers	213.6	228.5
Accrued payroll	208.3	167.6
Accrued retirement plan costs	194.3	169.0
Accrued income taxes	104.2	114.3
Deferred income taxes	541.7	434.0
Other current liabilities	394.9	338.3
Total current liabilities	$2,195.3	$2,032.3

DRESSER INDUSTRIES, INC. (OCT)

	1980	1979
	In Millions of Dollars	
Current Liabilities		
Notes payable	$ 72.2	$ 53.3
Accounts payable	243.3	190.7
Advances from customers on contracts—Note B	66.6	63.4
Accrued compensation	74.8	75.8
Accrued taxes, interest and other expenses	175.0	152.1
Accrued warranty costs	56.8	55.0
Federal, state and foreign income taxes	72.9	27.1
Current portion of long-term debt	19.9	18.3
Total Current Liabilities	$781.5	$635.7

Note B (in part): Long-Term Contracts

Advances from customers on contracts include $28.9 million at October 31, 1980 and $40.9 million at October 31, 1979 received from customers in excess of costs and related profits on long-term contracts.

Deferred Revenue

MACMILLAN, INC. (DEC)

	1980	1979
	($000)	
Current liabilities		
Notes payable	$ 7,869	$ 14,125
Accounts payable	83,198	75,417
Deferred revenues	21,215	19,751
Income taxes-current	8,423	8,654
Income taxes-deferred	936	16,633
Payrolls and commissions	10,116	10,972
Accrued royalties	11,151	10,867
Total current liabilities	$142,908	$156,419

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Deferred revenues—Deferred revenues arise from the prepayment of fees for classroom instruction and from the sale of subscriptions to professional journals and specialized directories.

Employee Deposits

THE L. S. STARRETT COMPANY (JUN)

	1980	1979
CURRENT LIABILITIES:		
Accounts Payable and Accrued Expenses	$11,626,345	$ 9,549,148
Loans Payable to Banks	1,396,249	2,753,908
Accrued Federal, Foreign, State and Local Taxes	6,634,425	6,568,925
Employee Deposits for Stock Purchase Plan	955,327	936,235
Long-Term Debt Due Within One Year	58,750	728,500
Total Current Liabilities	$20,671,096	$20,536,716

Plant Closing Costs

MOUNT VERNON MILLS, INC. (DEC)

	1980	1979
Current Liabilities:		
Current maturities of long-term debt	$ 1,486,317	$ 172,722
Accounts payable	6,112,765	5,829,367
Income taxes	672,661	495,032
Accruals and other liabilities:		
Estimated plant closing costs (Note 8)	997,528	
Social Security and withheld taxes, etc.	676,857	825,893
Salaries and wages	1,534,780	1,356,085
Total current liabilities	$11,480,908	$8,679,099

Note 8: Plant Closing

On October 3, 1980, Company management reached the decision, which had been under consideration for some time previously, to phase out the operations of the plant at Columbia, South Carolina beginning in November, with final plant closing scheduled for the spring of 1981. Accordingly, a provision for the costs and expenses expected to result from the plant closing, presently estimated to be $1,500,000 (approximately $800,000 after tax), has been included in the results of operations for the year.

STAUFFER CHEMICAL COMPANY (DEC)

	1980	1979
	(Dollars in thousands)	
Current Liabilities		
Notes Payable	$261,818	$196,699
Accounts Payable	140,735	116,857
Income Taxes Payable	10,906	17,899
Accrued Expenses	31,157	31,394
Other Liabilities	42,140	41,658
Long-term Debt Due within One Year	13,808	9,145
Accrued Shutdown Expenses	14,107	
Total Current Liabilities	$514,671	$413,652

NOTES TO FINANCIAL STATEMENTS

Facility Disposals and Asset Write-downs

In December, 1980, the Company sold a major portion of its Fertilizer and Mining Division, comprised of phosphate rock reserves in Utah and associated mining and fertilizer manufacturing operations, and its Chemical Systems Division business. Also, the Company recorded asset write-downs (primarily plant and inventories) and estimated shutdown expenses (plant closing costs and 1981 operating losses) for other operations and properties, principally plastics resins, food ingredient products, and a phosphate rock-processing plant, which do not fit long-range plans. These assets (estimated net realizable value of $23,089,000) are currently shut down or the subject of negotiations for sale and are expected to be disposed of by the end of 1981.

Components of the net gain recorded in the fourth quarter of 1980 are summarized below:

	(In thousands)
Gain on facility disposals	$110,991
Write-down of assets to estimated net realizable value	(86,069)
Accrued shutdown expenses	(14,107)
Gain on facility disposals—net	10,815
Income tax credits	4,017
After-tax gain ($.34 per share)	$ 14,832

The current receivable due the company at December 31, 1980, from the facilities sold is $132,808,000, of which substantially all has been collected.

Product Warranties

ZENITH RADIO CORPORATION (DEC)

	1980	1979
	($ Millions)	
Current liabilities:		
Bank loans payable	$ —	$ 18.2
Accounts payable	59.1	61.2
Accrued expenses—		
Compensation and retirement benefits	31.8	26.6
Product warranty	26.6	25.5
Co-op advertising and merchandising programs	24.0	17.1
Other accrued expenses	25.3	20.9
Accrued income taxes	12.8	15.9
Total current liabilities	$179.6	$185.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Engineering and Research, Product Warranty and Other Costs—Engineering and research costs are expensed as incurred. Costs estimated to be incurred with respect to product warranties are provided for at the time of sale based upon an estimate derived from experience factors. The costs of co-op advertising and merchandising programs are provided in the period of the related sales.

Returnable Containers

PABST BREWING COMPANY (DEC)

	1980	1979
Current Liabilities:		
Accounts payable	$45,444,000	$35,347,000
Accrued wages and salaries	2,290,000	2,673,000
Accrued vacations and deferred compensation	12,634,000	11,635,000
Federal excise and other taxes	7,720,000	7,020,000
Federal and state income taxes	719,000	2,411,000
Obligations under capital leases—current	5,788,000	5,402,000
	74,595,000	64,488,000
Liability to customers for returnable containers	14,728,000	14,241,000
	$89,323,000	$78,729,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Properties and Related Depreciation—Property, plant, equipment and cooperage are stated at cost. Provisions for depreciation are made on the straight-line method at rates based on the estimated useful lives of the various classes of depreciable property.

The range of asset lives used in computing depreciation was as follows:

	Range in Years
Buildings	15-60
Machinery and equipment	4-30
Furniture and fixtures	10-20
Automotive equipment	6-15
Cooperage	5-15
Capital leases	3- 7

The cost and accumulated depreciation applicable to assets retired or otherwise disposed of are eliminated from the related accounts and the gain or loss on disposal is credited or charged to income. Expenditures for new facilities and those which substantially increase the useful lives of existing plants and equipment are capitalized. Maintenance, repairs and minor renewals are charged to expense as incurred.

Bottles and boxes on hand are stated at cost; cost being determined on the last-in, first-out method. Bottles and boxes held by customers are stated at acquisition cost, net of an allowance for depreciation of the returnable boxes.

The Company uses the deposit method for recording cooperage and returnable bottles and boxes shipped to customers. Deposit amounts charged to customers for the returnable containers held by them which are expected to be returned to the Company are included in the balance sheet as liability to customers for returnable containers.

Capital leases are recorded as assets and obligations. Depreciation is recognized on the straight-line method over the life of the leases.

LONG TERM DEBT

Table 2-25 summarizes the types of long term debt most frequently disclosed by the survey companies.

Paragraph 10b of FASB *Statement of Financial Accounting Standards No. 47* requires that financial statements disclose for each of the five years following the date of the latest balance sheet presented the "aggregate amount of maturities and sinking fund requirements for all long term borrowings." The requirements of *SFAS No. 47* are effective for fiscal years ending after June 15, 1981.

Examples of long term debt presentations and disclosures follow. Examples of long term lease presentations and disclosures are presented in connection with Table 2-27.

TABLE 2-25: LONG-TERM DEBT

	Number of Companies			
	1980	**1979**	**1978**	**1977**
Unsecured				
Notes	461	463	459	471
Debentures	312	302	286	283
Loans	139	139	126	122
Collateralized				
Capitalized leases	430	422	360	333
Mortgages	187	192	200	176
Notes or loans	86	88	86	55
Convertible				
Debentures	168	166	171	158
Notes	22	20	23	20

BAKER INTERNATIONAL CORPORATION (SEP)

	1980	1979
	($000)	
Long-term debt (Note 3):		
Senior long-term debt	$247,582	$232,695
5.5% convertible subordinated debentures	—	39,990
Total long-term debt	247,582	272,685
Deferred income taxes	74,842	51,036
Accrued pension liabilities	2,024	3,978
Minority interests in subsidiary companies	4,009	2,716

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Indebtedness

Long-term debt at September 30, 1980 and 1979 consisted of the following:

	1980	1979
Senior debt:		
Loans under bank credit agreements due through 1987	$ —	$ 70,000,000
Commercial paper and master notes with an average interest rate of 10.94% at September 30, 1980, effectively due, because of unused lines of credit, through 1987	69,350,000	50,160,000
7.55% notes due in 1987	25,000,000	25,000,000
7.80% debentures due through 1997 with minimum annual sinking fund payments of $1,100,000 begun in 1980	17,800,000	18,900,000
8.75% senior notes due through 1987 with minimum annual installments of $3,300,000 to begin in 1982	20,000,000	20,000,000
9.25% senior notes due through 1994 with minimum semi-annual installments of $670,000	16,650,000	17,990,000
9.375% senior notes due in 1982.	7,500,000	15,000,000
10.20% notes due in 1990	60,000,000	—
Other indebtedness with an average interest rate of 13.1% at September 30, 1980 due $22,598,000 through 1986 and $8,684,000 thereafter	31,282,000	15,645,000
Total senior debt	247,582,000	232,695,000
Subordinated debt:		
5.5% convertible subordinated debentures due 1993	—	39,990,000
Total long-term debt	$247,582,000	$272,685,000

At September 30, 1980 the Company's principal bank credit agreements provide for borrowings of up to $200,000,000 ($50,000,000 of which is restricted as to availability until April 1, 1981) as revolving credit at the prime rate (until March 31, 1982 and 103% of prime thereafter) or at a rate of ½% in excess of the London Interbank Offered Rate ("LIBOR") for U.S. dollar deposits, at the Company's option. At September 30, 1980 there were no borrowings outstanding under these agreements and the full amount of the commitments was available to support commercial paper and master note borrowings. The revolving credit provisions of the agreements require a commitment fee of ½% on the unused portion of the credit and a facility fee of 3% of the prime rate on the full amount of the commitment (except that the total aggregate fee on that portion subject to restricted availability is ⅛% until April 1, 1981). Borrowings under the credit become due on March 31, 1983 at which time the Company may, at its option, convert the unpaid principal balance into term loans which would be payable 15% in 1984, 25% in 1985 and 30% in each of 1986 and 1987 and which would bear interest at 103% and 107% of the prime rate. In connection with these agreements there are no requirements for compensating balances.

Additional bank lines of credit at September 30, 1980 include the following:

(a) $100,000,000 as revolving credit which bears interest at ⅜% to ½% over LIBOR, has no requirement or compensating balances, and is repayable in 1985. A commitment fee of ¼% is payable on the unused amount of the facility. At September 30, 1980, there were no outstanding borrowings under the agreement.

(b) $34,000,000 as revolving credits which bear interest at the prime rate, have informal compensating balance arrangements of $1,700,000 to $3,400,000 and are repayable in 1983. At September 30, 1980, there were no outstanding borrowings under the agreements.

(c) $125,000,000 in short-term lines of credit available in connection with bankers' acceptance financing which, at September 30, 1980, bear interest at an average rate of 9.94%, have undrawn balances of $69,457,694 and have no requirement for compensating balances.

(d) $40,000,000 as a revolving credit which bears interest at 106% of the prime rate, has no requirements for compensating balances, requires a fee of ⅜% on the unused portion and matures in 1983. At September 30, 1980 there were no outstanding borrowings under the agreement.

(e) $20,000,000 of lines of credit which bear interest at a variable rate, have no requirements for compensating balances, become due 13 months after notice to the Company by the lenders and require commitment fees of ¼% to ⅜% on the unused portion. At September 30, 1980 there were no outstanding borrowings under these agreements.

(f) $5,000,000 as a revolving credit which bears interest at ½% over LIBOR, has no requirement for compensating balances, and is repayable in 1983. A commitment fee of ⅜% is payable on the unused amount of the facility. At September 30, 1980 there were no outstanding borrowings under the agreement.

In addition, the Company issues master notes under several agreements with bank trust departments which provide for the issuance of up to $40,000,000 of the Company's unsecured demand promissory notes at a variable rate of interest ($19,500,000 borrowed at September 30, 1980 at an effective interest rate of 11.63%).

The Company maintains, at all times, unused domestic committed bank lines of credit at least equal to the principal amount of its outstanding commercial paper and master note borrowings. Accordingly, outstanding commercial paper and master note borrowings have been classified as long-term debt in the accompanying consolidated financial statements.

In December 1979, the Company called for the redemption of its 5.5% convertible subordinated debentures due 1993. In connection with this redemption, the Company issued approximately 2,351,000 shares of common stock in exchange for debentures having a face value of $39,990,000.

In June 1980, the Company issued $60,000,000 face amount of 10.20% notes due 1990, the proceeds of which were used to reduce floating rate debt of the Company.

Redemption of the 7.55% notes, issued in July 1977, may be made at the option of the Company, in whole or in part, on or after July 15, 1984 at par plus accrued interest. Redemption of the 10.20% notes, issued in June 1980, may be made at the option of the Company, in whole or in part, on or after June 15, 1986 at par plus accrued interest. Other than through required sinking fund payments, redemption of the 7.80% debentures (beginning in 1980), the 8.75% senior notes (beginning in 1982) and the 9.25% senior notes (beginning in 1979) can occur (generally without premium) by prepaying additional amounts up to an amount equal to the normal periodic installments. Redemption of the 7.80% debentures may be further accelerated by paying a premium which decreases proportionately from 4.68% at September 30, 1980 until it is eliminated in March 1992. Redemption of the 9.25% senior notes may be further accelerated by paying a premium which decreases proportionately from 6.20% at September 30, 1980 until it is eliminated in 1993. Redemption of the 8.75% senior notes may be further accelerated by paying a premium which decreases proportionately from 4.86% at September 30, 1980 until it is eliminated in 1985. All such prepayments with premium cannot be made, directly or indirectly, from proceeds of any indebtedness having an interest rate less than the rate applicable to the indebtedness being redeemed. The 9.375% senior notes, issued in December 1978, are repayable in equal installments due in December 1980 and 1981, although the final installment may be paid after June 1981 without premium.

The provisions of the notes, debentures, senior notes and unsecured credit agreements have an effect on the ability of the Company to, without prior written consent, among other things, incur borrowings, sell certain assets, pay cash dividends, acquire other businesses and purchase the Company's capital stock. At September 30, 1980, retained earnings of approximately $134,527,000 were not limited thereunder as to payment of cash dividends and purchases of the Company's capital stock.

At September 30, 1980, long-term debt was due in aggregate annual installments of $12,637,000, $15,558,000, $7,625,000, $17,267,000 and $39,584,000 in each of the five years in the period ending September 30, 1985.

During 1980 and 1979, the maximum aggregate short-term borrowings outstanding at any month-end were $62,432,000 and $45,595,000, respectively; the average aggregate short-term borrowings outstanding based on quarter-end balances were $50,988,000 and $39,203,000, respectively; and the weighted average interest rates were 13% and 11%, respectively. The average interest rate on short-term borrowings outstanding at September 30, 1980 and 1979 was 10% and 12%, respectively.

CENTRAL SOYA COMPANY, INC. (AUG)

	1980	1979
	($000)	
Long-term debt	$143,106	$104,059
Deferred income taxes	13,328	13,296
Minority interests in subsidiaries	4,013	3,567

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All tabular amounts are in thousands)

Long-term Debt and Lease Obligations

Long-term debt consists of the following:

	1980	1979
6.38% sinking fund debentures due to 1993	$ 4,599	$ 14,586
7.5% sinking fund debentures due to 1997	24,187	24,787
8.45% senior notes due 1983-2002	55,000	55,000
Short-term obligations covered by long-term loan agreements	49,000	
Capitalized lease obligations, 6% to 10% due to 2004 (at August 31, 1980, the weighted average interest rate was 8%)	3,882	6,571
Other, due at various dates (at August 31, 1980, the weighted average interest rate was 8.1%)	7,831	4,035
	144,499	104,979
Less current maturities	1,393	920
	$143,106	$104,059

At August 31, 1980, $49 million of short-term obligations have been classified as long-term debt since the Company intends to convert such debt into notes to be issued under unused $60 million long-term bank lines of credit which are exercisable through February 28, 1981. These notes will bear interest ranging from specified prime rates to 107 percent of these rates and will be due in sixteen equal quarterly installments commencing approximately three years from the date of such borrowings.

Certain of the long-term debt agreements require the Company to maintain minimum levels of working capital and net tangible assets, as defined, and restrict the payment of cash dividends. Retained earnings at August 31, 1980, exceed the terms of the most restrictive of these agreements by approximately $50 million.

There are no requirements to maintain compensating balances in connection with any long-term debt.

The Company retired, principally in July 1980, approximately $10 million of the 6.38 percent sinking fund debentures and $.6 million of the 7.5 percent debentures and realized a gain of approximately $1.1 million (approximately $.2 million in 1979), which is included in "Interest and other income-net" in the Consolidated Statement of Earnings.

Annual maturities of long-term debt, exclusive of capitalized lease obligations, for the four years after August 31, 1981, are as follows: 1982—$2.9 million; 1983—$6.3 million; 1984—$13.3 million; and 1985—$18.8 million.

Capital leases relate principally to certain storage facilities. In connection with the September 1980 sale of the Company's river barges (see discussion under "Changes in the Business'), the Company has agreed to prepay the remaining amount due under a capital lease for barges and, accordingly, all amounts relating to this lease have been excluded from the following tabulation. Operating leases relate principally to transportation equipment and office facilities. Railroad car leases are included at the total commitment to lessors without deduction for mileage credits. Future minimum lease payments and the present value of capital lease payments are as follows:

	Capital Leases	Operating Leases
1981	$ 706	$10,226
1982	676	6,915
1983	646	5,843
1984	688	4,832
1985	485	3,869
Later years	3,205	13,728
Total minimum lease payments	6,406	$45,413
Less interest	2,524	
Present value of minimum lease payments	$3,882	

Operating lease expense totaled $19.6 million in 1980 ($16.6 million in 1979), including contingent rentals of $2.1 million in 1980 ($1.9 million in 1979).

CHEMINEER, INC. (SEP)

Total Current Liabilities	$10,534,139	$9,216,230
Long-Term Debt—less current maturities (Note B)	4,026,137	7,761,356
Deferred Taxes on Income	1,057,044	980,477

Note B—Long-Term Debt

Long-term debt consists of the following:

	October 3 1980	September 28 1979
Bank credit agreement	$4,000,000	$7,000,000
Capitalized lease obligations due through 1984	1,323,381	2,222,288
Mortgage notes payable in monthly installments of $4,260 through June, 1983, including interest at 10% with final balance due July, 1983	415,643	431,749
Other	13,160	84,613
	5,752,184	9,738,650
Less current maturities	1,726,047	1,977,294
	$4,026,137	$7,761,356

Under the bank credit agreement, the outstanding term loan portion of $2,500,000 is repayable in quarterly installments of $250,000 plus interest at ¾% over prime (14¾% at October 3, 1980). In addition the bank credit agreement provides for a maximum revolving credit line of $5,500,000, available at prime plus ¾% (14¾% at October 3, 1980) through October, 1982, of which $1,500,000 is outstanding. The agreement also provides for a commitment fee of ½% per annum on the unused portion of the revolving credit line.

The bank credit agreement contains certain restrictive covenants which, among other things, require a current ratio test as defined in the agreement and certain other provisions limiting the incurrence of additional debt, the amount of annual operating lease payments, the purchase or disposal of fixed assets, the purchase of its own stock and the payment of cash dividends ($330,000 was available for dividends at October 3, 1980).

All property, plant and equipment at October 3, 1980, is pledged as collateral under the above debt obligations. In addition, accounts receivable and inventories are pledged as collateral under the bank credit agreement.

Maturities of long-term debt are as follows:

Year	Amount
1981	$1,726,047
1982	3,479,472
1983	517,713
1984	28,952

Subsequent to October 3, 1980, the Company obtained Industrial Development Revenue Bond financing to be used for the renovation of its new Corporate Headquarters. Of the $2,700,000 in proceeds, $415,643 was used to repay the outstanding mortgage notes payable.

Interest costs incurred in 1980 were $1,487,502, of which $67,000 was capitalized in connection with this renovation. During 1979, all interest costs were expensed currently.

CHOCK FULL O'NUTS CORPORATION (JUL)

	1980	1979
Long-term debt, excluding current installments—Note 2	$2,760,984	$8,262,861
Capital lease obligations	2,611,649	2,823,645
Other noncurrent liabilities, principally pension benefits	1,018,967	974,715
Deferred income taxes	50,000	1,322,301

Note 2—Long-Term Debt

Long-term debt consists of the following:

	July 31,	
	1980	1979
Advances under financing agreement (a)		$4,894,640
4½% Convertible subordinated debentures (b)	$1,867,800	2,193,400
6% note payable on October 1, 1982 (c)	1,000,000	1,000,000
6% note payable (d)	405,000	507,500
Other	115,184	254,171
	3,387,984	8,849,711
Less current portion	627,000	586,850
	$2,760,984	$8,262,861

(a) There have been no borrowings under the financing agreement subsequent to January 31, 1980. Under the agreement, advances were available to a subsidiary to the extent of 90% of the eligible receivables and 70% of the eligible inventory up to a maximum amount of $8,000,000. Interest on advances was charged at 2½% per annum above the prime rate and any advances are not required to be repaid until February 1982. Amounts outstanding under the agreement were guaranteed by the Company. The outstanding loan balance fluctuates and at various times repayments are made which will bring the outstanding balance below the amount outstanding at the end of a fiscal year. As the Company has the ability to draw the loan balance back to the maximum amount available of $8,000,000, the entire outstanding loan balance at July 31, 1979 was classified as long-term debt. In addition to the collateral described above, the lenders have a security interest in the Company's trademarks and in the machinery and equipment of the subsidiary.

(b) The debentures, due August 1, 1981, are convertible at their principal amount into common stock at $21.75 per share; approximately 86,000 shares of common stock have been reserved for such conversions. The terms of the indenture provide for a sinking fund to annually retire $311,000 of principal amount of debentures outstanding.

(c) The note is collateralized by the note receivable from the buyer of the assets of the brewery operations (see Note 7 (b)).

(d) The notes are payable in annual installments over a three-year period in varying amounts, with the final payment due October 16, 1981.

As of July 31, 1980 long-term debt matures as follows:

Fiscal Year	
1981	$ 627,000
1982	1,669,938
1983	1,013,770
1984	14,569
1985	15,440
Thereafter	47,267
	$3,387,984

DIAMOND INTERNATIONAL CORPORATION (DEC)

	1980	1979
	($000)	
Long-Term Debt		
8.35% Sinking fund debentures—due in installments from 1987 to 2006	$30,000	$30,000
Term loan—due in 1981	—	25,000
8% Notes—due in installments 1996	15,000	16,000
Revolving credit agreement	20,000	—
Commercial paper	10,000	—
8¾% Senior notes—due in installments from 1983 to 1992	7,000	7,000
Sundry indebtedness	6,319	5,875
Total Long-Term Debt	$88,319	$83,875

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7: Long-Term Debt

During 1980 and in early 1981, the Company entered into three separate revolving credit agreements aggregating $75,000,000 with three different banks. These agreements expire at various dates beginning in June, 1982 and ending in February, 1984. The interest rates on these agreements range from ⅜% to ½% above the banks' cost of funds. Commitment fees range from ⅛% to ¼%. At December 31, 1980, the Company had borrowed $28,000,000 under two of these agreements, $20,000,000 of which is classified as long-term debt since it is the Company's intention to renew or refinance that amount on a long-term basis. In addition, at December 31, 1980, $10,000,000 in outstanding commercial paper has been classified as long-term debt in accordance with the Company's intention to refinance such obligations on a long-term basis by the issuance of additional commercial paper or by the use of the above mentioned revolving credit agreements.

In 1978, the Company borrowed $25,000,000 pursuant to a loan agreement with two banks. Principal repayment is due May 30, 1981, but may be repaid at any time. Interest is computed at the lower of the average prime rate or 8½% calculated over the life of the loan.

The Company's 8.35% Sinking Fund Debentures are redeemable at the option of the Company at prices ranging from 107.01 in 1981 to 100 in the year 2005.

The Company assumed $8,897,000 of indebtedness in 1978 in connection with the acquisition of LMF Corporation; such indebtedness is represented by 8¾% Senior Notes due in 1992 (with annual installments of $700,000 scheduled to begin in 1983), and other sundry indebtedness.

Total installments payable on long-term debt in the next five years are: 1981 (included in current liabilities)—$26,419,000; 1982—$31,692,000; 1983—$2,688,000; 1984—$1,997,000; 1985—$1,956,000.

Indentures relating to long-term debt contain restrictive provisions as to the payment of cash dividends and purchase or redemption of the Company's capital stock. At December 31, 1980 under the most restrictive of these provisions, approximately $323,000,000 of consolidated earnings retained was not restricted.

ENGELHARD MINERALS & CHEMICALS CORPORATION (DEC)

	1980	1979
	(Thousands of Dollars)	
Total current liabilities	$4,226,795	$4,423,425
Deferred Taxes on Income	20,633	20,188
Long-Term Debt	457,398	228,620

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4—Short-term borrowings and long-term debt:

Confirmed unused lines of credit available for additional short-term borrowings at December 31, 1980, net of lines supporting commercial paper borrowings, aggregated $2.4 billion (1979—$930 million). The Company's lines of credit with its banks are available in accordance with normal terms for prime borrowers and are not subject to commitment fees or other restrictions.

Long-term debt at December 31, 1980 and 1979 consisted of the following:

	1980	1979
	(Thousands of Dollars)	
11¾% debentures due August 1, 2005	$250,000	$ —
5¼% subordinated debentures due 1997	2,597	8,650
Loans from insurance companies—		
5.3% note payable $2 million annually through 1985 and $10 million in 1986	20,000	21,500
5.5% note payable $1.8 million annually through 1982 and $2.4 million annually from 1983 to 1987	15,600	17,400
8.8% note payable $6.25 million annually from 1983 to 1998	100,000	100,000
9⅝% note payable $12 million in 1981 and $8 million in 1982	20,000	20,000
Domestic bank loans with interest at 6/10 of 1% above the Average National Federal Funds rate payable 400 days after demand	45,000	45,000
Foreign bank loans	11,711	10,878
Other loans	8,465	8,710
	473,373	232,138
Less current maturities	15,975	3,518
Total long-term debt	$457,398	$228,620

The 11¾% debentures, issued under an Indenture dated August 1, 1980, are redeemable at $1,112.50 per $1,000 through August 1, 1981, reduced by $5.625 in each of the following twenty years, and thereafter at par; the Company may not, however, redeem any debentures prior to August 1, 1990 with money borrowed at an annual interest cost of less than 11.812%. Annual sinking fund requirements of $16,661,000 in cash or acquired debentures commence in 1991. The Company may increase its sinking fund payment in any year by a maximum of $24,991,500.

The 5¼% subordinated debentures, issued under an Indenture dated November 15, 1972, are convertible into common stock at the rate of 70.04 shares for each $1,000 principal amount (equivalent to $14.28 per share). They are redeemable at $1,031.50 per $1,000 through November 14, 1981, reduced by $2.625 in each of the following twelve years, and thereafter at par.

The most restrictive covenant of the Company's loan agreements limits payments of cash dividends to a fixed amount plus a defined percentage of consolidated net earnings. Unrestricted retained earnings at December 31, 1980 amounted to $752 million.

As of December 31, 1980 the aggregate maturities of long-term debt (excluding the $45 million with an indefinite maturity) for the succeeding five years were as follows: 1981—$16 million; 1982—$16 million; 1983—$19.4 million; 1984—$11.2 million; 1985—$11.3 million.

HMW INDUSTRIES, INC. (JAN)

	1981	1980
Total current liabilities	$19,617,000	$15,580,000
Long-term debt (Note 4)	24,675,000	15,782,000
Accrued pension liability	405,000	348,000
Deferred income taxes	1,709,000	—
Other liabilities	270,000	102,000
Total liabilities	$46,676,000	$31,812,000

Note 4: Debt

Notes payable consist of the following:

	January 31 1981	1980
Bank line of credit	$ 500,000	$ 500,000
Bank acceptances payable (collateralized by inventory)	2,910,000	3,137,000
Other	433,000	300,000
	$3,843,000	$3,937,000

At January 31, 1981 and 1980, a subsidiary of the Company had a short-term line of credit aggregating $500,000 all of which was outstanding at an interest rate of 1½ percentage points above the prime rate.

Long-term debt consists of the following:

	January 31 1981	1980
Notes payable, banks (a)	$ 5,000,000	$ 6,750,000
Mortgage payable (b)	3,186,000	3,232,000
Industrial revenue development bonds (c):		
Hamilton Technology plant	4,422,000	—
Hamilton Precision Metals plant and certain equipment	4,450,000	—
Notes payable for acquisition of:		
IBN (d)	1,586,000	2,188,000
Waldom (e)	2,500,000	3,000,000
Chairmakers (f)	1,081,000	—
Borrowings of subsidiaries (g):		
Insurance company	800,000	900,000
Bank	1,500,000	455,000
Other	1,088,000	119,000
Obligations under capital leases (h)	2,628,000	2,105,000
Total long-term debt	28,241,000	18,749,000
Less amounts payable within one year	3,566,000	2,967,000
	$24,675,000	$15,782,000

(a) On August 28, 1980, the Company entered into a revolving credit agreement with six banks in the aggregate principal amount of $12,000,000. The agreement provides that any borrowings on the revolving credit will be evidenced by notes maturing July 31, 1983, which bear interest at the rate of ½ of 1 percent above the prime rate. The initial borrowing under the agreement was used to prepay the indebtedness under a loan agreement dated August 3, 1979. The Company has the option, to be exercised by July 31, 1983, to convert all or part of the revolving credit into term loan notes which are to be repaid in quarterly installments over a four-year period. The revolving credit agreement provides that the Company meet a 10 percent compensating balance requirement on the aggregate principal amount and cause certain of its subsidiaries to guarantee loans made pursuant to the agreement. The compensating balance requirements do not constitute legal restrictions and are based on average balances. In addition, the Company agreed to pay a quarterly commitment fee of ½ of 1 percent per annum on the daily unused amount of the aggregate principal amount of the credit. The agreement also prohibits the declaration or payment of any cash dividends during its term and restricts certain additional indebtedness.

(b) The mortgage, used to purchase a new plant for the use of Wallace Silversmiths, Inc. (Wallace), is payable in equal monthly installments to June 1988 of $335,430 per annum, including principal and interest at 9 percent. Thereafter, monthly payments including interest are equivalent to $289,800 per annum to June 2008.

(c) On September 10, 1980, the Company purchased a building and related property to be utilized as the main manufacturing plant and offices for the Company's Hamilton Technology, Inc. (HamTech) subsidiary. The Company is partially financing the property and certain improvements through industrial revenue development bonds in the maximum principal amount of $5,700,000 over a term of approximately 20 years. Simultaneously, the Company leased the property, as improved, to HamTech for a term of approximately 20 years. The Company is to make monthly payments sufficient to pay the interest (70 percent of the prime rate, but not lower than 8½ percent) and debt retirement requirements under the mortgage covering the bond issue. The industrial revenue development bonds are collateralized by a first mortgage relating to the property, as improved, an assignment of certain of the Company's rights under the lease with HamTech (which include a security interest in all machinery and equipment, tools and dies of HamTech, now owned or hereafter acquired) and a guaranty by HamTech of the industrial revenue development bonds in the amount of $2,000,000. The carrying value of such property at January 31, 1981 totaled $4,440,000 and at completion will aggregate approximately $6,400,000 including capitalized interest.

On September 30, 1980, the Company leased a building and related property, with an option to purchase for a nominal consideration, to be utilized as the main manufacturing plant and offices for its Hamilton Precision Metals Division. The building and related property, after certain necessary renovations to the property and the purchase of additional equipment, was partially financed through industrial revenue development bonds of $4,450,000 over a term of approximately twelve years, with principal payments commencing April 1, 1981. The Company is to make monthly payments over the term of the bonds sufficient to pay the interest (65 percent of the prime rate, but not lower than 9 percent or greater than 14½ percent) and debt retirement requirements. The bonds are secured by a first mortgage relating to the property, as improved, a security interest in certain equipment of the Company and a guaranty by the Company. The proceeds from the bonds were placed in escrow and include $257,000 in cash and $2,800,000 in certificates of deposit at January 31, 1981. The carrying value of the project at January 31, 1981, totaled $2,840,000 and when completed will aggregate approximately $6,100,000 including capitalized interest.

(d) The 6½ percent promissory notes, issued for the purchase of Industrial Bolt & Nut Co. (IBN), are payable in equal quarterly installments of principal and interest through August, 1983. The stock of IBN and of IBN's two wholly owned subsidiaries has been pledged as collateral for payment of the notes, which notes are and will be subordinate to the Company's bank debt described in (a) above. In addition, IBN is restricted from paying any dividends so long as these notes are outstanding.

(e) The promissory notes are payable in consecutive annual installments of $500,000 which commenced July 30, 1980, plus accrued interest, at the rate of 1 percentage point less than the prime rate, except that the interest rate shall not be less than 7 percent nor greater than 12 percent. The acquisition agreement specifies that accelerated payments must be made if certain financial conditions are met. At January 31, 1981, the accelerated cash payment which could become due on July 30, 1981, is estimated to be $276,000. Waldom is prohibited from paying dividends or making loans or other advances of funds to the Company except to the extent that the Company uses the funds received thereby for the payment of the promissory notes relating to the acquisition. The stock of Waldom has been pledged as collateral for payment of the notes, which notes are subordinate to the Company's bank debt described in (a) above.

(f) The principal amount of this note ($1,260,000) bears interest at 7 percent and is payable in five annual installments beginning March 1, 1981. The notes have been discounted to reflect the Company's incremental borrowing rate of 15 percent. The discount amortization included in interest expense was $73,000.

(g) The loan from the insurance company is to IBN and is payable in annual principal installments of $100,000, with interest at 9¾ percent. The agreement provides, among other things, that IBN shall meet certain financial ratios and limit its future indebtedness. In addition, IBN is prohibited from making any dividend payments to the Company and is subject to limitations on the amount of funds which it may loan or advance. The inventory of IBN has been pledged as collateral for payment of the loan.

The term loan from a bank is to Fort Smith and is payable in sixty consecutive monthly installments of $25,000 beginning February 1982. The note bears interest at 10 percent per annum, payable monthly. Fort Smith has agreed that so long as this term loan is outstanding, it will continue to assign its accounts receivable to the bank on a nonrecourse basis.

(h) The capital lease obligations are payable in various monthly amounts to May 2018, with interest at 8 to 13 percent. Amounts included in property, plant and equipment and accumulated depreciation at January 31, 1981 and 1980, relating to assets under capital leases, and future minimum lease payments under such leases are not significant.

As of January 31, 1981, annual maturities of long-term debt outstanding for the next five years are as follows:

1981-82	$3,566,000
1982-83	$2,731,000
1983-84	$3,040,000
1984-85	$3,138,000
1985-86	$2,540,000

Interest expense has been reduced by $179,000 ($.03 per share after tax) in the year ended January 31, 1981, as a result of capitalized interest. During the years ended January 31, 1980 and 1979, no interest expense was capitalized.

The Company plans to offer for sale $15,000,000 in aggregate principal amount of Silver Unit Bonds (Bonds) due 15 years from the date of issue. The Bonds will be collateralized by a security interest in the silver inventory of Wallace. This offering has been postponed to allow for more favorable financing terms. The costs incurred during the year ended January 31, 1981 related to the Bond offering ($892,000) have been capitalized in other assets and will be amortized over the life of the Bonds, when issued.

QUAKER STATE OIL REFINING CORPORATION (DEC)

	1980	1979
	($000)	
Total current liabilities	$110,932	$ 95,267
Long-term debt, less current installments (Note 4)	97,515	101,343
Deferred income taxes and investment credit	59,946	54,646
Total liabilities	$268,393	$251,256
Contingent liabilities		

Note 4: Long-term Debt

Long-term debt consisted of:

	Thousands of Dollars 1980	1979
9%Sinking Fund Debentures due August 1995	$ 22,500	$ 22,500
Collateralized notes	29,445	30,560
Term loan	26,875	26,875
5¾% Note payable in annual installments of $600,000 to 1986	4,000	4,600
6¾% to 15½% (varies with prime) Federal tax-free industrial revenue debt payable in amounts ranging from $2,262,500 in 1981 to $100,000 in 1991	13,035	15,297
7¼% Serial Debentures	2,627	2,776
Others, 6% to 21½%, due in various installments to 1987	5,171	4,646
	103,653	107,254
Less payments due within one year	6,138	5,911
	$ 97,515	$101,343

The Sinking Fund Debentures have annual sinking fund payments of $1,250,000, which commenced in 1980. At December 31, 1980, one year of the sinking fund payments has been prepaid. Subject to restrictions, the debentures may be called at prices ranging from 103.825% of face value in 1981 to 100% of face value in 1990.

The collateralized notes relate to the expansion of Donaldson Mines and provide for varying interest rates depending upon rates charged by the bank participating in the financing of the project (the rate was 12.8% at December 31, 1980). The notes are for terms of 8, 10, and 20 years and are payable in monthly installments. The notes are collateralized by the capital stock and substantially all the assets

($38,152,000 at December 31, 1980) of the Donaldson Mine Company, a subsidiary of The Valley Camp Coal Company, and by assignment of all rights under the long-term coal sales agreement. An amount sufficient to repay the notes will be recoverable through the coal sales agreement. The coal purchaser, under certain conditions of default, may terminate the contract and acquire the assets or stock of the Donaldson Mine Company. The notes are an obligation of the Donaldson Mine Company and are not guaranteed by Quaker State.

During 1980, Valley Camp finalized an agreement with a bank to refinance its existing term loans and a note payable into one term loan. The agreement provides for interest at 105% of the bank's prime rate (which was 21.5% at December 31, 1980) and repayment of the principal in 1984. Quaker State has guaranteed the loan.

The 7¼% Serial Debentures are payable annually in increasing amounts of $170,000 in December 1981 to $308,000 in December 1992. Annual receipts from an iron ore pellet handling facility are pledged as collateral for the debentures. The debentures are an obligation of one of Valley Camp's subsidiaries and are not guaranteed by Quaker State.

During 1980, the Company entered into a revolving credit agreement with a bank. Under the agreement the Company may borrow, repay, and reborrow a maximum of $20,000,000 through July 15, 1983. Interest is at the bank's prime interest rate on outstanding borrowings and a committment fee of ½% per year on unused funds. On July 15, 1983 the outstanding borrowings may be converted into a term loan payable in 16 equal quarterly installments commencing on October 15, 1983 with interest at the bank's prime rate plus ¼%. There were no borrowings under this agreement during 1980.

At December 31, 1980, $18,389,000 of consolidated retained earnings was free of any restrictions as to the payment of cash dividends under the Company's most restrictive debt instrument.

At December 31, 1980, the Company had additional bank lines of credit aggregating $38,500,000 providing for borrowings at prime rates. Under informal agreements with these banks, the Company maintains compensating balances, $1,740,000 at December 31, 1980, which are not restricted as to use.

The aggregate long-term debt maturing during the next five years is approximately as follows: 1981—$6,138,000; 1982—$7,579,000; 1983—$7,596,000; 1984—$34,400,000; and 1985—$6,506,000.

SYBRON CORPORATION (DEC)

	1980	1979
Long-term debt	$114,094,000	$114,290,000
Pension and severance obligations of foreign subsidiaries	17,865,000	16,901,000
Deferred income taxes	11,880,000	10,377,000
Other non-current liabilities	3,466,000	3,690,000

NOTES TO FINANCIAL STATEMENTS

Note 6: Debt

The long-term debt of the Corporation and its subsidiaries consists of:

	1980	1979
9⅛% notes due 1985	$ 35,000,000	$ 35,000,000
8% sinking fund debentures due 1987; sinking fund requirements are $1,827,000 in 1983 and $1,950,000 annually thereafter to 1986	10,077,000	11,127,000
7½% sinking fund debentures due 1994; sinking fund requirements are $939,000 in 1983 and $1,250,000 annually from 1984 to 1993	17,189,000	18,768,000
8⅝% note due 1997, payments of $1,785,000 are due annually from 1983 to 1996	30,000,000	30,000,000
1975 Series A Industrial Development Revenue Bonds, due $500,000 in 1985 at 7% and $500,000 in 1995 at 8%	1,000,000	1,000,000
6.1% 1977 and 1978 Industrial Facility Revenue Bonds, due 1997	2,860,000	2,860,000
4½% convertible subordinated debentures due 1980, convertible into common stock at $17.27		88,000
4½% convertible subordinated debentures due 1987, convertible into preferred stock at $63.00 a share; sinking fund requirements are $501,000 in 1985 and $800,000 in 1986	5,489,000	5,558,000
9¾% note due 1989, payments of $80,000 are due annually from 1981 to 1988	770,000	850,000
3% Urban Development Notes due ratably from 1989 to 1998	2,991,000	2,014,000
Economic Development Bonds due 1985, at interest of 2% plus 45% of prime rate	3,558,000	
Amounts payable to bank in Italy converted to an eight year back-to-back loan agreement in 1980		3,546,000
Obligations under capital leases	6,120,000	4,342,000
Other long-term debt	1,661,000	847,000
	116,715,000	116,000,000
Less—payments due within one year classified as long-term debt due within one year, including amounts for capital leases of $2,048,000 in 1980 and $1,361,000 in 1979	2,621,000	1,710,000
Total	$114,094,000	$114,290,000

In December 1978, the Corporation entered into a financing agreement with a subsidiary of the New York State Urban Development Corporation relating to the facilities used by the Ritter and Taylor divisions in the City of Rochester. The agreement provides for favorable financing over a 35-year term for up to $11,000,000 of improvements to be made to the facilities. In connection with this agreement, the Corporation has designated $8,800,000 of its credit facilities as reserved for the improvement program. At December 31, 1980, in connection with a related $5,000,000 Urban Development Action Grant from the United States Government to the City of Rochester, the Corporation has borrowed from the City $2,991,000 at 3% per year interest payable annually, and principal repayable in 10 equal installments from 1989 to 1998.

In January 1980, the Corporation entered into a revolving credit and term loan facility with five commercial banks which provides for borrowing through December 31, 1982, of up to $40,000,000, or an equivalent amount in other currencies. The amount borrowed at December 31, 1982, will be converted to a term loan with required principal payments commencing March 31, 1986, and quarterly thereafter through December 31, 1988. The minimum principal payment is one-twelfth of the December 31, 1985 loan balance; however, additional payments can be made any time at the Corporation's option. For the first four years of the agreement, interest on U.S. dollar borrowings is payable at the U.S. prime rate; for the next three years at prime plus ¼%; and, for the final two years at prime plus ½%. For borrowings in other currencies, interest is payable at the London Interbank Offered Rate plus ½% for the first four years; the offered rate plus ¾% for the next three years; and, the offered rate plus 1% for the final two years. A fee of ½% per annum is payable on the unused portion of available funds through December 31, 1982; and a variable fee is payable until the termination of the agreement which will not exceed 6/10% per annum of the total available funds through December 31, 1982, or any outstanding loan balance subsequent to December 31, 1982. As of December 31, 1980, there have been no borrowings under this agreement.

In September 1980, the Corporation entered into a financing agreement with the New Jersey Economic Development Authority relating to the Chemical Division facilities in the City of Birmingham. Interest is payable semi-annually and the principal is due September, 1985, or earlier at the Corporation's option.

Obligations relative to capital leases have been included in long-term debt and represent the present value of future minimum lease payments through 1989.

In June, 1980 the Corporation entered into an eight year back-to-back loan agreement with a bank in Italy under which the Corporation has deposited $4,000,000 and borrowed, through the Corporation's subsidiary in that country, an equivalent amount in lire, with quarterly interest payments receivable on the dollar deposit at 4¼% less than interest payments payable on the lire loan. The dollar deposit and lire loan may be adjusted as to principal amount if currency exchange rates fluctuate and are subject to an irrevocable right of set off if either party fails to perform its obligations under the agreements. Accordingly, the dollar deposit and lire loan are offset in the Balance Sheets.

In 1975, the Corporation entered into a ten-year parallel loan agreement with a United Kingdom company under which the Corporation, at December 31, 1980, had loaned $6,040,000 to that firm's pension trustees and borrowed, through the Corporation's subsidiary in that country, an equivalent amount in pounds sterling, with semi-annual interest payments receivable on the dollar loan at 1½% less than interest payments payable on the pound sterling loan. Also in 1975, the Corporation entered into a seven year parallel loan agreement with another United Kingdom company under which the Corporation, at December 31, 1980 had loaned $3,557,000 to that company's subsidiary in the United States and borrowed an equivalent amount in pounds sterling through the Corporation's subsidiary in the United Kingdom from a subsidiary of the British firm with semi-annual interest payments receivable on the dollar loan at 1⅞% less than interest payments payable on the pound sterling loan. The loans are subject to prepayment after five years, adjustment as to principal amount if currency exchange rates fluctuate and an irrevocable right of set off if either party fails to perform its obligations under the terms of the agreements. Accordingly, the loan amounts are offset in the Balance Sheets.

Long-term debt payment requirements excluding capital leases over the next five years are: 1981—$573,000; 1982—$536,000; 1983—$4,708,000; 1984—$5,113,000; 1985—$45,072,000.

Under certain of the long-term debt agreements, there are provisions for restrictions including restrictions on the payment of cash dividends. Under the terms of the most restrictive agreement, $46,680,000 of retained earnings would be available for cash dividends at December 31, 1980.

Maximum month-end short-term borrowings were $32,118,000 in November, 1980 and $22,663,000 in June, 1979. The average aggregate amount of short-term debt during 1980 and 1979, was $23,325,000 and $15,327,000, respectively. Average interest rates for short-term borrowings at December 31, 1980 and 1979, were 16.5% and 19.7%, respectively. Average interest rate is computed by extending year-end short-term borrowings times the respective interest rates and dividing by the total year-end short-term debt balance. In both 1980 and 1979, short-term debt due banks was payable to foreign banks, in local currencies, with interest principally at the prime rates in those countries.

UNION CAMP CORPORATION (DEC)

	1980	1979
	($000)	
Long-term debt	$311,632	$217,481
Deferred income taxes	156,575	119,175

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9: Long-term Debt

	($ Thousands) 1980	1979
Sinking fund debentures, effective rate 7.60% due 1983-1996.....	$ 38,960	$ 41,660
Sinking fund debentures, effective rate 10.97% due 1991-2010...	100,000	—
Lease obligations under Industrial Revenue Bonds:		
Alabama paperboard mill, effective rate 4.06% due 1982-1987............................	20,450	23,410
Alabama paperboard mill, effective rate 5.91% due 1994-2008............................	18,000	18,000
Virginia paper mill, effective rate 5.56% due 1982-1990.......	30,965	33,575
Others due 1982-2009, at rates of 4.91% to 6.54%...........	28,675	29,105
Notes payable to Industrial Development Authorities:		
Georgia paper mill, effective rate 5.79% due 1989-2003.......	35,000	35,000
Georgia paper mill, effective rate 6.28% due 1992-2006.......	11,500	11,500
Others due 1982-2010, at rates of 5.72% to 7.75%...........	21,560	17,680
Other notes due 1982-1994........	6,522	7,551
Total	$311,632	$217,481

The current portion of long-term debt at December 31, 1980 amounts to $11,148,000. Amounts payable in the years 1982 through 1985 aggregate $9,478,000, $11,008,000, $12,526,000 and $10,801,000 respectively.

One of the loan agreements contains a restriction on the payment of cash dividends. Approximately $729,000,000 of Retained Earnings was free of such restriction at December 31, 1980.

In March 1980 the Company increased its bank credit lines to $175,000,000 and formalized these lines with a revolving credit/term loan agreement. Borrowings are at the prime rate of interest with a commitment fee of ½% payable on any unused portion. In May the Company also began issuing commercial paper notes as a partial and periodic substitute for bank borrowings.

In July the Company made a public offering of $100,000,000, 10⅞% sinking fund debentures due 2010, with an effective interest cost of 10.97%. The proceeds of the offering were used to liquidate outstanding bank borrowings and commercial paper with the balance added to working capital.

During the period prior to the debenture issue the aggregate average amount outstanding under the various financing arrangements available was $63,549,000, at an average interest rate of 14.83%. At December 31, 1980 the available unused portion of the revolving credit/term loan agreement was $175,000,000 and there was no outstanding commercial paper.

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 commitment disclosures follow.

ALLIED CHEMICAL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

(Dollars in millions except per share amounts)

Note 5: Long-term Debt and Credit Agreement

On March 5, 1980, the Company renegotiated its credit agreement with eight banks under which the maximum amount at any one time outstanding was increased from $375 million to $600 million. The agreement allows the Company, or its subsidiaries with its guarantee, to borrow in either U.S. dollars or in Euro currencies. The amount borrowed from time to time on 90-day revolving credit notes will bear interest at the floating prime rate of Citibank, N.A., increasing to ¼ of 1 percent above the prime rate on March 5, 1984, and to ½ of 1 percent on March 5, 1986; or, if drawn in Euro currencies, interest would be calculated at ½ of 1 percent over the London Interbank Offer Rate (LIBOR) as quoted by certain reference banks, increasing to ¾ of 1 percent on March 5, 1984, and to 1 percent on March 5, 1986.

The agreement, which terminates on March 4, 1988, provides that on March 5, 1985, the maximum amount available to the Company reduces to $450 million and further reduces on March 5, 1986, to $300 million and on March 5, 1987, to $150 million. A commitment fee of ½ of 1 percent per annum is payable on the daily average unused portion of each banks' commitment. Although the Company and its subsidiaries have not borrowed under the credit agreement, it has served as support for issuances of commercial paper.

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 and 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, or to pay fees in lieu of balances and which may vary during the life of the agreement. Compensation during 1980 on $375 million of the $600 million agreement, has been satisfied by balances maintained for normal business operations. Compensation for the remaining $225 million has been satisfied by fees based on a rate equal to 4.2 percent of the floating prime rate of Citibank, N.A.

The Company has a limited recourse Eurodollar financing under which the Company's obligation to repay is limited by the amount of certain revenues to be received by a 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 were 1⅛ percent over the floating three-month 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 by mid-1985. At December 31, 1980, $86 million was outstanding.

TABLE 2-26: CREDIT AGREEMENTS

	1980	1979	1978	1977
Disclosing credit agreement.	514	450	422	418
Not disclosing credit agreement	86	150	178	182
Total Companies	**600**	**600**	**600**	**600**
Compensating Balances	317	272	273	272

AMSTED INDUSTRIES INCORPORATED (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Revolving Credit Agreements

The company has two separate revolving credit agreements with three banks, expiring on June 30, 1983 and December 31, 1984. Each agreement permits aggregate borrowings up to $25 million in domestic and/or Eurodollar funds which may be converted into term loans payable over a five-year period. Domestic loans would be at the prime commercial rate and Eurodollar loans would be at ½% over the Eurodollar market rate. The company is required to pay commitment fees on the unused principal of ½% under one agreement and ¾% under the other. At September 30, 1980, approximately $90 million of working capital and $128 million of total stockholders' equity were not restricted under these agreements.

The company had additional lines of credit aggregating $7 million.

There were no borrowings in 1980 or 1979.

ANHEUSER-BUSCH COMPANIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4: Credit Agreement

On October 1, 1979, the company entered into a credit agreement with a group of 10 banks. The agreement provides for maximum borrowings of $300.0 million and is available through January 1, 1990, at which time this amount is reduced by 5% each quarter until termination of the agreement on October 1, 1994.

The agreement provides for either domestic or Eurodollar borrowings. Interest on domestic borrowings will be at a fluctuating rate per annum equal to the prime rate for the first five years, 105% of prime for the next five years and 110% of prime for the last five years. Interest on Eurodollar borrowings will be at a rate per annum equal to the Eurodollar Basic Rate (London inter-bank market rate) plus ½ of 1% for the first four years, ⅝ of 1% for the next three years, ¾ of 1% for the next three years and 1¼% for the last five years.

The company has agreed to pay a commitment fee of ½ of 1% per annum on the daily average unused portion of the commitment as defined in the agreement and a financing fee on the aggregate amount of the commitment at a rate per annum equal to 4% of the prime rate. Under the current agreement and a prior $150.0 million agreement which was in effect from October 1, 1978 to September 30, 1979, total fees paid amounted to $3.2 million, $2.3 million and $.4 million in 1980, 1979 and 1978, respectively. At December 31, 1980, the company's outstanding borrowings under the credit agreement were $10.0 million. This amount has subsequently been repaid. No funds were borrowed from the banks in 1979 or 1978.

In February 1980, the company received one-year commitments from four banks to each lend the company up to $25.0 million. In September 1980, these credit agreements were extended and are now effective through February 1984 as revolving loan commitments. Each commitment is convertible at that time to a term loan payable in four equal quarterly principal installments from May 1985 through February 1986. During the revolving credit period, interest on any borrowings thereunder will be at the lending bank's prime rate and payable quarterly. Commitment fees paid under this agreement are based on ½ of 1% per annum on the daily average unused portion of the commitment as defined in the agreement and amounted to $.4 million during 1980. No funds were borrowed from the banks under this agreement.

ARVIN INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5—Bank Loan Agreements:

As of May 1, 1980, the Company entered into a seven-year Revolving Credit and Term Loan Agreement with seven domestic banks which provides total loan commitments of $40,000,000. A ½% per annum commitment fee applies to the daily unborrowed portion of the total commitments during years one through three. Borrowings under the agreement may, at the Company's option, be made in either domestic U.S. dollars or Eurodollars. Short-term revolving credit loans outstanding at the end of year three may be converted into long-term loans at the beginning of year four, with repayment to be made at the rate of 20% per annum in years four through six and 40% in year seven.

Interest on domestic U.S. dollar borrowings under the agreement is computed at 103% of prime in years one through three, at 105% of prime in years four and five and at 107% of prime in years six and seven. Interest on Eurodollar loans is computed at the London Interbank Offered Rate plus ½% per annum plus Reserve Cost in years one through three at, the London Interbank Offered Rate plus ⅝% per annum plus Reserve Cost in years four and five and at the London Interbank Offered Rate plus ¾% plus Reserve Cost in years six and seven.

Restrictive covenants included in the agreement are substantially the same as those pertaining to the Company's 9⅞% promissory notes due September 1, 1994 (see note 8). The ability of the Company to draw down revolving credit borrowings is subject to approval by the noteholders as well as by those banks participating in the agreement.

At December 28, 1980, the Company also maintained regular short-term credit lines totaling $30,000,000 with eight domestic banks and a $6,000,000 acceptance financing line with one domestic bank. Interest on borrowings under the regular short-term credit lines is computed at the prime interest rate. The acceptance financing line provides for interest at the prevailing bankers acceptance rates plus a commission.

No borrowings were made by the Company under any of the above credit arrangements or under any preceding credit arrangements during either 1980 or 1979.

The Company's aggregate domestic bank credit and acceptance financing lines and compensating balance arrangements at December 28, 1980 were as shown below:

	Line of Credit	Bankers Acceptance Financing
Lines of credit where the Company has been expected to maintain average yearly compensating balances equal to 7½% of the total credit line plus 7½% of any borrowings outstanding	$30,000,000	
Lines of credit where the Company has been expected either to maintain average yearly compensating balances equal to 5% of the total credit line commitment, or to pay a facility fee per annum equal to 4% of the prime interest rate times the total commitment	40,000,000	
Lines of credit with no compensating balance requirement.............		$6,000,000
Total active current unsecured lines of credit	$70,000,000	$6,000,000
Lines of credit unused..............	$70,000,000	$6,000,000

The Company conformed substantially to these compensating balance arrangements throughout the year. Withdrawal of the compensating balances was not legally restricted at December 28, 1980.

BAXTER TRAVENOL LABORATORIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note E: Short-term credit agreements

At December 31, 1980 the Company had domestic bank credit arrangements, generally at prime rates, totaling $152,000,000 including $45,000,000 for domestic and multi-currency revolving credit agreements. These revolving credit agreements expire at various dates through 1986. The commitment fee cost for these revolving agreements averages .25% per annum on the daily unborrowed amount. All or any part of these revolving credit agreements and the bank credit lines may be cancelled by the Company at any time. The Company has arrangements with certain banks to compensate them for credit lines (including revolving credit agreements) on a compensating balance or fee in lieu of balance basis. Fees average .08% per annum of total lines and balances aggregate $7,010,000; such balances also compensate the banks for other banking services performed for the Company. There are no legal restrictions on the Company's use of the funds. As of December 31, 1980 there were no borrowings under $150,800,000 of these lines and revolving credit agreements. Such lines and agreements support commercial paper borrowings.

During February, 1981 the Company reduced its domestic bank credit arrangements from $152,000,000 to $111,000,000 with domestic and multi-currency revolving credit agreements representing $15,000,000 of the total.

The Company has also arranged additional short-term credit agreements aggregating approximately $179,294,000 in support of its international operations. At year-end 1980 approximately $101,790,000 remained in unused credit under these agreements.

CITIES SERVICE COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12: Credit Agreements—The Company has an agreement with the Province of Alberta, Canada, under which the Alberta Government has an option to convert all or part of the $100 million (Canadian) loan to the Company into an equity interest in Syncrude exercisable during the five-year period ending February 1984. The exercise of this option could reduce the Company's interest in Syncrude to approximately 13 percent.

The Company had unused lines of credit totaling $250 million at year end. A $150 million revolving line of credit with thirteen banks terminates in 1985. A fee of one half percent per annum is payable on the unused amount of the commitment. The Company also has bank lines of credit totaling $100 million, renewable annually, with no commitment fees.

Certain of the Company's subsidiaries have credit agreements with banks which provide for short-term borrowings. In the aggregate, neither the maximum amounts available under the credit agreements of such subsidiaries nor the loans outstanding under the agreements at any month end were significant.

COPPERWELD CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (in part): Long-Term Debt and Credit Arrangements

During 1980, the Corporation negotiated a revolving credit agreement with a group of banks which replaced a previous $30,000,000 line of credit with $50,000,000 of revolving credit/term loan notes. The revolving credit notes will bear interest at the prime rate, require a ½% per annum commitment fee on the unused credit, and will convert into term loan notes in 1983. The term loan notes will bear interest at the prime rate in the first year and at prime plus ¼% thereafter. The term loan notes will be payable in installments through 1988.The agreement contains restrictive covenants similar to those under the above Indenture and Note Agreement. The Cororation has an understanding with the banks regarding deposit balances as compensation for credit arrangements. The corporation is expected to maintain average bank balances measured on a calendar year basis equal to 5% of the credit available to the Corporation plus 5% of the average borrowings under such arrangements.

The Corporation has other lines of credit with banks amounting to $10,000,000. These lines of credit bear interest at the prime rate. The Corporation is expected to maintain average bank balances on a calendar year basis equal to 10% of the credit available plus 10% of the average borrowings under such arrangements.

These balances are also used by the Corporation as part of its working capital requirements and as compensation for other bank services and are not restricted from withdrawal at any time during the year. Average compensating balance requirements under all of the above credit arrangements were approximately $3,800,000 in 1980 and $3,000,000 in 1979.

Average short-term borrowings during 1980 were $2,696,000 at an average interest rate of 13.3%. The maximum amount of short-term borrowings outstanding at any time during the year was $11,000,000. During 1979 and 1978, average borrowings were $943,000 and $8,450,000 at an average interest rate of 12.26% and 7.98%, respectively.

In 1980, the Corporation changed its method of accounting for interest in accordance with Statement of Financial Accounting Standards No. 34, Capitalization of Interest Cost, and began capitalizing interest. In 1980, of the $5,014,000 in interest costs incurred, $1,249,000 was capitalized. In 1979 and 1978, all interest costs were expensed as incurred.

GENESCO INC. (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7: Short-Term Borrowing Arrangements

At July 31, 1980 commitments for loans up to $45,000,000 and $20,000,000 were available to Genesco and GFC, respectively, under revolving credit agreements expiring January 30, 1981 with 13 U. S. banks and one Canadian bank. At July 31, 1980 Genesco and GFC had short-term loans outstanding under the revolving credit agreements of $10,000,000 and $5,000,000, respectively, at an interest rate of 11.5%. Unused commitments for Genesco and GFC amounted to $35,000,000 and $15,000,000, respectively. During the year ended July 31, 1980, total borrowings by Genesco and GFC averaged $23,160,000 at a weighted average interest rate of 15.7%. The total maximum borrowings at any month end during the year were $35,000,000.

Under the revolving credit agreements, interest is payable quarterly at the higher of ½ of 1% above the Corporate Base Rate effective at The First National Bank of Chicago or 105% of the CD rate (three-week moving average interest rate on three-month certificates of deposit) and a commitment fee is payable in the amount of ½ of 1% per annum on the daily unused portion of the commitments. Compensating balance arrangements provide that Genesco and GFC will endeavor to maintain collected funds on deposit in each bank which, over a calendar year, average 10% of the bank's commitments plus 10% of the average borrowings under the commitments.

The revolving credit agreements require mandatory prepayments on borrowings and mandatory reductions of the banks' commitments in an amount equal to the Net Cash Proceeds in excess of $5,000,000 from the sale, liquidation or other disposition of certain operations.

Genesco's revolving credit agreement requires the Company, among other things to maintain working capital of at least $90,000,000; a current ratio of not less than 1.5 to 1; Tangible Net Worth of at least $85,700,000 plus any net increases in Tangible Net Worth from sale of operations, extraordinary (excluding credits for income taxes) or nonrecurring transactions and adjustments to the provision for operations being divested; and a ratio of total liabilities (less subordinated debt) to the sum of Tangible Net Worth and subordinated debt of not more than 3.5 to 1. GFC's agreement requires it, among other things, to maintain an Effective Net Worth (stockholder's equity plus subordinated debt) of at least $35,600,000 minus subsequent dividends paid; a ratio of debt (excluding subordinated debt) to Effective Net Worth of not more than 4 to 1; and the sum of cash, cash equivalents and net receivables equal to at least 110% of total liabilities. At July 31, 1980 all of these requirements were met.

A $2,500,000 line of credit with a European bank is available to Genesco provided borrowings thereunder, together with borrowings under its revolving credit agreement, do not exceed the aggregate commitments under such revolving credit agreement. The line can be withdrawn at any time at the bank's option. Borrowings are usually for sixty or ninety day periods at interest rates based on the Eurodollar interbank rate. No compensating balances are required at any time.

GRUMMAN CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 4 (in part): Long-Term Debt

Long-term debt, net of current maturities, is as follows:

	(In Thousands) 1980	1979
Borrowings under revolving line of credit	$103,000	$130,000
Notes and mortgages with rates ranging from ⅞% to 11% with maturities through 1997	15,495	15,407
4¼% convertible subordinated debentures due September 1, 1992	18,394	19,894
8% convertible subordinated debentures due September 1, 1999	—	14,478
11% convertible subordinated debentures due April 1, 2000	75,000	—
Lease obligations—various rates ranging from 2% to 9¾% with maturities to 1994	2,553	3,044
Installment notes ranging from 7% to 22¼% secured by lease contracts	17,060	20,768
	$231,502	$203,591

Long-term debt maturing in each of the next five years is as follows (in thousands): 1981, $8,912; 1982, $5,570; 1983, $20,990; 1984, $26,221; 1985, $26,123.

Revolving Credit Agreement

In December 1980 the Company concluded a new Revolving Credit and Term Loan Agreement with nine banks. This agreement established an unsecured revolving line of credit totaling $100,000,000 until December 31, 1982, at which time the outstanding balance will be converted to a term loan repayable in twenty equal quarterly installments. Additionally, letter agreements between the Company and each of the banks provide lines of credit, totaling $50,000,000. Borrowings bear interest at prime until December 31, 1984 and thereafter at ¼% over prime with a commitment fee of ½% per annum on the average daily unused portion of the bank credit. In January 1981 the Company negotiated an interim credit agreement with the same banks which provides an additional $56 million of credit for temporary increases to its working capital requirements.

The agreement contains, among other things, provisions regarding maintenance of working capital and net worth and the payment of cash dividends on common stock. Working capital and net worth are substantially in excess of the minimum requirements, and the amount of retained earnings available for the payment of cash dividends at December 31, 1980 was $13,149,000.

The agreement also restricts the payment of dividends to the Company by its principal subsidiary, Grumman Aerospace Corporation. Substantially all of the amount available for payment of such dividends has been paid at December 31, 1980.

Under informal arrangements with the banks involved in the revolving credit agreement, the interim credit agreement and the letter agreements, the Company maintains compensating balances, which are not legally restricted with such banks, averaging 10% of the credit available and 10% of the outstanding borrowings. Compensating balances, net of float, at December 31, 1980, amounted to $5,491,000.

HAMMERMILL PAPER COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Bank Credit Agreements

A new revolving credit and term loan agreement with a group of banks was entered into during 1980. It provides for availability of $25,000,000 on a revolving basis through December 31, 1980, and $100,000,000 on a revolving basis through December 31, 1983, at which time amounts outstanding may be converted to four-year term loans. Commitment fees during the revolving loan period will be ½ of 1 percent of the unused available credit. Borrowings during both the revolving loan period and the term loan period may be in either the domestic or Eurodollar market at the option of the company. Interest rates on amounts borrowed in the domestic market vary from a minimum of the corporate base rate during the revolving period to a maximum of the corporate base rate plus ¼ of 1 percent during the term loan period. Interest rates on amounts borrowed in the Eurodollar market vary from a minimum of the applicable interbank rate plus ½% of 1 percent during the revolving period to a maximum of the applicable interbank rate plus 1 percent during the term loan period. No borrowings were made under similar agreements in 1979, and $1,000,000 had been borrowed on a short-term basis at December 28, 1980.

Other unsecured lines of credit aggregated $8,800,000 at December 28, 1980. There were no borrowings on these lines during 1980.

At December 28, 1980, the company had issued $15,135,000 in commercial paper. By company policy, commercial paper is fully supported by various bank credit arrangements.

Under formal arrangements with the lending banks, the company maintains deposits as compensating balances relating to the unused available credit. At December 28, 1980, compensating balance requirements amounted to $2,500,000, and the net compensating balance after adjusting for differences of average "float" between the balance shown by the books of the company and the records of the banks was $322,000.

REVLON, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Lines of Credit

At December 31, 1980 Revlon had available various bank credit lines amounting to $308,000,000 of which $158,000,000 is for domestic borrowings and $150,000,000 is for both domestic and foreign borrowings. The amount available for domestic and foreign borrowings is under the provisions of a revolving credit agreement entered into effective September 30, 1978. Interest under the revolving credit agreement is determined at the time of borrowing, based on a choice of formulas as specified in the agreement. An annual commitment fee of ½% is charged on the unused portion of the revolving credit agreement. Included in the amount available for domestic borrowings are two agreements, each of $50,000,000, on which an annual commitment fee of ¼% and ⅛% is charged, respectively, on the unused portion. Interest under these agreements is determined at the time of borrowing based on a choice of formulas. As of December 31, 1980 there were no amounts outstanding under the above lines of credit.

In addition, various foreign subsidiaries had bank lines of credit at December 31, 1980 amounting to $250,000,000 of which $15,000,000 was subject to commitment fees of ⅛% to 2%. At December 31, 1980 $155,000,000 was outstanding under these bank lines of credit, which amount is included in notes payable and foreign bank borrowings.

Compensating balances are not significant.

TWENTIETH CENTURY-FOX FILM CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8: Credit Agreements

The Company has a revolving line of credit with a group of banks providing borrowings to a maximum of $150,000,000 through June 30, 1983. The maximum amount available is reduced by certain third-party loans to outside producers which, at December 27, 1980, aggregated approximately $9,725,000. Although there were no direct 1980 borrowings under this agreement, the Company is required to pay a commitment fee of ½ of one percent on the unused principal balance and to maintain compensating balances equal to 10% of the average outstanding borrowings, plus 5% of the maximum commitment. Compensating balances are not legally restricted; however, failure to maintain the appropriate balances will result in additional fees. All required compensating balances were maintained in 1980. In addition, the Company is required to observe certain covenants (including maintenance of specified working capital levels and current ratios) which limit certain activities of the Company. Borrowings bear interest at the lead bank's base ("prime") rate until June 30, 1983. Any outstanding borrowings may be converted on July 1, 1983 into a term loan payable over a four-year period at an interest rate of ¼% over the base rate. Payment of cash dividends on common stock is limited to the sum of 50% of the consolidated net earnings for the prior fiscal year and $5,000,000. Approximately $32,284,000 of retained earnings was unrestricted under the applicable covenants at December 27, 1980.

Fox has an additional unused $10,000,000 line of credit providing, at the Company's option, borrowings in 11 different Eurocurrencies through June 30, 1983.

TABLE 2-27: LONG-TERM LEASES

	Number of Companies			
	1980	1979	1978	1977
Information Disclosed as to Noncapitalized Leases				
Rental expense				
Basic	437	436	448	440
Sublease	105	108	113	122
Contingent	107	112	117	109
Minimum rental payments				
Schedule of	424	424	423	425
Classified by major categories of property	39	40	41	86
Renewal or purchase options	145	151	152	124
Information Disclosed as to Capitalized Leases				
Minimum lease payments	270	280	265	173
Imputed interest	256	254	227	151
Leased assets by major classifications	151	159	144	102
Executory costs	81	80	80	50
Number of Companies				
Capitalized and noncapitalized leases	351	352	314	274
Noncapitalized leases only	118	115	156	194
Capitalized leases only	79	70	46	59
No leases disclosed	52	63	84	73
Total Companies	**600**	**600**	**600**	**600**

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 *SFAS No. 13* to leasing transactions entered into prior to January 1, 1977 is not required until fiscal years beginning after December 31, 1980, practically all of the survey companies affected by *SFAS No. 13* have 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. Fifty-four survey companies reported lessor leases.

Examples of long term lease presentations and disclosures follow.

Lessee—Capital Leases

KROGER CO. (DEC)

	1980	1979
	($000)	
Property, Plant and Equipment		
Land	$ 32,811	$ 28,059
Buildings and land improvements	168,662	149,573
Equipment	793,754	650,035
Leaseholds and leasehold improvements	237,321	205,107
Leased property under capital leases	152,866	137,270
	1,375,414	1,170,044
Allowance for depreciation and amortization	(490,797)	(444,824)
Property, plant and equipment, net	$ 884,617	$ 725,220
Current Liabilities		
Current portion of long-term debt	$ 6,080	$ 3,152
Current portion of obligations under capital leases	3,741	3,057
Notes payable	14,700	17,025
Accounts payable	504,334	467,298
Accrued expenses:		
Salaries and wages	110,188	96,707
Taxes, other than income taxes	104,527	79,295
Other	45,114	43,553
Accrued income taxes	30,190	20,272
Total current liabilities	818,874	730,359

Other Liabilities		
Long-term debt	268,146	233,937
Obligations under capital leases	117,819	106,055
Deferred federal income taxes	95,353	84,677
Employees' benefit fund	25,987	26,915
Total other liabilities	507,305	451,584
Total Liabilities	$1,326,179	$1,181,943

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

All amounts are in thousands of dollars except per share amounts

Accounting Policies (in part)

Property, Plant and Equipment—Property, plant and equipment are stated at cost. Depreciation and amortization, which include the amortization of assets recorded under capital leases, are computed principally on the straight-line basis.

Building and land improvements are depreciated based on lives varying from ten to forty years and equipment based on lives varying from three to twenty years. Leasehold improvements are being amortized over their useful lives which generally approximate twelve and one-half years.

Leases

The Company operates principally in leased premises. Lease terms generally range from ten to twenty-five years with options of renewal for additional periods.

Options provide in some cases for reduced rentals and/or the right to purchase. Certain of the leases provide for contingent rental based on a percent of sales.

Rent expense (under operating leases) consists of:

	1980	1979	1978
Minimum rentals, net of minor sublease rentals	$118,404	$101,904	$91,065
Contingent rentals	12,228	10,623	8,720
Total	$130,632	$112,527	$99,785

Assets recorded under capital leases include:

	1980	1979
Distribution and manufacturing facilities	$ 97,213	$ 96,579
Store facilities	55,653	40,691
Less accumulated amortization	(41,486)	(36,884)
	$111,380	$100,386

Minimum annual rentals, net of subleased rentals which are minor in amount, for the five years subsequent to 1980 and in the aggregate are:

	Capital Leases	Operating Leases
1981	$ 16,013	$ 123,076
1982	15,988	119,427
1983	15,729	115,434
1984	15,318	112,511
1985	14,744	109,298
1986 and thereafter	221,779	1,152,310
	$299,571	$1,732,056
Less estimated executory costs included in capital leases	(13,792)	
Net minimum lease payments under capital leases	$285,779	
Less amount representing interest	(164,219)	
Present value of net minimum lease payments under capital leases	$121,560	

PPG INDUSTRIES, INC. (DEC)

	1980	1979
	(Millions)	
Current liabilities		
Short-term borrowings and current maturities of long-term debt	$ 57.9	$ 65.4
Accounts payable and accrued liabilities	368.9	398.8
Income taxes	48.8	14.0
Obligations under capital leases	6.9	7.5
Total current liabilities	482.5	485.7
Long-term debt	444.4	437.0
Obligations under capital leases	79.3	80.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10: Lease arrangements and rent expense

PPG utilizes assets under lease arrangements in several areas of its operations:

Transportation equipment, which includes a tanker ship, trucks, rail tank cars, etc., is generally leased under arrangements which qualify as capital leases and is classified as machinery and equipment.

Several manufacturing facilities, which are technically classified as leases under industrial development-type loan arrangements, are essentially installment purchases of the facilities. Such leases have been accounted for as capital leases.

Most of the distribution facilities, warehouses and store facilities are leased under relatively short-term arrangements and are classified as operating leases.

The following is an analysis of leased property under capital leases by major classes.

	December 31 1980	1979
	(Millions)	
Buildings	$ 15.4	$ 13.0
Machinery and equipment	93.0	94.6
Automotive	12.2	11.1
Other	3.5	3.2
Total capitalized leases	124.1	121.9
Accumulated amortization	(53.2)	(53.2)
Net capitalized leases	$ 70.9	$ 68.7

The following is a schedule of minimum lease commitments outstanding at December 31, 1980, that have initial or remaining lease terms in excess of one year.

	Capital Leases	Operating Leases
Year ending December 31	(Millions)	
1981	$ 14.4	$22.1
1982	13.1	12.5
1983	10.8	8.4
1984	9.7	5.6
1985	11.9	3.2
After 1985	96.7	8.4
Total minimum lease payments	156.6	$60.2
Executory costs	5.3	
Net minimum lease payments	151.3	
Amount representing interest	65.1	
Present value of net minimum lease payments	$86.2	

Amortization of capitalized leases amounted to $7.1 million in 1980, $8.2 million in 1979 and $7.7 million in 1978. Such amortization is included in depreciation expense in the Statement of Earnings.

The rental expense for all operating leases was $31.5 million in 1980, $28.1 million in 1979 and $26.3 million in 1978. Contingent or sublease rentals are not significant.

WEST POINT-PEPPERELL, INC. (AUG)

Consolidated Balance Sheet

	1980	1979
PROPERTY, PLANT AND EQUIPMENT, AT COST		
Land	$ 4,158,692	$ 4,179,824
Buildings	97,163,760	94,387,242
Machinery and equipment	332,674,685	311,013,997
Leasehold improvements	2,259,681	1,926,948
	436,256,818	411,508,011
Less accumulated depreciation	242,234,730	221,501,622
	194,022,088	190,006,389
Leased property under capital leases net of amortization (Note I)	16,390,667	12,961,000
Net property, plant and equipment	$210,412,755	$202,967,389
CURRENT LIABILITIES:		
Notes payable—commercial paper and banks	$ 10,000,000	$ 47,025,000
Current maturity of long-term debt	2,470,388	704,182
Current obligations under capital leases (Note I)	3,604,000	3,355,000
Accounts payable	55,578,951	78,855,230
Federal income tax	12,560,878	1,759,444
Other accrued taxes	5,656,402	4,938,332
Accrued payrolls and related expenses	12,590,842	8,949,246
Other accrued liabilities	14,572,715	11,547,124
Total current liabilities	117,034,176	157,133,558
LONG-TERM DEBT	109,782,335	115,667,467
LONG-TERM OBLIGATIONS UNDER CAPITAL LEASES (Note I)	9,116,000	10,266,000
DEFERRED COMPENSATION	1,115,304	1,162,645
DEFERRED FEDERAL INCOME TAX	20,211,145	16,866,956

Consolidated Statement of Changes in Financial Position

	($000)	
FUNDS PROVIDED BY:		
Operations:		
Net income	$42,505	$27,388
Depreciation	22,381	21,341
Amortization of capital leases	3,527	3,143
Deferred Federal income tax	3,344	3,197
Total from operations	$71,757	$55,069

Note I: Leases

The Company's operating leases consist of land, sales offices, warehouses, data processing equipment and a knitting plant with expiration dates during the next 43 years. Some of the operating leases stipulate that the Comapny can (a) purchase the property at its fair market value or (b) renew the lease at its then fair rental value. Some of the Company's leased space, principally sales office space, is sublet under leases expiring over the next 10 years.

The Company's capital leases, the longest of which expires in 2020, consist of telephone equipment, automotive equipment, data processing equipment, and two yarn plants. Following is an analysis of the leased property under capital leases by major classes:

	(000 omitted) Asset Balances at August 30, 1980	August 25, 1979
Classes of Property		
Telephone equipment	$ 3,404	$ 3,531
Automotive equipment	15,480	13,680
Data processing equipment	2,411	2,482
Yarn plants	6,428	2,100
	27,723	21,793
Less accumulated amortization	11,332	8,832
	$16,391	$12,961

The following is a schedule by years of future minimum lease payments as of August 30, 1980, under (a) capital leases together with the present value of the net minimum lease payments and (b) operating leases that have initial or remaining noncancelable lease terms in excess of one year.

Fiscal Year	(000 omitted) Capital Leases	Operating Leases
1981	$ 4,725	$ 4,187
1982	3,625	3,660
1983	2,511	3,026
1984	1,616	2,600
1985	1,006	2,383
Later	2,224	30,562
Total minimum lease payments	15,707	46,418
Minimum sublease rentals	—	(6,837)
Net minimum lease payments required under operating leases	—	$39,581
Amount representing interest	(2,987)	
Present value of net minimum capital lease payments (including $3,604 classified as current obligations under capital leases)	$12,720	

The following schedule shows the composition of total rental expense for all operating leases except those with terms of a month or less that were not renewed:

	(000 omitted) Fiscal Year Ended August 30, 1980	August 25, 1979
Minimum rentals	$8,468	$7,597
Less sublease rentals	(1,431)	(1,126)
	$7,037	$6,471

Lessee—Operating Leases

BROWN GROUP, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note G (in part): Commitments and Contingencies

Leases—The Corporation's property held under capital leases, included with owned property in the balance sheet, consists of:

	November 1 1980	November 3 1979
	($000 omitted)	
Buildings and leasehold improvements	$11,127	$ 8,449
Machinery and equipment	2,556	2,556
	13,683	11,005
Allowances for amortization	4,810	4,055
	$ 8,873	$ 6,950

Lease amortization is included in depreciation expense. Capital leases for buildings generally contain options for renewal for extended periods and purchase options.

Future minimum payments under capital leases and noncancelable operating leases with an initial term of one year or more were as follows at November 1, 1980:

	Capital Leases	Operating Leases
	($000 omitted)	
1981	$ 1,466	$ 29,175
1982	1,461	24,009
1983	1,452	21,032
1984	1,153	18,233
1985	1,019	16,024
Thereafter	19,855	86,027
Total minimum lease payments	26,406	$194,500
Amount representing interest	13,333	
Present value of net minimum lease payments	$13,073	

Operating lease commitments have been reduced for rental income from non-cancelable sub-leases by approximately $3,787,000 in 1981 and lesser amounts thereafter (total reductions—$30,071,000). Substantially all operating leases relate to retail store buildings and leased departments.

Rental expense for operating leases amounted to:

	1980	1979	1978
	($000 omitted)		
Minimum rentals	$33,111	$28,880	$27,229
Contingent rentals	37,303	38,013	31,897
	70,414	66,893	59,126
Less estimated portion applicable to utilities and other services received from lessors of retail departments	23,186	19,909	17,336
	$47,228	$46,984	$41,790

Rent expense has been reduced by rental income from sub-leases of $3,952,000 in 1980, $3,604,000 in 1979 and $3,503,000 in 1978.

The contingent rentals relate principally to sales volume of retail stores and leased departments.

Approximately one-third of retail store leases are subject to renewal options for periods of 5 to 15 years. Leases for retail departments are generally renewed on a year to year basis.

FOREMOST-MCKESSON, INC. (MAR)

FINANCIAL NOTES

Lease Obligations

The company leases various plants, warehouses and offices as well as warehousing, delivery and other equipment under both capital and operating leases. Assets held under capital leases are included in property, plant and equipment as follows:

	1980	1979
	(in thousands)	
Land	$ 1,896	$ 1,851
Buildings and amortizable land	33,710	31,996
Machinery and equipment	38,247	48,126
Total	73,855	81,973
Accumulated depreciation and amortization	32,947	35,698
Net	$40,908	$46,275

As of March 31, 1980, future minimum lease payments and sublease rentals in years ending March 31 were as follows:

	Non-cancellable Operating Leases	Non-cancellable Sublease Rentals	Capital Leases
		(in thousands)	
1981	$16,465	$1,298	$10,729
1982	14,951	1,209	8,944
1983	11,275	1,101	7,049
1984	8,116	698	5,794
1985	6,017	517	3,865
Later years	24,304	2,984	36,074
Total minimum lease payments	$81,128	$7,807	72,455
Less amounts representing interest			29,316
Present value of minimum lease payments			43,139
Less current portion			7,069
Net			$36,070

Essentially all noncancellable sublease rentals relate to subleases of real estate held under non-cancellable operating leases.

Rental expense including executory costs when included in rent related to operating leases was as follows:

	1980	1979
	(in thousands)	
Minimum rentals	$28,296	$25,893
Contingent rentals	1,085	1,169
Total	29,381	27,062
Less income from noncancellable subleases	1,301	1,377
Net	$28,080	$25,685

Most real property leases contain renewal options and provisions requiring the company to pay property taxes and operating expenses over base period amounts. All rental payments are dependent only upon the lapse of time except for payments made under certain operating leases of equipment which are partially based on usage. Debt agreements contain provisions relating to maximum levels of funded debt, including capitalized lease obligations, and to maximum annual rentals payable under operating leases of real property.

LA MAUR INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note E (in part): Leases

The Company leases automobiles for one year, subject to renewal, under an agreement which provides for minimum rental payments based on the lessor's acquisition cost plus interest at 1% over the prime rate in addition to other costs, such as insurance, maintenance and fees. These automobile leases, which were reported as capital leases in 1979, became operating leases in 1980 as a result of an amendment to the lease agreement. The Company also leases data processing equipment under a six-year operating lease.

Future minimum lease payments, as of December 31, 1980, under noncancelable operating leases are as follows:

Year ending December 31—	
1981	$ 84,000
1982	84,000
1983	50,000
1984	—
1985	—
Total minimum payments required	$218,000

Total rental expense during 1980, 1979 and 1978 under operating leases amounted to $314,000, $62,000 and $56,000, respectively.

MCDONNELL DOUGLAS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollar amounts in millions, except share data

Note N: Leased Properties

The aggregate rental expense for leased properties was as follows:

Years Ended 31 December	1980	1979	1978
Minimum rentals	$105.3	$74.3	$80.3
Contingent rentals	2.5	1.6	2.2
Sublease rental income	(11.5)	(11.6)	(10.4)
	$96.3	$64.3	$72.1

Minimum rentals include periodic rentals, and, in the case of computers and office equipment, usage charges. Contingent rentals represent payments to the United States Government under a lease, and under facilities contracts where payments are made only for usage on non-government work.

Minimum rental payments under operating leases with initial or remaining terms of one year or more at 31 December 1980 aggregated $77.4 million, and payments due during the next five years were: 1981, $24.3 million; 1982, $18.9 million; 1983, $11.8 million; 1984, $5.4 million and 1985, $2.2 million.

Total minimum rentals to be received under noncancelable subleases were $1.4 million at 31 December 1980.

MOTT'S SUPER MARKETS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8: Long-Term Lease Commitments

The company's leasing activities consist principally of long-term leases of real estate, all of which are operating leases.

Rent expense under long-term realty leases in 1980, 1979 and 1978 was as follows:

	1980	1979	1978
Minimum Rentals	$1,951,259	$1,841,019	$1,670,181
Contingent Rentals	734,304	520,750	427,718
Sublease Rentals	—	—	(6,216)
	$2,685,563	$2,361,769	$2,091,683

The leases generally provide for payment of taxes, insurance and maintenance. Some also provide for additional rent based on volume. Most of the leases contain renewal options.

The aggregate future minimum rentals upon real estate leased to the company under non-cancellable operating leases as of January 1, 1981 follows:

1981	$ 1,944,884
1982	1,889,609
1983	1,848,887
1984	1,786,126
1985	1,744,793
Later Years	21,092,905
	$30,307,204

STANDARD OIL COMPANY (INDIANA)

NOTES TO FINANCIAL STATEMENTS

Note 10 (in part): Leases

The company leases various types of properties through noncancellable capital and operating leases, including service stations, tankers, buildings, and other facilities, some of which are subleased to others. Some of the service station leases and subleases provide for contingent rentals based on the number of gallons sold.

* * *

Operating leases—Total rental expense and related rental income applicable to operating leases for the years ended December 31, 1980, 1979, and 1978 are summarized below:

	1980	1979	1978
	(Millions of Dollars)		
Minimum rental expense	$191.6	$148.9	$127.0
Contingent rental expense	28.5	28.0	28.6
Total	220.1	176.9	155.6
Less—Related rental income	37.7	33.7	33.4
Net rental expense	$182.4	$143.2	$122.2

Minimum rentals payable and related rental income applicable to noncancellable operating leases with terms of one year or more are summarized below as of December 31, 1980:

	Rentals Payable	Rental Income
	(Millions of Dollars)	
1981	$ 99.6	$ 25.3
1982	79.9	25.1
1983	69.4	23.5
1984	59.2	22.7
1985	52.9	20.8
After 1985	300.9	177.3
Total minimum rentals	$661.9	$294.7

STAUFFER CHEMICAL COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Leases

The Company's operations include leases of office and warehouse facilities and transportation, manufacturing, data processing and office equipment, which are principally operating leases. The office and warehouse leases expire over the next 30 years, the transportation and manufacturing equipment leases during the next 24 years and the data processing and office equipment leases over the next 4 years. In most cases, management expects that such leases will be renewed or replaced by other leases.

Approximately one-third of the above leases permit the Company to (a) purchase the property, generally at its fair value at the end of the initial lease term, or (b) renew the lease at various rental value options for periods of 1 to 20 years. Portions of office and warehouse facilities are sublet under leases expiring during the next 15 years. Contingent rental payments, escalation charges and restrictions imposed by lease agreements are not significant.

Rental expense for the past 3 years is summarized below.

	1980	1979	1978
	(Dollars in thousands)		
Gross rentals	$26,300	$24,400	$20,800
Sublease revenues	(3,700)	(3,600)	(3,600)
Transportation equipment mileage credits	(4,800)	(3,700)	(3,900)
Net rental expense	$17,800	$17,100	$13,300

Minimum rental commitments before mileage credits under non-cancellable leases at December 31, 1980, are as follows:

	Real Estate Rentals	Real Estate Subleases	Transportation Equipment	Other	Total
		(Dollars in thousands)			
1981	$ 5,900	$ (3,900)	$11,300	$2,000	$15,300
1982	5,700	(3,900)	10,900	1,600	14,300
1983	5,500	(4,000)	9,900	1,200	12,600
1984	4,800	(4,300)	8,500	700	9,700
1985	4,000	(4,300)	6,800	500	7,000
Remainder	26,400	(32,300)	36,300	1,400	31,800
	$52,300	$(52,700)	$83,700	$7,400	$90,700

PHILLIPS PETROLEUM COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 8—Non-Mineral Leases

The company leases bulk and service stations, tankers, computers and other facilities and equipment. These leases involve both capital and operating leases.

Capital lease data and minimum rental payments under operating leases having initial or remaining noncancelable lease terms in excess of one year as of December 31, 1980, follow:

	Thousands of Dollars	
	Capital	Operating
1981	$ 24,203	24,948
1982	21,041	19,604
1983	16,066	16,927
1984	14,201	12,953
1985	13,216	6,557
Remaining years	30,093	38,192
Total*	118,820	119,181
Less estimated executory costs	1,042	
Net payments	117,778	
Less imputed interest	25,120	
Present value	92,658	
Amount included in current liabilities	17,634	
Obligations under capital leases	$ 75,024	

*Minimum payments have not been reduced for minimum sublease income due under noncancelable subleases in the amounts of $17,328 for capital leases and $8,515 for operating leases.

Rentals for all operating leases for the years ended December 31, follow:

	Thousands of Dollars		
	1980	1979	1978
Minimum rentals	$64,158	55,656	42,693
Contingent rentals	199	279	362
Total rentals	64,357	55,935	43,055
Less sublease rentals	11,210	8,695	12,540
Net rentals	$53,147	47,240	30,515

Lessor Leases

CONTROL DATA CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions)

Leasing Arrangements with Control Data as Lessor

Control Data leases computer equipment under various agreements with terms ranging from one to seven years. Leases are accounted for under the operating method or as leases equivalent to sales in accordance with FASB Statement No. 13. Financing arrangements with Commercial Credit for such leases are discussed in the accounting policies note and the Commercial Credit note on pages 16 and 20.

The cost of equipment under operating leases at December 31, 1980 was $572.8 less accumulated depreciation of $305.1 and at December 31, 1979 was $524.0 less accumulated depreciation of $297.6

The net investment in sales-type leases as of December 31 was as follows:

	1980	1979
Total minimum lease payments receivable	$12.3	$27.5
Less unearned income	(1.3)	(3.6)
Net investment in sales-type leases	$11.0	$23.9

Minimum lease payments, including amounts representing executory costs and any related profit, to be received in each of the next five and later years under the above lease agreements are as follows:

	Sales-Type Leases	Operating Leases
1981	$ 8.3	$278.1
1982	2.9	217.6
1983	.8	165.6
1984	.2	107.2
1985	.1	56.4
Later Years	—	39.3
	$12.3	$864.2

Control Data or Commercial Credit 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 Control Data.

DPF INCORPORATED (MAY)

	1980	1979
Computer equipment held for lease	$311,996,000	$292,772,000
Less accumulated depreciation...	(212,834,000)	(204,041,000)
	$ 99,162,000	$ 88,731,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Depreciation of Computer Equipment—Computer equipment is depreciated on a basis designed to correlate depreciation expense to projected rental revenues. Such basis provides for annual depreciation, by class of equipment, at the same rate that each year's revenues bear to projected revenues.

Note 4—Operating Leases

At May 31, 1980, the Company's computer equipment portfolio primarily consisted of IBM 360, 370 and 30XX systems. Lease contracts are generally written with non-cancellable terms of up to four years.

At May 31, 1980, minimum non-cancellable rentals of operating leases are as follows:

Years ending May 31,	
1981	$38,445,000
1982	24,209,000
1983	13,533,000
1984	3,851,000
1985	973,000
	$81,011,000

FRUEHAUF CORPORATION (DEC)

	1980	1979
Total Current Assets................	$651,207,578	$693,679,260
EQUIPMENT LEASED TO CUSTOMERS		
At cost, less accumulated depreciation of $118,951,434 and $122,791,990 at December 31, 1980 and 1979, respectively (Note G)................	236,218,391	234,529,190

NOTES TO FINANCIAL STATEMENTS

Note A (in part): Summary of Accounting Principles

Leased Equipment Rentals—Long-term equipment leases where the Corporation, by the terms of the lease, transfers all the benefits and risks incident to the ownership of the equipment are recorded as sales-type leases. All other leases of equipment have been accounted for under the operating method which recognizes lease revenue as earned over the term of the lease.

Note G—Equipment Leased to Customers

The Corporation recognizes sales revenues and related costs upon entering into sales-type leases and sells, without recourse, the future rentals receivable net of deferred finance revenue to Fruehauf Financial Company. Unguaranteed residual values of $10,320,500 and $9,838,000 at December 31, 1980, and December 31, 1979, respectively, are included in equipment leased to customers on the balance sheet. The Corporation has borrowed from Fruehauf Finance Company an amount equal to the unguaranteed residual values.

Equipment is also leased to customers under leases that are accounted for as operating leases. Future rentals on such noncancelable operating leases as of December 31, 1980, are as follows:

Year ending December 31:	
1981	$ 39,676,000
1982	38,363,000
1983	35,047,000
1984	31,539,000
1985	28,909,000
Later years	63,255,000
Total minimum future rentals	$236,789,000

HONEYWELL INC. (DEC)

	1980	1979
	($ Millions)	
Property, Plant and Equipment		
Equipment for lease to others ...	$1,010.5	$1,038.4
Less accumulated depreciation...	555.7	569.3
	454.8	469.1
Other property, plant and equipment	1,102.6	860.2
Less accumulated depreciation...	426.9	365.3
	675.7	494.9
	$1,130.5	$ 964.0

NOTES TO FINANCIAL STATEMENTS

(Dollars in millions)

Note 6 (in part): Leasing Arrangements

As Lessor—Receivables from sales-type lease contracts for computer equipment are as follows:

	1980	1979
Total minimum lease payments to be received	$110.5	$111.7
Less:		
Unearned income	30.8	32.0
Allowance for doubtful accounts.	0.9	1.6
Net investment in sales-type leases	$ 78.8	$78.1

Minimum future rentals to be received as of December 31, 1980, under noncancellable leases for computer equipment are as follows:

	Sales-Type Leases	Operating Leases
1981	$ 96.0	$285.0
1982	76.5	180.2
1983	75.0	144.4
1984	61.7	99.6
1985	48.9	38.1
1986 and beyond	44.0	19.0
	402.1	766.3
Less amounts sold to finance subsidiaries	291.6	55.4
	$110.5	$710.9

In addition to the above amounts, contingent rentals may be received based on hourly equipment usage. Contingent rentals included in revenue for operating leases amounted to $10.3 in 1980, $10.1 in 1979 and $9.4 in 1978.

THE PILLSBURY COMPANY (MAY)

	1980	1979
	(In millions)	
Net investments in direct financing leases (Note 9)	$127.9	$85.8
Intangibles	24.5	26.1
Investments and other assets	35.1	44.5

Note 9: Investments as lessor:

At May 31, 1980, the restaurant subsidiaries leased 833 restaurant buildings and land to franchisees. The building portions of the leases are direct financing leases while the land portions are operating leases. Substantially all leases are for 15 to 20 years, provide for minimum and contingent rentals, and require the franchisee to pay executory costs.

Minimum future lease payments to be received under leases in effect at May 31, 1980, for the periods ending May 31	Direct financing leases	Operating leases
	(In millions)	
1981	$ 22.0	$ 15.3
1982	21.6	15.3
1983	20.8	14.3
1984	20.1	13.1
1985	19.1	12.9
Later	212.7	153.9
Total	$316.3	$224.8

Net investment in direct financing leases at May 31	1980	1979
	(In millions)	
Net minimum lease payments receivable	$316.3	$218.1
Estimated unguaranteed residual value	4.5	4.7
Less unearned amount representing interest	(187.7)	(133.0)
Net investment	133.1	89.8
Less current portion included in receivables	(5.2)	(4.0)
Net investment in direct financing leases	$127.9	$ 85.8

Rental income amounted to $23.1 million in fiscal 1980 and $15.0 million in fiscal 1979 of which $5.9 million and $3.7 million, respectively, was minimum rentals on subleases and $12.6 million and $7.5 million, respectively, was contingent rentals on both owned and leased property under direct financing and operating leases.

OTHER NONCURRENT LIABILITIES

In addition to long-term debt, many of the survey companies presented captions for deferred taxes, minority interests, employee related liabilities, estimated losses or expenses, and deferred credits. Table 2-28 summarizes the nature of such noncurrent liabilities and deferred credits.

Deferred Taxes

CLUETT, PEABODY & CO., INC. (DEC)

	1980	1979
	($000)	
Total current liabilities	$ 95,762	$ 91,152
Long-term debt		
Notes payable	78,434	54,401
4¼% Convertible subordinated debentures	905	1,229
Obligations under capital leases	26,607	27,603
Deferred income taxes	9,839	7,856
Other liabilities	6,076	6,096
Total liabilities	$217,623	$188,337

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income Taxes—Deferred income taxes represent tax effects of items reported for tax purposes in periods different from those used for financial statement purposes and include income on retail installment sales, obligations under capital leases, certain deferred charges and provisions for depreciation, accrued retirement, deferred compensation awards, doubtful accounts, inventory valuation reserves, and dispositions and relocations. Deferred income taxes are not provided on that portion of the earnings of foreign subsidiaries deemed to be permanently invested. The Company treats the investment tax credit as a reduction of the provision for income taxes in the year in which the credit arises.

FORD MOTOR COMPANY (DEC)

	1980	1979
	(in millions)	
Long-Term Debt	$2,058.8	$1,274.6
Other Liabilities	1,444.4	1,374.8
Deferred Income Taxes (Note 6)	1,069.0	1,046.2
Minority Interests in Net Assets of Consolidated Subsidiaries	135.9	145.3

Note 6 (in part): Provision for Income Taxes

Deferred income taxes result from timing differences in the recognition of revenues and expenses for financial statements and tax returns. The principal sources of these differences and the related effect of each on the Company's provision for income taxes were as follows:

	1980	1979	1978
		(in millions)	
Depreciation and amortization..	$117.1	$ 370.6	$141.1
Dealer and customer allowances and claims	(11.8)	(105.4)	(147.6)
Federal and foreign taxes on anticipated dividends	(45.6)	(62.6)	64.3
Employe benefit plans	1.4	(329.4)	44.5
Inventory adjustments and foreign inventory inflation allowances	8.1	2.4	(13.5)
Provision for disposition of certain operations	—	68.5	(68.5)
Other	(41.8)	(83.7)	35.0
Total	$ 27.4	$(139.6)	$ 55.3

At December 31, 1980 and 1979, deferred tax assets totaling $599.6 million and $604.2 million, respectively, were included in other current assets on the Consolidated Balance Sheet. Deferred tax liabilities, as shown on the Consolidated Balance Sheet, were $1,069.0 million and $1,046.2 million at December 31, 1980 and 1979, respectively.

GERBER PRODUCTS COMPANY (MAR)

	1980	1979
	($000)	
Long-Term Debt, less current maturities	$19,990	$21,994
Deferred Income Taxes	8,505	6,855
Minority Interest in Foreign Subsidiary	1,906	1,985

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Income Taxes: Deferred income taxes are provided on timing differences between financial and taxable income, and result principally from the use of accelerated depreciation for tax purposes. Investment tax credits are applied to reduce current income tax expense (flow-through method).

HARRIS CORPORATION (JUN)

	1980	1979
Total Current Liabilities	$373,960,453	$330,042,619
Deferred Income Taxes	96,947,000	76,569,000

NOTES TO FINANCIAL STATEMENTS

Deferred Income Tax Reclassification

Deferred income taxes related principally to long-term contracts previously classified as current liabilities in the 1979 consolidated balance sheet amounting to $76,569,000 have been reclassified as non-current liabilities in accordance with Financial Accounting Standards Board Statement No. 37.

TABLE 2-28: OTHER NONCURRENT LIABILITIES

	Number of Companies			
	1980	**1979**	**1978**	**1977**
Deferred income taxes	487	482	478	474
Minority interest	150	154	150	156
Production payments	14	14	17	12
Employee Liabilities				
Deferred compensation, bonus, etc.	81	85	87	101
Pension or retirement plan	72	62	69	61
Other — described	20	15	14	10
Estimated losses or expenses				
Discontinued operations	19	20	21	21
Insurance	8	10	10	10
Warranties	9	8	8	8
Other — described	39	47	38	42
Deferred credits				
Payments received prior to rendering service	10	8	13	11
Deferred profit on sales	5	4	5	9
Excess of acquired net assets over cost	3	5	6	6
Other — described	6	7	9	11
"Miscellaneous" or "other"	**218**	**194**	**193**	**232**

This results in classifying deferred income taxes as long-term on the basis of estimates of when such taxes are anticipated to be due.

SAV-A-STOP INCORPORATED (AUG)

	1980	1979
Long-term debt, excluding current maturities:		
Notes payable	$2,750,016	$ 7,872,044
Obligations under capital leases	4,874,156	5,021,249
Total long-term debt	7,624,172	12,893,293
Deferred income taxes (note 2)	1,471,740	1,811,740

Note 2 (in part): Income Taxes

During 1980, the Company began providing deferred income taxes for certain timing differences which had not been recognized in prior years due to immaterial amounts. In addition, current and deferred taxes on the accompanying consolidated balance sheets have been reclassified to reflect timing differences relating to prior years.

The deferred income tax liability for 1980 and 1979, respectively, relates to the following timing differences:

	1980	1979
Accelerated depreciation	$1,805,740	1,811,740
Inventories	(81,000)	—
Discontinued operations	(133,000)	—
Other	(120,000)	—
	$1,471,740	1,811,740

The Company's income tax returns for the years 1971 through 1977 are currently under examination by the Internal

Revenue Service. In the opinion of management, adjustments which may result from the examination would not have a material effect on the accompanying consolidated financial statements.

Minority Interests

ARMSTRONG WORLD INDUSTRIES, INC. (DEC)

	1980	1979
	($000)	
Long-term debt	$103,813	$125,754
Deferred income taxes	47,274	40,406
Minority interest in foreign subsidiary	3,824	3,309
Total noncurrent liabilities	$154,911	$169,469

COLT INDUSTRIES INC (DEC)

	1980	1979
	($000)	
Noncurrent Liabilities		
Long-term debt	$284,114	$264,450
Deferred income taxes	60,917	52,034
Minority interest in subsidiaries	4,983	4,269
Other liabilities	25,658	23,740
Commitments and contingencies		

GENERAL ELECTRIC COMPANY (DEC)

	1980	1979
	(In millions)	
Current liabilities	$ 7,592	$6,872
Long-term borrowings	1,000	947
Other liabilities	1,565	1,311
Total liabilities	10,157	9,130
Minority interest in equity of consolidated affiliates	154	152

THE HOOVER COMPANY (OCT)

	1980	1979
	($000)	
LONG-TERM LIABILITIES		
Deferred income taxes	$ 5,600	$16,876
Long-term debt, less current portion	1,911	1,401
Capitalized lease obligations, less current portion	14,226	14,188
Total long-term liabilities	21,737	32,465
Minority interest in foreign subsidiaries	86,098	83,623

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note C—Minority Interest

During the first quarter of 1980 and the fourth quarter of 1979, the Company acquired additional shares of the capital stock of its United Kingdom subsidiary, Hoover Limited. The purchases increased the Company's ownership percentage in Hoover Limited from 55% in 1978 to 57% in 1980.

PFIZER INC. (DEC)

	1980	1979
	(millions of dollars)	
Total current liabilities	$1,080.2	$ 954.6
Long-term debt	583.1	565.5
Deferred taxes on income	51.9	46.6
Other non-current liabilities	41.4	39.0
Minority interests	34.2	29.5
Total liabilities	$1,790.8	$1,635.2

STRUTHERS WELLS CORPORATION (NOV)

	1980	1979
Deferred Income Taxes	$ 2,187,000	$1,454,000
Long-Term Liabilities—net of current portion	10,018,087	2,695,230
Minority Interests in Subsidiaries	1,387,448	1,361,663

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8: Minority Interests

At November 30, 1980 the minority interests in subsidiaries were as follows:

	Percent	Amount
Struthers Scientific and International Corporation	19.9%	$1,052,933
Struthers Oil & Gas Corp.	17.79%	334,515

In November 1980, Struthers Oil & Gas Corp. offered its shareholders rights, expiring December 12, 1980, to acquire an aggregate 500,000 shares of its common stock. At November 30, 1980 the Company exercised its rights, as an 82.21% shareholder of SO&G, to acquire 411,050 shares. The balance of the rights was exercised subsequent to November 30, 1980.

WARNER-LAMBERT COMPANY (DEC)

	1980	1979
	($000)	
Total current liabilities	$ 748,466	$ 835,839
Long-term debt	558,256	489,691
Noncurrent payables and accrued liabilities	80,332	87,217
Deferred income taxes	67,932	48,848
Minority interest in foreign subsidiaries	11,614	13,421
Contingencies		
Total liabilities	$1,466,600	$1,475,016

Employee Related Liabilities

AMERICAN BAKERIES COMPANY (DEC)

	1980	1979
	($000)	
Long-Term Debt, less current portion	$34,484	$36,271
Capitalized Leases, less current portion	4,356	5,517
Accrued Pension Cost, not to be funded currently	3,680	3,750
Deferred Income Taxes	4,062	4,544

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7: Retirement Plans

The Company retirement plan expense for 1978, 1979 and 1980 was $940,000, $934,000 and $966,000, respectively. Retirement plan expense includes amortization of past-service liability over a 40-year period for the years 1976 through 1980. The Company has funded the plan in accordance with ERISA requirements. A comparison of accumulated plan benefits and plan net assets, as of the Company's retirement fiscal year end is presented below:

	June 30, 1980	June 30, 1979
Actuarial present value of accumulated plan benefits:		
Vested	$15,768,000	$15,152,000
Non-vested	860,000	not available
	$16,628,000	$15,152,000
Net assets available for benefits	$18,197,397	$16,903,598

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 8% for 1979 and 1980.

At December 27, 1980, the Company had accrued but unfunded pension liability amounting to approximately $4,261,000 ($3,864,000 at December 29, 1979). Of this liability $3,680,000 will not be funded in 1981, and, accordingly, has been classified as a long-term obligation in the accompanying consolidated balance sheets as of December 27, 1980 (3,750,000 at December 29, 1979). The available tax benefits related to these long-term pension accruals have been reflected as a reduction of deferred income taxes.

The Company also made contributions of approximately $12,453,000 in 1980, $12,012,000 in 1979 and $10,834,000 in 1978 to collectively bargained, multi-employer pension plans in accordance with the provisions of negotiated labor contracts generally based on the number of hours worked. Information from the plans' administrators is not available to permit the Company to determine its share of unfunded vested benefits.

COLGATE-PALMOLIVE COMPANY (DEC)

	1980	1979
	($000)	
Non-Current Liabilities		
Long-term debt	$303,246	$309,956
Deferred income taxes	82,710	71,619
Staff-leaving payments	45,988	46,007
Other deferred liabilities	61,890	60,314
	$493,834	$487,896

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Retirement and Termination Costs: The Company, its United States subsidiaries and certain of its foreign subsidiaries, maintain pension plans covering substantially all of the employees of those companies. Pension expense includes normal current costs plus amortization of prior service costs. Substantially all plans are funded by annual payments to insurance companies or trustees. Foreign subsidiaries provide currently for staff-leaving payments earned by employees in those countries.

CONSOLIDATED PACKAGING CORPORATION (DEC)

	1980	1979
Long-term debt and lease obligations, less current portion	$5,134,000	$3,347,000
Insurance benefits for former employees (Note 1)	1,272,000	1,198,000

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

Employee Benefit Plans—The Company provides retirement benefits for the majority of its employees under a combination of noncontributory pension and contributory profit-sharing plans. Prior service costs are amortized over periods of thirty or forty years. It is the policy of the Company to fund pension and profit-sharing costs accrued.

A death benefit of $2,000 per employee and health and accident benefits are provided by the Company to certain former employees of the Monroe, Michigan discontinued operations. The actuarially computed liability for these benefits, which is not funded, is fully accrued.

DRESSER INDUSTRIES, INC. (OCT)

	1980	1979
	($000)	
Long-Term Debt	$344.5	$353.7
Deferred Compensation—Note H	51.0	42.6
Deferred Income Taxes	63.0	63.6
Minority Interests in Consolidated Subsidiaries	9.0	5.0

Note H—Deferred Compensation and Employee Stock Purchase Plan

A portion of the incentive compensation for officers and key employees is deferred for payment after termination of employment, either in common shares of the Company or in cash at the equivalent market value of the common shares. The accrued deferred compensation liability may be satisfied by the future issuance of authorized but unissued common shares or treasury shares.

Under the terms of the employee stock purchase plan, salaried employees working in the United States and United States citizens working outside the United States for certain foreign subsidiaries, except officers and directors of the Company and certain employees represented by a union or participating in other thrift or savings plans, may purchase the Company's common stock through payroll deductions. Discounts from market price of up to 15% are allowed depending on the employee's length of service. The difference between the employee's purchase price and current market value is paid by the Company.

GRANGER ASSOCIATES (AUG)

	1980	1979
Long-term debt	$4,000,000	$4,000,000
Obligations under capital leases	1,155,455	1,261,758
Accrued severance pay	139,388	117,612

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9: Employee Benefit Plans

The Company has a profit sharing retirement plan covering substantially all employees. The plan provides for contributions in such amounts as the Board of Directors may determine annually, but not to exceed the amount deductible for federal income tax purposes. Participating employees may also contribute up to 10 percent of their annual compensation. There were no Company contributions in 1980 or 1979.

The Company also has a severance pay plan which covers all employees who were employed on August 31, 1973, and had then completed at least two years of continuous service. Amounts committed to the plan are determined by the Board of Directors on a discretionary basis and are not deductible for income tax purposes until paid to the participants. The provision in 1980 was $9,250 (1979: $11,293).

SUPREME EQUIPMENT & SYSTEMS CORP. (JUL)

	1980	1979
Total Current Liabilities	$6,506,995	$ 8,640,048
OTHER LIABILITIES:		
Long-term debt, less current portion included above	3,172,568	2,412,010
Deferred compensation plans—Note 8	200,000	100,000
Deferred income taxes	35,000	87,000
Total Other Liabilities	3,407,568	2,599,010
TOTAL LIABILITIES	$9,914,563	$11,239,058

Note 8—Deferred Compensation Plans

During 1979, the company adopted deferred compensation plans for two officers with benefits commencing at retirement. The expense for each year was $100,000. For income tax purposes, a deduction is allowed at the time compensation is paid to the participants.

Estimated Losses or Expenses

THE SPERRY AND HUTCHINSON COMPANY (DEC)

	1980	1979
	($000)	
Long-term liabilities, less current portions		
Liability for stamp redemptions	$153,828	$149,258
Debt	45,779	44,479
Other	4,697	4,429
Total long-term liabilities	$204,304	$198,166

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Liability for Stamp Redemptions

The company records stamp service revenue and provides for cost of redemptions at the time stamps are furnished to licensees. The liability for stamp redemptions is adjusted each year based upon current operating experience and the cost of merchandise and related redemption service expenses required to redeem 95% of the outstanding stamps issued prior to 1979 and 90% of the outstanding stamps issued thereafter (see Note 1). The company will continue to review periodically the appropriateness of its estimated redemption rates based on future redemption experience and statistical evaluations. Company evaluations have indicated that approximately 50% of the stamps expected to be redeemed are not presented for redemption within one year; consequently this portion of the liability for stamp redemptions is classified as a long-term liability.

LIBBEY-OWENS-FORD COMPANY (DEC)

	1980	1979
	($000)	
Deferred Income Taxes	$ 13,468	$ 6,663
Unfunded Pension Costs of Closed Plants—Note E	8,552	6,145
Long-Term Debt	190,521	165,033

Note E—Plant Closings

During 1980, the Company closed its sheet glass plant in Charleston, West Virginia, and several small plants of LOF Plastics Inc., and during 1978, closed its wire-braid hose manufacturing plant in Youngstown, Ohio. As a result of these closings, the Company provided $11,000,000 ($.53 per share after tax) and $12,000,000 ($.53 per share after tax) in 1980 and 1978 respectively, for estimated costs and expenses relating to disposal and abandonment of plants and equipment, pension costs and other operating costs and related expenses. The Company is negotiating to dispose of the principal facilities closed in 1980.

RAYBESTOS-MANHATTAN, INC. (DEC)

	1980	1979
	($000)	
Long-Term Debt	$44,916	$51,972
Deferred Income Taxes	—	4,479
Facilities Realignment (Note R)	5,950	—

Note R—Facilities Realignment

In the fourth quarter of 1980, the Company adopted a plan to realign and rationalize its automatic transmission and brake block manufacturing facilities and close its Irish Plant (in November 1980). The objective of the plan is to reduce manufacturing costs. The plan involves the relocation of certain equipment and production capacity and is expected to take thirty-six months to complete. Estimated expenses of the facility realignment of $11,120 have been recorded and include the relocation and write-down to estimated useful value of manufacturing equipment, personnel related expenses and other costs related to the plan. Of this amount, $2,120 has been incurred during 1980 and $9,000 accrued, of which $3,050 is included in current liabilities and $5,950 is included in non-current liabilities.

UNITED STATES STEEL CORPORATION (DEC)

	1980	1979
	($ Millions)	
Long-term debt, less unamortized discount	$2,401.3	$2,307.8
Deferred income taxes	214.9	162.8
Deferred credits and other liabilities	355.4	236.6
Estimated costs attributable to shutdown of facilities (Note 17)	418.7	517.3

Note 17: Estimated Costs Attributable to Shutdown of Facilities

During the fourth quarter 1979, U. S. Steel announced the permanent shutdown of several steel and nonsteel plants and manufacturing facilities in accordance with a formal approved plan. These shutdowns resulted in a charge against pretax income in 1979 of $808.6 million, estimated as follows:

	(In millions)
Employee related costs (Includes pensions, insurance, severance, unemployment benefits, etc.)	$413.3
Writedown of facilities to estimated recoverable value	218.7
Estimated operating results during shutdown period	176.6
Total	$808.6

Estimated shutdown liability:

(In millions)	December 31 1980	1979
Employee related costs	$366.3	$413.3
Dismantling and other costs	172.4	227.1
Total liability	538.7	640.4
Less current amount	120.0	123.1
Total long-term liability	$418.7	$517.3

Many estimates of costs attributable to the shutdown of facilities were recorded in 1979. Based upon a review of the extent to which the shutdown has been completed, including costs incurred and yet to be incurred at December 31, 1980, an adjustment to these estimates is not indicated at this time.

WESTINGHOUSE ELECTRIC CORPORATION (DEC)

	1980	1979
	(in millions)	
Short-term loans and current portion of long-term debt	$ 138.1	$ 109.1
Accounts payable	470.9	559.8
Accrued employe compensation	278.3	251.3
Income taxes currently payable	99.1	107.2
Billings on uncompleted contracts in excess of inventoried costs	1,273.9	1,380.3
Estimated future costs of uranium litigation	81.3	147.7
Other liabilities	921.4	824.0
Total current liabilities	3,263.0	3,379.4
Estimated future costs of uranium litigation, non-current	353.8	538.6
Other non-current liabilities	233.8	177.9
Debentures and other long-term debt	326.7	344.1
Deferred non-current income taxes	59.4	84.6
Minority interest	29.9	30.5
Redeemable preferred stock	16.1	16.1

NOTES TO FINANCIAL STATEMENTS

Note 13 (in part): Uranium Litigation

By year-end 1979 the Corporation had provided for all estimated future costs associated with the resolution of all uranium supply contract suits and related litigation, including certain legal and other expenses. Reference is made to the extraordinary loss from uranium litigation settlements in the Statement of Income.

The uranium supply contract settlement agreements contain differing combinations of cash, uranium, products and services with varying payment terms and delivery dates. To discharge its remaining estimated obligations resulting from the uranium litigation, the Corporation will be required to use cash and other resources over an extended period. Uranium Settlements Assets in the balance sheet relate to settlement items being produced by the Corporation and its subsidiary, Wyoming Mineral Corporation. Substantially all of Wyoming's business is devoted to producing uranium to be delivered under the settlement agreements. As goods and services are delivered under the settlement agreements, the difference between the total costs of the goods and services and any payments to be made by the utilities will be applied to the balance of the liability for such estimated future costs and will not be reflected in sales or cost of sales in the results of future operations.

* * *

Recognition of the benefits to the Corporation resulting from the settlements to date will not affect net income until an evaluation of such benefits and the remaining long-term obligations provided for in the previously established uranium accrual indicates an adjustment is appropriate. The evaluation will include the impact on future operations of Wyoming Mineral Corporation from reduced uranium requirements and determination of any payments to which certain utilities may become entitled under sharing of antitrust proceeds clauses in uranium supply contract settlement agreements.

The liability for the Estimated Future Costs of Uranium Litigation, which was reduced during 1980 as a result of cash payments and delivery of goods and services to the utilities, aggregated $435.1 million at December 31, 1980. This liability will be adjusted, as appropriate, to reflect the effect of these settlements and any other changes in facts or circumstances, including any further benefits to the Corporation resulting from any settlements with other uranium producers.

Deposits

MCDONALD'S CORPORATION (DEC)

	1980	1979
	($000)	
Long-term debt		
Long-term debt	$885,714	$875,809
Obligations under capital leases	84,076	90,314
Total long-term debt	969,790	966,123
Security deposits by franchisees	59,651	54,633

FINANCIAL COMMENTS

Other Commitments and Security Deposits

The Company has guaranteed the payment of loans relating to certain affiliates and others totaling $26,000,000 at December 31, 1980. In addition, the Company is a general partner in two domestic partnerships having total indebtedness of $35,000,000 at December 31, 1980.

Commitments, certain of which are contingent upon future events, and contractual obligations, principally for the acquisition or construction of property, amounted to approximately $40,000,000 at December 31, 1980.

At December 31, 1980, security deposit refunds which will become due for all years through 1985 total $9,900,000. Refunds payable for the individual years 1986 through 2000 range from $1,700,000 to $5,200,000.

Film Rental Contracts

MEREDITH CORPORATION (JUN)

	1980	1979
	($000)	
Long-Term Indebtedness (less current portion)	$29,503	$29,612
Long-Term Film Rental Contracts (less current portion) (Note 4)	15,451	15,231
Unearned Subscription and Other Deferred Income	27,573	22,540
Deferred Income Taxes	21,549	20,971

Note 4: Film Rental Contracts Payable

Film rental contracts are non-interest-bearing, and the amounts due in the years after June 30, 1981, are $7,174,000 in 1982, $4,533,000 in 1983, $2,291,000 in 1984 and the balance of $1,453,000 after 1984.

Due to Affiliate

INLAND STEEL COMPANY (DEC)

	1980	1979
	($000)	
Total current liabilities	$ 609,709	$ 567,441
Deferred employee compensation and benefits	63,178	51,622
Amounts due to raw material venture	17,729	8,851
Long-term debt	805,406	633,016
Deferred income taxes	160,005	158,439
Minority interest in Bishop Coal Company	2,853	3,336
Total liabilities	$1,658,880	$1,422,705

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8: Affiliated Companies

A substantial portion of the Company's raw material requirements is obtained from jointly-owned raw material operations. The Company has a 40% interest in the Empire Iron Mining Partnership and owns 10.2% and 38% interests, respectively, in the Wabush Mine and Butler Taconite joint ventures. The purpose of these ventures is to supply iron ore pellets to venture participants who share in production and in production costs based on their percentage ownership. Pellets are transferred to the Company at market price and, after recognition of the Company's share of the venture's earnings, the resulting net valuation of these shipments reflects production costs. Shipments, at production costs, to the Company from these operations approximated $125,000,000 in 1980, $115,000,000 in 1979 and $100,000,000 in 1978.

At December 31, 1980 and 1979, the Company had a deferred payable to the Empire venture arising from ore purchases.

The Company also has investments in other 50-percent or less owned companies. The equity in the net income or loss of these affiliates is included in "Interest and other income" in the Consolidated Statement of Income and is not material.

Production Payment

AMAX INC. (DEC)

	1980	1979
	in thousands of dollars	
Long-term debt	$1,184,620	$752,710
Capital lease obligations	171,630	173,290
Unearned revenue	97,110	10,000
Minority interests	27,660	22,120
Deferred income taxes	5,320	1,000

NOTES TO FINANCIAL STATEMENTS

Note 16: Unearned Revenue

Revenue received in respect of 6.0 million tons of coal to be delivered over the period 1981 to 1989. AMAX records sales when coal is delivered under this agreement.

KERR-MCGEE CORPORATION (DEC)

	1980	1979
	(In thousands of dollars)	
Long-Term Debt	520,599	374,678
Advances to be Repaid from Future Production	95,659	110,198

FINANCIAL REVIEW

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 received advances totaling $80 million to be repaid monthly from a portion of the revenues received from the Jacobs Ranch Mine in Wyoming, bearing interest at an 8½% rate through 1982 and at varying interest rates based upon the prime rate thereafter. As of December 31, 1980, a total of $62.2 million remained to be repaid under this agreement.

In 1976, an agreement was executed with Public Service Electric and Gas Company (PSE&G) for delivery of UO_8 in uranium concentrates from certain Wyoming properties. Under the agreement, PSE&G was to make advance payments against the cost of developing mining and milling facilities on those properties, including the Bill Smith underground mine, with repayment of the advances plus interest at 8% per year to be made as the U_3O_8 produced from the properties is sold. In 1978 the agreement was modified to place the Bill Smith Mine on standby status and suspend interest accruals on advances related to its development.

During the second quarter of 1980, PSE&G notified the company pursuant to the 1978 modification that it was terminating the standby arrangement and elected not to make further advances for development of the Bill Smith Mine.

On October 1, 1980, PSE&G and the company agreed to place the open pit mines on the properties on a minimum operations status until 1982 and to discontinue further interest accruals applicable to advances from PSE&G until the properties are returned to an active status. Return of these mines to normal production is dependent upon satisfactory improvement of uranium market prices. At year-end, advances of $31.3 million plus accumulated interest of $2.1 million remained to be repaid from future production from these properties.

Deferred Credits

AIR PRODUCTS AND CHEMICALS, INC. (SEP)

	1980	1979
	($000)	
Long-Term Debt	$395,775	$273,797
Limited Recourse Financing	20,350	23,650
Deferred Income and Other Noncurrent Liabilities	43,060	31,710
Deferred Income Taxes	175,771	141,375
Deferred Investment Credit and Grants (Note 1)	67,834	58,235
Preferred Stock of Consolidated Subsidiary	17,086	17,252
Commitments and Contingencies		

Note 1 (in part): Major Accounting Policies

Investment Tax Credit and Foreign Investment Grants—The company takes United States investment tax credit into income over the composite average lives of the applicable assets. The amortization of the credit is included in consolidated income as a reduction of the provision for income taxes. The additional 1% investment tax credit resulting from the TRASOP contribution is recorded as a reduction of the provision for current income taxes. Foreign investment grants are deferred and amortized over the useful lives of the related assets.

EX-CELL-O CORPORATION (NOV)

	1980	1979
	($000)	
Long-term debt	$60,080	$62,163
Deferred items:		
Rental income on leased machines	10,782	12,011
Income taxes	22,854	17,980
Total deferred items	33,636	29,991

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Significant Accounting Policies

Revenue Recognition—Sales and earnings are generally recognized in the period in which the products are shipped.

Operating revenues from rental machines, primarily production rentals, are credited to income when earned. Base rentals, which are received during a fixed period based on the lease contract, are considered to be earned over the estimated economic life of the machines.

PAXALL, INC. (OCT)

	1980	1979
Long-Term Debt, less current maturities	$4,286,397	$3,116,459
Deferred Income and Liabilities:		
Deferred income taxes	1,149,634	1,047,408
Deferred lease income (Note 1)	11,926	69,111
Total deferred income and liabilities	1,161,560	1,116,519
Minority Interest in Subsidiaries	75,209	130,750

Note 1 (in part):

Lease Income—The Cherry-Burrell Company, which was sold as of October 31, 1975, leased carton filler machines to customers. Under the terms of the agreement for the sale of the Cherry-Burrell Company, such leased equipment was not acquired by the purchaser.

Because ownership risks were retained by the Company, the operating method, which amortizes income over the term of the lease, was used. Revenues attributable to future periods are shown as Deferred Lease Income and the cost of the asset shown as Equipment Leased to Customers. The lease period is generally five years; however, the lessee has an option to cancel the lease after a period of from one to twenty-four months. Income from these leases included in Income from Operations was $132,000 and $67,000 in 1979 and 1980.

JOY MANUFACTURING COMPANY (SEP)

	1980	1979
	($000)	
Long-term Debt	$76,091	$74,391
Deferred Compensation and Deferred Credits (Note 7)	12,287	11,424
Deferred Income Taxes	23,543	18,756

Note 7: Deferred Credits

Upon the merger of Wheeling Machine Products Company with Joy in 1977, the fair value of the acquired net assets exceeded the acquisition cost. A portion of the excess amounting to $5,823,000 was recorded as a deferred credit and is being amortized on a straight-line basis over a period of 15 years. As of September 26, 1980 and September 28, 1979, the unamortized balance of this deferred credit was $4,534,000 and $4,949,000, respectively.

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 the term *Reserve* appeared occasionally in the 1980 annual reports of the survey companies.

TABLE 2-29: USE OF TERM "RESERVE"

	Number of Companies			
	1980	**1979**	**1978**	**1977**
To describe deductions from assets for				
Uncollectible accounts	35	36	39	37
Reducing inventories to LIFO cost	18	13	4	7
Accumulated depreciation	6	7	11	12
Other	7	4	9	14
To describe accruals for				
Employee benefits or compensation	9	13	14	18
Estimated expenses relating to property abandonments or discontinued operations	6	7	11	15
Insurance	6	4	5	9
Other — described	13	14	13	12
Other — not described	15	17	16	15

TITLE OF STOCKHOLDERS' EQUITY SECTION

Table 2-30 summarizes the titles used by the survey companies to identify the stockholders' equity section of the balance sheet. Table 2-30 indicates that while many of the survey companies use either the title *stockholders' equity* or *shareholders' equity* there was a noticeable decrease in 1979 and 1980 in the number of companies using these titles because of SEC *Accounting Series Release No. 268. ASR No. 268,* effective for financial statements for fiscal periods ending on or after September 15, 1979, requires that preferred stock with mandatory redemption requirements not be shown as part of equity. Seventy-one survey companies disclosed preferred stock with mandatory redemption requirements.

TABLE 2-30: TITLE OF STOCKHOLDERS' EQUITY SECTION

	1980	1979	1978	1977
Stockholders' Equity	253	269	285	294
Shareholders' Equity	218	198	239	232
Common Stockholders' Equity	30	15	—	—
Shareholders' Investment	25	24	23	24
Shareowners' Equity	21	29	26	17
Common Shareholders' Equity	16	17	—	—
Stockholders' Investment	7	9	13	12
Other or no title	30	39	14	21
Total Companies	**600**	**600**	**600**	**600**

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 2-31: CAPITAL STRUCTURES

	1980	1979	1978	1977
Common stock with:				
No preferred stock	387	382	371	368
One class of preferred stock	133	138	136	146
Two classes of preferred stock	57	56	60	56
Three or more classes of preferred stock	23	24	33	30
Total Companies	**600**	**600**	**600**	**600**
Companies included above with two or more classes of common stock	16	15	16	20

THE BENDIX CORPORATION (SEP)

	1980	1979
	(in millions)	
Stockholders' Equity		
Preferred Stock, no par (authorized, 7,000,000 shares, issuable in series)		
Series A $3 Cumulative Convertible (authorized, 400,000 shares of $7.50 stated value each; issued, 251,418 and 293,502 shares, respectively; liquidation preference, $13.7 million)	$ 1.9	$ 2.2
Series B 9¾% Cumulative Convertible (authorized, 4,600,000 shares of $41.50 stated and liquidation value each; issued 4,068,695 shares)	168.9	
Common Stock (authorized, 60,000,000 shares of $5 par value each; issued, 23,022,961 and 22,411,141 shares, respectively)	115.1	112.1
Additional capital	46.7	30.9
Retained earnings	1,012.0	894.2
Total	1,344.6	1,039.4
Less—Cost of treasury stock (22,769 shares of Series A Preferred Stock and 83,487 shares of Common Stock)	3.8	3.8
Stockholders' Equity—Net	$1,340.8	$1,035.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stockholders' Equity

Each share of the Series A $3 Cumulative Convertible Preferred Stock (Series A Preferred Stock) is convertible into 2.05 shares of Common Stock, subject to adjustment in certain events. The Series A Preferred Stock is entitled to $60 per share in liquidation and is redeemable, at the Corporation's option, at $65 per share at September 30, 1980, decreasing by $1 per share annually at each June 30 through June 30, 1985, and thereafter at $60 per share. Each share of the Series B 9¾% Cumulative Convertible Preferred Stock (Series B Preferred Stock) is convertible into .768 shares of Common Stock, subject to adjustment in certain events. The Series B Preferred Stock is entitled to $41.50 per share in liquidation and will be redeemable, at the Corporation's option, beginning March 31, 1985 at $43.52, decreasing by $.40 annually at each March 31 through March 31, 1990, and thereafter at $41.50 per share.

At September 30, 1980, 5,270,331 shares of Common Stock were reserved for conversion of Series A and Series B Preferred Stock and for the Bendix Stock Option, Incentive Compensation, Performance Incentive, and Stock Ownership plans, 487,427 shares of Series B Preferred Stock were reserved for a subsidiary's employee stock option plan.

A summary of Stockholders' Equity for the years ended September 30, 1980 and 1979 is set forth below:

	Series A Preferred Stock Shares	Series A Preferred Stock Amount	Series B Preferred Stock Shares	Series B Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Capital	Retained Earnings
			(in millions, except number of shares)					
Balance, October 1, 1978..	329,739	$2.5			22,305,290	$111.5	$30.2	$ 791.0
Net income..................								162.6
Cash dividends								
Series A Preferred Stock.								(.9)
Common Stock...........								(57.0)
Conversion of preferred stock......................	(36,237)	(.3)			74,256	.4	(.1)	
Stock sold under stock option plan and related income tax benefits..............					31,595	.2	.8	
Other.........................								(1.5)
Balance, September 30, 1979......................	293,502	2.2			22,411,141	112.1	30.9	894.2
Net income..................								191.6
Cash dividends								
Series A Preferred Stock.								(.7)
Series B Preferred Stock.								(8.2)
Common Stock...........								(64.9)
Stock issued for acquired businesses................			3,976,562	$165.0	407,842	2.0	14.3	
Conversion of preferred stock......................	(42,084)	(.3)	(440)		86,563	.4	(.1)	
Stock sold under stock option plans and related income tax benefits..............			92,573	3.9	117,415	.6	1.6	
Balance, September 30, 1980......................	251,418	$1.9	4,068,695	$168.9	23,022,961	$115.1	$46.7	$1,012.0

MONSANTO COMPANY (DEC)

	1980	1979
	($ Millions)	
Shareowners' Equity:		
Preferred stock—authorized, 10,000,000 shares without par value, issuable in series; outstanding, 123,139 shares in 1980 and 158,181 shares in 1979; involuntary liquidation preference, $35 per share, or an aggregate of $4.3 in 1980......	$ 0.3	$ 0.3
Common stock—authorized, 100,000,000 shares, par value $2 each; issued, 36,978,084 shares in 1980 and 1979........	73.9	73.9
Additional contributed capital	651.8	652.9
Reinvested earnings................	2,122.7	2,102.3
	2,848.7	2,829.4
Less common stock in treasury, at cost (808,435 shares in 1980 and 946,916 shares in 1979)...	40.5	47.6
	$2,808.2	$2,781.8

NOTES TO FINANCIAL STATEMENTS

(Dollars in millions, except per share)

Capital Stock

The outstanding preferred stock is stated at $2.24 per share, has a cumulative dividend of $2.75 per share and is convertible into the Company's common stock. The conversion rate of 1.12 shares of common for each share of preferred is subject to adjustment in certain events under antidilution provisions. The Company issued 39,241, 30,120 and 96,505 common shares upon conversion of 35,042, 26,931 and 86,194 preferred shares in 1980-1978, respectively. The 1980 and 1979 issuances included 39,241 and 28,552 shares, respectively, from treasury stock. Of 2,330,510 preferred shares originally issued in the period 1969 through 1974, a total of 2,207,371 preferred shares has been converted to 2,471,899 shares of common stock through December 31, 1980. The outstanding preferred stock may be redeemed solely at the Company's option at $73 per share (the voluntary liquidation preference).

The Company also issued 40,775 and 41,138 shares out of treasury stock in 1980 and 1979, respectively, upon exercise of conversion rights by holders of convertible loan stock issued by Monsanto Limited, a United Kingdom subsidiary. There were no conversions of loan stock in 1978.

No common shares were issued in 1980, 1979 or 1978 for conversion of convertible debentures issued by Monsanto International Finance Company.

The Company held 58,106 and 55,174 shares of its common stock for specific purposes (principally for distribution to participants in the Employee Stock Purchase Plan) at December 31, 1980 and 1979, respectively. These shares are included in Common Stock in Treasury.

There were 2,821,625 shares of common stock reserved for the following purposes at December 31, 1980:

	Shares
Conversion of $2.75 Preferred Stock	137,916
Stock option plans	2,372,332
Conversion of convertible loan stock of Monsanto Limited	176,400
Conversion of debentures of Monsanto International Finance Company	134,977
	2,821,625

SUN COMPANY, INC. (DEC)

	1980	1979
	($ Millions)	
Stockholders' Equity (Note 14)		
Preferred stock, $2.25 cumulative convertible, par value $1 per share Authorized—2,120,853 shares; Issued, 1980—2,120,853 shares (aggregate involuntary liquidation value $110); Issued, 1979—3,017,060 shares	$ 2	$ 3
Common stock, par value $1 per share Authorized—200,000,000 shares; Issued, 1980—123,337,146 shares; Issued, 1979—60,028,829 shares	123	60
Capital in excess of par value	1,460	1,468
Earnings employed in the business	2,769	2,261
	4,354	3,792
Less common stock held in treasury, at cost 1980—1,134,951 shares; 1979—501,649 shares	43	22
Total Stockholders' Equity	$4,311	$3,770

Note 14 (in part): Stockholders' Equity

Each share of $2.25 cumulative convertible preferred stock is entitled to one-quarter vote and each share of common stock is entitled to one full vote.

Each share of preferred stock is convertible into 2.086 shares of common stock, subject to certain transactions, and is redeemable at Sun's option at $57 per share. The holders of preferred stock have a preferential right in involuntary liquidation to receive $52 per share, or $55 per share if the liquidation is voluntary. As of December 31, 1980, the aggregate involuntary liquidation value exceeds the aggregate par value by $108 million.

At December 31, 1980, there were 4,424,099 shares of common stock reserved for potential conversion of preferred stock.

On May 8, 1980, the shareholders of Sun approved an amendment of the Articles of Incorporation authorizing the issuance of 15,000,000 shares of a new class of Preference Stock without par value subject to approval of issuance by the Board of Directors. The Board of Directors also has authority to fix the number, designation, rights, preferences and limitations of the shares of each series, subject to applicable laws and the provisions of the Articles of Incorporation. As of December 31, 1980 no Preference Stock had been issued.

Also on May 8, 1980 the Company's authorized common stock was increased from 100,000,000 to 200,000,000 shares, with the par value remaining at $1 per share. On May 9, 1980 a two-for-one stock split became effective. The par value of the new shares issued totalled $61 million, and this amount was transferred from Capital in Excess of Par Value to Common Stock. All references in the consolidated financial statements with regard to average number of shares of common stock outstanding and related prices, dividends and net income per share amounts have been adjusted to reflect the two-for-one stock split.

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

	1980	1979	1978	1977
Par value stock shown at par value	496	495	498	496
Par value stock shown at amount in excess of per share par value	31	29	29	30
Par value stock shown at assigned value per share	14	15	7	20
No par value stock shown at assigned value per share	22	22	19	21
No par value stock shown at assigned value — per share value not disclosed	53	54	63	55
Issues Outstanding	**616**	**615**	**616**	**622**

PREFERRED STOCK

Table 2-33 summarizes the valuation bases of preferred stock. As with common stock, many 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.

Effective for fiscal periods ending on or after September 15, 1979, *SEC Accounting Series Release No. 268* requires that preferred stock with mandatory redemption requirements not be shown as part of equity. *ASR No. 268* does not discuss the valuation basis for such securities. A *Staff Accounting Bulletin* issued by the *SEC* staff states that preferred stock with mandatory redemption requirements should be stated on the balance sheet at an amount not less than the mandatory redemption price.

Paragraph 10C of FASB *Statement of Financial Accounting Standards No. 47* requires that financial statements disclose for each of the five years following the date of the latest balance sheet presented the redemption requirements of redeemable capital stock. The requirements of *SFAS No. 47* are effective for fiscal years ending after June 15, 1981.

Examples of preferred stock presentation are shown below and in connection with Table 2-31.

TABLE 2-33: PREFERRED STOCK

	Number of Companies			
	1980	**1979**	**1978**	**1977**
Par Value Stock				
Shown at par value	117	126	126	143
Shown at liquidation or redemption value	14	14	11	4
Shown at assigned value per share	6	5	4	10
Other	11	9	8	2
No Par Value Stock				
Shown at assigned value per share	43	38	46	45
Shown at liquidation or redemption value	19	10	10	6
No assigned value per share	22	35	47	43
Other	12	7	2	2
Number of Companies				
Preferred stock outstanding	215	218	229	232
No preferred stock outstanding	385	382	371	368
Total Companies	**600**	**600**	**600**	**600**

Preferred Stock Extended at Par Value

PENNWALT CORPORATION (DEC)

	1980	1979
	(Thousands of Dollars)	
Shareholders' Investment		
Voting preference stock, $1 par value; authorized 4,429,164 shares; cumulative convertible issues outstanding:		
First series, 124,521 shares (liquidating value, $9,339,000)	$ 125	$ 146
Second series, 2,053,365 shares (liquidating value, $78,028,000)	2,053	2,053
Common stock, $1 par value; authorized 25,000,000 shares; issued 8,949,720 shares	8,950	8,590
Additional paid-in capital	91,396	86,579
Earnings retained for use in the business	290,170	266,839
Less common stock in Treasury, at cost, 1,597 shares	(47)	—
Total shareholders' investment	$392,647	$364,207

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Preference Stock

The dividend rate on the first series preference stock is $2.50 per annum and the dividend rate on the second series preference stock is $1.60 per annum. The first and second series preference stock are convertible into common stock at the rate of 1.5 shares and .58 shares of common stock for each share of preference stock, respectively. The Company has reserved 1,377,734 shares of common stock for conversions. In the event of voluntary or involuntary liquidation, the holders of the first and second series preference stock will be entitled to $75 and $38 per share, respectively, which exceeds par value by an aggregate of $85,189,000. Both series of preference stock are callable at the option of the Company in decreasing annual increments to $75 per share for first series preference stock and $38 for second series preference stock. The present call price of the first series is $80.50 and of the second series is $41.50. The current call price of both series exceeds par value by an aggregate of $93,061,000.

COLT INDUSTRIES INC (DEC)

	1980	1979
	($000)	
Shareholders' Equity (Note 3)		
Preferred stock—$1 par value, 2,077,189 and 2,246,023 shares authorized, 421,694 and 590,528 shares outstanding (involuntary liquidation value at December 31, 1980—$31,479)...	$ 422	$ 590
Common stock—$1 par value, 30,000,000 shares authorized, 13,269,650 and 13,209,875 shares issued	13,270	13,210
Capital in excess of par value	149,472	160,700
Retained earnings	522,532	463,979
	685,696	638,479
Less cost of 209,525 and 420,021 shares of common stock in treasury	8,060	16,887
	$677,636	$621,592

Note 5 (in part): Capital Stock

Changes in capital stock are shown below for 1978, 1979, and 1980:

	Preferred Stock $1 Par Value	Common Stock $1 Par Value	Treasury Stock Shares	Treasury Stock Cost
Balance at January 1, 1978	$1,204,981	$ 8,106,164	(116,350)	$(6,544,000)
Conversion of preferred stock and exercise of options	(421,575)	735,783	—	—
Stock issued under three-for-two stock split	—	4,198,955	(58,175)	—
Balance at December 31, 1978	783,406	13,040,902	(174,525)	(6,544,000)
Purchase of treasury stock	—	—	(541,500)	(22,624,000)
Conversion and retirements of preferred stock and exercise of options	(192,878)	168,973	296,004	12,281,000
Balance at December 31, 1979	590,528	13,209,875	(420,021)	(16,887,000)
Purchase of treasury stock	—	—	(97,000)	(3,727,000)
Conversion and retirements of preferred stock and exercise of options	(168,834)	59,775	307,496	12,554,000
Balance at December 31, 1980	$ 421,694	$13,269,650	(209,525)	$(8,060,000)

The authorized preferred stock is issuable in series. Outstanding preferred stock has voting rights and is entitled to cumulative dividends. At December 31, 1980, the following series were outstanding:

	Annual Dividend Rate	Shares Outstanding	Involuntary Liquidation Value	Redemption Value Per Share
Convertible preferred				
Series A	$1.60	135,412	$ 5,417,000	$ 41.00
Series B	4.50	10,808	1,081,000	101.00
Series D	4.25	218,449	21,845,000	101.00
		364,669	28,343,000	
Non-convertible preferred				
Series E	2.75	57,025	3,136,000	55.00
		421,694	$31,479,000	

The payment of dividends on common stock is restricted if shareholders' equity of the company would thereby be reduced below the aggregate involuntary liquidation preference applicable to outstanding preferred stock ($31,479,000), plus the amount of capital attributable to common stock ($13,060,000). At December 31, 1980, shareholders' equity was $633,097,000 in excess of this requirement.

All series of preferred stock, except Series E, are convertible into common stock of the company: Series A at the rate of four shares of common stock for each five shares of preferred; Series B at the rate of 7.604 shares of common stock for each share of preferred; and Series D at the rate of 2.166 shares of common stock for each share of preferred; subject to certain specified adjustments.

SYBRON CORPORATION (DEC)

Shareholders' equity:		
Preferred stock, $2.40 cumulative convertible, authorized 1,435,754 shares, par value $4.00; outstanding 1980—846,591 and 1979—846,590 shares (involuntary liquidation value $18,625,000)	$ 3,386,000	$ 3,386,000
Common stock, authorized 20,000,000 shares, par value $2.50; outstanding 1980 and 1979—9,543,894 shares	23,860,000	23,860,000
Additional paid-in capital	3,938,000	3,938,000
Retained earnings	219,118,000	208,012,000
Total Shareholders' Equity	$250,302,000	$239,196,000

NOTES TO FINANCIAL STATEMENTS

Note 8 (in part): Capital Stock

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.

* * *

In addition to the common shares reserved for the above stock options, there were 87,125 preferred shares reserved at December 31, 1980, for the conversion of the outstanding 4½% subordinated debentures due in 1987. There were also 1,493,945 common shares reserved at December 31, 1980, for the conversion of preferred stock, including bond conversions indicated above. The dilution effect on net income per share assuming full conversion of all debentures would be to decrease net income per share by $.02 in each of the years 1980, 1979, and 1978.

WHITE CONSOLIDATED INDUSTRIES, INC. (DEC)

	1980	1979
	($000)	
Redeemable Preferred Stock	$ 62,218	$ 67,059
Common Stockholders' Equity:		
Common Stock—par value $1 a share: Authorized 50,000,000 shares; Issued 13,724,924 shares at December 31, 1980 and 13,696,091 shares at December 31, 1979	$ 13,725	$ 13,696
Other capital	141,158	139,994
Retained income	287,556	253,766
Less cost of 436,500 shares of Common Stock in treasury	(6,129)	(6,129)
	$436,310	$401,327

NOTES TO FINANCIAL STATEMENTS

Note H—Redeemable Preferred Stock

Serial Preferred Stock, par value $50 a share, consists of:

	December 31, 1980		December 31, 1979	
	Shares	Amount (In Thousands)	Shares	Amount (In Thousands)
Authorized	1,301,834		1,392,094	
Outstanding:				
Serial A	129,160	$ 6,458	136,160	$ 6,808
Serial B	51,892	2,595	52,872	2,644
Serial C	723,224	36,161	778,824	38,941
Serial D	373,320	18,666	400,000	20,000
		63,880		68,393
Less current maturities		1,662		1,334
		$62,218		$67,059

The Serial Preferred Stock is entitled to one vote per share and to receive cumulative cash dividends at the rate of $3.00 a share (Series A, B and C) and $4.75 a share (Series D) per annum before any dividends are paid upon or set apart for Common Stock. Upon involuntary liquidation, the holder of each share is entitled to $50 plus accumulated unpaid dividends, and such shares are redeemable, at the option of the Corporation, at $50 a share. Annual redemption requirements, after giving effect to shares acquired on the open market for the several years following 1980 are: 1982—$5,167,000; 1983—$5,273,000; 1984—$5,273,000; and 1985—$5,273,000. For the years ended December 31, 1980 and 1979, 90,260 shares and 75,510 shares respectively were redeemed.

The Corporation also has 1,500,000 authorized shares of Serial Preference Stock, par value $50 per share, of which no shares are outstanding.

Preferred Stock Extended at Stated Value

LIBBEY-OWENS-FORD COMPANY (DEC)

	1980	1979
	($000)	
Shareholders' Equity—Note G		
Serial Preferred Stock—authorized 4,000,000 shares:		
$4.75 Cumulative Convertible, Series A—upon liquidation entitled to $100 per share, $101,414,500 in the aggregate at December 31, 1980:		
Outstanding—1,014,145 shares—stated value	$ 39,074	$ 39,074
Common Stock—par value $5.00 a share:		
Authorized—20,000,000 shares		
Outstanding—11,089,956 and 11,084,938 shares respectively (after deducting 80,772 and 85,790 shares respectively, in treasury)	55,450	55,425
Additional paid-in capital	10,499	10,415
Retained earnings	404,969	399,802
Total Shareholders' Equity	$509,992	$504,716

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note G (in part): Capital Stock and Employee Stock Options

The Company is authorized to issue 4,000,000 shares of Serial Preferred Stock, of which 1,014,145 are designated as $4.75 Cumulative Convertible Preferred Stock, Series A. The Company has the option to redeem these shares at $100.00 a share. The Company has no current plans to redeem these shares. Each share of Series A Preferred Stock is entitled to one vote and is convertible into one and one-half shares of Common Stock. At December 31, 1980, 1,521,218 shares of unissued Common Stock were reserved for conversion of the Preferred Stock.

OWENS-ILLINOIS, INC. (DEC)

	1980	1979
	($ Millions)	
Redeemable preferred shares	$ 10.6	$ 11.8
Non-redeemable preference shares, common shares and other shareholders' equity:		
Preference shares (liquidation preference, 1980—$54.8 million; 1979—$65.6 million)	$ 11.0	$ 13.1
Common shares	90.4	88.9
Capital in excess of stated value	113.7	104.5
Retained earnings	1,100.9	994.9
	$1,316.0	$1,201.4

FINANCIAL REVIEW

Capital Shares. Capital shares at December 31, 1980 and 1979, were as follows:

	Number of Shares	
	1980	1979
Preferred shares, $100 par value, 4% cumulative:		
Authorized	141,985	141,985
Issued and outstanding	106,325	118,185
Preference shares, without par value, cumulative, issuable in series:		
Authorized	2,000,000	2,000,000
$4.75 convertible series, $20 stated value, entitled to $100 in involuntary liquidation:		
Authorized	743,766	743,766
Issued and outstanding	548,317	655,582
Common shares, $3.125 par value:		
Authorized	45,000,000	45,000,000
Outstanding	28,950,798	28,453,715
In treasury	146,899	193,590

Events causing changes in issued and outstanding shares during the period are described in the statement of Consolidated Capital Shares and Other Shareholders' Equity.

4% Preferred Shares. Preferred shares are redeemable at the option of the Company at $100 per share. Shareholders are entitled to $100 per share in the event of involuntary liquidation in preference to the $4.75 preference and common shares.

The Company is obligated to set aside on May 1 of each year a $2 million purchase fund which is to be used in the following 12 months for the purchase of preferred shares, if obtainable, in the open market at the best prices obtainable. The Company's bid prices are determined weekly by a formula based upon a published industrial preferred stock yield average; provided, however, that at no time will the Company bid less than $75 per share nor more than $100 per share. If any portion of a purchase fund installment is not so expended during the 12 months following the date set aside, the balance will be available for general corporate purposes. Preferred shares previously issued and subsequently acquired by the Company are retired; they cannot be reissued. The purchase fund set aside on May 1, 1980, was fully expended early in 1981.

$4.75 Preference Shares. Each outstanding preference share is presently convertible into three common shares and is redeemable at the option of the Company at $100 per share.

In the opinion of counsel, there are no restrictions upon retained earnings by reason of the excess of the involuntary liquidation preference over the stated value of the preference shares.

The Board of Directors may authorize additional series of preference shares and may set the terms of each new series as to the number of shares, dividend rate, redemption rights, liquidation price, sinking fund requirements, conversion rights, and certain related matters. Subject to the voting rights in certain circumstances of the 4% preferred shares, preference shares of all series are entitled to general voting rights of one-half vote for each share, voting with the common shares without distinction as to class. Under certain circumstances and with respect to certain matters, the holders of preference shares shall be entitled to one vote for each share and to vote separately as a class.

WHITTAKER CORPORATION (OCT)

	1980	1979
	($000)	
Stockholders' Equity		
Capital Stock (Note 5):		
Preferred stock, stated value $1 per share, authorized 5,000,000 shares—		
$1.25 cumulative convertible preferred stock, outstanding 37,991 shares at October 31, 1980 and 138,356 shares at October 31, 1979	$ 38	$ 139
$5.00 cumulative convertible preferred stock (preference in involuntary liquidation of $6,309,000) outstanding 126,174 shares at October 31, 1980 and 126,411 shares at October 31, 1979	126	126
Common stock, stated value $1 per share, authorized 40,000,000 shares— Outstanding 14,833,992 shares at October 31, 1980 and 13,559,687 shares at October 31, 1979	21,830	20,555
Additional paid-in capital	112,554	92,372
Retained earnings	155,364	121,433
Total Stockholders' Equity	$289,912	$234,625

Note 5 (in part): Capital Stock

All shares of preferred stock outstanding are voting, cumulative and convertible into common stock. Each share of the $5.00 preferred stock is convertible into 1.854 shares of common stock, and each share of $1.25 preferred stock is convertible into 2.06 shares of common stock. The $5.00 preferred stock is redeemable, at the option of Whittaker, at $100 per share and is entitled to preference of $100 per share upon voluntary liquidation and $50 per share upon involuntary liquidation (aggregate of $6,309,000 at October 31, 1980). There is no restriction on retained earnings resulting from the fact that the preference of the $5.00 preferred stock upon involuntary liquidation exceeds its stated value. The $1.25 preferred stock is redeemable, at the option of Whittaker, at $35 per share and has no preference in liquidation. The Board of Directors is authorized to issue preferred stock in series and to fix dividend rates, conversion rights, voting rights, rights and terms of redemption and liquidation preferences and to increase or decrease the number of shares of any series.

Preferred Stock Extended at Redemption Value

AMAX INC. (DEC)

	1980	1979
	($000)	
Sinking fund preferred stocks Series C and D, redeemable at carrying value	$ 250,000	$ 250,000
Non-sinking fund preferred stock Series B, convertible (preference in liquidation 1980—$24,920, 1979—$99,290)	500	1,990
Common stock of $1 par value Authorized 150,000,000 shares Issued 1980—62,084,114 shares (1979—53,461,335 shares)	62,080	53,460
In treasury, at cost	(300)	(540)
Paid-in capital	975,790	702,290
Retained earnings	1,431,420	1,125,740

NOTES TO FINANCIAL STATEMENTS

(In thousands of dollars unless otherwise indicated and except per share amounts)

Note 17: Preferred Stocks

On May 1, 1980, the authorized Preferred Stock was increased from 10,000,000 to 20,000,000 shares of $1 par value. At December 31, 1980, 498,496, 1,500,000 and 2,000,000 shares of Series B, C and D preferred stocks, respectively, were issued and outstanding.

Sinking fund stocks Each share of Series C Preferred Stock is entitled to a cumulative annual dividend of $7.375 and is stated at a redemption value of $100. The shares are redeemable at $102 per share which will be reduced to $101 commencing June 1, 1981 and to $100 commencing June 1, 1982. As a sinking fund for the retirement of these shares, the Company will redeem one-third of the shares then outstanding on June 1, 1983, one-half of the shares then outstanding on June 1, 1984 and the remainder on June 1, 1985. Upon voluntary liquidation, holders are entitled to receive a liquidation preference equal to its then current redemption price per share; upon involuntary liquidation, holders would be entitled to recieve $100 per share.

Each share of Series D Preferred Stock is entitled to a dividend established quarterly at an annual rate of the sum of one-half of the U.S. dollar London Interbank Offer Rate (LIBOR), plus 1.25%, ($6.93 per share at December 31, 1980) and is stated at a redemption value of $50. Dividends are limited on a cumulative basis to an annual rate of $5.00 per share from date of issue. The shares are redeemable from March 1, 1981 through February 28, 1985 at $50.50, after which the redemption price will become and remain $50. As a sinking fund for the retirement of these shares, the Company will redeem 16.625 percent of the shares outstanding on March 1, 1986, 19.94 percent of the shares outstanding on March 1, 1987 and the remainder on March 1, 1988. Upon voluntary liquidation, holders are entitled to receive a liquidation preference equal to its then current redemption price per share; upon involuntary liquidation, holders would be entitled to receive $50 per share.

Non-sinking fund stock Each share of Series B Convertible Preferred Stock is convertible into 1.31004 shares of common stock, and is entitled to a cumulative annual dividend of $3.00. The shares are redeemable at $52.25. This redemption price will be reduced by $0.375 on March 1, 1981 and annually thereafter until March 1, 1986, at which date it will become and remain $50 per share. Upon voluntary liquidation, holders are entitled to receive a liquidation preference equal to its then current redemption price per share; upon involuntary liquidation, such holders would be entitled to receive $50 per share.

AMERICAN STORES COMPANY (JAN)

	1981	1980
	($000)	
$5.51 Cumulative Redeemable Preferred Stock of $1 par value. Authorized 2,450,000 shares; issued 2,036,372 shares at redemption value	$118,110	$118,110
Common Shareholders' Equity		
Common stock of $1 par value. Authorized 11,000,000 shares; issued 10,000,698 shares	$ 10,001	$ 10,001
Paid-in capital	95,471	96,273
Retained earnings	142,892	110,423
Less cost of common treasury stock; 178,904 shares in 1980 and 236,836 shares in 1979	(4,496)	(5,951)
Total common shareholders' equity	$243,868	$210,746

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Redeemable Preferred Stock

The Company's redeemable preferred stock was issued in connection with the merger. The preferred stock is not redeemable until July 26, 1984. Thereafter, it is redeemable in whole or in part, at the option of the Company, at $58 per share plus accrued dividends. Following July 26, 1989, the Company is required to redeem 5% of the number of shares initially outstanding at $58 per share plus accrued dividends.

The redeemable preferred stock has preferential and cumulative dividends at a rate of $5.51 per share plus liquidation preference at $58 per share plus accrued dividends over the holders of common stock.

CERTAINTEED CORPORATION (DEC)

	1980	1979
	($000)	
Total current liabilities	$152,461	$162,900
Long-Term Debt, less current installments	152,065	158,798
Deferred Federal Income Taxes	25,982	24,405
Other Noncurrent Liabilities	7,545	8,824
Contingencies		
Redeemable Preferred Stock (Note 8):		
Series D, $1 par value, issued and outstanding 1,600,000 shares ($25 per share liquidation preference and mandatory redemption price)	40,000	40,000
Non-Redeemable Preferred Stock (Note 9):		
Series C Convertible, $1 par value, issued and outstanding 1,000,000 shares (liquidation preference $20,000)	1,000	1,000
Common Stock		
$1 par value, authorized 20,000,000 shares, issued and outstanding 13,510,334 and 13,453,334 shares	13,510	13,493
Capital in Excess of Par Value	105,877	105,686
Retained Earnings	195,063	211,355
	$693,503	$726,461

Note 8—Redeemable Preferred Stock

A total of 4,000,000 shares is authorized collectively for all series of preferred stock.

The Series D Preferred Stock is entitled to one vote per share. Dividends are cumulative at an annual rate of $1.91 per share and payable quarterly. The annual mandatory redemption requirements are $4 million commencing on January 1, 1983 through January 1, 1987, and the remaining $20 million on January 1, 1988. The Company's parent, Compagnie de Saint-Gobain-Pont-a-Mousson ("SGPM"), owns 880,000 of these shares (55%).

Note 9—Non-Redeemable Preferred Stock

The Series C Convertible Preferred Stock is entitled to one vote per share, is owned by SGPM and an affiliated company and is convertible into 1,250,000 shares of Common Stock. Dividends on the Series C Stock are cumulative at a rate of $1.40 per annum. Assuming conversion of this stock, SGPM ownership would increase to 55% from 54% of the total voting shares of stock.

FAIRCHILD INDUSTRIES, INC. (DEC)

	1980	1979
	($000)	
Redeemable Preferred Stock:		
$3.60 cumulative Series A Convertible Preferred without par value, 3,582,832 shares authorized, issued and outstanding, at a redemption value of $45.00 per share	$161,227	$ —
Nonredeemable Preferred Stock, Common Stock and Other Stockholders' Equity:		
Nonredeemable preferred stock, no par value, authorized 1,417,168 shares, none issued		
Common stock, par value of $1.00 per share, authorized 30,000,000 shares, issued 12,877,325 and 12,584,420 shares	$ 16,795	$ 10,210
Additional paid-in capital	33,399	29,025
Accumulated earnings (Note 5)	138,732	99,405
	188,926	138,640
Less treasury stock at cost (8,250 shares in 1979)	—	29
	$188,926	$138,611

NOTES TO FINANCIAL STATEMENTS

Note 6: Redeemable Preferred Stock

In connection with the acquisition of VSI Corporation, 3,582,832 shares of preferred stock (no par value) were issued in exchange for shares of VSI common stock and designated as a Series A Convertible Preferred Stock with a stated value of $45.00 per share.

Annual mandatory redemption obligations commence January 31, 1989 and continue through 1998, requiring redemption of 10 percent of outstanding shares per annum at $45.00 per share plus any dividend arrearages. In addition, the Company has the option to redeem any or all shares after Janaury 1, 1989, at prices ranging from $46.80 (1989) to $45.00 (1994 and thereafter).

Holders of the Series A Preferred have general voting rights. Additionally, in the event of a cumulative arrearage equal to six quarterly dividends, all Preferred stockholders have the right to elect separately as a class, two members of the Board of Directors. No cash dividends can be declared or paid on any stock junior to the Series A Preferred in the event of dividend arrearages on or default in the obligation to redeem such Series A Preferred. At the option of the holder, the Series A Preferred may at any time be converted to common stock at a ratio of 1.51 shares of common stock for each share of Series A Preferred.

Preferred Stock Extended at Fair Value at Issuance

REVLON, INC. (DEC)

	1980	1979
	($000)	
Convertible preferred stock (Series A adjustable rate, redeemable at $304,963)	$231,567	$ —
Stockholders' equity:		
Common stock of $1 par value a share. Authorized 75,000,000 shares; issued 36,186,825 shares in 1980 and 35,734,053 shares in 1979	$ 36,187	$ 35,734
Additional paid-in capital	157,086	138,538
Retained earnings	769,127	651,068
	962,400	825,340
Less common stock in treasury, at cost; 175,736 shares in 1980 and 157,493 shares in 1979	6,516	5,686
Total stockholders' equity	$955,884	$819,654

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Redeemable Preferred Stock

In 1980, the stockholders approved an increase in the authorized $1.00 par value Preferred Stock from 3,060,841 shares to 33,060,841 shares.

During 1980, Revlon issued, 11,435,040 shares of Series A Adjustable Rate Convertible Preferred Stock, par value $1.00 per share ("Convertible Preferred Stock"), in connection with the acquisition of Technicon. Each share of Convertible Preferred Stock receives, when, as and if declared, a cumulative dividend at the rate of $1.95 per annum, which rate is subject to increase, under certain circumstances, to a maximum of $3.61. Each share is convertible at any time into 30/67 share of Revlon common stock, subject to anti-dilution protections. In each of the years 1985 through 1988, Revlon is scheduled, subject to Board approval, to offer to purchase 25% of the shares originally issued, at $26.67 per share plus accrued dividends; the dividend rate will increase upon failure to make such offers unless, as of the scheduled offer date, Revlon common stock has attained specified market prices. Commencing in 1985 through May 2, 1990, Revlon may optionally redeem up to 25% of the shares originally issued, if Revlon common stock has attained specified market prices. On and after May 2, 1990, the shares may be redeemed in whole or in part, without regard to the market price of Revlon common stock, subject to a minimum on shares redeemed in certain cases. In each year beginning in 1991, Revlon is required to redeem 10% of the shares originally issued. Each optional and mandatory redemption is to be at a price of $26.67 per share, plus accrued dividends. Each share is entitled to Fifteen One Hundredths vote on all matters, voting with the Revlon common stock, and to class voting on certain matters. Each share is entitled to a liquidation preference of $26.67, plus accrued dividends. The Convertible Preferred Stock was recorded at $20 per share which represented the estimated fair value at issuance. This amount is being periodically increased to the mandatory redemption price of $26.67

per share through a charge to retained earnings. During 1980, 360 shares were converted to common stock.

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.

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.

TABLE 2-34: ADDITIONAL PAID-IN CAPITAL—CAPTION TITLE

	1980	1979	1978	1977
Additional paid-in capital..	187	178	180	174
Capital in excess of par or stated value..............	170	171	164	162
Capital surplus.............	62	69	74	77
Additional capital, or *other capital*	48	49	51	51
Paid-in capital, or *other paid-in capital*	30	29	31	36
Paid-in surplus.............	13	15	15	18
Other captions	13	16	13	11
	523	527	528	529
No additional paid-in capital account	77	73	72	71
Total Companies.............	**600**	**600**	**600**	**600**

ANHEUSER-BUSCH COMPANIES, INC. (DEC)

	1980	1979
	(In Millions)	
Shareholders Equity:		
Preferred stock, $1.00 par value, authorized 40,000,000 shares in 1980 and 1979; none issued	$ —	$ —
Common stock, $1.00 par value, authorized 100,000,000 shares in 1980 and 1979; issued 45,307,998 and 45,262,135 shares, respectively...........................	45.3	45.3
Capital in excess of par value (principally arising from stock dividends)	58.3	57.3
Retained earnings................	935.3	808.3
	1,038.9	910.9
Less cost of 124,452 shares of treasury stock.................	.9	—
	$1,038.0	$910.9

BAXTER TRAVENOL LABORATORIES, INC. (DEC)

	1980	1979
	($000)	
Stockholders' equity		
Convertible preferred stock, first series, authorized 500,000 shares; issued and outstanding 64,683 shares in 1980 and 76,703 shares in 1979..........	$ 65	$ 77
Common stock, $1 par value, authorized 100,000,000 shares; issued 34,858,525 shares in 1980 and 34,249,949 shares in 1979..............................	34,859	34,250
Additional contributed capital.......	231,802	209,404
Retained earnings...................	586,016	479,782
Less common stock in treasury, at cost, 2,852 shares in 1980 and 93 shares in 1979	136	3
Total stockholders' equity.....	$852,606	$723,510

EASCO CORPORATION (DEC)

	1980	1979
	($000)	
Redeemable preferred stock		
Preferred stock Series C, cumulative and convertible, aggregate liquidating value of $10,000	$ 100	$ 100
Paid-in capital in excess of par value	9,900	9,900
Total redeemable preferred stock	10,000	10,000
Common shareholders' equity		
Common stock, $2.50 par value, authorized 10,000,000 shares; issued 3,298,774 and 3,298,074 shares	8,247	8,245
Paid-in capital in excess of par value	7,703	7,693
Retained earnings	51,240	51,966
Less: 165,600 shares of common stock in treasury at cost	(2,326)	—
Total common shareholders' equity	64,864	67,904

FREEPORT MINERALS COMPANY (DEC)

	1980	1979
	($000)	
Stockholders' equity		
Common stock, par value $5, authorized 60,000,000 shares, issued 33,169,809 shares at December 31, 1980, and 22,575,659 shares at December 31, 1979	$165,849	$112,878
Excess of amount paid in over par value of common stock	1,604	529
Retained earnings	380,690	316,313
	548,143	429,720
Less, Common stock held in treasury, at cost, 1,585,363 shares at December 31, 1980, and 1,589,649 shares at December 31, 1979	49,654	49,777
	$498,489	$379,943

PFIZER INC. (DEC)

	1980	1979
	($ Millions)	
Shareholders' Equity		
Preferred stock, without par value; 2,000,000 shares authorized, none issued	$ —	$ —
Common stock $.11 1/9 par value; 100,000,000 shares authorized; issued 1980 — 73,861,632; 1979 — 73,513,134	8.2	8.2
Capital paid-in, in excess of par value	228.1	218.2
Retained earnings	1,337.5	1,188.4
	1,573.8	1,414.8
Less common stock in treasury, at cost—391,723 shares	.9	.9
Total shareholders' equity	$1,572.9	$1,413.9

RETAINED EARNINGS

Accounting Terminology Bulletin No. 1 recommends:

The term *earned surplus* be replaced by terms which will indicate source, such as *retained income, retained earnings, accumulated earnings,* or *earnings retained for use in the business.* In the case of a deficit, the amount should be shown as a deduction from contributed capital with appropriate description.

Table 2-35 indicates that most of the survey companies use 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.

AMERICAN MOTORS CORPORATION (DEC)

	1980	1979
	($000)	
Stockholders' Equity		
Captial stock, par value $1.66⅔ a share		
Authorized—110,000,000 shares		
Outstanding—56,975,819 shares in 1980 and 31,883,388 shares in 1979	$ 94,960	$ 53,139
Additional paid-in capital	270,437	144,389
Earnings retained for use in the business	68,850	268,767
Total Stockholders' Equity	$434,247	$466,295

TABLE 2-35: RETAINED EARNINGS—CAPTION TITLE

	1980	1979	1978	1977
Retained Earnings	474	473	462	451
Retained earnings with additional words	27	26	27	14
Earnings with additional words	54	61	69	81
Income with additional words	24	20	20	24
Earned Surplus	3	4	5	6
Companies with deficits	18	16	17	24
Total Companies	**600**	**600**	**600**	**600**

BROWN & SHARPE MANUFACTURING COMPANY (DEC)

	1980	1979
Shareowners' Equity:		
Preferred stock, no par value; authorized 1,000,000 shares	$ —	$ —
Common stock, par value $1; authorized 7,500,000 shares in 1980 and 4,500,000 shares in 1979; issued and outstanding 3,095,286 and 2,832,715 shares	3,095,000	2,833,000
Additional paid in capital	37,266,000	30,668,000
Earnings employed in the business	46,190,000	35,320,000
Total shareowners' equity	$86,551,000	$68,821,000

BUCYRUS-ERIE COMPANY (DEC)

	1980	1979
Shareholders' Investment		
Preferred stock—par value $100 a share—Authorized—5,000,000 shares; issued—none		
Common stock—par value $5 a share—Authorized 100,000,000 shares; issued and outstanding (excluding 173,432 shares in treasury)—20,413,815 shares in 1980 and 20,411,788 shares in 1979	$102,069,075	$102,058,940
Additional paid-in capital	1,037,046	1,009,725
Earnings reinvested in the business	286,768,234	256,497,406
	$389,874,355	$359,566,071

THE BFGOODRICH COMPANY (DEC)

	1980	1979
	($000)	
Common Shareholders' Equity		
Common Stock—$5 par value Authorized 50,000,000 shares; issued and outstanding 17,103,084 shares in 1980 and 16,434,414 shares in 1979	$ 85,515	$ 82,172
Additional capital	126,204	116,137
Income retained in the business	736,084	702,474
Total Common Shareholders' Equity	$947,803	$900,783

K MART CORPORATION (JAN)

	1981	1980
	($000)	
Stockholders' Equity:		
Common stock	$ 123,379	$ 122,837
Capital in excess of par value	253,761	243,467
Income retained for use in the business	1,966,032	1,818,888
Total stockholders' equity	$2,343,172	$2,185,192

ELI LILLY AND COMPANY (DEC)

	1980	1979
	($000)	
Shareholders' Equity		
Preferred stock—without par value: Authorized shares: 5,000,000 Issued shares: None		
Common stock—par value $.62½ per share: Authorized shares: 100,000,000 Issued shares: 1980—75,780,334; 1979—75,746,679	$ 47,363	$ 47,342
Additional paid-in capital	110,707	99,133
Reinvested earnings	1,578,661	1,445,522
	1,736,731	1,591,997
Less cost of common stock in treasury: 1980—644 shares; 1979—405,040 shares	38	5,835
	$1,736,693	$1,586,162

LYNCH CORPORATION (DEC)

	1980	1979
Shareholders' Equity		
Common stock, no par value, 10,000,000 shares authorized; 1,309,435 shares issued and outstanding (1,292,985 in 1979)	$ 2,673,068	$2,585,630
Additional capital	6,968,795	6,968,795
Retained earnings (deficit)	2,237,864	(60,410)
	$11,879,727	$9,494,015

MCDONNELL DOUGLAS CORPORATION (DEC)

	1980	1979
	($ In Millions)	
Shareholders' Equity		
Preferred Stock, $1.00 par value:		
Shares authorized: 10,000,000		
Shares issued: None		
Common Stock, $1.00 par value:		
Shares authorized: 60,000,000		
Shares issued: 1980, 39,333,898 shares; 1979, 39,724,644 shares	$ 39.3	$ 38.7
Capital in excess of par value	346.7	325.8
Earnings retained for growth	1,141.1	1,030.9
Less cost of treasury shares: 1980, 1,037,436 shares; 1979, 1,219,577 shares	(14.6)	(17.2)
	$1,512.5	$1,378.2

MORSE ELECTRO PRODUCTS CORP. (MAR)

	1980	1979
Shareholders' Equity (deficiency):		
Common stock, authorized 7,000,000 shares at $.25 par value; issued—2,905,583 shares for 1980 and 2,876,815 shares for 1979	$ 726,396	$ 719,204
Less, cost of 868 shares of common stock held in treasury	(217)	(217)
Paid-in capital	21,089,387	20,867,811
Deficit	(5,650,280)	(57,727,673)
Total shareholders' equity (deficiency)	$16,165,286	$(36,140,875)

OUTBOARD MARINE CORPORATION (SEP)

	1980	1979
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 8,354,456 shares in 1980 and 1979	2,506,000	2,506,000
Capital in excess of par value of common stock	36,411,000	36,411,000
Accumulated earnings employed in the business	234,347,000	237,851,000
	$273,264,000	$276,768,000

PHOENIX STEEL CORPORATION (DEC)

	1980	1979
Shareholders' equity		
Preferred stock, $.10 par value:		
Authorized—5,000,000 shares		
Series A convertible preferred stock:		
Authorized—1,100,000 shares		
Issued and outstanding—852,133 shares in 1980 (aggregate liquidating preference of $12,753,000); 852,304 shares in 1979	$ 85,000	$ 85,000
Series B convertible preferred stock:		
Authorized—94,000 shares		
Issued and outstanding—94,000 shares (aggregate liquidating preference of $5,753,000)	9,000	9,000
Common stock, $.10 par value:		
Authorized—30,000,000 shares		
Issued and outstanding—9,172,896 shares in 1980; 9,170,537 shares in 1979—at stated value	21,087,000	21,086,000
Additional paid-in capital	40,168,000	40,164,000
Accumulated deficit	(59,040,000)	(60,275,000)
Total shareholders' equity	$ 2,309,000	$ 1,069,000

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 and seventeen companies disclosed the existence of stock option plans. Examples of stock option and stock purchase plans follow.

STOCK OPTION PLANS

AMERICAN STORES COMPANY (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stock Option Plan

On May 21, 1975, the shareholders approved a stock option plan for employees, reserving 750,000 shares of common stock. This plan permits the granting of both qualified and nonqualified options. The Company has granted stock options to employees at prices ranging from $.67 to $19.50 a share for nonqualified options and $18.25 a share for qualified options. In 1978, the shareholders approved an amendment to the 1975 plan providing for Stock Appreciation Rights.

Pursuant to the Merger Agreement between the Company and former American Stores Company, the Company assumed the former American stock option plan with appropriate adjustments to number of shares and exercise prices to give effect to the merger. As adjusted, American stock options are exercisable at prices ranging from $11.18 to $14.08 for qualified stock options and $13.96 for nonqualified stock options.

Under the above described plans, qualified stock options are exercisable on a cumulative basis of ten years or less. Compensation expense recognized was $51,000, $304,000 and $87,000 for 1980, 1979, and 1978, respectively. Amounts deferred for future amortization under nonqualified stock option grants at less than market value were $391,214 at January 31, 1981 and $476,000 at February 2, 1980. At January 31, 1981 and February 2, 1980, options for 36,463 and 98,921 shares, respectively, were exercisable. A summary of changes in shares under option follows:

	1980	1979	1978
Outstanding at beginning of year	498,803	352,519	373,119
Former American Stores Company options assumed	—	180,231	—
Exercised	(58,043)	(24,297)	(950)
Forfeited	(39,357)	(9,650)	(19,650)
Outstanding at end of year	401,403	498,803	352,519
Average option price per share	$16.53	$15.61	$16.85
Reserved for future grant	614,807	575,450	396,231

COLUMBIA PICTURES INDUSTRIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note L—Stock Options

Pursuant to the Company's Key Employees' Non-Qualified Stock Option Plan adopted in fiscal 1976 (as amended), options may be granted to purchase up to an aggregate of 1,075,000 shares of common stock at prices equal to the fair market value of the shares at the time the options are granted. Options are exercisable in cumulative annual installments of 33⅓% (25% for options granted prior to November 10, 1977), commencing one year after the date of grant and expiring ten years after grant.

A "qualified" plan with similar provisions was terminated upon the adoption of the present plan, with the exception of the then outstanding options.

The following schedule summarizes the changes in stock options for the two fiscal years ended June 28, 1980:

	No. of Shares	Option Price Per Share	Total
Outstanding at July 1, 1978 (279,478 exercisable)	846,643	$ 3-20	$8,898,000
Granted	128,000	18-25	2,938,000
Exercised	(234,526)	3-14	(1,810,000)
Cancelled	(158,409)	4-20	(1,804,000)
Outstanding at June 30, 1979 (148,652 exercisable)	581,708	3-25	8,222,000
Granted	60,000	23-34	1,806,000
Exercised	(122,779)	3-19	(1,212,000)
Cancelled	(46,450)	5-16	(487,000)
Outstanding at June 28, 1980 (223,616 exercisable)	472,479	$ 5-34	$8,329,000

Options covering 198,901 shares became exercisable during fiscal 1980 (104,200 during fiscal 1979). When options are exercised, the proceeds, including any applicable tax benefits, are credited to common stock and capital in excess of par value.

In October 1978, options for 400,000 shares issued in connection with an acquisition were exercised at an aggregate exercise price of approximately $113,000.

At June 28, 1980, options for 211,084 shares were available for grant and 683,563 shares were reserved for exercise of stock options.

BROWN GROUP, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note C (in part): Employee Benefit Plans

Stock Option and Stock Appreciation Plans—The Corporation has two non-qualified stock option and stock appreciation plans (1974 and 1976) under which certain officers and employees are participants. All options are granted at market value and are exercisable over periods up to ten years.

Under the plans, the Corporation may grant a maximum of 550,000 stock appreciation units in tandem with options. The units entitle the participants to payment of the increase in market price per share five years from date of award. Under the plans, if the awards and options were issued in tandem, the exercise of either serves to cancel the other.

No charges or credits to income were made with regard to options granted under the plans. Compensation expense of $1,903,000 in 1980, $108,000 in 1979 and $471,000 in 1978 was recognized in connection with the stock appreciation units.

The following summary sets forth the activity under the above plans for the three years ended November 1, 1980, as well as former plans which have been terminated and still have exercisable options outstanding.

	Number Of		
	Option Shares	Appreciation Units	Option or Award Price
Options and units outstanding October 29, 1977	510,958	230,108	$15 to $40
Granted and awarded	500	500	25
Exercised	(36,305)		15 to 26
Terminated	(20,498)	(6,448)	15 to 40
Options and units outstanding October 28, 1978	454,655	224,160	15 to 40
Granted and awarded	123,350	123,350	25 to 27
Exercised/Matured	(71,271)	(40,750)	15 to 26
Terminated	(91,120)	(28,861)	15 to 40
Options and units outstanding November 3, 1979	415,614	277,899	15 to 40
Granted and awarded	16,500	16,500	26 to 34
Exercised/Matured	(58,436)	(9,901)	15 to 27
Terminated	(60,903)	(56,283)	15 to 40
Options and units outstanding November 1, 1980	312,775	228,215	$19 to $40

Options outstanding at November 1, 1980 included 228,215 granted in tandem with the stock appreciation units. Options for 187,948 shares were exercisable at November 1, 1980 at prices ranging from $19 to $40 and 189,828 shares of Common Stock were reserved for future options.

COMPUGRAPHIC CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4: Stock Options and Warrants

Qualified Stock Option Plan—At September 27, 1980, 42,601 shares of common stock were reserved for issuance under the Company's "qualified" stock option plan. Under the terms of the plan, options were granted at prices not less than fair market value as of the date of grant. The options expire five years from the date of grant and are exercisable each year, starting at the date of grant, on a cumulative basis at the rate of 20% of the total number of shares covered by the option. No further options will be granted under the qualified stock option plan.

Qualified Stock Option Summary	Number	Option Price Range Per Share
Outstanding September 29, 1979	78,926	$9.44-18.94
Exercised	34,685	$9.44-18.94
Cancelled or expired	1,640	$9.44-18.94
Outstanding September 27, 1980	42,601	$9.44-17.19
Total Exercisable as of September 27, 1980	36,621	$9.44-17.19

Non-Qualified Stock Option Plan—At September 27, 1980, 247,747 shares were reserved under the "non-qualified" stock option plan. Under the terms of the plan, options may be granted at not less than fair market value as of the date of grant and must be exercised within five years from the date of grant. The options are exercisable each year starting one year from the date of grant, on a cumulative basis at the rate of 25% of the total number of shares covered by the option. Effective May 1, 1980, the Board of Directors authorized the cancellation and re-issue of all outstanding options with an option price in excess of $22.00 per share. Accordingly, options covering 130,160 shares of common stock were cancelled and re-issued at an option price of $19.13 which represents fair market value as of that date.

Non-Qualified Stock Option Summary	Number	Option Price Range Per Share
Outstanding September 29, 1979	253,217	$19.44-44.50
Granted	25,000	$18.38-37.25
Exercised	7,070	$19.13-19.88
Cancelled or expired	153,560	$19.44-44.50
Re-issued	130,160	$19.13-19.13
Outstanding September 27, 1980	247,747	$18.38-20.31
Total Exercisable as of September 27, 1980	110,617	$19.13-20.31

Accounting for Options—No accounting recognition is given to stock options until they are exercised, at which time the proceeds are credited to the capital accounts. Under the qualified plan, tax benefits arising from disqualifying dispositions are recognized at the time of disposition. Under the non-qualified plan, the Company recognizes a tax benefit upon exercise in an amount equal to the difference between the option price and the fair market value of the common stock. These tax benefits are credited to capital in excess of par value.

Warrants—In connection with the sale in 1975 by Graphic Credit of 11% Subordinated Notes, the Company sold warrants to purchase 240,000 shares of the Company's common stock for $10 per share. Warrants for the purchase of 60,000 common shares have been exercised. As of September 27, 1980, 180,000 shares of the Company's common stock have been reserved for issuance upon exercise of the warrants outstanding. Reference is made to Note 7 for additional information.

COOPER INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11: Stock Options and Employee Stock Purchase Plan:

The following table sets forth a summary of activity in the Company's stock option plans during 1979 and 1980:

	Common Stock		$2.90 Preferred Stock Portion of Assumed Gardner-Denver Common Stock Options	
	Shares	Range of Option Prices	Shares	Range of Option Prices
Stock options outstanding at January 1, 1979	377,979	$15.00-54.50	—	—
Equivalent options assumed in acquisition of Gardner-Denver	91,242	$21.94-45.56	136,862	$16.50-30.375
Options granted	74,100	$47.39-48.64	—	—
Options exercised	(130,736)	$15.00-44.64	(22,645)	$16.50-24.70
Options cancelled	(32,160)	$21.94-48.64	(26,856)	$16.50-30.375
Outstanding before two-for-one split	380,425	$19.00-54.50	87,361	$16.50-30.375
Two-for-one stock split	380,425		—	
Stock options outstanding at December 31, 1979	760,850	$ 9.50-27.25	87,361	$16.50-30.375
Options granted	204,600	$35.125-43.00	—	—
Options exercised	(264,653)	$ 9.50 -27.25	(26,834)	$16.50-30.375
Options cancelled	(55,113)	$12.375-35.125	(15,948)	$16.50-30.375
Stock options outstanding at December 31, 1980	645,684	$12.375-43.00	44,579	$16.50-30.375

Stock options are granted under the Company's stock option plans at not less than 100% of the market value of the Company's stock at the date of grant and are exercisable over periods of three to eight years commencing one or two years from date of grant. As of December 31, 1980, 495 employees held options under these plans to purchase an aggregate of 586,318 shares of common stock at an average weighted exercise price of $26.01 per share, with expiration dates ranging from February 17, 1981, to February 13, 1989.

As a result of the Gardner-Denver acquisition, the Company assumed outstanding common stock options. Each such option is exercisable over a two-year period into ½ share of $2.90 Preferred stock and ⅔ share of Cooper common. Certain of these options include stock appreciation rights. As of December 31, 1980, 73 employees held options under the Gardner-Denver plans with expiration dates ranging from February 16, 1987, to February 15, 1989, and providing for the purchase of 56,366 shares of common stock and 44,579 shares of $2.90 Preferred stock at average weighted exercise prices of $18.42 and $24.56, respectively.

At December 31, 1980, options for 184,495 common shares and 31,351 $2.90 Preferred shares were exercisable at $12.375 to $22.781 and $16.50 to $30.375, respectively, and 479,812 common shares were reserved for future grants.

Employee Stock Purchase Plan:

On April 24, 1979, the shareholders approved the 1979 Employee Stock Purchase Plan. An aggregate of 1,200,000 shares of common stock are reserved for purchase commencing September 1, 1979. At December 31, 1980, subscriptions to the plan for 477,918 shares of common stock were outstanding at $24.55 per share or, if lower, the average market price on September 14, 1981, which is the exercise date.

THE DUN & BRADSTREET CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (in part): Stock Option Plans and Stock Appreciation Rights

The Company has granted options to employees, under Key Employees Stock Option Plans, to purchase shares of its common stock at the market price on the date of the grant. Options outstanding at December 31, 1980 were granted during the years 1972 through 1980 and are exercisable over periods ending not later than 1989.

Included in 1979 grants are substitute stock options covering 293,436 shares of the Company's common stock issued in connection with the acquisition of National CSS, Inc.

At December 31, 1980, 1979 and 1978, options for 531,000, 1,063,000 and 931,000 shares of common stock were exercisable and 145,000, 255,000 and 334,000 shares of common stock were available for future grant under the plans. Changes in stock options for the three years in the period ended December 31, 1980 are summarized as follows:

	Shares	Option Price Per Share ($)	Total
Options outstanding January 1, 1978..	1,415,725	3.43 to 37.50	$42,549,000
Granted	147,000	27.88	4,098,000
Exercised	(143,160)	3.43 to 30.75	(2,537,000)
Surrendered or Expired	(79,046)	22.81 to 37.50	(2,669,000)
Options outstanding December 31, 1978..............	1,340,519	3.43 to 37.50	41,441,000
Granted	381,336	2.78 to 32.75	5,363,000
Exercised	(255,961)	2.78 to 37.50	(5,407,000)
Surrendered or Expired	(64,773)	27.75 to 37.50	(2,270,000)
Options outstanding December 31, 1979..............	1,401,121	2.78 to 37.50	39,127,000
Granted	115,300	44.00	5,073,000
Exercised	(673,553)	2.78 to 37.50	(18,659,000)
Surrendered or Expired	(12,375)	22.81 to 44.00	(433,000)
Options outstanding December 31, 1980..............	830,493	2.78 to 44.00	$25,108,000
Options which became exercisable during:			
1978	159,954	27.75 to 30.75	$ 4,591,000
1979	434,198	2.78 to 29.25	$ 6,633,000
1980	148,290	14.59 to 32.75	$ 4,121,000

All proceeds from options exercised are credited to the related capital accounts. The tax benefit on the exercise of non-qualified options is credited to capital in excess of par value. There have been no charges to income with respect to any stock options.

The plans also provide for the granting of stock appreciation rights to certain key employees who may elect to receive cash and shares of the Company's common stock with a value equal to the amount by which the fair market value of the stock on the exercise date exceeds the option price, subject to plan limitations.

At December 31, 1980, 1979 and 1978, 340,000, 441,000 and 469,000 shares under option had stock appreciation rights attached. Stock appreciation rights expense for the years 1980, 1979 and 1978 was $3,201,000, $2,968,000 and $1,763,000. The total charge to income in any year is limited by the plan to a maximum of two percent of the prior year's income before provision for income taxes, not to exceed one percent for any calendar quarter.

FLUOR CORPORATION (OCT)

FINANCIAL REVIEW

Stock Plans

The company has two stock-options plans, the 1971 Fluor Stock Option Plan and the 1977 Fluor Executive Stock Plan. Under these plans, option holders have the right to tender owned Fluor shares to the company as payment when exercising outstanding options. In addition, the company has the 1979 Stock Appreciation Rights Plan. Under these plans, various officers and key employees held options, restricted stock or rights at October 31, 1980.

1971 Fluor Stock Option Plan—This plan, as approved by the shareholders, provides for grants of nonqualified options at prices equal to the fair market value at date of grant. The options are generally exercisable one year, and expire 10 years, after date of grant. Under this plan, 1,661,106 shares were authorized for grant; however, no shares were available for grant at October 31, 1980. At October 31, 1980, options were outstanding under this plan to purchase 724,952 shares of common stock at prices ranging from $5.19 to $26.19 per share with a weighted average price of $10.28. In accordance with the terms of this plan, certain holders of options have the right to receive the excess of the market value of the shares exercisable over the aggregate option price thereof in cash or stock in lieu of exercising their options. Total outstanding options on 122,600 shares issued between October 31, 1973, and December 9, 1974, at an average price of $9.14 have such rights. For these options, changes in the market value over the option price are accounted for currently as compensation expense ($5,004,000 in 1980 and $2,758,000 in 1979).

1977 Fluor Executive Stock Plan—This plan, as approved by the shareholders, provides for the grant of rights to purchase shares of common stock under both nonqualified stock-option agreements (options) and restricted-stock purchase agreements (awards). The number of shares of common stock which may be issued or sold under this plan may not exceed 2,070,150 shares, but no more than 735,250 shares may be awarded as restricted stock. At October 31, 1980, 123,300 shares were available for grant, of which 7,100 shares may be awarded as restricted stock.

The options are generally exercisable one year after date of grant at a price equal to the fair-market value at the date of grant and expire 10 years after date of grant. At October 31, 1980, options to purchase 1,155,900 shares of common stock at prices ranging from $10.50 to $26.19 per share with a weighted average price of $21.23 were outstanding under this plan.

Upon grant of an award, various officers and key employees may purchase restricted stock of the company for $.62½ per share. Until either the retirement, death or permanent disability of the recipient, the stock can only be sold back to the company at the employees' purchase price. For such shares awarded, the difference between the employees' purchase price and the fair-market value of the shares at the date of the award is charged to a separate account in shareholders' equity and amortized to compensation expense over the period of time from date of the award to the estimated date of retirement for each recipient.

At October 31, 1980, 728,150 restricted shares had been purchased, 718,300 of which were still subject to restrictions.

In accordance with the terms of the plan, the restrictions were removed from the remaining 9,850 shares. Total amortization relating to these shares was $1,173,000 in 1980 and $612,000 in 1979.

Fiscal 1980 and 1979 stock-option transactions under the 1971 and 1977 plans are summarized as follows:

	Common Shares Under Option	
	1980	1979
Balance, November 1	1,547,102	1,453,476
Exercised	(336,050)	(278,474)
Expired or Cancelled	(6,300)	(617,700)
Granted	676,100	989,800
Balance, October 31	1,880,852	1,547,102
Exercisable at October 31	1,204,752	560,610

1979 Fluor Stock Appreciation Rights Plan—This plan, as approved by the Board of Directors, provides for grants of stock appreciation rights, each of which, for valuation purposes only, is the equivalent of one share of Fluor common stock. The rights become exercisable one year, and expire 10 years, after date of grant. On exercise, the holder of the rights receives the excess of market value of the rights on exercise date over the market value of the rights on grant date. Under this plan, 200,000 rights were authorized for grant and 178,400 were available for grant at October 31, 1980. At October 31, 1980, there were 17,700 rights outstanding which were granted at prices ranging from $17.71 to $26.19. For these rights and any future rights which may be granted, changes in the market value over the market value at date of grant are accounted for currently as compensation expense ($778,000 in 1980 and $56,000 in 1979).

HEWLETT-PACKARD COMPANY (OCT)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 4: Common Stock

Stock split—On May 18, 1979, the Company's Board of Directors voted a two-for-one split of the Company's common stock, in the form of a 100 percent distribution to shareholders of record on June 27, 1979. As a result of the split, authorized, outstanding and reserved shares were doubled and capital in excess of par value was reduced by the par value of the additional shares issued. Net earnings per share, dividends per share, common stock prices and all amounts in this note reflect the stock split.

Stock option plans—The Company has two non-qualified stock option plans, which were adopted in 1974 and 1979. Under both plans, options are granted at market value at the date of grant. They may be exercised at the rate of 25 percent annually beginning one year from date of grant and expire ten years from the date of grant. The terms of the 1979 plan permit the Board of Directors to lower the exercise price of an outstanding option to the current market price.

Both plans permit the granting of stock appreciation rights (SAR) to officers and certain key executives of the Company. An SAR is granted in conjunction with a stock option and may be exercised in lieu of a stock option. If the SAR is exercised, the participant must elect to receive the gain in cash, in shares or in a combination of both. Cash payments are subject to approval by a committee of non-participating directors. The amounts charged to earnings under the program were $2 million in 1980 and $2 million in 1979. The Company, upon request, will make loans to officers to fund the exercise of options granted prior to 1979. However, as a result of the adoption of the SAR program in 1978, the Company does not anticipate that it will be requested to make any future loans.

The following table summarizes stock option and SAR activity for the two years ended October 31, 1980. SARs are included in total options outstanding.

	Total Options Outstanding	SARs Outstanding	Option Price Per Share
October 31, 1978	963,284	180,650	$17-53
Granted	290,500	48,400	46
Exercised	(228,650)	(102,750)	19-53
Cancelled	(65,954)	—	17-53
October 31, 1979	959,180	126,300	$29-53
Granted	300,525	30,150	61
Exercised	(80,061)	(7,900)	36-53
Cancelled	(12,575)	—	36-53
October 31, 1980	1,167,069	148,550	$29-61
Exercisable at:			
October 31, 1979	440,855	60,300	$29-53
October 31, 1980	518,532	72,675	$29-53

Options available for grant at October 31, 1980 and 1979 were 1,730,206 and 2,018,156, respectively.

Employee stock plans—The Company has stock purchase plans whereby employees of the Company and certain subsidiaries may contribute as much as 10 percent of base pay toward the purchase of the Company's shares. The employee contributes 75 percent of the stock price and the Company contributes the remainder. The stock price is computed using a formula based on average market prices.

Shares reserved—As of October 31, 1980 and 1979, there were 7,034,000 and 8,115,000 shares, respectively, reserved under the provisions of all plans.

JOY MANUFACTURING COMPANY (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (in part): Stock Option and Stock Purchase Plans

Stock Option Plan—Under Joy's stock option plan as amended and restated on January 16, 1980, only nonqualified stock options may be granted to officers and key employees. Under the plan in effect before that date, qualified and nonqualified options could be granted to such persons. Under either plan, the option price at which options were granted or may now be granted is not less than fair market value of Joy Common Stock on date of grant. The qualified options were granted generally for not more than 5-year terms and terms of nonqualified options may not exceed 10 years. Nonqualified options may provide that the optionee, at any time prior to the ten-year expiration date, may surrender all or a portion of the exercisable shares for cash, common stock, or a combination thereof equivalent to the excess of the aggregate fair market value at the date of such surrender over the aggregate option price of the number of shares surrendered.

The difference between the fair market value of such optioned shares and the option price, results in a charge against or a credit to income, as applicable. In 1980 and 1978, $4,149,000 and $472,000 were charged against income, respectively; $347,000 was credited to income in 1979. During 1980 an additional 260,000 shares were reserved for granting under the stock option plan.

Changes in stock options are shown below:

	Number of Shares	Option Price Per Share
Outstanding at September 30, 1977	247,280	$13.16 to $48.38
Granted	130,000	30.81 to 33.56
Surrendered	(52,804)	13.16 to 33.50
Canceled or expired	(13,076)	15.38 to 43.25
Outstanding at September 29, 1978	311,400	13.16 to 48.38
Granted	80,250	30.44 to 35.00
Surrendered	(38,750)	13.16 to 32.25
Canceled or expired	(22,100)	17.75 to 43.25
Outstanding at September 28, 1979	330,800	$13.16 to $48.38
Granted	70,450	29.88 to 34.50
Surrendered	(70,350)	13.16 to 43.25
Canceled or expired	(27,400)	29.88 to 43.25
Outstanding at September 26, 1980	303,500	$13.16 to $48.38
Exercisable at September 26, 1980	146,990	$13.16 to $48.38
Reserved for granting:		
September 28, 1979	65,322	
September 26, 1980	282,272	

ANCHOR HOCKING CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 9—Stock Option Plans

The company has three plans under which stock options have been granted to key employees to purchase the company's common stock at fair market value at date of grant. Qualified options were granted for terms of five years and non-qualified options are granted for terms of 10 years. Options generally become exercisable over a four year period in equal cumulative installments for each year of employment. No qualified option may be exercised while the optionee has outstanding an earlier qualified option at a higher price. The proceeds from shares issued and any applicable tax benefits related to non-qualified options are credited to common stock, or common stock in treasury, and capital in excess of par value.

Changes in stock options are shown below:

	Shares Issuable Under Outstanding Options	Option Price Per Share	Totals
Balance as of January 1, 1978			
Expiring Nov. 12, 1978-Nov. 14, 1987	563,263	$10⅔-$21⅔	$ 9,339,478
Exercised	(36,919)	10⅔- 17⅔	(421,982)
Granted	137,100	17⅝- 20	2,491,331
Terminated	(27,262)	10⅔- 19⅔	(491,569)
Balance as of December 31, 1978			
Expiring Nov. 11, 1979-Nov. 13, 1988	636,182	10⅔- 21⅔	10,917,258
Cancelled due to exercise of stock appreciation rights	(7,500)	11 - 11⅓	(84,250)
Exercised	(22,402)	10⅔- 18	(255,840)
Granted	105,725	14⅞- 18	1,587,893
Terminated	(24,922)	10⅔- 19	(434,751)
Balance as of December 31, 1979			
Expiring May 31, 1980-Nov. 12, 1989	687,083	10⅔- 21⅔	11,730,310
Cancelled due to exercise of stock appreciation rights	(12,150)	10⅔- 18	(167,263)
Exercised	(24,961)	10⅔- 17⅔	(311,136)
Granted	98,350	18¾	1,844,062
Terminated	(70,586)	11 - 20	(1,246,170)
Balance as of December 31, 1980			
Expiring May 19, 1981-Nov. 10, 1990	677,736	10⅔- 21⅔	$11,849,803
Exercisable at December 31, 1980	414,263		
Reserved for granting:			
December 31, 1979	294,149		
December 31, 1980	266,386		

Certain options granted include stock appreciation rights which entitle the optionee to surrender his option and receive an amount equal to 100% of the excess of the fair market value over the option price of the company's common stock on the date the right is exercised. Such amount may be paid by the company in common stock of the company or in a combination of cash and such common stock. Stock appreciation rights granted in respect to stock options were 77,800 in 1980, 83,425 in 1979, and 432,749 in 1978. Stock appreciation rights exercisable at December 31, 1980, totaled 166,497.

AMPEX CORPORATION (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5: Stock Options

Nonqualified stock options are granted to key employees at not less than market value at date of grant. Options generally become exercisable ratably over a five-year period beginning one year from date of grant and expire after ten years.

Details of stock option activity are as follows:

	1980		1979	
	Shares	Price Per Share	Shares	Price Per Share
Outstanding at beginning of year...	669,800	$ 3.20-17.85	669,930	$ 3.20-12.95
Granted	133,550	15.00-17.75	89,450	13.00-17.85
Exercised	(70,605)	3.85-17.85	(82,310)	3.20-10.45
Cancelled	(13,870)	6.15-15.50	(7,270)	3.65-13.75
Outstanding at end of year	718,875	3.20-17.85	669,800	3.20-17.85
Exercisable at end of year	403,755	3.20-14.20	400,680	3.20-12.95
Reserved for future grants	108,570		229,010	

MCGRAW-HILL, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10: Stock Options

Under the 1975 Stock Option Plan, 600,000 shares of common stock may be granted at not less than fair market value at date of grant. Both qualified and non-qualified options may be issued. Options generally are exercisable in four annual installments cumulatively at the rate of 25 percent after each 12 months of continuous employment. Qualified options expire within five years from date of grant and non-qualified options expire within ten years.

Under the 1964 Qualified Stock Option Plan, options could be granted at not less than fair market value at date of grant. The 1964 Plan was terminated in 1975, except with respect to outstanding options.

The changes in the number of common shares issuable under outstanding options, the number of shares reserved for issuance, and price range of options were as follows:

	1980	1979		1978	
	1975 plan	1975 plan	1964 plan	1975 plan	1964 plan
Outstanding at beginning of year	154,169	132,999	23,850	104,568	181,775
Options granted	61,360	49,856	—	38,332	—
	215,529	182,855	23,850	142,900	181,775
Less:					
Exercised	53,604	15,032	20,850	8,479	65,965
Cancelled and expired	5,526	13,654	3,000	1,422	91,960
Outstanding at end of year	156,399	154,169	—	132,999	23,850
Exercisable at end of year	54,031	75,470	—	34,805	23,850
Shares of common stock reserved for issuance at end of year	510,127	563,731		602,613	
Price range of options outstanding at end of year	$10.20 to $26.25	$5.23 to $25.63		$7.25 to $19.00	
Price range of options exercised during the year	$ 5.23 to $25.63	$7.38 to $19.00		$7.37 to $17.37	

THE TIMES MIRROR COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note J: Stock Options

The Executive Stock Option Plans provide that options may be granted to key executive employees to purchase shares of the Company's Common Stock at a price at least equal to 75% of the fair market value at the date of grant. In general, the options under all plans are not exercisable for either one or two years after the date of grant and thereafter are exercisable in whole or in increments during the remainder of the five-year term of the options.

The following tabulation sets forth information relative to the plans:

	Number of Shares	Option Price Per Share
Options Outstanding January 1, 1978	117,166	$10.87 to $22.25
Changes during 1978:		
Granted	103,100	17.58 to 25.79
Exercised	41,191	10.87 to 22.25
Cancelled	36,350	
Options Outstanding December 31, 1978	142,725	10.87 to 25.79
Changes during 1979:		
Exercised	53,025	10.87 to 17.58
Cancelled	1,700	
Options Outstanding December 31, 1979	88,000	13.87 to 25.79
Changes during 1980:		
Granted	96,650	27.29
Exercised	41,775	13.87 to 25.79
Cancelled	5,200	
Options Outstanding December 31, 1980*	137,675	17.58 to 27.29

*Includes 43,725 options exercisable at December 31, 1980.

At December 31, 1980, 167,975 shares were reserved for future grants under executive stock option plans.

For options granted, any difference between the market price and the option price is charged to operations over the period from date of grant to the date the option becomes exercisable. At the time options are exercised, the stated value per share is credited to Common Stock and the excess of the proceeds over the stated value is credited to Additional Paid-In Capital. Under the plans, operations were charged $578,000 in 1980, $40,000 in 1979 and $541,000 in 1978.

STOCK PURCHASE PLANS

BAKER INTERNATIONAL CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (in part): Shareholders' Equity and Stock Option and Stock Purchase Plans

At September 30, 1980, options were exercisable for 1,800,792 shares and 1,354,855 shares were available for future option grants.

The Company also has an Employee Stock Purchase Plan under which there remains available for sale to employees an aggregate of 620,586 shares of the Company's common stock out of 2,300,000 shares authorized by the shareholders. The maximum number of shares subject to each option under the Plan is determined on the date of grant and equals the sum of the payroll deductions authorized by each participating employee (up to 10 percent of regular pay) divided by 85 percent of the fair market value of a share of common stock at the date of grant. Grants of options under the Plan are made annually, and each option is exercised one year from the date of grant at a price equal to 85 percent of the lower of the fair market value of the Company's common stock on the date of grant or the date of exercise. Under this Plan, 407,868 and 370,898 shares were issued at $19.13 and $11.69 per share during 1980 and 1979, respectively. Based on the market price of common stock on the date of grant, the Company estimates that approximately 455,000 shares will be purchasable under the Plan on July 31, 1981 at $31.56 per share through the exercise of options outstanding at September 30, 1980.

The Company plans, at its Annual Meeting of Shareholders on January 28, 1981, to submit the following for the consideration and vote of the shareholders:

1. A proposed amendment to the 1975 Employee Stock Purchase Plan to increase the number of shares of common stock subject to the Plan from 2,300,000 to 2,900,000.

2. The adoption of the 1981 Key Employee Stock Option Plan which provides for the granting of nonqualified options to purchase a maximum of 1,250,000 shares of the Company's common stock.

DEERE & COMPANY (OCT)

FINANCIAL REVIEW

Stock Purchase Plan

The John Deere Stock Purchase Plan for Salaried Employees allows participating employees to authorize payroll deductions of one to six percent of their earnings. The company contributes an amount equal to 75 percent of the participating employees' payroll deductions, in cash or company shares. Effective January 1, 1980, the company contribution was raised from 50 percent to 75 percent of the participating employees' payroll deductions. The payroll deductions and company contributions are used by a designated broker to purchase company shares, either in the open market or from the company at prevailing market prices, for the accounts of participating employees. During 1980 and 1979 the company contributions, all in cash, amounted to $14.4 million and $7.2

million, respectively. At October 31, 1980, 13,419 employees were participating in the plan.

LEE ENTERPRISES, INCORPORATED (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (in part): Stock Option and Purchase Plans

Stock purchase plan: The Company adopted on January 27, 1977 an employee stock purchase plan under which 300,000 shares were authorized for sale to nonofficer employees. In each of the subsequent years, 60,000 shares were made available for subscription. The purchase price is the lower of 85% of the fair market value at the date of grant or the exercise date which is one year from date of the grant. During 1980, 40,919 shares were purchased by employees at a price of $15.72 per share. During 1979, 38,532 shares were purchased by employees at a price of $16.57 per share.

TABLE 2-36: TREASURY STOCK—BALANCE SHEET PRESENTATION

	1980	1979	1978	1977
Common Stock				
Cost of treasury stock deducted from total of capital stock, additional paid-in capital (if any), and retained earnings	336	345	345	349
Par or stated value of treasury stock deducted from issued stock of the same class	40	39	42	45
Cost of treasury stock deducted from stock of the same class	16	13	13	15
Shown as a noncurrent asset	6	6	7	8
Other	6	11	5	6
Total Presentations	**404**	**414**	**412**	**423**
Preferred Stock				
Cost of treasury stock deducted from total of capital stock, additional paid-in capital (if any) and retained earnings	20	21	28	29
Par or stated value of treasury stock deducted from issued stock of the same class	6	5	8	8
Other	3	3	4	1
Total Presentations	**29**	**29**	**40**	**38**
Number of Companies				
Disclosing treasury stock	408	417	418	424
Not disclosing treasury stock	192	183	182	176
Total Companies	**600**	**600**	**600**	**600**

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.

Cost of Treasury Stock Deducted From Stockholders Equity

ASARCO INCORPORATED (DEC)

	1980	1979
	($000)	
Common Stockholders' Equity		
Authorized—40,000,000 common shares without par value		
Issued—31,478,223 common shares	$ 426,639	$ 426,639
Additional Capital	6,917	6,941
Retained Earnings	925,921	743,349
Treasury Stock (at cost): 1980—1,866,753 shares; 1979—1,925,216 shares	(45,535)	(46,208)
Total Common Stockholders' Equity, Outstanding stock 1980—29,611,470 shares; 1979—29,553,007 shares	$1,313,942	$1,130,721

BIRD & SON, INC. (DEC)

	1980	1979
Stockholders' Equity:		
5% cumulative preferred stock, par value $100 per share, callable at $110 per share: Authorized and issued—15,000 shares	$ 1,500,000	$ 1,500,000
Common stock, par value $4 per share; authorized 6,000,000 shares; issued 4,587,755 shares in 1980 (4,800,000 in 1979)	18,351,000	19,200,000
Other capital	—	1,595,000
Retained earnings	89,618,000	99,574,000
	109,469,000	121,869,000
Less—Treasury stock, at cost: 5% preferred—3,530 shares in 1980 (3,345 in 1979)	(232,000)	(223,000)
Common—648,975 shares	(4,482,000)	(4,482,000)
	$104,755,000	$117,164,000

CHAMPION INTERNATIONAL CORPORATION (DEC)

	1980	1979
	($000)	
Shareholders' Equity:		
Capital Shares:		
Preference stock $1 par value:		
$1.20 Cumulative convertible series, in 1980, authorized 1,879,933 shares, issued 1,545,095 shares (liquidation preference aggregates $34,536); in 1979, authorized 2,654,010 shares, issued 2,383,725 shares..	$ 8,892	$ 13,410
$4.60 Cumulative convertible series, in 1980, authorized and issued 3,000,000 shares (liquidation preference aggregates $150,000)	145,200	—
Undesignated series, in 1980, authorized 8,531,431 shares; in 1979, authorized 11,531,431 shares, unissued...........	—	—
Common stock, $.50 par value, authorized 100,000,000 shares; in 1980, issued 55,324,154 shares; in 1979, issued 54,443,440 shares....	380,832	373,602
Retained Earnings...................	1,234,684	1,171,286
	1,769,608	1,558,298
Less—Treasury shares, at cost:		
$1.20 Preference, 10,170 shares in 1980 and 1979.....	199	199
Common, 798,892 shares in 1980 and 1,143,464 shares in 1979.........................	16,119	23,071
Total shareholders' equity .	$1,753,290	$1,535,028

THE CLEVELAND-CLIFFS IRON COMPANY (DEC)

	1980	1979
Shareholders' Equity		
Common Shares—par value $1 a share Authorized—28,000,000 shares Issued—12,807,320 shares..	$ 12,807,000	$ 12,807,000
Capital in excess of par value of shares	6,079,000	5,817,000
Retained income	333,129,000	301,208,000
Cost of 613,152 Common Shares in treasury (1979—588,313 shares)..........................	(8,632,000)	(7,538,000)
Total Shareholders' Equity .	$343,383,000	$312,294,000

GAF CORPORATION (DEC)

	1980	1979
Shareholders' Equity		
Preferred stock, $1 par value; authorized 6,000,000 shares; $1.20 convertible series issued—1980, 3,068,201 shares; 1979, 3,105,677 shares; at assigned value of $1.25 per share (liquidation value 1980, $82,274,528)......	$ 3,835,000	$ 3,882,000
Common stock, $1 par value; authorized 25,000,000 shares; issued—1980, 13,817,202 shares; 1979, 13,770,359 shares	13,817,000	13,770,000
Additional paid-in capital............	53,976,000	53,900,000
Retained earnings....................	53,609,000	301,092,000
Total	125,237,000	372,644,000
Less stock held in treasury, at cost:		
Common—1980, 236,887 shares; 1979, 323,787 shares	1,958,000	2,682,000
Preferred—76,400 shares in 1980 and 1979................	932,000	932,000
Total Shareholders' Equity	$122,347,000	$369,030,000

Cost of Treasury Stock Classified as Noncurrent Asset

FORD MOTOR COMPANY (DEC)

	1980	1979
	($ Millions)	
Total current assets	$11,559.0	$11,571.3
Equities in Net Assets of Unconsolidated Subsidiaries and Affiliates	2,142.2	2,041.8
Property		
Land, plant and equipment, at cost	15,567.3	14,264.3
Less accumulated depreciation	7,992.2	7,215.5
Net land, plant and equipment	7,575.1	7,048.8
Unamortized special tools	2,450.8	2,178.2
Net property	10,025.9	9,227.0
Other Assets (Note 15)	620.5	684.5
Total Assets	$24,347.6	$23,524.6

Note 15 (in part): Capital Stock

At December 31, 1980, there were 300,127 shares of Common Stock of the Company, with a cost of $12 million, included in other assets in the Consolidated Balance Sheet. Such shares were acquired for delivery under the deferred payment provisions of the Company's Supplemental Compensation Plan.

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.

TABLE 3-1: INCOME STATEMENT TITLE

	1980	1979	1978	1977
Income	367	373	367	357
Earnings	175	179	177	179
Operations	56	47	54	60
Other	2	1	2	4
Total Companies	600	600	600	600

Income

CLUETT, PEABODY & CO., INC.

Statements of Consolidated Income

MARSHALL FIELD & COMPANY

Consolidated Statements of Income

J.C.PENNEY COMPANY, INC.

Statement of Income

UNIROYAL, INC.

Statements of Income and Reinvested Earnings

Earnings

CHEMINEER, INC.

Consolidated Statements of Earnings

MOTOROLA, INC.

Statements of Consolidated Earnings and Retained Earnings

ROWE FURNITURE CORPORATION

Consolidated Statement of Earnings

Operations

AMERICAN BILTRITE INC.

Consolidated Statement of Operations and Retained Earnings

THE ARUNDEL CORPORATION

Consolidated Statements of Operations

GERBER PRODUCTS COMPANY

Consolidated Statements 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, or equity in operating results of investees, or minority interest as a separate caption immediately preceding *net income* or *income before extraordinary item.*

Effective for fiscal years ending after December 15, 1980, the Securities and Exchange Commission requires that annual reports to stockholders include a statement of income for each of the 3 most recent fiscal years. Accordingly, a majority of the survey companies presented an income statement covering 3 years.

TABLE 3-2: INCOME STATEMENT FORMAT

	1980	1979	1978	1977
Single-step form				
Federal income tax shown as separate last item	310	306	323	312
Federal income tax listed among operating items...	36	45	47	59
Multiple-step form				
Costs and expenses deducted from sales to show operating income	137	131	118	101
Costs deducted from sales to show gross margin	117	118	112	128
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 product sales, most frequently disclosed by the survey companies are listed in Table 3-4. Excluded from Table 3-4 are segment disposals, items shown after the caption for income taxes (see Table 3-16), and extraordinary gains (see Table 3-17). Examples of revenue items follow.

Net Sales

ALLIED CHEMICAL CORPORATION (DEC)

	1980	1979	1978
		(Dollars in millions)	
Net sales	$5,519	$4,332	$3,016
Cost of goods sold (exclusive of DD&A).................	3,824	3,115	2,223
Depreciation, depletion and amortization (DD&A)	271	225	190
Selling, general and administrative expenses..........	434	297	199
Total costs and expenses	4,529	3,637	2,612
Income from operations	990	695	404
Other income—net	45	17	15
Nonrecurring items	(28)	(50)	(9)
Interest and other financial charges	(81)	(102)	(69)
Income from continuing operations before taxes on income.....................	$ 926	$ 560	$ 341

BAYUK CIGARS INCORPORATED (DEC)

	1980	1979	1978
		($000 omitted)	
Net Sales	$26,604	$26,206	$27,482
Costs, expenses and other income			
Cost of goods sold	18,790	18,638	19,409
Selling, administrative and general	4,278	3,891	3,948
Depreciation and amortization	396	417	455
Interest expense, net of interest income of $234 (1980); $125 (1979); $20 (1978)	905	115	261
Dividend expense (income), net of dividends received (paid) of $691, 1980; ($237), 1979; 0, 1978	215	(408)	(159)
Net (gains) losses on marketable securities and commodities	(2,172)	490	207
Gains on sales of land	(400)	(300)	(29)
	22,012	22,843	24,092
Income before taxes, extraordinary credit and cumulative effect of accounting change	$ 4,592	$ 3,363	$ 3,390

BRIGGS & STRATTON CORPORATION (JUN)

	1980	1979
Net Sales	$708,562,000	$590,964,000
Cost of Goods Sold	581,791,000	472,126,000
Gross Profit on Sales	$126,771,000	$118,838,000

TABLE 3-3: SALES—CAPTION TITLE

	1980	1979	1978	1977
Net Sales				
Net sales	376	379	376	380
Net sales and operating revenue	10	16	18	25
Net sales combined with other terms	16	13	12	12
Sales				
Sales	93	87	89	94
Sales and operating revenue	25	24	27	29
Sales combined with other terms	19	17	19	12
Other Captions				
Revenue or gross operating income	53	53	50	36
Gross sales, income, billings, shipments, etc.	8	11	9	12
Total Companies	**600**	**600**	**600**	**600**

BURROUGHS CORPORATION (DEC)

	1980	1979	1978
		($000)	
Revenue			
Net sales	$1,613,668	$1,624,861	$1,384,217
Rentals	497,336	506,351	478,898
Equipment service	746,182	654,280	559,196
Interest and other income	45,170	45,484	37,691
	$2,902,356	$2,830,976	$2,460,002

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Revenue Recognition—Revenue from sales, including installment sales, is generally recorded when the product is shipped. Revenue from rental and service agreements is recorded as earned over the lives of the contracts.

THE HOOVER COMPANY (DEC)

	1980	1979	1978
		(in thousands)	
Net sales	$830,465	$754,324	$691,817
Interest and other income	9,093	8,600	6,934
	839,558	762,924	698,751
Deductions:			
Manufacturing costs	611,187	548,488	494,423
Merchandising, general and administrative expenses	170,629	152,423	144,290
Interest expense	9,414	4,667	3,902
Other charges	3,165	2,343	2,858
Unrealized foreign exchange losses	174	1,924	1,292
	794,569	709,845	646,765
Income Before Income Taxes and Minority Interest	$ 44,989	$ 53,079	$ 51,986

ELI LILLY AND COMPANY (DEC)

	1980	1979	1978
		($000)	
Net sales	$2,558,637	$2,250,824	$1,882,628
Operating costs and expenses:			
Manufacturing costs of products sold	1,023,515	873,184	714,289
Research and development	200,700	177,663	150,154
Marketing	463,756	394,668	317,027
Shipping	57,736	54,014	45,389
General administrative	247,623	209,764	181,372
	1,993,330	1,709,293	1,408,231
Operating Income	565,307	541,531	474,397
Other income (deductions):			
Interest income	39,560	34,742	29,542
Interest expense	(18,442)	(11,474)	(17,967)
Foreign exchange losses	(14,008)	(19,728)	(9,731)
Other—net	17,924	14,108	11,145
Income Before Taxes	$ 590,341	$ 559,179	$ 487,486

TABLE 3-4: OTHER REVENUE

	Number of Companies			
	1980	1979	1978	1977
Interest	201	175	167	182
Equity in earnings of investees	107	112	110	106
Gains on disposition of assets	95	87	69	63
Translation gains	84	65	46	36
Dividends	40	30	26	40
Royalties	34	32	28	43
Rentals	15	19	14	19

Sales

W.R. GRACE & CO. (DEC)

	1980	1979	1978
		In Millions	
Sales	$6,101.3	$5,297.6	$4,474.4
Dividends, interest and other income	57.9	41.9	22.1
Equity in earnings (losses) of affiliated companies	(.7)	1.4	9.4
	6,158.5	5,340.9	4,505.9
Cost of goods sold and operating expenses	3,962.4	3,492.6	3,006.1
Selling, general and administrative expenses	1,323.2	1,114.5	880.5
Depreciation, depletion and lease amortization	204.0	169.5	161.5
Interest expense	128.8	106.4	83.6
Research and development expenses	45.0	42.4	37.3
Net foreign exchange (gains) losses	(11.2)	5.3	13.8
Net (gains) losses on disposal of businesses	13.9	(12.8)	(8.0)
	5,666.1	4,917.9	4,174.8
Income before taxes	$ 492.4	$ 423.0	$ 331.1

LUCKY STORES, INC. (JAN)

	1981	1980	1979
		(in thousands)	
Sales	$6,468,682	$5,815,927	$4,658,409
Cost of goods sold	4,964,689	4,457,113	3,543,460
Gross margin	$1,503,993	$1,358,814	$1,114,949

Revenue

ACF INDUSTRIES, INCORPORATED (DEC)

	1980	1979	1978
		(Dollars in thousands)	
Revenues:			
From manufacturing operations	$ 898,003	$ 865,708	$712,725
From railroad car rentals and services	131,060	117,188	106,313
Other	23,750	17,753	9,303
Total revenues	1,052,813	1,000,649	828,341
Costs and Expenses:			
Cost of manufacturing (excluding depreciation)	750,811	732,366	592,223
Operating expenses (excluding depreciation)	37,225	32,429	27,523
Selling, administrative and other expenses	92,802	83,083	71,088
Depreciation expense	36,436	42,581	38,837
Interest expense	39,361	34,338	27,172
Total costs and expenses	956,635	924,797	756,843
Income Before Provision for Estimated Phase-Out Costs and Taxes on Income	$ 96,178	$ 75,852	$ 71,498

AMERICAN CAN COMPANY (DEC)

	1980	1979	1978
		(In millions of dollars)	
Revenues	$4,812.2	$4,515.0	$3,981.0
Costs and expenses			
Product cost	3,892.7	3,583.6	3,217.3
Administrative and selling expenses	762.7	688.1	522.7
Interest expense, net	28.7	23.0	18.5
	4,684.1	4,294.7	3,758.5
Income before income taxes	$ 128.1	$ 220.3	$ 222.5

WALT DISNEY PRODUCTIONS (SEP)

	1980	1979
Revenues		
Entertainment and recreation	$643,380,000	$571,079,000
Motion pictures	161,400,000	134,785,000
Consumer products and other	109,725,000	90,909,000
Total revenues	$914,505,000	$796,773,000

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Generally, revenue is recorded when the earning process is substantially complete and goods have been delivered or services performed. Revenue from entertainment and recreation activities is received principally in cash; revenue from participant/sponsors at the theme parks (which will include the EPCOT Center) is recorded over the period of the applicable agreements commencing with the opening of the attraction. Revenue from the theatrical distribution of motion pictures is recognized when motion pictures are exhibited domestically and when revenues are reported from foreign distributors; revenue from television licensing agreements is generally recorded when the film is contractually available to the licensee and certain other conditions are met.

Interest Income

FLEETWOOD ENTERPRISES, INC. (APR)

	1980	1979
	($000)	
Sales	$472,063	$800,759
Cost of products sold	408,637	668,860
Gross profit on sales	63,426	131,899
Selling, general and administrative expenses	80,187	90,682
Income (loss) from operations	(16,761)	41,217
Other income (expense):		
Gain on sale of property, plant and equipment	1,441	56
Income from unconsolidated subsidiaries, net of income taxes	279	374
Investment income (Note 2)	426	2,700
Interest expense	(1,689)	(112)
Income (loss) before provision for income taxes	$(16,304)	$ 44,235

Note 2: Cash and Temporary Investments

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

JOHNSON & JOHNSON (DEC)

	1980	1979	1978
		(Dollars in Millions)	
Revenues			
Sales to customers	$4,837.4	$4,211.6	$3,497.3
Other revenues			
Interest income	50.0	43.3	28.7
Royalties and miscellaneous	26.4	23.1	17.2
	76.4	66.4	45.9
Total revenues	$4,913.8	$4,278.0	$3,543.2

MEREDITH CORPORATION (JUN)

	1980	1979
	(in thousands)	
Revenues (less returns and allowances)	$349,000	$318,091
Operating Costs and Expenses:		
Production, distribution and editorial	196,564	179,067
Selling, general and administrative	105,489	100,101
Depreciation and amortization	10,337	8,870
Total Operating Costs and Expenses	312,390	288,038
Income from Operations	36,610	30,053
Interest Income	2,494	1,247
	39,104	31,300
Interest Expense	3,145	3,141
Income Before Income Taxes	$ 35,959	$ 28,159

Equity In Operating Results Of Investees

FORD MOTOR COMPANY (DEC)

	1980	1979	1978
		(In Millions)	
Sales	$37,085.5	$43,513.7	$42,784.1
Costs and Expenses			
Costs, excluding items listed below	34,700.6	38,448.3	36,636.5
Depreciation	1,057.2	895.9	735.5
Amortization of special tools	912.1	708.5	578.2
Selling and administrative	1,930.7	1,701.8	1,490.6
Employee retirement plans	763.2	811.2	703.3
Provision for supplemental compensation	0	31.0	111.5
Provision for disposition of certain operations	—	—	170.0
Total costs and expenses	39,363.8	42,596.7	40,425.6
Operating Income (Loss)	(2,278.3)	917.0	2,358.5
Interest income			
Marketable securities	360.9	535.8	318.2
Other	182.2	157.2	137.8
Interest expense	(432.5)	(246.8)	(194.8)
Interest income net of interest expense	110.6	446.2	261.2
Equity in net income of unconsolidated subsidiaries and affiliates	187.0	146.2	159.0
Income (Loss) Before Income Taxes	$(1,980.7)	$ 1,509.4	$ 2,778.7

CURTISS-WRIGHT CORPORATION (DEC)

Revenues:	1980	1979	1978
Sales	$185,539,000	$170,362,000	$167,954,000
Equity in net earnings of associated companies:			
Dorr-Oliver Incorporated	7,518,000	4,125,000	3,605,000
Kennecott Corporation	16,867,000	19,258,000	2,499,000
Other	1,859,000	739,000	1,005,000
Rentals and gains on sales of real estate and equipment, including gain on sale of real estate: 1980, $3,816,000; 1979, $1,125,000; 1978, $97,000	8,122,000	3,698,000	2,763,000
Interest, dividends and gains and losses on sales of marketable securities, net (1980 includes court-awarded interest of $4,955,000)	7,735,000	2,771,000	3,085,000
Fees, commissions and other income, net	829,000	1,157,000	1,116,000
Total revenues	$228,469,000	$202,110,000	$182,027,000

SUN CHEMICAL CORPORATION (DEC)

	1980	1979	1978
	(Amounts in thousands)		
Net sales	$513,964	$470,378	$395,194
Cost and expenses			
Cost of goods sold	358,139	324,546	271,830
Selling, administrative and research	112,946	102,747	87,104
	471,085	427,293	358,934
Operating income	42,879	43,085	36,260
Other (charges) credits			
Interest expense, net	(18,518)	(10,981)	(6,123)
Equity in net earnings of:			
Chromalloy American Corporation	10,089	4,908	1,270
Other affiliated companies	2,183	4,230	1,988
Gain on sale of color scanner product line	4,010	—	—
Other, net	(1,673)	(1,526)	(1,446)
	(3,909)	(3,369)	(4,311)
Income before U.S. and foreign taxes on income	$ 38,970	$ 39,716	$ 31,949

Gain From Sale of Assets

CHROMALLOY AMERICAN CORPORATION (DEC)

	1980	1979	1978
	(in thousands of dollars)		
Net sales	$1,318,117	$1,364,713	$1,255,975
Operating revenues	199,887	171,776	140,836
Net sales and operating revenues	1,518,004	1,536,489	1,396,811
Net gain (loss) on disposal of businesses	3,581	7,775	(741)
Other income	9,271	8,777	10,124
	$1,530,856	$1,553,041	$1,406,194

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (in part): Disposal of Businesses

During the three years ended December 31, 1980, the Company sold certain businesses and provided for losses on planned dispositions. The resultant gains (losses) before income taxes included in the consolidated statement of earnings, classified by reportable industry segments, are as follows:

In thousands of dollars	1980	1979	1978
Metal Fabrication	$ —	$ (448)	$(323)
Apparel	(900)	(4,426)	(300)
Farm Equipment	110	(680)	—
Petroleum Services	3,931	(1,701)	(175)
Industrial/Commercial Products	440	14,522	53
	3,581	7,267	(745)
Equity investments	—	508	4
	$3,581	$ 7,775	$(741)

ERB LUMBER CO. (DEC)

	1980	1979	1978
REVENUE			
Lumber and other building material sales	$110,445,458	$121,738,800	$104,183,920
Real estate sales	3,175,254	5,151,050	9,460,046
Rental revenue	1,364,328	1,625,801	1,535,598
Equity in net income of corporate joint venture	318,424	259,176	201,417
Gain on sale of rental property asset (Note 15)	1,638,344	—	—
Other income	1,991,450	1,119,013	828,539
Total Revenue	$118,933,258	$129,893,840	$116,209,520

Note 15 (in part): Segment Information—The Company's operating segments consist of lumber and building materials operations, rental operations and other real estate operations.

Lumber and building materials operations consist of the sale and distribution of lumber, other building materials and certain other related services to builders, contractors, industrial and do-it-yourself customers through lumber and building material locations in Colorado, Florida, Indiana, Michigan, Oregon and Washington.

As discussed in Note 18, the Company increased its ownership interest in a Florida based partnership joint venture by 39 percent, effective January 1, 1980. The venture is included in lumber and building materials operations.

Revenue of the lumber and building materials operations segment for 1980 included sales of $15,900,000 to one customer.

Rental operations include the ownership and operation of high-rise and garden-type apartments and miscellaneous commercial property.

North Park Place, an apartment building in which the Company had a 30 percent interest, was sold on May 30, 1980, which resulted in revenue and pre-tax income for the Company of $1,638,344. The sale of North Park Place, which was constructed in 1971, represents an infrequent occurrence for the Company and does not reflect the normal pattern of operations or earnings. It is anticipated that cash flow to the Company from the transaction will be insignificant until the quarter ending March 31, 1982 since the bulk of the cash from this transaction will not be received by the Company until that time. As a result of this transaction, the Company's share of rental operation assets and nonrecourse mortgage notes payable was reduced by $2,581,000 and $2,055,000, respectively.

SCOTT PAPER COMPANY (DEC)

	1980	1979	1978
		(In thousands)	
Sales	$2,083,235	$1,908,107	$1,724,897
Costs and expenses			
Product costs	1,399,109	1,267,731	1,173,478
Marketing and distribution	478,155	399,064	344,706
Research, administration and general	97,043	90,480	82,404
Interest	23,982	26,702	32,271
	1,998,289	1,783,977	1,632,859
Income from operations	84,946	124,130	92,038
Other income and (expense)	52,626	14,456	(4,484)
Income before taxes	$ 137,572	$ 138,586	$ 87,554

FINANCIAL REVIEW

Other Income and (Expense)

(Thousands)	1980	1979	1978
Land sales	$72,272	$14,264	$ 6,525
Provision for mill closings and dispositions	(19,646)	192	(11,009)
	$52,626	$14,456	$ (4,484)

Land sales in all three years reflects principally the disposal of timberlands not associated with any company operation. In 1980 the amount includes Scott's reported $70,948,000 share of the gain on the sale of the assets of Elk River Timber Company Limited which were sold to British Columbia Forest Products Limited (BCFP). Since Scott indirectly owns 13% of BCFP, this gain represents 87% of Scott's total share of the pre-tax profit from the sale. The balance of the gain will be recognized in conjunction with Scott's share of future BCFP earnings.

The provision for mill closings and dispositions in 1980 includes a charge of $15,853,000 for the phaseout of operations at the Sandusky, Ohio plant and $3,668,000 for the write-off of the Company's investment in its Argentine affiliate due to continuing losses and the difficult economic situation in that country. The 1978 charge reflects $12,062,000 resulting from the closing of the tissue production operations at Detroit, Michigan as well as a pre-tax gain of approximately $1,000,000 which resulted from the sale of the operating assets of Scott Graphics, Inc.

KENNECOTT CORPORATION (DEC)

	1980	1979	1978
	(in thousands of dollars)		
Sales	$2,255,834	$2,433,637	$1,885,885
Cost of goods sold (excludes items shown separately below)	1,636,695	1,821,170	1,492,129
Depreciation, depletion and amortization	107,594	98,644	88,659
Shutdown expenses during strikes	58,396	23,818	—
Research, exploration and other expenses	25,685	23,316	25,873
Selling and general administrative expenses	282,001	267,376	219,639
	2,110,371	2,234,324	1,826,300
	145,463	199,313	59,585
Other income (expense):			
Gain on sale of phosphate interests (Note 5)	142,902	—	—
Interest income	43,610	29,163	31,743
Interest expense	(76,840)	(70,082)	(63,835)
Foreign exchange loss	(2,470)	(1,175)	(5,657)
Other—net	5,205	9,076	10,528
Income before taxes and minority interests	$ 257,870	$ 166,295	$ 32,364

Note 5 (in part): Investments and Notes Receivable:

In November 1980, Kennecott sold its 50% interest in North Carolina Phosphate Corporation and Phosphate Joint Venture properties to Agrico Chemical Company for $165 million. As a result, pretax income increased $142.9 million and net income increased $99.5 million or $3.00 per share.

Translation Gains

A.C. NIELSEN COMPANY (AUG)

	1980	1979
	($000)	
Sales of services	$493,116	$398,106
Operating expenses	321,761	261,315
Selling and administrative expenses	114,034	89,903
	435,795	351,218
Earnings from operations	57,321	46,888
Other income (expense):		
Interest income	3,115	3,075
Interest expense	(3,127)	(1,033)
Gain on foreign currency translation and exchange (Note 1)	369	917
Earnings before income taxes	$ 57,678	$ 49,847

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

Translation of Foreign Currency: The accounts of foreign branches and subsidiaries are translated into U.S. dollars as follows: (a) prepaid expenses, properties, intangible assets, deferred revenue, income taxes allocable to future years which relate to assets or liabilities translated at historical rates, and stockholders' equity, at historical rates; (b) all other balance sheet accounts, at rates in effect at the balance sheet date; (c) revenues and expenses, at average rates for the year, except depreciation, amortization and revenue previously deferred which are translated at historical rates of related balance sheet accounts. Gains or losses from translation and foreign exchange transactions are reflected in income.

THE VENDO COMPANY (DEC)

	1980	1979	1978
	(In Thousands of Dollars)		
Net Sales	$ 71,743	$89,409	$87,357
Cost of Sales	59,677	68,808	71,211
Gross Profit on Sales	12,066	20,601	16,146
Selling, General and Administrative Expenses	19,939	18,716	18,891
Operating Income (Loss)	(7,873)	1,885	(2,745)
Other Income (Expense):			
Interest income	419	630	773
Interest expense	(3,269)	(3,063)	(2,122)
Royalties	522	692	619
Currency translation gains (losses) (Note 3)	196	(586)	357
Sale of marketable securities	—	311	—
Miscellaneous, net	253	366	172
Total	(1,879)	(1,650)	(201)
Provision for Loss on Curtailment of Certain Operations	6,622	—	—
Income (Loss) before Income Taxes and Minority Interest	$(16,374)	$ 235	$(2,946)

Note 3: Translation of Foreign Currencies:

The accounts of foreign subsidiaries have been translated to U.S. dollars as follows: at rates prevailing during the year for sales, costs (except depreciation) and expenses; at year-end rates for monetary assets and liabilities; and at historical rates for inventories, plant and equipment and related accumulated depreciation. The effect of translation fluctuations has been reflected currently in the statement of income.

Royalty Income

BUCKBEE-MEARS COMPANY (DEC)

	1980	1979	1978
Revenues			
Net sales	$84,855,000	$74,000,000	$62,783,000
Royalties	489,000	666,000	786,000
Other	294,000	435,000	562,000
	$85,638,000	$75,101,000	$64,131,000

MCCORMICK & COMPANY, INCORPORATED (NOV)

	1980	1979	1978
	(Dollars In Thousands)		
Net Sales	$547,966	$457,165	$400,357
Operating Expenses			
Cost of goods sold	345,146	275,411	239,925
Selling, general and administrative	173,169	146,747	128,497
	518,315	422,158	368,422
Income from Operations	29,651	35,007	31,935
Other Income			
Royalties	883	712	609
Interest	366	862	368
Gain on property disposals			1,278
Miscellaneous	789	914	651
Total	2,038	2,488	2,906
	31,689	37,495	34,841
Income Deductions			
Interest			
Long-term debt	5,172	4,763	4,747
Other	5,668	1,382	635
Miscellaneous	971	592	618
Total	11,811	6,737	6,000
Income before Income Taxes	$ 19,878	$ 30,758	$ 28,841

THE SIGNAL COMPANIES, INC. (DEC)

Revenues	1978	1979	1980
	(Amounts in millions)		
Sales	$3,571.8	$4,241.2	$4,285.3
Royalties	32.9	51.4	50.3
Interest	15.4	18.3	18.7
Other	11.8	26.3	29.2
	$3,631.9	$4,337.2	$4,383.5

NOTES TO FINANCIAL STATEMENTS

Note 1 (in part): Summary of Accounting Policies

Recognition of Income: Aerospace contracts—Sales and related costs under fixed-price contracts are recorded as deliveries are made; cost of sales are recorded based on actual costs. Anticipated future losses on contracts are charged to income when identified; contracts which are part of a program are evaluated on an overall program basis. Sales and related costs under cost-reimbursable contracts are recorded as costs are incurred.

Long-term construction contracts—Sales and related costs under cost-reimbursable contracts are recorded as costs are incurred. Sales and related costs under all other contracts are deferred until completion of the contract. Anticipated losses from construction contracts are charged to income as soon as such losses become evident. Claims for supplemental contract costs, increasing revenue, are not recorded as income until they are agreed to by the customer upon or subsequent to completion of the contract.

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

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

Real estate operations—Sales are recorded at the time of escrow closings, provided the buyer has made an adequate financial commitment. Property taxes and selling expenses are charged to income as incurred.

Casualty Insurance Settlement

EATON CORPORATION (DEC)

	1980	1979	1978
	(Thousands of Dollars)		
Net sales	$3,176,466	$3,359,914	$2,790,521
Interest income	5,546	8,052	10,445
Excess of insurance settlement over book value	25,360	-0-	-0-
Other income—net	37,172	26,353	14,255
	$3,244,544	$3,394,319	$2,815,221

FINANCIAL REVIEW

Insurance Settlement

The excess of insurance settlement over book value, less estimated start-up costs, represents the recovery of losses resulting from a fire in 1979 at the Company's Manchester, United Kingdom transmission plant.

Litigation Settlement

DART & KRAFT, INC. (DEC)

	1980	1979	1978
	(Dollars in million except per share)		
Net sales	$9,411.5	$8,824.5	$7,491.4
Costs and expenses:			
Cost of products	7,032.8	6,586.3	5,605.2
Delivery, sales and administrative expense	1,694.9	1,552.9	1,259.5
Interest expense	72.8	69.2	59.1
Interest income	(49.8)	(44.2)	(44.8)
Other income, net	(33.0)	(15.3)	(10.0)
Total	8,717.7	8,148.9	6,869.0
Income from operations	693.8	675.6	622.4
Non-operating items	19.3	17.4	(13.7)
Income before taxes	$ 713.1	$ 693.0	$ 608.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 11: Non-Operating Items

Income or loss from non-operating items consisted of the following:

	(In millions) Gain (Loss) Before taxes on income	After taxes on income
1980		
Gain from carton antitrust settlements (fourth quarter)............	$ 19.9	$ 10.1
Gain on repurchase of company bonds (primarily first quarter)...	12.9	7.2
Merger-related expenses...........	(9.2)	(9.2)
Gain on disposition of businesses..	15.3	9.7
Provision for loss on divestitures ..	(19.6)	(10.2)
	$ 19.3	$ 7.6
1979		
Provision for loss on divestitures ..	$(31.0)	$(25.0)
Gain on disposition of businesses..	48.4	22.2
United Kingdom tax credit..........	—	4.4
	$ 17.4	$ 1.6
1978		
Provision for loss on divestitures ..	$(13.7)	$(10.4)

Instalment Note Time Charges

JIM WALTER CORPORATION (AUG)

	1980	1979
	(in thousands)	
Sales and revenues:		
Net sales..........................	$1,900,977	$1,875,612
Time charges (Note 2)...........	65,636	56,070
Miscellaneous....................	17,622	16,596
	$1,984,235	$1,948,278

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 and are secured by first mortgages or contracts for deed. Of the gross amount of $1,519,415,000 an amount of $1,385,860,000 is due after one year. Instalment notes receivable are included in current assets since they are within the operating cycle of the partially-finished homes business. Instalment payments estimated to be receivable within each of the five years from August 31, 1980 are $133,555,000, $129,683,000, $124,959,000, $121,557,000 and $120,409,000, respectively, and $889,252,000 after five years. Time charges are included in equal parts in each monthly payment and are taken into income as collected.

"Unusual" Credit

CROWN ZELLERBACH (DEC)

	1980	1979	1978
	(In millions of dollars)		
Net sales.....................	$3,066.6	$2,806.1	$2,457.7
Other income:			
From operations, net.....	3.2	5.8	9.8
Miscellaneous, net.......	14.2	22.0	15.0
	3,084.0	2,833.9	2,482.5
Expenses			
Cost of goods sold........	2,615.0	2,287.1	2,039.4
Selling and administrative	327.2	279.2	250.2
Interest on debt...........	37.1	46.5	43.8
	2,979.3	2,612.8	2,333.4
Income before unusual items and income taxes.........	104.7	221.1	149.1
Unusual items			
Gain on disposal of investment................	35.0	—	—
Share of operating earnings (losses) and writedown of investment in 50 percent owned affiliate.........	(31.9)	(10.0)	12.1
Gain on involuntary conversion.................	20.0	—	—
	23.1	(10.0)	12.1
Income before income taxes	$ 127.8	$ 211.1	$ 161.2

NOTES TO FINANCIAL STATEMENTS

Disposal of Investment

Elk River Timber Company, Ltd., a Canadian corporation in which the Corporation's 85 percent owned Canadian subsidiary held a one-third stock interest, sold its principal assets in the second quarter of 1980. The portion of the gain on sale attributable on distribution to the Corporation's subsidiary, $35.0 million, has been recorded with no provision for income taxes since such distribution is a nontaxable dividend for Canadian income tax purposes. The gain has been reported net of minority interest of $4.2 million.

Gain on Involuntary Conversion

In October, 1980, a chemical recovery boiler at the Corporation's Bogalusa, Louisiana, containerboard mill was destroyed by fire. The boiler was insured for its replacement cost, which is estimated to be $20.0 million in excess of its carrying value.

Investments in Affiliates (in part)

The Corporation holds 50 percent equity in the following companies:

Crown Simpson Corporation
Crown Simpson Pulp Company (a partnership)
Laja Crown S.A. Papeles Especiales
Papierfabrieken Van Gelder Zonen N.V. (Van Gelder)

The investments are reflected in the Corporation's balance sheet at December 31, 1980, as follows:

	(In millions of dollars)
Equity investments	$11.6
Undistributed earnings	3.1
	$14.7

During the second quarter of 1980, after a review of the competitive cost and productivity prospects for Van Gelder, the Corporation concluded that the likelihood of future economic return was such that its investment in Van Gelder had become permanently impaired. To reflect this impairment, the Corporation charged to income $31.9 million, representing its total equity investment at December 31, 1979. The writedown, and the Corporation's share in the earnings or losses of Van Gelder, are shown as unusual items and include a foreign exchange translation gain of $2.6 million in 1980 and foreign exchange translation losses of $3.8 million in 1979 and $3.7 million in 1978. No income tax benefit was recognized.

Credit Adjustments

AFG INDUSTRIES, INC.

	1980	1979	1978
		($000)	
REVENUES:			
Net sales	$101,196	$110,001	$76,398
Other	2,425	2,127	3,096
	103,621	112,128	79,494
Cost of sales	77,817	82,999	54,212
Selling and administrative	8,792	8,148	6,770
Interest expense	3,947	4,789	3,382
Depreciation	8,304	8,767	5,602
Loss (credit) on closed facilities and discontinued operations	(1,436)	—	4,936
	97,424	104,703	74,902
Income before Income Taxes, Equity in Income of Unconsolidated Subsidiary, Minority Interests, and Extraordinary Item	$ 6,197	$ 7,425	$ 4,592

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10: Plant Closings

In November, 1978, the Company permanently closed its Jeannette, Pennsylvania sheet glass operation. The provision for loss of $4,883,000 was charged to operations and included estimated plant shutdown costs, vacation and insurance accruals, and inventory adjustments to net realizable values. Adjustments of estimated gains and losses on plants closed in prior periods are included in loss on closed facilities for 1978. Additionally, 1980 operations include a credit adjustment of a prior year provision for loss on discontinued operations. The adjustment relates principally to that portion of the estimate of closing costs associated with the pension plans of certain closed facilities.

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) costs of assets used to produce revenue (for example, cost of goods sold, selling and administrative expenses, and interest expense), (2) expenses from non-reciprocal transfers and casualties (for example, taxes, fires and theft), (3) costs of assets other than products (for example, plant and equipment or investments in other companies) disposed of, (4) costs incurred in unsuccessful efforts, and (5) declines in market prices of inventories held for sale. Expenses do not include repayments of borrowing, expenditures to acquire assets, distributions to owners (including acquisition of treasury stock), or adjustments of expenses of prior periods.

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 the 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), segment disposals, and extraordinary losses (Table 3-17). Examples of expenses and losses summarized in Tables 3-6 and 3-7 follow.

TABLE 3-5: COST OF GOODS SOLD

	1980	1979	1978	1977
Single Amount				
Cost of sales	230	229	220	217
Cost of goods sold	135	136	147	181
Cost of products sold	127	131	124	127
Elements of cost	15	27	18	19
Other captions	69	58	68	37
	576	**581**	**577**	**581**
More Than One Amount	**24**	**19**	**23**	**19**
Total Companies	**600**	**600**	**600**	**600**

Cost of Goods Sold

AM INTERNATIONAL, INC. (JUL)

	1980	1979
	($000)	
Cost and expenses:		
Cost of products and services sold	$559,145	$453,355
Selling, general and administrative	305,935	258,520
Research, development and engineering	32,861	25,769
Interest	23,824	11,949
	$921,765	$749,593

BURROUGHS CORPORATION (DEC)

	1980	1979	1978
		($000)	
Costs and expenses			
Cost of products sold	$ 920,773	$ 785,649	$ 656,235
Cost of rentals	303,103	226,579	218,374
Cost of equipment service	419,451	359,345	308,713
Selling, general and administrative expenses	849,518	714,440	620,614
Research and development expenses	193,766	169,315	142,550
Interest expense	81,373	47,812	37,152
	$2,767,984	$2,303,140	$1,984,638

CMI CORPORATION (DEC)

	1980	1979	1978
Revenues	$114,562,126	118,912,624	91,441,824
Costs and expenses			
Cost of goods sold	78,968,622	81,937,355	61,905,386
Selling, administrative and product development	28,173,381	27,131,941	21,689,825
	107,142,003	109,069,296	83,595,211
Earnings from operations	$ 7,420,123	$ 9,843,328	$ 7,846,613

COLT INDUSTRIES INC (DEC)

	1980	1979	1978
		($000)	
Costs and Expenses			
Cost of sales	$1,782,976	$1,728,194	$1,446,844
Selling and administrative	206,159	194,501	181,785
Interest expense	24,345	29,620	29,804
Interest income	(16,414)	(14,300)	(13,191)
Total costs and expenses	$1,997,066	$1,938,015	$1,645,242

CONTROL DATA CORPORATION (DEC)

	1980	1979	1978
		(Dollars in millions)	
Costs and expenses			
Cost of sales	$1,091.1	$ 846.1	$ 706.6
Cost of rentals	125.2	119.3	111.4
Cost of services	642.3	553.3	466.5
Selling, general and administrative	511.2	428.9	341.8
Research and development	182.8	149.3	107.5
Interest	65.0	47.0	45.6
Total costs and expenses	$2,617.6	$2,143.9	$1,779.4

CORNING GLASS WORKS (DEC)

	1980	1979	1978
		($000)	
Net Sales	$1,529,670	$1,421,598	$1,251,728
Cost of sales	1,082,253	983,907	849,710
Gross Margin	$ 447,417	$ 437,691	$ 402,018

TABLE 3-6: EXPENSES INCURRED TO PRODUCE REVENUE

	Number of Companies			
	1980	**1979**	**1978**	**1977**
Selling, general and administrative	323	323	327	323
Selling and administrative or general	176	182	178	181
General and/or administrative	86	75	67	71
Selling	27	16	24	29
Interest	572	564	555	557
Research, development, engineering, etc.	286	244	143	135
Maintenance and repairs	83	52	37	34
Advertising	59	38	41	34
Exploration, dry holes, abandonments	22	23	23	22
Bad debts	17	14	11	8

TABLE 3-7: OTHER EXPENSES

	Number of Companies			
	1980	1979	1978	1977
Translation losses	128	132	110	56
Taxes other than income taxes	103	84	73	70
Minority interest	33	39	37	37
Estimated losses from discontinued operations other than those considered segment disposal	50			
Losses on dispositions of assets	22	25	32	30
Write-down of assets	18	18	12	19
Equity in losses of investees	11	8	10	15

COOPER INDUSTRIES, INC. (DEC)

	1980	1979	1978
		(000 omitted)	
COSTS AND EXPENSES			
Cost of sales and services	$1,251,874	$ 937,191	$539,154
Depreciation and amortization	39,399	31,766	15,329
Selling and administrative expenses	237,869	175,991	88,853
Interest expense	48,876	38,047	5,361
	$1,578,018	$1,182,995	$648,967

THE KROGER CO. (DEC)

	1980	1979	1978
		(In thousands of dollars)	
Costs and Expenses:			
Merchandise costs, including warehousing and transportation	$ 8,011,872	$7,056,035	$6,084,005
Operating, general and administrative expenses	1,901,178	1,625,974	1,407,960
Rent	130,632	112,527	99,785
Depreciation and amortization	86,166	71,574	65,179
Dividend and interest income	(11,403)	(12,688)	(12,097)
Interest expense, including interest on obligations under capital leases	35,736	29,385	29,983
Total	$10,154,181	$8,882,807	$7,674,815

VULCAN MATERIALS COMPANY (DEC)

	1980	1979	1978
		($000)	
Net sales	$753,980	$747,745	$651,973
Cost of goods sold	593,322	600,775	522,107
Gross profit on sales	160,658	146,970	129,866

Interest Expense

FMC CORPORATION (DEC)

	1980	1979	1978
		(Dollars in thousands)	
Revenue			
Sales	$3,482,183	$3,307,484	$2,912,766
Equity in net earnings of affiliated companies	8,059	6,552	6,321
Interest income	23,238	25,509	29,054
Other income	3,556	4,131	2,505
Total revenue	3,517,036	3,343,676	2,950,646
Costs and expenses			
Cost of sales	2,771,950	2,621,064	2,286,759
Selling, general and administrative expenses	416,878	381,419	337,614
Research and development	97,450	86,285	66,056
Interest expense (Note 14)	56,165	54,023	49,366
Minority interest in subsidiaries' net income	1,650	1,503	744
Total costs and expenses	3,344,093	3,144,294	2,740,539
Income before income taxes	$ 172,943	$ 199,382	$ 210,107

Note 14: Interest Expense

Interest expense is after deducting pre-tax interest paid to FMC Finance Corporation (offset against equity in earnings of affiliates: $13,539,000 in 1980; $8,964,000 in 1979; $1,649,000 in 1978) and interest capitalized ($9,444,000 in 1980) in accordance with Statement of Financial Accounting Standards No. 34, "Capitalization of Interest Costs."

ATLANTIC RICHFIELD COMPANY (DEC)

	1980	1979	1978
		(Thousands of dollars)	
Revenues:			
Sales and other operating revenues (including excise taxes)	$24,155,622	$16,676,677	$12,738,809
Earnings of affiliated companies	63,204	(56,810)	26,326
Interest	110,246	94,861	67,768
Other revenues	248,970	103,596	151,856
	24,578,042	16,818,324	12,984,759
Expenses:			
Costs and other operating expenses	17,634,305	11,777,328	8,948,017
Selling, general and administrative expenses	1,296,288	983,735	811,327
Taxes other than income taxes	1,484,868	893,709	806,296
Depreciation, depletion and amortization	880,565	683,877	661,372
Interest	388,360	335,266	357,970
	21,684,386	14,673,915	11,584,982
Income before income taxes	$ 2,893,656	$ 2,144,409	$ 1,399,777

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 20: Interest Expense

Interest expense for the years ending December 31, 1980, 1979 and 1978, was comprised of the following (thousands of dollars):

	1980	1979	1978
Long-term debt	$250,628	$194,905	$201,369
Short-term debt	17,831	26,914	31,008
Capital lease obligations	51,048	54,330	61,723
Advances and production payments	51,326	49,848	44,448
Other	19,150	9,269	21,122
	389,983	335,266	359,670
Capitalized interest	(1,623)	—	(1,700)
Total	$388,360	$335,266	$357,970

THE BFGOODRICH COMPANY (DEC)

	1980	1979	1978
		(Dollars in thousands)	
Net sales	$3,079,597	$2,988,078	$2,593,533
Operating costs and expenses:			
Cost of products sold	2,362,370	2,278,461	1,973,976
Selling and general administrative expenses	587,290	548,107	470,398
	2,949,660	2,826,568	2,444,374
Operating income	129,937	161,510	149,159
Other (charges) credits:			
Interest expense—net	(56,253)	(43,987)	(41,735)
Equity in earnings of foreign associate companies	9,896	5,010	3,750
Equity in earnings (losses) of Convent Chemical Corporation	1,579	1,555	(840)
Other income—net	4,193	7,065	12,034
	(40,585)	(30,357)	(26,791)
Income before income taxes and minority interests	$ 89,352	$ 131,153	$ 122,368

NOTES TO FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts)

Interest Expense—Net

"Interest expense—net" as shown in the Statement of Income comprises the following:

Year ended December 31,	1980	1979	1978
On capitalized leases	$ 5,593	$ 6,149	$ 6,677
On funded debt	45,223	35,111	37,225
On short-term debt and other	27,918	21,622	12,987
	78,734	62,882	56,889
Less:			
Interest cost capitalized	(3,347)	—	—
Interest income	(15,788)	(16,146)	(13,438)
Pretax income of BFGFC	(3,346)	(2,749)	(1,716)
Interest expense—net	$56,253	$43,987	$41,735

TEXTRON INC. (DEC)

	1980	1979	1978
		(In millions)	
Sales	$3,376.7	$3,095.4	$2,932.4
Costs and expenses:			
Cost of sales	2,507.9	2,295.3	2,216.4
Selling and administrative expenses	475.9	427.2	378.1
Depreciation	64.9	56.9	48.4
	3,048.7	2,779.4	2,642.9
Operating income	328.0	316.0	289.5
Interest income	8.8	11.2	19.9
Interest expense	(40.9)	(31.4)	(26.6)
Income from continuing operations before income taxes	295.9	295.8	282.8
Income taxes	126.5	130.7	126.2
Income from continuing operations	$ 169.4	$ 165.1	$ 156.6

Advertising Expense

CHESEBROUGH-POND'S INC. (DEC)

	1980	1979	1978
		(in thousands)	
Net sales	$1,377,484	$1,174,274	$969,833
Royalties	2,912	2,819	2,760
Operating revenues	1,380,396	1,177,093	972,593
Cost of products sold	662,527	567,205	461,338
Selling, advertising and administrative expenses	524,430	446,336	365,872
Operating costs and expenses	1,186,957	1,013,541	827,210
Income from operations	193,439	163,552	145,383
Other income (expense):			
Interest expense	(22,517)	(17,341)	(12,229)
Interest income	4,809	3,928	3,018
Loss on foreign exchange	(383)	(1,253)	(3,353)
Miscellaneous—net	408	(1,050)	(1,978)
	(17,683)	(15,716)	(14,542)
Income before provision for income taxes	$ 175,756	$ 147,836	$130,841

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Advertising and Sales Promotion Costs—Advertising costs are expensed as incurred, and sales promotion costs are expensed during the period of the promotional program.

KIMBERLY-CLARK CORPORATION (DEC)

	1980	1979	1978
	(Millions except per share amounts)		
Net Sales	$2,600.3	$2,218.4	$1,910.6
Cost of products sold	1,746.5	1,512.8	1,258.6
Distribution expense	110.3	89.6	74.1
Gross Profit on Sales	743.5	616.0	577.9
Advertising, promotion and selling expense	327.4	226.1	204.3
Research expense	31.5	27.5	27.2
General expense	140.4	121.4	105.0
Operating Income	$ 244.2	$ 241.0	$ 241.5

ACCOUNTING POLICIES

Advertising and Promotion Expenses. Advertising expenses are charged to income during the year in which they are incurred. Promotion expenses are charged to income during the period of the promotional campaign.

Research and Development Expenses. Research and development expenses are charged to income when incurred.

Research and Development

THE UPJOHN COMPANY (DEC)

	1980	1979	1978
		($000)	
Operating revenue:			
Net sales of products	$1,571,356	$1,352,990	$1,200,907
Revenue from services	189,220	155,035	127,644
Other revenue	7,060	5,719	4,123
Total	1,767,636	1,513,744	1,332,674
Operating costs and expenses:			
Products sold	690,831	592,800	507,574
Services sold	116,979	97,508	78,380
Research and development	147,328	129,338	115,589
Marketing and administrative	565,827	476,307	420,772
Total	1,520,965	1,295,953	1,122,315
Operating income	246,671	217,791	210,359
Investment income	23,299	17,883	9,848
Interest expense	(32,520)	(24,153)	(21,707)
Foreign exchange (losses) gains	(2,319)	(7,191)	4,763
All other, net	(2,151)	(409)	(1,256)
Earnings before income taxes and minority equity	$ 232,980	$ 203,921	$ 202,007

EMHART CORPORATION (DEC)

	1980	1979	1978
		(In Millions)	
Revenues	$1,802.9	$1,573.5	$1,346.4
Cost of revenues	1,287.9	1,122.9	908.4
Selling, general and administrative	356.6	306.2	264.7
Research and development	38.7	37.1	30.1
Total operating cost and expenses	1,683.2	1,466.2	1,203.2
Operating income	$ 119.7	$ 107.3	$ 143.2

NOTES TO FINANCIAL STATEMENTS

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

Research and Development—Research and development expenditures are charged to operations as incurred.

Taxes Other Than Income Taxes

GETTY OIL COMPANY (DEC)

	1980	1979	1978
		(In thousands)	
COSTS AND EXPENSES			
Product and material costs, including operating expenses	$6,320,096	$2,424,681	$1,939,813
Selling, general and administrative expenses	233,559	169,362	156,597
Exploratory costs, including dry holes, lease rentals and undeveloped lease amortization	334,673	290,306	250,642
Depreciation and depletion	500,097	360,574	264,889
Interest expense	60,243	6,808	7,833
Excise, property and other operating taxes—Note 3	564,802	253,007	249,766
	$8,013,470	$3,504,738	$2,869,540

Note 3: Excise, Property and Other Operating Taxes

Excise, property and other operating taxes for 1980, 1979 and 1978 consisted of the following:

	1980	1979	1978
		(In thousands)	
Federal excise	$245,783	$ —	$ —
Consumer excise	170,542	154,787	161,993
Property	36,575	27,053	29,590
Severance and production	74,759	47,633	39,895
Payroll and other	37,143	23,534	18,288
	$564,802	$253,007	$249,766

The federal excise tax on domestic crude oil became effective March 1, 1980.

THE STANDARD OIL COMPANY (AN OHIO CORPORATION) (DEC)

	1980	1979	1978
		($000)	
Costs and Expenses			
Costs of products sold and operating expenses	$4,923,622	$4,193,168	$3,037,367
Selling, general and administrative expenses	450,367	375,140	336,581
Windfall profit tax	369,993	—	—
Other taxes, excluding income taxes	669,561	424,555	286,025
Depreciation, depletion and amortization	586,895	473,831	400,084
Interest expense	357,498	438,692	479,476
Exploration expenses, including amortization of unproved properties	175,707	34,595	20,143
	$7,533,643	$5,939,981	$4,559,676

TEXACO INC. (DEC)

	1980	1979	1978
		($000)	
Costs and operating expenses (includes purchases from significant nonsubsidiary companies of $25.1 billion in 1980, $16.3 billion in 1979, and $10.9 billion in 1978)	$43,888,794	$31,839,520	$23,992,642
Selling, general and administrative expenses	1,252,134	1,145,561	976,467
Maintenance and repairs	713,948	470,215	419,866
Dry hole expenses	158,020	154,733	108,253
Depreciation, depletion, and amortization	1,105,915	1,086,158	969,871
Interest charges—indebtedness	146,593	263,896	271,461
Capital lease obligations	73,922	76,635	81,984
Taxes other than income taxes*	987,990	561,450	482,460
Provision for income taxes			
Current	1,946,100	1,589,100	682,200
Deferred	(68,412)	118,697	271,195
Minority interest in net income	39,397	30,410	15,283
	$50,244,401	$37,336,375	$28,271,682

*In addition, motor fuel, value added, and other taxes collected from consumers for governmental agencies in the United States and abroad amounted to $3,512,166,000 during 1980, $3,116,214,000 during 1979, and $2,631,320,000 during 1978.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (in part): Taxes

For the years ended December 31, 1980, 1979, and 1978, current and deferred income taxes and other taxes for Texaco and its subsidiary companies including taxes collected from consumers for governmental agencies in the United States and abroad were as follows:

Years ended December 31,	1980	1979	1978
		($000)	
Direct taxes:			
Provision for current and deferred income taxes (excluding $186,200,000 in 1980, applicable to the gain on sale of interest in Belridge Oil Company)	$1,877,688	$1,707,797	$ 953,395
Taxes other than income taxes:			
Windfall profit	305,638	—	—
Oil and gas production	187,489	152,038	144,247
Sales and use	142,035	116,568	98,966
Property	141,043	123,919	92,373
Payroll	115,014	104,503	91,685
Other	96,771	64,422	55,189
Total taxes other than income taxes	$ 987,990	$ 561,450	$ 482,460
Import duties and other governmental levies	1,700,237	1,501,569	1,345,751
Total direct taxes	$4,565,915	$3,770,816	$2,781,606
Taxes collected from consumers	3,512,166	3,116,214	2,631,320
Total	$8,078,081	$6,887,030	$5,412,926

Translation Losses

ARMSTRONG WORLD INDUSTRIES, INC. (DEC)

	1980	1979	1978
	(000)	(000)	(000)
Net sales	$1,322,967	$1,341,067	$1,244,065
Cost of goods sold	973,674	975,709	892,845
Gross profit on sales	349,293	365,358	351,220
Selling and administrative expense	237,372	227,474	209,703
Earnings before other income (expense) and income taxes	111,921	137,884	141,517
Other income (expense):			
Interest expense	(14,174)	(13,827)	(14,612)
Unrealized foreign exchange losses	(2,748)	(5,643)	(6,003)
Miscellaneous, net	3,881	7,447	7,425
	(13,041)	(12,023)	(13,190)
Earnings before income taxes	$ 98,880	$ 125,861	$ 128,317

FINANCIAL REVIEW

Details of foreign exchange gains (losses)

	1980 (000)	1979 (000)	1978 (000)
Realized, related to:			
Long-term debt	$ (173)	$ —	$ —
Other	62	102	(100)
Total before tax	(111)	102	(100)
Total after tax	2	3	(123)
Unrealized, related to:			
Long-term items	(2,265)	(3,443)	(8,325)
Effects of forward exchange contracts on long-term items	(441)	(960)	2,263
	(2,706)	(4,403)	(6,062)
Other, primary working capital items	(42)	(1,240)	59
Total before tax	(2,748)	(5,643)	(6,003)
Total after tax	(3,737)	(5,518)	(5,039)
Combined total before tax	$(2,859)	$(5,541)	$(6,103)
Combined total after tax	$(3,735)	$(5,515)	$(5,162)
Net earnings as reported	48,566	66,044	61,132
Earnings exclusive of foreign exchange losses	$52,301	$71,559	$66,294

Unrealized foreign exchange losses, because of their significance, are reported in the Consolidated Statements of Earnings as separate items.

ANDERSON, CLAYTON & CO. (JUN)

	1980	1979
	(In thousands of dollars)	
Sales	$1,703,102	$1,489,925
Interest income	16,280	13,835
Other income	2,320	3,757
Equity in income of insurance subsidiaries—before taxes	21,005	23,155
	1,742,707	1,530,672
Cost of sales and operating expenses	1,489,370	1,305,809
Depreciation and amortization	15,411	14,565
Selling and administrative expenses	116,464	105,187
Interest expense	25,603	19,305
U.S. and foreign taxes on income	33,912	30,209
Translation loss from decline in foreign exchange rates	2,526	2,556
Income applicable to minority interest	6,672	4,226
	1,689,958	1,481,857
Net income	$ 52,749	$ 48,815

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): A summary of significant accounting policies follows:

Foreign exchange rates. The accounts of foreign subsidiaries are translated in accordance with the Financial Accounting Standards Board's Statement of Accounting Standards No. 8, Accounting for the Translation of Foreign Currency Transactions and Foreign Currency Financial Statements.

THE SUPERIOR OIL COMPANY (DEC)

	1980	1979	1978
	(Amounts in thousands of dollars)		
Operating Revenues	$1,497,695	$1,085,394	$730,942
Operating Expenses			
Operating costs	325,016	192,898	146,068
Exploration, including dry hole costs	183,378	144,842	119,850
Impairment of unproved oil and gas properties	43,185	43,955	28,641
Depletion, depreciation, and amortization	233,446	213,135	127,523
General and administrative	87,697	59,187	37,928
Taxes (other than income)	98,341	32,068	25,687
	971,063	686,085	485,697
Income from Operations	526,632	399,309	245,245
Other Income (Expense)			
Dividends and miscellaneous income	32,562	20,826	9,381
Gain (loss) on foreign currency translation (Note 1)	(1,988)	1,685	(3,129)
Equity in earnings (losses) of affiliated companies	31,677	17,118	(2,092)
Interest expense	(25,067)	(59,418)	(28,826)
	37,184	(19,789)	(24,666)
Income Before Income Taxes, Minority Interest, and Extraordinary Item	$ 563,816	$ 379,520	$220,579

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

Foreign Currency Translation—Current assets (other than inventories of materials and supplies) and liabilities, marketable securities, and long-term debt are translated at year-end exchange rates. All other assets and liabilities are translated at historical rates. Revenue and expense accounts are translated at average rates prevailing during the year, except for depletion, depreciation, amortization, and impairment which are translated at historical rates.

VARIAN ASSOCIATES, INC. (SEP)

	1980	1979
	($000)	
Sales	$620,863	$493,021
Operating Costs and Expenses*		
Cost of sales	406,444	328,479
Research and development	40,327	27,306
Marketing	84,954	64,822
General and administrative	41,972	35,087
Foreign currency translation losses	1,140	949
Equity in net income of unconsolidated affiliates	(885)	(1,046)
Total Operating Costs and Expenses	573,952	455,597
Operating Earnings	46,911	37,424
Interest Expense	15,368	9,514
Interest Income	(1,547)	(1,363)
Earnings from Continuing Operations Before Taxes	$ 33,090	$ 29,273

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (in part)

Foreign Currency Translation—Assets and liabilities of subsidiaries outside the United States representing cash and amounts receivable or payable are translated into U.S. dollars at the exchange rates in effect at year end, and other accounts including 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.

Estimated Losses On Discontinued Operations Not Accounted For As Segment Disposals

DAYTON MALLEABLE INC. (AUG)

	1980	1979
Net sales	$133,242,000	$183,963,000
Other income	1,757,000	2,331,000
	134,999,000	186,294,000
Costs and expenses:		
Cost of products sold	133,577,000	174,045,000
Selling, general and administrative expenses	6,589,000	6,798,000
Other deductions	140,000	193,000
Plant closing—Note G	5,140,000	-0-
	145,446,000	181,036,000
(Loss) Income Before Taxes	$(10,447,000)	$ 5,258,000

Note G—Plant Closing

In the third quarter the Company reported the closing (on June 1, 1980) of its Ohio Division, an iron foundry in Columbus, Ohio. Certain machinery and equipment were sold in the fourth quarter for $1,015,000. The land and buildings are being held for sale and are included in other assets at their net book value.

During the year, the Company provided $5,140,000 (equivalent to $2.40 per share after applicable income taxes) for the current and estimated future expenses related to the plant closing. The provision includes losses from operations of the Ohio Division since the shutdown decision was made, the loss on the disposal of machinery and equipment and other closing costs. The closing provision also includes an unfunded pension liability and other employee related costs. The non-current portion of these liabilities is carried on the statement of financial condition as deferred employee benefits.

Since the costs of this provision are primarily based on estimates, the Company will continue to review the adequacy of the accruals. If future reviews indicate that adjustments are necessary, an appropriate charge or credit will be made to income during the period in which the determination is made.

KROEHLER MFG. CO. (DEC)

	1980	1979	1978
	(In thousands of dollars)		
Net Sales and Other Operating Revenues	$45,420	$116,264	$141,951
Cost of Sales	42,324	109,446	128,593
Gross profit on sales	3,096	6,818	13,358
Selling, General and Administrative Expenses	12,725	20,353	20,017
Operating Loss	9,629	13,535	6,659
Other Expenses (Income):			
Interest	1,566	3,128	2,801
Expenses related to plant closings (Note 3)	1,274	2,369	1,068
Litigation settlement	—	500	—
Expenses relating to sale of Canadian subsidiary	—	114	—
Gain on sale of property and equipment (Note 3)	(3,000)	(1,425)	(1,313)
Equity in affiliate's earnings	(348)	(357)	(143)
Foreign currency translation	—	(61)	488
Other income—net, including interest income of $412,000, $350,000 and $320,000	(499)	(471)	(286)
Total	(1,007)	3,797	2,615
Loss Before Taxes	$ 8,622	$ 17,332	$ 9,274

Note 3—Assets Not Used in Operations

In 1980, 1979 and 1978, the company closed certain of its plants, and as a result, those plants and the related equipment were reclassified to "assets not used in operations." During 1980 and 1979, certain of those assets were sold with the resulting gain included in "gain on sale of property and equipment." Some of the remaining assets so classified were under contract for sale at December 31, 1979, or shortly thereafter. These assets are included at December 31, 1979 in "assets under contract for sale." Certain of the assets under contract for sale were written down approximately $400,000 in 1979, to state them at net realizable value.

Costs and expenses which were directly associated with the decision to close certain of the company's plants, in 1980, 1979 and 1978, including the above mentioned $400,000, along with severance pay, additional pension costs, and other related items are included in "expenses related to plant closings."

OSCAR MAYER & CO. INC. (OCT)

	1980	1979
	($000)	
Cost of products sold, including delivery expense but excluding items below	$1,520,042	$1,341,321
Marketing and administrative expenses	146,164	118,018
Depreciation	26,793	23,029
Pension expense	21,736	19,061
Interest expense	12,143	8,685
Taxes (except income and social security)	5,596	4,409
Provision for reduction in slaughter capacity	7,342	—
Minority interest in net income of foreign subsidiaries	(80)	241
Unrealized foreign currency translation gains or (losses)	1,455	(23)
	$1,738,281	$1,514,787

FINANCIAL REVIEW

Reduction in Slaughter Capacity

The Company has announced its intention to reduce its domestic slaughter capacity in 1981 to avoid the increasing financial losses being experienced in this part of the business. This decision will result in about a 3% reduction of the Company's domestic work force and the disposal of certain slaughter plant and equipment. A provision of $7,342,000 was made in 1980 to cover the associated costs, resulting in a $4,050,000 or $.25 per share reduction of net income.

OLIN CORPORATION (DEC)

	1980	1979	1978
		($000)	
Net sales	$1,852,853	$1,778,102	$1,560,075
Income (before taxes) of nonconsolidated real estate subsidiary	2,097	17,731	15,288
Interest and other income	29,665	31,506	21,424
	1,884,615	1,827,339	1,596,787
Costs and Expenses:			
Cost of sales and other operating charges	1,485,462	1,463,160	1,265,180
Selling, general, administrative and research	268,347	229,540	214,701
Interest	29,474	37,751	29,679
	1,783,283	1,730,451	1,509,560
Income before special provision and income taxes	101,332	96,888	87,227
Provision for restructuring of Winchester Group	63,000	—	—
Income Before Income Taxes	$ 38,332	$ 96,888	$ 87,227

NOTES TO FINANCIAL STATEMENTS

Provision for Restructuring of Winchester Group

In December 1980, the company established a plan to sell its U.S. firearms business and to restructure its remaining Winchester businesses. A provision of $63,000,000 ($40,000,000 after taxes, or $1.67 per share) has been estimated and charged against the company's fourth-quarter results, and included in accrued liabilities ($20,000,000), other noncurrent liabilities ($36,000,000) and accumulated depreciation ($7,000,000). The deferred tax benefits related to the provision are included in other current assets and deferred income taxes.

Revenues related to the business to be sold amounted to $112,000,000, $96,000,000 and $101,000,000 in 1980, 1979 and 1978, respectively. Operating results were not significant.

THE VENDO COMPANY (DEC)

	1980	1979	1978
		($000)	
Net Sales	$ 71,743	$89,409	$87,357
Cost of Sales	59,677	68,808	71,211
Gross Profit on Sales	12,066	20,601	16,146
Selling, General and Administrative Expenses	19,939	18,716	18,891
Operating Income (Loss)	(7,873)	1,885	(2,745)
Other Income (Expense):			
Interest income	419	630	773
Interest expense	(3,269)	(3,063)	(2,122)
Royalties	522	692	619
Currency translation gains (losses)	196	(586)	357
Sale of marketable securities	—	311	—
Miscellaneous, net	253	366	172
Total	(1,879)	(1,650)	(201)
Provision for Loss on Curtailment of Certain Operations (Note 20)	6,622	—	—
Income (Loss) before Income Taxes and Minority Interest	$(16,374)	$ 235	$(2,946)

Note 20: Plan of Concentration and Curtailment

In late 1980, the Company adopted a plan of concentration and curtailment which included consolidation of its domestic manufacturing and corporate administrative functions in Fresno, California and liquidation of its subsidiary in Japan. Manufacturing activities at the Corinth, Mississippi plant will be discontinued in May 1981 and the manufacture of selected products is expected to be transferred to Fresno. The Corinth facility will be offered for sale but will continue to be utilized as a replacement parts warehouse until sold. The Japanese subsidiary will be offered for sale or in the event that it cannot be sold, will be liquidated.

The carrying value of the assets related to the operations and facilities as discussed in the preceding paragraph have been valued at their estimated net realizable value at December 31, 1980 and estimated future costs related to the curtailment or transfer of these activities have been reflected in the results of operations for the year ended December 31, 1980.

Recognition of the effects of this plan resulted in a charge of $6,622,000 to 1980 results of operations as follows:

Reduction of carrying value of assets to estimated net realizable value	$2,887,000
Employee severance wages	713,000
Relocation expenditures	1,207,000
Estimated operating losses during curtailment	1,281,000
Other	534,000
Total	$6,622,000

The actions described above do not qualify for accounting treatment as discontinued operations.

"Unusual" Charge

NATIONAL DISTILLERS AND CHEMICAL CORPORATION (DEC)

	1980	1979	1978
	(dollar amounts in thousands)		
Net sales continuing operations	$2,055,049	$2,063,031	$1,799,240
Cost of goods sold	1,697,237	1,706,242	1,495,504
Gross profit on sales	357,812	356,789	303,736
Selling, advertising and other operating expenses	169,342	156,985	137,539
Operating income	188,470	199,804	166,197
Corporate and general expenses	(20,067)	(24,870)	(15,888)
Interest on long-term debt	(26,463)	(29,149)	(27,250)
Unusual (charges) credits:			
Plant shutdown costs (Note 4)	(38,000)		
Gain on sale of European operations		22,039	
Other income (expense) net	3,684	3,081	(2,023)
	107,624	170,905	121,036
Provision for taxes on income	(54,343)	(80,369)	(60,490)
Earnings of insurance subsidiaries	17,950	17,788	16,328
Share of earnings of associated companies	39,381	25,744	26,075
Income from continuing operations	$ 110,612	$ 134,068	$ 102,949

Note 4—Shutdown Costs

During the third quarter of 1980, the Company shut down its Bridgeport, Connecticut brass mill. The shutdown resulted in a charge to income before tax of $38,000, a substantial portion of which represents the long-term liability for pensions to be paid in future years. The cash tax benefit applicable to such pension payments will also be realized in the future. The shutdown costs comprise:

Employee related costs (pension, severance pay, etc.)	$27,000
Writedown of plant and equipment to estimated realizable value	$ 8,000
Estimated costs during shutdown period net of gain of $3,200 realized from liquidation of LIFO inventory	$ 3,000
	$38,000

Minority Interest

BEMIS COMPANY, INC. (DEC)

	1980	1979	1978
	(in thousands of dollars)		
Net sales	$662,413	$605,177	$544,307
Other revenues	3,422	2,648	612
Equity in net income of affiliated companies	1,183	816	412
	667,018	608,641	545,331
Costs and expenses:			
Cost of products sold	534,448	484,475	432,109
Selling, general and administrative expenses	99,235	89,304	79,226
Interest on long-term debt and capital leases	6,050	5,301	4,879
Other interest	402	220	633
Other costs	304	1,942	999
Minority interest in net income	922	1,147	898
Income from continuing operations before income taxes	25,657	26,252	26,587
Taxes based on income, including deferred income taxes of $1,225; $3,371 and $4,947	9,752	10,313	11,942
Income from continuing operations	$ 15,905	$ 15,939	$ 14,645

REICHHOLD CHEMICALS, INC. (DEC)

	1980	1979	1978
	(Dollars in thousands)		
Net sales	$885,059	$874,854	$753,885
Operating costs and expenses:			
Cost of goods sold	729,120	722,380	613,708
Selling, administrative and technological expenses	128,999	125,848	112,340
	858,119	848,228	726,048
Operating income	26,940	26,626	27,837
Other income (deductions):			
Equity in net income of joint ventures and associated companies	319	1,683	1,171
Minority interest in net loss (income) of consolidated subsidiaries	(278)	39	(354)
Interest expense—principally on long-term debt (net of interest income: 1980—$1,373; 1979—$1,196; 1978—$740)	(6,684)	(7,728)	(7,403)
Abandonment of phenol manufacturing facility	—	—	(4,406)
Sundry—net	6,094	89	3,460
	(549)	(5,917)	(7,532)
Income before income taxes	$ 26,391	$ 20,709	$ 20,305

Adjustment of Asset Values

STERNDENT CORPORATION (DEC)

	1980	1979	1978
Net sales	$218,012,314	$268,520,071	$211,323,046
Cost of goods sold	175,692,868	227,220,392	173,129,182
Selling, general and administrative expenses	28,006,407	25,105,410	23,409,701
	203,699,275	252,325,802	196,538,883
Operating income	14,313,039	16,194,269	14,784,163
Other income (expense):			
Interest expense—on long-term debt	(2,776,041)	(2,434,630)	(2,460,651)
Interest expense—on short-term bank loans	(6,414,591)	(5,268,773)	(2,560,996)
Interest income	723,542	506,590	477,317
Other income, net	1,829,672	1,987,976	1,130,796
	7,675,621	10,985,432	11,370,629
Write-off of European operations (Note 12)	(3,490,000)	—	—
Income before provision for income taxes and minority interest	4,185,621	10,985,432	11,370,629
Provision for income taxes, net of $1,290,000 tax benefit from write-off of European operations in 1980	2,540,000	5,480,000	6,140,000
Income before minority interest	$ 1,645,621	$ 5,505,432	$ 5,230,629

Note 12: Write-off of European operations

Due to continuing losses and management's assessment of the expectation for its operations in an uncertain European economy and the outlook for these operations in terms of Sterndent's long range plans for its dental businesses, in early 1981, Sterndent decided to write-off its European dental equipment manufacturing operations. This decision resulted in a non-recurring charge to income of $3.5 million including approximately $907,000 of goodwill which reduced net income by $2.2 million or $1.00 per share.

THE MAY DEPARTMENT STORES COMPANY (JAN)

	1981	1980	1979
		(thousands)	
Net Retail Sales	$3,149,807	$2,956,519	$2,716,636
Rental Revenues	23,169	20,671	16,023
	3,172,976	2,977,190	2,732,659
Cost and Expenses:			
Cost of sales and other related expenses	2,602,175	2,427,662	2,229,244
Advertising and sales promotion	97,560	86,611	78,576
Taxes other than income taxes	72,027	69,523	64,172
Depreciation and amortization	75,393	70,563	61,840
Maintenance and repairs	26,264	25,970	22,009
Operating lease rentals of real property	32,153	26,831	19,404
Retirement and profit sharing expense	13,197	13,230	12,696
Interest expense, net	37,964	39,941	39,935
Gain on disposition of real estate	(14,690)	—	—
Write-down of investment in Consumers Distributing Company Limited	12,303	—	—
	2,954,346	2,760,331	2,527,876
Earnings from continuing operations before income taxes	$ 218,630	$ 216,859	$ 204,783

FINANCIAL REVIEW

Investment in Consumers Distributing Company Limited

In August 1978, the Company sold its catalog showroom division (Consumers) to Consumers Distributing Company Limited of Canada (CDC) for stock in that company. The loss from the sale of $2.3 million (net of taxes) and the 1978 operating loss of $0.9 million (net of taxes) are reflected in the consolidated statement of earnings as "Loss from Discontinued Operations". In connection with the sale, the Company received 1,600,000 shares of common stock of CDC, which as of January 31, 1981, represented approximately 22% of the outstanding common stock of CDC.

On January 10, 1979, Canadian authorities filed charges against Jack Stupp, chief executive officer of CDC, and two other individuals not employed by CDC, alleging concerted action to affect the public market price of the shares of CDC stock. Subsequent to the filing of these charges, there was a substantial decline in the quoted market value of CDC's stock on the Toronto Stock Exchange. As of January 31, 1981, the quoted market value of CDC's stock on the Toronto Stock Exchange was $9⅞ (Canadian) per share, and the estimated aggregate quoted market value of the Company's investment was $13.2 million (U.S.).

The Company accounts for its investment in CDC on the equity method and has been amortizing the excess of its cost in CDC over the underlying net assets at the date of acquisition over a forty year period. In the fourth quarter of 1980, the Company wrote off the unamortized portion of this excess. As a result of this write-down, the Company's investment in CDC approximates the market value of CDC stock at the end of fiscal 1980. This charge against earnings in 1980 was $12.3 million ($.29 per share) and is reflected in the consolidated statement of earnings as "Write-down of Investment in Consumers Distributing Company Limited".

"Non-Recurring" Charge

R.J.REYNOLDS INDUSTRIES, INC. (DEC)

	1980	1979	1978
		(Dollars in Millions)	
Net sales and revenues:			
Net sales	$ 8,940.4	$7,714.8	$5,605.5
Operating revenues	1,413.7	1,220.4	1,103.7
	10,354.1	8,935.2	6,709.2
Costs and expenses:			
Cost of products sold	6,320.8	5,505.5	3,995.7
Operating expenses	1,146.1	985.0	820.5
Selling, advertising, administrative and general expenses	1,617.8	1,358.1	986.4
Earnings from operations	1,269.4	1,086.6	906.6
Interest and debt expense	(127.3)	(125.8)	(71.4)
Other income (expense), net	22.2	24.1	23.0
	1,164.3	984.9	858.2
Foreign currency gains (losses)	—	10.2	(3.9)
Nonrecurring gain (loss) (Note 10)	(25.1)	22.1	—
Earnings before provision for income taxes	$ 1,139.2	$1,017.2	$ 854.3

Note 10: Nonrecurring Items

During the fourth quarter of 1980, the Company wrote down the carrying cost of its SL-7 containerships and related equipment by $25.1 million to an estimated realizable value of $285.0 million. The Company is currently engaged in discussions and negotiations with the U.S. Department of the Navy, for the sale of these assets at a price of $285.0 million. The write-down, net of related income tax benefits, decreased 1980 net earnings by $13.3 million, or 13 cents per common share.

On January 2, 1979, the Company sold its aluminum casting and rolling business in Huntingdon, Tennessee. The sale added $22.1 million to earnings before provision for income taxes.

PENSION PLANS

Effective for financial statements for years beginning after December 15, 1979, FASB *Statement of Financial Accounting Standards No. 36* supersedes Paragraph 46 of *APB Opinion No. 8* as to disclosures about defined benefit pension plans. Paragraph 12 of *SFAS No. 36* presents an example of pension plan disclosure. Additional examples of pension plan disclosure follow.

Present Value of Plan Benefits and Assets

ALPHA PORTLAND INDUSTIES, INC. (DEC)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Employee Benefits

The Company has pension plans covering substantially all of its employees. Generally, costs are accrued based on actuarial estimates, with prior service costs being amortized over periods of twenty-five to thirty years, except that as to construction employees the costs are accrued according to contributions specified in union contracts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Employee Benefits

The Company and its subsidiaries have several pension plans covering substantially all of its employees exclusive of construction employees covered by union contracts. The total pension expense for 1980 and 1979 was $2,015,000 and $1,847,000, respectively, which includes, as to three defined benefit plans, amortization of past service costs over periods ranging from 25 to 40 years. The Company makes annual contributions to the plans substantially equal to the amounts accrued for pension expense. In addition to the normal annual accrual, $3,788,000 of pension expenses relating to two plants closed during the year were charged to cost in 1980. A comparison of accumulated plan benefits and plan net assets for the Company's defined benefit plans at the most recently completed valuation date, which for two of the plans was January 1, 1980 and for one of the plans was

TABLE 3-8: PENSION AND RETIREMENT PLANS

	1980	1979	1978	1977
Current Year Expense				
Normal cost and amortization of prior service cost.	478	469	476	467
Normal cost and interest on unfunded prior service cost	4	4	2	5
Normal cost—no reference to prior service cost......	57	42	32	33
Normal cost—no unfunded prior service cost.........	21	21	25	29
Companies Disclosing Amount of Pension Plan Expense	**560**	**536**	**535**	**534**

August 1, 1980, is presented below in thousands of dollars:

	1980	1979
Actuarial present value of accumulated plan benefits:		
Vested	$21,212	$19,861
Nonvested	1,388	1,226
	$22,600	$21,087
Net assets available for benefits ...	$22,036	$17,739

The average assumed rate of return, for both 1980 and 1979, which was used in determining the actuarial present value of accumulated plan benefits was 7½% for two of the plans representing 98% of the actuarial present value and 6% for the other plan.

AMERICAN BAKERIES COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Summary of Accounting Policies

Retirement Plans—The Company has a retirement plan for all eligible employees in an executive, administrative, supervisory or clerical capacity. In addition, the Company contributes to union pension plans in accordance with provisions of negotiated labor contracts.

Note 7: Retirement Plans

The Company retirement plan expense for 1978, 1979 and 1980 was $940,000, $934,000 and $966,000, respectively. Retirement plan expense includes amortization of past-service liability over a 40-year period for the years 1976 through 1980. The Company has funded the plan in accordance with ERISA requirements. A comparison of accumulated plan benefits and plan net assets, as of the Company's retirement plan fiscal year end is presented below:

	June 30, 1980	June 30, 1979
Actuarial present value of accumulated plan benefits:		
Vested	$15,768,000	$15,152,000
Non-vested	860,000	not available
	$16,628,000	$15,152,000
Net assets available for benefits....................	$18,197,397	$16,903,598

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 8% for 1979 and 1980.

At December 27, 1980, the Company had accrued but unfunded pension liability amounting to approximately $4,261,000 ($3,864,000 at December 29, 1979). Of this liability $3,680,000 will not be funded in 1981, and, accordingly, has been classified as a long-term obligation in the accompanying consolidated balance sheets as of December 27, 1980 ($3,750,000 at December 29, 1979). The available tax benefits related to these long-term pension accruals have been reflected as a reduction of deferred income taxes.

The Company also made contributions of approximately $12,453,000 in 1980, $12,012,000 in 1979 and $10,834,000 in 1978 to collectively bargained, multi-employer pension plans in accordance with the provisions of negotiated labor contracts generally based on the number of hours worked. Information from the plans' administrators is not available to permit the Company to determine its share of unfunded vested benefits.

ASARCO INCORPORATED (DEC)

NOTES TO FINANCIAL STATEMENTS

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

Retirement plans: Current service costs are funded and charged against earnings each year. Prior service costs generally are being funded and amortized over a period of 25 years.

Note 12: Retirement Plans (in millions)

The Company and its subsidiaries have several pension plans covering substantially all of their employees. Normal retirement age is 65, but provision is made for earlier retirement. The total pension expense for 1980 was $25.2 (1979-$23.2; 1978-$24.1), which includes amortization of past service cost over 25 years. The above expense includes the expenses for the United Mine Workers plan discussed below.

The Company's actual cash contributions to the plans generally reflect the amounts accrued but may vary to reflect amortization of past service cost over periods of 10 to 40 years, depending on the Company's cash requirements and tax position.

A table of the actuarially computed accumulated plan benefits and plan net assets for the Company's defined benefit plans is presented below:

	July 1, 1980	July 1, 1979
Actuarial present value of accumulated plan benefits:		
Vested	$292.0	$248.8
Nonvested	13.5	*
Total Benefits	$305.5	*
Net Assets available for benefits	$245.7	$216.4

*Required disclosure subsequent to December 1979.

The above table does not include a multiemployer plan which is administered by the United Mine Workers. During 1980 the Multiemployer Pension Plan Amendment Act (MPPAA) was enacted. Under the MPPAA, the most significant change is to require a withdrawing employer to continue funding its share of the plan's unfunded vested benefits. This change reduces the uncertainties regarding each participant's potential liabilities, however, the Company does not possess sufficient information to determine its portion of the unfunded vested benefits. Earnings were charged with $1.8 million in 1980 (1979-$2.7; 1978-$2.5) representing the Company's contribution to such plan.

The weighted average rate of return used in determining the actuarial present value of accumulated plan benefits is 6 percent.

In 1980 new three-year labor contracts covering virtually all hourly employees granted additional retirement benefits. Similar retirement benefit increases were granted to salaried employees. These increased benefits are expected to increase pension expense by approximately $3.6 in 1981. Actuarial assumptions for interest rates and inflation-related salary increases were also changed in 1980 to reflect recent experience. The net effect of this change in assumptions will be to increase net income in 1981 by $1.9.

BLISS & LAUGHLIN INDUSTRIES INCORPORATED (DEC)

FINANCIAL REVIEW

Pension Plans

Pension costs have been funded at a rate necessary to maintain the plans on an actuarially sound basis. Pension costs not expected to be funded within the next year are included as long-term obligations in the balance sheet. The provision is based on normal cost plus interest and amortization of unfunded past service cost over 30 years.

These plans provide benefits for substantially all employees. The provision for pension costs for continuing operations was $1,957,000 in 1980, $2,412,000 in 1979, and $2,091,000 in 1978. Changes in certain actuarial assumptions were made by the Company in 1980 and have the effect of increasing net income by $151,000.

A comparison of accumulated plan benefits and plan net assets for the Company's domestic defined benefit plans is presented below (in thousands):

	January 1		
	1980	1979	1978
Actuarial present value of accumulated plan benefits:			
Vested	$19,693	$17,749	$16,005
Nonvested	1,268	1,115	1,514
	$20,961	$18,864	$17,519
Net assets available for benefits	$16,497	$13,975	$12,779
Accrued pension liabilities	3,244	4,165	4,731
	$19,741	$18,140	$17,510

The weighted average assumed rate of interest used in determining the actuarial present value of accumulated plan benefits was 6% for 1980, 1979 and 1978.

THE GILLETTE COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Pensions

The Company has noncontributory pension plans in effect for substantially all of its domestic employees. A comparison of accumulated benefits and net assets for the domestic plans is presented below.

	(Thousands of dollars)	
	December 31, 1980	December 31, 1979
Actuarial present value of accumulated plan benefits:		
Vested	$82,859	$77,057
Nonvested	13,337	15,276
	$96,196	$92,333
Net assets available for benefits	$92,732	$75,798

The above amounts were calculated as of the balance sheet dates in accordance with Statement of Financial Accounting Standards No. 36. As required, no projection is made for future salary levels or service. The rates of return used in determining the actuarial present value of accumulated plan benefits were 7½% for 1980 and 7% for 1979 and are weighted averages of the rates used by the Pension Benefit Guaranty Corporation to determine annuity payments.

Various pension plans are also in effect for certain subsidiaries operating in foreign countries. Since these foreign plans follow a wide variety of actuarial and reporting practices, a consolidated presentation of accumulated benefits and net assets would not be meaningful.

The Company's general policy is to fund pension costs currently. Principal exceptions to this policy occur in the Company's subsidiaries in Germany, where, under common local practice and enabling tax law, pension costs are accrued but unfunded. The amount of these accrued costs approximates the actuarial value of vested benefits.

The total amount charged to expense for all Company-sponsored pension plans, computed by independent actuaries primarily under the entry age normal cost method, was $29,800,000 in 1980 ($23,914,000 in 1979; $22,220,000 in 1978). The domestic portion of this expense includes amortization of unfunded prior service cost over periods not exceeding 30 years.

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 accrue and fund current service costs and amortization of unfunded prior service costs over ten years (see Note 6).

Note 6—Employee Benefit Plans

The Company and its subsidiaries have in effect several noncontributory defined benefit and defined contribution employee retirement plans covering substantially all employees. The total expense of these plans for 1980, 1979 and 1978 was approximately $3,937,000, $3,600,000 and $2,220,000, respectively, which includes, as to certain defined benefit plans, amortization of past service costs over ten years. The Company makes annual contributions to the plans equal to the amounts accrued for pension expense. The Company improved the retirement benefits payable under the defined benefit plans in 1979, resulting in the increased costs and in the increased unfunded prior service costs. Additional information pertinent to the defined benefit pension plan is as follows:

	Information Available As Of		
	January 1, 1980	January 1, 1979	January 1, 1978
	(Dollars in thousands)		
Total assets available for benefits			
At cost	$36,487	$32,421	$30,064
At market	$40,356	$34,283	$32,372
Actuarial present value of accumulated plan benefits:			
Vested	$22,084	$19,212	$19,322
Nonvested	3,350	2,898	2,635
Total	$25,434	$22,110	$21,957
Gross accrued liability	$45,270	$39,948	$30,156
Unfunded accrued liability (assets at cost)	$ 8,783	$ 7,527	$ 92
Weighted average assumed rate of return used in determining the above benefits	5%	5%	5%
Actuarial wage rate increase assumption	5%	5%	5%
Active participants	6,782	6,678	6,775

Actuarial data regarding the value of vested benefits as of December 28, 1980, are not yet available. 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 at market, as of December 28, 1980, 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 $684,000 ($403,000 in 1979 and $106,000 in 1978).

OSCAR MAYER & CO. INC. (OCT)

SUMMARY OF ACCOUNTING POLICIES

Pension expense includes normal costs and amortization of prior service costs over 30 years. Under the actuarial cost methods used, variations in experience from actuarial assumptions employed are reflected as adjustments to future normal costs. Accrued pension expense is funded annually.

FINANCIAL REVIEW

Retirement Benefits

The Company provides pension benefits for substantially all of its employees under company-administered trusteed plans, although a limited number of employees are covered by collective bargaining agreements under which payments are made to union-administered funds.

The trusteed plans are primarily defined benefit plans; however, certain employees of the Company receive retirement benefits through profit sharing and defined contribution plans under which the Company makes contributions.

The following summarizes key financial data concerning the defined benefit trusteed plans utilizing an assumed six percent expected rate of return:

	January 1, 1980	January 1, 1979
Actuarial present value of vested benefits	$170,600,000	$149,300,000
Fund assets	151,200,000	119,600,000
Excess of the actuarial present value of vested benefits over fund assets	$ 19,400,000	$ 29,700,000
Actuarial present value of non-vested plan benefits	$ 23,300,000	$ 11,900,000

Fiscal year pension expense for all trusteed plans was $20,600,000 in 1980 and $17,400,000 in 1979. The increase resulted primarily from increased benefits in 1980. Similar increases in benefits will occur in 1981.

Substantially all retired employees of the Company are provided life and health insurance at specified levels. Life insurance is provided to retired employees through an insured plan under which the Company pays premiums to provide required coverage at retirement date and the health insurance claims are expensed as paid. The cost of these benefit plans amounted to $1,600,000 in 1980 and $900,000 in 1979.

PFIZER INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (in part)

Pension Costs in the United States generally are accrued and paid to a trust fund. Pre-ERISA prior service costs are amortized over an initial forty year period, while post-ERISA prior service costs are amortized over periods not exceeding thirty years. Outside of the United States pension costs are accrued and paid according to local requirements. Prior service costs generally are amortized over twenty to forty year periods.

Pension Plans

The Company and its subsidiaries throughout the world maintain pension plans covering substantially all of their eligible employees on a contributory or non-contributory basis. Effective January 1, 1980 and January 1, 1978 certain of the provisions of the Company's non-contributory retirement annuity plan covering most of the employees in the United States were amended, the effect of which was to increase the Company's contribution by approximately $1.4 million in 1980 and $6.0 million in 1978.

Total pension expense, including amortization of prior service costs generally over 30 years, amounted to approximately $40.0, $38.8 and $35.0 million in 1980, 1979 and 1978, respectively.

For the Company's domestic defined benefit pension plans, the actuarial present value of accumulated plan benefits as of the most recent actuarial valuation date, using an average assumed rate of return of 8½%, equal to the Pension Benefit Guaranty Corporation average discounting rate during 1980, was:

(millions of dollars) January 1,	1980
Actuarial present value of accumulated plan benefits:	
Vested	$199.4
Non-Vested	20.4
Total	$219.8

Had these benefits been calculated on a basis consistent with the historical funding rate of the Company's major domestic non-contributory retirement annuity plan for the ten years ended as of the most recent valuation date, an average assumed rate of return of 6% would have been used to value accumulated plan benefits. Under this assumption, the actuarial present value of accumulated plan benefits was:

(millions of dollars) January 1,	1980	1979	1978
Actuarial present value of accumulated plan benefits			
Vested	$261.9	$231.5	$219.0
Non-vested	32.4	29.3	27.8
Total	$294.3	$260.8	$246.8

These amounts have been calculated in accordance with Financial Accounting Standards Board Statement No. 36 and therefore do not give recognition to future salary increases and their effect on accumulated plan benefits. Net plan assets available for benefits were $217.5, $172.9 and $148.7 million as of January 1, 1980, 1979 and 1978, respectively.

The Company has determined that the unfunded vested liability of its international pension plans at the beginning of 1980 amounted to approximately $5 million. The net contributions under these plans generally reflect all costs incurred, giving due recognition to prior service costs and the long-term nature of pension plans.

POLAROID CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9: Employee Benefit Plans

The Company maintains a qualified non-contributory trusteed pension plan covering substantially all domestic employees. The amounts of total pension expense for 1980, 1979 and 1978 were $26,560,000, $21,999,000 and $18,683,000, respectively.

The Company's general policy is to fund pension costs accrued using the aggregate cost method. In 1979 the Company revised the plan's actuarial assumptions and adopted the aggregate cost method in its entirety, thereby eliminating all past service cost. A comparison of accumulated plan benefits and plan net assets for the Company's domestic defined benefit plan is presented below:

(In thousands)	January 1, 1980	1979
Actuarial present value of accumulated plan benefits:		
Vested	$ 57,304	$36,057
Non-vested	30,261	18,926
Total	$ 87,565	$54,983
Net assets available for benefits	$123,410	$88,589

A seven percent annual rate of return was assumed in determining the actuarial present value of accumulated plan benefits for both 1980 and 1979.

Most employees of Polaroid's foreign subsidiaries are covered by either insured or trusteed pension plans of those subsidiaries. The net assets of the foreign trusteed plans exceeded the actuarially computed value of vested beffits in both 1980 and 1979.

The Company also maintains a profit sharing retirement plan and an incentive compensation plan covering substantially all domestic employees, and an employee stock ownership plan covering substantially all domestic employees except officers.

Amounts charged to operating expense for each of the plans are presented below:

(In thousands)	1980	1979	1978
Profit sharing retirement plan	$3,082	$ —	$ 6,778
Incentive compensation plan	$6,164	$ —	$13,555
Employee stock ownership plan	$ 689	$617	$ 887

REPUBLIC STEEL CORPORATION (DEC)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pension Plans

Pension expense is actuarially computed and is funded as accrued.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8: Pension Plans

The company and certain consolidated U.S. subsidiaries maintain non-contributory defined benefit pension plans covering substantially all their employees meeting age and length of service requirements. Pension expense determined in accordance with plan provisions and pursuant to ERISA regulations is presented below. The company's foreign pension plans are not significant, do not report pursuant to ERISA, and do not otherwise determine the actuarial value of accumulated benefits or plan assets available for benefits.

	1980	1979	1978
	(thousands of dollars)		
Pension expense			
Continuing U.S. operations	$33,310	$30,479	$25,562
Total U.S. operations	33,310	30,479	25,812
Pension benefit payments	18,200	13,600	12,400

Statement of Financial Accounting Standards No. 36, issued in May, 1980, requires the disclosure of plan net assets available for benefits compared to the actuarial value of accumulated plan benefits, using assumed rates of return, reflective of expected rates of return during the periods for which payment of benefits is expected to be made, and consistent with returns realistically achievable based on plan assets and plan investment policies. This disclosure thus compares, as of a specific date, the current value of fund assets versus the value of anticipated future payments to employees by the plan for employee services provided prior to this specific date. Under such guidelines, the following is presented as of December 31, 1979.

	(thousands of dollars)
Actuarial present value of accumulated plan benefits:	
Vested	$251,200
Nonvested	2,200
Total	$253,400
Net assets available for benefits at market value	$283,200
Weighted average assumed rate of return used in determining the actuarial present value of plan benefits	7.75%

Actuarial assumptions for funding purposes differ from the above SFAS No. 36 disclosures. Funding actuarial valuations are based on the entry age normal method. Principal actuarial assumptions are a 7% investment return, a 6% wage and salary increase annually, and an average retirement age of 62. The wage and salary assumption was increased in 1979 from 5¼% in 1978. This change in actuarial assumptions increased total U.S. 1979 pension expense by $2,000,000. Unrealized market value gains and losses on the equity portion of the company's pension fund are averaged over five years for actuarial purposes. Unfunded liabilities are amortized over periods ranging from 15 to 40 years. The plan benefits and unfunded vested benefits are estimated for the year 1980, and the 1979 figure has been revised to reflect final actuarial calculations.

	1980	1979	1978
	(thousands of dollars)		
Plan assets			
Market value	$357,700	$283,200	$232,600
Actuarial value	307,100	263,000	226,100
Plan benefits			
Vested	306,300	275,300	250,600
Nonvested	1,800	1,300	1,400
Unfunded vested benefits	—	12,300	24,500

WARNER-LAMBERT COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Significant Accounting Policies:

Pensions—Annual pension costs charged to income include actuarially estimated current service costs and appropriate charges relating to unfunded prior service costs which are generally being amortized over 30 years. Warner-Lambert's general policy is to fund accrued pension costs.

Note 14—Pensions:

Warner-Lambert has various pension plans covering most of its employees in the United States. Certain foreign subsidiaries also have various plans, many of which are correlated to the statutory requirements of the particular countries. Pension costs charged to income, exclusive of pension costs accrued as part of the nonrecurring items described in Note 2, totaled $49.7 million, $44.7 million and $42.4 million in 1980, 1979 and 1978, respectively. During 1979, certain actuarial assumptions utilized in calculating pension expense relative to Warner-Lambert's principal domestic retirement plans were changed. These changes had the effect of reducing pension expense in 1979 and 1980 by approximately $4.2 million. Pension benefits under Warner-Lambert's principal domestic plan were increased effective January 1, 1980 which had the effect of increasing 1980 pension expense by approximately $4.3 million.

The following table summarizes for the Company's defined benefit plans the present value of accumulated plan benefits and assets available for plan benefits as of the most recent valuation dates (primarily November 30, 1979 for January 1, 1980 and November 30, 1978 for January 1, 1979):

	January 1, 1980	1979
	(in thousands)	
Actuarial present value of accumulated plan benefits:		
Vested	$406,041	$389,836
Nonvested	50,129	35,592
	514,170	425,428
Assets available for plan benefits:		
Held by trustees	413,458	337,678
Accrued pension obligations	23,041	5,878
	436,499	343,556
	$ 77,671	$ 81,872

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7.5% and 6.5% for 1980 and 1979, respectively.

Actuarial Assumptions Changed

TRW INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (in part)

The company maintains pension plans covering substantially all of its employees, including the majority of employees in foreign countries. Pension expense, which is accrued and funded, includes current costs and amortization of prior service liabilities over periods from 10 to 25 years.

Pension Plans

Total pension expense for 1980, 1979, and 1978 was $87.8 million, $96.8 million, and $85.3 million, respectively. The company makes contributions to the plans equal to the amounts accrued for pension expense.

Following a comprehensive study of the company's domestic actuarial policies, changes were made in 1980 in the actuarial assumptions and amortization periods of defined benefit plans. The changes established more realistic periods for funding present and future obligations and reflect the best estimates of future trends and valuation assumptions. The most significant changes were an increase in the projected earnings scale to 8 percent for pay related plans and an increase in the assumed rate of return on investments to 8.5 percent from 6 percent for all plans. These changes had the effect of increasing net earnings for the year by approximately $10.8 million and increasing fully diluted earnings per share by $.29.

A comparison of accumulated plan benefits and plan net assets for the company's defined benefit plans as of December 31 is presented below:

(In thousands)	1980	1979
Actuarial present value of accumulated plan benefits:		
Vested	$684,562	$626,471
Nonvested	93,419	86,030
	$777,981	$712,501
Net assets available for benefits	$950,831	$715,173

Included in the above table are certain plans whose aggregate liability for accumulated benefits of $263 million exceeds the total assets of those plans by $73 million as of December 31, 1980.

These amounts were based on actuarial valuations of accumulated benefits, as of January 1, 1980 updated to December 31, 1980 and on the market value of plan assets at December 31, 1980 and 1979. An 8.5 percent interest rate was used to determine the present value of accumulated benefits.

MOHASCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9: Retirement, Incentive and Investment Plans

All eligible employees of the Company and its domestic subsidiaries are covered by non-contributory defined benefit retirement plans. The cost of the retirement plans is accrued annually; funding is in accordance with actuarial requirements of the plans, subject to the Employee Retirement Income Security Act of 1974. Unfunded past service costs are amortized over twenty years. Costs of the plans and Company contributions were:

	1980	1979	1978
Plans cost	$2,238,000	4,192,000	4,104,000
Company contributions	$ —	3,065,000	4,104,000

Changes in actuarial assumptions, including a change in the assumed rates of investment return and a change in the funding method, increased net earnings in 1980 by approximately $1,000,000 or $.16 per share of common stock.

Information with respect to the plans for 1980 and 1979 has been determined by the actuaries. A comparison of these benefit measurements to the plans' assets gives two forms of financial information helpful in assessing the plans' present and future ability to pay benefits.

The first measurement compares the market value of assets held with the present value of benefits that have been earned based on services rendered to date and current salary levels.

	1980	1979
Actuarial present value of accumulated plan benefits:		
Vested	$30,300,000	30,600,000
Non vested	2,800,000	3,000,000
	$33,100,000	33,600,000
Net assets available for pension benefits	$49,100,000	41,100,000
Assumed composite rate of investment return	7.75%	6.50%
Plan valuation date	1/1/80	1/1/79

The second measurement shows the plans' present value of accrued benefits based on the actuarial cost method used to determine the cost of the plans, which considers expected future years of service and salary levels which was $41,900,000 in 1980 and $42,300,000 in 1979.

Under various incentive compensation plans, certain employees received cash bonuses for reaching certain performance criteria amounting to $789,000 in 1980, $1,236,000 in 1979 and $1,334,000 in 1978.

The Company has an investment plan for domestic salaried and sales employees. Participants in the plan may contribute up to twelve percent of their salaries each year. The Company makes a basic contribution of 25 percent of any contribution not exceeding six percent of the participant's salary. The Company may make additional contributions not to exceed 75 percent of employee contributions considered in the calculation of the basic contribution if the return on equity exceeds that of the plan's base year, which has not happened in the years reported. The cost of the plan was $475,000 in 1980, $485,000 in 1979 and $496,000 in 1978.

Actuarial Cost Method Changed

SYBRON CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 1 (in part): Summary of Accounting Policies

Pensions—The Corporation and its subsidiaries have various pension plans covering substantially all employees. The past service liabilities of these plans are being charged to income over varying periods not exceeding forty years. Pension liabilities are funded by periodic payments to pension fund trustees except for certain foreign subsidiary pension plans. Charges to income are determined from annual actuarial valuations of the pension plans.

Note 12: Pension Plans

The Corporation and its subsidiaries have various pension plans covering substantially all employees. For domestic pension plans, funds are deposited with pension fund trustees. Major subsidiaries outside the United States provide pensions for employees which conform with the practice in the country in which they do business. Under some of the plans outside the United States, accumulated pension amounts are carried as long-term liabilities by the subsidiaries, while others are trusteed for insured plans.

Pension expense charged to income totaled $13,646,000, $14,200,000 and $14,500,000 in 1980, 1979, and 1978, respectively, including amortization of past service cost over varying periods not exceeding forty years.

In 1980 the method used to determine the funding of certain domestic pension plans was changed from the "entry-age-normal" method to the "projected-unit credit" method. This new actuarial method determines an annual pension expense which more appropriately relates the costs of projected retirement benefits to the year in which such benefits are earned and standardizes the method used for most of the Corporation's domestic plans. The effect of this change was to lower pension expense by approximately $1,500,000 in 1980.

In 1979 the underlying actuarial assumptions (principally assumed interest rates) were changed for certain domestic plans. The effect in 1979 of such changes in accounting estimates was to lower pension expense by $2,263,000, thus increasing net income per share by $.10.

As calculated at January 1, 1980 and 1979, the present value of benefits accumulated by current and former employees of the Corporation and its domestic subsidiaries were as follows:

	1980	1979
Actuarial present value of accumulated plan benefits:		
Vested	$100,545,000	$84,246,000
Non-vested	17,148,000	15,378,000
Accumulated benefits	$117,693,000	$99,624,000
Net assets available for benefits	$117,501,000	$99,680,000

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was approximately 6% for both 1980 and 1979.

The Corporation's foreign subsidiaries are not required to report to U.S. governmental agencies under ERISA and have not determined the actuarial value of accumulated benefits or net assets available for benefits as calculated and disclosed above. For those foreign plans, the estimated value of vested benefits exceeds the accrued liability by approximately $2,405,000 and $3,371,000 as of December 31, 1980 and 1979, respectively.

Summary/Statement of Changes in Pension Fund Assets

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pensions

Pension accounting policy is disclosed in Note 16 to the Financial Statements (page 46).

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. Actuarially determined amounts are charged to cost and paid to the Pension Trust maintained in conjunction with the Plan. Trust funds are irrevocably devoted to service pension and survivor benefits, and the Company's policy is to assure that such funds will be adequate to provide benefits payable under the Plan. To this end the various actuarial assumptions and procedures are reviewed regularly by both the Company and its independent outside actuaries.

The Company uses the accrued benefit (unit credit) actuarial cost method. Assumptions include: an assumed rate of future earnings on Pension Trust assets; 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 $397 in 1980, $361 in 1979, and $288 in 1978. The increase in cost for 1980 was due primarily to the impact of higher payrolls. The increase in cost for 1979 was due primarily to the impact of higher payrolls, an increase in assumed pay scales, and an increase in pensions effective in May 1979. Aggregate amounts expensed by the Company for the Plan represent 16.1% of the total annual wages and salaries of participants in the Plan in 1980.

Company contributions to the Pension Trust Fund as shown in the following table include $5 and $15 for 1980 and 1979, respectively, representing costs reimbursed under government contract.

Statement of Changes in Pension Trust Fund Assets (assets at market value)

	1980	1979
Net assets at January 1	$3,840	$3,178
Add:		
Company contributions	401	226*
Net change in contributions receivable	(10)	200*
Income from investments, including net appreciation in market value	971	437
	5,202	4,041
Deduct:		
Pension payments**	227	201
Net assets at December 31	$4,975	$3,840
Comprised of:		
Cash, accrued income, and U.S. Government obligations	$ 525	$ 358
Corporate obligations	1,024	975
Common stocks	3,079	2,150
Contributions receivable***	347	357

*$150 of 1979 contributions were prepaid in December 1978.

**The number of participants receiving benefits from the Pension and Retirement Plan at December 31, 1980, was 42,419.

***Statement of Financial Accounting Standards No. 35 requires that certain amounts which the Company will pay to the Pension Trust in the following year be included in Trust assets at year-end. No liability for such payments has been included in the Company's financial statements.

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 $62 in 1980, $50 in 1979, and $39 in 1978.

Benefit and asset information for the pension plans of the Company and its consolidated subsidiaries on the basis required by Statement of Financial Accounting Standards No. 36 is shown below:

	December 31	
	1980	1979
Actuarial present value of accumulated plan benefits*		
Vested	$3,878	$3,804
Nonvested	71	68
	$3,949	$3,872
Net assets available for benefits (at market value)**	$5,537	$4,286

*The assumed rates of future earnings used to determine the actuarial present value of accumulated plan benefits are those published by the Pension Benefit Guaranty Corporation. The average of such rates was 8.6 percent for 1980 and 7.9 percent for 1979.

**Assets at year end include contributions receivable of $360 and $371 at December 31, 1980, and 1979, respectively.

The foregoing data measure accumulated plan benefits based on pay and service to date. Most actuarial cost methods also provide for the calculation of such values on a basis which recognizes projected future pay increases. For plans which define benefits in relation to pay in the final years of employment, such projected pay increases can have a material impact on the amount of ultimate plan benefits, a portion of which is properly attributable to past service. Recognition of the impact of projected pay increases would increase the present value of accumulated plan benefits shown above by about $1,700 and $1,500 at December 31, 1980, and 1979, respectively.

CELANESE CORPORATION (DEC)

NOTES

(millions, except per share)

Note R: Retirement income plans

The Corporation has various retirement income plans covering substantially all employees. The expenses of these plans are determined and funded based on the entry-age normal cost actuarial method. All plans, except the Executive Pension Plan, are fully funded with respect to the present value of accumulated benefits. Actuarial assumptions used in the valuation of the plans are reviewed periodically and revised as required to reflect inflationary expectations and other changes.

Principal assumptions and the period over which prior service costs are amortized for the U.S. plans are as follows:

	1976-78	1979-80
Investment return	6.0%	6.75%
Pay increase		
Salaried	8.5%	6.25%
Hourly	7.0%	6.25%
Average retirement age	65 years	63 years
Turnover	Current Experience	
Prior service costs	20 years	15 years

The net effect of the above changes in 1979 was to reduce pension expense by $12 million and increase net income by $.42 per share, or $6 million. In the same year, retirement benefit improvements in the largest plan increased pension expense by $14 million and reduced net income by $.45 per share, or $7 million. In 1978, plan changes and Social Security law amendments increased pension expense by $6 million and reduced net income by $.20 per share, or $3 million.

Amounts charged to operations were:

	1976	1977	1978	1979	1980
U.S.	$19	$19	$28	$37(a)	$43(a)
Non-U.S.	2	2	2	3	3
Total	$21	$21	$30	$40	$46

(a) Includes charges for unfunded plans of $1 million in 1979 and $3 million in 1980.

Assets of the U.S. plans, which are not the property of the Corporation, are held in trust at Chase Manhattan Bank. Employee funds, accumulated principally during the time most plans were on a contributory basis, are held by Prudential Insurance Company of America (Prudential). Assets are managed by Fred Alger Management, Alliance Capital Management Corporation, Bankers Trust Company, Neuberger & Berman Pension Management, Prudential, Roulston & Company, and Wells Fargo Investment Advisors.

Summarized financial information of the U.S. plans at market value is as follows:

	1976	1977	1978	1979	1980
Financial position at December 31:					
Equities	$129	$124	$133	$234	$348
Fixed income	44	52	56	63	59
Real estate	14	16	18	25	44
Other assets	10	16	46	14	46
Sub-total	197	208	253	336	497
Employee funds	23	22	23	22	20
Plan assets	$220	$230	$276	$358	$517
Changes in plan assets:					
Contributions	$ 19	$ 19	$ 28	$ 36	$ 75(a)
Distributions	(4)	(5)	(5)	(7)	(9)
Investment gains/(losses)	31	(4)	23	53	93
Net change	$ 46	$ 10	$ 46	$ 82	$159
Total payments to retirees (b)	$ 8	$ 8	$ 8	$ 10	$ 11

(a) Includes prepayment of $35 million.

(b) Includes payments by an insurance company from annuities purchased in prior years.

A comparison of plan assets above with the present value of accumulated benefits for funded U.S. plans at December 31, based on the investment return assumptions above, follows:

	1976	1977	1978	1979	1980
Plan assets	$220	$230	$276	$358	$517
Accumulated benefits:					
Vested	133	189	217	236	292
Non-vested	12	16	13	11	15
Total	145	205	230	247	307
Assets over benefits	$75	$25	$46	$111	$210

The actuarial unfunded prior service costs at December 31, 1980, amounted to $129 million. This measurement, which is used in the determination of annual pension expense, differs from the table above because it considers expected future salary increases and service, and assets are valued on an actuarial basis. At December 31, the market value of plan assets exceeded the actuarial value by $107 million.

COMPENSATORY PLANS

In addition to pension plans (Table 3-8) and "traditional" stock option and purchase plans (pages 244-252), many companies disclose the existence of compensatory plans of the nature indicated in Table 3-9. *APB Opinion No. 25* states in part:

8. Plans that do not possess the four characteristics of noncompensatory plans are classified as compensatory plans. Since the major principles of Chapter 13B of *ARB No. 43* are not changed, classification as a compensatory plan does not necessarily require that compensation cost be recognized.

10. *Measuring Compensation for Services.* Compensation for services that a corporation receives as consideration for stock issued through employee stock option, purchase, and award plans should be measured by the quoted market price of the stock at the measurement date less the amount, if any, that the employee is required to pay. This is the principle in Chapter 13B of *ARB No. 43* with two modifications: (a) the meaning of fair value of stock for compensatory plans is narrowed and (b) the measurement date for plans with a variable number of shares of stock or a variable option or purchase price is different . . .

Thus a corporation recognizes compensation cost for stock issued through compensatory plans unless the employee pays an amount that is at least equal to the quoted market price of the stock at the measurement date.

12. *Accruing Compensation Cost.* Compensation cost in stock option, purchase, and award plans should be recognized as an expense of one or more periods in which an employee performs services and also as part or all of the consideration received for stock issued to the employee through a plan. The grant or award may specify the period or periods during which the employee performs services, or the period or periods may be inferred from the terms or from the past pattern of grants or awards (*ARB No. 43* Chapter 13B, paragraph 14; *APB Opinion No. 12, Omnibus Opinion-1967,* paragraph 6).

14. If stock is issued in a plan before some or all of the services are performed, part of the consideration recorded for the stock issued is unearned compensation and should be shown as a separate reduction of stockholders' equity. The unearned compensation should be accounted for as expense of the period or periods in which the employee performs service.

16. *Accounting for Income Tax Benefits.* An employer corporation may obtain an income tax benefit related to stock issued to an employee through a stock option, purchase, or award plan. A corporation is usually entitled to a deduction for income tax purposes of the amount that an employee reports as ordinary income, and the deduction is allowable to the corporation in the year in which the amount is includable in the gross income of the employee. Thus, a deduction for income tax purposes may differ from the related compensation expense that the corporation recognizes, and the deduction may be allowable in a period that differs from the one in which the corporation recognizes compensation expense in measuring net income.

TABLE 3-9: COMPENSATORY PLANS

	Number of Companies			
	1980	1979	1978	1977
Incentive compensation plan	148	161	149	145
Stock award plan	104	104	107	73
Profit-sharing plan	89	86	75	68
Savings fund plan	45	40	24	26
Deferred compensation agreement	38	31	25	24

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

R.R. DONNELLEY & SONS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (in part): Stock and Incentive Programs for Management Employees

(a) Incentive Compensation Plans: The Company has incentive compensation plans covering selected officers and executives. Amounts charged to expense for supplementary compensation, which is determined from participants' base salaries and factors relating to profits and sales performance, etc., were $2,682,000 in 1980, $2,665,000 in 1979 and $2,522,000 in 1978.

EXXON CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 14: Bonus Plans—The 1973 and the 1978 Incentive Programs make provision for grants of bonuses in respect of each of the five years beginning with 1973 and 1978, respectively, which are not to exceed 3 percent of the amount by which net income in a given year exceeds 6 percent of capital invested (as defined in the plans). Under the 1978 plan, bonuses may be granted to eligible employees of the corporation and of those affiliates at least 95 percent owned. Under the 1973 plan, bonuses were grantable in cash, shares of the corporation's stock or stock appreciation bonus units, which are rights entitling the grantee to receive on the settlement date, with certain limitations, an amount of cash equal to the sum of (i) the appreciation, if any, in the market value of the corporation's stock between the date of grant and the date of settlement and (ii) the equivalent of dividends on the stock during this same period. Under the 1978 plan, bonuses may be granted in cash, shares of the corporation's stock or earnings bonus units, which are rights entitling the grantee to receive on the settlement date, with certain limitations, an amount of cash equal to the corporation's cumulative earnings per share as reflected in its quarterly earnings statements, commencing with earnings for the first full quarter following the date of grant to and including the last full quarter preceding the date of settlement. Bonuses other than units may be paid in cash or shares of the corporation's stock in full at the time of allotment or retirement or in annual installments. Any unpaid amounts are subject to certain forfeiture provisions contained in the plan.

Grants in cash and shares of the corporation's stock are charged to earnings in the year of grant. Appreciation, if any, and dividend equivalents on outstanding stock appreciation bonus units and amounts earned under earnings bonus units are accrued as they occur. Total charges to earnings in 1978, 1979 and 1980 were $15,519,000, $24,245,000 and $29,779,000, respectively, reflecting grants substantially less than the maximum permitted under the plans.

GENERAL SIGNAL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

(dollars in thousands)

Note 10: Incentive compensation plan

The Company's incentive compensation plan provides for awards to officers and key employees in cash, common stock of the Company, or both. Payment of such awards may be made currently or deferred. The stockholder-approved plan limits the total amount which can be provided in any one year to 10% of the amount by which net earnings (as defined in the plan) exceed 5% of average capital investment (as defined in the plan) during the year. The amounts charged to earnings were $5,425 in 1980, $7,020 in 1979, and $4,918 in 1978. At December 31, 1980, a total of 33,868 shares of common stock are issuable as Deferred Compensation.

INTERNATIONAL PAPER COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15: Incentive Plans

IP has a Profit Improvement Plan, which has been approved by the share owners. Under the Plan, contingent awards of shares of common stock, covering three-year periods, are granted by a committee composed of members of the Board of Directors who are not eligible for awards. Awards are earned if the Company's earnings exceed profit bases predetermined by the committee for each year or over the entire three-year period. The profit bases may be adjusted by the committee to reflect events or actions significantly affecting the Company's earnings which do not reflect management performance. No shares were earned in 1978. In 1979, 58,548 shares were earned. In 1980, 110,365 shares were earned, including an additional award based upon earnings over the entire 1978-80 award period.

IP also has an Incentive Compensation Plan for those employees who are in a position to make substantial contributions to the management of the Company. Awards may be made in any year in which net earnings, as defined, exceed 6 percent of share owners' equity, but are limited to 8 percent of such excess or 10 percent of the cash dividends declared on the outstanding common stock of the Company during the year, whichever is less. In April 1980, the share owners approved an amendment to the Plan to allow any such available funds not used for awards in one year to be carried forward for use in future years. The awards may be made in cash payable immediately, or in treasury common shares deliverable in the future.

Provision for the cost of the Company's two incentive plans amounted to $13.2 million, $15.3 million, and $8.5 million for 1980, 1979, and 1978, respectively.

PALL CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9—Incentive Compensation Plan

The plan provides additional compensation to officers and key employees of the Company and its subsidiaries based upon the achievement of specified management goals. The Board of Directors, based on recommendations of its Compensation Committee, establishes the goals on which the Company's officers are compensated, and management establishes the goals for other covered employees. With respect to the officers covered by the employment contracts referred to in Note 11, any incentive compensation payable to an officer under the incentive compensation arrangement described in this paragraph is reduced by the incentive compensation payable under the formula contained in his employment contract. The aggregate amounts charged to expense in connection with the plan were $1,245,000 and $932,000 in fiscal 1980 and 1979, respectively.

PHILLIPS PETROLEUM COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 15—Incentive Compensation Plans

The Incentive Compensation Plan, adopted in 1965, provides for awards to key employees in recognition of outstanding contributions to the company's success. Awards, as approved by the Board of Directors, may be in the form of cash or shares of the company's common stock and the aggregate amount of the awards may not exceed 3 percent of the amount by which net income for that year exceeds 6 percent of borrowed and invested capital as of the previous year's end. Provisions of $6,805,000, $7,593,000 and $5,008,000 were made against earnings in 1980, 1979 and 1978, respectively, in connection with the operation of the plan. The provisions were substantially less than the maximum permitted under the plan.

The Long-Term Incentive Compensation Plan, adopted in 1978, provides for the granting of contingent awards to certain key employees as incentives to improve the company's long-term profitability and growth. The amount of awards to be paid is determined, at the close of each performance period, on the basis of performance measurement criteria established by the Board of Directors at the beginning of the performance period. Performance periods have a duration of not less than three years. The aggregate awards for any performance period may not exceed 15/100 of 1 percent of the number of shares of the company's common stock outstanding on the first day of December preceding the period, multiplied by the number of years in the period which are not included in a previously established performance period. Provisions of $5,994,000, $4,956,000 and $1,644,000 were made against earnings in 1980, 1979 and 1978, respectively, in anticipation of awards which may become payable under the plan.

POTLATCH CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

(Dollars in thousands—except per-share amounts)

Note 10 (in part): Retirement, Incentive and Savings Plans

The company's management performance award plan covers key management employees. Cash awards are paid in the year after they are earned (or deferred and paid over 15 years after termination, in certain cases). Subject to certain minimum and standard performance criteria, which are established each year, awards are based on: 1) the company's earnings performance as compared with 14 other companies in the forest products industry, 2) results achieved by the group or division to which the individual is assigned and 3) performance by the individual during the award year. The plan is administered by the executive compensation and personnel policy committee of the board of directors; members of such committee are not eligible to participate. A provision of $1,054 was made in 1980 ($1,248 in 1979 and $1,065 in 1978).

SHELL OIL COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9: Executive Incentive Program

The Executive Incentive Program authorizes the Board of Directors to periodically grant to key employees various incentives consisting of 1) incentive compensation awards, 2) performance unit awards (conditionally payable at the end of each ensuing four-year period contingent upon the achievement of specified performance goals), and 3) incentive stock options which may be accompanied by stock appreciation rights. Option grants and performance awards have been made in alternate years since the adoption of the program. Charges against income for compensation expense incurred under the program were $34 million in 1980, $15 million in 1979 and $4 million in 1978.

Under the Company's incentive stock option plans, the shares under option were as follows:

	Number of Shares
Outstanding Dec. 31, 1979 at average price of $15.69 per share (of which 624,200 were exercisable)	1,042,200
Granted at average price of $32.61 per share	440,000
Exercised at average option price of $15.81 per share	233,600
Outstanding Dec. 31, 1980 at average price of $21.63 per share (of which 808,600 were exercisable)	1,248,600

In addition, at year-end there were 1,674,000 shares available for granting of future options under the plan.

Profit Sharing Plans

JOSLYN MFG. AND SUPPLY CO. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (in part): Profit Sharing and Pension Plans

The Company has a profit sharing plan covering domestic employees. The annual amount contributed by each company unit in the plan (a) cannot be less than 12½% of its net profit (as defined by the plan) after taxes, (b) is allocated to each eligible employee based on calendar years of employment and is limited to the extent that no employee may receive more than $1,600 and (c) is fully vested and, upon retirement or termination of employment, each employee receives his nonforfeitable pro-rata share of the fund. Contributions from continuing operations for the plan amounted to $1,764,000 in 1980, $1,614,000 in 1979 and $784,000 in 1978. Effective for 1980, the Company contribution was made with repurchased Joslyn Mfg. and Supply Co. common stock. Each member of the profit sharing plan is entitled to vote the number of shares allocated to that member.

SIGNODE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4: Profit Sharing, Pension and Bonus Plans

The parent company has a profit sharing plan for employees under which it contributes a portion of its earnings annually. It is intended to provide funds for a member's use at retirement or for certain other purposes prior to retirement.The parent company's annual contribution under the plan is equal to 30% of its net after-tax earnings, as defined, provided that the minimum annual contribution from current or accumulated earnings shall be at least 5% of the wages or salaries, as defined, paid during the year to participating employees.

In 1975 the parent company amended the plan to provide supplemental contributions by the Company to the extent that a participant's account has not attained a specified minimum balance upon the participant's retirement or other termination. Such minimum balance must be not less than a participant's January 1, 1975 vested amount, plus employee and Company contributions, less any partial withdrawals, all since January 1, 1975. Participants vest on the basis of 50% in the first year and 5% for each full year of service over five years. In addition, those participants with at least 10 years of continuous employment are guaranteed a rate of interest on their net aggregate accounts at least equal to the prevailing regular passbook interest of a specified bank compounded annually. No supplemental contributions have been required through 1980. The Company's normal contributions were $7,275,000 for 1980, $8,718,000 for 1979 and $7,404,000 for 1978. Certain domestic and international subsidiaries also have profit sharing or pension plans and their contributions under these plans were $3,223,000 for 1980, $3,051,000 for 1979 and $1,772,000 for 1978.

The Company has a funded Signode Employees' Supplemental Retirement Income Plan and an unfunded Senior Officers' Supplemental Retirement Income Plan. These plans provide that if retirement benefits under the profit sharing plan are inadequate to provide a defined minimum annual life benefit, taking into account final average pay, specified years of service and a portion of the primary Social Security benefit, the Company will make supplemental payments to bring the retirement benefit up to that minimum level. Participants become eligible for full benefits at age 62 and are penalized for earlier retirement. The actuarially computed provisions under these plans were $770,000 for 1980, $670,000 for 1979 and $251,000 for 1978.

In addition, officers and key employees of the parent company participate in an incentive bonus plan. The annual bonus is computed using a formula which considers the participant's annual salary and consolidated net earnings. The incentive bonus provision was $1,962,000 for 1980, $2,120,000 for 1979 and $1,923,000 for 1978.

WALGREEN CO. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Retirement Plans:

The Company has a retirement plan for employees known as the Walgreen Profit-Sharing Retirement Trust, to which both the Company and the employees contribute. The Company's contribution, computed by a formula specified by the Trust Agreement, is related to pre-tax income, and is reduced by the Company's payment for Profit-Sharing member's Social Security and Medicare tax that is in excess of 5.2% of annual wages subject to such taxes. The Profit-Sharing provision was $8,508,000 in 1980 and $7,272,000 in 1979.

On January 1, 1980, the Company adopted a Retirement Income Security Plan for profit-sharing members and a Supplemental Retirement Plan for certain executives. These plans, which are non-contributory, provide supplemental benefits to eligible profit-sharing members if retirement benefits under the profit-sharing plan fall below defined minimum levels. The actuarially computed expense under these plans was $240,000 for fiscal 1980, which includes amortization of past service costs over 10 years. The actuarial present value of accumulated plan benefits, determined as of January 1, 1980, was $336,000 and $15,000 for vested and nonvested benefits, respectively. An assumed rate of return of 7% was used in determining accumulated plan benefits. Funding of the provision related to the Retirement Income Security Plan will commence in Fiscal 1981.

Stock Award Plans

ASHLAND OIL, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Employees' pension, retirement and benefit plans

Under the 1978 performance unit plan for officers and key employees, which provides for the payment of cash and common stock awards based on attaining predetermined financial goals over a four year period, $1,196,000 and $825,000 have been charged against income in 1980 and 1979. In addition, under the 1978 stock purchase program, Ashland has guaranteed employees' bank loans (for the purchase of Ashland's common stock on the open market) which had unpaid balances of approximately $9,900,000 at September 30, 1980.

BECTON, DICKINSON AND COMPANY (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note D—Employee Stock Plans

Stock Award Plan—A Stock Award Plan provides for grants of common shares to certain key employees. Commencing on the first anniversary of a grant, 75% of the award is distributable in five equal annual installments; the balance is deferred until after retirement or involuntary termination. Awards for 31,909 and 26,405 shares (net of cancellations) with a market value of $1,013,000 and $863,000 were granted in 1980 and 1979, respectively. Awards are charged to income in the year earned ($1,186,000 in 1980 and $1,363,000 in 1979). Shares issued during 1980 and 1979 were 15,522 and 13,482, respectively. At September 30, 1980, 118,857 shares were reserved for future issuance, of which awards for 97,173 shares had been granted.

CBI INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of dollars, except per share amounts)

Note 14. Restricted Stock Award Plan

In 1978, the Shareholders approved a plan to issue restricted stock awards to CBI's management employees. A total of 500,000 common shares may be awarded under the plan which expires in 1984. These shares may be newly issued or reacquired. As of December 31, 1980, 303,080 shares have been awarded under the plan, of which 5,420 have been forfeited. Therefore, 202,340 shares remain available for award under the plan. Certificates for shares awarded are issued in the name of the employee, who has all the rights of a shareholder, subject to certain restrictions or forfeitures. The certificates are held by CBI until the restrictions lapse or the shares are forfeited. Generally, restrictions on 50% of the shares in each award expire five years from the award date, although more severe restrictions may be imposed on particular awards. All remaining restrictions expire upon the occurrence of certain events, notably the earlier occurrence of death or the second anniversary of retirement.

One-time supplemental awards of 107,880 shares were made in 1978 to employees who surrendered outstanding stock options under the 1975 Stock Option Plan by June 1, 1978. The supplemental award was 20% of the number of the shares subject to the surrendered options, but not less than 200 shares. Restrictions on 40% of the shares in each supplemental award expired in 1980. Restrictions on 30% of the shares will expire in 1982 and restrictions on the final 30% of the shares will expire in 1984. However, all restrictions expire upon the earlier occurrence of death or the second anniversary of retirement.

In addition to shares awarded under the plan, 30,000 shares were awarded in 1978 by the Board of Directors, as a one-time award, to the Chairman of the Board and President who is not eligible to participate in the plan. Restrictions on 25% of the shares will expire in each of four years beginning January 1, 1983. However, all restrictions expire upon the earlier occurrence of death.

Awards made during 1980, 1979 and 1978 were:

Award Date	Number of Shares	Fair Market Value Per Share	Fair Market Value Total
November 6, 1980	14,900	$63.75	$ 950
March 1, 1980	17,000	$39.19	$ 666
October 2, 1979	110,500	$30.06	$3,322
June 2, 1978	190,680	$27.56	$5,256

All shares awarded were from shares previously reacquired by CBI.

The fair market value of shares awarded is recorded as unamortized restricted stock award compensation and shown as a reduction in shareholders' investment. This compensation is amortized to expense as employees perform service required by the restrictions. The amount of amortized compensation charged to income was $1,659 in 1980, $1,223 in 1979 and $641 in 1978.

HERCULES INCORPORATED

NOTES TO FINANCIAL STATEMENTS

(Dollars in thousands, except per share)

Note 7. Compensation Plans:

(a) Unit Incentive Plan: The Unit Incentive Plan, adopted in 1972, provides that units may be granted to key employees, 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, interest, 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 1980, 149,440 units were awarded, 366,490 units vested and were paid, and 3,550 units were canceled. The charge to income was $1,597 in 1980, $1,970 in 1979, and $1,223 in 1978. There were 950,900 units outstanding at December 31, 1980.

(b) Restricted Stock Incentive Plan: The Restricted Stock Incentive Plan, adopted in 1980, provides for the award of shares of common stock of the company to key employes, subject to certain restrictions.

The maximum aggregate number of shares to be awarded under the Plan is 600,000, with a maximum to any single employe of 40,000 shares. Awards may not be granted under the Plan after March 31, 1986.

During 1980, 65,350 shares were awarded, resulting in a charge to income of $251, based on amortization of the compensation expense over the restricted period.

SQUIBB CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Stock Option and Performance Unit Plans

Under the terms of the 1978 Option and Performance Unit Plan, 1,300,000 shares of the Company's common stock may be issued for options granted and for payment of performance units awarded. The options may be granted for a period of not more than ten years and are generally exercisable in four equal annual installments commencing one year after grant. At December 31, 1980, options to purchase 500,888 shares of common stock were available for future grants under this plan.

Under the 1974 Option and Performance Unit Plan and the 1968 Stock Option Plan, options were granted on a qualified or nonqualified basis for periods of up to ten years. No further options can be granted under these plans.

In connection with the sale of a subsidiary in 1980, fully exercisable options were granted to purchase an aggregate of 93,702 shares of the Company's common stock at prices ranging from $31.57 to $47.29 per share. These options expire at various dates on or before July 31, 1983.

During 1980, pursuant to a merger agreement, outstanding options under a plan of an acquired company became options to purchase 360,000 shares of the Company's common stock at prices ranging from $2.50 to $12.50 per share. Similarly, during 1979, outstanding options under a plan of an acquired company became options to purchase 24,083 shares of the Company's common stock at prices ranging from $6.73 to $13.95 per share. No further options can be granted under these plans.

Option changes during the three years ended December 31, 1980 for all of the above plans were:

	Shares under option		
		Exercise price	
	Shares	From	To
Balance at January 1, 1978	1,369,017	$22.69	$54.63
Granted	301,390	23.00	34.19
Exercised	(400)	32.00	—
Terminated	(140,050)	22.69	54.63
Balance at December 31, 1978	1,529,957	22.69	50.32
Granted	371,900	30.25	38.32
Assumed (acquired company)	24,083	6.73	13.95
Exercised	(44,335)	6.73	36.57
Terminated	(64,284)	8.47	50.13
Balance at December 31, 1979	1,817,321	6.73	50.32
Granted	451,002	24.69	47.29
Assumed (acquired company)	360,000	2.50	12.50
Exercised	(110,289)	2.50	32.00
Terminated	(267,796)	5.00	50.13
Balance at December 31, 1980	2,250,238	2.50	50.32
Exercisable at December 31, 1980	1,048,796	$ 2.50	$50.32

Performance unit awards granted under the 1978 and 1974 Option and Performance Unit Plans are payable in varying amounts at the conclusion of the award cycle, which must be a minimum of three years, if certain cumulative growth objectives (which may include earnings per share or pretax income) of the Company or its subsidiaries are met. No further performance unit awards can be granted under the 1974 Option and Performance Unit Plan.

Each year, a charge to income is made to cover a pro rata portion of the anticipated payout due at the end of the award cycle based on cumulative growth objectives realized in each year and preceding years. In 1980, $115,000 was credited to income ($196,000 in 1979 and $45,000 in 1978) to reflect a lower payout than was anticipated in earlier years of the award cycle.

Performance unit changes under the 1978 and 1974 Option and Performance Unit Plans during the three years ended December 31, 1980 were:

	Number of units	Unit base value From	To
Balance at January 1, 1978	148,198	$22.69	$34.69
Awarded	51,072	27.25	34.19
Terminated	(5,773)	29.57	34.69
Matured	(39,900)	30.07	—
Balance at December 31, 1978	153,597	22.69	34.69
Awarded	37,028	30.50	37.50
Terminated	(2,774)	22.69	29.57
Matured	(21,568)	34.69	—
Balance at December 31, 1979	166,283	22.69	37.50
Awarded	1,301	34.19	—
Terminated	(7,086)	22.69	37.50
Matured	(30,630)	25.63	29.57
Balance at December 31, 1980	129,868	$22.69	$37.50

At December 31, 1980, a total of 2,751,126 shares of unissued common stock were reserved for issuance under the stock option and performance unit plans, and 12,500 shares of common stock held in treasury were reserved for issuance under options granted (other than under such plans) at an exercise price of $28.94 per share.

At December 31, 1980, $179,000 was due to a key employee with respect to the purchase in 1972 by the Company of certain shares of common stock previously held by him ($268,000 in 1979) ($493,000 in 1978 was due to certain key employees).

PEPSICO, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (in part): Capital Stock and Capital in Excess of Par Value

In 1979, PepsiCo shareholders approved the 1979 Incentive Plan which carried forward the principal features of the 1972 Performance Share Plan and replaced the 1975 Stock

Option Plan with an incentive stock unit program. Under the 1979 Plan the Compensation Committee of the Board of Directors may award performance shares (each unit being limited to the market value of a share of PepsiCo capital stock on date of grant), and an equal number of stock options to purchase capital stock to senior management employees, and may award incentive stock units, rather than options, to other management employees. Performance shares are not paid unless PepsiCo achieves stated cumulative growth rates in earnings per share over the four-year period following the award. Incentive stock units are rights to receive shares of capital stock or their value, which vest over a period of time, without payment of any amounts to PepsiCo or satisfaction of any performance objectives.

Payments for performance share units and incentive stock units may be made in cash or in capital stock, or a combination thereof, as the Committee decides. The aggregate number of shares of capital stock which may be delivered or purchased under the Plan may not exceed 4,600,000 shares. During 1980 and 1978, performance share units were awarded, of which 965,797 were outstanding at December 27, 1980. During 1980 and 1979, incentive stock units were awarded of which 227,427 were outstanding at December 27, 1980. The cost of awards under the 1972 Performance Share Plan and the 1979 Incentive Plan is being charged to income ($8,787,000 in 1980, $5,220,000 in 1979 and $5,214,000 in 1978) over the applicable term of the award period.

RANCO INCORPORATED (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (in part): Stock Options and Performance Unit and Performance Share Plan:

Performance Unit and Performance Share Plan: The 1979 Performance Unit and Performance Share Plan was adopted by the Shareholders in 1980 for issuance of up to 200,000 of the Company's treasury shares to senior management employees. The Compensation Committee of the Board establishes certain financial objectives and selects the participants at the beginning of the performance period. The value of the shares issued to an employee is determined at 100% of the fair market value on the day prior to the beginning of the performance period and shall not exceed 30% of the participant's annual base salary. The shares issued are restricted and may not be sold or hypothecated during the performance period, but the employee is entitled to vote such shares and to receive dividends.

Upon completion of the performance period and based upon achievement of the financial objectives, the committee determines the performance shares an employee shall retain, and, in addition, a participant shall be entitled to receive cash equal to 150% of fair market value at the beginning of the performance period of shares retained as performance units. In 1980, the Company issued 2,853 performance shares and accrued $17,000 for the performance units.

Deferred Compensation Plans

ADAMS-RUSSELL CO., INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10: 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 $95,200 and $135,700 for the years 1980 and 1979, respectively.

DOYLE DANE BERNBACH INTERNATIONAL INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note E (in part): Employee Benefit Plans

Deferred Compensation Benefits—Agreements, with certain key executives, provide for aggregate annual payments ranging from $6,000 to $103,800 per year, for fifteen years certain beginning when the executive reaches the age of 65 or at his death. Under certain conditions, the amount of deferred benefits can be reduced.

The deferred compensation expense for the years ended December 31, 1978, 1979 and 1980 amounted to $172,281, $249,821, and $318,488, 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 provisions 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (in part): Employee Benefit Plans

(b) Profit-Sharing Bonus Plan—The Company has a profit-sharing bonus plan which provides semi-annual cash payments to the employees. The amount of each employee's bonus is dependent upon his base salary in relation to the total base salary of all employees and the operating performance of the Company. Operations for the years ended September 26, 1980 and September 30, 1979 were charged $2,911,000 and $2,733,000, respectively.

(c) Stock Purchase Plan—The Company has a voluntary employee stock purchase plan for all eligible U.S. employees. The Company's contribution is 25% of the amount invested by the employee plus all commissions and brokerage fees. Contributions are invested in common stock of the

Company by a brokerage firm. Operations for the years ended September 26, 1980 and September 30, 1979 were charged $135,000 and $89,000 respectively, for the Company's contributions.

(d) Deferred Compensation Plan—The Company has a deferred compensation plan for key executives providing for periodic payments upon retirement. Operations for the years ended September 26, 1980 and September 30, 1979 were charged $140,000 and $128,000, respectively.

(e) Management Bonus Plan—The Company has a management bonus plan for key employees payable in cash. Operations for the years ended September 26, 1980 and September 30, 1979 were charged $240,000 and $279,000, respectively.

Savings or Investment Plans

BROCKWAY GLASS COMPANY, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 10: Capital Stock

The Company has authorized and unissued 5,000,000 preferred shares, $1.00 par value per share, issuable from time to time in one or more series as may be determined by the Board of Directors.

During 1980 the Company adopted an Employees Savings Program whereby participating salaried employees may invest, through payroll deduction or direct payment, funds into a guaranteed income investment trust. The Company will match up to 75% of qualifying contributions in the form of common stock. A total of 300,000 shares of uninssued common stock was authorized to be contributed to the trustee in accordance with the provisions of the plan. During 1980 the Company issued into the trust 15,609 shares of such common stock at a market value of $14 to $16⅝ per share.

GRANITEVILLE COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (in part): Employee Benefit Plans

The Company adopted, effective January 3, 1971, "The Graniteville Company Savings and Supplemental Retirement Plan" which provides that qualified employees of the Company 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 $684,000 ($403,000 in 1979 and $106,000 in 1978).

HOMASOTE COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (in part): Pension and Savings Plans

The Company has a voluntary savings plan for which all employees are eligible. The Plan provides for the Company to contribute a minimum of $.25 for every dollar contributed by employees up to 4% of their salary. Company contributions charged to operations under this plan in 1980, 1979 and 1978 amounted to approximately $43,000, $81,000 and $58,000, respectively.

MOHASCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (in part): Retirement, Incentive and Investment Plans

The Company has an investment plan for domestic salaried and sales employees. Participants in the plan may contribute up to twelve percent of their salaries each year. The Company makes a basic contribution of 25 percent of any contribution not exceeding six percent of the participant's salary. The Company may make additional contributions not to exceed 75 percent of employee contributions considered in the calculation of the basic contribution if the return on equity exceeds that of the plan's base year, which has not happened in the years reported. The cost of the plan was $475,000 in 1980, $485,000 in 1979 and $496,000 in 1978.

OWENS-ILLINOIS, INC. (DEC)

FINANCIAL REVIEW

Employee Benefit Plans (in part)

The Owens-Illinois Stock Purchase and Savings Plan, amended in 1980, offers salaried employees with a minimum of one year of service the opportunity to invest 2%, 4%, 6%, 8%, 10%, or 12% of their salaries in the Plan's Company Stock Fund, Government Security Fund, Diversified Stock Fund, or, effective July 1, 1980, in multiples of 25% in any two or more of the Funds. On July 1, 1980, a fourth investment fund, the Fixed Income Fund, became available for the investment of participants' contributions. The Company contributes an amount equal to 50% of the monthly contribution (up to 6% of monthly base salary) made by each participant in the Plan. Prior to 1980, such contributions by the Company could not exceed $1,500 per year as to any participant. Company contributions, which are invested only in the Company Stock Fund for the participant's account, are fully vested after 60 months of contributions by the participant. At December 31, 1980, there were approximately 8,900 participants in the Plan. Company contributions to the Plan amounted to $4.2 million in 1980, $3.8 million in 1979, and $3.7 million in 1978.

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

ACME-CLEVELAND CORPORATION (SEP)

	1980	1979
Cost and expenses:		
Cost of products sold	$301,693,519	$246,109,174
Selling, administrative, and general expense	63,284,022	55,020,248
Depreciation—Note A	6,370,516	5,340,020
Interest	7,253,312	4,835,760
Other	745,906	509,650
	$379,347,275	$311,814,852

Note A (in part):

Depreciation—Depreciation of property, plant, and equipment is computed by the straight-line method. The annual depreciation rates are based on the following ranges of useful lives:

Buildings	10 to 50 years
Machinery and equipment	3 to 12 years

Repair and maintenance costs are charged against earnings, while renewals and betterments are capitalized by additions to the related asset accounts. The Corporation and its subsidiaries generally record retirements by removing the cost and accumulated depreciation from the asset and accumulated depreciation accounts and include any resulting gain or loss in earnings.

TABLE 3-10: DEPRECIATION METHODS

	Number of Companies			
	1980	**1979**	**1978**	**1977**
Straight-line	562	556	560	559
Declining balance	65	63	67	67
Sum-of-the-years digits	26	34	35	34
Accelerated method-not specified	69	71	67	60
Unit of production	51	46	44	40

ANCHOR HOCKING CORPORATION (DEC)

Consolidated Statement of Changes in Financial Position

	1980	1979 ($000)	1978
Working capital provided:			
By operations:			
Net income	$28,795	$31,632	$35,900
Charges to income not requiring funds:			
Depreciation	30,437	25,519	22,067
Deferred income taxes, non-current	3,193	8,580	419
Other	65	65	65
Working capital provided by operations	$62,490	$65,796	$58,451

NOTES TO FINANCIAL STATEMENTS

Note 1 (in part): Significant Accounting Policies

Property, Plant and Equipment—Property, plant and equipment expenditures, including renewals, betterments and major furnace repairs, are capitalized and depreciated using the straight-line method over the estimated useful lives of the assets for financial statement purposes while accelerated depreciation methods are principally used for tax purposes. For financial statement purposes, initial sets of molds for glass forming machinery are permanently capitalized and subsequent purchases of molds are expensed. For tax purposes, glass forming molds are capitalized and depreciated using accelerated methods. Maintenance and repairs are charged directly to expense as incurred. When property, plant and equipment is sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and the remaining balance, net of any proceeds of sale or salvage value, is reflected in the income statement.

Property, plant and equipment covered by leases which are deemed to be capital leases have been recorded as property, plant and equipment and the corresponding obligations have been recorded as long-term debt. Amortization of leased property recorded as capital assets is computed on a straight-line basis over the lease term or in a manner consistent with the normal depreciation policy for owned assets.

ANHEUSER-BUSCH COMPANIES, INC. (DEC)

Consolidated Statement of Changes in Financial Position

	1980	1979	1978
		(In millions)	
Financial resources were provided by:			
Operations—			
Income before cumulative effect of an accounting change.....	$171.8	$144.3	$111.0
Charges to income not involving working capital—			
Depreciation	99.4	75.4	66.0
Deferred income taxes.............	67.8	41.0	27.9
Deferred investment tax credit.........	—	—	9.7
Other, net...........	8.3	3.6	6.5
Working capital provided by operations	$347.3	$264.3	$221.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Plant and Equipment—Plant and equipment is carried at cost and includes expenditures for new facilities and those which substantially increase the useful lives of existing plant and equipment. Maintenance, repairs and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any profit or loss on disposition is credited or charged to income.

The company provides for depreciation of plant and equipment on methods and at rates designed to amortize the cost over their estimated useful lives (buildings 2% to 10% and machinery and equipment 4% to 25%). Depreciation is computed principally on the sum-of-the-years-digits method for property acquired between January 1, 1954 and December 31, 1974, and the straight line method is used for property acquired prior to and after this period.

A portion of the land held by the company is for investment purposes and is not an integral part of the company's primary operations. This land has been classified in the Consolidated Balance Sheet as investment properties.

JOS. SCHLITZ BREWING COMPANY (DEC)

STATEMENT OF ACCOUNTING POLICIES

Depreciation

The majority of the company's depreciable assets is depreciated using the straight-line method based upon the estimated useful lives of the assets, as follows: buildings, 20-50 years; machinery and equipment, 4-25 years; cooperage and pallets, 3-10 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Plant and Equipment

At December 31, 1980 and 1979, plant and equipment included the following major classifications (in thousands):

	1980	1979
Land	$ 8,754	$9,007
Buildings	144,782	144,177
Machinery and equipment	463,516	459,032
Cooperage and pallets...............	42,977	44,932
Construction in progress	3,147	4,157
	663,176	661,305
Accumulated depreciation...........	(334,431)	(305,420)
Unamortized investment tax credit.	(11,625)	(14,363)
	$317,120	$341,522

The provision for depreciation charged to consolidated earnings (loss) was $34,445,000 in 1980, $44,516,000 in 1979, and $45,946,000 in 1978, and was calculated using the straight-line method for most of the company's depreciable assets. Lower depreciation expense in 1980 was the result of the sale of the Syracuse brewery as described in Note 10.

FMC CORPORATION (DEC)

Consolidated Changes in Financial Position

	1980	1979	1978
		(Dollars in thousands)	
Source of working capital			
Net income	$142,708	$151,566	$140,909
Items not affecting working capital:			
Provision for depreciation	126,200	109,506	97,228
Provision for deferred federal income tax regarding non-current assets..................	34,938	27,681	14,589
Equity in earnings of affiliated companies in excess of dividends received..................	(3,461)	(10,186)	(6,340)
Working capital provided from operations...........	$300,385	$278,567	$246,386

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Principal accounting policies

Property, plant and equipment. Property, plant and equipment is capitalized at cost. Depreciation for financial reporting purposes is provided principally on the straight-line basis using lives which approximates those permitted by the 1962 Internal Revenue Service guideline regulations. Because of the diversity of facilities, it is not practical to list herein the various rates used.

Maintenance and repairs are charged to expense in the year incurred. Renewals are charged to plant and equipment accounts which have been relieved of items renewed or replaced. Betterments are capitalized. Gains and losses on normal retirements of properties are credited or charged to accumulated depreciation and amortized to the income statement over the remaining life of the asset. Gains and losses on abnormal retirements are reflected in the income statement when realized.

Declining-Balance Method

CONE MILLS CORPORATION (DEC)

	1980	1979	1978
	(amounts in thousands)		
Costs and Expenses:			
Cost of sales	$570,566	$547,944	$493,149
Selling and administrative	51,576	47,117	44,384
Depreciation and amortization	21,686	18,683	17,180
Interest	2,853	3,450	4,302
Other	626	661	478
Total Costs and Expenses	$647,307	$617,855	$559,493

NOTES TO FINANCIAL STATEMENTS

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

Property, Plant and Equipment: Property, plant and equipment is stated at cost. Depreciation is computed principally on the double-declining balance method at rates based on estimated useful lives.

HARSCO CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1980	1979	1978
	(All dollars in thousands)		
Working capital provided from:			
Net income	$49,712	$51,962	$46,453
Items not involving working capital:			
Depreciation	39,012	33,669	28,382
Other	(57)	6,687	1,962
Total from operations	$88,667	$92,318	$76,797

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Property, Plant and Equipment: Property, plant and equipment is depreciated over the estimated useful lives of the assets. For domestic facilities, depreciation is computed principally on the declining-balance method. Foreign facilities are depreciated principally using the straight-line method.

Generally, when property is retired from service, the cost of the retirement is charged to the allowance for depreciation to the extent of the accumulated depreciation thereon, and the balance is charged to income.

METRO-GOLDWYN-MAYER FILM CO. (AUG)

Consolidated Statements of Changes in Financial Position

	1980	1979
SOURCES OF WORKING CAPITAL		
Net income	$16,457,000	$29,422,000
Items which did not affect working capital—		
Amortization, noncurrent film costs	16,145,000	12,213,000
Depreciation and amortization, plant and equipment	2,302,000	1,380,000
Deferred income taxes, noncurrent portion	(2,743,000)	5,365,000
Other	(501,000)	(401,000)
Working capital provided from operations	$31,660,000	$47,979,000

NOTES TO FINANCIAL STATEMENTS

Note 1 (in part): Summary of Accounting Policies

Depreciation, Amortization and Maintenance—In connection with buildings, fixtures and equipment, the Company generally uses the declining-balance method of depreciation. Annual depreciation is based on the estimated useful lives of the properties, reflected in percentages as follows:

Buildings	3- 5%
Fixtures and Equipment	10-20%

Leasehold costs are amortized on a pro-rata basis over the periods of the leases.

Renewals and improvements are capitalized. Normal maintenance and repairs are charged to income as incurred.

Sum-Of-The-Years-Digits Method

SPERRY CORPORATION (MAR)

Consolidated Statements of Changes in Financial Position

	1980	1979	1978
	(in thousands of dollars)		
Source of Working Capital			
Net income	$277,092	$224,132	$176,619
Add income charges not affecting working capital			
Depreciation, amortization and obsolescence:			
Rental machines	95,678	86,910	83,816
Other property, plant and equipment	60,849	55,255	50,256
	156,527	142,165	134,072
Deferred income taxes	90,400	94,700	49,100
	$246,927	$236,865	$183,172

NOTES TO FINANCIAL STATEMENTS

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

Depreciation—Depreciation of property, plant and equipment is generally provided on the sum-of-the-years'-digits method over the estimated economic lives of the assets. Rental machines are depreciated over a life of five years. Leasehold improvements are amortized over the lease period or the estimated useful life, whichever is shorter. Maintenance and repairs are charged to income as incurred and renewals and betterments are capitalized.

Unit of Production Method

ASARCO INCORPORATED (DEC)

	1980	1979	1978
	(dollars in thousands)		
Sales of products	$1,771,828	$1,668,425	$1,134,467
Sales of services	45,204	55,794	40,444
Total sales of products and services	1,817,032	1,724,219	1,174,911
Cost of products and services	1,620,969	1,458,043	1,023,683
Income from products and services	196,063	266,176	151,228
Other income:			
Interest	15,241	8,775	5,127
Miscellaneous	3,114	3,214	3,036
Total other income	18,355	11,989	8,163
Other deductions:			
Selling, administrative and other expenses	42,978	36,904	34,595
Depreciation and depletion	49,368	56,073	54,480
Exploration expense	14,681	10,711	8,020
Research expense	6,073	4,956	4,621
Interest	19,867	29,943	38,443
Unusual item	—	—	10,000
Total other deductions	132,967	138,587	150,159
Earnings from operations	$ 81,451	$ 139,578	$ 9,232

NOTES TO FINANCIAL STATEMENTS

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

Property: Assets are valued at cost or less. Betterments, renewals, costs of bringing new mineral properties into production, and the costs of major development programs at existing mines are capitalized. Maintenance, repairs, development costs to maintain production at existing mines, and gains or losses on assets retired or sold are reflected in earnings as incurred. Plant assets are depreciated over their estimated useful lives, generally by the unit-of-production method. (See note 2.) Mine asset depreciation and depletion are computed generally on the unit-of-production method using economic ore reserves.

Note 2 (in part): Changes in Accounting Policies

Asarco made discretionary changes to three of its accounting policies in the fourth quarter of 1980 which require a restatement of earnings reported for the first three quarters of 1980. The accounting changes, which the Company believes improve its financial reporting, are discussed below. Also, as prescribed by Statement of Financial Accounting Standards No. 34, "Capitalization of Interest Cost," commencing in 1980 the Company capitalized as a cost of construction $6.5 million of interest cost, of the total $26.4 million incurred. The Company also capitalized $3.8 million of interest for companies accounted for under the equity method of accounting. Thus, net income was increased by $8.1 million, or $0.27 per share.

Unit-of-production depreciation

The unit-of-production method of depreciation is now used generally for plant assets. Previously, plant assets had been depreciated generally by the straight-line method over their estimated useful lives. The new method recognizes depreciation of fixed assets as being directly related to physical wear rather than related only to the passing of time. The new method results in a better matching of cost and revenue. The unit-of-production method continues to be used by the Company generally for depreciation and depletion of mine assets based on economic ore reserves. This change increased pre-tax income by $16.3 million for the cumulative effect on prior years and by $8.8 million for the current year's effect.

NATIONAL STEEL CORPORATION (DEC)

	1980	1979	1978
	(Thousands Of Dollars)		
Costs and Expenses			
Cost of products sold and operating expenses	$3,457,209	$3,736,932	$3,248,369
Selling, administrative, and general expenses	164,953	161,234	134,424
Depreciation and depletion	154,529	155,595	148,139
Interest and other debt expense	58,388	52,139	54,076
Provision for shutdown of raw material and fabricating facilities	46,866	-0-	-0-
	$3,881,945	$4,105,900	$3,585,008

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (in part): Significant Accounting Policies

Depreciation and Depletion: Depreciation of production and transportation facilities and amortization of facilities related to capitalized lease obligations are provided by charges to income computed by the straight-line method. Provisions for depreciation of certain raw material facilities and furnace relinings are computed on the basis of tonnage produced in relation to estimated total production obtained from such facilities. Depreciation for income tax purposes is computed by accelerated methods. Depletion of coal and iron ore properties is computed on a tonnage basis calculated to fully amortize their costs when estimated deposits have been exhausted.

UNION OIL COMPANY OF CALIFORNIA (DEC)

	1980	1979	1978
	(dollars in millions)		
Cost of products sold and operating expense	$7,320.4	$5,661.0	$4,339.4
Selling, administrative and general expense	359.5	289.6	289.7
Depreciation and amortization	455.6	323.0	290.9
Dry hole costs	162.9	158.8	110.2
Exploration operations expense	124.0	101.3	69.2
Interest expense	99.6	99.5	101.9
Excise, property and other operating taxes	692.6	498.4	536.3
Earnings applicable to minority interests	1.7	2.1	2.4
Total costs and other deductions	$9,216.3	$7,133.7	$5,740,0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Accounting Policies (in part)

Depreciation and Amortization—Depreciation and amortization related to proved oil and gas properties and estimated future abandonment and removal costs for offshore production platforms are calculated at unit of production rates based upon estimated recoverable reserves.

Mine development costs are capitalized and amortized on unit of production rates based on proved recoverable reserves.

Depreciation of other properties is generally on a straight-line basis using various rates based on useful lives.

More Than One Depreciation Method Used

DIGITAL EQUIPMENT CORPORATION (JUN)

Consolidated Statements of Changes in Financial Position

	1980	1979
	(In Thousands)	
Funds from Operations		
Net income	$249,861	$178,434
Add—expenses not requiring funds in current period:		
Depreciation (Note A)	69,809	57,655
Disposal of property, plant and equipment (Note A)	9,841	12,982
Restricted stock plans—charge to operations	9,306	8,602
Deferred income tax provision	18,468	(11,084)
Total funds from operations	$357,285	$246,589

Note A (in part): Significant Accounting Policies

Property, Plant and Equipment—Depreciation expense is computed principally on the following bases:

Classification	Depreciation Lives and Methods
Buildings	33 years (straight-line)
Leasehold improvements	Life of assets or term of lease, whichever is shorter (straight-line)
Machinery and equipment	8 and 10 years (sum-of-years), 4 and 5 years (double declining-balance)

When these assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recorded in the income statement. When computer systems manufactured by the Company and used in the business are sold, the net book value is charged to cost of sales and the proceeds included in equipment sales.

Maintenance, repairs, renewals and betterments (not in the nature of capital expenditures) are charged to expense in the period in which incurred.

HOMASOTE COMPANY (DEC)

Consolidated Statement of Changes in Financial Position

	1980	1979	1978
Sources of Working Capital:			
From operations:			
Net earnings	$ 959,312	$1,473,676	$1,080,479
Items which do not use (provide) working capital:			
Depreciation of plant and equipment	770,253	773,817	845,121
Gain on sale of equipment	(18,989)	(49,555)	(27,804)
Deferred compensation	—	—	(63,330)
Deferred income taxes	96,000	—	—
	$1,806,576	$2,197,938	$1,834,466

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Depreciation: Depreciation of plant and equipment is computed using the straight-line and various accelerated methods at rates adequate to depreciate the cost of applicable assets over their expected useful lives. Maintenance and repairs are charged to operations as incurred; renewals and improvements are capitalized. The cost of assets retired or otherwise disposed of and the accumulated depreciation thereon are removed from the accounts with any gain or loss realized upon sale or disposal charged or credited to operations.

Note 4—Property, Plant and Equipment:

	December 31, 1980			December 31, 1979		
	Cost	Accumulated Depreciation	Carrying Value	Cost	Accumulated Depreciation	Carrying Value
Land	$ 93,543	$ —	$ 93,543	$ 86,294	$ —	$ 86,294
Buildings and additions	4,741,716	1,689,415	3,052,301	3,534,615	1,584,261	1,950,354
Machinery and equipment	10,906,432	9,028,795	1,877,637	10,684,829	8,500,449	2,184,380
Office equipment	288,262	264,699	23,563	286,186	256,475	29,711
Automotive equipment	782,194	542,019	240,175	821,456	497,830	323,626
Air pollution abatement equipment	572,022	506,328	65,694	572,022	494,821	77,201
Construction in progress	2,600,745	—	2,600,745	519,320	—	519,320
	$19,984,914	$12,031,256	$7,953,658	$16,504,722	$11,333,836	$5,170,886

Estimated useful lives and depreciation methods are as follows:

	Estimated Useful Lives	Predominate Methods In Use
Buildings and additions	10-50 years	Straight-line
Machinery and equipment	5-20 years	Sum-of-the-years digits
Office equipment	10 years	Sum-of-the-years digits
Automotive equipment	3- 5 years	Declining balance
Air pollution abatement equipment	5-10 years	Sum-of-the-years digits

Depletion

HAMMERMILL PAPER COMPANY (DEC)

	1980	1979	1978
		($000)	
Costs and expenses			
Cost of products sold	$ 978,649	$ 898,670	$758,604
Selling, administrative and other expenses	99,844	82,315	74,198
Depreciation and depletion	30,078	27,034	24,431
Interest expense	11,334	13,270	12,775
	$1,119,905	$1,021,289	$870,008

NOTES TO FINANCIAL STATEMENTS

Summary of Accounting Policies (in part)

Property, Plant and Equipment—Major renewals and betterments are charged to the property accounts, while maintenance and repairs which do not improve the related asset or extend its useful life are expensed currently.

When major items of property are sold or disposed of, the cost and related accumulated depreciation, depletion or amortization are eliminated from the accounts. Any gain or loss is reflected in income.

For financial reporting, depreciation is calculated primarily by the straight-line method. For income tax purposes, depreciation is calculated using accelerated methods where available, and deferred income taxes are provided on the difference between financial and tax depreciation. Depreciation rates are based on estimated useful lives of individual classifications of properties. The rates vary within the broad property classifications, depending on the nature of the asset and the business segment in which it is used.

Depletion costs are recorded as timber is cut and at rates which are determined annually based on the relationship of unamortized timber costs to the estimated volume of recoverable timber.

During 1980, the company began to capitalize interest during construction of significant plant and equipment projects as required by F.A.S.B. Statement No. 34.

MASONITE CORPORATION (AUG)

Consolidated Statements of Changes in Financial Position

	1980	1979
SOURCE OF FUNDS:		
Net income	$30,129,000	$51,500,000
Expenses (income) not affecting working capital:		
Depreciation	24,785,000	23,649,000
Investment tax credits amortized	(1,879,000)	(1,654,000)
Depletion	1,742,000	1,201,000
Foreign equity loss (income)	1,086,000	(282,000)
Deferred income tax provision (benefit)	(3,719,000)	2,619,000
Provision for deferred compensation	(266,000)	475,000
Minority interest in earnings of Masonite (Africa) Limited	1,390,000	522,000
Working capital provided from operations	$53,268,000	$78,030,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Statement of Accounting Policies

Depreciation and Depletion. Provision for depreciation is made on a straight-line basis on the estimated service lives of the various classes of property. Buildings are depreciated over a 10 to 50 year period, and machinery and equipment are depreciated over a 3 to 20 year period.

Major replacements which extend the useful lives of units of equipment are capitalized and depreciated over the estimated remaining useful lives of the property. All other maintenance and repairs are expensed as incurred.

Costs of property retired or otherwise disposed of, and the related accumulated depreciation, are removed from the accounts; the net gain or loss on retirements is credited or charged to earnings.

Depletion of timberlands and roadways is computed on the cost of timberlands and roadways (less an allowance for land values) divided by the estimated recoverable timber to obtain overall average depletion rates.

NATIONAL GYPSUM COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Significant Accounting Policies (in part)

Depreciation of plant and equipment is provided on the straight-line method over estimated useful lives. Depletion of mineral deposits is provided at rates per ton extracted, based on cost of individual deposits divided by estimated recoverable tonnage. Total depreciation and depletion included in costs and expenses of continuing operations amounted to $23,304,000 in 1980, $20,262,000 in 1979 and $17,869,000 in 1978.

TABLE 3-11: FEDERAL INCOME TAX EXPENSE

	1980	1979	1978	1977
Description Terms				
Income taxes	465	451	462	447
Federal income taxes	104	109	94	114
United States (U.S.) income taxes	15	16	17	19
	584	**576**	**573**	**580**
Other or no caption for expense	16	24	27	20
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 the operations of the period in which realized.

63. Certain other disclosures should be made in addition to those set forth in paragraphs 56-62:

a. Amounts of any operating loss carryforwards not recognized in the loss period, together with expiration dates (indicating separately amounts which, upon recognition, would be credited to deferred tax accounts);
b. Significant amounts of any other unused deductions or credits, together with expiration dates; and
c. Reasons for significant variations in the customary relationships between income tax expense and pretax accounting income, if they are not otherwise apparent from the financial statements or from the nature of the entity's business.

The Board recommends that the nature of significant differences between pretax accounting income and taxable income be disclosed.

Table 3-11 summarizes the descriptive captions used by the survey companies to identify income tax expense. Table 3-12 shows the nature of frequently disclosed timing differences giving rise to deferred taxes. Examples of income tax expense presentations and disclosures follow.

AMERICAN BRANDS, INC. (DEC)

	1980	1979	1978
		($000)	
Income before provision for taxes on income	$660,299	$575,070	$422,470
Provision for taxes on income			
Currently payable			
Federal	181,952	163,549	134,731
Foreign	40,812	59,056	44,722
Other	24,479	25,038	21,815
Deferred			
Federal and other	9,642	(4,332)	2,042
Foreign	(2,075)	(15,572)	7,621
	254,810	227,739	210,931
Net income	$405,489	$347,331	$211,539

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income taxes

Provision is made for deferred income taxes relating to differences in the timing of recognition for book and tax purposes of certain items.

Deferred income taxes are not provided on undistributed earnings of foreign subsidiaries and domestic international sales corporations, aggregating approximately $291,500,000 at December 31, 1980, as such earnings are expected to be permanently reinvested in these companies.

The investment tax credit is accounted for as a reduction of taxes on income currently payable.

NOTES ACCOMPANYING FINANCIAL STATEMENTS

Income taxes

A reconciliation of the provisions for taxes on income at the applicable federal statutory income tax rate to the tax provisions as reported is as follows:

	1980	1979	1978
		(In thousands)	
Provision computed at federal statutory income tax rate	$303,738	$264,532	$202,786
Other income taxes, net of federal tax benefit	13,219	13,521	11,344
Foreign income taxes at rate higher than federal statutory rate	9,810	6,731	2,719
Deferred income tax reversal related to U.K. stock (inventory) relief	(24,084)	(27,880)	—
Lower effective income tax rate for life insurance companies (Franklin)	(20,141)	(17,208)	(2,830)
Nontaxable foreign currency exchange credits	(15,034)	(6,965)	(672)
Income tax credit resulting from new U.S.-U.K. tax treaty	(9,362)	—	—
Other	(3,336)	(4,992)	(2,416)
As reported	$254,810	$227,739	$210,931

TABLE 3-12: TIMING DIFFERENCES—REASONS

	Number of Companies			
	1980	**1979**	**1978**	**1977**
Depreciation	486	470	472	456
Unremitted earnings	133	100	124	107
Inventory valuation	97	81	70	61
Other employee benefits	84	78	72	59
Pensions	70	70	56	49
Installment sales	63	59	62	71
Long-term contracts	57	53	48	44
Discontinued operations	49	44	57	35
Interest and taxes during construction	45	20	21	22
Intangible drilling costs	39	31	35	28
Leases	37	26	31	16
Warranties and guaranties	26	24	26	26
Translation of foreign currency accounts	26	19	22	11

The components of income before provisions for taxes on income are as follows:

	1980	1979	1978
		(In thousands)	
Domestic operations	$444,363	$415,674	$318,789
Foreign operations	215,936	159,396	103,681
Total	$660,299	$575,070	$422,470

The provision for deferred income taxes related to the following:

	1980	1979	1978
		(In thousands)	
Depreciation	$ 17,118	$ 7,757	$8,634
Foreign inventories (see below)	(16,675)	(23,578)	5,934
Insurance operations	9,123	(3,438)	998
Other	(1,999)	(645)	(5,903)
Total	$ 7,567	($19,904)	$9,663

Pursuant to special provisions in the United Kingdom tax statutes which grant "stock relief" related to increases in inventory values, portions of Gallaher Limited's tax liabilities are deferred and would be payable (recaptured) to the extent inventory values decline. In July 1979, the United Kingdom enacted legislation which provided for immediate forgiveness of such deferred taxes related to the years 1973 and 1974, and further provides as to subsequent years that the deferred tax liability provided in a given year will terminate if there has been no recapture during the succeeding six-year period. The provision for taxes on income in the consolidated statement of income for the years ended December 31, 1980 and 1979, respectively, includes reductions of $24,084,000 and $27,800,000 related to tax benefits which will not or are not expected to be recaptured. Because of the potential that certain "stock relief" tax benefits will be recaptured as a result of decreases in future year-end inventory levels, the tax benefit related to the years 1977 through 1980, aggregating $35,775,000, remains deferred at December 31, 1980.

The investment tax credit amounted to $5,418,000 in 1980, $3,260,000 in 1979 and $2,632,000 in 1978.

CENTRONICS DATA COMPUTER CORP. (JUN)

	1980	1979
Income before income taxes (credit)	$14,295,748	$22,982,410
Income taxes (credit) (Notes 1 and 9)		
Current	(5,042,578)	5,548,172
Deferred	1,330,578	(952,172)
	(3,712,000)	4,596,000
Net income	$18,007,748	$18,386,410

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

(f) Income taxes

The Company does not provide for federal income taxes on the undistributed earnings of its foreign subsidiaries, and on the undistributed earnings of its domestic international sales corporation (DISC) because such earnings are reinvested and, in the opinion of management, will continue to be reinvested indefinitely. See Note 9.

The deferred income taxes in the accompanying financial statements reflect the timing differences in reporting results of operations for income tax and financial accounting purposes. Such timing differences relate primarily to depreciation, DISC earnings, and inventory related transactions.

Investment tax credits are treated as reductions of income tax expense in the year in which they are utilized. This policy has not had a significant effect on net income or earnings per share.

Note 9: Income taxes

The following is a reconciliation of the normal expected statutory federal income tax rate to the effective rates reported in the financial statements for the respective periods:

Year ended June 30,	1980 % of pretax income	1979 % of pretax income
Federal income tax at normal rates	46%	47%
Reduction in federal income taxes due to indefinitely deferred portion of DISC income	(2%)	(3%)
Reduction in federal income taxes due to tax exempt earnings of subsidiaries operating in Puerto Rico and Ireland(a)	(71%)	(22%)
State income taxes, net of federal tax benefit		1%
Effect of certain foreign subsidiaries' prior years' losses		(2%)
Other, net	1%	(1%)
	(26%)	20%

(a) Consolidated net income includes income of a domestic manufacturing subsidiary operating in Puerto Rico and income of a foreign manufacturing subsidiary operating in Ireland. The Company's Puerto Rican subsidiary is operating as a "possessions corporation," as defined in Section 936 of the Internal Revenue Code. The earnings of this subsidiary, which are derived from Puerto Rican sources, are not subject to federal income taxes and are substantially exempt from Puerto Rican income taxes under an exemption which expires in 1986. Repatriation of these funds, except through liquidation of the subsidiary, could result in Puerto Rican taxes at rates not in excess of 10 percent. During fiscal 1980, the Puerto Rican subsidiary remitted approximately $7,000,000 of accumulated earnings and a provision of approximately $365,000 was made for the applicable Puerto Rican taxes. It is the Company's present intention to continue reinvesting the prior earnings of this subsidiary until the expiration date of the tax exemption grant. In the future, the Company's requirements may necessitate the repatriation of a portion of the future earnings from its Puerto Rican subsidiary and any taxes payable as a result of such dividend will be charged to earnings in the year remitted. Under Irish law, the income from products manufactured for export by the Company's subsidiary operating in Ireland is exempt from Irish taxes through 1990.

Cumulative undistributed earnings of the Company's foreign subsidiaries and its Domestic International Sales Corporation for which no federal taxes have been provided aggregated approximately $21,266,000 at June 30, 1980.

Income taxes (credit) as shown in the consolidated statement of income for the years ended June 30, 1980, and 1979 consist of the following:

	Federal	State and foreign	Total
June 30, 1980			
Current income taxes (credit)	($5,920,927)	$ 878,349	($5,042,578)
Deferred income taxes	1,206,561	124,017	1,330,578
	($4,714,366)	$1,002,336	($3,712,000)
June 30, 1979			
Current income taxes	$4,969,334	$ 578,838	$5,548,172
Deferred income taxes (credit)	(908,334)	(43,838)	(952,172)
	$4,061,000	$ 535,000	$4,596,000

The June 30, 1980 federal income tax credit of $4,714,366 results from the carryback of the Company's fiscal 1980 U.S. operating loss and available investment tax credits.

DEERE & COMPANY (OCT)

	1980	1979
Sales and Other Income:		
Net sales	$5,469,825,000	$4,933,104,000
Finance and interest income earned (includes interest received from retail finance subsidiaries of $12,300,000 in 1980 and $23,618,000 in 1979)	65,355,000	69,377,000
Foreign exchange gain	10,717,000	540,000
Miscellaneous income	16,847,000	12,423,000
Total	5,562,744,000	5,015,444,000
Less:		
Cost of goods sold	4,342,402,000	3,794,551,000
Research and development expenses	231,195,000	188,139,000
Selling, administrative and general expenses	495,428,000	444,357,000
Provision for income taxes	115,658,000	214,871,000
Interest expense	189,696,000	95,525,000
Miscellaneous charges	4,286,000	3,900,000
Total	5,378,665,000	4,741,343,000
Income of Consolidated Group	$ 184,079,000	$ 274,101,000

FINANCIAL REVIEW

Income Taxes

The provision for income taxes amounted to $116 million in 1980 and $215 million in 1979 and consisted of the following in millions of dollars:

	Currently Payable	Deferred	Total
1980:			
United States:			
Federal	$(37.0)	$128.4	$ 91.4
State	2.5	5.3	7.8
Foreign	12.0	4.4	16.4
Total	$(22.5)	$138.1	$115.6
1979:			
United States:			
Federal	$161.8	$ 21.4	$183.2
State	12.7	.4	13.1
Foreign	19.9	(1.3)	18.6
Total	$194.4	$ 20.5	$214.9

Deferred income taxes arise because there are certain items that are treated differently for financial accounting than for tax reporting purposes. Deferred income tax provisions for 1980 and 1979 in millions of dollars follow:

	1980	1979
Profit on sales recorded on the installment basis for tax and at the time of sale for financial accounting purposes	$104.9	$ 4.4
Foreign exchange amounts not realized for tax purposes	28.9	(4.9)
Tax depreciation in excess of financial accounting depreciation	22.8	11.6
Tax on income of the company's Domestic International Sales Company (DISC) not currently payable	6.7	5.1
Foreign inventory allowance recognized for tax purposes, previously recognized for financial accounting purposes	(9.3)	.3
Volume discounts deducted on the cash basis for tax and the accrual basis for financial accounting purposes	(14.8)	1.1
Other items	(1.1)	2.9
Total deferred income tax provision	$138.1	$20.5

In addition to the above provision, deferred income tax benefits of $35.5 million relating to losses in Argentina are also included in the consolidated balance sheet at October 31, 1980.

During 1980 the company adopted Statement No. 37 of the FASB relating to the balance sheet classification of deferred income taxes as current or noncurrent. As a result of adopting this standard, the company reclassified $25.0 million of the beginning fiscal 1980 current deferred income tax balance to noncurrent deferred income taxes. Current deferred income tax amounts for 1979 have not been reclassified.

The effective worldwide income tax rates in 1980 and 1979 were 38.6 percent and 43.9 percent, respectively, compared with the United States federal statutory income tax rates of 46.0 percent in 1980 and 46.3 percent in 1979. A comparison of 1980 and 1979 income tax rates and reasons for related differences as a percentage of pretax income of the consolidated group follow:

	1980	1979
United States federal income tax rate	46.0%	46.3%
Increase (decrease) resulting from:		
State and local income taxes, net of federal income tax benefit	1.4	1.4
Investment tax credits	(9.2)	(2.9)
Non-United States income subject to income taxes which differ from the United States statutory rate	.2	(.7)
Other adjustments—net	.2	(.2)
Effective worldwide income tax rate of consolidated group	38.6%	43.9%

Investment tax credits are accounted for on the "flow-through" method which reduces tax expense in the year in which the assets giving rise to the credits are placed in service. Investment tax credits were $27.5 million and $14.4 million in 1980 and 1979, respectively.

The company has accumulated earnings in certain overseas subsidiaries in the amount of $70 million through October 31, 1980 for which no provision for income taxes payable has been made because it is expected that such earnings will be indefinitely reinvested overseas.

ENGELHARD MINERALS & CHEMICALS CORPORATION (DEC)

	1980	1979	1978
	(Thousands of Dollars)		
Earnings before income taxes	$702,325	$503,036	$200,793
Taxes on income	169,582	153,314	58,553
Net earnings	$532,743	$349,722	$142,240

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Taxes on income

The components of taxes on income for the three years ended December 31, 1980 were as follows:

	1980	1979	1978
	(Thousands of Dollars)		
Current:			
U.S.	$ 55,659	$ 40,573	$39,293
State and local	6,000	—	—
Foreign	75,696	57,995	6,265
	137,355	98,568	45,558
Deferred:			
U.S.	(16,229)	31,703	(741)
Foreign	48,456	23,043	13,736
	32,227	54,746	12,995
Total taxes on income	$169,582	$153,314	$58,553

State and local taxes on income are included in selling, administrative and general expenses in 1979 and 1978 ($3.6 million and $7.4 million, respectively).

Deferred taxes, applicable to differences in the timing of income and expense recognition for financial and tax purposes, were provided as follows:

	1980	1979	1978
	(Thousands of Dollars)		
Tax applicable to stock relief in the United Kingdom (net of $8.5 million reversal in 1979 of prior years' provisions)	$47,623	$ 6,439	$11,586
Provision for taxes on repatriation of foreign earnings not permanently reinvested	6,000	35,000	—
Depreciation	3,162	3,767	1,350
Income of domestic international sales corporations (DISCS)	1,496	6,140	811
Tax benefits on stock awards	(18,487)	(4,106)	(842)
Other items	(7,567)	7,506	90
	$32,227	$54,746	$12,995

Accrued taxes on income as of December 31, 1980 includes cumulative deferred taxes of $123 million related to working capital items (1979—$91 million).

U.S. earnings before income taxes, after allocation of corporate expense, were $133 million in 1980, $100 million in 1979 and $107 million in 1978. The Company's worldwide earnings are subject to a variety of tax rates, depending on the applicable tax jurisdiction and the type of income.

Following is a reconciliation of the gross U.S. statutory rate on taxable ordinary income to the effective tax rate applicable to consolidated earnings before taxes:

	1980	1979	1978
Gross U.S. statutory rate on taxable ordinary income	46.0%	46.0%	48.0%
Reductions resulting from:			
Lower tax rates applicable to foreign earnings	(20.3)	(15.3)	(11.9)
Deduction for percentage depletion	(.4)	(1.0)	(2.4)
Investment tax credit (accounted for on the "flow-through" basis)	(.8)	(.7)	(2.3)
Undistributed net earnings of subsidiaries and affiliates not consolidated	—	(.6)	(2.5)
State and local taxes	.5	—	—
Other differences	(.9)	2.1	.3
Effective tax rate	24.1%	30.5%	29.2%

Taxes on income of consolidated subsidiaries and subsidiaries and affiliates not consolidated are provided at the tax rates applicable to the domestic and foreign tax jurisdictions in which they are domiciled. A substantial portion (approximately $1.2 billion as of December 31, 1980) of the cumulative undistributed earnings of consolidated subsidiaries and non-consolidated subsidiaries and affiliates owned 50% or more has been reinvested indefinitely in the business operations of such entities, and accordingly no additional taxes thereon have been provided.

JOHNSON & JOHNSON (DEC)

	1980	1979	1978
		($ Millions)	
Earnings before provision for taxes on income	$675.3	$591.7	$514.2
Provision for taxes on income (Notes 1 and 6)	274.6	239.6	215.1
Net earnings	$400.7	$352.1	$299.1

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

Income Taxes—Domestic investment tax credits and certain international tax incentives are deferred. The deferred amount is amortized as a reduction of the provision for taxes on income over the estimated useful lives of the related assets.

The Company intends to continue to reinvest its undistributed international earnings to expand its international operations. Therefore no tax has been provided to cover the repatriation of such undistributed earnings. At December 28, 1980, the cumulative amount of undistributed international earnings for which the Company has not provided United States income taxes was approximately $423.0 million.

Note 6: Income Taxes

Income tax expense consists of:

Year 1980 (Dollars in Millions)	U.S.	International	Total
Federal and international			
Currently payable.........	$77.7	167.0	244.7
Net tax effect—timing differences	(1.7)	9.9	8.2
Net deferred investment tax credits.............	3.1	—	3.1
Domestic state and local....	18.6	—	18.6
	$97.7	176.9	274.6
Effective tax rate	34.6%	45.0%	40.7%
Year 1979			
Federal and international			
Currently payable.........	$103.4	133.6	237.0
Net tax effect—timing differences	(14.0)	(2.1)	(16.1)
Net deferred investment tax credits.............	2.7	—	2.7
Domestic state and local....	16.0	—	16.0
	$108.1	131.5	239.6
Effective tax rate	38.6%	42.2%	40.5%
Year 1978			
Federal and international			
Currently payable.........	$82.8	104.9	187.7
Net tax effect—timing differences	—	13.8	13.8
Net deferred investment tax credits.............	2.0	—	2.0
Domestic state and local....	11.6	—	11.6
	$96.4	118.7	215.1
Effective tax rate	40.1%	43.4%	41.8%

Earnings before provision for taxes on income were:

(Dollars in Millions)	U.S.	International	Total
Year 1980...................	$282.4	392.9	675.3
Year 1979...................	280.5	311.2	591.7
Year 1978...................	240.8	273.4	514.2

A comparison of the federal statutory rates of 46% for 1980 and 1979 and 48% for 1978 to the Company's effective tax rate is as follows:

% of Pre-Tax Income	1980	1979	1978
Statutory tax rate	46.0%	46.0%	48.0%
Puerto Rico operations	(4.9)	(3.8)	(3.8)
Difference in effective tax rate of international subsidiaries	(.6)	(2.0)	(2.4)
Domestic state and local income taxes...............	1.5	1.5	1.2
All other......................	(1.3)	(1.2)	(1.2)
Effective tax rate	40.7%	40.5%	41.8%

The Company has domestic subsidiaries operating in Puerto Rico under grants providing for tax relief expiring at various dates between 1985 and 1994. The estimated tax savings of these subsidiaries compared to the federal statutory rates was $33.0 million in 1980, $22.7 million in 1979 and $19.4 million in 1978. During 1979, international tax expense was reduced by $9.2 million as a result of United Kingdom legislation regarding tax relief on inventory investment and in accordance with SFAS No. 31.

KAISER ALUMINUM & CHEMICAL CORPORATION (DEC)

	1980	1979	1978
	(millions of dollars)		
COSTS AND EXPENSES:			
Cost of products sold.....	$2,694.5	$2,380.2	$2,028.8
Depreciation	77.3	72.9	72.9
Selling, administrative, research and development, and general.....	191.8	170.1	141.6
Interest	53.1	53.7	64.6
Provision for income taxes...................	62.5	108.9	84.5
Other	23.7	2.5	3.6
Total costs and expenses...........	$3,102.9	$2,788.3	$2,396.0

NOTES TO FINANCIAL STATEMENTS

(Millions of dollars, except share amounts)

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

Income Taxes: Income taxes include provisions for timing differences between income determined for financial reporting and for income tax purposes. Investment tax credits are recognized as reductions of the current income tax provision in the year the properties are placed in service.

Note 9: Income Taxes

The provisions for income taxes consisted of the following:

	U.S. Federal	Foreign	State	Total
1980				
Current	$23.2	$19.0	$8.5	$ 50.7
Deferred	11.8			11.8
Total	$35.0	$19.0	$8.5	$ 62.5
1979				
Current	$61.7	$12.8	$7.9	$ 82.4
Deferred	26.5			26.5
Total	$88.2	$12.8	$7.9	$108.9
1978				
Current	$42.9	$12.8	$3.1	$ 58.8
Deferred	25.7			25.7
Total	$68.6	$12.8	$3.1	$ 84.5

Timing differences and their tax effects are summarized as follows:

	1980	1979	1978
Depreciation	$17.9	$20.0	$15.6
Undistributed earnings of subsidiaries and affiliates	11.8	(2.1)	1.2
Net gains (losses) from foreign currency translations	(14.2)	1.4	8.3
Other—net	(3.7)	7.2	.6
Total	$11.8	$26.5	$25.7

The provisions for income taxes for 1980, 1979, and 1978 of $62.5, $108.9, and $84.5 are less than the amounts computed by applying the U.S. statutory federal income tax rate of 46% in 1980 and 1979 and 48% in 1978. The differences are summarized as follows:

	1980	1979	1978
Provisions at statutory rates	$142.6	$156.9	$110.4
Increase (decrease) resulted from:			
Equity in undistributed earnings of companies not consolidated	(52.6)	(24.6)	(13.5)
Investment tax credits	(15.1)	(15.0)	(12.0)
Percentage depletion deduction	(8.4)	(6.6)	(7.4)
Foreign taxes in excess of allowable credits			6.2
Other	(4.0)	(1.8)	.8
Provisions for income taxes	$ 62.5	$108.9	$ 84.5

It is the corporation's intent that undistributed earnings of consolidated and unconsolidated subsidiaries and joint venture companies, in most cases, will continue to be reinvested. Undistributed earnings on which the corporation has not provided taxes which may be payable upon distribution were $239.2, $168.2, and $185.0 at December 31, 1980, 1979, and 1978.

OSCAR MAYER & CO. INC. (OCT)

	1980	1979
	($000)	
Income before income taxes and extraordinary item	$36,932	$79,741
Income taxes	14,810	33,814
Income before extraordinary item	$22,122	$45,927

SUMMARY OF ACCOUNTING POLICIES

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

FINANCIAL REVIEW

Income Taxes

Components of income tax expense are:

	1980	1979
U.S. Federal:		
Current	$ 7,705,000	$22,958,000
Deferred	1,380,000	4,082,000
State	2,491,000	3,651,000
Foreign	3,224,000	3,123,000
	$14,800,000	$33,814,000

Deferred federal income tax primarily results from the use of accelerated depreciation methods for income tax reporting and, in 1980, from the provision for reduction in slaughter capacity and the capitalization of interest.

A reconciliation of the provision for taxes on income in the U.S. statutory tax rate follows:

Amount and Percent of Pre-tax Income	1980	1979
Tax at statutory rate	$16,179,000	$36,944,000
	46.0%	46.3%
Investment tax credit	(3,461,000)	(3,193,000)
	(9.8)	(4.0)
State taxes on income less applicable federal tax benefit	1,397,000	2,124,000
	4.0	2.7
Translation (gain) loss	892,000	(2,120,000)
	2.5	(2.7)
Equity in earnings of affiliates	(1,862,000)	(726,000)
	(5.3)	(.9)
Foreign operations tax rate	934,000	605,000
	2.6	.8
Extraordinary item	799,000	—
	2.3	—
Other, net	(78,000)	180,000
	(.2)	.2
Taxes on income	$14,800,000	$33,814,000
	42.1%	42.4%

U.S. taxes are not provided on the unremitted earnings of the Company's Venezuelan subsidiary, which are expected to be indefinitely invested due to current Venezuelan laws restricting the payment of dividends. Accumulated unremitted earnings of this subsidiary amounted to $17,573,000 at October 25, 1980.

MACMILLAN, INC. (DEC)

	1980	1979	1978
		($000)	
Income from continuing operations before income taxes	$22,498	$28,117	$51,306
Income taxes	12,606	11,277	25,560
Income from continuing operations	$ 9,892	$16,840	$25,746

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands except per share data)

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

Income taxes—Income tax provisions are based on earnings reported in the financial statements. Deferred income taxes included in current liabilities relate principally to installment sales and foreign tax credits. Noncurrent deferred taxes relate primarily to prepublication costs. The investment tax credit is recorded as a reduction of the income tax provision for the current year. Unremitted earnings of foreign subsidiaries and a Domestic International Sales Corporation which are permanently reinvested and on which United States income taxes have not been provided amounted to approximately $21,000 at December 31, 1980. If such earnings were distributed, foreign income tax credits would be available to substantially reduce any resulting income tax liability.

Note 4: Income taxes

The provisions for income taxes applicable to continuing operations for the three years ended December 31, 1980 were as follows:

	U.S. Federal	Foreign national and local*	U.S. state and local	Total
1980				
Current	$12,504	$7,093	$4,158	$23,755
Deferred	(10,383)	(441)	(325)	(11,149)
Total	$ 2,121	$6,652	$3,833	$12,606
1979				
Current	$ 3,235	$5,751	$3,241	$12,227
Deferred	(2,075)	1,065	60	(950)
Total	$ 1,160	$6,816	$3,301	$11,277
1978				
Current	$13,386	$7,106	$3,401	$23,893
Deferred	1,958	(643)	352	1,667
Total	$15,344	$6,463	$3,753	$25,560

*Pre-tax income from foreign operations was $10,784 in 1980, $20,204 in 1979, and $15,509 in 1978.

The provision (credit) for deferred income taxes is summarized as follows:

	1980	1979	1978
Prepublication costs	$ 499	$ 803	$ (535)
Installment sales	(584)	2,932	(3,491)
Changes in accounting principles	—	(5,480)	—
Foreign tax credits	(7,846)	—	2,170
Inventory obsolescence	789	591	(723)
Deferred revenues	(619)	(361)	(406)
Deferred investment tax credit	(652)	—	—
Depreciation	—	—	735
Reclassifications of prior years' provisions between current and deferred	(1,116)	1,119	930
Other	(1,620)	(554)	2,987
Total	$(11,149)	$ (950)	$ 1,667

Differences between the effective tax rates and the statutory U.S. federal rate applicable to continuing operations are explained as follows:

	1980	1979	1978
U.S. statutory tax rate	46.0%	46.0%	48.0%
U.S. state and local income taxes, net of federal tax credits	9.2	6.3	3.8
Investment tax credit	(3.1)	(2.5)	(1.6)
U.K. stock relief*	—	(10.2)	—
Tax credit not available on foreign losses	4.0	—	—
Other	(.1)	.5	(.4)
Total	56.0%	40.1%	49.8%

*Elimination of deferred taxes of $2,869 applicable to increased inventory values in the United Kingdom in accordance with the determination that such values are permanent pursuant to U.K. stock relief tax legislation.

INVESTMENT CREDIT

The Internal Revenue Code permits a credit of up to 10% against Federal income taxes on the cost of certain depreciable assets purchased and placed in service during the tax year. Similar credits up to 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. *AICPA 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

ARCHER DANIELS MIDLAND COMPANY (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Income Taxes—Income taxes are provided on pre-tax earnings reported in the financial statements except for the undistributed earnings of certain foreign and export subsidiaries which the Company intends to reinvest indefinitely.

Deferred income taxes result from timing differences between pre-tax earnings reported in the financial statements and taxable income which consist principally of depreciation, capitalized interest, refundable interest and undistributed earnings of foreign and export subsidiaries which may be remitted to the parent Company in the foreseeable future.

TABLE 3-13: INVESTMENT TAX CREDIT

	1980	1979	1978	1977
Flow-through method	528	529	521	504
Deferral method	67	67	71	75
No reference to investment credit	5	4	8	21
Total Companies	**600**	**600**	**600**	**600**

Investment tax credits are recorded under the flow-through method of accounting as a reduction of the current provision for federal income taxes.

Note 7—Income Taxes

Income tax expense consists of the following:

	1980	1979
	(In thousands)	
Federal	$62,196	$19,630
State	3,566	2,365
Deferred federal and state	17,099	10,297
Investment credit	(14,068)	(10,225)
Total	$68,793	$22,067

Investment credit includes $1,627,000 in 1980 and $1,381,000 in 1979 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.

Components of deferred income tax provision are as follows:

	1980	1979
	(In thousands)	
Excess of tax over book depreciation	$ 9,680	$ 8,824
Capitalization of interest	1,925	-0-
Refundable interest	3,053	-0-
Other	2,441	1,473
Total	$17,099	$10,297

Reconciliation of the statutory federal income tax rate to the Company's effective tax rate for the years ended June 30, 1980 and 1979 follows:

	1980	1979
Statutory rate	46.0%	47.0%
Increase (decrease) resulting from:		
State income taxes, net of federal tax benefit	1.5	2.2
Investment credit	(7.7)	(13.4)
Undistributed earnings of foreign subsidiaries and DISC	(4.0)	(7.1)
Other	1.8	.3
Effective rate	37.6%	29.0%

As of June 30, 1980, no taxes have been provided on approximately $63,000,000 of accumulated undistributed earnings of foreign subsidiaries and the Company's DISC which are planned to be reinvested indefinitely.

WESTVACO CORPORATION (OCT)

NOTES TO FINANCIAL STATEMENTS

Summary of significant accounting policies (in part)

Income taxes: For income tax purposes the Company reports certain amounts of income and expense in periods different from when such amounts are reported for financial accounting purposes. Provision is made for the income taxes related to these differences. Investment and energy tax credits are taken into income as a reduction of the provision for income taxes in the year the related property is available for service.

Note C: Income taxes

The provision for income taxes is composed of:

In thousands	1980	1979
Current		
Federal	$42,699	$27,540
Investment tax credit	(10,147)	(11,037)
Energy tax credit	(1,823)	(2,025)
State and other	6,340	4,050
Foreign	11,668	9,620
Deferred		
Federal	13,202	13,304
State and other	2,258	1,521
Foreign	203	427
	$64,400	$43,400

In 1980 provision for deferred taxes includes $8,525,000 applicable to the use of accelerated depreciation for income tax purposes (1979-$11,467,000). Provision has not been made for the income taxes which would become payable upon remittance of $59 million of the October 31, 1980 undistributed earnings of certain subsidiaries representing that portion of such earnings which the Company considers to have been indefinitely reinvested in the subsidiaries.

The differences (expressed as a percentage of pre-tax income) between the U.S. statutory federal income tax rate of 46.0% (1979-46.3%) and the effective income tax rate as reflected in the accompanying consolidated statement of income are:

	1980	1979
Statutory federal income tax rate	46.0%	46.3%
State and local taxes	3.1	2.5
Investment tax credit	(6.7)	(9.1)
Energy tax credit	(1.2)	(1.7)
Foreign income at other than U.S. rates	1.9	(1.3)
Other items—net	(.8)	(.9)
	42.3%	35.8%

KEYSTONE CONSOLIDATED INDUSTRIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (in part): Accounting Policies

Income Taxes—The Company provides for income taxes currently payable and, in addition, provides for deferred income taxes resulting from timing differences between financial and taxable income. Investment tax credits are recorded under the flow-through method of accounting. No provision has been made for income taxes on approximately $4,000,000 of cumulative undistributed earnings of certain foreign subsidiaries and a Domestic International Sales Corporation since it is the Company's intention to permanently invest such earnings.

Note F: Income Taxes

The income tax credit is comprised of the following:

	(In thousands) 1980	1979
Currently payable (refundable)		
Federal	$ 606	$(1,088)
Foreign	849	589
State	464	(137)
	1,919	(636)
Deferred		
Federal	(5,908)	243
Foreign	36	(74)
State	(1,090)	106
	(6,962)	275
Total credit	$(5,043)	$ (361)

Investment tax credits of approximately $740,000 and $1,063,000 in 1980 and 1979 respectively, were recognized in the provision for income tax credits.

The components of the deferred tax provision (credit) resulting from timing differences were:

	(In thousands) 1980	1979
Depreciation expense	$ 134	$ (108)
Pension expense	(6,016)	(429)
Debenture purchases	(189)	189
Gains on sales of industrial property	257	1,682
Gain on sale of Bank investment	(1,449)	—
Investment tax credits	270	(1,063)
Other items	31	4
	$(6,962)	$ 275

The reconciliation from statutory to effective income tax rates is as follows:

	Percent of Pretax Income (loss) 1980	1979
U.S. federal statutory rates	(46.0)	47.0
Investment tax credits	(8.7)	(135.4)
Income taxed at capital gains rates	(6.7)	—
Minimum income tax	5.6	—
State income taxes	(4.0)	(4.0)
Other items	.4	1.7
Effective rates	(59.4)	(90.7)

Deferral Method

AIR PRODUCTS AND CHEMICALS, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Major Accounting Policies

Investment Tax Credit and Foreign Investment Grants—The company takes United States investment tax credit into income over the composite average lives of the applicable assets. The amortization of the credit is included in consolidated income as a reduction of the provision for income taxes. The additional 1% investment tax credit resulting from the TRASOP contribution is recorded as a reduction of the provision for current income taxes. Foreign investment grants are deferred and amortized over the useful lives of the related assets.

Note 6 (in part): Income Taxes

The components of the provision for income taxes are as follows:

	1980 (In thousands)	1979
Federal:		
Current	$16,513	$21,872
Deferred	12,058	19,164
Deferred investment credit, net of amortization	7,292	11,306
	35,863	52,342
State:		
Current	4,747	6,244
Deferred	1,716	2,601
	6,463	8,845
Foreign:		
Current	28,515	3,850
Deferred	1,534	12,758
	30,049	16,608
Total Provision for Income Taxes	$72,375	$77,795

Deferred taxes result from the tax effect of the following items:

	1980 (In thousands)	1979
Excess of tax depreciation over book depreciation	$17,110	$29,542
Accrued gain on forward purchase currency hedges (U.S.)	656	6,172
Performance share awards	(1,607)	(1,067)
Other	(851)	(124)
	$15,308	$34,523

The effective tax rates of 38.5% for 1980 and 44.4% for 1979 can be reconciled to the United States Federal income tax rate as follows:

	1980	1979
	(Percent of income before taxes)	
United States Federal statutory rate	46.0%	46.5%
State taxes, net of Federal tax benefit	1.9	2.7
Amortization of investment credit	(4.4)	(3.6)
Foreign tax credits and refunds on dividends received from foreign affiliates	(2.5)	(.3)
Domestic International Sales Corporation (DISC) tax benefit	(1.1)	(.5)
Income from unconsolidated affiliates not requiring U.S. tax provision	(.9)	(.9)
Additional investment credit from TRASOP contribution	(.4)	(.5)
Non-taxable foreign exchange (gains) losses	(.2)	1.5
Other	.1	(.5)
Effective tax rate	38.5%	44.4%

AKZONA INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Investment tax credit—Investment tax credits are deferred and amortized into income over the average useful lives of the related assets.

Note 5: Income taxes

The income tax provision (credit) is comprised of the following:

	1980	1979	1978
Provision (credit) for income taxes:			
Current			
Federal and foreign	$(8,654,000)	$ 9,835,000	$ 4,903,000
State	932,000	2,368,000	1,913,000
Deferred			
Federal and foreign	2,463,000	293,000	3,320,000
State	4,000	97,000	45,000
	$(5,255,000)	$12,593,000	$10,181,000

Investment tax credits amortized into income were $3,637,000 in 1980, $3,646,000 in 1979 and $3,226,000 in 1978. For tax purposes, the full credit earned is normally used to reduce current federal taxes payable. Credits of $12,616,000 earned in the three-year period ended December 31, 1980, and available through 1987 for the reduction of future federal income tax liabilities, have been reflected as reductions of deferred income taxes in the accompanying consolidated statement of financial condition.

Foreign income before income tax expense was $8,191,000 in 1980, $6,302,000 in 1979 and $4,673,000 in 1978, and the related provisions for income taxes include foreign income taxes of $1,600,000, $1,223,000 and $1,237,000, respectively. A reconciliation between the amount of reported income tax expense (benefit) and the amount computed by multiplying the income (loss) before tax by the U.S. federal statutory tax rate of 46% (48% in 1978) follows:

	1980	1979	1978
Amount computed using statutory federal income tax rate	$ (174,000)	$17,591,000	$14,886,000
Investment tax credit	(3,637,000)	(3,646,000)	(3,226,000
Depletion	(1,597,000)	(3,278,000)	(2,435,000)
Minimum tax on tax preferences	971,000	784,000	300,000
State income taxes	505,000	1,331,000	1,018,000
Foreign tax differential	(1,758,000)	(873,000)	(558,000)
Other	435,000	684,000	196,000
Reported income tax expense (benefit)	$(5,255,000)	$12,593,000	$10,181,000

Additional U.S. income taxes have been provided on the portion of foreign income which is not expected to be permanently invested. The amount of foreign tax differential reflected in the above reconciliation represents the excess of U.S. statutory tax rates applied to foreign income before taxes over total taxes provided on foreign income. Most of the excess relates to a tax holiday, which expires in December, 1983, on a subsidiary's operations.

Deferred tax expense results from timing differences in the recognition of income and expense for tax and financial reporting purposes. Deferred tax expense included the following significant items:

	1980	1979	1978
Depreciation and write-off of property, plant and equipment	$ 82,000	$ (337,000)	$2,262,000
Employee benefit plans	821,000	1,178,000	950,000
Net investment tax credits deferred	1,153,000	97,000	710,000
Interest expense capitalized	2,319,000	—	—
Other	(1,908,000)	(548,000)	(557,000)
	$2,467,000	$ 390,000	$3,365,000

THE CLEVELAND-CLIFFS IRON COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies (in part)

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.

Note H (in part): Income Taxes

Components of Provision for Income Taxes:

	(In Millions)		
	1980	1979	1978
Current tax provision, including $2.1 million (1979-$1.9 million; 1978-$1.6 million) of foreign taxes	$ 3.6	$ 2.7	$ 7.9
Deferred tax provision	14.0	8.6	9.9
Deferred investment tax credit, net of amortization of $2.1 million (1979-$1.4 million; 1978-$.9 million)	5.0	7.9	4.8
	$22.6	$19.2*	$22.6

*Includes a $1.9 million credit resulting from a favorable foreign tax ruling recorded in March, 1979.

At December 31, 1980, there are investment tax credit carryovers of $20.4 million of which $13.2 million have been recognized by a reduction of deferred income taxes. The investment tax credit carryovers, which are expected to be utilized in the carryforward period, will expire as follows: 1985—$9.2 million, 1986—$7.9 million, and 1987—$3.3 million.

Components of Deferred Tax Provision:

	(In Millions)		
	1980	1979	1978
Tax deductible financing and development costs incurred during the construction of new facilities, which are deferred and amortized for financial statement purposes	$(1.1)	$ 4.8	$ 4.7
Deposits, net of withdrawals, to the Capital Construction Fund agreement with the U.S. Maritime Administration, net of depreciation	.6	.3	2.6
Excess of tax depreciation over depreciation for financial statement purposes (principally relating to the Company's share of associates' depreciation)	14.1	11.7	4.1
Income from mining ventures deferred for financial statement purposes until product sold (included in taxable income)	.2	(1.2)	(.4)
Increase (decrease) in deferred tax payable for investment tax credit carryovers recognized	.2	(5.0)	(3.0)
Other items—net	-0-	(2.0)	1.9
	$14.0	$ 8.6	$ 9.9

GENERAL ELECTRIC COMPANY (DEC)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment tax credit

The investment tax credit is recorded by the "deferral method" and is amortized as a reduction of the provision for taxes over the lives of the facilities to which the credit applies, rather than being "flowed through" to income in the year the asset is acquired.

NOTES TO FINANCIAL STATEMENTS

Note 6 (in part): Provision for income taxes

(In millions)	1980	1979	1978
U.S. federal income taxes:			
Estimated amount payable	$574	$599	$590
Effect of timing differences	14	(31)	(13)
Investment credit deferred—net	56	45	25
	644	613	602
Foreign income taxes:			
Estimated amount payable	238	323	221
Effect of timing differences	39	(6)	45
	277	317	266
Other (principally state and local income taxes)	37	23	26
	$958	$953	$894

All General Electric consolidated U.S. federal income tax returns have been closed through 1972.

Provision has been made for federal income taxes to be paid on that portion of the undistributed earnings of affiliates and associated companies expected to be remitted to the parent company. Undistributed earnings intended to be reinvested indefinitely in affiliates and associated companies totaled $1,111 million at the end of 1980, $944 million at the end of 1979, and $815 million at the end of 1978.

Changes in estimated foreign income taxes payable and in the effect of timing differences result principally from fluctuations in foreign earnings and tax rates, and from recognizing in the current year for tax payment purposes the results of transactions in Australia recorded for financial reporting purposes in other years.

Investment credit amounted to $92 million in 1980, compared with $76 million in 1979 and $51 million in 1978. In 1980, $36 million were included in net earnings, compared with $31 million in 1979 and $26 million in 1978. At the end of 1980, the amount still deferred and to be included in net earnings in future years was $262 million.

TABLE 3-14: TAXES ON UNDISTRIBUTED EARNINGS

	1980	1979	1978	1977
Taxes accrued on all undistributed earnings	21	25	31	28
Taxes accrued on a portion of undistributed earnings	154	150	119	108
Taxes not accrued on undistributed earnings	218	215	238	248
No mention of undistributed earnings	207	210	212	216
Total Companies	**600**	**600**	**600**	**600**

TAXES ON UNDISTRIBUTED EARNINGS

APB Opinion No. 23 stipulates that income taxes should be accrued for undistributed earnings of subsidiaries and corporate joint ventures included in consolidated earnings and that such accruals should be accounted for as timing differences. If there is evidence that the undistributed earnings of a subsidiary or corporate joint venture will not be transferred to the 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 *AICPA 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.

Taxes Accrued On All Undistributed Earnings

SIGNODE CORPORATION (DEC)

SUMMARY OF ACCOUNTING POLICIES

Taxes on Earnings—The Company provides for the tax effects of transactions in the year they enter into the determination of net earnings regardless of when recognized for tax purposes.

The Company provides for the excess of U.S. taxes over international taxes on undistributed earnings of international subsidiaries to the extent it is anticipated the earnings will be repatriated. The Company also provides for taxes on undistributed earnings of its Domestic International Sales Corporation (DISC), whose earnings are eligible for tax deferral under existing U.S. tax regulations.

The investment tax credits and British investment grants are deferred and amortized to income over the estimated useful lives of the applicable assets.

NOTES TO FINANCIAL STATEMENTS

Note 7: Income Taxes

The provision for taxes on earnings includes the following:

	1980	1979	1978
	(Thousands of Dollars)		
Currently paid or payable—			
U.S. Federal	$13,408	$13,865	$13,298
State	2,742	2,553	2,133
International	11,002	12,147	15,514
	27,152	28,565	31,945
Deferred income taxes—			
U.S.	3,646	7,038	4,348
International	3,787	2,944	1,160
Amortization of deferred investment credits	(821)	(705)	(590)
	$33,764	$37,842	$36,863
Effective income tax rates	46.7%	46.4%	49.1%
Earnings before taxes—			
U.S.	$40,038	$48,668	$40,677
International	32,290	32,947	34,410
	$72,328	$81,615	$75,087

As of December 28, 1980, the Company has provided U.S. taxes on undistributed earnings of all international subsidiaries. The Company has also provided taxes on undistributed earnings of $10,702,000 through 1980 for its Domestic International Sales Corporation (DISC). Deferred income taxes result from the use of accelerated depreciation in tax amounts of $4,618,000 in 1980, $3,819,000 in 1979, and $1,858,000 in 1978, and from taxes on undistributed earnings of international subsidiaries and DISC of $1,241,000 in 1980, $4,287,000 in 1979, and $2,086,000 in 1978.

COMMERCIAL METALS COMPANY (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note E: Income Taxes

The provisions for income taxes include the following:

	Year ended August 31 1980	1979
Current:		
United States (net of investment tax credits of $814,000 and $314,000, respectively, and foreign tax credits of $153,000 in 1979)	$ 9,257,000	$10,847,000
Foreign	500,000	575,000
State and local	1,048,000	959,000
	10,805,000	12,381,000
Deferred	4,445,000	1,219,000
	$15,250,000	$13,600,000

Deferred taxes arise principally from the current provision for United States income taxes on unremitted foreign income.

The Company's effective tax rates were 45.4% in 1980 and 47.3% in 1979. Reconciliations of the United States statutory rate and these rates are as follows:

	Year ended August 31	
	1980	1979
Statutory rate	46.0%	46.7%
State and local taxes	1.8	1.7
Investment tax credits	(2.4)	(1.1)
	45.4%	47.3%

THE WILLIAMS COMPANIES (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Income taxes. Williams includes the operations of U.S. subsidiaries in its consolidated federal income tax return. Provision is made for deferred income taxes and future income tax benefits applicable to timing differences between financial and taxable income. The provision attributable to undistributed earnings of foreign subsidiaries, less estimated foreign tax credits, and Domestic International Sales Corporations has been made at ordinary income rates. Investment tax credits are recognized on a flow-through basis.

Note 5 (in part): Provision for income taxes

The provision (credit) for income taxes consists of the following:

		(Thousands)	
	1980	1979	1978
Current:			
Federal	$32,697	$12,311	$ 3,018
State	6,826	3,274	4,198
	39,523	15,585	7,216
Deferred (a):			
Differences in tax and financial depreciation methods	12,789	16,004	23,002
Exploration and development costs capitalized for financial purposes	19,081	20,900	12,599
Investment tax credits	20,885	(4,253)	(5,480)
Undistributed earnings of subsidiaries	5,057	2,665	3,995
Other	(8,565)	(10,607)	234
	49,247	24,709	34,350
Foreign	(366)	462	—
Total provision	$88,404	$40,756	$41,566

(a) State portion is less than 5 percent of each item.

ZENITH RADIO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Income Taxes—The Company records expense for financial reporting purposes in the year in which the expense relates, although for income tax purposes, certain expenses are deductible only in subsequent accounting periods. Accordingly, the applicable prepaid income taxes are shown as prepaid expenses in current assets in the accompanying Consolidated Balance Sheets, except for a future income tax benefit arising from a 1977 provision for loss on disposal of a color TV picture tube facility which is shown as a reduction of deferred income taxes.

The Company provides for deferred income taxes on undistributed earnings of DISC and foreign subsidiaries (see Note 6). Deferred income taxes are also provided for timing differences arising from (a) claiming accelerated depreciation for Federal income tax purposes for certain plant and equipment additions which are depreciated using the straight-line method for financial reporting purposes and (b) deferring tax payments on income arising from a change made in 1975 in the method of determining overhead costs in inventory.

Investment tax credits are accounted for under the "flow-through" method. Under this method, the credit is recognized as a reduction of income tax expense in the year in which the credit reduces taxes payable.

Note 6 (in part): Income taxes

The provisions for income taxes consist of the following:

	1980	1979	1978
		(in millions)	
Currently payable:			
Federal	$18.1	$12.8	$15.0
Foreign	2.7	2.5	1.6
State	2.5	1.3	.6
Deferred taxes relating primarily to accelerated depreciation and undistributed earnings of foreign subsidiaries and DISC	2.5	1.4	2.8
Utilization of tax benefit resulting from the write-down of color TV tube facility	1.3	1.4	1.7
(Increase) decrease in prepaid taxes arising primarily from product warranty, co-op advertising and merchandising programs	(4.7)	(4.3)	1.2
Investment tax credit	(1.4)	(1.4)	(.7)
Other	—	—	.5
Total provision for income taxes	$21.0	$13.7	$22.7

* * *

Through 1976, the Company provided U.S. income taxes on all undistributed earnings of a foreign subsidiary at capital gain tax rates, based upon the Company's intention to repatriate such earnings in a capital transaction. The Company has provided U.S. income taxes at ordinary rates on all undistributed earnings of foreign subsidiaries subsequent to 1976. Such earnings are expected to be remitted to the parent company in the form of a dividend.

Taxes Accrued On Portion Of Undistributed Earnings

BOISE CASCADE CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 2 (in part): Income Taxes

The Company has undistributed earnings of approximately $91,082,000 from certain of its foreign subsidiaries. U.S. income taxes, net of allowable foreign income tax credits, have been provided on $14,813,000 of the undistributed earnings. U.S. income taxes have not been provided on $76,269,000 of the undistributed earnings of Canadian subsidiaries because the Company has reinvested those earnings in Canada. Should these earnings be distributed, foreign tax credits would reduce the additional U.S. income taxes which would be payable.

INTERNATIONAL MULTIFOODS CORPORATION (FEB)

FINANCIAL REVIEW

Deferred tax expense (credit) resulting from timing differences in the recognition of revenue and expense for tax and financial statement purposes for 1980 and 1979 was as follows (in thousands):

	1980	1979
Taxes on unremitted earnings of non-U.S. subsidiaries	$ (379)	$ 399
Allowance for doubtful receivables	(93)	285
Excess of tax over book depreciation	1,464	1,586
Pensions and other expense accruals, Venezuelan companies	(181)	848
Other, not individually significant	60	(246)
Provision for loss on discontinued operations	(5,900)	—
	$(5,029)	$2,872

The income tax effect of transactions is recognized in the year in which they enter into the determination of accounting income, regardless of when they are recognized for tax purposes. Accordingly, income tax expense includes charges and credits for deferred income taxes and the accumulated deferred income taxes are shown in the consolidated balance sheets. Investment tax credits are taken as reductions in income taxes in the year in which the related assets are put into use.

Provision has been made for U.S. and non-U.S. income taxes applicable to anticipated remittances of earnings from subsidiaries. Unremitted earnings of non-U.S. subsidiaries which have been, or are intended to be, permanently reinvested aggregated approximately $54,750,000 at February 29, 1980.

STANLEY HOME PRODUCTS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Accounting policies

The Company accrues 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. The cumulative amount of unremitted earnings of subsidiaries which has been, or is intended to be, permanently reinvested, aggregated approximately $15,724,000 at December 31, 1980. Had such reinvested unremitted earnings been distributed during 1980, applicable income taxes would have amounted to approximately $2,047,000 representing primarily taxes which would be withheld by foreign countries.

THE L. S. STARRETT COMPANY (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies (in part)

Income Taxes: Deferred tax expense results from timing differences in reporting certain transactions for financial accounting and tax purposes. The principal sources of these differences are undistributed earnings of foreign subsidiaries in excess of amounts deemed necessary for their future operations and to the extent that foreign tax credits would not offset federal income tax upon repatriation and the deferred portion of the earnings of the Company's Domestic International Sales Corporation (DISC). Investment tax credits are deducted from income taxes in the year in which they are allowed as a reduction of the tax liability.

Federal, Foreign and State Income Taxes (in part)

Provision for federal, foreign and state income taxes consists of the following for the years ended June 30:

	1980	1979
Current:		
Federal	$ 6,852,395	$6,578,580
Foreign	1,616,652	2,277,950
State	1,402,264	1,100,640
Deferred	215,289	(858,270)
	$10,086,600	$9,098,900

The amount of income taxes for 1980 and 1979 differs from the U.S. statutory amount principally because of state income taxes ($757,000 and $584,000, respectively, net of federal benefit), reduction in Scottish income taxes ($750,000 in 1979) due to cancellation by the British government of previously provided stock relief taxes, and differing tax rates applicable to earnings of foreign subsidiaries.

The amount of undistributed earnings of foreign subsidiaries at June 30, 1980 and 1979, deemed necessary for their future operations, for which federal income taxes have not been provided, is approximately $2,000,000.

THE SUPERIOR OIL COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Income Taxes—A consolidated Federal income tax return is filed by Superior and its wholly owned domestic subsidiaries.

Deferred income taxes are provided on timing differences arising from the recognition of revenues and expenses in different financial and tax accounting periods. The most significant timing differences relate to intangible drilling and development costs, impairment of unproved oil and gas properties, geological and geophysical costs, equity in the earnings or losses of affiliates, and capitalized interest costs.

The company recognizes investment tax credits as a reduction of income tax expense in the year the credits are earned to the extent they may be utilized for either tax reporting purposes in such year or to the extent of deferred taxes provided in the current or prior years.

Foreign withholding taxes are provided on the company's equity in the earnings of foreign affiliates and subsidiaries which are expected to be received as dividends (see Note 6). Such taxes are included in the consolidated balance sheets as a deferred liability.

Note 6 (in part): Income Taxes

The company's consolidated income tax expense for 1980, 1979, and 1978 consisted of (in thousands of dollars):

Year Ended December 31,	1980	1979	1978
U.S. Federal			
Current	67,828	38,950	14,500
Deferred	62,330	32,007	35,392
	130,158	70,957	49,892
Foreign			
Current	75,458	58,541	43,473
Deferred	14,447	21,476	10,439
	89,905	80,017	53,912
State and Local			
Current	1,261	1,510	3,519
Deferred	321	—	—
	1,582	1,510	3,519
Income tax expense	221,645	152,484	107,323

A reconciliation of the income tax computed by applying the statutory U.S. Federal income tax rate to the company's consolidated income before income taxes, minority interest, and extraordinary items is presented below (in thousands of dollars):

Year Ended December 31,	1980	1979	1978
Federal income tax computed at statutory rates	259,355	174,579	105,878
Increase (reduction) resulting from:			
Investment tax credit	(19,810)	(15,900)	(6,800)
Income taxes on foreign operations over (under) U.S. statutory rates, net of tax credit utilization (see discussion below)	(19,139)	(7,296)	3,882
Other	1,239	1,101	4,363
Income tax expense	221,645	152,484	107,323

The consolidated provision for deferred income taxes results from timing differences between financial and taxable income. The sources of such timing differences are (in thousands of dollars):

Year Ended December 31,	1980	1979	1978
Oil and gas exploration and development costs	33,791	33,140	39,076
Income taxes on foreign operations, net of tax credit utilization (see discussion below)	14,447	20,353	6,764
Capitalized interest costs, net of amortization	21,066	—	—
Other	7,794	(10)	(9)
Deferred income tax expense	77,098	53,483	45,831

Income before income taxes, minority interest, and extraordinary items includes foreign income of $198,979,000, $155,431,000, and $104,269,000 in 1980, 1979, and 1978, respectively.

In accordance with Superior's policy, U.S. Federal income taxes and foreign withholding taxes have been provided on Superior's portion of the earnings of foreign subsidiaries and affiliates which are expected to be received as dividends, as if those earnings had been received in the form of dividends in the year they are reflected in the consolidated statements of income, after giving effect to foreign tax credits that would have been available.

In periods prior to 1980, deferred U.S. Federal income and Canadian withholding taxes totaling $22,200,000 were provided on the undistributed earnings of CSO. CSO does not intend to remit previous years' earnings or earnings generated in 1980 as dividends which would be subject to such taxes. Since Superior has now acquired sole ownership of CSO, reinvestment plans for these earnings are definitive and, accordingly, the taxes accrued in prior periods have been reversed and the effect of the reversal is reflected in income for 1980. No accrual of such taxes will be made in future periods, unless it is determined a dividend subject to such taxes will be paid. As of December 31, 1980, the cumulative amount of CSO's undistributed earnings on which U.S. Federal income and Canadian withholding taxes have not been provided was approximately $326,000,000.

No Accrual for Taxes

ANALOGIC CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Summary of business operations and significant policies

Income taxes: The Company does not provide for federal income taxes on the undistributed earnings of its two domestic international sales corporations because such earnings are reinvested and, in the opinion of management, will continue to be reinvested indefinitely. (See Note 6.)

Note 6 (in part): Income taxes

The Company does not provide for federal income taxes on the undistributed earnings of its wholly owned domestic international sales corporation (DISC) subsidiaries. It is the Company's intention to reinvest undistributed earnings of the subsidiaries (amounting to approximately $3,722,000 and $2,216,000 as of July 31, 1980 and 1979, respectively), so as to continue to be eligible for deferral of such earnings for federal income tax purposes.

KELLOGG COMPANY (DEC)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income taxes

Deferred income taxes are provided on revenues and expenses included in financial statements for periods other than the periods for which those revenues and expenses are reported for income tax purposes. Investment tax credits are used to reduce current income tax provisions. It is the practice and the intention of the Company to reinvest indefinitely such earnings of foreign subsidiaries as may be required for the growth of businesses outside the United States. Accordingly, United States income taxes have not been provided on such unremitted current and prior years' earnings of these subsidiaries. The cumulative amounts of undistributed foreign earnings at December 31, 1980 and 1979, are $226.7 million and $197.7 million, respectively. Management expects such earnings, if remitted, would be taxed at substantially reduced rates because of the anticipated credit for income taxes paid in other countries.

SUNBEAM CORPORATION (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Income taxes—The earnings of the Corporation and its domestic subsidiaries are included in a consolidated United States income tax return. No provision has been made for foreign withholding taxes or United States income taxes on undistributed earnings (approximately $112,000,000 at March 29, 1980) of foreign subsidiaries since these earnings have been or are intended to be reinvested in working capital and fixed assets for an indefinite period of time. Foreign tax credits would be available as a reduction of United States income taxes in the event of distribution.

Investment tax credits are recognized as income when utilized as a reduction of current income taxes.

THE TIMKEN COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (in part): Significant Accounting Policies

Income Taxes: Deferred income taxes are provided for timing differences between financial and tax reporting and relate principally to depreciation expense.

The United States tax credit for investment in certain depreciable property has been applied to reduce the provision for income taxes.

Since the Company plans to continue to finance overseas expansion and operating requirements by reinvesting undistributed earnings ($41,748,000 at December 31, 1980 and $37,298,000 at December 31, 1979) of its subsidiaries. United States income taxes are not provided on such earnings.

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 authoritative pronouncement on accounting for translation of foreign currency accounts. Examples of translation disclosures follow. Income statement presentations of translation gains and losses are presented on pages 262 and 270-272, respectively.

AMP INCORPORATED AND PAMCOR, INC. (DEC)

NOTES TO COMBINED FINANCIAL STATEMENTS

Note 3: International Operations

Net income from international operations was $64,018,000 in 1980, $50,545,000 in 1979 and $45,515,000 in 1978.

Availability of remittances to the parent company is subject to exchange controls and other restrictions of the various countries.

Exchange gains and losses, after adjustment for income taxes to the extent appropriate, increased net income by $4,188,000 in 1980, and decreased net income by 4,169,000 in 1979 and $2,302,000 in 1978. However, the total quantifiable effect of foreign currency rate changes, including the effect of consuming in operations non-monetary assets translated to U.S. dollars at historical exchange rates (principally inventories charged to cost of sales on a first-in, first-out basis), increased net income by approximately $.14 per share in 1980, decreased net income by approximately $.08 per share in 1979 and increased net income by approximately $.18 per share in 1978. Economic effects of foreign currency exchange rate changes, such as changes in selling prices, sales volumes and cost structures, are not quantifiable by practicable means.

BECTON, DICKINSON AND COMPANY (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note H—Foreign Currency Transactions and Translations

Net income was favorably affected by $757,000 in 1980 and unfavorably by $645,000 in 1979 by foreign currency fluctuations. An analysis follows:

	1980	1979
Net foreign exchange gains (losses) as defined by FASB Statement No. 8 consisting of translation of foreign currency statements and realized and unrealized foreign currency transactions............	$ 2,532,000	$(1,013,000)
Effect of cost of products sold due to translation of inventories at historical rates	(1,775,000)	368,000
	$ 757,000	$ (645,000)

INTERNATIONAL BUSINESS MACHINES CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies (in part)

Translation of Non-U.S. Currency Amounts: Assets and liabilities denominated in currencies other than U.S. dollars, are translated to U.S. dollars at year-end exchange rates, except that inventories and plant, rental machines and other property are translated at approximate rates prevailing when acquired. Income and expense items are translated at average rates of exchange prevailing during the year, except that inventories charged to cost of sales and depreciation are translated at historical rates. Exchange gains and losses are included in earnings currently.

Exchange Gains and Losses: Net earnings in 1980 include exchange gains of $24 million, resulting from fluctuations in the value of the U.S. dollar in relation to other currencies. This consists principally of unrealized gains from the translation of foreign currency assets and liabilities, and compares with exchange losses of $52 million in the year 1979 and gains of $113 million in 1978.

KAISER ALUMINUM & CHEMICAL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

(millions of dollars, except share amounts)

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

Foreign Currency Translation: Assets and liabilities representing cash and amounts receivable or payable are translated to United States dollars at the current rate; other assets and liabilities are translated principally at historical rates. Revenues and expenses are translated at the average exchange rates in effect during the period, except for amounts relating to balance sheet items translated at historical rates. Gains and losses on forward exchange contracts are included in income currently, unless contracts are made to hedge specific foreign currency commitments.

Note 4: Foreign Operations

The consolidated financial statements for 1980 and 1979 included foreign assets of $879.3 and $738.8, and liabilities of $223.9 and $209.6. Investments and advances included in such foreign assets were $547.1 and $439.4 at the same dates. Equity in earnings of companies not consolidated included earnings of foreign companies of $83.4, $43.7, and $24.0 in 1980, 1979, and 1978. The corporation is dependent to a large extent on foreign sources of raw materials.

Net gain (loss) before tax from foreign exchange and currency translation was $(8.4), $(1.6), and $3.4 in 1980, 1979, and 1978. The after-tax (loss) from long-term exposures was $(3.9), $(6.7), and $(11.8) in the same periods.

KIMBERLY-CLARK CORPORATION (DEC)

ACCOUNTING POLICIES

Currency Translation. Marketable equity securities; property, plant and equipment; other assets and deferred income taxes of operations outside the U.S. are translated into U.S. dollars at rates of exchange in effect when acquired. Inventories are translated and valued so as to reflect the lower of cost or market in U.S. dollars. All other assets and liabilities are translated at rates of exchange in effect at the close of the period. Income and expense accounts are translated at rates of exchange in effect each month, except that income and expense accounts which relate to assets and liabilities translated at historical rates are translated on the same basis as the related assets and liabilities.

NOTES TO FINANCIAL STATEMENTS

Note 8: Currency Translation

Changes in currency translation rates produced exchange losses of $2.4 million in 1980 and $2.8 million in 1979 and exchange gains of $2.5 million in 1978. These gains and losses reflect the effect of changes in currency exchange rates on the translation of balance sheets of consolidated subsidiaries and equity companies. They also reflect the impact of rate changes on the settlement of commitments and receivables which are denominated in currencies other than that of the country in which an operation is located.

NABISCO, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Foreign exchange adjustments resulting from translation, transactions and forward foreign exchange contracts amounted to losses, net of taxes, of $1,519,000 in 1980, $5,045,000 in 1979 and $6,670,000 in 1978. Forward foreign exchange contracts are used to hedge foreign inventory exposures and translation exposures as defined under SFAS No. 8. The difference between translating such exposed inventories at historical versus current rates resulted in an unfavorable adjustment to cost of sales of $741,000 in 1980 and favorable adjustments of $2,900,000 and $4,700,000 in 1979 and 1978, respectively.

PRATT & LAMBERT, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note A (in part): Accounting Policies

Translation of Foreign Currency—The financial statements of foreign operations are translated to United States dollars based on the official or free rates of exchange applicable in the circumstances. Current assets, except inventories, and all liabilities, except deferred income taxes, are translated at the rates of exchange in effect at year-end. Inventories, property, other assets, and deferred income taxes are translated at the historic exchange rates which prevailed when the assets were acquired or the taxes were provided. Revenue and expense accounts are translated at the weighted average exchange rates in effect during the year, except that historic rates are used to translate those expense items related to inventories, property and deferred income taxes.

Translation gains and losses arising from exchange rate fluctuations are reflected in current earnings.

Note B: Foreign Operations

Currency exchange gains and losses of foreign operations, calculated in accordance with the provisions of Statement 8 of the Financial Accounting Standards Board, decreased pre-tax income by approximately $191,600, $108,400 and $320,800 in 1980, 1979 and 1978, respectively.

STANDARD OIL COMPANY OF CALIFORNIA (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in Millions, Except Per Share Amounts

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

Foreign Currency Translation. Cash, receivables, payables, long-term debt and advances to affiliated companies are translated at currency exchange rates prevailing at the balance sheet dates. Other assets and liabilities (including inventories, properties, plant and equipment, and certain prepaid expenses, deferred charges and deferred income taxes) are translated at historical currency exchange rates. Revenues and costs are translated at monthly average currency exchange rates, except for costs related to balance sheet items translated at historical rates. Gains or losses from foreign currency translations and on forward exchange contracts to hedge net asset or liability positions are included in income currently.

Note 13 (in part): Net Income—The weighted average number of shares issued for 1980, 1979 and 1978 used in calculating net income per share was 342,060,466, 341,766,214 and 341,254,868, respectively.

Net foreign exchange translation losses recorded by consolidated companies amounted to $22 in 1980 compared to gains of $4 in 1979, and losses of $15 in 1978.

TABLE 3-15: METHOD OF ACCOUNTING FOR LONG-TERM CONTRACTS

	1980	1979	1978	1977
Percentage-of-completion	92	88	86	75
Completed contract	15	11	10	14
Not determinable	1	1	4	8
Referring to long-term contracts	**108**	**100**	**100**	**97**
Not referring to such contracts	492	500	500	503
Total Companies	**600**	**600**	**600**	**600**

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 *ASR No. 164* apply to financial statements 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.

ALPHA PORTLAND INDUSTRIES, INC. (DEC)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Construction Contracts

Earnings on long-term construction contracts are recognized on the percentage-of-completion method in the ratio that costs incurred bear to total estimated costs. Revenues on contracts that are less than twenty percent complete are included in the same amounts as costs incurred, and the respective cumulative earnings are not recognized until the period in which such percentage is attained. Earnings and costs on contracts are subject to revision throughout the terms of the contracts, and any required adjustments are made in the periods in which revisions become known. Provisions are made for the full amounts of anticipated losses in the periods in which they are first determinable. Claims for additional contract revenues are recognized to the extent of costs incurred if it is probable that the claim will result in additional revenue and the amount can be reliably estimated. Profit on such claims is not recognized until such claims have been allowed.

Balances billed but not paid pursuant to retainage provisions under construction contracts generally become due upon completion of the contracts and acceptance by the owners. Construction contracts are normally completed within two to four years.

Costs and estimated earnings in excess of billings on uncompleted contracts comprise principally revenues recognized on contracts for which billings have not been presented to the contract owners at the balance sheet date. Such revenues are expected to be billed and collected generally within one year.

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

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

CURTISS-WRIGHT CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

B. Accounting for Long-Term Contracts—The Corporation records sales on its long-term contracts generally on a percentage of completion basis, based upon current estimates of manufacturing and engineering costs to complete such contracts. General and administrative expenses are accounted for as period charges and, therefore, are not included in the calculation of the estimates to complete. Projected losses are provided in their entirety without reference to the percentage of completion.

EMERSON ELECTRIC CO. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Long-Term Contracts—Income on long-term contracts, principally government and defense contracts, is recognized on the percentage of completion or unit of delivery basis. On contracts where the percentage of completion method is used, costs and estimated earnings in excess of progress billings are presented as a current asset. Unbilled costs on unit of delivery contracts are included in inventory. Payments in excess of costs incurred on long-term contracts are presented as a current liability.

GRANGER ASSOCIATES (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Revenues: Revenues are recorded using the completed contract method except for long-term contracts where revenues are recognized using the percentage of completion method. Under the latter method, costs are charged to operations as incurred and revenues are recognized according to the ratio of costs incurred to total currently estimated costs of projects, after allowances for costs which may be incurred in excess of estimates.

HALLIBURTON COMPANY (DEC)

STATEMENT OF ACCOUNTING POLICIES

Construction Contracts. As construction contracts may extend over a period of years, the Company reports income from such contracts on a percentage of completion method of accounting. All known or anticipated losses on construction contracts are provided for currently. Claims for additional compensation are recognized during the period such claims are resolved. The dollar value of customer-furnished materials used in construction projects of Brown & Root, Inc. and its subsidiaries is included in construction revenues and operating expenses.

NOTES TO FINANCIAL STATEMENTS

Note 1: Engineering/Construction Contracts. Customer-furnished materials of $1,243,990,000, $1,591,752,000 and $1,390,643,000 used in industrial construction projects of Brown & Root, Inc. and its subsidiaries are included in service revenues and cost of service operations for the years ended December 31, 1980, 1979 and 1978, respectively.

Notes and accounts receivable at December 31, 1980 include $104,033,000 ($69,555,000 at December 31, 1979) not currently collectible from customers in accordance with applicable retainage provisions of engineering construction contracts. Of the December 31, 1980 amount, about $62,183,000 is expected to be collected during 1981 and the remainder is due in subsequent years.

Unbilled work on uncompleted contracts generally represents work currently billable and such work is usually billed during normal billing processes in the next month.

RAYTHEON COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note A (in part): Accounting Policies

Contracts in Process—Sales under long-term contracts are recorded under the percentage of completion method, wherein costs and estimated gross margin are recorded as sales as the work is performed. Costs include direct engineering and manufacturing costs, applicable overheads and special tooling and test equipment. Estimated gross margin provides for the recovery of allocable research, development (including bid proposal), marketing and administration costs and for accrued income. Accrued income is based on the percentage of estimated total income that incurred costs to date bear to estimated total costs after giving effect to the most recent estimates of cost and funding at completion. When appropriate, increased funding is assumed based on expected adjustments of contract prices for increased scope and other changes ordered by the customer. Some contracts contain incentive provisions based upon performance in relation to established targets to which applicable recognition has been given in the contract estimates. Since many contracts extend over a long period of time, revisions in cost and funding estimates during the progress of work have the effect of adjusting in the current period earnings applicable to performance in prior periods. When the current contract estimate indicates a loss, provision is made for the total anticipated loss. In accordance with these practices, contracts in process are stated at cost plus estimated profit but not in excess of realizable value.

Note C: Contracts in Process

Contracts in process consist of the following at December 31, 1980:

	Cost Type	Fixed Price Type	Total
		In thousands	
U.S. Government end use contracts			
Billed	$ 42,404	$ 56,815	$ 99,219
Unbilled	29,301	585,585	614,886
Less progress payments	—	531,505	531,505
Total	71,705	110,895	182,600
Other customers			
Billed	40,476	5,241	45,717
Unbilled	25,048	255,994	281,042
Less progress payments	—	208,025	208,025
Total	65,524	53,210	118,734
	$137,229	$164,105	$301,334

Contracts in process consist of the following at December 31, 1979:

U.S. Government end use contracts			
Billed	$ 24,306	$ 62,942	$ 87,248
Unbilled	17,863	393,368	411,231
Less progress payments	—	417,458	417,458
Total	42,169	38,852	81,021
Other customers			
Billed	27,849	8,446	36,295
Unbilled	19,600	99,500	119,100
Less progress payments	—	83,193	83,193
Total	47,449	24,753	72,202
	$ 89,618	$ 63,605	$153,223

The U.S. Government has a security title to unbilled amounts associated with those contracts which provide for progress payments.

Retentions arising from contractual provisions at December 31, 1980, amounted to $15,207,000 which are anticipated to be collected as follows: 1981—$10,184,000; 1982—$1,199,000 and the balance thereafter.

Unbilled amounts are recorded on the percentage of completion method and are recoverable from the customer upon shipment of the product, presentment of billings or completion of the contract. It is anticipated that substantially all of these unbilled amounts, net of progress payments, will be collected during 1981.

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.

Note 3: Costs and Estimated Earnings in Excess of Billings

Costs and estimated earnings in excess of billings on long-term contracts are summarized as follows:

	1980	1979
Work in process costs	$ 211,108	$ 488,612
Recoverable costs and accrued profits—not billed	1,446,809	2,942,880
	$1,657,917	$3,431,492

Work in process costs relating to long-term contracts are stated at the actual production costs, including factory overhead and other related nonrecurring costs, incurred to date, reduced by amounts identified with revenue recognized under the percentage of completion method.

Recoverable costs and accrued profits—not billed are principally comprised of amounts of revenue recognized on contracts for which billings will be presented in accordance with contract provisions.

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 *AICPA 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 1980, 37 survey companies discontinued the operations of a business segment, and 20 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 SEATING COMPANY (DEC)

	1980	1979	1978
		($000)	
Income (loss) from continuing operations before income taxes	$2,328	$(4,215)	$1,546
Provision for (recovery of) income taxes	298	(1,952)	407
Income (Loss) from Continuing Operations	$2,030	$(2,263)	$1,139
Income (loss) relating to discontinued operations (Note 3):			
Income (loss) from operations, net of income tax	—	(478)	213
Gain (loss) on disposal of assets, net of income tax	572	—	(193)
Total	572	(478)	20
Net Income (Loss)	$2,602	$(2,741)	$1,159

Note 3—Discontinued Operations

In 1977, the Company sold the business of its E. H. Sheldon and Company division in Muskegon, Michigan, and terminated operations of its Art Laboratory Furniture Division in Montreal, which together constituted the laboratory furniture segment of the Company's business. The activities of this discontinued segment have been segregated in the consolidated statement of operations so as to show separately the results of continuing operations. In 1978, these activities resulted in a loss of $193,000 net of income tax expense of $11,000.

In the fall of 1979, the Company entered into negotiations for the disposition of the Joerns Furniture Company, a division of the Company, to the former owners. This division constituted the health care segment of the Company's business.

The disposition of Joerns was completed on January 8, 1980, and was accomplished by means of a split-off of the Company's wholly-owned subsidiary, Joerns Furniture Company, Inc., in accordance with an Agreement of Reorganization. This agreement involved return of the American Seating preferred stock issued to the former owners at the time of the acquisition of Joerns in 1968 (as explained in Note 9).

At the time of the split-off, the assets of Joerns consisted of cash, receivables, inventories, land, buildings, machinery, equipment and other tangible assets. The book value of these assets at that time was approximately $8.5 million. The liabilities of Joerns at the time of the split-off were approximately $4.4 million, including current accruals and payables, short-term bank debt of $3 million and a note to the Company of $250,000.

The activities of this discontinued segment during 1979 and 1978, which have been segregated from continuing operations and presented as a net figure in the consolidated statement of operations, are summarized as follows:

	(In Thousands of Dollars) 1979	1978
Net sales	$17,519	$18,086
Costs and expenses	18,427	17,704
Income (loss) before income taxes	(908)	382
Income tax provision (credit)	(430)	169
Net income (loss)	$ (478)	$ 213

The assets and liabilities at December 31, 1979 related to the Joerns operation were as follows (restated to reflect the retroactive capitalization of leases):

	(In Thousands of Dollars)
Current assets	$7,710
Non-current assets	3,712
Liabilities	(4,406)
Assets net of liabilities	$7,016

The factory of Stevens Point, Wisconsin, is leased from the City of Stevens Point. The Company capitalized this lease for financial statement purposes effective January 1, 1980 (see Note 14). In January, 1980, this facility was subleased to the new Joerns Furniture Company, Inc., for the remainder of the lease term, and the sublease was recorded as a sale.

In 1980, discontinued operations resulted in a gain of $572,000, net of income taxes of $310,000.

BIRD & SON, INC. (DEC)

	1980	1979	1978
		($000)	
Earnings (loss) from continuing operations before income taxes	$(1,651)	$20,889	$35,663
Provision for income taxes	(1,787)	8,786	17,802
Earnings from continuing operations	136	12,103	17,861
Loss from discontinued operations—Note 2:			
Operating loss, net of income tax credits	(899)	(760)	(384)
Provision for loss on disposal of assets and close-down costs, net of income tax credits	(2,821)	—	—
Loss from discontinued operations	(3,720)	(760)	(384)
Net earnings (loss)	$(3,584)	$11,343	$17,477

Note 2: Loss from Discontinued Operations

Late in the third quarter and early in the fourth quarter of 1980, all of the operations of the Paperboard Products Group were discontinued, and in December of 1980, the Company decided to withdraw from the business of manufacturing sound and vibration control materials marketed principally to the automotive industry. The operating assets of these businesses, exclusive of certain realty, have been sold or offered for sale. The results of operations of these businesses are included in the consolidated statement of earnings under the caption "Loss from discontinued operations," and include:

	Year ended December 31,		
	1980	1979	1978
Net sales	$13,527,000	$19,228,000	$18,134,000
Costs and expenses	15,265,000	20,904,000	19,075,000
Income tax benefits	(839,000)	(916,000)	(557,000)
Operating loss from discontinued operations	$ 899,000	$ 760,000	$ 384,000

The consolidated statement of earnings for the year ended December 31, 1980, includes a provision for loss on disposal of assets and close-down costs consisting of the following:

Loss on disposal of property, plant and equipment	$3,504,000
Loss on realization of inventories and receivables	112,000
Operating losses during phase-out period	404,000
Accruals for sundry obligations and expenses	800,000
Income tax benefits	(1,999,000)
Net provision for loss on disposal of assets and close-down costs	$2,821,000

It is expected that the disposition of these operations will be substantially completed within one year.

CABOT CORPORATION (SEP)

	1980	1979
Income from continuing operations	$ 94,024,000	$60,919,000
Discontinued operations (Note C):		
Income from operations (less applicable income taxes of $10,450,000 and $8,300,000, respectively)	12,294,000	9,526,000
Gain on sale (less applicable income taxes of $25,976,000)	46,424,000	
Net income	$152,742,000	$70,445,000

Note C: Discontinued Operations

On August 25, 1980, the Company sold its Machinery Division, formerly included in the Engineered Products Group, for approximately $130,000,000 in cash. The Machinery Division is principally engaged in the manufacture of mobile equipment for drilling, service and workover of oil and gas wells. As a result of this disposition, the Company recognized a gain on disposal of $46,424,000, net of related income taxes of $25,976,000.

The 1980 results of operations of the discontinued Machinery Division have been segregated in the Statements of Consolidated Income to show separately the results of continuing operations. Similarly, 1979 and prior Statements of Consolidated Income have been restated to show the same segregation. The Machinery Division results of operations are reported without allocation of general corporate expenses or interest expense. The net sales of the Machinery Division were $110,009,000 and $88,226,000 for the period ended August 24, 1980, and the year ended September 30, 1979, respectively.

PHILIP A. HUNT CHEMICAL CORPORATION (DEC)

	1980	1979	1978
Income from continuing operations before income taxes	$7,754,000	$13,736,000	$13,245,000
Provision for income taxes	3,710,000	5,835,000	5,888,000
Income from continuing operations	4,044,000	7,901,000	7,357,000
Discontinued operations (Note 14)			
Loss on disposal of photofinishing business less applicable income tax credits of $146,000	(1,177,000)	—	—
Income (loss) from operations of discontinued businesses less applicable income tax charges (credits) of ($590,000), $114,000 and $64,000, respectively	(695,000)	114,000	98,000
Total	(1,872,000)	114,000	98,000
Net Income	$ 2,172,000	$ 8,015,000	$ 7,455,000

Note 14—Discontinued Operations

The Company has decided to discontinue its operations of Marvel Photo Co., Inc., and certain other businesses.

The estimated after-tax loss on disposal of the discontinued operations of $1,872,000, or $.33 a share, includes anticipated losses until the dates of disposal in early 1981.

The Consolidated Statements of Income and the Five-Year Review have been restated to exclude the sales, costs and expenses applicable to the discontinued operations.

Sales applicable to discontinued operations were $2,199,000, $2,444,000 and $2,881,000 for 1980, 1979, and 1978, respectively.

LESLIE FAY INC. (APR)

	1980	1979
Income from continuing operations before provision for federal income tax	$10,525,000	$12,983,000
Federal income tax	4,356,000	6,020,000
Income from continuing operations	6,169,000	6,963,000
Discontinued operations (Note 1):		
Loss from discontinued textile operations (less applicable federal income tax of $901,000 and $941,000)	1,090,000	950,000
Loss on disposal of textile operations' assets (less applicable federal income tax of $1,600,000)	2,048,000	
Total loss from discontinued operations	3,138,000	950,000
Net income	$ 3,031,000	$ 6,013,000

Note 1 (in part): Significant Accounting Policies

(a) Principles of Consolidation—The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. Material intercompany items and transactions have been eliminated in consolidation.

Investments in 50% owned companies, aggregating $315,000 at May 3, 1980 and $251,000 at Arpil 28, 1979 (reflected in other assets) are recorded on the equity method. During 1980 and 1979, such affiliates charged the Company $4,000,000 and $3,500,000, respectively, for manufacturing services.

During 1980, the Company discontinued its textile manufacturing operations. Net sales of these operations to outside customers aggregated $6,843,000 and $11,368,000 during 1980 and 1979, respectively.

UNC RESOURCES, INC. (MAR)

	1980	1979
	($000)	
Earnings from continuing operations before income taxes and extraordinary item	2,744	57,004
Income taxes	576	16,264
Earnings from continuing operations before extraordinary item	2,168	40,740
Discontinued operations:		
Loss from operations, less applicable income tax benefit of $5,064,000—1980, $3,399,000—1979	(7,050)	(233)
Loss on disposal, less applicable income tax benefit of $16,961,000	(29,329)	—
	(36,379)	(233)
Earnings (loss) before extraordinary item	$(34,211)	$ 40,507

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Discontinued Operations

In the fourth quarter of fiscal 1980, the Company decided to discontinue its operations at UNC Recovery Corporation and UNC Recovery Systems. The Company estimates that it will take approximately one year to bring UNC Recovery Systems' operations to a close. Sales and operating revenues of these operations were approximately $10,035,000 in fiscal 1980 and $11,794,000 in fiscal 1979.

At present, the Company is suing W. R. Grace & Co. (Grace) in the Federal District Court in Tampa, Florida. The suit charges, among other things, that the phosphoric acid furnished by Grace did not meet contract requirements and that Grace had arbitrarily imposed conditions and limitations which precluded UNC Recovery Corporation's continued operation. Although the UNC Recovery Corporation's plants are capable of being restarted if its dispute with Grace is satisfactorily resolved within a reasonable time, there is no present prospect of such resolution and consequently the Company has accounted for this activity as a discontinued operation.

The assets of the discontinued operations have been reclassified to Other assets at the date of their discontinuance. The assets at estimated net realizable value and the estimated loss on disposal of the discontinued operations are as follows:

(Dollars in thousands)	1980
Accounts receivable	$ 150
Contracts in process	1,147
Inventories	3,901
Prepaid expenses	113
Other assets	14,053
Property, plant and equipment, net	24,198
	43,562
Less assets at estimated net realizable value, included in Other assets	3,335
Allowance for loss on disposition of assets	40,227
Provision for operating losses during phase-out period, included in Other current liabilities	6,063
Loss on disposal of discontinued operations, before income tax benefit	$46,290

The loss on disposal of discontinued operations includes $43,220,000 attributable to UNC Recovery Corporation and $3,070,000 to UNC Recovery Systems.

TABLE 3-16: CHARGES OR CREDITS SHOWN AFTER INCOME TAX CAPTION

	Number of Companies			
	1980	1979	1978	1977
Minority interest	61	57	63	64
Equity in earnings or losses of investees	58	52	43	50
Cumulative effect of accounting change	10	10	6	4
Other	4	5	—	—

CHARGES OR CREDITS SHOWN AFTER INCOME TAX CAPTION

Table 3-16 indicates the nature of charges or credits, other than extraordinary items, positioned on an income statement after the caption for income taxes applicable to income from continuing operations. Examples of charges or credits shown after the caption for income taxes applicable to income from continuing operations follow.

Minority Interest

CAESARS WORLD, INC. (JUL)

	1980	1979
	($000)	
Income before income taxes and minority interest	$65,332	$13,083
Income taxes	29,689	4,636
Income before minority interest	35,643	8,447
Minority interest in earnings of consolidated subsidiaries	1,812	
Net income	$33,831	$ 8,447

Equity in Investee Operating Results

CULBRO CORPORATION (DEC)

	1980	1979	1978
		(dollars in thousands)	
Net sales and other revenue	$440,941	$454,166	$443,481
Costs and expenses			
Cost of goods sold	337,736	344,938	341,021
Selling, administrative and general expenses	80,503	102,375	95,788
Unusual items	—	10,210	—
Interest expense	17,504	16,732	11,866
Income taxes	1,615	1,203	(256)
	3,583	(21,292)	(4,938)
Equity in net income of real estate development subsidiary	2,002	177	95
Net income (loss)	$ 5,585	$(21,115)	$ (4,843)

EXTRAORDINARY ITEMS

APB Opinion No. 30 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. 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

MICROFORM DATA SYSTEMS, INC. (JUL)

	1980	1979
INCOME (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY CREDIT	$340,440	$(10,926,659)
Provision for federal and state income taxes—Note G	165,000	
INCOME (LOSS) BEFORE EXTRAORDINARY CREDIT	175,440	(10,926,659)
Extraordinary credit—reduction of income taxes arising from deduction of prior years' accounting losses	130,000	
NET INCOME (LOSS)	$305,440	$(10,926,659)

Note G (in part): Income Taxes

As of August 1, 1980 the Company has a net operating loss carryover for federal income tax purposes of approximately $9,593,000. If not offset against taxable income, $88,000 of the net operating loss will expire in 1983, and $9,505,000 will expire in 1986. In addition to the loss carryovers, as of August 1, 1980, the Company has deferred approximately $483,000 of product development costs for federal tax purposes. These costs are being amortized over five years and will reduce taxable income as follows: 1981—$280,000; 1982—$194,000; 1983—$9,000. Certain other costs approximating $2,437,000 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 and new jobs tax credit carryovers of approximately $537,000 are available to reduce future federal income taxes. If not used the credits will expire as follows: 1981—$30,000; 1982—$57,000; 1983—$39,000; 1984—$36,000; 1985—$223,000; 1986—$146,000 and 1987—

TABLE 3-17: EXTRAORDINARY ITEMS

	1980	1979	1978	1977
Nature				
Operating loss carryforwards and other tax adjustments	30	40	35	38
Debt extinguishments	4	5	4	5
Litigation settlements	3	4	9	6
Other	11	4	8	8
Total Extraordinary Items	**48**	**53**	**56**	**57**
Number of Companies				
Presenting extraordinary items	47	49	53	51
Not presenting extraordinary items	553	551	547	549
Total Companies	**600**	**600**	**600**	**600**

$6,000. Investment tax credits when utilized will be accounted for as a reduction of income tax in the period utilized (flow-through method).

Provisions for federal and state income taxes in 1980 consist of the following:

Federal income tax charge equivalent to tax benefit of loss carryovers	$130,000
State income taxes:	
Currently payable	51,000
Deferred	(16,000)
	$165,000

PHOENIX STEEL CORPORATION (DEC)

	1980	1979	1978
Income (loss) before taxes on income and extraordinary item	$1,300,000	$3,877,000	$(3,890,000)
Provision for taxes on income—Note 9:			
Currently payable—state	35,000	110,000	
Charge equivalent to benefit of loss carryforward—state and federal	605,000	1,803,000	
	640,000	1,913,000	
Income (loss) before extraordinary item	660,000	1,964,000	(3,890,000)
Extraordinary item—tax benefit resulting from utilization of loss carryforward—Note 9	605,000	1,803,000	
Net income (loss)	$1,265,000	$3,767,000	$(3,890,000)

Note 9—Taxes on Income

At December 31, 1980 loss carryforwards of approximately $48 million are available to offset future taxable income for financial reporting purposes. Such carryforwards for income tax purposes are approximately $43 million and expire $15 million in 1983, $23 million in 1984, $4 million in 1985 and $1 million in 1987. Also available at December 31, 1980 are investment tax credits of approximately $3 million which expire at various dates through 1987. The difference between the loss carryforwards for financial reporting and income tax purposes results principally from costs and expenses associated with the abandonment of the structural operations in 1976, and from differences in the timing of depreciation, pension and bad debt deductions. The differences between the provisions for income taxes and the amounts based on the Federal statutory rate (46%) are primarily attributable to state income taxes.

Extinguishment of Debt

GENERAL HOST CORPORATION (DEC)

	1980	1979 ($000)	1978
Income (loss) before extraordinary gains	$(6,726)	$20,237	$(2,604)
Extraordinary gains	7,141	9,233	
Net income (loss)	$ 415	$29,470	$(2,604)

NOTES TO FINANCIAL STATEMENTS

Note 5: Extraordinary Gains

In 1980, the Company offered to exchange for each $100 principal amount of its outstanding 7% Subordinated Debentures, due February 1, 1994, $65 principal amount of 12¾% Convertible Subordinated Debentures, due June 15, 1999, which are convertible into common stock at $30 per share. $58,063,000 principal amount of the 7% Debentures, with a carrying value of $47,735,000, after deducting original issue discount, were exchanged for $37,741,000 principal amount of 12¾% Debentures. This exchange resulted in an extraordinary gain on extinguishment of debt which amounted to $7,141,000, after deducting related expenses and $2,602,000 of income taxes.

The extraordinary gain in 1979 was federal income tax benefit from utilizing loss carryforwards (Note 6).

Casualty Loss

WEYERHAEUSER COMPANY (DEC)

	1980	1979 ($000)	1978
Earnings before extraordinary charges	$321,487	$511,623	$412,231
Extraordinary charges net of related tax effects (Note 11)	43,500	—	41,500
Net earnings	$277,987	$511,623	$370,731

Note 11—Extraordinary Charges

In 1978 the Company agreed to settle for approximately $53,500, the bulk of the civil class action antitrust suits brought against it involving corrugated containers, folding cartons and fine paper. The Company was also fined $632 after pleading *nolo contendere* in a criminal case in which the

Company and others were charged with violating the antitrust laws in connection with the sale of corrugated containers. 1978 net earnings reflect an extraordinary charge of $54,100 less related tax effect of $12,600 or $41,500 ($.33 per common share) from the above settlements and fine.

Additionally, the Company also agreed during 1980 to settle certain antitrust suits brought by parties which had opted out of the folding carton class action. 1980 net earnings reflect an extraordinary charge of $9,800 less related tax effect of $2,500 or $7,300 ($.06 per common share).

In May 1980 Mount St. Helens erupted and approximately 68,000 acres of the Company's timberlands were affected by the explosion of the mountain, slides and flooding. An extraordinary charge of $66,700 less related tax effect of $30,500 or $36,200 ($.29 per common share) was made to cover losses of standing timber, logs, buildings and equipment incurred during the initial eruption and, in addition, incremental reforestation costs and added logging and transportation costs incident to the salvage of flood-carried, blown-down and scorched timber. Salvage and reforestation operations are expected to continue for several years.

Write-off of Motor Carrier Operating Rights

PEPSICO, INC. (DEC)

	1980	1979	1978
		(In Thousands)	
Income before Extraordinary Charge	$291,752	$264,855	$225,769
Extraordinary Charge			
Write-off of motor carrier operating rights	17,762	—	—
Net Income	$273,990	$264,855	$225,769

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9: Extraordinary Charge—Write-off of Motor Carrier Operating Rights

Subsequent to the enactment in July of the Motor Carrier Act of 1980, which substantially deregulated the trucking industry, the Financial Accounting Standards Board adopted Statement No. 44 which generally required the write-off of interstate operating rights in the financial statements of motor carriers. Accordingly, PepsiCo recorded as an extraordinary charge in the fourth quarter of 1980 the write-off of operating rights of its transportation businesses aggregating $17,762,000 ($.19 per share). No current tax benefit has been recorded for the extraordinary charge, pending clarification of its deductibility for income tax purposes.

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.

Simple Capital Structure

ALLIED CHEMICAL CORPORATION (DEC)

	1980	1979	1978
Earnings per share of common stock:*			
Income from continuing operations	$8.15	$ 5.95	$ 5.40
Losses from discontinued operations	—	(5.75)	(1.15)
Net earnings	$8.15	$ .20	$ 4.25

*Based upon weighted average number of shares outstanding during each year: 1980, 32,610,944 shares, 1979, 28,708,350 shares and 1978, 28,310,775 shares. No dilution results from outstanding stock options, the only common stock equivalent.

OHIO FERRO-ALLOYS CORPORATION (DEC)

	1980	1979	1978
Net income (loss) per common share, based on the weighted average number of shares outstanding (1,983,452 in 1980, 2,027,345 in 1979 and 2,105,955 in 1978)	$(.07)	$.51	$(2.44)

NOTES TO FINANCIAL STATEMENTS

Earnings Per Share

Earnings per share of common stock are based on the average number of shares outstanding during each year. The effect on earnings resulting from the assumed exercise of outstanding options is not material.

TABLE 3-18: EARNINGS PER SHARE—1980

	Additional shares issuable for Debt	Preferred Stock	Options	Warrants
Included in primary per share calculation..........	21	46	184	26
Included in fully diluted per share calculation..........	97	80	48	4
No dilution....................	48	24	180	14
Not disclosed.................	28	8	102	8
No additional shares issuable	406	442	86	548
Total Companies.............	**600**	**600**	**600**	**600**

SNAP-ON TOOLS CORPORATION (DEC)

	1980	1979	1978
		Amounts in Thousands Except Share Data	
Net Earnings.................	$38,322	$42,603	$32,246
Earnings Per Common Share (Note 1i)..................	$ 1.92	$ 2.16	$ 1.64

Note 1i: Earnings Per Share and Stock Distribution

Earnings per common share are based on the weighted average number of shares outstanding of 19,939,010, 19,731,935 and 19,616,232 for 1980, 1979 and 1978, after giving effect to the 100% stock distribution paid on May 11, 1979 to shareholders of record on April 27, 1979. All common stock information presented in this Annual Report has been adjusted to reflect the stock distribution. The effect on earnings per share resulting from dilution upon exercise of stock options and employee stock purchases is not material and therefore not shown.

During 1979 the shareholders' approved an increase in the number of authorized shares of Common Stock from twelve million shares to thirty million shares.

THE VENDO COMPANY (DEC)

	1980	1979	1978
INCOME (LOSS) PER COMMON SHARE—Computed on Weighted Average Shares Outstanding 2,629,411 in 1980 and 1979 and 2,625,660 in 1978			
Income (Loss) before Extraordinary Item:			
From Continuing Operations	$(5.89)	$0.03	$(1.27)
From Discontinued Operations	—	0.03	0.21
Total	(5.89)	0.06	(1.06)
Extraordinary Item, applicable to:			
Continuing Operations	—	0.03	—
Discontinued Operations..	—	0.07	—
Total	—	0.10	—
Net Income (Loss)...........	$(5.89)	$0.16	$(1.06)

Complex Capital Structure

ALUMINUM COMPANY OF AMERICA (DEC)

	1980	1979	1978
Earnings per common share (M):			
Primary	$6.54	$7.15	$4.45
Fully diluted	6.29	6.80	4.25

Note M: Earnings Per Common Share

Primary earnings per share are computed by dividing net income, after deduction for annual preferred dividend requirements, by the weighted average number of shares outstanding during each year. Fully diluted earnings per share are computed as above and assume full conversion of convertible debentures, exercise of outstanding stock options and issuance of shares under the incentive compensation plan.

The average number of shares used to compute earnings per common share was:

	Primary	Fully diluted
1980	71,474,576	74,692,398
1979	70,251,072	74,238,172
1978	69,754,634	73,781,020

BORDEN, INC. (DEC)

	1980	1979	1978
		(In thousands except per share data)	
Net income per share of common stock:			
Primary	$ 4.79	$ 4.31	$ 4.38
Fully diluted	4.58	4.12	4.19
Average number of common shares and equivalents assumed outstanding during the year..............	30,889	31,123	31,018

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands except share and per share data)

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

Earnings Per Share—Primary earnings per share are computed based on the weighted average number of shares of Common Stock and Equivalents (Convertible Preferred Stock and Stock Options) assumed outstanding during the year of computation.

Fully diluted earnings per share are computed based on the weighted average number of shares of Common Stock and Equivalents assumed outstanding during the year, as if the Convertible Debentures had been converted at the beginning of the period and after giving effect to the elimination of interest expense, less income tax effect, applicable to the Convertible Debentures.

Note 9: Earnings Per Share

The average number of Common Shares and Equivalents entering into the calculation of primary and fully diluted earnings per share are as follows:

	1980	1979	1978
Common Shares	30,841,391	31,014,400	30,850,105
Convertible Preferred Series B	43,348	60,008	74,057
Stock options and incentive compensation	4,481	48,701	93,896
Total for primary calculation	30,889,220	31,123,109	31,018,058
Convertible Debentures:			
6¾%	1,015,233	1,015,239	1,015,239
5%	800,517	832,914	839,975
Stock options	2,654		
Total for fully diluted calculation	32,707,624	32,971,262	32,873,272

COLT INDUSTRIES INC (DEC)

	1980	1979	1978
		(In thousands, except per share data)	
Net earnings	$97,751	$111,375	$87,020
Dividends on preferred stock	1,636	2,255	3,282
Net earnings applicable to common stock	$96,115	$109,120	$83,738
Earnings per common share including common equivalent share (Note 1)	$7.38	$8.40	$6.66
Earnings per common share assuming full dilution (Note 1)	$7.04	$7.86	$6.07
Average number of shares (Note 1)—			
Common and common equivalent basis	13,021	12,992	12,565
Fully diluted basis	13,859	14,152	14,304

Note 1 (in part): Summary of Accounting Policies

Earnings Per Share—Earnings per common share, including common equivalent share, are computed by dividing net earnings less dividends on preferred stock by the weighted average number of shares of common stock and common stock equivalents outstanding during each period. Common stock equivalents are shares issuable on the exercise of stock options when dilutive, net of shares assumed to have been purchased with the proceeds.

Earnings per share, assuming full dilution, are computed as above with additional assumptions that all the dilutive convertible securities were converted and related dividends were eliminated.

COOPER INDUSTRIES, INC. (DEC)

	1980	1979	1978
NET INCOME PER COMMON SHARE			
Primary	$4.26	$3.67	$2.99
Fully diluted	4.04	3.56	2.94

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4: Net Income Per Common Share

Primary net income per common share is computed based on net income for the year after deducting dividends paid on preferred stock. The number of shares used in this computation is the average number of common shares and common share equivalents outstanding during the year.

Fully diluted net income per common share is computed based on net income for the year. In this computation, the average number of common and common share equivalents is increased by an amount equal to the average number of common shares which would be issued if (a) all of the Series B Preferred stock outstanding during the year were converted to common stock at the beginning of the year and (b) all $2.90 Preferred stock issued in the Gardner-Denver acquisition were converted to common stock on April 30, 1979, or, in the case of the year ended December 31, 1980, at the beginning of the year.

The effect of stock options included in the calculations of primary and fully diluted earnings per share was not significant.

After restatement for the two-for-one common stock split of March 21, 1980, the average common shares used in the net income per share computations are as follows:

Year Ended December 31,	Primary	Fully Diluted
1980	30,669,413	36,325,667
1979	27,539,274	31,427,694
1978	22,748,558	23,165,550

GULF RESOURCES & CHEMICAL CORPORATION (DEC)

	1980	1979	1978
Earnings per share (Note 4):			
On common and common equivalent shares—			
Income before extraordinary item and cumulative effect of changes in method of accounting	$2.24	$1.58	$1.41
Extraordinary item	—	(.14)	—
Cumulative effect on prior years of changes in method of accounting	.42	—	—
Net income	$2.66	$1.44	$1.41
On common shares assuming full dilution—			
Income before extraordinary item and cumulative effect of changes in method of accounting	$2.08	$1.50	$1.37
Extraordinary item	—	(.12)	—
Cumulative effect on prior years of changes in method of accounting	.36	—	—
Net income	$2.44	$1.38	$1.37

Note 4 (in part): 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 (8,830,837, 8,044,828 and 7,918,101 for 1980, 1979 and 1978). Common equivalent shares include shares of Common Stock issuable upon conversion of Series A Preferred Stock and exercise of dilutive stock options and warrants. Holders of approximately $37,000,000 of notes have the option to apply principal amount of notes against the cash payment required at the time a warrant is exercised; therefore, the shares 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 before extraordinary item and cumulative effect of changes in method of accounting available for common and common equivalent shares were $19,773,000, $12,693,000 and $11,129,000 for 1980, 1979 and 1978.

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 (10,445,041, 8,971,959 and 10,137,831 for 1980, 1979 and 1978). 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 the warrants and was reduced for Series B and Series C Preferred Stock dividend requirements when such issue was determined to be anti-dilutive. Earnings before extraordinary item and cumulative effect of changes in method of accounting available for Common Stock assuming full dilution were $21,748,000,$13,497,000 and $13,938,000 for 1980, 1979 and 1978.

PENNWALT CORPORATION (DEC)

	1980	1979	1978
Net earnings	$43,291	$49,997	$44,973
Earnings per common and common equivalent share	$4.20	$5.01	$4.54

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Earnings Per Share

Earnings per common and common equivalent share have been computed using the weighted average shares of common stock and dilutive common stock equivalents outstanding (10,309,000 in 1980, 9,986,000 in 1979 and 9,909,000 in 1978). Stock options and both series of preference stock are common stock equivalents. In all three years, 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.

SUNDSTRAND CORPORATION (DEC)

	1980	1979	1978
	(Amounts in thousands except per share data)		
Earnings applicable to common stock	$77,301	$64,370	$47,077
Weighted average number of common and common equivalent shares outstanding	16,928	15,977	15,439
Earnings per common and common equivalent share	$ 4.57	$ 4.03	$ 3.05
Earnings per common share assuming full dilution	$ 4.32	$ 3.72	$ 2.77

FINANCIAL SUMMARY

Earnings Per Share—Primary earnings per common and common equivalent share are based on the weighted average number of shares and equivalent shares of Common Stock outstanding. Fully diluted earnings per common share consider the effect of conversion of convertible subordinated notes and debentures and $3.50 Cumulative Convertible Preferred Stock. Computations are as follows:

	(Amounts in thousands except per share data)		
	1980	1979	1978
Earnings applicable to common stock (a)	$77,301	$64,370	$47,077
Preferred dividends	1,633	2,686	2,717
Interest expense on convertible subordinated debt, net of taxes	163	296	503
Total (b)	$79,097	$67,352	$50,297
Weighted average common and common equivalent shares (c)	16,928	15,977	15,439
Common shares reserved for conversion of:			
Preferred stock	1,208	1,765	1,888
Convertible debt and other	165	375	858
Weighted average common and common equivalent shares, fully diluted (d)	18,301	18,117	18,185
Earnings per common and common equivalent share:			
Primary (a) : (c)	$4.57	$4.03	$3.05
Fully diluted (b) : (d)	$4.32	$3.72	$2.77

During 1980, the Company issued approximately 1,365,000 shares of Common Stock upon conversion of $3.50 Cumulative convertible Preferred Stock and 5% Convertible Subordinated Debentures. If these conversions had taken place on January 1, 1980, primary earnings per share for 1980 would have been $4.43.

TWENTIETH CENTURY-FOX FILM CORPORATION (DEC)

	1980	1979	1978
Earnings per common share (note 18)	$4.89	$5.19	$5.43
Earnings per common share assuming full dilution (note 18)	$4.65	$4.96	$5.30

Note 18: Earnings per Share

Earnings per common share is computed on the basis of the weighted average number of common shares outstanding during the year, assuming dilutive stock options outstanding were exercised at the beginning of the year or at the date of issuance, if later (with applicable proceeds used to acquire additional treasury stock at the average market price) and after deducting dividends paid on preferred stock. The weighted average number of common and common equivalent shares outstanding was 10,767,278, 10,661,915, and 10,560,047 for the years 1980, 1979 and 1978, respectively.

Earnings per common share assuming full dilution is calculated on the further assumptions that dilutive stock options outstanding were exercised with applicable proceeds used to purchase treasury stock at the closing market price if the closing price was higher than the average market price for the year and that dilutive convertible preferred stock was converted. The weighted average number of common and common equivalent shares assuming full dilution was 11,722,100, 11,530,280 and 11,006,191 for the years 1980, 1979 and 1978, respectively.

WHEELABRATOR-FRYE INC. (DEC)

	1980	1979	1978
Net income per share of common stock:			
Primary	$4.31	$3.72	$3.15
Fully diluted	$4.00	$3.49	$2.97

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Accounting Policies

Earnings Per Share—Primary earnings per share are computed on the basis of the average number of common and common equivalent shares (including the Series A cumulative convertible preferred stock issued in 1980) outstanding during the periods (12,136,492 in 1980, 10,638,543 in 1979, and 10,647,167 in 1978) after recognition of appropriate preferred dividend requirements. Fully diluted earnings per share are computed based on the average number of common shares and common share equivalents outstanding and the average number of common shares issuable upon the assumed conversion of the Series B convertible preferred stock (13,818,050 in 1980, 12,236,421 in 1979 and 12,464,510 in 1978), after adding back to income preferred dividend requirements.

Supplementary Earnings Per Share Data

LEAR SIEGLER, INC. (JUN)

	1980	1979
Earnings per common share (Note 5)	$4.23	$4.50
Earnings per common share—assuming full dilution	$3.85	$3.72

Note 5: Supplementary Earnings Per Share

During fiscal 1979, the Company issued a notice of redemption of Series D and E Convertible Preferred Stock at a redemption price of $100 a share plus accrued dividends. Substantially all of the called preferred shares were tendered for either redemption or conversion into common stock. A substantial number of shares of the $2.25 Convertible Preferred Stock were also tendered for conversion into common stock during that year. These conversions and those occurring in the 1980 fiscal year resulted in 2,517,753 shares of common stock being issued by June 30, 1980. Had these conversions occurred at the beginning of the 1979 fiscal year, primary earnings per share would have been $4.16 in 1980 and $4.02 in 1979 compared with the reported amounts of $4.23 and $4.50.

THE RATH PACKING COMPANY (SEP)

	1980	1979
Earnings (loss) per common and common equivalent share (Note 10):		
Earnings (loss) before extraordinary credit	$1.52	($1.25)
Extraordinary credit	.63	
Net earnings (loss)	$2.15	($1.25)

Note 10—Earnings (Loss) Per Share:

Earnings per common and common equivalent share have been computed based on the weighted average number of shares outstanding each year, including the effect of shares to be issued under the Employees Stock Wage Payment Plan (the Plan). The computation reflects the use of the assumed proceeds of the common stock to be issued toward the repurchase of twenty percent of shares outstanding at September 27, 1980 at the average market value of common stock since the inception of the Plan and the reduction of debt (resulting in an interest expense reduction). If the Plan had been in effect at the beginning of the 1980 fiscal year, primary net earnings per share would have been $1.45 ($.44 applicable to the extraordinary credit). The net loss per share for the 1979 fiscal year would not have changed as the shares issuable under the Plan would have reduced the loss per share and are therefore excluded from the calculation. The number of shares used in determining earnings per common and common equivalent share is 1,596,561 for 1980 and 1,192,750 for 1979.

SOCIAL AWARENESS EXPENDITURES

Certain survey companies disclosed contributions to charitable organizations, grants to community related activities, expenditures to aid minority groups or enterprises, and other forms of social awareness or responsibility. Such disclosures of social awareness or responsibility are almost always made in the annual report narrative which is not part of the financial statements; accordingly, no attempt was made to tabulate these disclosures. Examples of such disclosures follow.

ALLIED CHEMICAL CORPORATION (DEC)

COMMUNITY SUPPORT

In its plant communities, Allied supports the civic and charitable work of its employees by contributing money, donating equipment and sometimes lending managerial assistance. The Corporation also provides financial support to colleges and universities, as well as cultural and artistic organizations.

Contributions by the Allied Chemical Foundation and the Corporation totaled $2,506,485 in 1980. Of this, $1,266,593 went for aid to education and $1,239,892 to community and cultural organizations. During the year, the Eltra Foundation was dissolved and its commitments assumed by the Allied Chemical Foundation.

THE BENDIX CORPORATION (SEP)

FINANCIAL REVIEW

Charitable Contributions—Bendix places a high priority on its responsibility for good citizenship in all of its communities. It welcomes opportunities to demonstrate its corporate citizenship through various means, including philanthropic endeavors. A Bendix goal is to provide meaningful support to those charities in which it believes its participation is the most appropriate and useful.

During fiscal 1980, $1.9 million, approximately one percent of domestic income before income taxes, was contributed for charitable purposes in the United States on behalf of Bendix. Over the last several years, Bendix has increased the amount of its contributions and, circumstances permitting, Bendix hopes to continue to increase its support of charitable organizations in the years ahead.

CONOCO INC. (DEC)

SOCIAL CONCERNS

Conoco takes its responsibilities as a corporate citizen seriously. Four major components of the Company's extensive social programs are discussed below.

Speaking Out. Conoco communicated its views on critical public issues throughout 1980. Through the Speakers Program, more than 700 employees delivered 4,400 presentations on energy-related issues in the United States. In addition, seminars were conducted in both the United States and the United Kingdom to promote an exchange of ideas with political, labor, education, and business leaders on energy and public policy issues.

For the first time, Conoco began a series of network television commercials showing how the Company is investing its funds to develop additional energy supplies. The Company also continued its public issue advertising in key newspapers.

Environmental Protection. During the year, Conoco undertook to develop new instructional manuals and training programs to assist further in familiarizing operating personnel with environmental regulations. The Company also initiated the development of a program of periodic internal inspections to ensure compliance with these regulations. A total of 400 employees are assigned full-time environmental responsibilities, including pollution control and land reclamation.

Energy Conservation. Conoco has increased the energy efficiency of its operations by nearly 20% since 1972. The annual energy savings are equivalent to the amount needed to heat approximately 200,000 homes.

The van pooling program continues to grow, with the fleet now consisting of 208 vans. By replacing the personal cars of commuting employees, each van can save as much as 8,000 gallons of gasoline a year.

Contributions. Conoco's worldwide contributions to educational, cultural, and philanthropic institutions increased 25% during 1980, to a record $5.0 million. Cultural institutions worldwide received increased support, and major multi-year grants were made to further the public's understanding of economic and social issues. Among the major recipients in 1980 were: the University of Chicago Business School, the American Enterprise Institute, Enterprise Square, and the Nature Conservancy.

INTERNATIONAL TELEPHONE AND TELEGRAPH CORPORATION (DEC)

ITT AND SOCIAL RESPONSIBILITY

In 1980, ITT companies throughout the world once again supported community efforts to meet educational, economic and social needs of the countries in which they operate.

North America—ITT's continuing support of higher education took on a new dimension in 1980 with the establishment of two academic chairs through grants totaling $1 million: the ITT Professorship in Creative Management at New York University, and the ITT Career Development Professorship in Computer Technology at Massachusetts Institute of Technology.

The Corporation also continued its sponsorship of the ITT International Fellowship Program for the eighth year. The program has enabled more than 400 students from 53 countries to pursue graduate studies in the United States and around the world.

Meanwhile, the ITT Key Issues Lecture Series continued to bring leading lecturers on business-related topics to universities around the United States. In 1980, series were held at Simmons College and seven universities: Emory, Georgetown, N.Y.U., Notre Dame, St. John's, U.C.L.A. and Virginia.

The company received its second "Encore Award" from the Arts and Business Council, Inc. for "outstanding service to the city through the arts," this time for its sponsorship of the Big Apple Exhibit at the Museum of the City of New York. Attendance at the exhibit in 1980 totaled more than 800,000.

Along with its Sheraton and Hartford subsidiaries, ITT underwrote a series of concerts held at the John F. Kennedy Center for the Performing Arts in Washington, D.C., honoring Isaac Stern on his 60th birthday. Also in Washington, an ITT gift of $250,000 over five years is assisting the Capital Children's Museum to enlarge its exhibits, all of which are "hands on"—they can be touched and used.

The company again supported the Joffrey Ballet, the Martha Graham Center for Contemporary Dance and El Museo del Barrio in New York.

ITT's long-term commitment to the Retinitis Pigmentosa Foundation has made the ITT night vision aid available at reduced cost to people suffering from this degenerative eye disease.

ITT contributions also continued to benefit the American Host Foundation, which enables teachers from abroad to stay with American families during summer visits to the United States.

The ITT Board of Directors recently authorized the creation of a political action committee to be known as the Corporate Citizenship Committee that will complement grass roots programs in the discharge of ITT's corporate citizenship responsibilities in the United States. This change in corporate policy is intended to serve the best interests of the Corporation and its shareholders.

Among the many social and civic programs pursued by North American units, ITT Continental Baking Company launched a $600,000 three-year research and education program designed to improve nutrition for the elderly. The Hartford's Junior Fire Marshal program has brought fire safety education to thousands of school children for more than three decades.

Europe—When one of the most devastating earthquakes of this century struck Italy in November, ITT's largest Italian affiliate, FACE Finanziaria S.p.A., quickly arranged blood collections and emergency food supplies for the stricken areas around its southern plant town of Maddaloni. In the United States, ITT Rayonier and its shipping subsidiary collected and delivered more than $200,000 worth of canned goods, clothes and blankets to earthquake victims.

Other European units also were active in humanitarian projects. In Belgium, ITT's Bell Telephone Manufacturing Company is the principal source of jobs, training and guidance to the physically and mentally handicapped in an Antwerp suburb.

In the Netherlands, ITT's Nederlandsche Standard Electric Maatschappij, B.V. funds annual recreation festivities for De Trappenberg, a rehabilitation center for 150 mentally and physically disabled children.

ITT's Spanish subsidiary, Compania Internacional de Telecomunicacion y Electronica, S.A., has created the Manuel Marquez Mira technical and business library at the University of Malaga. ITT's Swiss subsidiary, Standard Telephon und Radio AG, sends 70 of its apprentices each year to an Alpine work camp where they assist farmers in building water lines and avalanche protection.

In the United Kingdom, ITT's Excess Insurance Group sponsors a sports program for young athletes.

Africa and the Middle East—ITT Nigeria (Ltd.) provided considerable assistance to victims of devastating floods last year, and is also a permanent contributor to the Nigeria Flood Relief Fund.

ITT's "adoption" in 1978 of the village of Ijede near Nigeria's capital city of Lagos, funded through a grant to the Chicago-based Institute of Cultural Affairs, has resulted in a comprehensive program of human development and economic reconstruction.

During 1980, ITT continued its long-standing support of St. Anthony's Education and Cultural Centre in Boksburg, South Africa, which trains thousands of workers each year.

Asia and the Pacific—ITT's $600,000 award to the Institute of Cultural Affairs funded programs not only in Nigeria but also in the South Korean village of Koh Duh E Ri, which last year made considerable progress in agriculture and housing.

The company also continues to assist the Asia Society and the Asia Foundation, whose programs promote the social economic and artistic development of Asian countries.

Latin America and the Caribbean—In South America, ITT promotes the development of the food industry through marine research and related technologies.

MINNESOTA MINING AND MANUFACTURING COMPANY (DEC)

CORPORATE RESPONSIBILITY: BEYOND THE BOTTOM LINE

Financial and operating results do not provide the complete measure of a company's performance. In addition to serving the interests of employees, customers and stockholders, a company like 3M also recognizes a larger public constituency.

This includes a multitude of activities reaching beyond the bottom line. Here are a few recent examples.

—3M's public affairs television programs continue to focus attention on major areas of public concern. "Adoption in America," shown in November, was the latest in the series. Typically, 3M not only funds production but also provides incentive grants to help stimulate local follow-up programs.

—The Company's innovative energy and resource conservation programs continue to win recognition from both private and public organizations. In 1980, 3M received the Merit Award for Conservation from the National Energy Resources Organization. In addition to improving its own operations, 3M has shared broadly with other groups and individuals information on energy conservation, ride sharing and its Pollution Prevention Pays (3P) program.

—Cash contributions and gifts in kind to support educational, civic and charitable causes totaled more than $8 million in 1980. In addition to its own gifts, the Company has encouraged the involvement of thousands of 3M people in a multitude of activities at the community, national and even international level.

—As part of its program to encourage involvement with minority-owned businesses, 3M has worked closely with the Metropolitan Economic Development Association, Minneapolis, and the Minnesota Minority Purchasing Council. As part of this effort, 3M has hosted two minority industrial expositions and has been a major sponsor of two other similar events, designed to bring together minority business people with purchasing representatives from major area firms.

—3M is committed to the development of human resources and the implementation of programs for the most effective utilization of the talents and skills of all 3M people.

This commitment is expressed in affirmative action plans which outline commitments to hire and promote women and minorities, as well as the handicapped, disabled and Vietnam-era veterans.

3M's Columbia, Mo., plant received a Missouri "employer of the year" award in 1980, based on its record of hiring qualified handicapped persons.

3M has actively recruited minorities and women to fill job openings. Company records indicate that the percentage growth in the number of women and minority employees was more than double 3M's total U.S. employment growth rate between 1975 and 1980.

Affirmative action programs are also resulting in upward mobility. The percentage of women and minorities in sales, professional and managerial categories increased each year from 1975 to 1980 in each category.

RCA CORPORATION

CORPORATE RESPONSIBILITY

Corporate contributions totaling more than $3.7 million supported a variety of civic and social-service programs in 1980. Among these were a National Municipal League program to encourage greater citizen involvement in local government, an "I Love a Clean New York" campaign, a National Council on Crime and Delinquency project to fight both street and white-collar crime, and the traditional United Way campaigns to fund community health and social-service programs.

RCA grants in support of culture and the arts reached record levels in 1980 with donations of money and volunteer staff support. The Corporation provided funds for regional theater and dance groups, music and theater schools, and performing-arts centers.

In cooperation with the Joint Council on Economic Education, RCA is supporting a program involving 92,000 teachers in 49 states to improve instruction in economics and business at the high school level. Company employees in every RCA community nationwide also serve as volunteer advisers to high school students participating in Junior Achievement programs, which provide practical training in business management.

In 1980, almost 300 high school students across the country participated in RCA's Minorities in Engineering Program, which seeks to interest teenagers in engineering, science, and mathematics and to encourage them to consider engineering as a profession.

Through the company's Minority Business Purchasing Program, more than $25 million of RCA business is now being placed directly with some 400 minority-owned firms throughout the United States.

During the year, RCA employees assisted in many volunteer community-service projects. Among these were the recording of books for the blind in Hightstown, N.J., and service as hospital emergency aides in Princeton, N.J.

Section 4: Stockholders' Equity

This section reviews the presentation of transactions, other than net income (loss) for the year, affecting the stockholders' equity accounts.

RETAINED EARNINGS

PRESENTATION OF CHANGES IN RETAINED EARNINGS

Table 4-1 summarizes the presentation formats used by the survey companies to present changes in retained earnings. Examples of statements showing the increase or decrease in retained earnings resulting from 1980 fiscal year transactions are presented throughout this section.

TABLE 4-1: PRESENTATION OF CHANGES IN RETAINED EARNINGS

	1980	1979	1978	1977
Statement of Stockholders' Equity	307	277	263	251
Separate statement of retained earnings	151	161	163	167
Combined statement of income and retained earnings	129	145	161	169
Changes shown in balance sheet or notes	13	17	13	13
Total Companies	**600**	**600**	**600**	**600**

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 76% 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 52% of the survey companies make a similar disclosure for cash dividends paid to preferred stock shareholders.

Examples of distributions to shareholders follow.

TABLE 4-2: DIVIDENDS

	Number of Companies			
	1980	1979	1978	1977
Cash Dividends Paid to Common Stock Shareholders				
Per share amount disclosed in retained earnings statement	408	420	421	439
Per share amount not disclosed in retained earnings statement	127	119	111	90
Total	**535**	**539**	**532**	**529**
Cash Dividends Paid to Preferred Stock Shareholders				
Per share amount disclosed in retained earnings statement	110	128	131	134
Per share amount not disclosed in retained earnings statement	100	90	90	94
Total	**210**	**218**	**221**	**228**
Dividends Paid By Pooled Companies	**5**	**7**	**5**	**10**
Stock Dividends	**27**	**31**	**39**	**39**
Dividends In Kind	**—**	**3**	**—**	**—**

Cash Dividends

FOREMOST-MCKESSON, INC. (MAR)

Statements of Changes in Consolidated Preferred Stocks and Common Stockholder Equity

	Preferred Stocks		Common Stockholder Equity			
	Redeemable	Nonredeemable	Common Stock	Other Capital	Retained Earnings	Treasury Shares
(in thousands)						
Balances, March 31, 1978	$11,424	$64,626	$26,418	$ 266	$249,538	$(10,697)
Purchase of 500,000 common shares by issuance of 233,090 common shares and assumption of debt			466	4,497		(10,650)
Purchase of 284 prior preferred shares	(14)					
Issuance of 1,505 Series B preferred shares and 256,889 common shares under employee plans	53		170	623		2,914
Issuance of 8,690 common shares to purchase United Liquors, Ltd., of Connecticut, Inc.			17	131		
Conversion of $326,800 principal amount of 5½% debentures, 577,146 Series A preferred shares and 1,764 Series B preferred shares into 958,937 common shares	(62)	(20,201)	997	11,807		7,783
Net income for the year					57,740	
Cash dividends						
Prior preferred, $2.25 per share					(24)	
Series A preferred, $1.80 per share					(2,572)	
Series B preferred, $2.05 per share					(637)	
Common, $1.24 per share					(16,542)	
Balances, March 31, 1979	11,401	44,425	28,068	17,324	287,503	(10,650)
Purchase of 23,146 common shares						(612)
Purchase and redemption of 10,401 prior preferred shares	(520)			(27)		
Issuance of 690 Series B preferred shares and 384,927 common shares under employee plans	25		770	4,965		
Conversion of $889,500 principal amount of 5½% debentures, $426,000 principal amount of 6% debentures, 484,091 Series A preferred shares and 187,696 Series B preferred shares into 1,147,957 common shares	(6,570)	(16,943)	2,295	22,518		
Net income for the year					66,778	
Cash dividends						
Prior preferred, 1.6875 per share					(16)	
Series A preferred, $1.80 per share					(1,724)	
Series B preferred, $2.05 per share					(452)	
Common, $1.67 per share					(24,168)	
Balances, March 31, 1980	$ 4,336	$27,482	$31,133	$44,780	$327,921	$(11,262)

CENTRAL SOYA COMPANY, INC. (AUG)

Consolidated Statement of Retained Earnings

	1980	1979
	($000)	
Balance at beginning of year	$230,112	$208,039
Net earnings	34,758	33,599
Cash dividends ($.84 and $.76 per share in 1980 and 1979, respectively).............................	(12,284)	(11,526)
Balance at end of year.............	$252,586	$230,112

CHAMPION INTERNATIONAL CORPORATION (DEC)

Consolidated Retained Earnings

	1980	1979	1978
	(in thousands, except per share)		
Beginning Balance	$1,171,286	$ 997,249	$893,947
Net Income	147,068	247,120	168,688
Cash Dividends Declared:			
$1.20 Convertible preference— $1.20 per share	(2,198)	(4,466)	(8,341)
$4.60 Convertible preference— $1.252 per share	(3,757)	—	—
Common—$1.44 per share in 1980; $1.32 in 1979; $1.17 in 1978...........	(77,715)	(68,617)	(57,045)
Ending Balance...............	$1,234,684	$1,171,286	$997,249

A. E. STALEY MANUFACTURING COMPANY (SEP)

Statements of Consolidated Earnings and Earnings Reinvested

	1980	1979
Net Earnings..........................	$ 73,810,000	$ 23,630,000
Dividends paid		
Cumulative preference shares—$3.75 series.........	18,000	19,000
Cumulative preferred shares—redeemable $7.50 series	2,250,000	2,250,000
Common shares—$1.00 per share ($.67 per share after stock split)	13,801,000	11,394,000
Total dividends paid	16,069,000	13,663,000
Earnings reinvested during the year	57,741,000	9,967,000
Earnings reinvested beginning of year...............................	196,383,000	186,416,000
Earnings reinvested end of year....	$254,124,000	$196,383,000

Stock Dividends

SPS TECHNOLOGIES, INC. (DEC)

Statements of Consolidated Shareholders' Equity

	1980	1979	1978
	(thousands of dollars)		
Common stock of $1 par value a share			
Beginning of year............	$ 5,784	$ 5,784	$ 5,784
10% stock dividend	578		
End of year..................	$ 6,362	$ 5,784	$ 5,784
Additional paid-in capital			
Beginning of year............	$31,237	$30,604	$30,024
10% stock dividend	17,938		
Exercise of stock options	316	38	580
Acquisition of subsidiary .		595	
End of year..................	$49,491	$31,237	$30,604
Retained earnings			
Beginning of year............	$64,883	$48,776	$41,145
Net earnings	21,810	18,583	9,533
Cash dividends ($.65 a share in 1980, $.52 a share in 1979, and $.41 a share in 1978)	(3,133)	(2,476)	(1,902)
10% stock dividend	(18,516)		
End of year..................	$65,044	$64,883	$48,776
Common stock in treasury			
Beginning of year............	$12,439	$13,036	$14,324
Exercise of stock options	(107)	(42)	(1,288)
Acquisition of subsidiary .		(555)	
End of year..................	$12,332	$12,439	$13,036

COMMERCIAL METALS COMPANY (AUG)

Consolidated Statements of Stockholders' Equity

	Common stock		Additional		Treasury stock	
	Number of shares	Amount	paid-in capital	Retained earnings	Number of shares	Amount
Balance, September 1, 1978	2,488,323	$12,441,615	$18,021,147	$33,844,021	—	—
Net earnings for year ended August 31, 1979				15,117,161		
Cash dividends—$.55 a share				(1,502,110)		
Treasury stock acquired, at cost					4,300	$ 45,542
Stock issued under stock option and purchase plans	53,160	265,800	371,705		(4,300)	(45,542)
Balance, August 31, 1979	2,541,483	12,707,415	18,392,852	47,459,072	—	—
Net earnings for year ended August 31, 1980				18,368,091		
Cash dividends—$.59 a share				(1,679,275)		
10% stock dividend (Note I)	256,757	1,283,785	4,364,869	(5,648,654)		
Treasury stock acquired, at cost					19,887	489,473
Stock issued under stock option and purchase plans	76,249	381,245	560,265			
Balance, August 31, 1980	2,874,489	$14,372,445	$23,317,986	$58,499,234	19,887	$489,473

Note I: Capital Stock:

Preferred stock—The preferred stock may be issued in series, and the shares of each series shall have such rights and preferences as shall be fixed by the Board of Directors when authorizing the issuance of that particular series. There are no shares of preferred stock outstanding.

Common stock—On November 7, 1979, the Board of Directors declared a 10% stock dividend payable December 28, 1979, to shareholders of record on December 7, 1979. All applicable share and per share data for the year ended August 31, 1979, has been adjusted for the stock dividend.

DAYCO CORPORATION (OCT)

Statement of Consolidated Shareholders' Equity

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Cost of Common Stock In Treasury	Total
Balance at October 31, 1978	$272,000	$4,525,000	$44,703,000	$68,635,000	$(374,000)	$117,761,000
Conversion of 12,144 preferred shares	(58,000)	58,000	—	—	—	—
Conversion of convertible securities	—	155,000	2,431,000	—	—	2,586,000
Stock options exercised	—	8,000	(130,000)	—	374,000	252,000
Shares issued under Executive Incentive Plan	—	56,000	810,000	—	—	866,000
Net earnings for the year	—	—	—	21,126,000	—	21,126,000
Cash dividends:						
Preferred stock—$4.25 a share	—	—	—	(216,000)	—	(216,000)
Common stock—$0.495 a share	—	—	—	(2,663,000)	—	(2,663,000)
Stock dividend (10%)	23,000	463,000	6,636,000	(7,122,000)	—	—
Balance at October 31, 1979	237,000	5,265,000	54,450,000	79,760,000	—	139,712,000
Conversion of 3,715 preferred shares	(20,000)	20,000	—	—	—	—
Conversion of convertible securities	—	33,000	485,000	—	—	518,000
Stock options exercised	—	19,000	131,000	—	—	150,000
Forfeiture of shares issued under Executive Incentive Plan	—	—	—	—	(15,000)	(15,000)
Net earnings for the year	—	—	—	8,642,000	—	8,642,000
Cash dividends:						
Preferred stock—$4.25 a share	—	—	—	(188,000)	—	(188,000)
Common stock—$0.560 a share	—	—	—	(3,090,000)	—	(3,090,000)
Stock dividend (5%)	12,000	265,000	3,595,000	(3,872,000)	—	—
Balance at October 31, 1980	$229,000	$5,602,000	$58,661,000	$81,252,000	$(15,000)	$145,729,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note C (in part): Capital Stock

The following summarizes the corporation's capital stock:

	1980	1979
Authorized shares		
$4.25 cumulative convertible preferred stock (no par value)	500,000	500,000
Common stock ($1.00 per share par value)	20,000,000	20,000,000
Issued shares		
$4.25 cumulative convertible preferred stock	42,581	46,296
Common stock	5,602,047	5,265,303
Shares of common stock held in Treasury	1,155	—

The preferred stock has voting rights, pays annual dividends of $4.25 per share, is cumulative, and is convertible into common stock. Aggregate redemption (also liquidation) value at $100 per share was $4,258,000 at October 31, 1980, and $4,630,000 at October 31, 1979.

On December 10, 1979 the Corporation declared a 5% stock dividend to holders of record on January 3, 1980. In the prior year, a 10% stock dividend was declared to holders of record on April 6, 1979. All earnings per share, stock option information, dividends per share, and convertible security conversion ratios for the two years ended October 31, 1980, have been stated as if the stock dividends had been granted as of November 1, 1978.

HERMAN MILLER, INC. (MAY)

Consolidated Statement of Stockholders' Equity (in thousands)

	Common Shares Issued	Amount of Common Stock	Additional Paid-in Capital	Retained Earnings	Shares of Treasury Stock	Amount of Treasury Stock
Balance June 3, 1978	2,397	$479	$19,231	$11,269	183	$37
Add (Deduct):						
Net income	—	—	—	9,005	—	—
Cash dividends ($.416 per share)	—	—	—	(1,394)	—	—
Exercise of stock options	—	—	443	—	(39)	(8)
Common stock issued under Employee Stock Purchase Plan	11	3	186	—	—	—
Proceeds from sale of common stock, less related expenses of $849,000	440	88	9,623	—	—	—
Authorization of additional shares	—	—	—	—	—	—
Balance June 2, 1979	2,848	$570	$29,483	$18,880	144	$29
Add (Deduct):						
Net income	—	—	—	12,108	—	—
Cash dividends ($.540 per share)	—	—	—	(1,836)	—	—
Exercise of stock options	—	—	232	—	(18)	(3)
Common stock issued under Employee Stock Purchase Plan	14	3	240	—	—	—
25% stock dividend	713	142	12,321	(12,473)	36	—
Balance May 31, 1980	3,575	$715	$42,276	$16,679	162	$26

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. As shown in Table 4-3, the most frequently disclosed reason for adjusting the opening balance of retained earnings was early compliance with the requirements of FASB *Statement of Financial Accounting Standards No. 43.* Examples of adjustments to the opening balance of retained earnings follow.

TABLE 4-3: ADJUSTMENTS TO OPENING BALANCE OF RETAINED EARNINGS

	Number of Companies			
	1980	1979	1978	1977
Change in accounting for compensated absences	18	—	—	—
Poolings of interests	17	22	31	31
Change in accounting for leases	2	28	69	35
Other	3	28	11	24

Change in Accounting for Compensated Absences

THE GENERAL TIRE & RUBBER COMPANY (NOV)

Statements of Consolidated Common Shareholders' Equity

	Common Stock Shares	Common Stock Amount	Other Capital	Retained Earnings
	(Dollar amounts in thousands; per-share amounts in dollars)			
Balance at November 30, 1977, as previously reported	22,709,489	$6,813	$198,092	$657,130
Retroactive restatement for change in accounting for vacation expense				(9,588)
Balance at November 30, 1977, as restated				647,542
Net income				113,849
Cash dividends:				
On preferred stock at required rates				(412)
On common stock, $1.35 pre share				(30,980)
Stock dividends—2% at approximate market value	418,441	126	10,718	(10,844)
Stock sold under options or issued under the Management Incentive Plan and other	66,751	19	986	
Balance at November 30, 1978	23,194,681	$6,958	$209,796	$719,155
Net income				80,156
Cash dividends:				
On preferred stock at required rates				(376)
On common stock, $1.50 per share				(35,082)
Stock dividends—2% at approximate market value	446,612	134	9,827	(9,961)
Stock sold under options or issued under the Management Incentive Plan and other	10,974	4	172	
Balance at November 30, 1979	23,652,267	$7,096	$219,795	$753,892
Net income				40,761
Cash dividends:				
On preferred stock at required rates				(328)
On common stock, $1.50 per share				(35,625)
Stock dividends—2% at approximate market value	456,127	137	9,201	(9,338)
Stock sold under options or issued under the Management Incentive Plan and other	1,316	—	(92)	
Balance at November 30, 1980	24,109,710	$7,233	$228,904	$749,362

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Change and Reclassification—The method of determining vacation expense was changed in 1980 from the cash basis, used predominately by the parent company, to the accrual basis in conformity with the provisions of a recently issued statement of accounting principle. The consolidated financial statements have been restated for the effects of the change. The effect of the change reduced net income—related per share of common stock as follows: $2,311,000—$.10, $1,570,000—$.07 and $1,670,000—$.07 for the years 1980, 1979 and 1978, respectively.

The classification of certain deferred income taxes was changed from current to long term to conform to the provisions of another recently issued statement of accounting principle. The reclassification of deferred income taxes from current to long term generally relates to Aerojet's government contracts. Deferred income taxes (non-current) at November 30, 1979 increased by $23,757,000 as a result of this reclassification.

THE MAY DEPARTMENT STORES COMPANY (JAN)

Consolidated Statement of Common Stockholders' Investment

	Common Stock Number of Shares	Common Stock Dollars	Additional Paid-In Capital	Retained Earnings	Common Stockholders' Investment
		(thousands, except number of shares)			
Balance at January 28, 1978, as previously reported	26,433,060	$44,056	$30,258	$586,563	$660,877
Cumulative effect of change in accounting for vacation pay	—	—	—	(7,834)	(7,834)
Balance at January 28, 1978, as restated	26,433,060	44,056	30,258	578,729	653,043
Net earnings	—	—	—	100,774	100,774
Dividends paid:					
Common stock ($1.25 per share)	—	—	—	(30,442)	(30,442)
Preferred stock	—	—	—	(354)	(354)
Stock split of Volume Shoe prior to merger	2,116,769	3,528	(2,664)	(864)	—
Common stock issued from treasury for:					
Contribution to Profit Sharing and Savings Plan	224,761	374	4,607	—	4,981
Exercise of stock options	163,300	272	1,958	—	2,230
Purchase of common stock for treasury	(204,700)	(341)	(4,697)	—	(5,038)
Retirement of preferred stock	—	—	24	—	24
Balance at February 3, 1979	28,733,190	47,889	29,486	647,843	725,218
Net earnings	—	—	—	113,224	113,224
Dividends paid:					
Common stock ($1.37 per share)	—	—	—	(35,733)	(35,733)
Preferred stock	—	—	—	(350)	(350)
Common stock issued from treasury for:					
Contribution to Profit Sharing and Savings Plan	232,624	388	5,175	—	5,563
Exercise of stock options	74,800	124	828	—	952
Restricted stock plan	17,300	29	436	—	465
Conversion of notes payable to Volume Shoe prior to merger	95,681	159	191	—	350
Purchase of common stock for treasury	(182,438)	(304)	(4,230)	—	(4,534)
Retirement of preferred stock	—	—	109	—	109
Balance at February 2, 1980	28,971,157	$48,285	$31,995	$724,984	$805,264
Net earnings	—	—	—	116,915	116,915
Dividends paid:					
Common stock ($1.50½ per share)	—	—	—	(43,792)	(43,792)
Preferred stock	—	—	—	(351)	(351)
Common stock issued from treasury for:					
Contribution to Profit Sharing and Savings Plan	233,115	389	4,989	—	5,378
Exercise of stock options	41,952	71	204	—	275
Restricted stock plan	27,200	45	568	—	613
Purchase of common stock for treasury	(128,900)	(215)	(2,622)	—	(2,837)
Retirement of preferred stock	—	—	(3)	—	(3)
Balance at January 31, 1981	29,144,524	$48,575	$35,131	$797,756	$881,462

FINANCIAL REVIEW

Accounting Change-Vacation Pay

In November 1980, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 43 (SFAS No. 43), "Accounting For Compensated Absences", which requires the accrual for vacation pay earned but not taken. Although implementation of SFAS No. 43 is not required until 1981, the Company adopted it in 1980, thereby reducing net earnings by $1.1 million ($.04 per share). The provisions of SFAS No. 43 require the restatement of prior periods and therefore the cumulative effect as of January 28, 1978 is shown as an adjustment to retained earnings at that date. The effect of this restatement was to reduce net earnings by $0.8 million ($.03 per share) in 1979 and $0.6 million ($.02 per share) in 1978.

THE SHERWIN-WILLIAMS COMPANY (DEC)

Statements of Consolidated Shareholders' Equity

Thousands of dollars	Serial Preferred Stock	Common Stock	Other Capital	Retained Earnings	Treasury Stock
Balance at January 1, 1978, as previously reported	$8,859	$33,880	$5,237	$223,232	$ (690)
Cumulative effect of retroactive change in accounting principle	—	—	—	(6,932)	—
Balance at January 1, 1978, as restated	$8,859	$33,880	$5,237	$216,300	$ (690)
Common stock issued:					
444 shares upon conversion of preferred stock	(5)	1	3	—	—
Net income	—	—	—	5,009	—
Cash dividends declared:					
Series A preferred stock—$3.00 per share	—	—	—	(211)	—
Series B preferred stock—$3.30 per share	—	—	—	(590)	—
Balance at December 31, 1978, as restated	$8,854	$33,881	$5,240	$220,508	$ (690)
Treasury stock acquired:					
1,060,000 shares of common stock—net of 400,000 shares sold	—	—	(75)	—	(15,237)
2,200 shares of Series B preferred stock	—	—	—	—	(109)
Common stock issued:					
800 shares upon exercise of stock options	—	3	6	—	—
Net income	—	—	—	17,493	—
Cash dividends declared:					
Series A preferred stock—$4.00 per share	—	—	—	(282)	—
Series B preferred stock—$4.40 per share	—	—	—	(785)	—
Common stock—$.075 per share	—	—	—	(700)	—
Balance at December 31, 1979, as restated	$8,854	$33,884	$5,171	$236,234	$(16,036)
Treasury stock acquired:					
281 shares of Series A preferred stock	—	—	—	—	(17)
Common stock issued:					
63,200 shares upon exercise of stock options	—	197	615	—	—
24,908 shares upon conversion of preferred stock	(271)	78	192	—	—
1,084 shares upon conversion of 6.25% Convertible Subordinated Debentures	—	3	22	—	—
Net income	—	—	—	24,864	—
Cash dividends declared:					
Series A preferred stock—$4.00 per share	—	—	—	(278)	—
Series B preferred stock—$4.40 per share	—	—	—	(775)	—
Common stock—$.60 per share	—	—	—	(5,861)	—
Balance at December 31, 1980	$8,583	$34,162	$6,000	$254,184	$(16,053)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4—Accounting Change for Vacation Pay

Prior to 1980, the company followed the common practice of accounting for the costs of certain employees' vacation pay benefits in the period they were paid. Effective as of January 1, 1980, as a result of the Financial Accounting Standards Board's Statement No. 43, the company began accruing such benefits as they are earned. Financial statements for years prior to 1980 have been restated as required by the Statement, resulting in a decrease in retained earnings as of January 1, 1978 of $6,932,000 (after $5,904,000 income tax effect). The accounting change decreased previously reported net income by $535,000 ($.05 per share) for 1979 and $183,000 ($.02 per share) for 1978.

Change in Accounting for Leases

TRIANGLE INDUSTRIES, INC. (DEC)

Consolidated Statement of Shareholders' Equity

	1980	1979	1978
Common shares issued (number)			
Balance at beginning of year....	2,251,050	2,147,957	2,047,789
5% stock dividend	—	103,093	100,168
Balance at end of year............	2,251,050	2,251,050	2,147,957
Common shares			
Balance at beginning of year....	$ 2,251,000	$ 2,148,000	$ 2,048,000
5% stock dividend	—	103,000	100,000
Balance at end of year............	$2,251,000	$ 2,251,000	$ 2,148,000
Additional paid-in capital			
Balance at beginning of year....	$ 7,246,000	$ 6,525,000	$ 5,717,000
5% stock dividend	—	721,000	808,000
Balance at end of year............	$ 7,246,000	$ 7,246,000	$ 6,525,000
Retained earnings			
Balance at beginning of year, as previously reported..........			$37,561,000
Cumulative effect on prior years of change in accounting for leases..........			(272,000)
Balance at beginning of year, as restated.........	$40,658,000	$38,906,000	37,289,000
Net income	4,040,000	3,320,000	2,629,000
	44,698,000	42,226,000	39,918,000
Cash dividend	(871,000)	(744,000)	(104,000)
5% stock dividend	—	(824,000)	(908,000)
Balance at end of year............	$43,827,000	$40,658,000	$38,906,000
Treasury stock			
Balance at beginning of year....	$ (983,000)	$ (983,000)	$ (983,000)
Purchase of 31,400 shares.	(312,000)	—	—
Balance at end of year............	$(1,295,000)	$ (983,000)	$ (983,000)
Total shareholders' equity.............	$52,029,000	$49,172,000	$46,596,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Leases (in part)

The Company and its subsidiaries conduct certain operations in leased facilities, including manufacturing, distributor operations and office facilities, and also lease certain equipment.

As of December 31, 1980, the Company and its subsidiaries retroactively changed their method of accounting for leases to comply with Financial Accounting Standards Board Statement No. 13. Under Statement No. 13, leases which meet certain criteria are capitalized and, as a result, certain leases previously classified as operating leases are now accounted for as capital leases. Accordingly, the lesser of the present value of future minimum lease payments under such leases or the fair value of the leased property at the inception of such leases has been recorded as leased plant and equipment and obligations under capital leases. The related depreciation expense and imputed interest are charged against income in lieu of the lease rental expense.

Statement No. 13 is effective for years ending after December 31, 1976 except that retroactive application of its provisions to leases entered into prior to January 1, 1977 is not required until 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 those leases would result in the violation of a restrictive clause in a loan indenture. Prior to December 31, 1980 the Company would have been in violation of an indenture agreement with its long-term debt holders had those leases which meet the the criteria of Statement No. 13 for classification as capital leases been capitalized and the corresponding liability recorded. The Company has obtained a waiver of the restrictive clause effective December 31, 1980 thereby allowing retroactive compliance with Statement No. 13.

The consolidated financial statements for prior years have been restated and, as a result, retained earnings at January 1, 1978 have been reduced by $272,000. Net income has been reduced by $17,000, $20,000 and $21,000, each equivalent to one cent per share, for 1980, 1979 and 1978, respectively.

Pooling of Interests

RAYTHEON COMPANY (DEC)

Statements of Stockholders' Equity

	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Retained Earnings
			In thousands	
Balance at December 31, 1977				
As previously reported	30,916	$38,645	$78,443	$ 506,296
Pooling of interests—Beech Aircraft	8,449	10,562	18,262	87,260
As restated	39,365	49,207	96,705	593,556
Net income				186,563
Dividends declared				
$1.30 per share				(40,456)
Pooled company prior to merger	85	106	3,271	(12,091)
Conversion of Beech debentures and other transactions of a pooled company prior to merger	348	435	8,474	(199)
Proceeds under common stock option plans	340	425	6,551	
Balance at December 31, 1978	40,138	50,173	115,001	727,373
Net income				240,340
Dividends declared				
$1.70 per share				(53,263)
Pooled company prior to merger				(11,443)
Payment in lieu of common shares pursuant to acquisition contingency agreement			(488)	
Conversion of Beech debentures and other transactions of a pooled company prior to merger	402	503	9,131	(5)
Proceeds under common stock option plans	312	390	8,770	
Balance at December 31, 1979	40,852	51,066	132,414	903,002
Net income				282,257
Dividends declared				
$2.10 per share				(87,313)
Pooled company prior to merger				(3,092)
Redemption of Beech debentures and other transactions of a pooled company prior to merger	409	510	9,099	
Proceeds under common stock option plans	422	528	15,125	
Balance at December 31, 1980	41,683	$52,104	$156,638	$1,094,854

NOTES TO FINANCIAL STATEMENTS

Note O: Merger of Beech Aircraft Corporation

The merger of the company and Beech Aircraft Corporation was completed in February, 1980. Under the Agreement of Merger, each Beech shareholder received .775 shares of the company's common stock (9,965,000 shares) in exchange for each Beech share.

The merger was accounted for as a pooling of interests and, accordingly, the operations of Beech are included for all years. The net sales and net income for Beech Aircraft Corporation in 1980 prior to the effective date of the merger were approximately $72,000,000 and $5,000,000, respectively. Tax benefits of the Beech Domestic International Sales Corporation have been recorded on a flow-through basis in 1980. The amount of such tax benefits deferred by Beech in 1978 and 1979 are immaterial and have been included in 1980 net income ($3,976,000 or $.10 per share).

Separate results of operations of the combined entities for the years 1980 through 1978 are as follows:

	1980	1979	1978
		In thousands	
Net sales			
Raytheon Company	$4,245,773	$3,727,930	$3,239,302
Beech Aircraft Corporation	756,315	626,308	547,379
	$5,002,088	$4,354,238	$3,786,681
Net income			
Raytheon Company	$ 226,087	$ 197,151	$ 150,034
Beech Aircraft Corporation	56,170	43,189	36,529
	$ 282,257	$ 240,340	$ 186,563

Change in Fiscal Year

THE UNITED STATES SHOE CORPORATION (JAN)

Consolidated Statements of Retained Earnings

	1981	1980	1979
Balance as previously reported at July 29, 1978			$139,391,425
Less Net earnings and dividends for the 26 weeks ended July 29, 1978 included below due to change in fiscal year-end			(5,220,237)
Balance at Beginning of Year	$173,534,386	$155,103,141	$134,171,188
Add (Deduct):			
Net earnings	46,943,361	28,771,513	30,130,156
Dividends declared—			
Preferred shares ($9.30 in 1980, none in 1979 and 1978)	(1,394,850)	—	—
Common shares ($1.60 in 1980, $1.48 in 1979 and $1.32 in 1978)	(11,180,676)	(10,340,268)	(9,198,203)
Balance at End of Year	$207,902,221	$173,534,386	$155,103,141

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Change in Fiscal Year

During fiscal 1980, the company changed its fiscal year from a 52-53 week year ending the last Saturday in July to a 52-53 week ending the Saturday closest to January 31. The end of January represents the close of a natural business year for most retail businesses and the change at this time is consistent with the company's continued emphasis on its retailing operations, particularly its specialty apparel retailing operations.

The designation of the new fiscal year, for the purpose of these notes, is determined by the calendar year in which the fiscal year commences. The financial statements included herein have been appropriately restated to present comparable results for the new fiscal years. Accordingly, fiscal 1980 ended on January 31, 1981 and included 53 weeks; fiscal 1979 ended on January 26, 1980 and included 52 weeks; fiscal 1978 ended on January 27, 1979 and included 52 weeks.

TABLE 4-4: OTHER CHANGES IN RETAINED EARNINGS

	Number of Companies			
	1980	1979	1978	1977
Charges				
Treasury stock transactions.	54	51	67	63
Poolings of interests adjustments	5	4	5	4
Other	20	22	23	18
Credits				
Poolings of interests	6	11	9	6
Other	17	13	9	5

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

ABBOTT LABORATORIES (DEC)

Consolidated Statement of Earnings Employed in the Business

	1980	1979	1978
		(dollars in thousands except per share data)	
Balance at beginning of year	$732,480	$611,562	$508,577
Net earnings	214,413	182,199	149,755
Cash dividends declared—on common shares at $1.20 and $1.00 per share in 1980 and 1979, respectively, and principally on common shares at $.78 per share in 1978	(73,308)	(60,265)	(46,770)
Cost of treasury shares issued over proceeds of stock options exercised	(6,688)	(1,016)	—
Balance at end of year	$866,897	$732,480	$611,562

Note 8: Capital Shares (dollars in thousands)

On March 10, 1978, the Company approved a common stock split by means of a share-for-share stock dividend which was distributed on May 22, 1978 to shareholders of record on April 21, 1978. The consolidated financial statements (number of shares and per share amounts) have been adjusted for this event.

Changes in outstanding capital shares for 1978, 1979, and 1980 were as follows:

	Common Shares	
	Shares	Amount
Issued, January 1, 1978	30,492,724	$157,542
Common stock split reflected by means of a share-for-share stock dividend	30,492,725	—
Stock options exercised	371,164	6,337
Tax effect from sale of option shares	—	1,618
Preferred shares converted	416,028	104
Issued, December 31, 1978	61,772,641	$165,601
Stock options exercised	249,194	4,743
Tax effect from sale of option shares	—	1,348
Issued, December 31, 1979	62,021,835	$171,692
Stock options exercised	21,501	551
Tax effect from sale of option shares	—	2,422
Issued, December 31, 1980	62,043,336	$174,665

	Treasury Shares	
	Shares	Amount
January 1, 1978 and 1979	—	$ —
Purchases	87,200	3,434
Issued under stock option plans	(55,465)	(2,166)
Treasury shares, December 31, 1979	31,735	$ 1,268
Purchases	606,026	27,738
Issued under stock option plans	(357,335)	(14,666)
Treasury shares, December 31, 1980	280,426	$14,340

At December 31, 1980, the Company had 1,000,000 preferred shares (one dollar par value) authorized, and unissued. At January 1, 1978, there were 104,007 preferred shares outstanding, all of which were converted into common shares during 1978.

At December 31, 1980, 1,040,117 common shares were reserved for stock options (See Note 9).

In December, 1980, the Board of Directors proposed, subject to the approval of the shareholders in April, 1981, to increase the number of authorized common shares from 80,000,000 to 150,000,000.

AMERICAN SEATING COMPANY (DEC)

Consolidated Statement of Stockholders' Equity

	1980	1979	1978
	(In Thousands of Dollars)		
Preferred Stock (Note 9)			
Beginning of year	$ 2,682	$ 2,682	$ 2,682
Reacquired and retained in connection with disposition of health care operations (Notes 3 and 9)	(2,682)	—	—
End of year	—	2,682	2,682
Common Stock			
Beginning of year	4,428	4,428	4,360
Issuance of shares under stock options	61	—	68
End of year	4,489	4,428	4,428
Additional Paid-In Capital			
Beginning of year	830	830	768
Excess of proceeds over par value of common shares issued under stock options	35	—	62
End of year	865	830	830
Retained Earnings			
Beginning of year			
As previously reported	16,048	19,297	18,634
Adjusted to reflect capitalization of leases	(754)	(670)	(574)
As restated	15,294	18,627	18,060
Net income (loss)	2,602	(2,741)	1,159
Cash dividends paid:			
Common	(88)	(352)	(352)
Preferred	—	(240)	(240)
Excess of redemption value of preferred stock over carrying value (Note 9)	(1,296)	—	—
End of year	16,512	15,294	18,627
Total Stockholders' Equity	$21,866	$23,234	$26,567

Note 9—Preferred Stock

The stockholders authorized the issuance of 300,000 shares of Series Preferred Stock, without par value, of which 51,147 shares of Series A, $4.50 Convertible Preferred and 2,411⅔ shares of Series B, $4.00 Preferred, were outstanding at December 31, 1979.

As part of the disposition of the Joerns Furniture Division in January, 1980, as explained in Note 3, all the capital stock of Joerns Furniture Company, Inc. was exchanged by the Company for all but 1,000 shares of the Company's outstanding Series A Preferred Stock (50,147 shares) and all of the outstanding Series B Preferred Stock (2,411⅔ shares). Concurrent with the exchange, the Company purchased the remaining 1,000 shares of its Series A Preferred Stock for cash at a price of $50 per share. The exchange value exceeded the stated value of the preferred stock by $1,296,000, which was charged to retained earnings in January, 1980. At December 31, 1979, the redemption value of all the preferred shares exceeded the stated value by $2,673,000. The exchange increased the book value per common share by $1.56.

CROWN CORK & SEAL COMPANY, INC. (DEC)

Consolidated Statement of Retained Earnings

	1980	1979	1978
Retained Earnings at Beginning of Year	$405,987,000	$344,746,000	$285,529,000
Net Income	73,196,000	70,396,000	64,319,000
Excess of cost over par value of Common Stock purchased (1980—460,675 shares; 1979—496,354 shares; 1978—260,452 shares)	(10,142,000)	(12,763,000)	(6,483,000)
Excess of option price over par value of Common Stock issued under Stock Option Plan (1980—32,625 shares; 1979—362,823 shares; 1978—138,452 shares)	489,000	3,608,000	1,381,000
Retained Earnings at End of Year	$469,530,000	$405,987,000	$344,746,000

MASONITE CORPORATION (AUG)

Statements of Retained Earnings

	1980	1979
Balance at beginning of year	$209,612,000	$209,701,000
Net income	30,129,000	51,500,000
Cash dividends declared ($1.29 per share in 1980 and $1.10 in 1979)	(17,637,000)	(15,983,000)
Retirement of treasury stock (Note 11)	(14,298,000)	(35,606,000)
Balance at end of year (includes $3,600,000 and $4,686,000 of undistributed retained earnings of unconsolidated foreign affiliate at August 31, 1980 and 1979, respectively)	$207,806,000	$209,612,000

Note 11: Capital Stock Transactions

Transactions in the common stock account for the two years ended August 31, 1980, are summarized as follows:

	Common Stock		Treasury Stock	
	Shares	Amount	Shares	Amount
Balance at August 31, 1978	16,756,763	$76,387,000	1,091,300	$19,137,000
Exercise of stock options	6,900	147,000		
Issuance of performance share awards	2,358	51,000		
Purchase of treasury stock			1,361,100	29,439,000
Retirement of treasury stock	(2,452,400)	(12,970,000)	(2,452,400)	(48,576,000)
Balance at August 31, 1979	14,313,621	$63,615,000	—	$ —
Exercise of stock options	38,910	827,000		
Issuance of performance share awards	4,763	122,000		
Purchase of treasury stock			737,400	18,638,000
Retirement of treasury stock	(737,400)	(4,340,000)	(737,400)	(18,638,000)
Balance at August 31, 1980	13,619,894	$60,224,000	—	$ —

The cost of treasury shares retired was prorated between common stock and retained earnings on the basis of the respective opening balances in these accounts for the year of retirement.

Adjustment for Change in Fiscal Year of Pooled Company

HARRIS CORPORATION (JUN)

Consolidated Statement of Retained Earnings

	1980	1979
Balance at beginning of year, including $22,407,000 at July 1, 1978 applicable to pooled company ...	$308,415,676	$255,581,318
Net income for the year	79,682,432	68,771,846
Cash dividends ($.72 per share in 1980 and $.60 per share in 1979)..............................	(20,438,185)	(15,535,488)
Cash dividends of pooled company.	(205,237)	(402,000)
Adjustment for change in fiscal year of pooled company	593,000	
Balance at end of year..............	$368,047,686	$308,415,676

NOTES TO FINANCIAL STATEMENTS

Pooling of Interests

In February, 1980 the Corporation acquired Farinon Corporation, a manufacturer of telecommunication equipment, for 4,070,099 shares of Common Stock in a transaction accounted for as a pooling of interests. Prior to the acquisition, Farinon's fiscal year ended on March 31, and Farinon's financial information reflected in the Corporation's restated consolidated financial statements as of and for the year ended June 30, 1979 are as of, and for the year ended, March 31, 1979. For 1980 the fiscal year-end of Farinon has been changed to conform to that of the Corporation. Farinon's net income for the period April 1, to June 30, 1979 of $593,000 has been credited to retained earnings as of July 1, 1979. Income from sales, rentals and services and net income of both companies for the periods preceding acquisition were:

	Year Ended June 30, 1979	Two Quarters Ended December 28, 1979 (Unaudited)
Income from sales, rentals and services		
Harris	$ 982,111,408	$525,659,066
Farinon	92,770,000	55,994,000
	$1,074,881,408	$581,653,066
Net income		
Harris	$ 63,088,846	$ 33,287,016
Farinon	5,683,000	2,612,000
	$ 68,771,846	$ 35,899,016

Warrants Issued

WARNER COMMUNICATIONS INC. (DEC)

Consolidated Statement of Retained Earnings

	1980	1979	1978
		(Thousands, except per share amounts)	
Balance at beginning of year	$487,568	$306,004	$232,351
Net income	137,091	200,747	87,421
Dividends declared:			
Common shares (per share: 1980—$.545; 1979—$.375; 1978—$.28)	(30,092)	(18,913)	(13,086)
Preferred shares..........	—	(270)	(682)
Fair market value of Warrants issued	(11,400)	—	—
Balance at end of year......	$583,167	$487,568	$306,004

Note 8 (in part): Capital Shares

On December 17, 1980, the Board of Directors approved the issuance to all shareholders of a newly created five-year Warrant to purchase WCI Common stock. The Warrants were issued on February 16, 1981, in an amount equal to 2% of total Common shares held, will permit the holder to purchase one share of WCI Common stock at $55 per share, and will expire on April 30, 1986. After March 2, 1984, WCI may, at its option, redeem all of the outstanding Warrants at a price of $45 each. To the extent that any Warrants remain outstanding on April 30, 1986, such Warrants shall be converted automatically into shares of Common stock at the rate of one share of Common stock for each 50 Warrants.

ADDITIONAL PAID-IN CAPITAL

PRESENTATION OF CHANGES IN ADDITIONAL 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 additional paid-in capital.

TABLE 4-5: PRESENTATION OF CHANGES IN ADDITIONAL PAID-IN CAPITAL

	1980	1979	1978	1977
Statement of stockholders' equity	275	248	255	241
Statement of additional paid-in capital	38	45	47	54
Schedule in notes	99	98	94	101
No statement or schedule but changes disclosed	56	76	78	67
Balance unchanged during year	55	60	54	67
Subtotal	**523**	**527**	**528**	**530**
Additional paid-in capital account not presented	77	73	72	70
Total Companies	**600**	**600**	**600**	**600**

TABLE 4-6: STOCK SPLITS

	1980	1979	1978	1977
Ratio				
Less than three-for-two	8	8	9	6
Three-for-two (50%) to two-for-one	22	16	14	17
Two-for-one (100%)	33	24	19	28
Greater than two-for-one	—	4	4	2
Total Companies	**63**	**52**	**46**	**53**
Account Charged				
Additional paid-in capital	35	26	25	30
Retained earnings	5	10	4	12
No charge	23	16	17	11
Total Companies	**63**	**52**	**46**	**53**

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.

ATLANTIC RICHFIELD COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Common Stock

On May 6, 1980, the shareholders approved a proposal that the common stock of Atlantic Richfield be split, on the basis of two shares for one, by an amendment to the Articles of Incorporation by which (a) Atlantic Richfield's authorized common stock would be increased from 150,000,000 shares having a par value of $5.00 per share to 300,000,000 shares having a par value of $2.50 per share, and (b) each issued share of common stock having a par value of $5.00 per share outstanding would be reclassified as two shares of common stock having a par value of $2.50 per share. The amendment became effective on May 9, with distribution of shares on June 30, 1980. Aggregate and per share data included in Atlantic Richfield's Consolidated Financial Statements and Notes to Consolidated Financial Statements have been restated for the stock split.

AMPCO-PITTSBURGH CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4—Stock Split:

The Corporation made a 4-for-3 split of its common stock to shareholders of record on December 31, 1980, resulting in an increase of 1,150,956 common shares. Additional paid-in capital was reduced $1,150,956 for the par value of common shares capitalized and for $35,347 paid in lieu of fractional share interests. Below is a schedule of capital accounts affected by the stock split:

	Common Stock		Additional Paid-In	Treasury Stock	
	Shares	Amount	Capital	Shares	Amount
January 1, 1978 balances as previously reported	3,457,430	$3,457,430	$5,967,695	573,368	$4,603,739
4-for-3 stock split:					
Shares issued	1,150,956	1,150,956	(1,150,956)	191,122	—
Cash in lieu of fractional interests	—	—	(35,347)	—	—
Restated balances at January 1, 1978	4,608,386	$4,608,386	$4,781,392	764,490	$4,603,739

Accordingly, all earnings per share calculations have been retroactively restated using the weighted average number of shares of 3,843,896.

DUPLEX PRODUCTS INC. (OCT)

Stockholders' Equity

	Preferred stock, $1 par value	Common stock, $1 par value	Additional contributed capital	Retained earnings	Treasury common stock	Unamortized value of restricted stock issued
Balance at November 1, 1978	$271,000	$1,512,000	$7,131,000	$26,846,000	$(987,000)	$ —
Net earnings for fiscal 1979	—	—	—	9,491,000	—	—
Cash dividends paid						
Common stock—$.425 per share	—	—	—	(1,302,000)	—	—
Preferred stock—$1.45 per share	—	—	—	(338,000)	—	—
Stock options exercised						
Common stock	—	6,000	39,000	—	—	—
Preferred stock	1,000	—	21,000	—	—	—
Conversion of preferred into common shares	(159,000)	285,000	(126,000)	—	—	—
Stock issued under restricted stock plan	—	34,000	643,000	—	—	(619,000)
Amortization of deferred compensation under restricted stock plan	—	—	—	—	—	16,000
Balance at October 27, 1979	113,000	1,837,000	7,708,000	34,697,000	(987,000)	(603,000)
Net earnings for fiscal 1980	—	—	—	10,720,000	—	—
Cash dividends paid—						
Common stock—$.55 per share	—	—	—	(2,027,000)	—	—
Preferred stock—$1.45 per share	—	—	—	(111,000)	—	—
2-for-1 common split	—	1,904,000	(1,904,000)	—	—	—
Stock options exercised						
Common stock	—	15,000	87,000	—	—	—
Preferred stock	1,000	—	17,000	—	—	—
Conversion of preferred into common shares	(61,000)	163,000	(102,000)	—	—	—
Stock issued under restricted stock plan	—	11,000	137,000	—	—	(135,000)
Amortization of deferred compensation under restricted stock plan	—	—	—	—	—	56,000
Balance at October 25, 1980	$ 53,000	$3,930,000	$5,943,000	$43,279,000	$(987,000)	$(682,000)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note I (in part): Capital Stock

As of February 28, 1980 the authorized number of common shares was increased from 2,500,000 to 6,000,000 shares.

The company effected a 2 for 1 split of its common stock to stockholders of record on March 14, 1980 resulting in an increase of 1,903,684 common shares. The par value of these additional shares was capitalized by a transfer of $1,903,684 from additional contributed capital to the common stock account.

HALLIBURTON COMPANY (DEC)

Changes in Capital Stock and Paid-In Capital

	Common Stock Shares	Common Stock Amount	Paid-in Capital in Excess of Par Value
	(Dollars in thousands)		
Balance, December 31, 1977	58,698,997	$146,747	$203,882
Shares issued to employees in connection with restricted stock plan (Note 11)	102,910	258	6,804
Other	—	—	(839)
Balance, December 31, 1978	58,801,907	147,005	209,847
Shares issued to employees in connection with restricted stock plan (Note 11)	83,576	209	6,869
Balance, December 31, 1979	58,885,483	147,214	216,716
Shares issued to employees in connection with restricted stock plan (Note 11)	40,739	102	7,719
Issuance of shares to effect stock split (Note 11)	58,926,222	147,315	(147,315)
Other	—	—	114
Balance, December 31, 1980	117,852,444	$294,631	$ 77,234

Note 11: Capital Stock—A two-for-one stock split was effected pursuant to authorization by the board of directors whereby one additional share of common stock, par value $2.50, was issued for each share outstanding to shareholders of record on December 1, 1980. All share data, as appropriate, appearing in the financial statements and notes thereto have been adjusted for this stock split.

Under the terms of the Company's career executive incentive stock plan, 5,000,000 shares of the Company's common stock were reserved for sale to officers and key employees at a purchase price not to exceed par value of $2.50 per share. Shares sold under this plan are restricted as to sale or disposition by the employee with such restrictions lapsing periodically over an extended period of time. At December 31, 1980 previously unissued shares of 3,301,638 (net of 336,288 shares forfeited) have been issued under the plan. The fair market value of the stock, on date of issuance, in excess of sales price is being amortized and charged to income (with similar credits to paid-in capital in excess of par value) generally over the average period during which the restrictions lapse. At December 31, 1980 the unamortized excess amounted to $31,546,000. Also the U.S. income tax benefits not affecting net income, which relate to outstanding restricted shares, are credited to paid-in capital in excess of par value.

Common stock reserved at December 31, 1980 for future issuance under the Company's career executive incentive stock plan totaled 1,698,362 shares.

GEO. A. HORMEL & COMPANY (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note B—Stockholders' Investment

On January 29, 1980, the shareholders approved an increase in the authorized Common Stock from 6,000,000 to 12,000,000 shares, reduced the par value from $1.875 to $.9375 per share, and approved a two-for-one Common Stock split. All references to per share amounts elsewhere in the financial statements reflect the stock split.

The shareholders also approved the elimination of the 50,000 shares of authorized, but unissued, Preferred Stock.

LEVI STRAUSS & CO. (NOV)

Consolidated Statement of Stockholders' Equity

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock
	(In Thousands Except Per Share Amounts)			
Balance November 27, 1977	$21,999	$73,178	$374,950	$ (6,272)
Net income			144,969	
Purchases of treasury stock				(3,611)
Shares issued to employees		(1,283)		6,360
Cash dividends declared ($.80 per share)			(34,972)	
Balance November 26, 1978	21,999	71,895	484,947	(3,523)
Net income			191,454	
Purchase of treasury stock				(87,451)
Shares issued to employees		(2,444)		7,443
Shares issued in the acquisition of Koracorp Industries Inc.		12,973		24,288
Cash dividends declared ($1.00 per share)			(40,391)	
Balance November 25, 1979	21,999	82,424	636,010	(59,243)
Net income			223,689	
Two-for-one stock split	22,000	(22,000)		
Purchase of treasury stock				(26,130)
Shares issued to employees		(587)		6,909
Cash dividends declared ($1.30 per share)			(53,442)	
Balance November 30, 1980	$43,999	$59,837	$806,257	$(78,464)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Common Stock—Changes in shares of common stock are summarized below:

	Issued	Treasury Stock	Outstanding
Balance November 27, 1977	21,999,404	(238,938)	21,760,466
Purchases of treasury stock	—	(110,889)	(110,889)
Shares issued to employees	—	238,206	238,206
Balance November 26, 1978	21,999,404	(111,621)	21,887,783
Purchase of treasury stock	—	(2,000,000)	(2,000,000)
Shares issued to employees	—	201,259	201,259
Shares issued in the acquisition of Koracorp Industries Inc.	—	555,413	555,413
Balance November 25, 1979	21,999,404	(1,354,949)	20,644,455
Two-for-one stock split	21,999,404	(1,349,710)	20,649,694
Purchase of treasury stock	—	(700,000)	(700,000)
Shares issued to employees	—	299,177	299,177
Balance November 30, 1980	43,998,808	(3,105,482)	40,893,326

Effective December 10, 1979 the Board of Directors approved a two-for-one stock split. As a result, in 1980 a transfer was made from Additional Paid-in-Capital to Common Stock. For all years presented, net income and dividends per share and average common and common equivalent shares outstanding reflect this split.

In August, 1980, the Company purchased 700,000 shares of its common stock for approximately $26 million from the estate of Daniel E. Koshland, a former executive and director of the Company.

STANDARD OIL COMPANY (INDIANA)

Consolidated Statement of Shareholders' Equity

	Common Stock	Capital in Excess of Par Value	Earnings Retained and Invested in the Business	Treasury Shares at Cost	Total
	(thousands of dollars, except per share amounts)				
Balance on December 31, 1977	$1,875,538	$ 40,112	$4,655,644	$ (96,535)	$6,474,759
Net income			1,076,412		1,076,412
Cash dividends of $1.40 a share			(409,961)		(409,961)
Sale of common stock of subsidiary company		6,827			6,827
Issuances (acquisitions) of treasury shares—net				(1,740)	(1,740)
Balance on December 31, 1978	1,875,538	46,939	5,322,095	(98,275)	7,146,297
Net income			1,506,618		1,506,618
Cash dividends of $1.50 a share			(442,630)		(442,630)
Sale of common stock of subsidiary company		2,738			2,738
Issuance of common stock in connection with an acquisition	26,512	255,633		61,528	343,673
Other issuances (acquisitions) of treasury shares—net				(188,071)	(188,071)
Balance on December 31, 1979	$1,902,050	$305,310	$6,386,083	$(224,818)	$8,368,625
Net income			1,915,314		1,915,314
Cash dividends of $2.00 a share			(586,798)		(586,798)
Adjustment to reflect the change to shares without par value	305,310	(305,310)			—
Issuance of common stock in connection with an acquisition				8,000	8,000
Other issuances (acquisitions) of treasury shares—net	13,928			(334,396)	(320,468)
Balance on December 31, 1980	$2,221,288	$ —	$7,714,599	$(551,214)	$9,384,673

NOTES TO FINANCIAL STATEMENTS

Note 11: Common Stock

At December 31, 1980, there were 400,000,000 shares of common stock without par value authorized, of which 304,327,932 shares had been issued. Shares outstanding on December 31, 1980, totaled 292,362,071, an increase of 143,167,383 shares from the 149,194,688 shares outstanding on December 31, 1979. The increase results primarily from the issuance of 152,163,966 shares in connection with the two-for-one stock split described below.

Effective at the close of business on April 23, 1980, pursuant to stockholder action at the 1980 annual meeting, the company's capitalization was changed to 400,000,000 shares of common stock without par value and all issued shares were split on a two-for-one basis. All references elsewhere in the Consolidated Financial Statements and related notes to the number of shares, per-share amounts, and price per share for periods prior to April 23, 1980, have been adjusted for the stock split, unless otherwise indicated.

Details concerning issued shares and treasury shares are shown in the following table:

	1980 Shares (000's)	1980 Amount (Millions)	1979 Shares (000's)	1979 Amount (Millions)
Issued common shares on January 1	152,164.0	$1,902.1	150,043.0	$1,875.6
Shares issued:				
Cyprus acquisition	—	—	2,121.0	26.5
Two-for one stock split	152,164.0	305.3	—	—
Excess of fair market value over cost of treasury shares issued under stock plans	—	13.9	—	—
Issued common shares on December 31	304,328.0	$2,221.3	152,164.0	$1,902.1
Treasury shares on January 1	2,969.3	$ 224.8	3,717.1	$ 98.3
Two-for-one stock split	2,969.3	—	—	—
Purchases	7,984.1	409.7	3,042.8	233.8
Shares reissued:				
Cyprus acquisition	—	—	(3,000.0)	(61.5)
Western Foam Pak acquisition	(135.4)	(8.0)	—	—
Sales to trustee under employee savings plan	(1,048.9)	(50.6)	(471.0)	(28.5)
Sales and distributions to employees under management incentive plans	(627.9)	(18.9)	(203.7)	(10.2)
Distributions to trustee under employee stock ownership plan	(144.6)	(5.8)	(115.9)	(7.1)
Treasury shares on December 31	11,965.9	$ 551.2	2,969.3	$ 224.8
Net shares outstanding on December 31	292,362.1		149,194.7	

CHANGES IN ADDITIONAL PAID-IN CAPITAL

Table 4-7 summarizes credits and charges to additional paid-in capital. Examples of such credits and charges follow.

TABLE 4-7: CHANGES IN ADDITIONAL PAID-IN CAPITAL

	Number of Companies			
	1980	1979	1978	1977
Credits				
Common stock issuances:				
Employee benefits	349	320	359	353
Conversion of debt	83	64	55	53
Conversion of preferred stock	60	59	61	58
Business combinations....	51	56	47	43
Stock option tax benefits ...	56	50	41	42
Purchase or retirement of capital stock..............	26	22	29	34
Other	54	49	48	52
Charges				
Treasury stock issued for less than cost	50	48	41	35
Purchase or retirement of capital stock..............	49	53	48	50
Conversion of preferred stock	32	33	21	19
Business combinations.......	7	12	19	13
Other	30	22	20	36

Stock Issued in Connection with Employee Benefit Plans

THE STANDARD REGISTER COMPANY (DEC)

Statement of Shareholders' Equity

	1980	1979	1978
Common Stock			
Beginning balance	$ 884,049	$ 881,930	$ 880,122
Add shares issued under Stock Incentive Plan at $.50 par value................	4,755	2,119	1,808
Ending balance	888,804	884,049	881,930
Class A Stock			
Beginning and ending balances............	$ 196,875	$ 196,875	$ 196,875
Capital in Excess of Par Value			
Beginning balance	$ 8,771,891	$ 8,676,536	$ 8,597,866
Add additional capital resulting from issuance of shares at market value under Stock Incentive Plan	247,260	95,355	78,670
Ending balance	$ 9,019,151	$ 8,771,891	$ 8,676,536
Retained Earnings			
Beginning balance	$71,954,779	$62,263,451	$56,366,549
Add net income for year.................	14,021,875	13,582,654	9,346,185
Total	$85,976,654	$75,846,105	$65,712,734
Less cash dividends declared...............	4,451,284	3,891,326	3,449,283
Ending balance	$81,525,370	$71,954,779	$62,263,451
Total shareholders' equity.....	$91,630,200	$81,807,594	$72,018,792

BROWN & SHARPE MANUFACTURING COMPANY (DEC)

Consolidated Statement of Shareowners' Equity

	Common Stock Shares	Common Stock Par Value	Additional Paid in Capital	Earnings Employed in the Business	Total Shareowners' Equity
Balance—December 31, 1977	2,282,049	$22,820,000	$ —	$27,026,000	$49,846,000
Net income for year ended December 30, 1978	—	—	—	8,654,000	8,654,000
Dividends:					
Cash dividends paid ($.5833 per share)	—	—	—	(1,614,000)	(1,614,000)
20% stock dividend declared in February, 1979	459,960	4,600,000	4,197,000	(8,797,000)	—
Common Shares delivered pursuant to Stock Option and Profit Incentive Plans	37,748	378,000	—	(70,000)	308,000
Common Shares repurchased	(20,000)	(200,000)	—	(1,000)	(201,000)
Balance—December 30, 1978	2,759,757	27,598,000	4,197,000	25,198,000	56,993,000
Net income for year ended December 29, 1979	—	—	—	12,688,000	12,688,000
Change of par value from $10 to $1 approved by shareowners in April, 1979	—	(24,838,000)	24,838,000	—	—
Dividends:					
Cash dividends paid ($.90 per share)	—	—	—	(2,510,000)	(2,510,000)
Adjustment of stock dividend for Common Shares issued prior to payment date	2,958	3,000	53,000	(56,000)	—
Common Shares delivered pursuant to Stock Option, Profit Incentive and Employee Stock Ownership Plans	70,000	70,000	1,580,000	—	1,650,000
Balance—December 29, 1979	2,832,715	2,833,000	30,668,000	35,320,000	68,821,000
Net income for year ended December 27, 1980	—	—	—	14,505,000	14,505,000
Cash dividends paid ($1.20 per share)	—	—	—	(3,635,000)	(3,635,000)
Common Shares delivered pursuant to Profit Incentive and Employee Stock Ownership Plans	39,345	39,000	1,113,000	—	1,152,000
Common Shares issued upon conversion of 5½% guaranteed (subordinated) convertible debentures, net of unamortized debt expense	223,226	223,000	5,485,000	—	5,708,000
Balance—December 27, 1980	3,095,286	$ 3,095,000	$37,266,000	$46,190,000	$86,551,000

MALONE & HYDE, INC. (JUN)

Statements of Consolidated Stockholders' Equity

	Common Stock $1 Par Value	Additional Paid-In Capital	Retained Earnings	Total
		(Thousands Of Dollars)		
Balance at June 25, 1978	$6,878	$24,125	$ 71,143	$102,146
Acquisition of Petty's Drug Company	299	136	3,602	4,037
Net income for the year ended June 30, 1979			21,267	21,267
Cash dividends—$.96 per share			(6,897)	(6,897)
Sale of 133,705 shares of Common Stock under stock option and stock purchase plans	134	2,330		2,464
Corporate tax benefits related to stock options		154		154
Balance at June 30, 1979	7,311	26,745	89,115	123,171
Net income for the year ended June 28, 1980			24,945	24,945
Cash dividends—$1.12 per share			(8,384)	(8,384)
Sale of 119,763 shares of Common Stock under stock option and stock purchase plans	120	2,324		2,444
Corporate tax benefits related to stock options		137		137
Acquisition of companies	205	12	2,506	2,723
Balance at June 28, 1980	$7,636	$29,218	$108,182	$145,036

INTERNATIONAL HARVESTER COMPANY (OCT)

Statements of Common Stockholders' Equity
(Thousands of dollars)

	Common Shares Outstanding	Common Stock	Capital in Excess of Par Value	Retained Earnings	Common Stock Held in Treasury	Receivables from Sale of Common Stock	Total Common Stockholders' Equity
Balance at October 31, 1978	29,953,844	$607,177	$22,010	$1,211,607	$(12,850)	$(1,796)	$1,826,148
Issuance of stock:							
Stock options............	69,050	1,381	728	—	—	—	2,109
Sales to:							
Savings and investment program......	602,066	12,042	11,151	—	—	—	23,193
Employee stock ownership plan.........	30,801	616	589	—	—	—	1,205
Automatic dividend and interest investment plan......	85,461	1,709	1,536	—	—	—	3,245
Officer	25,000	—	181	—	793	(974)	—
Net income.................		—	—	369,562	—	—	369,562
Dividends:							
Preferred, Series A: $10 per share.............		—	—	(5,000)	—	—	(5,000)
Common, $2.35 per share..................		—	—	(71,389)	—	—	(71,389)
Balance at October 31, 1979	30,766,222	622,925	36,195	1,504,780	(12,057)	(2,770)	2,149,073
Issuance of stock:							
Stock options............	20,340	407	165	—	—	—	572
Sales to:							
Savings and investment program......	861,235	17,225	9,628	—	—	—	26,853
Employee stock ownership plan.........	54,136	1,083	487	—	—	—	1,570
Automatic dividend and interest investment plan......	128,327	2,566	1,353	—	—	—	3,919
Reduction of officer receivable......................		—	—	—	—	360	360
Net income (loss)..........		—	—	(397,328)	—	—	(397,328)
Issuance cost of preferred stock.....................		—	(5,423)	—	—	—	(5,423)
Dividends:							
Preferred, Series A: $10 per share................	—	—		(5,000)	—	—	(5,000)
Common, $2.50 per share		—	—	(78,141)	—	—	(78,141)
Balance at October 31, 1980	31,830,260	$644,206	$42,405	$1,024,311	$(12,057)	$(2,410)	$1,696,455

MILTON ROY COMPANY (DEC)

Consolidated Statement of Shareholders' Equity

	Common stock $1 par value	Paid-in capital	Retained earnings	Treasury stock Shares	Treasury stock Amount	Shareholders' equity
Balance January 1, 1978	$1,399,000	$5,976,000	$19,937,000	(3,950)	$(15,000)	$27,297,000
Net income	—	—	2,023,000	—	—	2,023,000
Issuance of new shares to employees pursuant to employee stock purchase plan	16,000	154,000	—	—	—	170,000
Employee stock options exercised	1,000	8,000	—	—	—	9,000
Dividends—$.18 per share	—	—	(385,000)	—	—	(385,000)
Balance December 31, 1978	1,416,000	6,138,000	21,575,000	(3,950)	(15,000)	29,114,000
Net income	—	—	1,895,000	—	—	1,895,000
Issuance of new shares to employees pursuant to employee stock purchase plan	9,000	139,000	—	—	—	148,000
Employee stock options exercised	9,000	74,000	—	—	—	83,000
Purchase of the Company's common stock for Treasury	—	—	—	(424,400)	(9,017,000)	(9,017,000)
Dividends—$.23 per share	—	—	(454,000)	—	—	(454,000)
Adjustment to give retroactive effect to distribution of shares held in Treasury and issuance of new shares in connection with 3-for-2 stock split	75,000	(2,401,000)	(6,706,000)	428,350	9,032,000	—
Balance December 31, 1979	1,509,000	3,950,000	16,310,000	—	—	21,769,000
Net income	—	—	3,373,000	—	—	3,373,000
Issuance of new shares to employees pursuant to employee stock purchase plan	11,000	155,000	—	—	—	166,000
Employee stock options exercised	43,000	415,000	—	—	—	458,000
Issuance of new shares to employees pursuant to restricted stock award plan	44,000	855,000	—	—	—	899,000
Unearned compensation arising from issuance of new shares under restricted award plan, net of current year's amortization of $35,000	—	(864,000)	—	—	—	(864,000)
Dividends—$.37 per share	—	—	(567,000)	—	—	(567,000)
Balance December 31, 1980	$1,607,000	$4,511,000	$19,116,000	—	$ —	$25,234,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (in part): Stock options, stock award and stock purchase plans:

Restricted stock award plan—On May 15, 1980 the shareholders approved adoption of the 1980 Restricted Stock Award Plan. The plan provides for grants aggregating 75,000 common shares to be made to officers and key employees as determined by the Compensation Committee of the Board of Directors. Upon issuance of grants under the plan, deferred compensation equivalent to the market value on the date of grant is charged to shareholders' equity and subsequently amortized in equal monthly installments over a period of seven years. Amortization of deferred compensation in 1980 was $35,000. Commencing with the third anniversary of a grant, restrictions on 20% of the shares can be removed at the discretion of the Compensation Committee with an additional 20% removable on each ensuing grant anniversary. A summary of grants made under the plan in 1980 is as follows:

	Common shares	Market price per share (date of grant)
Outstanding December 31, 1979	-0-	
Granted in 1980	44,250	$20.13-$20.38
Cancelled or forfeited	-0-	
Outstanding December 31, 1980	44,250	
Available at December 31, 1980 for future grants	30,750	

Stock Issued in Conversions

ASHLAND OIL, INC. (SEP)

Statements of Consolidated Redeemable Preferred Stock, Common Stock and Other Stockholders' Equity

(In thousands)	Redeemable preferred stock Stated value	Excess	Common stock	Paid-in capital	Retained earnings	Treasury shares
Balance at October 1, 1978	$102,456	$96,407	$27,841	$148,398	$874,254	$2,989
Net income					526,253	
Additional shares issued in 3 for 2 stock split			11,282	(11,398)		4
Cash dividends						
Preferred stock					(10,119)	
Common stock, $1.80 a share					(59,350)	
Purchased and retired common stock			(12,646)	(52,512)	(495,783)	
Converted $22,424,000 at 4¾% debentures, due 1993			651	21,556		
Converted 1,428,000 shares of preferred stock	(2,448)	(96,002)	3,446	(998)		
Redeemed 5,000 shares of preferred stock	(5,000)					
Other changes			2	37		15
Balance at September 30, 1979	95,008	405	30,576	105,083	835,255	3,008
Net income					205,129	
Cash dividends						
Preferred stock					(18,715)	
Common stock, $2.20 a share					(60,266)	
Purchased and retired common stock			(122)	(354)	(3,974)	
Converted $5,570,000 of 4¾% debentures, due 1993			167	5,353		
Converted 3,000 shares and cancelled 1,000 shares of preferred stock	(8)	(405)	9	(3)		
Issued preferred stock and 11.1% debentures in exchange for common stock	160,022		(3,981)	(14,134)	(161,051)	
Purchased and redeemed 161,000 shares of preferred stock	(9,650)			952		
Purchased 7,000 treasury shares						282
Balance at September 30, 1980	$245,372	$ —	$26,649	$ 96,897	$796,378	$3,290

Note G: Common stock and other stockholders' equity

Ashland purchased and retired common stock (from the cash proceeds of operations sold) totalling 122,000 shares at a cost of $4,450,000 in 1980 and 15,530,000 shares at a cost of $560,941,000 in 1979.

In 1980, Ashland exchanged 3,981,000 shares of its common stock for 3,556,000 shares of $4.50 Series of 1980 Cumulative Preferred Stock and for $19,126,000 aggregate principal amount of 11.1% Subordinated Debentures, due 2004.

At September 30, 1980, 205,000 shares of Ashland common stock are reserved for conversion of the 4¾% Convertible Subordinated Debentures.

BAKER INTERNATIONAL CORPORATION (SEP)

Consolidated Statements of Shareholders' Equity

	Common Stock Shares	Common Stock Amount	Capital In Excess of Par Value	Retained Earnings	Total
			(All amounts in thousands)		
Balance, September 30, 1978	58,268	$29,667	$ 89,896	$285,596	$405,159
Fiscal year ended September 30, 1979:					
Net income				99,429	99,429
Cash dividends on common stock ($.26 per share)..............				(15,909)	(15,909)
Exercise of stock options and stock purchase plan grants (including related tax benefits)..	772	386	10,197		10,583
Issuance of shares in public offering	3,600	1,800	57,450		59,250
Pooling of interests..............	483	242	1,058	(505)	795
Other	70	29	450		479
Balance, September 30, 1979	63,193	32,124	159,051	368,611	559,786
Fiscal year ended September 30, 1980:					
Net income				138,627	138,627
Cash dividends on common stock ($.35 per share)..............				(22,994)	(22,994)
Exercise of stock options and stock purchase plan grants (including related tax benefits)..	821	703	16,283		16,986
Issuance of shares upon conversion of 5.5% convertible subordinated debentures (Note 3)	2,351	1,176	38,814		39,990
Issuance of shares to effect stock split		32,915	(32,915)		
Other	123	98	(906)	454	(354)
Balance, September 30, 1980	66,488	$67,016	$180,327	$484,698	$732,041

Note 3 (in part): Indebtedness

In December 1979, the Company called for the redemption of its 5.5% convertible subordinated debentures due 1993. In connection with this redemption, the Company issued approximately 2,351,000 shares of common stock in exchange for debentures having a face value of $39,990,000.

KAISER ALUMINUM & CHEMICAL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

(millions of dollars, except share amounts)

Note 7 (in part): Capital Stock

The number of authorized and outstanding shares of capital stock was as follows:

	Authorized	Outstanding December 31 1980	1979
Preferred, Cumulative, $50.00 par, 4¾%	1,500,000	18,275	39,704
Preference, Cumulative, Convertible, $100.00 par	1,000,000		
4⅛%		52,068	103,110
4¾% (1957 Series)		49,685	105,345
4¾% (1959 Series)		66,677	119,195
4¾% (1966 Series)		45,495	134,596
Common, 33⅓ cents par	100,000,000	42,453,271	41,132,434

Changes in capital stock and additional capital were as follows:

	Preferred Stock	Preference Stocks	Common Stock	Additional Capital
Balance, January 1, 1978	$4.0	$51.8	$ 6.6	$206.1
Redemptions (9,920 shares)	(.5)			.1
Conversions (7,169 shares of preference into 26,910 shares of common)		(.8)	.1	.7
Warrants exercised (29,696 shares)				.7
Stock options exercised (251,350 shares)				2.2
Two-for-one common stock split			6.7	(6.7)
Balance, December 31, 1978	3.5	51.0	13.4	203.1
Redemptions (29,730 shares)	(1.5)			.1
Conversions (48,035 shares of preference into 180,235 shares of common)		(4.8)		4.8
Warrants exercised (530,097 shares)			.1	12.4
Stock options exercised (351,430 shares)			.1	3.3
Balance, December 31, 1979	2.0	46.2	13.7	223.7
Redemptions (21,429 shares)	(1.1)			.1
Conversions (248,321 shares of preference into 945,035 shares of common)		(24.8)	.3	24.5
Conversions (6,641 subordinated debentures into 269,624 shares of common)			.1	6.5
Stock options exercised (106,178 shares)				1.7
Balance, December 31, 1980	$ .9	$21.4	$14.1	$256.5

The corporation each year must retire, including prior credits, 28,000 shares of its preferred stock at not more than $50.00 per share and, at its option, may redeem its preferred and preference stocks at fixed amounts per share at various redemption dates. The involuntary liquidation price of the preferred and preference stocks is par value plus accrued dividends.

The preferred and preference stock provisions restrict acquisition of junior stock, incurring of debt, entering into certain leases, and payment of dividends. At December 31, 1980, such provisions were less restrictive as to the payment of cash dividends than the bond indenture provisions.

At December 31, 1980, the 4⅛% and 4¾% (1957 Series, 1959 Series, and 1966 Series) $100.00 par value preference stocks were convertible into 815,924 shares of common stock at prices of $28.46, $25.41, $25.51, and $25.84, respectively.

MIDLAND-ROSS CORPORATION (DEC)

Consolidated Statement of Shareholders' Equity

	Preferred Stock Series A	Preferred Stock Series B	Common Stock	Additional Paid-In Capital	Retained Earnings
			(In Thousands of Dollars)		
Balance at January 1, 1978	$3,805	$8,419	$27,381	$21,980	$140,283
Common stock issued:					
5,595,451 shares pursuant to 100% stock dividend			27,977	(24,758)	(3,219)
120,783 shares from conversion of 8,458 shares of Series A preferred stock and 9,030 shares of Series B preferred stock	(845)	(903)	504	1,244	
152,950 shares from exercise of stock options			675	1,062	
114,536 shares from treasury for employee stock savings plan			435	1,493	
107,566 shares from treasury for acquisition of Super-Strut Inc.			269	1,456	
Purchase of 19,800 common shares for treasury			(99)	(5)	(205)
Net income					30,970
Cash dividends:					
Series A preferred stock—$4.75 a share					(156)
Series B preferred stock—$5.00 a share					(402)
Common stock—$1.0125 a share					(11,422)
Balance at December 31, 1978	2,960	7,516	57,142	2,472	155,849
Common stock issued:					
255,191 shares from conversion of 4,123 shares of Series A preferred stock and 43,637 shares of Series B preferred stock	(413)	(4,364)	1,276	3,501	
35,810 shares from exercise of stock options			179	343	
Net income					41,028
Cash dividends:					
Series A preferred stock—$4.75 a share					(128)
Series B preferred stock—$5.00 a share					(205)
Common stock—$1.20 a share					(13,978)
Balance at December 31, 1979	2,547	3,152	58,597	6,316	182,566
Common stock issued:					
85,676 shares from conversion of 3,015 shares of Series A preferred stock and 11,724 shares of Series B preferred stock	(302)	(1,173)	429	1,046	
32,889 shares from exercise of stock options			164	390	
Net income					43,812
Cash dividends:					
Series A preferred stock—$4.75 a share					(113)
Series B preferred stock—$5.00 a share					(114)
Common stock—$1.375 a share					(16,232)
Balance at December 31, 1980	$2,245	$1,979	$59,190	$ 7,752	$209,919

Treasury Stock Transactions

BIRD & SON, INC. (DEC)

Consolidated Statement of Stockholders' Equity

	5% Cumulative Preferred Stock	Common Stock	Other Capital	Retained Earnings	5% Cumulative Preferred Stock in Treasury	Common Stock in Treasury	Total Stockholders' Equity
Balance January 1, 1978...	$1,500,000	$ 3,000,000	$ 1,425,000	$100,033,000	$(159,000)	$(4,555,000)	$101,244,000
Net earnings				17,477,000			17,477,000
Dividends declared:							
5% cumulative preferred stock—$5 per share ..				(63,000)			(63,000)
Common stock—$1.5250 per share..............				(6,313,000)			(6,313,000)
Retained earnings transferred to common stock—Note 6		16,200,000		(16,200,000)			
Purchase of 150 shares of 5% cumulative preferred stock......................					(9,000)		(9,000)
Balance December 31, 1978	1,500,000	19,200,000	1,425,000	94,934,000	(168,000)	(4,555,000)	112,336,000
Net earnings				11,343,000			11,343,000
Dividends declared:							
5% cumulative preferred stock—$5 per share ..				(61,000)			(61,000)
Common stock—$1.60 per share..............				(6,642,000)			(6,642,000)
Purchase of 914 shares of 5% cumulative preferred stock......................					(55,000)		(55,000)
Purchase of 263 shares of common stock............						(5,000)	(5,000)
Issue of 11,400 shares of common stock from the Treasury to acquire a business			170,000			78,000	248,000
Balance December 31, 1979	1,500,000	19,200,000	1,595,000	99,574,000	(223,000)	(4,482,000)	117,164,000
Net loss......................				(3,584,000)			(3,584,000)
Dividends declared:							
5% cumulative preferred stock—$5 per share ..				(58,000)			(58,000)
Common stock—$1.30 per share..............				(5,343,000)			(5,343,000)
Purchase and retirement of 212,245 shares of common stock—Note 6.......		(849,000)	(1,595,000)	(971,000)			(3,415,000)
Purchase of 185 shares of 5% cumulative preferred stock......................					(9,000)		(9,000)
Balance December 31, 1980	$1,500,000	$18,351,000	$ —	$ 89,618,000	$(232,000)	$(4,482,000)	$104,755,000

Note 6: Stockholders' Equity

In late September of 1980, the Board of Directors, Messrs. C. S. Bird, Jr., and David Bird absenting themselves from the meeting, unanimously authorized an offer to purchase from the Estate of Charles S. Bird 212,245 shares of the Company's common stock at a price of $16.09 per share, and the transaction was closed in early October. This price represented a discount of 12.4% from the average bid price of the stock over a thirty-day period preceding the offer, a discount which opinions of investment banking firms supported as appropriate to reflect the size of the block and the circumstance that it represented restricted stock in the hands of the executors. These shares were retired from the Treasury, but remain authorized in accordance with a vote of the Board of Directors on October 28, 1980. Other capital and retained earnings have been reduced $1,595,000 and $971,000, respectively, to reflect the excess of the purchase price over the par value of the shares acquired.

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 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 were 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 reflect the stock split.

BOWNE & CO., INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (in part): Stockholders' equity

Additional paid-in capital—Changes to the additional paid-in capital account are summarized as follows:

	1980	1979
Additional paid-in capital at beginning of year	$7,781,561	$5,572,879
Excess of market value over par value of 15,000 common shares acquired for treasury and retired	(141,974)	—
Excess of proceeds over par value of common shares issued upon exercise of stock options	—	29,077
Excess of market value over par value of common shares issued as stock dividend	—	2,179,605
Additional paid-in capital at end of year	$7,639,587	$7,781,561

INTERNATIONAL MINERALS & CHEMICAL CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions except per share amounts)

Shareholders' Equity (in part)

Changes in common shares issued and capital in excess of par value in 1979 and 1980 were as follows:

	Common Shares	Amount	Capital in Excess of Par Value
Balance, June 30, 1978	27,342,562	$136.8	$14.4
Conversion of 4% debentures	51,533	.2	1.1
Stock options exercised and related tax effects	3,385		.1
Contribution of treasury shares to employee stock ownership plan			.2
Balance, June 30, 1979	27,397,480	137.0	15.8
Conversion of 4% debentures	54,663	.3	1.1
Stock options exercised and related tax effects			.5
Contribution of treasury shares to employee stock ownership plan			.4
Awards of restricted treasury shares			(.5)
Balance, June 30, 1980	27,452,143	$137.3	$17.3

Common shares in the two tables above have been restated for the previously described April, 1980, common stock distribution. The two tables also reflect the retroactive transfer as of June 30, 1978, of $45.7 million from capital in excess of par value to the common stock account as a result of that distribution.

At June 30, 1980, common shares were reserved as follows:

Conversion of 4% debentures	90,205
Exercise of stock options and restricted stock awards	1,184,577
Incentive compensation plans	75,005
	1,349,787

During 1980 and 1979, IMC acquired 73,500 and 186,600 shares of its common stock for its treasury at an aggregate cost of $2.3 million and $4.4 million, respectively.

In 1980 and 1979, IMC contributed to its employee stock ownership plan 29,777 and 36,051 treasury shares to satisfy the accrued liability at the end of 1979 and 1978, respectively. The aggregate cost and aggregate market value of the shares contributed in 1980 were $.7 million and $1.1 million, respectively ($.9 million and $1.1 million in 1979). In 1980, 81,513 treasury shares were issued for stock options exercised (29,723 in 1979).

CBS INC. (DEC)

Consolidated Statements of Retained Earnings and Additional Paid-In Capital

	1980	1979	1978
	(Dollars in thousands)		
Retained Earnings			
Balance at beginning of year	$ 860,847	$734,020	$604,007
Net income	192,969	200,707	198,079
	1,053,816	934,727	802,086
Less cash dividends:			
Common stock: 1980, $2.80 per share; 1979, $2.65 per share; 1978, $2.45 per share	78,029	73,661	67,793
Preference stock, $1.00 per share	186	219	273
Balance at end of year	$ 975,601	$860,847	$734,020
Additional Paid-In Capital			
Balance at beginning of year	$ 203,609	$206,316	$209,681
Excess of cost of treasury stock over par value of preference stock exchanged on conversion	(610)	(2,075)	(2,169)
Miscellaneous, net	(218)	(632)	(1,196)
Balance at end of year	$ 202,781	$203,609	$206,316

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (in part): Preference and Common Stock

Changes in common and preference stock during 1978, 1979 and 1980 were as follows:

	Common				Preference	
	Issued		Treasury			
	Shares	Amount	Shares	Amount	Shares	Amount
	(In thousands)					
Balance, December 31, 1977	28,989	$72,472	1,406	$77,300	304	$304
Conversions of preference stock			(38)	(2,225)	(56)	(56)
Issuances under employee benefit plans			(29)	(1,404)		
Exercise of stock options			(90)	(5,231)		
Balance, December 31, 1978	28,989	72,472	1,249	68,440	248	248
Conversions of preference stock			(37)	(2,127)	(53)	(53)
Issuances under employee benefit plans			(28)	(1,317)		
Exercise of stock options			(40)	(2,318)		
Balance, December 31, 1979	28,989	72,472	1,144	62,678	195	195
Conversions of preference stock			(11)	(626)	(16)	(16)
Issuances under employee benefit plans			(26)	(1,231)		
Balance, December 31, 1980	28,989	$72,472	1,107	$60,821	179	$179

ERB LUMBER CO. (DEC)

Consolidated Statement of Shareholders' Equity

	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Shareholders' Equity
Balance—December 31, 1977	$13,964	$5,678,497	$13,090,934	$18,783,395
Net income for the year ended December 31, 1978	—	—	4,409,071	4,409,071
Purchase of 33,320 shares of common stock	(333)	(188,147)	—	(188,480)
Balance—December 31, 1978	13,631	5,490,350	17,500,005	23,003,986
Net income for the year ended December 31, 1979	—	—	4,084,091	4,084,091
Purchase of 123,600 shares of common stock	(1,236)	(879,856)	—	(881,092)
Issuance of 8,060 shares of common stock resulting from the exercise of employee stock options	80	33,127	—	33,207
Balance—December 31, 1979	12,475	4,643,621	21,584,096	26,240,192
Net income for the year ended December 31, 1980	—	—	4,450,639	4,450,639
Purchase of 299,292 shares of common stock per tender offer to shareholders (Note 10)	(2,993)	(2,989,927)	—	(2,992,920)
Purchase of 25,148 shares of common stock	(251)	(260,178)	—	(260,429)
Issuance of 5,100 shares of common stock resulting from the exercise of employee stock options	51	19,712	—	19,763
Balance—December 31, 1980	$ 9,282	$1,413,228	$26,034,735	$27,457,245

Note 10—Tender Offer to Shareholders—On June 10, 1980, the Company announced an offer to purchase up to 350,000 shares of its outstanding common stock for $10.00 per share. In July, 1980, pursuant to this offer, the Company purchased and retired 299,292 of its shares including 177,068 shares owned directly or indirectly by Mr. George Erb, an officer and director of the Company, 20,164 shares owned directly or indirectly by Mr. Charles Bock, a director of the Company, and 18,700 shares owned by the Erb Lumber Co. Profit Sharing Trust. The effect of the Company's purchase of these shares was to reduce shareholders' equity by $2,992,920.

Income Tax Benefit from Issuance of Stock to Employees

FOSTER WHEELER CORPORATION (DEC)

Consolidated Statement of Changes in Stockholders' Equity

	1980	1979	1978
Common Stock			
Balance at beginning of year	$ 17,092,204	$ 8,305,276	$ 12,389,799
Two for one stock split (shares: 1980—17,242,223; 1979—8,409,826)	17,242,223	8,409,826	—
Sold under stock options (shares: 1980—155,939; 1979—80,197; 1978—40,329)	155,939	80,197	46,006
Issued for pooling of interest transactions	—	180,000	—
Reduction of par value of common stock from $1.50 to $1.00 in 1978	—	—	(4,135,610)
Issued to acquire subsidiary companies (shares: 1979—116,905; 1978—5,081)	—	116,905	5,081
Balance at end of year	34,490,366	17,092,204	8,305,276
Paid-In Capital			
Balance at beginning of year	29,811,075	33,910,645	28,443,858
Reduction of par value of common stock from $1.50 to $1.00 in 1978	—	—	4,135,610
Excess of market value over par value of common stock issued under stock option plans (shares: 1980—155,939; 1979—80,197; 1978—40,329)	1,995,666	923,722	478,657
Excess of market value over cost of treasury stock issued under Management and Sales Incentive and Profit Sharing Plans	1,057,745	627,290	335,898
Two for one stock split	(17,242,223)	(8,409,826)	—
Tax benefits related to Management and Sales Incentive Plan and stock options	2,538,628	444,699	355,618
Pooling of interest transactions	—	(154,990)	—
Excess of market value over par value of stock issued to acquire subsidiary companies	—	2,469,535	161,004
Other	12,500	—	—
Balance at end of year	18,173,391	29,811,075	33,910,645
Retained Earnings			
Balance at beginning of year	180,810,927	143,157,679	111,058,618
Net earnings for the year	59,360,333	47,920,677	41,123,875
Retained earnings of companies acquired in pooling of interest transactions	—	970,967	—
Cash dividends paid:			
Common (per share outstanding*: 1980—$.36; 1979—$.335; 1978—$.275)	(12,301,244)	(11,238,396)	(9,024,814)
Balance at end of year	227,870,016	180,810,927	143,157,679
Treasury Stock			
Balance at beginning of year	2,467,652	2,570,317	2,564,189
Stock split shares issued (shares: 1980—101,755; 1979—24,362)			
Common stock acquired—held in treasury (shares: 1980—129,922; 1979—104,000; 1978—59,800)	3,587,884	2,599,319	1,803,115
Issued under Management and Sales Incentive and Profit Sharing Plans (shares: 1980—161,149; 1979—87,386; 1978—75,494)	(3,529,294)	(2,701,984)	(1,796,987)
Balance at end of year	2,526,242	2,467,652	2,570,317
Total Stockholders' Equity	$278,007,531	$225,246,554	$182,803,283

*Adjusted for stock split in 1980.

Purchase Method Business Combination

MARSHALL FIELD & COMPANY (JAN)

Consolidated Statements of Stockholders' Equity

	Common Stock	Preferred Stock Series C	Additional Paid-In Capital	Retained Earnings
Balance at January 31, 1978	$ 9,154,971	$ —	$29,160,880	$202,674,279
Net income				20,792,845
Cash dividends declared on:				
Cumulative preferred stock—				
Series A, $2.40 per share				(14,206)
Series B, $3.00 per share				(3,225)
Common stock—$1.24 per share				(11,972,853)
Common stock issued in the acquisition of John Breuner Company	1,189,059		19,173,576	
Excess of cost over option price of common stock options exercised			(16,996)	
Excess of stated value over cost of preferred stock purchased for treasury			1,671	
Balance at February 3, 1979	$10,344,030	$ —	$48,319,131	$211,476,840
Net income				18,939,967
Cash dividends declared on:				
Cumulative preferred stock—				
Series A, $2.40 per share				(9,889)
Common stock—$1.24 per share				(12,710,030)
Excess of stated value over cost of preferred stock purchased for treasury			528	
Balance at February 2, 1980	$10,344,030	$ —	$48,319,659	$217,696,888
Net income				20,686,038
Cash dividends declared on:				
Cumulative preferred stock—				
Series A, $1.90 per share				(4,360)
Series C, $.55 per share				(496,151)
Common stock—$1.24 per share				(12,841,399)
Convertible preferred stock issued in the acquisition of J. B. Ivey & Company		1,075,023	27,524,977	
Conversion of convertible preferred stock into common stock	423,773	(242,163)	(181,800)	
Excess of stated value over cost of preferred stock purchased for treasury			227	
Balance at January 31, 1981	$10,767,803	$ 832,860	$75,663,063	$225,041,015

NOTES TO FINANCIAL STATEMENTS

Note 11 (in part):

On October 21, 1980, the Company, through a subsidiary, acquired all of the outstanding common shares of J. B. Ivey & Company in exchange for 1,075,023 shares of a newly-created series of the Company's preferred stock with an approximate fair value of $28,600,000. The approximate book value of the net assets acquired was $36,212,000. The excess of the adjusted net assets acquired over the fair market value of the Company's preferred stock issued at the time of the acquisition was used to reduce the book value of furniture and fixtures acquired.

Each share of preferred stock issued in connection with the Ivey acquisition is initially convertible into 1.75 shares of the Common Stock. The conversion ratio will increase by .05 shares per year, to a maximum of 2.0 shares at the end of five years if Ivey achieves certain net sales levels during that period.

Had the Company, Breuners and Ivey been combined as of January 31, 1978, the pro-forma combined net sales would have been $1,112,654,000 in fiscal 1980; $1,048,365,000 in fiscal 1979 and $977,825,000 in fiscal 1978; the pro-forma net income would have been $20,030,000 in 1980, $21,607,000 in 1979, and $24,792,000 in 1978; and the pro-forma net income per common share would have been $1.65 in 1980, $1.78 in 1979, and $2.04 in 1978.

JWT GROUP, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8: Stockholders' Equity

Changes in Stockholders' Equity for the period 1978 through 1980 are summarized as follows:

For Years Ended December 31, (000's omitted)	1980	1979	1978
Common Stock:			
Balance, beginning of period	$ 309	$ 301	$ 292
Par value of "restricted" common stock issued.....	1		
Par value of common stock issued through exercise of stock options.............	17	8	9
Effect of common stock split of 1½ shares for 1.......	149		
Retirement of treasury stock (See Note 2).............	(16)		
Par value of common stock issued on Hill and Knowlton, Inc. acquisition (See Note 13)............	60		
Balance, end of period......	$ 520	$ 309	$ 301
Paid-In Capital in Excess of Par:			
Balance, beginning of period	$ 18,147	$16,976	$15,814
Current year amortization of compensation relating to "restricted" stock.........	71	25	49
Repurchase of "restricted" stock......................	(13)	(5)	(4)
Tax benefit from stock options exercised...........	916	491	357
Exercise of stock options ...	1,342	660	760
Effect of common stock split of 1½ shares for 1.......	(148)		
Retirement of treasury stock	(965)		
Issuance of stock on Hill and Knowlton, Inc. acquisition (See Note 13)............	13,999		
Balance, end of period......	$ 33,349	$18,147	$16,976
Retained Earnings:			
Balance, beginning of period	$ 68,562	$60,163	$50,915
Net income..................	16,771	13,637	13,287
Dividends	(7,174)	(5,238)	(4,039)
Retirement of treasury stock	(1,944)		
Balance, end of period......	$ 76,215	$68,562	$60,163
Treasury Stock:			
Balance, Beginning of period	$ (2,925)	$(2,925)	$(2,929)
Purchases	(60)		
Repurchases.................			4
Retirement	2,925		
Balance, end of period......	$ (60)	$(2,925)	$(2,925)
Total Stockholders' Equity...	$110,024	$84,093	$74,515

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13: Acquisitions

On July 22, 1980, the Company acquired all of the outstanding shares of common stock of Hill and Knowlton, Inc., a corporation primarily engaged in the public relations and public affairs counseling business, through the issuance of 602,628 shares of the Company's common stock, with an assigned value of $14,059,000, and cash payment of $13,632,000. The aggregate cost of acquisition, including capitalized expenses, was $28,533,000, of which $17,016,000 represents goodwill which is being amortized over 40 years.

The acquisition has been accounted for by the purchase method of accounting and accordingly, the results of operations of Hill and Knowlton, Inc. and its subsidiaries have been included in the consolidated statement of operations from date of acquisition.

The following unaudited summary, prepared on a pro forma basis, combines the consolidated results of operations of the Company for the 12 months ended December 31, 1980 and 1979 with those of Hill and Knowlton, Inc. for the same period as though Hill and Knowlton, Inc. had been acquired as of January 1, 1979.

Year Ended December 31	1980	1979
Gross Revenue (thousands).........	$370,446	$297,361
Net income (thousands).............	$ 16,686	$ 14,751
Earnings Per Share..................	$ 3.18	$ 2.86

The pro forma data include adjustments for assumed interest expense, income tax expense and amortization of good will.

In calculating the pro forma earnings per share, the weighted average number of common shares outstanding has been adjusted to assume that 602,628 shares of the Company common stock were issued to Hill and Knowlton, Inc. on January 1, 1979. Also, the Company common stock split of shares 1½ for 1 (see Note 2) was assumed to have occurred as of January 1, 1979.

Other companies acquired in 1980 were also accounted for as purchases. Goodwill resulting from these acquisitions totalled $9,328,000 and is being amortized over 25 to 40 years.

Purchase of Asset

METPATH INC. (SEP)

Consolidated Statements of Shareholders' Equity

	Common stock, $.10 par Shares	Amount	Capital in excess of par	Retained earnings	Treasury stock	Deferred compensation	Shareholders' equity
Balance, October 1, 1978	2,531,612	$253,000	$20,120,000	$ 8,172,000	$(4,000)	$ (252,000)	$28,289,000
Stock issued to an officer	500		16,000				16,000
Amortization of deferred compensation						28,000	28,000
Cash dividends ($.32 per common share)				(838,000)			(838,000)
Exercise of stock options	14,632	2,000	111,000				113,000
Stock issued on conversion of 8½% convertible debentures	100,000	10,000	2,490,000				2,500,000
Net income				1,151,000			1,151,000
Balance, September 30, 1979	2,646,744	265,000	22,737,000	8,485,000	(4,000)	(224,000)	31,259,000
Stock issued to officers as deferred compensation	36,000	4,000	1,006,000			(1,006,000)	4,000
Amortization of deferred compensation						88,000	88,000
Stock issued in connection with public offering, less related issuance cost of $52,000	385,000	38,000	11,173,000				11,211,000
Stock issued in conjunction with customer list acquisition	33,333	3,000	785,000				788,000
Cash dividends ($.32 per common share)				(895,000)			(895,000)
Exercise of stock options	16,075	2,000	194,000				196,000
Issuance of treasury stock to officers			21,000		4,000		25,000
Net income				5,598,000			5,598,000
Balance, September 30, 1980	3,117,152	$312,000	$35,916,000	$13,188,000	—	$(1,142,000)	$48,274,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4: Customer lists acquired:

On December 28, 1979, the Company acquired the customer list of ICN Medical Laboratories, Inc. The purchase price consisted of $2,000,000 in cash and 33,333 shares of the Company's common stock valued at $788,000, plus future payments contingent upon revenues derived from the acquired customers for a minimum period of 17 months and a maximum period of 36 months, as specified in the agreement. The customer list and accompanying non-competition agreement are being amortized over five years.

The Company has purchased customer lists from a number of other companies previously engaged in the operation of clinical laboratories. In most cases, the purchase price for the customer list and accompanying non-competition agreement consisted of a fixed initial payment plus a percentage of revenues derived from the list with a stated maximum on the total payments to be made by the Company.

At September 30, 1980, the estimated maximum aggregate additional amount payable under all agreements is approximately $2,241,000.

In connection with the MDS acquisition (see Note 2), the Company acquired the customer list and convenant not to compete at a cost of $5,000,000, which amount is being amortized over fifteen years.

Public Offering of Stock

THE WILLIAMS COMPANIES (DEC)

Consolidated Statement of Stockholders' Equity

	Total	$.80 Series A Preferred Stock	Common Stock	Capital in Excess of Par Value	Retained Earnings	Net Unrealized Loss on Marketable Equity Securities
	(Dollars, except per share amounts, in thousands)					
Balance, December 31, 1977	$722,782	$48	$27,046	$200,627	$498,248	$(3,187)
Issuance of common shares:						
22,407—conversion of preferred stock	(1)	(13)	22	(10)	—	—
16,015—exercise of stock options	172	—	16	156	—	—
15,673—Tax Reduction Act Stock Ownership Plan	314	—	16	298	—	—
Increase in valuation allowance on marketable equity securities	(5,216)	—	—	—	—	(5,216)
Net income—1978	10,996	—	—	—	10,996	—
Cash dividends:						
Preferred stock ($.80 per share)	(32)	—	—	—	(32)	—
Common stock (1.00 per share)	(25,994)	—	—	—	(25,994)	—
Balance, December 31, 1978	703,021	35	27,100	201,071	483,218	(8,403)
Issuance of common shares:						
48,826—conversion of preferred stock	(2)	(27)	49	(24)	—	—
3,631—exercise of stock options	35	—	4	31	—	—
22,575—dividend reinvestment plan	533	—	22	511	—	—
Increase in valuation allowance on marketable equity securities	(1,320)	—	—	—	—	(1,320)
Net income—1979	69,450	—	—	—	69,450	—
Cash dividends:						
Preferred stock ($.80 per share)	(25)	—	—	—	(25)	—
Common stock ($1.00 per share)	(27,117)	—	—	—	(27,117)	—
Redemption of preferred stock	(280)	(8)	—	(272)	—	—
Balance, December 31, 1979	744,295	—	27,175	201,317	525,526	(9,723)
Issuance of common shares:						
2,500,000—public offering	101,298	—	2,500	98,798	—	—
26,132—exercise of stock options	790	—	26	764	—	—
23,230—dividend reinvestment plan	815	—	23	792	—	—
484—exercise of stock appreciation rights	17	—	1	16	—	—
Decrease in valuation allowance on marketable equity securities	9,723	—	—	—	—	9,723
Net income—1980	138,696	—	—	—	138,696	—
Cash dividends ($1.10 per common share)	(29,919)	—	—	—	(29,919)	—
Balance, December 31, 1980	$965,715	$—	$29,725	$301,687	$634,303	$ —

Note 11 (in part): Stockholders' equity

In December 1980, Williams sold 2.5 million shares of common stock at $42⅛ per share in a public offering resulting in net proceeds of $101,298,000. There are 15 million shares of $1 par value preferred stock authorized with none outstanding at December 31, 1980 and 1979.

Private Placement of Stock

STRUTHERS WELLS CORPORATION (NOV)

Consolidated Statements of Shareholders' Equity

	$1.25 cumulative preferred stock	Common stock	Additional paid-in capital	Retained earnings	Unrealized loss on noncurrent marketable equity securities	Treasury stock	Total
Balance—December 1, 1978...	$2,063,325	$2,184,855	$ 6,946,689	$2,200,377	$(82,331)	$(439,572)	$12,873,343
Cash distribution paid on $1.25 cumulative preferred stock ..	—	—	—	(90,797)	—	—	(90,797)
6,006 shares of $1.25 cumulative preferred stock acquired for treasury	—	—	—	—	—	(119,331)	(119,331)
Issuance of 8,572 shares under employment agreement	—	8,572	49,963	(1,687)	—	—	56,848
5% Stock dividends paid April 16, 1979 and payable December 14, 1979............	—	217,566	2,767,153	(3,029,360)	—	—	(44,641)
Cash dividends on common stock	—	—	—	(670,091)	—	—	(670,091)
Adjustment of write-down of investment in noncurrent marketable equity securities.	—	—	—	—	31,260	—	31,260
Other	—	(80)	(475)	—	—	—	(555)
Net income	—	—	—	2,265,704	—	—	2,265,704
Balance—November 30, 1979.	2,063,325	2,410,913	9,763,330	674,146	(51,071)	(558,903)	14,301,740
Cash distribution paid on $1.25 cumulative preferred stock ..	—	—	—	(84,391)	—	—	(84,391)
700 shares of $1.25 cumulative preferred stock acquired for treasury	—	—	—	—	—	(7,550)	(7,550)
Issuance of 5,058 shares under employment agreement	—	5,058	93,826	—	—	—	98,884
Exercise of employee stock options	—	45,700	327,275	—	—	—	372,975
Private placement of 533,333 shares of common stock	—	533,333	10,778,748	—	—	—	11,312,081
Cash dividends on common stock	—	—	—	(886,371)	—	—	(886,371)
Adjustment of write-down of investment in noncurrent marketable equity securities.	—	—	—	—	14,740	—	14,740
Capital transaction of a subsidiary	—	—	(226,077)	—	—	—	(226,077)
Net income	—	—	—	1,349,601	—	—	1,349,601
Balance—November 30, 1980.	$2,063,325	$2,995,004	$20,737,102	$1,052,985	$(36,331)	$(566,453)	$26,245,632

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (in part): Shareholders' Equity

Private Placement—In March 1980, pursuant to Purchase Agreements, the Company sold and issued to certain foreign and domestic institutional investors (the "purchasers") an aggregate of 533,333 shares of its common stock for cash consideration of approximately $12,000,000 ($22.50 per share). Pursuant to an Agency Agreement, the Company retained a securities brokerage firm as its exclusive agent to assist in arranging for the offering and sale of its common stock to the Purchasers and paid such firm a $540,000 placement agent's fee. Further, the Company sold to the securities brokerage firm for $53,335 ($2 per share) a warrant to purchase 26,667 shares of the Company's common stock at an exercise price of $30 per share, subject to certain adjustments. The warrant is exercisable in whole or in part beginning in March 1981 and expires March 1985. Pursuant to the purchase agreements a Vice President of the securities brokerage firm was elected to the Company's Board of Directors and its Executive Committee.

Formation of Joint Venture

ST. JOE MINERALS CORPORATION (DEC)

Statements of Shareholders' Equity

	Common Stock Par Value $1 Per Share				
	Issued	In Treasury At Cost	Other Capital	Retained Earnings	Total Shareholders' Equity
			(In thousands)		
Balance, December 31, 1977	$23,250	$(9,887)	$209,641	$276,752	$499,756
Net income				49,754	49,754
Cash dividends				(29,100)	(29,100)
Employee stock options exercised (73,832* shares issued from treasury)		409	130		539
Balance, December 31, 1978	23,250	(9,478)	209,771	297,406	520,949
Net income				77,586	77,586
Cash dividends				(30,864)	(30,864)
Employee stock options exercised (126,328* shares issued from treasury)		700	570		1,270
Other			(742)		(742)
Balance, December 31, 1979	23,250	(8,778)	209,599	344,128	568,199
Net income				117,082	117,082
Cash dividends				(34,957)	(34,957)
Employee stock options exercised (420,082* shares issued from treasury)		2,326	4,553		6,879
Transfer to common stock in connection with two-for-one stock split	23,250		(23,250)		
Proportionate share of capital contributed by partner to formation of joint venture			330,180		330,180
Other			(34)		(34)
Balance, December 31, 1980	$46,500	$(6,452)	$521,048	$426,253	$987,349

*After giving effect to the 1980 two-for-one stock split.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Formation of Joint Venture

Effective October 31, 1980, the Corporation and Scallop Coal Corporation, a member of the Royal Dutch/Shell Group, formed an unincorporated joint venture, known as Massey Coal Company. The Corporation and Scallop each holds, directly or through subsidiaries, a 50% interest. The Corporation has contributed its coal assets, including all of the outstanding stock of its coal subsidiaries, to the venture. Scallop has contributed its existing coal business and $680,000,000 in cash and installments, with interest at 13%.

Capital Transaction of Subsidiary

OWENS-ILLINOIS, INC. (DEC)

Consolidated Capital Shares and Other Shareholders' Equity

	Redeemable Preferred Shares	Preference Shares	Common Shares	Capital In Excess of Stated Value	Retained Earnings
		(Millions of Dollars, except share and per-share data)			
Balance at December 31, 1977	$12.9	$13.1	$88.8	$102.5	$ 850.9
Net earnings for the year ended December 31, 1978					85.2
Cash dividends:					
Preferred—$4.00 per share					(.5)
Preference—$4.75 per share					(3.1)
Common—$1.11 per share					(31.6)
Retirement of 6,943 preferred shares	(.7)			.1	
Issuance of 14,732 common shares under stock options and 99 common shares upon conversion of 33 preference shares			.1	.2	
Decrease in unpaid installments on common stock subscriptions under stock options				.1	
Balance at December 31, 1978	12.2	13.1	88.9	102.9	900.9
Net earnings for the year ended December 31, 1979					133.5
Cash dividends:					
Preferred—$4.00 per share					(.5)
Preference—$4.75 per share					(3.1)
Common—$1.26 per share					(35.9)
Retirement of 4,191 preferred shares	(.4)			.1	
Issuance of 7,843 common shares under stock options, 1,497 common shares upon conversion of 499 preference shares, and 507 common shares in exchange for 4½% debentures				.1	
Equity in increased capitalization of associated company				1.3	
Decrease in unpaid installments on common stock subscriptions under stock options				.1	
Balance at December 31, 1979	11.8	13.1	88.9	104.5	994.9
Net earnings for the year ended December 31, 1980					149.4
Cash dividends:					
Preferred—$4.00 per share					(.4)
Preference—$4.75 per share					(2.9)
Common—$1.40 per share					(40.1)
Retirement of 11,860 preferred shares	(1.2)			.3	
Issuance of 48,968 common shares under stock appreciation rights and stock options, 321,795 common shares upon conversion of 107,265 preference shares, and 126,320 common shares in exchange for 4½% debentures		(2.1)	1.5	5.4	
Equity in increased capitalization of consolidated subsidiary				3.5	
Balance at December 31, 1980	$10.6	$11.0	$90.4	$113.7	$1,100.9

Warrants Exercised

AVNET, INC. (JUL)

Consolidated Statements of Capital Stock and Additional Paid-In Capital

	Cum. Conv. Preferred Stock $1.00	$2.50 Series C	Common stock	Additional paid-in capital
Shares authorized, $1 par	500,000	653,062	30,000,000	
Shares issued at June 30, 1980	70,624	15,698	15,416,394	
Common shares issuable upon conversion	2.1	5		
Balance July 1, 1978	$100,220	$ 50,273	$14,907,691	$28,005,584
Conversion of preferred stock	(2,021)	(26,976)	139,123	(110,126)
Issuance of incentive and stock option shares, including tax benefits			3,750	340,986
Balance, June 30, 1979	98,199	23,297	15,050,564	28,236,444
Conversion of preferred stock	(27,575)	(7,599)	95,900	(60,726)
Issuance of incentive and stock option shares, including tax benefits			56,183	2,870,103
Exercise of a warrant covering 213,747 shares			213,747	1,992,122
Balance, June 30, 1980	$ 70,624	$15,698	$15,416,394	$33,037,943

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (in part): Incentive Stock Programs, Stock Options and Warrant

A summary of the common shares reserved for stock options and warrant for the two years ended June 30, 1980 is as follows:

	Number of Shares Reserved For		
	Options Granted	Options Avail.	Warrant Issued
Balance July 1, 1978	29,875	40,000	213,747
Exercised	(5,000)		
Terminated	(8,000)	(40,000)	
Balance June 30, 1979	16,875	-0-	213,747
Authorized		400,000	
Granted	199,960	(199,960)	
Exercised	(4,375)		(213,747)
Balance June 30, 1980	212,460	200,040	-0-

The warrant issued to an insurance company in connection with a long-term loan was exercised at $10.32 per share in April, 1980.

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 or millions. 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.

Many of the examples in this section are those of statements covering 3 years. This is in accordance with a Securities and Exchange Commission requirement that, effective for fiscal years ending after December 15, 1980, annual reports to stockholders issued in connection with the annual meeting of stockholders should include a Statement of Changes in Financial Position for each of the 3 most recent fiscal years.

PRESENTATION IN ANNUAL REPORT

Table 5-1 shows the placement of Statements of Changes in Financial Position in relation to other financial statements. As shown in Table 5-1, the statement of changes is usually the final financial statement presented in the annual report. However, during the past two years, the number of companies presenting the statement of changes as the final financial statement has decreased, and there has been a noticeable increase in the number of companies presenting the statement of changes after the income statement and balance sheet but before the statement of stockholders' equity.

TABLE 5-1: PRESENTATION IN ANNUAL REPORT

	1980	1979	1978	1977
Final statement	402	418	442	437
Follows income statement and balance sheet	144	116	101	103
Between income statement and balance sheet	49	59	50	52
First statement	2	4	4	5
Other	3	3	3	3
Total Companies	**600**	**600**	**600**	**600**

Title

Paragraph 8 of *Opinion No. 19* states:

The Board also concludes that the statement summarizing changes in financial position should be based on a broad concept embracing all changes in financial position and that the title of the statement should reflect this broad concept. The Board therefore recommends that the title be Statement of Changes in Financial Position (referred to below as "the Statement"). The Statement of each reporting entity should disclose all important aspects of its financing and investing activities regardless of whether cash or other elements of working capital are directly affected. For example, acquisitions of property by issuance of securities or in exchange for other property, and conversions of long-term debt or preferred stock to common stock, should be appropriately reflected in the Statement.

Practically all 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.

Examples of statement formats follow.

Sources Equal Uses

ARVIN INDUSTRIES, INC. (DEC)

Consolidated Statement of Changes in Financial Position

	1980	1979	1978
		(Dollars in thousands)	
Source of Funds:			
Operations:			
Net earnings	$ 7,588	$20,422	$23,066
Expenses not requiring current outlay of funds:			
Depreciation and amortization	12,808	13,376	12,419
Amortization of intangible assets	531	392	450
Deferred income taxes—noncurrent	726	772	(69)
Other	508	27	190
Working capital provided by operations	22,161	34,989	36,056
Deferred taxes reclassified to current	—	339	(1,027)
Preferred stock issued in connection with Calspan acquisition	—	—	5,280
Long-term debt assumed—Calspan acquisition	—	—	1,080
Proceeds from sale of common stock	414	579	567
Book value of property, plant and equipment disposals	667	1,020	909
Decrease (increase) in working capital	5,687	11,558	(2,495)
	$28,929	$48,485	$40,370
Application of Funds:			
Cash dividends	$ 8,924	$ 8,260	$ 7,895
Additions and improvements to property, plant, equipment, and special tools	13,805	23,694	21,992
Property, plant and equipment and other noncurrent assets obtained in acquisition of Calspan	—	—	5,735
Intangible assets acquired	—	1,975	305
Reduction in long-term debt	5,487	14,203	3,862
Other transactions—net	713	353	581
	$28,929	$48,485	$40,370

TABLE 5-2: FORMAT

	1980	1979	1978	1977
Changes in Working Capital				
Sources equal uses	65	65	72	73
Increase (decrease) in working capital	399	402	400	404
Ending working capital	77	82	86	80
Changes in Cash				
Sources equal uses	8	8	7	6
Increase (decrease) in cash or cash and cash equivalent	32	25	19	20
Ending cash or cash and cash equivalent	19	18	16	17
Total Companies	**600**	**600**	**600**	**600**

CMI CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1980	1979	1978
		($000)	
Source of working capital:			
Operations:			
Net earnings	$3,022	4,253	3,506
Items included in net earnings which do not affect working capital:			
Depreciation	2,066	1,936	1,355
Amortization	33	32	31
Deferred income taxes, noncurrent portion	386	(159)	906
Equity in earnings of unconsolidated subsidiary	(229)	(206)	(58)
Working capital provided from operations	5,278	5,856	5,740
Additional long-term debt	1,081	8,896	2,550
Proceeds from sale of property, plant and equipment, net	890	412	330
Decrease in other assets	1,284	—	—
Employee stock options exercised	89	62	55
	$8,622	15,226	8,675
Disposition of working capital:			
Cash dividends	306	304	302
Additions to property, plant and equipment	4,585	4,884	6,046
Increase in other assets	—	711	665
Reduction of longterm debt	793	1,584	848
Treasury shares required	—	1	55
Increase in working capital	2,938	7,742	759
	$8,622	15,226	8,675

MILTON ROY COMPANY (DEC)

Consolidated Statement of Changes in Financial Position

	1980	1979	1978
		($000)	
Resources provided:			
Continuing operations:			
Income from continuing operations	$3,373	$3,089	$3,403
Add (deduct) expense or income items not causing an outlay or inflow of current period working capital:			
Depreciation and amortization	1,151	882	713
Deferred income taxes	16	204	(187)
Equity in net income of joint ventures	(808)	(416)	(372)
Gain on disposition of assets, net of tax	—	—	(464)
Working capital provided by continuing operations	3,732	3,759	3,093
Discontinued operations:			
Loss from discontinued operations	—	(1,194)	(1,380)
Add (deduct) expense or income items not causing an outlay or inflow of current period working capital:			
Write off of goodwill and other non-current assets	—	837	155
Depreciation and amortization	—	213	714
Deferred income taxes	—	—	305
Gain on disposition of Medical operations, net of tax	—	(673)	—
Gain on disposition of assets	—	(1,793)	(216)
Provision for prepaid royalties	—	—	1,768
Working capital provided by (applied to) discontinued operations	—	(2,610)	1,346
Total working capital provided by operations	3,732	1,149	4,439
Proceeds from disposition of discontinued operations, net of tax	—	6,396	—
Proceeds from settlement of insurance claim	—	—	357
Proceeds from disposition of assets, net of tax	—	—	1,643
Disposal of property, plant and equipment	11	147	630
Collection of notes receivable	342	79	334
Increase in long-term debt	—	193	38
Proceeds received from common stock sold under employee stock option and stock purchase plans	624	231	179
Total resources provided	$4,709	$8,195	$7,620
Resources applied:			
Reclassification of net current assets of discontinued Medical operations	$ —	$ —	$2,127
Additions to property, plant and equipment	2,008	2,662	1,361
Reductions in long-term debt	477	3,362	1,047
Increase in long-term notes receivable	—	1,069	—
Dividends paid	567	454	385
Purchase of treasury shares	—	9,017	—
Goodwill arising from acquisition	—	880	—
Other, net	(20)	208	411
Increase (decrease) in working capital	1,677	(9,457)	2,289
Total resources applied	$4,709	$8,195	$7,620

HOMASOTE COMPANY (DEC)

Consolidated Statement of Changes in Financial Position

	1980	1979	1978
		($000)	
Sources of Working Capital:			
From operations:			
Net earnings	$ 959	$1,474	$1,080
Items which do not use (provide) working capital:			
Depreciation of plant and equipment	770	774	845
Gain on sale of equipment	(19)	(50)	(28)
Deferred compensation	—	—	(63)
Deferred income taxes	96	—	—
	1,806	2,198	1,834
Proceeds from long-term borrowings	—	4,000	—
Proceeds from sale of equipment	27	76	125
Proceeds from sale of treasury stock	3	156	—
Decrease in other assets	—	22	—
Decrease in funds held in escrow	2,833	—	—
	$4,669	$6,452	$1,959
Uses of working capital:			
Cash dividends paid	$ 384	$ 531	$ 369
Additions to plant and equipment	3,561	1,286	757
Current installments and repayment of long-term debt	400	467	—
Purchase of treasury stock	128	365	—
Increase in funds held in escrow	—	3,564	—
Increase in other assets	31	—	51
Increase in working capital	165	238	782
	$4,669	$6,452	$1,959

TWENTIETH CENTURY-FOX FILM CORPORATION (DEC)

Statements of Changes in Consolidated Financial Position

	1980	1979	1978
		(in thousands)	
Financial Resources Provided By:			
Net Earnings	$ 54,567	$ 57,303	$ 58,390
Add (deduct) items not affecting working capital:			
Depreciation and amortization of non-current assets	22,419	16,665	17,806
Changes in long-term receivables, net	1,378	(37,390)	1,234
Working capital provided by operations	78,364	36,578	77,430
Sale of silica sand operation	—	33,000	—
Increase (decrease) in contractual obligations and other long-term liabilities, net	2,863	15,186	(985)
Net book value of assets sold	3,510	9,961	4,538
Exercise of stock options	2,407	1,531	878
Issuance of subordinated debentures	50,000	—	50,000
Borrowings from insurance companies	—	—	20,000
Working capital provided by reduction of non-current film costs	116,969	106,532	72,163
	$254,113	$202,788	$224,024
Financial Resources Used For:			
Acquisition of Subsidiaries:			
Working capital acquired	$ —	$ 5,190	$ 860
Property and equipment		40,920	30,515
Other assets, principally goodwill and film license rights		7,475	16,021
Long-term liabilities assumed		(1,135)	(254)
Silica sand operation, net assets acquired		33,000	—
Issuance of preferred stock		—	(28,680)
Initial investment in Pebble Beach		(6,518)	6,518
Working capital required by acquisitions	—	78,932	24,980
Additions to non-current film costs	168,664	119,894	94,601
Additions to property and equipment	31,164	23,963	13,034
Dividends declared	20,846	20,619	18,431
Increase (decrease) in other assets, net	11	(1,028)	8,538
Retirement of convertible debentures	—	—	26,134
Reduction of long-term debt, net	1,099	3,572	1,096
Increase (decrease) in working capital	32,329	(43,164)	37,210
	$254,113	$202,788	$224,024

Increase (Decrease) in Working Capital or Cash

BAUSCH & LOMB INCORPORATED (DEC)

Statement of Changes in Financial Position

	1980	1979	1978
	($ amounts in thousands)		
Financial Resources were Provided by:			
Net earnings	$52,333	$41,228	$29,848
Items which (increased) decreased net earnings, but did not affect working capital:			
Depreciation	10,723	9,437	8,958
Provision for deferred taxes	568	(258)	(212)
Working capital provided by operations	63,624	50,407	38,594
Proceeds from borrowing	794	4,600	3,392
Proceeds from exercised stock options	3,336	2,411	768
	67,754	57,418	42,754
Financial Resources were Used for:			
Additions to properties	23,888	14,830	8,503
Cash dividends declared	14,370	10,996	8,784
Reduction in long-term debt	6,338	5,933	4,623
Repurchase of preferred stock	—	1,760	—
Other, net	1,628	1,789	1,203
	46,224	35,308	23,113
Increase in Working Capital	$21,530	$22,110	$19,641

NORTON COMPANY (DEC)

Consolidated Statement of Changes in Financial Position

	1980	1979	1978
	(In thousands)		
Working capital provided:			
Net income	$ 86,688	$ 80,222	$ 61,953
Items not requiring working capital:			
Depreciation and amortization	39,870	31,949	26,085
Deferred income taxes	1,385	2,210	2,369
Equity in undistributed income from associated companies	(3,138)	(1,517)	(2,686)
Other	5,918	4,210	4,713
Total from operations	130,723	117,074	92,434
Additions to long-term debt	71,575	22,170	12,003
Property, plant and equipment dispositions, net	5,133	5,787	4,468
Reduction of unexpended Industrial Development Revenue Bond funds	10,650		
	218,081	145,031	108,905
Uses of working capital:			
Dividends	27,151	22,775	16,990
Additions to property, plant and equipment	110,829	73,751	61,492
Reductions in long-term debt	12,316	7,942	7,575
Additions of unexpended Industrial Development Revenue Bond funds		5,463	5,842
Other	1,891	4,092	5,020
	152,187	114,023	96,919
Increase in working capital	$ 65,894	$ 31,008	$ 11,986

WM. WRIGLEY JR. COMPANY (DEC)

Statement of Consolidated Changes in Financial Position

	1980	1979	1978
	(In thousands of dollars)		
Sources of working capital:			
Operations—			
Net earnings	$30,689	36,448	31,828
Add (deduct) expenses not requiring outlay of working capital:			
Depreciation	16,351	14,511	13,186
Deferred income taxes	458	(527)	590
Total from operations	47,498	50,432	45,604
Property retirements	1,543	1,162	589
	49,041	51,594	46,193
Disposition of working capital:			
Dividends	16,456	17,244	15,354
Additions to properties	22,807	26,322	18,978
Other	2,635	1,775	1,368
	41,898	45,341	35,700
Increase in working capital	$ 7,143	6,253	10,493

OUTBOARD MARINE CORPORATION (SEP)

Statement of Changes in Consolidated Financial Position

	1980	1979
	($000)	
Source of Working Capital:		
From operations—		
Earnings from operations	$ 2,344	$16,736
Charges against operations not requiring a current outlay of working capital—		
Depreciation	18,563	18,309
Amortization of product tooling	14,450	14,092
Provision for deferred income taxes	(3,890)	2,370
Provision for contingencies, net	3,504	287
Gain on sale of plant and equipment	(1,402)	(807)
Total from operations	33,569	50,987
Proceeds from—		
Long-term debt issued	784	3,199
Disposal of plant and equipment	2,770	2,419
Common stock options exercised	—	56
	37,123	56,661
Working Capital Used:		
Additions to plant and equipment	12,119	18,257
Product tooling expenditures	11,051	10,322
Long-term debt paid or maturing currently	3,528	3,609
Restricted proceeds from long-term debt issued	(390)	(2,631)
Dividends	5,848	11,695
Other—principally changes in deferred items	(2,798)	224
	29,358	41,476
Increase in working capital	$ 7,765	$15,185

End of Year Working Capital or Cash

SNAP-ON TOOLS CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1980	1979	1978
	Amounts in Thousands		
Sources of Working Capital			
From Operations			
Net earnings for the year	$ 38,322	$ 42,603	$ 32,246
Charges to earnings not using working capital			
Depreciation and amortization of property, plant and equipment	9,535	7,409	6,322
Deferred income taxes	903	846	397
Working capital provided from operations	48,760	50,858	38,965
Disposition of property, plant and equipment	315	367	248
Issuance of long-term debt	6,444	556	—
Proceeds from employee stock incentive plans	4,786	2,373	1,328
Other—net	(23)	(14)	(12)
	60,282	54,140	40,529
Applications of Working Capital			
Dividends paid in cash	16,542	15,005	10,599
Additions to property, plant and equipment	25,758	23,174	14,845
Decrease in long-term debt	2,393	389	385
	44,693	38,568	25,829
Increase in Working Capital	15,589	15,572	14,700
Working capital at beginning of year	131,543	115,971	101,271
Working capital at end of year	$147,132	$131,543	$115,971

GAF CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1980	1979	1978
		($000)	
Working Capital Provided			
Continuing Operations:			
Income from Continuing Operations	$ 10,323	$ 25,828	$ 28,056
Charges (Credits) not affecting working capital:			
Depreciation	17,897	15,725	15,001
Deferred income taxes	(329)	2,617	229
Foreign exchange (gains) losses—noncurrent portion	(1,867)	2,226	3,273
Other	4,611	884	4,455
Working Capital provided	30,635	47,280	51,014
Discontinued Segments:			
Income (Loss) from Discontinued Segments	(243,799)	2,355	6,108
Charges (credits) not affecting working capital:			
Depreciation	14,774	13,465	12,363
Deferred income tax benefits	(6,078)	(919)	(5,824)
Provision for employee benefits—noncurrent portion	53,605	—	—
Provision for loss on disposition of fixed assets	83,400	—	—
Write-off of intangible assets—noncurrent portion	18,577	—	—
Other	(2,026)	968	2,170
Working Capital used	(81,547)	15,869	14,817
Total working capital provided (used) from operations	(50,912)	63,149	65,831
Increases in long-term debt	11,146	27,274	4,060
Fixed assets of discontinued segments held for sale	52,376	—	3,991
Increase (decrease) in noncurrent liability for phase-out costs	—	(1,752)	7,631
Other	—	—	4,605
Total	12,610	88,671	86,118
Working Capital Applied			
Additions to property, plant and equipment	63,654	58,804	51,148
Cash dividends	14,007	12,704	12,093
Reductions in long-term debt	61,727	14,336	8,278
Other	11,716	4,672	—
Total	151,104	90,516	71,519
Increase (Decrease) in Working Capital	(138,494)	(1,845)	14,599
Working Capital, January 1	290,560	292,405	277,806
Working Capital, December 31	$152,066	$290,560	$292,405

TEXASGULF INC. (DEC)

Consolidated Statements of Changes in Financial Position

	1980	1979	1978
	(amounts in thousands)		
Funds were provided from			
Net income	$325,551	$136,867	$ 50,106
Non-cash charges (credits) to income			
Depreciation, amortization and exploration	49,594	41,619	40,406
Cumulative effect of change to flow-through method of accounting for investment tax credits	(39,050)	—	—
Deferred income taxes	19,400	23,650	17,900
Other items—net	4,765	2,816	(1,202)
Working capital provided from operations	360,260	204,952	107,210
Transfer and issuance of common stock	54,721	14,040	10,225
Increase (decrease) in income taxes payable	43,320	37,589	(1,538)
Decrease in investments in and advances to affiliates	25,994	1,034	4,059
Increase in accounts payable—trade	18,040	9,801	2,372
Increase in accrued liabilities	15,077	13,419	922
Increase (decrease) in income taxes and other non-current liabilities	15,060	6,715	(4,104)
Disposition of property, plant and equipment	13,805	27,836	15,809
Total funds provided	546,277	315,386	134,955
Funds were required for			
Additions to property, plant and equipment	352,065	165,004	90,119
Dividends	57,139	46,852	46,073
Increase (decrease) in inventories	39,416	10,793	(35,017)
Preferred stock conversions	26,011	—	—
Increase in accounts receivable—customers	22,631	24,543	27,524
Repayment of long term debt	6,328	6,958	7,533
Increase (decrease) in other receivables	4,496	(1,102)	10,701
Increase in other assets	2,590	2,798	11,060
Repayment of (increase in) short term loans	—	53,500	(18,300)
Total funds required	510,676	309,346	139,702
Resulting in an increase (decrease) in cash and short term investments	35,601	6,040	(4,747)
Balance, beginning of year	25,634	19,594	24,341
Balance, end of year	$ 61,235	$ 25,634	$ 19,594

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			
	1980	**1979**	**1978**	**1977**
Net income or loss	517	509	512	495
Income or loss from continuing operations.............	41	39	40	46
Income or loss before extraordinary items	36	41	40	48
Depreciation and/or amortization and/or depletion...	600	600	600	600
Deferred taxes and/or deferred investment credit .	501	496	500	481
Equity in earnings or losses of investees	175	179	174	174
Minority interest............	49	52	56	66

Net Income or Loss

AMERICAN BUILDING MAINTENANCE INDUSTRIES (OCT)

Consolidated Statement of Changes in Financial Position

	1980	1979	1978
	(in thousands of dollars)		
Source of Working Capital:			
Net income	$5,248	$4,797	$4,360
Add (deduct) items not affecting working capital:			
Depreciation of property, plant and equipment...	2,836	2,322	1,876
Amortization of intangible assets..................	184	181	171
Retirement pension plan expense	156	141	120
Deferred income taxes...	131	(93)	(102)
Working capital provided from operations........	8,555	7,348	6,425
Common stock issued under employees' stock option and purchase plans.......	1,041	797	652
Increase in long-term debt..	6,904	427	12
Disposition of property, plant and equipment......	1,187	284	365
	17,687	8,856	7,454
Application of Working Capital:			
Additions to property, plant and equipment	3,138	4,533	2,652
Reduction of long-term debt	620	503	687
Increase in long-term receivables and investments	1,584	232	(153)
Common stock reacquired...	666	1,889	503
Dividends on common stock	1,658	1,491	1,286
Other, net	225	378	(108)
	7,891	9,026	4,867
Increase (Decrease) in Working Capital................	$9,796	$ (170)	$2,587

BRISTOL CORPORATION (DEC)

Consolidated Statement of Changes in Financial Position

	1980	1979	1978
		($000)	
Working Capital Provided By Operations			
Net income	$1,676	$2,428	$3,895
Items not affecting working capital			
Depreciation and amortization	1,950	1,584	1,385
Deferred income taxes	550	55	133
Gain on sale of property, plant and equipment	(1,486)	(1,030)	(157)
Total provided by operations	2,690	3,037	5,256
Issuance of long-term debt	—	4,000	3,798
Sale of property, plant and equipment	2,043	1,792	184
Decrease in unexpended plant and equipment funds	1,319	—	—
Other	30	15	105
Total working capital provided	6,082	8,844	9,343
Working Capital Applied To			
Purchase property, plant and equipment	3,026	5,401	3,638
Reduce long-term debt	761	767	1,476
Receivable on sale of assets	1,766	—	—
Increase unexpended plant and equipment funds	—	528	2,073
Acquire treasury shares	—	705	—
Other	11	82	239
Total working capital applied	5,564	7,483	7,426
Increase In Working Capital	518	1,359	1,917

WALT DISNEY PRODUCTIONS (SEP)

Consolidated Statement of Changes in Financial Position

	1980	1979
	($000)	
Financial Resources Were Provided by:		
Operations		
Net Income	$135,186	$113,788
Expenses not affecting working capital		
Depreciation	43,093	40,439
Amortization of prepaid pension costs	726	726
Amortization of film production costs, non-current	4,233	5,309
Design projects abandoned	3,108	1,628
Deferred taxes on income and investment credits		139
Working capital provided from operations	186,346	162,029
Increase in long term liabilities and non-current advances	13,295	8,501
Proceeds from exercise of stock options and tax benefits	1,830	1,535
	201,471	172,065
Financial Resources Were Used for:		
Additions to property, plant and equipment		
EPCOT Center	113,155	16,666
Other	47,145	39,963
Additions to non-current film production costs	68,409	44,436
Transfers to current film production costs	(52,505)	(32,339)
Decrease in long term liabilities and non-current advances	1,482	1,278
Cash dividends	23,280	15,496
Prepaid pension funding		1,975
Other	967	3,991
	201,933	91,466
Increase (Decrease) in Working Capital	$ (462)	$ 80,599

FLEETWOOD ENTERPRISES, INC. (APR)

Consolidated Statements of Changes in Financial Position

	1980	1979
	Amounts in thousands	
Working capital was provided by:		
Operations—		
Net income (loss)	$ (8,474)	$22,893
Add charges (deduct credits) to income not affecting working capital:		
Depreciation expense	4,917	4,754
Equity in undistributed earnings of unconsolidated subsidiaries	(279)	(374)
Working capital provided by (applied to) operations	(3,836)	27,273
Proceeds from sale of property, plant and equipment	3,846	1,019
Total working capital provided	10	28,292
Working capital was applied to:		
Additions to property, plant and equipment	10,524	12,764
Investment in unconsolidated subsidiaries	5,000	—
Dividends declared on Common stock	5,868	5,912
Repurchase of Common stock	1,534	—
Total working capital applied	22,926	18,676
Increase (decrease) in working capital	$(22,916)	$ 9,616

MOHASCO CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1980	1979	1978
		(In thousands)	
Funds provided:			
Net earnings (loss)	$(2,157)	7,729	11,480
Add (deduct) non-cash items included in results of operations:			
Depreciation and amortization	18,072	17,079	14,591
Deferred income taxes	(1,083)	218	1,097
Write off goodwill in Ranger, S.A.	2,527	—	—
Other, net	324	394	(194)
Minority interest in subsidiary company	41	21	110
Funds provided from operations	17,724	25,441	27,084
Additional long-term debt	3,828	1,391	54,277
Disposition of property, plant, equipment and rental furniture	9,523	5,263	4,335
	$31,075	32,095	85,696
Funds applied:			
Additions to property, plant and equipment	$17,135	25,254	15,990
Additions to rental furniture	10,590	11,224	8,754
Cash dividends	1,557	5,993	6,002
Reduction of long-term debt	10,795	5,319	45,602
Purchase of preferred stock	6	154	143
Increase (decrease) in other assets	137	(962)	1,206
Other, net	242	191	798
Increase (decrease) in working capital	(9,387)	(15,078)	7,201
	$31,075	32,095	85,696

Income or Loss From Continuing Operations

CLUETT, PEABODY & CO., INC. (DEC)

Statements of Changes in Consolidated Financial Position

	1980	1979	1978
		In thousands	
Source of Working Capital			
Income from continuing operations	$19,230	$17,755	$18,319
Items not affecting working capital:			
Depreciation and amortization	8,757	7,895	6,631
Deferred income taxes	2,643	1,856	(23)
Undistributed earnings of companies carried at equity	(255)	(358)	(15)
Other (net)	(522)	(87)	1,064
Funds provided from continuing operations	29,853	27,061	25,976
Loss from discontinued operation	(3,628)	(378)	(232)
Items not affecting working capital	1,374	440	240
Funds provided from (used in) discontinued operation	(2,254)	62	8
Total provided from operations	27,599	27,123	25,984
Long-term debt and capital lease obligations	28,270	29,309	505
Sale of plant and equipment	825	525	406
Dividend from company carried at equity	1,000	1,000	
Net assets held for disposition	5,756		
Other (net)	1,083	29	674
Total	64,533	57,986	27,569
Application of Working Capital			
Dividends	7,423	6,898	6,711
Plant and equipment, including capital leases	10,785	13,411	10,183
Businesses purchased, less net current assets of $10,954,000 in 1979 and $4,187,000 in 1978:			
Plant and equipment and other assets		9,001	1,732
Obligations under capital leases and other debt		(917)	(489)
Long-term debt and capital lease obligations	5,286	5,771	3,554
Plant relocations	118	1,066	1,752
Deferred charges and other assets	973	1,511	
Total	24,585	36,741	23,443
Increase in working capital	$39,948	$21,245	$ 4,126

IPCO CORPORATION (JUN)

Statements of Changes in Consolidated Financial Position

	1980	1979
	(In Thousands of Dollars)	
Funds Provided		
Continuing operations:		
Income (loss) from continuing operations	$(2,427)	$ 2,501
Charges not affecting working capital:		
Depreciation and amortization	2,768	2,321
Amortization and write-off of intangible assets and deferred expenses	1,119	340
Funds provided from continuing operations	1,460	5,162
Discontinued operations:		
Loss from discontinued operations	(1,412)	(815)
Loss on disposal of discontinued operations	(6,662)	—
Charges not affecting working capital:		
Depreciation and amortization	276	71
Funds used by discontinued operations	(7,798)	(744)
Total from (used by) operations	(6,338)	4,418
Decrease (increase) to net assets related to discontinued operations	13,206	(903)
Additions to capitalized leases and long-term borrowings	804	250
Exercise of stock options	11	21
Total funds provided	7,683	3,786
Funds Applied		
Purchase of property, plant and equipment, net of disposals of $155,000 in 1980; $539,000 in 1979	6,532	3,340
Reduction of long-term debt	1,662	2,094
Dividends paid	622	635
Purchase of treasury stock	529	447
Reduction of deferred income taxes	164	6,116
Other	266	722
Total funds applied	9,775	13,354
Decrease In Working Capital	(2,092)	(9,568)
Working Capital at July 1	31,727	41,295
Working Capital at June 30,	$29,635	$31,727

MUNSINGWEAR, INC. (DEC)

Consolidated Statements of Changes in Financial Position

	1980	1979	1978
		($000)	
Funds provided:			
Earning (loss) from continuing operations	$ (644)	$ 2,397	$ 3,005
Items which do not use working capital:			
Provision for noncurrent portion of deferred income taxes	538	324	117
Depreciation and amortization of property, plant and equipment	1,875	1,736	1,577
Working capital provided by continuing operations	1,769	4,458	4,699
Loss from discontinued operations and disposition of South Robeson Mills, Inc. assets	(3,204)	(915)	(91)
Items which do not use working capital:			
Depreciation and amortization of property, plant and equipment	154	135	39
Working capital used by discontinued operations	(3,049)	(780)	(52)
Total working capital provided (used) by operations	(1,280)	3,678	4,647
Increase in capitalized lease obligations	—	2,242	175
Increase in long-term borrowings	22	149	4,571
Increase in short-term debt to be retired	12,400	—	—
Other	156	180	242
Total funds provided	11,297	6,251	9,637
Funds used:			
Dividends paid	795	1,591	1,591
Additions to property, plant and equipment	1,572	2,953	3,209
Purchase of certain South Robeson assets, excluding inventory	—	—	1,247
Current installments and repayment of long-term debt	2,213	1,793	681
Total funds used	4,581	6,338	6,729
Increase (decrease) in working capital	6,715	(87)	2,908
Working capital at beginning of year	45,927	46,015	43,107
Working capital at end of year	$52,643	$45,927	$46,015

OPELIKA MANUFACTURING CORPORATION (SEP)

Consolidated Statements of Changes in Financial Position

	1980	1979
	($000)	
Financial resources were provided by:		
Income from continuing operations	$ 927	$2,288
Items not affecting working capital:		
Depreciation and amortization	1,426	1,401
Other	68	45
Working capital provided by continuing operations	2,421	3,734
Income (loss) from discontinued operation	(2,710)	92
Items not affecting working capital:		
Depreciation and amortization	25	7
Working capital provided by (applied to) discontinued operation	(2,685)	99
Working capital provided by (applied to) operations	(264)	3,833
Proceeds from long-term debt	1,237	3,175
Proceeds from stock options exercised	78	5
Proceeds from sale of equipment	21	36
Decrease in other assets	60	—
	1,132	7,049
Financial resources were applied to:		
Acquisition of property, plant and equipment	2,415	1,317
Acquisition of patents and subsidiary, plus net current liabilities assumed	—	2,795
Dividends	863	856
Reduction of long-term debt	1,393	1,630
Increase in other assets	—	200
	4,671	6,798
Increase (decrease) in working capital	$(3,539)	$ 251

Income or Loss Before Extraordinary Item

COLECO INDUSTRIES, INC. (DEC)

Consolidated Statement of Changes in Financial Position

	1980	1979	1978
	(Dollar amounts in thousands)		
Financial Resources Were Provided (Used) by:			
Earnings (loss) before extraordinary credit	$13,065	$ 5,365	$(22,277)
Add (deduct) items not requiring working capital:			
Depreciation of plant and equipment	2,862	4,067	4,643
Amortization of intangibles	338	225	512
Noncurrent deferred tax provision (benefit)	723	513	(675)
Other	73	318	164
Total provided (used) by operations before extraordinary credit	17,061	10,488	(17,633)
Extraordinary credit	3,612	3,728	
Total provided (used) by operations	20,673	14,216	(17,633)
Proceeds from long-term debt	5,000	17,000	
Reclassification of short-term debt refinanced in 1979			9,625
Decrease in mortgage receivable		1,699	
Decrease in future income tax benefits		919	
Disposal of property, plant and equipment, net	288	141	134
Increase in capital lease obligations	374		908
Decrease in other noncurrent assets	866	2,642	396
Proceeds from issuance of common stock, net	5,691	8	
	32,892	36,625	(6,570)
Financial Resources Were Used for:			
Reduction of short-term debt previously reclassified to long-term debt		9,625	
Reduction of long-term debt	5,663	8,166	4,374
Purchase of property, plant and equipment	3,838	2,691	2,535
Reduction of capital lease obligations		288	
Increase in property under capital leases	459		812
Increase in other noncurrent assets	35	813	3,112
Increase in future income tax benefits			395
	9,995	21,583	11,228
Increase (Decrease) in Working Capital	22,897	15,042	(17,798)
Working Capital (Deficit) at beginning of year	13,777	(1,265)	16,533
Working Capital (Deficit) at end of year	$36,674	$13,777	$ (1,265)

THE FIRESTONE TIRE & RUBBER COMPANY (OCT)

Statements of Changes in Financial Position

	1980	1979
	Dollars in millions	
Sources of working capital		
Income (loss) before extraordinary credit	$(122.0)	$ 77.7
Charges (credits) not affecting working capital:		
Depreciation	188.0	189.3
Non-current portion of facilities phase-out	76.7	—
Deferred income taxes	(79.9)	28.8
Total from operations before extraordinary credit	62.8	295.8
Extraordinary credit	16.1	35.2
Total from operations	78.9	331.0
Long-term debt and capital lease obligations incurred	13.0	35.4
Sales of properties, plants and equipment	10.6	7.9
Other	(8.0)	(11.0)
Total sources of working capital	94.5	363.3
Uses of working capital		
Expenditures for properties, plants and equipment	175.3	252.5
Reduction of long-term debt and capital lease obligations	91.4	43.6
Investment in Firestone Credit Corporation	—	35.0
Payment of cash dividends	17.4	56.2
Accrued liability for phase-out of facilities—portion reclassified to (from) current	(5.0)	28.7
Total uses of working capital	279.1	416.0
Decrease in working capital	(184.6)	(52.7)
Working capital at beginning of year	739.8	792.5
Working capital at end of year	$ 555.2	$739.8

MORSE ELECTRO PRODUCTS CORP. (MAR)

Consolidated Statements of Changes in Financial Position

	1980	1979
	($000)	
Source of Funds:		
From Operations:		
Loss before extraordinary credit	$ (6,956)	$(15,113)
Items included in loss not affecting working capital:		
Depreciation and amortization of fixed assets	1,281	1,622
Amortization and writeoff of intangibles	1,367	1,175
Deferred interest		4,535
Gain on disposal of patent	(246)	
Gain on termination of capitalized lease	(435)	
Working capital used in operations	(4,989)	(7,779)
Extraordinary credit:	59,034	
Items included in extraordinary credit not affecting working capital:		
Cancellation of subordinated debt	(3,704)	
Cancellation of deferred interest	(11,664)	
Cancellation of preferred stock	(20,295)	
Issuance of comon stock and common stock warrants	228	
Working capital provided by extraordinary credit	23,598	
Proceeds from disposal of patent	1,123	
Increase in long term debt	120	86
Conversion of debt to preferred stock		8,677
Disposal of fixed assets at book value	147	1,946
Total source of funds	19,999	2,930
Application of Funds:		
Current maturities of long term debt	137	22,956
Purchase of fixed assets	427	810
Other, net	(206)	(349)
Total application of funds	358	23,417
Increase (decrease) in working capital	$ 19,640	$(20,487)

Income Before Cumulative Effect of Accounting Change

WILLAMETTE INDUSTRIES, INC. (DEC)

Consolidated Statements of Changes in Financial Position

	1980	1979	1978
	(dollar amounts in thousands)		
Working capital provided:			
Earnings before extraordinary charge and accounting change	$ 58,858	67,863	59,406
Add charges against earnings not requiring working capital:			
Depreciation	30,850	26,564	23,968
Stumpage on fee timber harvested and amortization of logging roads	9,499	8,480	3,765
Other amortization	199	98	116
Deferred income taxes	5,584	2,398	5,270
Working capital provided from operations before extraordinary charge and accounting change	104,990	105,403	92,525
Extraordinary charge	—	—	(5,517)
Cumulative effect of change in accounting method	4,494	—	—
Long-term borrowings	91,310	3,013	33,143
Sales of property, plant and equipment	947	4,235	2,804
Dividends received from 50% owned companies, net of income taxes	—	—	812
	201,741	112,651	123,767
Working capital used:			
Cash dividends paid	20,212	17,380	14,649
Expenditures for property, plant and equipment	68,867	51,339	47,541
Expenditures for timber and timberlands	5,433	4,681	30,868
Increase in timber related facilities	5,509	14,503	—
Acquisition of Woodard-Walker Lumber Co., Inc.:			
Property, plant and equipment, net	16,204	—	—
Timber, timberlands and related facilities	75,252	—	—
Long-term debt	(9,100)	—	—
Other noncurrent assets and liabilities, net	2,180	—	—
Reduction of long-term debt	16,124	30,106	22,188
Other	(3,944)	368	250
	196,737	118,377	115,496
Increase (decrease) in working capital	$ 5,004	(5,726)	8,271

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.

Examples of presentations of such sources and uses follow.

TABLE 5-4: SOURCES AND USES

	Number of Companies			
	1980	1979	1978	1977
Sources				
Issuance of long-term debt	462	457	451	461
Sale, disposal, or retirement of property	421	419	438	417
Issuance of capital stock	371	371	362	354
Investments	107	100	110	125
Capitalized leases	83	80	89	56
Noncurrent receivables	53	59	62	76
Uses				
Property	599	597	595	594
Dividends	531	540	538	533
Long-term Debt	540	536	527	541
Investments	210	212	221	211
Purchase, redemption, or retirement of capital stock	195	228	208	193
Decrease in capitalized leases	100	104	91	54
Noncurrent receivables	73	62	76	74
Intangibles	50	51	55	51

Property

BETHLEHEM STEEL CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1980	1979	1978
	(dollars in millions)		
Financial Resources Were Provided By:			
Net Income	$121.0	$275.7	$225.1
Items not requiring working capital—			
Depreciation	375.5	351.3	321.9
Deferred income taxes	(53.0)	54.0	46.0
Working capital provided by operations	$443.5	$681.0	$593.0
Contribution for participation in Hibbing project	—	—	48.3
Sale of property	54.5	22.8	26.1
Increase in liabilities payable after one year	23.5	4.2	31.2
Increase in long-term debt	13.5	25.5	64.0
Other	23.4	22.1	41.4
Total	$558.4	$755.6	$804.0
Financial Resources Were Used For:			
Capital expenditures—			
Replacement and modernization	$466.1	$340.6	$316.3
Environmental quality control	36.3	59.0	82.8
Investments in associated enterprises	4.1	18.9	13.3
	$506.5	$418.5	$412.4
Reduction in long-term liability for closedown costs	22.5	43.6	48.2
Reduction in long-term debt	11.3	17.6	219.0
Payment of dividends	69.8	65.5	43.7
Total	$610.1	$545.2	$723.3
Increase (Decrease) in Working Capital	$(51.7)	$210.4	$ 80.7

CBI INDUSTRIES, INC. (DEC)

Consolidated Statements of Changes in Financial Position

	1980	1979	1978
	Thousands of dollars		
Sources of working capital:			
Net income for the year	$ 68,455	$ 58,714	$ 46,469
Add (deduct) items included in net income and not requiring use of working capital in current period:			
Provision for depreciation	34,606	21,519	14,300
Equity in income of unconsolidated affiliates	(5,262)	(1,422)	(9,891)
Income taxes not payable currently	18,498	7,701	1,295
Cost of real estate properties sold	—	7,358	14,945
Amortization of restricted stock award compensation......................	1,659	1,223	641
Other	275	(1,550)	(1,304)
Working capital provided from operations	$118,231	$ 93,543	$ 66,455
Sale of investments..........	49,207	41,244	22,224
Disposition of property and equipment	1,155	330	1,755
Reclassification of investments from noncurrent to current assets	2,526	5,413	24,869
Dividends from and repayment of loans by unconsolidated affiliates	4,019	4,182	7,140
Proceeds from sale of common stock	3,067	3,484	2,786
Total working capital provided	178,205	$148,196	$125,229
Uses of working capital:			
Additions to other assets:			
Purchase of investments .	$ 43,277	$ 42,781	$ 31,127
Real estate properties....	—	—	6,673
Investments in and loans to unconsolidated affiliates	16,203	217	5,622
Other assets..............	353	9,112	(1,209)
Additions to property and equipment	38,650	74,322	27,015
Reclassification of deferred income taxes to (from) current income taxes.....	5,902	1,392	(6,087)
Acquisition of property and equipment of Circle Bar Drilling Company..........	—	45,387	—
Cash dividends..............	24,216	21,988	20,955
Cost of common stock acquired.....................	13,346	23,075	16,508
Total working capital used.................	$141,947	$218,274	$100,604
Increase (decrease) in working capital	$ 36,258	$(70,078)	$ 24,625
Working capital at beginning of year....................	20,527	90,605	65,980
Working capital at end of year.......................	$ 56,785	$ 20,527	$ 90,605

HAMMERMILL PAPER COMPANY (DEC)

Consolidated Statements of Changes in Financial Position

	1980	1979	1978
	(Thousand of dollars)		
Financial resources were provided by			
Net income	$ 40,264	$35,049	$26,059
Add income charges (credits) not affecting working capital			
Depreciation and depletion...	30,078	27,034	24,431
Deferred income taxes.......	7,591	3,858	6,859
Other charges (credits).......	(2,310)	4,097	2
Working capital provided by operations.......................	75,623	70,038	57,351
Long-term borrowings...........	3,535	8,767	2,828
Disposition of timberlands, plant and equipment	4,570	2,228	1,845
Other	5,469	9,604	9,978
	89,197	90,637	72,002
Financial resources were used for			
Purchase of timberlands, plant and equipment	92,069	50,994	39,549
Payment of long-term obligations	9,365	8,706	7,147
Payment of dividends	12,349	11,241	10,435
Other	5,188	10,931	4,429
	118,971	81,872	61,560
Increase (decrease) in working capital	$(29,774)	$ 8,765	$10,442

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

Consolidated Statement of Changes in Financial Position

	1980	1979
	(In thousands of dollars)	
Source of Funds:		
Operations:		
Net income	$ 88,366	$ 92,957
Charges (credits) not affecting working capital:		
Depreciation and amortization	111,803	111,365
Deferred income taxes	64,900	100,205
Equity in earnings of joint venture companies net of dividends received of $8,051,000 in 1980 and $17,922,000 in 1979	(732)	7,952
Other	8,623	8,712
Working capital provided from operations	272,960	321,191
Issuance of common stock	125,728	3,749
Proceeds from sale and exchange of property, plant and equipment	58,320	3,412
Decrease in excess of cost over fair value of net assets of B & W	12,685	14,352
Long-term borrowing (including fluctuations under the revolving credit agreement)	189,976	405,318
	659,669	748,022
Application of Funds:		
Additions to property, plant and equipment	257,005	131,026
Reduction of long-term debt (including fluctuations under the revolving credit agreement)	210,770	392,103
Reduction of deferred and noncurrent income taxes	63,921	91,480
Cash dividends	70,684	62,427
Increase in note receivable—unconsolidated joint venture company	29,669	—
Other—net	16,439	18,875
	648,488	695,911
Net Increase in Working Capital	$ 11,181	$ 52,111

Debt

MARTIN MARIETTA CORPORATION (DEC)

Statement of Changes in Financial Position

	1980	1979	1978
		(add 000)	
Sources:			
From operations:			
Net earnings	$188,133	$178,000	$136,003
Items in earnings not affecting working capital:			
Depreciation, depletion, and amortization	112,143	83,515	71,634
Noncurrent deferred income taxes	25,857	33,172	74,278
Equity in net earnings of nonconsolidated companies, net of dividends received	(8,862)	(4,010)	(5,152)
Amortization of deferred charges	4,363	4,415	4,981
Working Capital Provided by Operations	321,634	295,092	281,744
Proceeds from long-term debt	40,587	2,576	386
Issuance of common stock under stock options	3,372	1,254	764
Conversion of 6% Convertible Subordinated Debentures	—	—	45,618
Decrease in property, plant, and equipment	4,438	6,888	7,691
Proceeds from sale of investment, net of gain	—	26,155	—
Increase in other noncurrent liabilities	14,418	1,568	2,457
Other sources	—	60	—
Decrease in working capital	72,409	—	—
	$456,858	$333,593	$338,660
Applications			
Cash dividends declared	$ 57,815	$ 49,560	$ 42,128
Additions to property, plant, and equipment	352,963	230,772	162,421
Reduction in long-term debt	12,099	18,157	68,377
Purchases of common stock for treasury	—	24,155	1,984
Increase in other noncurrent assets	33,256	—	13,781
Other applications	725	—	440
Increase in working capital	—	10,949	49,529
	$456,858	$333,593	$338,660

INSILCO CORPORATION (DEC)

Consolidated Statement of Changes in Financial Position

	1980	1979	1978
	Dollars in Thousands		
Financial Resources Were Provided By;			
Net earnings	$ 30,550	$27,050	$23,576
Items not affecting working capital—			
Depreciation and amortization	10,957	9,225	8,000
Deferred income taxes—noncurrent	15,176	3,869	8,374
Amortization of intangible assets	694	684	661
Provision for receivables from former subsidiary	794	4,680	—
Other	(3,022)	445	(1,011)
Total provided by operations	55,149	45,953	39,600
Issuance of subordinated long-term notes in exchange for Convertible Subordinated Notes Series A	23,556	—	—
Other issuances of long-term debt and obligations under capitalized leases	34,574	24,381	2,453
Issuance of common stock upon conversion of 9¾% Convertible Debentures	16,335	—	—
Reduction of long-term receivables	2,747	1,995	1,063
Other sources	4,342	3,688	2,516
	136,703	76,017	45,632
Financial Resources Were Used For:			
Cash dividends on common and preferred stock	12,079	10,657	9,723
Capital expenditures	30,833	23,550	13,801
Convertible Subordinated Notes Series A exchanged, less amount not requiring working capital	23,556	—	—
Conversion of 9¾% Convertible Debentures into common stock	16,608	—	—
Other reductions in long-term debt and obligations under capitalized leases	33,515	9,684	2,380
Investment in finance subsidiary and other unconsolidated associated companies	1,620	6,868	7,551
Purchase of Nationwide Homes, Inc. and Ren Electronics Corporation, less working capital acquired of $8,264—			
Long-term receivables and other investments	—	5,089	—
Fixed assets, net	—	7,926	—
Other, principally goodwill, net	—	3,901	—
Acquisition of the minority interest in Times Fiber Communications, Inc.	—	5,635	—
Other uses	7,041	4,217	3,630
	125,252	77,527	37,085
Increase (Decrease) in Working Capital	$ 11,451	$(1,510)	$ 8,547

Capital Stock

MASONITE CORPORATION (AUG)

Consolidated Statements of Changes in Financial Position

	1980	1979
	($000)	
Source of Funds:		
Net income	$30,129	$51,500
Expenses (income) not affecting working capital:		
Depreciation	24,785	23,649
Investment tax credits amortized	(1,879)	(1,654)
Depletion	1,742	1,201
Foreign equity loss (income)	1,086	(282)
Deferred income tax provision (benefit)	(3,719)	2,619
Provision for deferred compensation	(266)	475
Minority interest in earnings of Masonite (Africa) Limited	1,390	522
Working capital provided from operations	$53,268	$78,030
Long-term financing, including capital leases	2,863	7,092
Disposition of property, plant, and equipment	5,644	3,798
Investment tax credits deferred	2,558	2,254
Common stock issued under stock incentive program	949	198
Other	389	(1,912)
	$65,671	$89,460
Disposition of Funds:		
Property, plant, and equipment additions	$33,513	$38,089
Cash dividends	17,637	15,983
Long-term debt and capital lease maturities	2,378	3,453
Purchase of treasury stock	18,638	29,439
	$72,166	$86,964
Increase (Decrease) in Working Capital	$(6,495)	$ 2,496

WALGREEN CO. (AUG)

Consolidated Statement of Changes in Financial Position

	1980	1979
	(Dollars in Thousands)	
Sources of Working Capital:		
Provided by operations—		
Net earnings	$34,813	$30,293
Add (or deduct) items which do not use (or provide) working capital—		
Depreciation and amortization	14,005	11,728
Deferred income taxes	2,307	1,216
Equity income from investments, net of dividends received	(2,065)	(985)
Funds provided by operations	49,060	42,252
Common stock issued—		
Acquisition of Rennebohm Drug Stores, Inc. (200,965 shares)	5,527	—
Conversion of 5½% Subordinated Debentures (68,355 shares)	2,233	—
Employee stock purchase plans (5,152 shares in 1980 and 24,478 shares in 1979)	164	661
Net book value of property and equipment and leased properties under capital leases retired or sold	5,236	2,303
New obligations under capital leases	4,719	11,988
	66,939	57,204
Applications of Working Capital:		
Additions to property and equipment	39,566	22,831
Cash dividends	10,606	9,188
Additions to leased properties under capital leases	4,719	14,137
Current maturities of long-term debt and capital lease obligations	3,402	2,932
Retirement of 5½% Convertible Subordinated Debentures	2,205	—
Retirement of obligations under capital leases	1,555	595
Investments in other companies	—	850
	62,053	50,533
Increase in working capital	$ 4,886	$ 6,671

Dividends

ALUMINUM COMPANY OF AMERICA (DEC)

Statement of Changes in Consolidated Financial Position

	1980	1979	1978
		(in millions)	
Source of working capital			
From operations:			
Net income	$ 469.9	$504.6	$312.7
Add, charges (credits) to income which did not require working capital:			
Depreciation and depletion	261.3	247.0	227.5
Increase (decrease) in noncurrent liabilities and deferred credits	(5.6)	13.5	18.0
Addition to future taxes on income	90.9	34.3	25.4
Other, principally equity in undistributed (earnings) losses of entities not consolidated	(80.7)	(67.2)	(32.6)
Total from operations	735.8	732.2	551.0
Book value of properties, plants and equipment disposed of	13.9	18.8	3.8
	749.7	751.0	554.8
Decreases in investments	47.4	27.0	15.0
Proceeds from:			
Common stock issued	75.1	5.4	15.9
U.K. bank loans	95.8	—	—
Tax-exempt revenue bonds	6.1	3.9	5.5
Other long-term debt	8.7	1.1	3.4
	982.8	788.4	594.6
Use of working capital			
Additions to properties, plants and equipment	637.8	420.0	349.8
Additions to investments	142.0	51.6	24.9
Payments on long-term debt	99.2	116.8	42.5
Dividends declared:			
Preferred stock	2.5	2.5	2.5
Common stock	114.3	91.3	66.3
Increase (decrease) in other assets and deferred charges	3.6	(19.5)	19.9
Other	22.4	2.3	20.2
	1,021.8	665.0	526.1
Increase (decrease) in working capital	$ (39.0)	$123.4	$ 68.5

JOHNS-MANVILLE CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1980	1979	1978
		(Thousands of dollars)	
Funds Provided By Operations			
Net Earnings (before preferred dividends)	$ 80,636	$114,606	$121,602
Items Not Requiring (Providing) Working Capital			
Depreciation and depletion	78,864	74,843	42,401
Deferred income taxes (non-current portion)	16,355	44,368	20,515
Other, net	5,496	852	(2,775)
	181,351	234,669	181,743
Issuance of Long-Term Debt	110,892	115,286	205,862
Issuance of Common Stock, Including Treasury Stock	13,128	12,303	9,716
Dispositions of Property, Plant and Equipment	12,177	8,069	5,073
Increase in Other Non-Current Liabilities	3,994	10,939	12,037
Issuance of Cumulative Preferred Stock	978	560	298,891
Net Change in Working Capital	12,648	(5,801)	50,704
	$335,168	$376,025	$764,026
Funds Used For			
Additions to Property, Plant and Equipment	$129,745	$189,321	$174,007
Reduction of Long-Term Debt	124,125	126,153	7,125
Dividends on Common Stock	43,378	41,692	38,972
Dividends on Preferred Stock	24,919	23,553	
Increase (Decrease) in Other Assets	13,001	(4,694)	2,021
Acquisition of Olinkraft, Inc. (net of $53,645 of working capital obtained)			
Property, plant and equipment			700,633
Long-term debt assumed			(141,258)
Other, net			(17,474)
	$335,168	$376,025	$764,026

Purchase Method Business Combination

PEOPLES DRUG STORES, INCORPORATED (SEP)

Consolidated Statement of Changes in Financial Position

	1980	1979
	($000)	
Working Capital Provided From		
Net income	$ 8,178	$ 6,457
Add charges to income not affecting working capital—		
Depreciation and amortization	4,466	3,034
Deferred taxes, non-current portion	486	519
Working capital provided from operations	13,130	10,010
Common stock issued in acquisition of Haag Drug Company, Incorporated and pursuant to employee stock purchase and option plans	1,971	474
Additional long-term debt	7,584	3,109
Additional capital lease obligations	235	2,259
Disposition of property and equipment	348	327
Other sources	180	18
Total working capital provided	23,448	16,197
Working Capital Used For		
Property and equipment additions	6,383	7,878
Reduction and current maturities of long-term debt and capital lease obligations	6,605	4,053
Cash dividends	1,013	877
Non-current assets and liabilities of companies acquired		
Property and equipment	5,320	1,440
Long-term debt	(6,802)	—
Other, net	866	459
Total working capital used	13,385	14,707
Increase In Working Capital	$10,063	$ 1,490

HUGHES TOOL COMPANY (DEC)

Statements of Changes in Consolidated Financial Position

	1980	1979	1978
		(In thousands)	
Working Capital Provided			
Operations:			
Net income	$132,189	$ 84,552	$ 69,660
Add items not requiring current use of working capital:			
Depreciation and amortization	52,264	35,575	28,741
Deferred income taxes	14,535	11,346	10,580
Other	5,136	1,550	2,633
Working capital provided by operations	204,124	133,023	111,614
Proceeds from long-term debt	117,985	117,917	61,714
Proceeds from common stock offering to public	116,247	68,574	
Proceeds from convertible debentures subsequently converted to common stock	99,971		
Common stock issued under stock option plans	6,051	4,115	1,266
Value assigned to common stock issued in connection with the acquisition of Centrilift, Inc.	45,565		
Other	6,188	3,958	2,837
Total working capital provided	596,131	327,587	177,431
Working Capital Applied			
Property additions	175,728	109,850	76,862
Acquisitions of businesses (net of working capital acquired of $25,934 in 1980, $13,236 in 1979):			
Property	16,548	39,233	
Excess of cost over values assigned	12,206	61,225	
Other assets	3,449	3,888	
Long-term debt	(1,886)	(10,370)	
Other long-term liabilities	(1,948)	(2,585)	
Cash dividends	23,983	16,185	12,079
Reduction of long-term debt	207,772	9,220	8,947
Purchase of patent rights			7,500
Other	15,554	6,871	3,764
Total working capital applied	451,406	233,517	109,152
Increase in Working Capital	$144,725	$ 94,070	$ 68,279

UNIVERSAL LEAF TOBACCO COMPANY, INC. (JUN)

Consolidated Statements of Changes in Financial Position

	1980	1979
	(In thousands of dollars)	
Source of Working Capital		
Operations:		
Net income	$ 28,368	$25,491
Charges (credits) not affecting working capital:		
Depreciation	6,747	5,054
Deferred income taxes	3,962	1,655
Minority interests in earnings of subsidiaries	3,999	484
Equity in net income of unconsolidated affiliates	(6,551)	(6,388)
Dividends received from unconsolidated affiliates	4,912	5,364
Working capital provided from operations	41,437	31,660
Increase in long-term debt ($59,587 to acquire Royster Company)	60,557	
	101,994	31,660
Application of Working Capital		
Acquisition of Royster Company less Royster's working capital ($51,496):		
Real estate, plant and equipment	69,606	
Other non-current assets	15,104	
Long-term debt assumed	(15,639)	
Deferred taxes, minority interests and preferred stock	(12,035)	
Dividends declared for stockholders	11,185	10,212
Additions to real estate, plant and equipment	5,876	12,264
Purchase of common treasury stock	4,629	4,322
Reduction of long-term debt	2,537	348
Other—net	4,015	2,402
	85,278	29,548
Increase in Working Capital	16,716	2,112

Investments

INTERCO INCORPORATED (FEB)

Consolidated Statement of Changes in Financial Position

	1980	1979
	(Dollars in thousands)	
Working capital provided by:		
Net earnings	$106,706	$ 92,576
Items not affecting working capital:		
Depreciation	24,390	21,850
Other, net	1,973	1,014
Operations	133,069	115,440
Disposal of property, plant and equipment	4,873	3,677
Issuance of preferred stock	88,762	—
Issuance of common stock	298	6,288
Reduction of marketable investment securities	7,846	4,153
Additions to long-term debt	320	2,970
Additions to capital lease obligations	4,759	16,427
Other, net	1,751	181
	241,678	149,136
Working capital used for:		
Cash dividends	33,563	30,425
Additions to property, plant and equipment:		
Company owned property	41,849	30,173
Leased property	4,759	16,427
Marketable investment securities	7,677	39,938
Reduction of long-term debt	9,227	4,625
Reduction of capital lease obligations	5,402	7,379
Purchase of common treasury shares	9,474	5,787
Net non-current assets of companies acquired	—	5,978
Additional payment—purchased companies	—	2,887
	111,951	143,619
Acquisition of Ethan Allen, Inc. (excluding working capital of $90,664):		
Properties	84,650	—
Long-term debt and capital lease obligations	(41,112)	—
Estimated cost in excess of net assets acquired	13,098	—
Other net non-current assets	4,136	—
Net non-current assets	60,772	—
	172,723	143,619
Increase in working capital	$ 68,955	$ 5,517

MOTT'S SUPER MARKETS, INC. (DEC)

Consolidated Statement of Changes in Financial Position

	1980	1979	1978
		($000)	
Source of Working Capital			
Net Income	$3,817	$2,888	$2,786
Add: Expenses not requiring current outlay of working capital:			
Depreciation	1,333	1,156	969
Deferred Income Tax	100	53	62
Deferred Compensation	48	48	32
Working Capital Provided from Operations	5,300	4,146	3,852
Sale of Property, Plant and Equipment	—	1	6
Sale of Marketable Securities	1,276	282	229
Common Stock Issued	—	—	247
Increase in Additional Paid-In Capital	—	—	1,764
Increase in Long-Term Debt	653	—	—
Decrease in Other Assets	—	1	—
	7,231	4,431	6,099
Application of Working Capital			
Purchase of Marketable Securities	—	103	468
Investment in Wakenfern Food Corporation	466	122	134
Purchase of Property, Plant and Equipment	2,777	2,088	2,569
Increase in Other Assets		—	
Decrease in Long-Term Debt	70	66	62
Dividends Declared	285	285	2,283
	3,600	2,666	5,519
Increase in Working Capital	$3,630	$1,764	$ 579

Formation of Joint Venture

ST. JOE MINERALS CORPORATION (DEC)

Statements of Changes in Consolidated Financial Position

	1980	1979	1978
		(In thousands)	
Funds Provided:			
Operations:			
Net income	$117,082	$ 77,586	$ 49,754
Add items not requiring working capital:			
Depletion, depreciation and amortization	73,416	63,820	54,475
Deferred income taxes	19,227	13,817	21,485
Provision for employee benefits	5,797	16,365	3,269
Provision for shutdown expenses	—	6,000	—
Writedown of property	—	9,453	—
Amortization of goodwill	1,176	1,345	1,491
Other	13,451	6,206	4,149
Total From Operations	230,149	194,592	134,623
Disposals of property	6,744	9,298	4,077
Proceeds from long-term debt	400,262	105,683	104,863
Proceeds from stock options exercised	6,879	1,270	539
Formation of joint venture:			
Net noncurrent assets contributed*	9,024	—	—
Proportionate share of capital contributed by partner	330,180	—	—
Total Funds Provided	983,238	310,843	244,102
Funds Applied:			
Cash dividends	34,957	30,864	29,100
Additions to property	383,738	210,811	171,843
Reduction of long-term debt	49,792	82,536	6,150
Noncurrent assets acquired at formation of joint venture (principally Installments Receivable)	252,123	—	—
Other—net	1,323	(1,124)	948
Total Funds Applied	721,933	323,087	208,041
Increase (Decrease) in Working Capital	$261,305	$(12,244)	$ 36,061

*The components of the Corporation's contribution at book value are as follows (net of 50% interest retained):

	(In thousands)
Property	$137,380
Long-term debt—less current portion	(119,556)
Other	(8,800)
Total	$ 9,024

Leases

AMERICAN SEATING COMPANY (DEC)

Consolidated Statement of Changes in Financial Position

	1980	1979	1978
	(In Thousands of Dollars)		
Sources of Working Capital:			
Net income (loss)	$ 2,602	$(2,741)	$ 1,159
Add items not requiring outlay of working capital:			
Depreciation	2,182	1,975	1,698
Deferred income taxes (excluding portion in current liabilities)	784	153	144
Total derived from (absorbed by) operations	5,568	(613)	3,001
Book value of discontinued properties disposed of	3,712	—	—
Decrease (increase) in other assets	575	185	(301)
Stock options exercised	96	—	130
Decrease in non-current assets and liabilities of discontinued operations	—	249	1,254
Increase in obligations under capitalized leases	156	630	290
Increase in long term borrowing	15,000	—	—
Total	25,107	451	4,374
Uses of Working Capital:			
Reacquisition and retirement of preferred stock	3,978	—	—
Investments and advances to finance subsidiary	1,379	—	—
Cash dividends	88	592	592
Reduction of long-term debt	2,100	1,100	1,100
Reduction in obligations under capitalized leases	457	552	332
Obligations under capitalized lease assumed by finance subsidiary	3,650	—	—
Expended for property and equipment	4,179	3,887	3,933
Total	15,831	6,131	5,957
Increase (Decrease) in Working Capital	$ 9,276	$(5,680)	$(1,583)

THE GOODYEAR TIRE & RUBBER COMPANY (DEC)

Consolidated Statement of Changes in Financial Position

	1980	1979	1978
	(Dollars in thousands)		
Source of Working Capital			
Income before extraordinary credit	$206,711	$ 146,184	$226,127
Items not affecting working capital:			
Depreciation	230,352	227,350	214,022
Deferred taxes	10,824	24,394	4,365
Plant closures	(5,312)	39,601	—
Other items	(6,921)	(10,263)	(5,343)
	228,943	281,082	213,044
Total from operations before extraordinary credit	435,654	427,266	439,171
Extraordinary credit—tax benefit of loss carryovers	23,978	—	—
Total from operations	459,632	427,266	439,171
Long term debt additions	197,684	236,298	465,154
Long term capital lease obligation additions	1,432	3,879	56,867
Common stock issued under employees' stock option and incentive profit sharing plans	1,737	2,136	1,151
Property and plant dispositions	24,300	29,452	10,000
Other items	19,729	—	16,957
	704,514	699,031	989,300
Application of Working Capital:			
Property and plant expenditures	248,602	360,063	411,388
Long term debt reductions	406,536	182,475	213,940
Long term capital lease obligation reductions	14,076	13,988	15,499
Cash dividends	93,276	93,129	92,973
Other items	—	10,757	—
	762,490	660,412	733,800
Increase (Decrease) in Working Capital	$(57,976)	$ 38,619	$255,500

K MART CORPORATION (JAN)

Consolidated Statements of Changes in Financial Position

	1981	1980	1979
		(Thousands)	
Financial Resources Were Provided by:			
Net income for the year	$260,527	$357,999	$343,706
Charges (credits) not affecting working capital—			
Depreciation and amortization:			
Property owned	118,812	93,326	77,291
Leased property under capital leases	78,994	72,228	69,131
Increase in deferred income taxes	8,649	14,117	7,197
Equity in undistributed income of affiliated retail companies and insurance operations	(16,210)	(17,133)	(6,024)
Other	2,092	2,249	(3,388)
Working capital provided by operations	452,864	522,786	487,913
Obligations incurred under capital leases	266,688	178,814	187,828
Increase in long-term debt	215,512		
Proceeds from sale of property	11,749	13,088	4,109
Property owned and leased exchanged in Australian restructuring			137,914
Sale of common stock under stock option and purchase plans	10,796	14,563	10,369
Other	2,080	6,943	6,933
	959,689	736,194	835,066
Financial Resources Were Used for:			
Property additions:			
Property owned (including $48,689 in 1980 relating to acquired subsidiary)	350,639	291,672	217,410
Leased property under capital leases	232,757	178,814	187,828
Cash dividends declared	113,383	103,036	87,854
Investment in Australian retail affiliate			65,611
Other increases in investments in and advances to affiliated retail companies and insurance operations	7,045	9,097	13,165
Reduction in long-term debt	6,308	3,216	1,542
Reduction in capital lease obligations (including $106,344 related to Australian restructuring in 1978)	67,979	52,715	154,401
Reduction in minority interest related to Australian restructuring			22,696
Excess of cost over acquired net assets	17,186		
Other	25,751	17,334	8,040
	821,048	655,884	758,547
Increase in Working Capital	$138,641	$ 80,310	$ 76,519

G. C. MURPHY COMPANY (JAN)

Consolidated Statement of Changes in Financial Position

	1981	1980	1979
		($000)	
Working capital provided:			
Net income	$ 9,466	$ 9,854	$ 202
Add (deduct) items not affecting working capital:			
Depreciation and amortization	9,652	9,827	9,989
Deferred income taxes	450	2,325	(4,415)
Expenses (income) related to closed facilities	(428)	663	8,078
Working capital provided from operations	19,140	22,669	13,854
Long-term borrowings	—	2,564	2,605
Capital lease obligations	424	2,001	3,530
Dispositions of property and equipment	249	998	1,016
Other	331	1,843	592
Total working capital provided	20,114	30,075	21,597
Working capital applied:			
Additions to property and equipment	6,767	7,443	12,441
Additions to leased property and equipment	424	2,093	3,552
Cash dividends declared	5,053	5,042	5,024
Reduction of long-term debt	1,829	1,405	697
Reduction of capital lease obligations	770	957	934
Reduction of liability related to closed facilities	1,006	1,877	—
Total working capital applied	15,849	18,817	22,648
Net increase (decrease) in working capital	$ 4,295	$11,258	$(1,051)

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.

TABLE 5-5: ANALYSIS OF CHANGES IN WORKING CAPITAL ELEMENTS—PRESENTATION

	1980	1979	1978	1977
Analysis included as part of statement of changes in financial position	56	50	48	50
Analysis presented in a tabulation at bottom of statement of changes in financial position	526	528	530	523
Analysis presented in a tabulation apart from statement of changes in financial position	18	22	22	27
Total Companies	**600**	**600**	**600**	**600**

TABLE 5-6: TITLES IDENTIFYING ANALYSIS OF WORKING CAPITAL ELEMENTS

	1980	1979	1978	1977
Change in working capital	280	261	249	262
Increase (decrease) in working capital	198	205	227	224
Analysis of changes in working capital	46	49	37	33
Summary of changes in working capital	9	18	18	18
Other titles	11	17	21	13
Subtotal	**544**	**550**	**552**	**550**
Analysis included within statement of changes in financial position	56	50	48	50
Total Companies	**600**	**600**	**600**	**600**

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 follow. Such data has been omitted from previous examples in this section in order to emphasize other information contained within the statement of changes in financial position.

Analysis Included as Part of Statement

ARMCO (DEC)

Statement of Changes in Consolidated Financial Position

	1980	1979	1978
	(Dollars in millions)		
Source of Funds			
Operations			
Income	$265.3	$248.7	$224.9
Add (deduct) items not involving cash in the period:			
Depreciation	142.0	133.3	131.0
Lease right amortization	7.8	7.8	7.8
Deferred income taxes	27.2	65.2	79.6
Equity in net income of AFSG	(37.2)	(43.5)	(36.4)
Dividends paid to Armco by AFSG	40.0	0.3	0.3
Deferred blast furnace reline costs	(21.8)	(13.5)	—
Other—net	15.7	6.8	1.6
Total from operations	439.0	405.1	408.8
Common stock issued for businesses purchased	18.0	9.2	14.8
Decrease (increase) in investments	59.1	(3.4)	(44.0)
Proceeds from issuing long-term debt	11.4	13.1	6.7
Increase (decrease) in due to AFSG	1.4	(33.0)	(9.3)
Other—net	18.1	8.2	5.6
Total	547.0	399.2	382.6
Use of Funds			
Capital expenditures	271.3	162.3	110.4
Changes in working capital			
Increase (decrease) in inventories	37.9	133.1	(26.6)
Increase in notes and accounts receivable	206.2	40.9	138.1
Decrease (increase) in notes payable	(38.5)	3.1	61.2
Increase in accounts payable and other accruals	(142.1)	(19.9)	(125.1)
Total	63.5	157.2	47.6
Dividends paid	89.4	79.8	71.2
Payments on long-term debt	27.6	46.0	25.3
Purchase of common stock for treasury	—	21.6	9.4
Increase in prepaid expenses and deferred charges	5.7	9.3	5.6
Payments on long-term lease obligations	9.4	6.2	7.6
Total	466.9	482.4	277.1
Increase (Decrease) in Cash and Marketable Securities	80.1	(83.2)	105.5
Cash and Marketable Securities			
Beginning of year	59.3	142.5	37.0
End of year	$139.4	$ 59.3	$142.5

Analysis Presented in a Tabulation at Bottom of Statement

FLUOR CORPORATION (OCT)

Consolidated Statement of Changes in Financial Position

	1980	1979
	($ in thousands)	
Sources of Working Capital		
Net earnings	$131,889	$ 98,671
Charges (credits) to earnings not affecting working capital		
Increase in noncurrent deferred income taxes	71,714	62,498
Depreciation, depletion and amortization	49,233	46,887
Dry-hole writeoffs	4,991	3,349
Amortization of intangible assets	2,424	2,423
Equity in net (income) loss of Peabody Holding Company	(4,364)	270
Other	(774)	6,883
Working capital provided from operations	255,113	220,981
Issuance of long-term debt	42,283	44,243
Net book value of property, plant and equipment, sold or retired	24,416	1,901
Exercise of stock options and awards	3,227	794
Other, net	532	607
	325,571	268,526
Dispositions of Working Capital		
Additions to property, plant and equipment	221,903	98,649
Cash dividends paid	30,867	23,388
Reduction of long-term debt	22,088	1,665
Increase in other noncurrent assets	6,035	—
Purchase of Fluor common stock	—	47,768
	280,893	171,470
Increase in Working Capital	$ 44,678	$ 97,056
Changes in Components of Working Capital		
Current assets—increase (decrease)		
Cash and short-term investments	$ 52,345	$ 46,506
Accounts and notes receivable	55,733	25,429
Contract work in progress	137,695	6,303
Inventories	29,053	50,044
Other current assets	6,396	386
	281,222	128,668
Current liabilities—(increase) decrease		
Accounts payable	(114,753)	(45,477)
Advance billings on contracts	(35,940)	(7,609)
Accrued liabilities	(52,488)	(1,412)
Current portion of long-term debt	(5,215)	(1,452)
Income taxes currently payable	(15,498)	17,834
Deferred income taxes	(12,650)	6,504
	(236,544)	(31,612)
Increase in Working Capital	$ 44,678	$ 97,056

ZENITH RADIO CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1980	1979	1978
		In millions	
Working capital was provided by:			
Operations—			
Net income	$ 26.4	$ 19.0	$23.3
Charges to income not affecting working capital—			
Depreciation	18.5	16.4	16.0
Deferred income taxes	4.3	2.5	4.7
Total provided by operations	49.2	37.9	44.0
Long-term obligations	50.0	59.7	(.3)
Decrease (increase) in other assets	1.3	2.0	(1.6)
Sales and retirements of property	1.7	1.1	2.1
Proceeds from exercise of stock options	.5	—	—
Total working capital provided	102.7	100.7	44.2
Working capital was used for:			
Acquisition of Heath for $64.5, including working capital of $44.3, and—			
Property, plant and equipment	—	19.2	—
Other	—	1.0	—
Additions to property	26.8	21.8	17.1
Dividend payments	11.3	17.0	18.8
Total working capital used	38.1	59.0	35.9
Net increase in working capital	$ 64.6	$ 41.7	$ 8.3
Increases (decreases) in working capital:			
Purchase of Heath working capital	$ —	$ 44.3	$ —
Other, net of Heath working capital acquired as of October 1, 1979—			
Cash and marketable securities	55.7	(15.6)	(9.4)
Receivables	13.3	21.4	19.6
Inventories	(14.3)	20.9	14.9
Prepaid expenses	4.1	2.5	.5
Bank loans payable	18.2	(16.3)	10.9
Accounts payable and accrued expenses	(15.5)	(8.8)	.8
Accrued income taxes	3.1	(6.5)	(1.7)
Net current assets of discontinued operations	—	(.2)	(27.3)
Net income in working capital	$ 64.6	$ 41.7	$ 8.3

THE MARLEY COMPANY (OCT)

Consolidated Statements of Changes in Financial Position

	1980	1979	1978
		(Thousands of Dollars)	
Working Capital Provided:			
Net income	$ 20,367	$ 17,965	$17,026
Charges (credits) to income not requiring outlay of funds—			
Depreciation	11,194	6,756	5,117
Deferred taxes on income	(536)	789	255
Deferred employee compensation	847	442	367
Amortization of goodwill and deferred pension liability recognized in business combinations	135	—	—
Working capital provided from operations	$ 32,007	$ 25,952	$22,765
Disposal of plant and equipment	3,532	152	212
Issuance of common stock related to stock option and warrant plans	1,438	196	549
Issuance of preferred stock	42,351	—	—
Increase in shareholders' investment resulting from acquisition	—	—	506
Long-term borrowings	63,000	—	—
Decrease in net assets of discontinued Friedrich Division since date of acquisition	8,179	—	—
Total working capital provided	$150,507	$ 26,300	$24,032

Working Capital Applied:			
Additions to plant and equipment	$ 14,076	$ 8,419	$13,388
Cash dividends	7,485	5,083	5,051
Long-term debt retired	9,860	135	130
Loss on re-issuance of treasury stock	48	—	—
Increase (decrease) in sundry accounts and deposits	256	(562)	1,341
	$ 31,725	$ 13,075	$19,910
Net assets acquired in business combinations, net of working capital acquired of $36,208 in 1980, $1,084 in 1979 and $129 in 1978			
Plant and equipment	$ 75,720	$ 12,000	$ 1,479
Net assets of discontinued Friedrich Division	42,328	—	—
Sundry accounts and deposits	10,721	3,000	64
Goodwill	7,009	—	—
Long-term debt	(48,813)	—	—
Deferred liabilities	(6,781)	—	—
	$ 80,184	$ 15,000	$ 1,543
Total working capital applied	$111,909	$ 28,075	$21,453
Increase (Decrease) in Working Capital	$ 38,598	$ (1,775)	$ 2,579

	1980			1979	1978
	Acquired Businesses at Date of Acquisition	Operating Changes	Net Changes During Year		
Increase (Decrease) in Working Capital From Change in:					
Cash	$ 1	$ 3,737	$ 3,738	$ (144)	$ 31
Marketable securities	—	(3,981)	(3,981)	(17,918)	(15,036)
Customer receivables	34,869	5,274	40,143	19,379	8,953
Inventories	59,922	(2,977)	56,945	13,939	6,576
Bank overdrafts	(1,754)	(5,175)	(6,929)	52	(739)
Notes payable	(12,942)	11,088	(1,854)	(845)	—
Accounts payable	(21,936)	9,170	(12,766)	(3,430)	(2,934)
Customer advances	—	(6,045)	(6,045)	(2,652)	(502)
Employee compensation and other accrued expenses	(9,281)	(2,791)	(12,072)	(6,104)	(470)
Accrued taxes on income	(11,981)	(3,838)	(15,819)	(4,047)	6,665
Current maturities of long-term debt	(690)	(2,072)	(2,762)	(5)	35
	$36,208	$ 2,390	$38,598	$ (1,775)	$ 2,579

Analysis Presented in a Tabulation Apart From Statement

RUSS TOGS, INC. (JAN)

Consolidated Statement of Changes in Financial Position

	1981	1980	1979
		($000)	
Working capital was provided by:			
Operations			
Net earnings	$ 9,079	$ 8,518	$ 6,346
Eliminate items not affecting working capital:			
Depreciation and amortization	1,355	1,336	920
Noncurrent deferred income taxes	235	894	761
(Gain) or loss on sale of property and equipment	(3)	54	171
Other			23
Total provided by operations	10,666	10,802	8,221
Other:			
Acquired net assets of The Sutton Companies (after deducting $1,457,000 excess of fair value of net assets acquired over purchase price)			9,680
Less noncurrent assets acquired net of $514,000 noncurrent debt assumed			(4,069)
Less cash payments to shareholders of The Sutton Companies			(4,669)
Total			942
Sale of property and equipment	15	220	400
Decrease in other assets	163	21	133
Decrease in investment in direct financing lease	446	629	
Total other	624	870	1,475
Total	11,290	11,672	9,696
Working capital was used for:			
Cash dividends	3,415	3,814	3,851
Additions to property and equipment	1,584	1,446	431
Cost of shares of common stock acquired for treasury	3,468	320	295
Cost of shares of preferred stock acquired and retired		1,081	
Reduction of noncurrent portion of long-term debt	1,819	1,256	385
Total	10,286	7,917	4,962
Net Increase in Working Capital (Note M)	1,004	3,755	4,734
Working capital—beginning of year	54,632	50,877	46,143
Working Capital—End of Year	$55,636	$54,632	$50,877

Note M—Components of Working Capital:

	Fiscal Year Ended		
	Jan 31, 1981	Feb 2, 1980	Feb 3, 1979
		($000)	
The net increases or (decreases) in the components of working capital are:			
Current assets:			
Cash (including certificates of deposit)	$4,506	$1,285	$ 5,622
Short-term notes and bankers' acceptances	(3,108)	(6,489)	(1,120)
Accounts receivable (net)	879	3,065	3,374
Inventories	(2,986)	6,327	8,971
Prepaid expenses and other current assets	(104)	351	357
Total	(813)	4,539	17,204
Current liabilities:			
Notes and bankers' acceptances payable		(5,491)	5,491
Accounts payable	(2,131)	2,383	4,950
Accrued expenses and taxes	1,167	2,197	423
Income taxes	(1,420)	850	1,329
Long-term debt—current portion	567	845	277
Total	(1,817)	784	12,470
Net Increase in Working Capital	$1,004	$3,755	$ 4,734

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, thirty-nine Statements on Auditing Standards have been issued; some of which superseded sections of Statement No. 1. In 1981, the Auditing Standards Executive Committee issued *Codification of Statements on Auditing Standards* which is a codification of Statements on Auditing Standards Nos. 1-31.

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

	1980	1979	1978	1977
Independent accountants' report	121	119	126	127
Auditors' report	127	123	120	121
Accountants' report	94	104	106	115
Independent auditors' report	69	70	66	56
Certified public accountants' report	54	53	48	51
Independent certified public accountants' report	58	42	43	33
Auditors' opinion	31	29	28	31
Accountants' opinion	4	5	7	11
Independent accountants' opinion	4	5	7	5
Independent certified public accountants' opinion	5	6	5	5
Other titles	3	6	5	3
No title	30	38	39	42
Total Companies	**600**	**600**	**600**	**600**

TABLE 6-2: ADDRESSEE OF AUDITORS' REPORT

	1980	1979	1978	1977
The Directors (Board of Directors) and Shareholders	457	454	454	438
The Stockholders	79	82	80	79
The Directors	53	56	55	71
The Company	10	8	11	11
Other, or no addressee	1	—	—	1
Total Companies	**600**	**600**	**600**	**600**

ADDRESSEE OF THE AUDITORS' REPORT

Paragraph 8 of *Statement on Auditing Standards No. 2* states:

> The report may be addressed to the company whose financial statements are being examined or to its board of directors or stockholders. A report on the financial statements of an unincorporated entity should be addressed as circumstances dictate, for example, to the partners, to the general partner, or to the proprietor. Occasionally, an auditor is retained to examine the financial statements of a company that is not his client; in such a case, the report customarily is addressed to the client and not to the directors or stockholders of the company whose financial statements are being examined.

Table 6-2 summarizes the addressee mentioned in the Auditors' Reports of the survey companies. The various forms of address are illustrated in the Auditors' Reports presented as examples throughout this section.

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 1980 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.

Effective for fiscal years ending after December 15, 1980, the Securities and Exchange Commission requires that annual reports to stockholders issued in connection with the annual stockholders' meeting include audited statements of income and changes in financial position for each of the 3 most recent fiscal years. Typical wording for an auditors' standard report expressing an opinion on statements of income and changes in financial position for 3 years follows:

We have examined the consolidated balance sheets of ABC Company as of (at) December 31, 19x2 and 19x1, and the related consolidated statements of income, retained earnings and changes in financial position for each of the three years in the period ended December 31, 19x2. 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 ABC Company and Subsidiaries as of (at) December 31, 19x2 and 19x1, and the consolidated results of their operations and changes in financial position for each of the three years in the period ended December 31, 19x2, in conformity with generally accepted accounting principles applied on a consistent basis.

TABLE 6-3: FORMAT OF AUDITORS' REPORT

	1980	1979	1978	1977
Standard report	392	395	378	366
Variations to standard report	122	121	133	155
Modified report	86	84	89	79
Total Companies	**600**	**600**	**600**	**600**
Variations to Standard Report				
Sentence in scope paragraph referring to:				
Examination by other accountants	52	46	47	62
Prior year examination	8	4	11	8
Other	8	3	3	6
Middle paragraph between scope and opinion paragraphs referring to:				
Matter for which opinion qualified	43	42	52	66
Prior year qualification removed	15	20	19	20
Other	3	5	8	5
Sentence or paragraph following opinion paragraph	14	21	14	16
Total Variations	***143**	***141**	***154**	***183**

*Some Auditors' reports had more than one variation.

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.

Examples of auditor's reports relating to items b, e, f, and g are presented in connection with Tables 6-4 and 6-5.

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

To the Shareowners and Board of Directors
Gerber Products Company

We have examined the consolidated statements of financial position of Gerber Products Company and subsidiaries as of March 31, 1980 and 1979, and the related consolidated statements of shareowners' equity, operations 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 a foreign consolidated subsidiary, which statements reflect total assets and net sales each constituting approximately 5% 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 this subsidiary, is based solely on the report of the other auditors.

In our opinion, based upon our examinations and the report of the other auditors, the financial statements referred to above present fairly the consolidated financial position of Gerber Products Company and subsidiaries at March 31, 1980 and 1979, and the consolidated results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Accountants' Report.*

TABLE 6-4: REFERENCES TO OTHER AUDITORS

	1980	1979	1978	1977
Examination by Other Auditors Covers:				
Statements for branch or consolidated subsidiary...	28	28	38	39
Statements of investee only	16	14	12	16
Statements for prior years only	15	8	2	12
Total Companies	**59**	**50**	**52**	**67**

The Shareholders
H. J. Heinz Company:

We have examined the consolidated balance sheets of H. J. Heinz Company and consolidated subsidiaries as of April 30, 1980 and May 2, 1979 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 26% and 23%, respectively, of the related consolidated totals for 1980 (20% for each in 1979). 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 April 30, 1980 and May 2, 1979, 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.*

To the Board of Directors and Shareholders
of Lone Star Industries, Inc.:

We have examined the consolidated balance sheets of Lone Star Industries, Inc. and Consolidated Subsidiaries as of December 31, 1980 and 1979, and the related consolidated statements of income and retained earnings and changes in financial position for each of the three years in the period ended December 31, 1980. 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 foreign subsidiaries and joint venture which financial statements reflect total assets of 14%

of the consolidated assets for 1980 and 1979 and total revenues of 17%, 15% and 18% of the consolidated revenues from continuing operations for 1980, 1979 and 1978, respectively. These financial statements were examined by other public accountants whose reports thereon have been furnished to us. Our opinion expressed herein, insofar as it relates to the amounts included for the foreign subsidiaries and joint venture, is based solely upon such reports.

In our opinion, based upon our examinations and the reports of other public accountants, the consolidated financial statements referred to above present fairly the financial position of Lone Star Industries, Inc. and Consolidated Subsidiaries at December 31, 1980 and 1979, and the results of their operations and changes in their financial position for each of the three years in the period ended December 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.—*Report of Independent Certified Public Accountants.*

Board of Directors and Shareowners
Martin Marietta Corporation

We have examined the consolidated balance sheet of Martin Marietta Corporation and consolidated subsidiaries as of December 31, 1980 and 1979, and the related consolidated statements of earnings, shareowners' equity, and changes in financial position for each of the three years in the period ended December 31, 1980. 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 Martin Marietta Aluminum Inc. and consolidated subsidiaries, which statements reflect total assets constituting 37% in 1980 and 33% in 1979, and total revenues constituting 26% in 1980, 27% in 1979, and 27% in 1978, 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 Martin Marietta Aluminum Inc. and consolidated subsidiaries, is based solely upon the reports of other auditors.

In our opinion, based upon our examinations and the aforementioned reports of other auditors, the financial statements referred to above present fairly the consolidated financial position of Martin Marietta Corporation and consolidated subsidiaries at December 31, 1980 and 1979, and the consolidated results of their operations and changes in their financial position for each of the three years in the period ended December 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.—*Report of Independent Auditors.*

Investees

The Board of Directors and Shareholders
Borg-Warner Corporation:

We have examined the balance sheet of Borg-Warner Corporation and consolidated subsidiaries as of December 31, 1980 and 1979, and the related statements of earnings and changes in financial position for each of the years in the three year period ended December 31, 1980. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the consolidated financial statements of Hughes Tool Company, a non-subsidiary investee. The company's investment in Hughes Tool Company at December 31, 1980 was $98.9 million and its equity in earnings of Hughes Tool Company was $28.5 million for the year then ended. The consolidated financial statements of Hughes Tool Company 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 Hughes Tool Company, is based solely upon the report of the other auditors.

In our opinion, based upon our examinations and the report of other auditors, the aforementioned financial statements present fairly the financial position of Borg-Warner corporation and consolidated subsidiaries at December 31, 1980 and 1979, and the results of their operations and changes in their financial position for each of the years in the three year period ended December 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.

February 7, 1981, except for the investment in Hughes Tool Company as to which the date is March 6, 1981 as set forth in the footnote.

To the Shareholders
and the Board of Directors,
Sun Chemical Corporation:

We have examined the consolidated balance sheet of Sun Chemical Corporation (a Delaware corporation) and subsidiaries as of December 31, 1980, and 1979, and the related consolidated statements of income, shareholders' equity and changes in financial position for each of the three years in the period ended December 31, 1980. 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 Chromalloy American Corporation and Ault & Wiborg Group Limited, affiliates owned 26.6% and 46.6% respectively, which are reflected in the accompanying consolidated financial statements using the equity method of accounting. The equity in net income in these affiliates represents 36%, 30% and 16% of consolidated net income for each of the years ended December 31, 1980, 1979 and 1978, respectively. The financial statements of these affiliates 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 affiliates, is based solely upon the reports of other auditors.

In our opinion, based upon our examinations and the reports of other auditors, the consolidated financial statements referred to above present fairly the financial position of Sun Chemical Corporation and subsidiaries as of December 31, 1980, and 1979, and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.—*Auditors' Report.*

Prior Year Statements

Board of Directors
GATX Corporation
Chicago, Illinois

We have examined the consolidated balance sheets of GATX Corporation and subsidiaries as of December 31, 1980 and 1979, and the related consolidated income statements and statements of consolidated shareholders' equity and changes in financial position for each of the three years in the period ended December 31, 1980. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of American Steamship Company and of General American Transportation International Finance Corporation and subsidiaries (known as the MTL Group of Companies) for the year ended December 31, 1978. These consolidated subsidiaries had total revenues accounting for 24% of the consolidated totals in 1978. 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 those subsidiaries, is based solely upon the reports of other independent auditors.

In our opinion, based upon our examinations and, for 1978, the aforementioned reports of other independent auditors, the consolidated financial statements referred to above present fairly the consolidated financial position of GATX Corporation and subsidiaries at December 31, 1980 and 1979, and the consolidated results of their operations and changes in their financial position for each of the three years in the period ended December 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.—*Report of Independent Auditors.*

To the Shareholders and Board of
Directors of Granger Associates:

We have examined the consolidated balance sheets of Granger Associates and subsidiaries as of August 31, 1980 and 1979 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. We did not examine the 1979 financial statements of Granger Associates Limited, a consolidated foreign subsidiary, which statements reflect assets and revenues constituting 19% and 32%, respectively, of the related consolidated totals. Those statements were examined by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Granger Associates Limited in 1979, is based solely upon the report of such other auditors.

In our opinion, based upon our examinations and the report of other auditors referred to above, the above mentioned consolidated financial statements present fairly the financial position of Granger Associates and subsidiaries at August 31, 1980 and 1979 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.*

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 and accounting principle changes for which the auditors' opinions included in the survey company annual reports were qualified. One of the 29 auditors' opinions qualified as to uncertainties was also qualified as to a scope limitation.

SCOPE LIMITATION

The Board of Directors
and Shareholders
AEL Industries, Inc.

We have examined the consolidated balance sheets of AEL Industries, Inc. at February 29, 1980 and February 23, 1979, and the related consolidated statements of operations, shareholders' equity and changes in financial position for the years then ended. Except as explained in the following paragraph, our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of A.E.L. Israel Limited, an unconsolidated affiliate, have been examined by other independent auditors; insofar as our opinion on the consolidated financial statements relates to data included for A.E.L. Israel Limited, it is based solely on their report. The Company's investment in and advances to A.E.L. Israel Limited is stated at $1,942,444 and $1,607,138, respectively, at February 29, 1980 and February 23, 1979, and the Company's share in the net income (loss) of A.E.L. Israel Limited is stated at $151,000 and $(140,000), respectively, for the years then ended.

As discussed in Note 11 to the consolidated financial statements, the Company is currently investigating possible irregularities in the labor accounting records of one of its divisions. The Company has not made a final determination as to the effect, if any, of this matter on the Company and its financial statements for current and prior years, and we, therefore, have not been able to examine sufficient documentary evidence with respect thereto. In our report dated April 27, 1979, our opinion on the 1979 financial statements was unqualified; however, in view of the matter referred to above, our present opinion on the 1979 financial statements, as presented herein, is different from that expressed in our previous report.

In our opinion, based on our examinations and the reports of other independent auditors referred to above, except for the effects on the consolidated financial statements of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the effect of the matter mentioned above, the financial statements mentioned above present fairly the consolidated financial position of AEL Industries, Inc. at February 29, 1980 and February 23, 1979 and the consolidated results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period except for the changes, with which we concur, in the methods of accounting for the capitalization of interest and the deferral of CATV systems development expense as described in Notes 3 and 4, respectively, to the consolidated financial statements.—*Auditors' Report.*

TABLE 6-5: QUALIFIED OPINIONS

	1980	1979	1978	1977
Uncertainties				
Litigation	18	18	27	29
Going concern	6	5	3	6
Valuation or realization of assets	2	4	14	8
Discontinued operations	2	3	4	5
Other	3	5	8	12
Total Uncertainties	**31**	**35**	**56**	**60**
Total Companies	**29**	**30**	**41**	**47**
Accounting Principle Changes				
LIFO adopted	63	38	13	6
Interest capitalization	55	12	—	—
Compensated absences	17	—	—	—
Investment tax credit	8	7	3	1
Lease capitalization	3	21	54	40
Consolidation policy	3	6	3	4
Other	19	31	19	21
Total Changes	**168**	**115**	**92**	**72**
Total Companies	**136**	**97**	**80**	**65**

UNCERTAINTIES

Statement on Auditing Standards No. 2 states in part:

22. In certain instances, the outcome of matters that may affect the financial statements or the disclosures required therein is not susceptible of reasonable estimation; such matters are to be regarded as uncertainties for purposes of this Statement. When such uncertainties exist, it cannot be determined whether the financial statements should be adjusted, or in what amount.

23. There may be uncertainties with respect to specific matters whose possible effects on the financial statements can be isolated and therefore readily understood. Examples are the recoverability of a deferred cost or the likelihood that a material amount will become collectible or payable because of income tax adjustments or litigation. Also, there may be multiple uncertainties or uncertainties whose possible effects are complex and whose impact on the financial statements consequently is difficult for a reader to assess. Examples of conditions indicating the existence of uncertainties of the latter kind are recurring operating losses, serious deficiencies in working capital, an inability to obtain financing sufficient for continued business operations, and failure to comply with the terms of loan agreements. In some situations an adverse outcome of matters in either category could imperil the continued existence of the entity. In any event, if the effects of the matters on the financial statements could be material, their nature and their possible effects should be disclosed in the statements.

25. In cases involving uncertainties, the auditor should be able to form an opinion whether the financial statement items affected have been stated in conformity with generally accepted accounting principles in all respects other than those contingent on the outcome of the uncertainties. If he is satisfied that they have been so stated, he may appropriately express an opinion qualified by reason of the uncertainties (see paragraphs 35 and 39). If the auditor believes that the financial statement items affected by uncertainties reflect the application of accounting principles that are not generally accepted, he also should modify his report to state his reservations regarding departures from generally accepted accounting principles.

Examples of auditors opinions qualified because of uncertainties follow.

Litigation

To the Stockholders and the Board of Directors
of Alpha Portland Industries, Inc.

We have examined the consolidated balance sheets of Alpha Portland Industries, Inc. and subsidiaries as of December 31, 1980 and 1979, and the related statements of operations, stockholders' equity, and changes in financial position for the years ended December 31, 1980, 1979 and 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. We did not examine the 1980, 1979 and 1978 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 4%, respectively, of the 1980 consolidated totals, 1% of the 1979 consolidated totals and 2% and 3%, respectively, of the 1978 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 other auditors.

As discussed in Note 7 to the financial statements, the Company has been named as a defendant in actions alleging a national conspiracy to fix, maintain and stabilize prices for cement and ready-mixed concrete. It is not possible at present for the Company to predict the outcome or the range of potential loss, if any, which might result from these actions, and no provision for any liability that may result has been made in the financial statements. In our report dated February 15, 1980, our opinion on the 1979 and 1978 financial statements was unqualified; however, in view of the matters referred to above, our present opinion on the 1979 and 1978 financial statements, as presented herein, is different from that expressed in our previous report.

In our opinion, subject to the effects on the 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, based upon our examinations and the reports of other auditors, the financial statements referred to above present fairly the financial position of Alpha Portland Industries, Inc. and subsidiaries at December 31, 1980 and 1979 and the results of their operations and the changes in their financial position for the years ended December 31, 1980, 1979 and 1978, in conformity with generally accepted accounting principles applied on a consistent basis.—*Auditors' Report.*

NOTES TO FINANCIAL STATEMENTS

Note 7 (in part): Contingent Liabilities and Other Matters

Since November 9, 1976, the Company has been served in numerous actions filed against the Portland Cement Association and companies which were members during years prior to the actions, seeking permanent injunctive relief and treble damages in unspecified amounts on behalf of the plaintiff classes, which include substantially all purchasers of cement and cement containing products throughout the United States, based on alleged violation of the antitrust laws in the sale and distribution of cement. The plaintiffs have called into question the entire structure by which they contend cement has been priced and sold in the United States for the past several decades. It is not possible for the Company to predict the outcome or the range of potential loss, if any, which might result from these actions, and no provision for any liability that may result has been made in the financial statements.

To the Stockholders and Board of Directors,
The Firestone Tire & Rubber Company:

We have examined the balance sheets of The Firestone Tire & Rubber Company and consolidated subsidiaries at October 31, 1980 and 1979, and the related 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.

As set forth in Note 17 to the financial statements, the Company is a party to various legal and other actions. These actions claim substantial amounts as a result of alleged tire defects and other matters. The ultimate liability resulting from these matters cannot be reasonably estimated.

In our opinion, subject to the effects on the financial statements of adjustments that might have been required had the outcome of the matters referred to in the preceding paragraph been known, the financial statements referred to above present fairly the financial position of The Firestone Tire & Rubber Company and consolidated subsidiaries at October 31, 1980 and 1979, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Report of Independent Certified Public Accountants.*

NOTES TO FINANCIAL STATEMENTS

Dollars in millions, except per share amounts.

Note 17: Contingent liabilities

Twelve purported consumer commercial class actions (one of which consolidates five previous actions) are presently pending against the Company in various state and federal courts. In the purported class actions, the named plaintiffs are requesting, on behalf of claimed classes of consumers, six national in scope, five state-wide, and one city-wide, various forms of injunctive and monetary relief, including punitive damages, as a result of the Company's having manufactured and sold allegedly defective Steel Belted Radial 500 and other steel belted radial passenger tires.

The complaints in these cases define the classes of persons sought to be represented to include very broad and heterogeneous memberships with various kinds of potential claims under the Magnuson-Moss Act, and under state warranty, consumer protection and other laws.

In all of the twelve actions the complaints pray for actual or compensatory damages such as recovery of the purchase price of the tires, or damages for injury to person or property, in amounts ranging from amounts to be determined at trial to over $2 billion. Ten of the complaints request punitive damages ranging to as much as $300 million on behalf of the class sought to be represented. Many of the complaints also include requests for equitable relief in the form of rescission of tire purchase transactions, recall and free replacement of the tires and other types of relief.

In addition to the class actions, there are approximately one thousand individual claims pending against the Company for damages allegedly connected with steel belted radial passenger tires, the majority of which involve minor property damage of only a few hundred dollars. Several hundred of these claims are, however, the subject of pending litigation and in most of these cases the compensatory damages sought for wrongful death, personal injuries, or property damage are substantial. Punitive damages are sought in many of the cases.

The Company is also a defendant in approximately one hundred and fifty lawsuits that seek damages for personal injuries, wrongful death, or property damage arising from alleged malfunctions of multi-piece truck wheel components and rims manufactured by the Company. Many of these cases seek substantial compensatory as well as punitive damages. Additionally, various other product liability lawsuits and other suits and claims are pending against the Company.

The Company is a defendant in two purported class actions which seek, among other things, recovery for losses by stockholders who purchased the Company's common stock between December 1975 and July 1978 by reason of the decline in market price for such stock alleged to result from the Company's alleged failure to make proper disclosure of, among other things, the steel belted radial passenger tire situation.

In March, 1979, the United States brought an action seeking recovery against the Company in the amount of approximately $62 million by reason of alleged illegal gold trading activity in Switzerland. The trial of this action occurred in October, 1980, but no decision has as yet been rendered.

Following a federal grand jury investigation into the Company's income taxes, the Company entered into a plea agreement in July 1979 under which the Company pleaded guilty to two counts charging the inclusion in its taxable income for 1972 and 1973 amounts that had been generated in prior years; the court imposed a total fine of ten thousand dollars on the Company by reason of its plea. A civil tax audit by the Internal Revenue Service is currently in progress covering some of the same matters investigated by the grand jury as well as other matters. The government may assess substantial tax, interest and penalties in connection with the matters under investigation.

The Securities and Exchange Commission is conducting an investigation of the adequacy of the Company's disclosures in earlier years concerning the Steel Belted Radial 500 tire, and the Company is included in an industry-wide investigation by the National Highway Traffic Safety Administration regarding truck multi-piece wheels and rims.

The Company has various other contingent liabilities, some of which are for substantial amounts, arising out of suits, investigations and claims related to other aspects of the conduct of its business and based upon various legal theories.

The eventual outcome of the contingencies described above cannot be predicted, and the ultimate liability with respect to them cannot be reasonably estimated. Since the minimum potential liability for a substantial portion of the claims and suits described in this note cannot be reasonably estimated, no liability for them has been recorded in the financial statements. Management believes, however, that the disposition of these contingencies could well be very costly. Although the Company's management, including its General Counsel, believes it is unlikely that the ultimate outcome of these contingencies will have a material adverse effect on the Company's consolidated financial position, such a consequence is possible if substantial punitive or other damages are awarded in one or more of the cases involved.

Board of Directors and Shareholders
Raybestos-Manhattan, Inc.

We have examined the consolidated balance sheets of Raybestos-Manhattan, Inc. and Subsidiaries as of December 28, 1980 and December 30, 1979, and the related consolidated statements of operations, changes in shareholders' equity and changes in financial position for each of the fifty-two weeks in the three-year period ended December 28, 1980. 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 Note I to the consolidated financial statements, the Company is a party to numerous lawsuits seeking substantial damages relating to exposure to airborne asbestos fibers. The ultimate liability resulting from these lawsuits cannot be reasonably estimated. In our report dated February 4, 1980, our opinion on the consolidated financial statements for the fifty-two weeks ended December 30, 1979 and December 31, 1978, was unqualified. However, due to the increased uncertainties that have developed with respect to the above matter, our present opinion on the financial statements for the fifty-two weeks ended December 30, 1979 and December 31, 1978, as presented herein, is different from that expressed in our previous report.

In our opinion, subject to the effects on the financial statements of such adjustments, if any, that might have been required had the outcome of the matter discussed in the previous paragraph been known, the financial statements referred to above present fairly the consolidated financial position of Raybestos-Manhattan, Inc. and Subsidiaries at December 28, 1980 and December 30, 1979, and the consolidated results of their operations and changes in their financial position for each of the fifty-two weeks in the three-year period ended December 28, 1980, in conformity with generally accepted accounting principles consistently applied during the periods after giving retroactive effect to the change, with which we concur, in the presentation of the consolidated statement of changes in financial position described in Note P and except for the changes in 1980, with which we concur, in the methods of accounting for inventory costs and pension expense, as described in Notes B and C, respectively, to the consolidated financial statements.—*Auditors' Report.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note I—Litigation

Asbestos has been utilized in the Company's factories and many of the Company's products. Plant workers, users of products and other persons have brought numerous lawsuits against the Company, and others, seeking substantial damages for alleged wrongful death or injury resulting from exposure to airborne asbestos fibers. As of year end, there were approximately 5,213 of these complaints pending against the Company (2,240 at year end 1979) with approximately 594 cases having been settled or dismissed previously. There have been approximately 44 favorable summary judgments, 145 dismissals and 4 trial verdicts, two for the Company. Cases have been settled at an average cost of approximately $11,500, which, except for liabilities and expenses applicable to periods of exposure prior to September 26, 1951, have been substantially covered by insurance. Since year end and through February 20, 1981, approximately 500 additional complaints have been filed.

A conflict exists within the insurance industry over two theories of insurance coverage applicable to these cases. In the last quarter of 1980 a federal appellate court rendered a decision supporting the "exposure" theory. In January, 1981 a lower federal court did likewise. Although these decisions do not represent binding precedents on the courts of other jurisdictions, they may serve as persuasive authority in support of the "exposure" theory.

If "exposure" is finally determined to be the applicable insurance theory, substantial uncertainty exists as to the Company's potential uninsured liability related to these complaints. The uncertainties include:

(a) Current inability of the Company to document the carrier, nature and extent of its insurance coverage prior to September 26, 1951.

(b) The adequacy of the Company's insurance coverage for the period September 26, 1951 to May 18, 1962, which was $1,000,000 in the aggregate for each policy year.

(c) The number of complaints which may ultimately be filed against the Company.

(d) The periods of exposure in respect to complaints which have been and may ultimately be filed against the Company.

During 1980, the number of complaints filed against the Company increased significantly as did the cost of settlements and defense-related expenses. It is not possible to quantify, at this time, the magnitude of the Company's ultimate liability, if any, for pending and unfiled asbestos-related complaints and the impact of such liability on the Company's consolidated financial position and results of operations.

During 1980, the Company made an accrual of $1,252,000 based on an estimated liability for asbestos litigation settlements and expenses for cases closed applicable to exposure periods prior to September 26, 1951 paid for by its insurance carrier but which may be billed to the Company under the "exposure" theory. Note S.

The Company has taken vigorous steps to defend itself against these complaints. It continues to search for documentation to support insurance coverage prior to September 26, 1951.

The Company has also been named with others as a defendant in a lawsuit filed in federal court by about fifty present and former employees (and certain members of their families) at its Manheim, Pennsylvania, plant seeking damages in the amount of $66 million for alleged injuries resulting from exposure to airborne asbestos fibers. The Company has recently filed a petition for leave to appeal the court's denial of the Company's motion for summary judgment and dismissal of this suit as a matter of law on the basis of workers' compensation being the exclusive remedy for these plaintiffs. On the advice of its counsel, the Company believes that its ultimate liability, if any, is substantially less than claimed by the plaintiffs and that it has meritorious defenses to this action.

Additionally, other than ordinary routine litigation incidental to the business, other legal proceedings pending against the Company include an antitrust action, a suit challenging the Company's offset of workers' compensation payments from retirement benefits, and several age discrimination claims by discharged employees. In management's opinion, the eventual disposition of these matters will have no material adverse effect on the Company's consolidated financial position and results of operations.

Going Concern

Board of Directors
McLouth Steel Corporation
Detroit, Michigan

We have examined the consolidated balance sheets of McLouth Steel Corporation and subsidiaries as of December 31, 1980 and 1979, and the related consolidated statements of operations, retained earnings and changes in financial position for each of the three years in the period ended December 31, 1980. 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 Corporation has pending the sale of its Stainless Steel Division (see Note C) and the deferred funding of accrued pensions (see Note D), both of which are unresolved elements of a financing plan, described in Note B, to obtain additional working capital to permit realization of assets and satisfaction of liabilities in the ordinary course of business.

In our opinion, subject to the effects on the 1980 financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainties referred to in the preceding paragraph been known, the financial statements referred to above present fairly the consolidated financial position of McLouth Steel Corporation and subsidiaries at December 31, 1980 and 1979, and the consolidated results of their operations and changes in their financial position for each of the three years in the period ended December 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.

Detroit, Michigan
February 14, 1981, except as to Note B,
which is dated March 19, 1981

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note B (in part): Debt Arrangements and Liquidity

The significant 1980 operating loss reduced the Corporation's working capital below the minimum required under former debt arrangements. The Corporation's operating plan for 1981 contemplates a reduced loss from operations (attainment of which is subject to various uncertainties, including revenue from automobile industry markets) and indicates a need to obtain additional working capital to permit the realization of assets and satisfaction of liabilities in the ordinary course of business. This need led to the development of a financing plan which includes among its principal elements the sale of assets (referred to in Note C), deferred funding of accrued pensions (see Note D), additional bank borrowings and a moratorium on principal payments to term lenders to April 30, 1982.

On March 19, 1981, the Corporation entered into a revised bank credit agreement under which the Corporation obtained $20,000,000 from issuance of secured notes resulting in a total outstanding principal amount of $50,000,000. The notes bear interest at 106 percent of the prevailing prime rate.

Also on March 19, 1981, the term lenders and the Corporation executed a supplemental indenture allowing deferral of $10,950,000 of sinking fund payments otherwise becoming due during the period from February 1, 1981, to April 30, 1982. Interest on the amounts to be deferred accrues from March 19, 1981 generally at 106 percent of the prime interest rate (which is expected to exceed the note coupon rates). The deferred amounts have been classified as long-term at December 31, 1980.

The debt agreements, among other provisions, require the Corporation to maintain minimum working capital of $18,000,000, tangible net worth of $107,500,000, current assets (as defined) of $145,000,000 and prohibits the declaration of preferred and common dividends and purchases of its own capital stock. In addition, the Corporation must maintain compensating balances of 10 percent of the average outstanding secured notes to banks or pay a balance deficiency fee.

The bank credit agreement also provides, upon the sale of the Stainless Steel Division, that a cash collateral account be funded with proceeds in excess of $12,500,000, with a minimum of $10,000,000. Under certain circumstances, the Corporation is required thereafter to place excess cash, as defined, in this account. The funds in the cash collateral account are restricted through April 30, 1982, and become available for general corporate purposes thereafter, in the absence of defaults. The first $12,500,000 of Stainless Steel Division proceeds is to be applied by a trustee to capital expenditures of the Corporation and if not expended, held as collateral for the term lenders.

Annual principal payments due on long-term debt, after giving effect to the deferrals referred to above, for the next five years are as follows:

	Debt Maturities	
Year	At December 31, 1980, after giving effect to deferred maturities	Adjusted for $20,000,000 of subsequent borrowings
1981	$ 4,236,000	$ 4,236,000
1982	25,028,000	45,028,000*
1983	43,216,000	43,216,000*
1984	13,207,000	13,207,000
1985	13,663,000	13,663,000

*Includes maturities of $20,000,000 on April 30, 1982, and $30,000,000 on April 30, 1983. These maturities and deferred sinking fund payments of $10,950,000 becoming due on April 30, 1982, are expected to require the Corporation to seek further modifications of maturities or other financing.

To the Board of Directors of
Morse Electro Products Corp.:

We have examined the consolidated balance sheets of Morse Electro Products Corp. and Subsidiaries as of March 31, 1980 and 1979, the related consolidated statements of operations and deficit, paid-in capital and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Morse Electro Products (Canada) Corp. Ltd. for 1980 and 1979, a wholly owned subsidiary, which statements reflect total assets and net sales constituting 15.4% and 12.9%, respectively, for 1980 and 10.7% and 8.7% respectively, for 1979, of the related consolidated totals. These statements were examined by another auditor whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for such subsidiary, is based solely upon the report of the other auditor appearing elsewhere herein.

The aforementioned consolidated financial statements have been prepared on a going-concern basis which contemplates continuity of operations and realization of assets and liquidation of liabilities in the ordinary course of business. Because of significant operating losses, the Company's ability to continue as a going concern is dependent upon the attainment of future profitable operations.

In our report dated June 14, 1979, our opinion on the consolidated financial statements for 1979 was qualified, in part, for the uncertainty with respect to the outcome of a contested Internal Revenue Service assessment of $522,000, exclusive of interest and related state and local taxes. The assessment was settled for $144,000, including interest and related state and local taxes. Accordingly, our present opinion on the consolidated financial statements for 1979, as presented herein, is different from that expressed in our previous report.

In our opinion, based upon our examinations and the report of the other auditor, and subject to the effect of such adjustment if any, to the financial statements as would have been required had the outcome of the uncertainty referred to in the second paragraph above been known, the aforementioned consolidated financial statements present fairly the consolidated financial position of Morse Electro Products Corp. and Subsidiaries as of March 31, 1980 and 1979, and the consolidated results of their operations and the changes in their consolidated financial position for the years then ended, all in conformity with generally accepted accounting principles applied on a consistent basis.—*Report of Independent Certified Public Accountants.*

Realization of Assets

Board of Directors and Shareholders
Lockheed Corporation

We have examined the consolidated balance sheets of Lockheed Corporation at December 28, 1980 and December 30, 1979 and the related consolidated statements of earnings, redeemable preferred stock, common stock, and other shareholders' equity and changes in financial position for each of the three years in the period ended December 28, 1980. 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 note, "L-1011 TriStar Program," the recovery of L-1011 TriStar deferred charges aggregating $280.2 million at December 28, 1980 continues to be dependent on future developments.

In our opinion, subject to the effects of such adjustments, if any, as might have been required if the outcome of the TriStar matter referred to in the preceding paragraph were known, the statements mentioned above present fairly the consolidated financial position of Lockheed Corporation at December 28, 1980 and December 30, 1979 and the consolidated results of operations and changes in financial position for each of the three years in the period ended December 28, 1980, in conformity with generally accepted accounting principles applied on a consistent basis during the period.—*Report of Certified Public Accountants.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

L-1011 TriStar Program (in part)

The Consolidated Financial Statements include significant inventories and deferred charges related to the L-1011 TriStar program as discussed below:

Inventories—L-1011 TriStar inventories are stated at the lower of the production cost of aircraft in process of manufacture or estimated net realizable value. Estimated net realizable value is based on projections of costs to complete, selling prices, and other factors, such as production rates. Therefore, such realizable value cannot be determined with precision and is subject to revision as later information affecting such projections becomes available.

L-1011 TriStar inventories, substantially all of which are covered by firm orders, were as follows (in millions of dollars):

	December 28, 1980	December 30, 1979
Work in process	$ 736	$637
Materials and spare parts	168	107
Advances to subcontractors	98	71
Gross inventories	1,002	815
Less customer advances	367	327
Net inventories	$ 635	$488

L-1011 TriStar Deferred Charges and Related Uncertainties—Deferred initial planning and tooling costs on the basic L-1011 and Dash 500 TriStar models and unrecovered production start-up costs related to the basic L-1011 TriStar model are stated at cost net of amortization. The cost is being amortized through 1985 on a straight-line basis.

Management believes that production and deliveries of L-1011 TriStars will extend at least into the late 1980s and that, based on currently projected sales and manufacturing costs, the gross profit on future L-1011 TriStar deliveries will be sufficient to recover the unamortized planning and tooling and unrecovered start-up costs as of December 28, 1980. Such recovery, however, is dependent upon the number of aircraft ultimately sold, continuity and rate of production, and actual selling prices and costs. While projected sales and manufacturing costs take into account factors such as expected sales price level increases and anticipated production costs, all such factors are subject to variations, and many of them are beyond Lockheed's control. Consequently, these factors cannot be quantified with precision, and these estimates are subject to periodic revisions. If future assessments indicate that any such unamortized costs would not be recoverable, Lockheed would be required to charge to earnings immediately any such costs determined to be unrecoverable.

Discontinued Operations

The Board of Directors and Stockholders
of Esmark, Inc.:

We have examined the consolidated statement of financial position of Esmark, Inc. at October 25, 1980 and October 27, 1979 and the related consolidated statements of earnings, common stock and other 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 accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed under "Restructuring program" on page 19, the amount necessary to provide for pension and related health care obligations of operations subject to disposition, the amounts to be received on disposition of certain properties and the income tax effects of certain matters, all related to the Company's 1980 restructuring program, are not fully determinable at the present time.

In our opinion, subject to the effects on the 1980 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 financial statements mentioned above present fairly the consolidated financial position of Esmark, Inc. at October 25, 1980 and October 27, 1979 and the consolidated results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period after restatement of the financial statements for 1979 to give retroactive effect to the change, with which we concur, in the method of accounting for oil and gas exploration and development activities described under "Principal Accounting Policies" on page 29.—*Report of Certified Public Accountants.*

FINANCIAL COMMENTS

Restructuring program (in part)

On June 26, 1980 the Board of Directors approved a program to restructure the Company. The program includes dispositions which signifficantly affect the nature and size of Esmark's operations.

The operating data and net assets of operations subject to disposition have been segregated in the accompanying consolidated financial statements; unless otherwise stated, financial comments are applicable only to ongoing operations. Revenues of operations subject to disposition were $3,189.6 million in the nine months ended July 26, 1980 and $4,155.3 million in the fiscal year 1979.

* * *

The net gain on restructuring reflects estimates of the costs of plant closings and other costs to be incurred in the completion of the restructuring program. Management estimates that these costs, which consist primarily of severance pay, pension and related health care plan benefits and losses on disposal of property and operating facilities, will aggregate $179.0 million after related income tax benefits of $107.0 million.

The net assets of operations subject to disposition, in millions of dollars, are as follows:

	1980	1979
Current assets	$223.5	$516.2
Current liabilities	(72.9)	(178.2)
Portion of net noncurrent assets of operations under contract to be sold	3.4	104.7
Net current assets	154.0	442.7
Investments and other assets	6.1	6.3
Property and operating facilities—net	90.5	397.2
Long-term debt	(55.8)	(62.1)
Other—net	(.1)	(22.5)
Net noncurrent assets	40.7	318.9
Total net assets	$194.7	$761.6

The amount necessary to provide for pension and related health care obligations of operations subject to disposition, the amounts to be received on disposition of certain properties and the income tax effects of certain matters, all related to the Company's restructuring program, are not fully determinable at the present time.

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 . . .

As shown in Table 6-5, there was a significant increase in the number of auditors' opinions qualified as to consistency. This increase was due in part to a Securities and Exchange Commission requirement that, effective for fiscal years ending after December 15, 1980, an annual report to stockholders include audited statements of income and changes in financial position for 3 years. Of the 168 changes in accounting principle necessitating a consistency qualification, 43 were changes made in the 1979 fiscal year. Examples of auditors' opinions qualified as to consistency follow.

LIFO Adopted

The Board of Directors and Stockholders
General Signal Corporation:

We have examined the balance sheets of General Signal Corporation and consolidated subsidiaries as of December 31, 1980 and 1979 and the related statements of earnings, stockholders' equity and changes in financial position for each of the years in the three year period ended December 31, 1980. 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 financial position of General Signal Corporation and consolidated subsidiaries at December 31, 1980 and 1979 and the results of their operations and the changes in their financial position for each of the years in the three year period ended December 31, 1980, in conformity with generally accepted accounting principles consistently applied during the period, except for the change, with which we concur, in the method of valuing inventories as discussed in note 2 to the financial statements.—*Report of Independent Certified Public Accountants.*

NOTES TO FINANCIAL STATEMENTS

(dollars in thousands)

Note 2: Inventories

The Company changed its method of valuing certain domestic inventories in 1979 to the last-in, first-out (LIFO) method. The change in method was made to achieve a better matching of current costs with current revenues in determining earnings. The effect of the change was to reduce 1979 net earnings of the Company by approximately $4,100 or $0.17 per share. Pro forma amounts for prior years from retroactively applying LIFO and the cumulative effect of the change on retained earnings at the beginning of 1979 are not determinable.

LIFO inventories amounted to approximately $139,100 and $144,900 at December 31, 1980 and 1979, respectively. During 1980, LIFO inventory quantities were reduced, resulting in a liquidation of items carried at lower costs prevailing in prior years; the effect on 1980 net income was not significant. Current cost, which approximates FIFO cost, exceeds LIFO cost by approximately $22,483 at December 31, 1980 and $11,475 at December 31, 1979.

Board of Directors and Shareholders
Eli Lilly and Company
Indianapolis, Indiana

We have examined the consolidated balance sheets of Eli Lilly and Company and subsidiaries as of December 31, 1980 and 1979, and the related consolidated statements of income and reinvested earnings and changes in financial position for each of the three years in the period ended December 31, 1980. 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 consolidated financial position of Eli Lilly and Company and subsidiaries at December 31, 1980 and 1979, and the consolidated results of their operations and changes in the financial position for each of the three years in the period ended December 31, 1980, in conformity with generally accepted accounting principles consistently applied during the period except for the changes, with which we concur, in the methods of determining inventory costs and accounting for interest costs as described in Note B to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note B—Accounting Changes

Inventories: The Company values its inventories at the lower of cost or market. Effective January 1, 1980, 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 approximately 90 percent of its inventories in the continental United States (approximately 60 percent of total inventories). 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 effect of the change was to reduce inventories by $35.2 million at December 31, 1980, and reduce net income for the year by $17.8 million ($.24 per share). Since the December 31, 1979, inventory valued at FIFO is the opening LIFO inventory, there is no cumulative effect on reinvested earnings at December 31, 1979, and it is not appropriate to determine pro forma effects on income of prior years.

The Company uses the dollar-value method of computing LIFO inventories; therefore, it is not practicable to present the components of inventory on a LIFO basis. Inventories at December 31, 1979 and 1980, consisted of the following:

	1980	1979
	(Millions)	
Finished products	$253.3	$196.8
Work in process	223.5	200.2
Raw materials and supplies	230.9	215.6
	707.7	$612.6
Less reduction to LIFO cost	35.2	
	$672.5	

Interest Costs: Effective January 1, 1980, the Company changed its method of accounting for interest costs to comply with Financial Accounting Standards Board Statement No. 34. The Company previously followed the policy of expensing all interest costs as incurred. As a result of the change, interest costs incurred during 1980 of $17.2 million have been capitalized as part of the cost of newly constructed facilities. This accounting change increased net income for 1980 by $9.8 million ($.13 per share). In accordance with FASB Statement No. 34, the prior years' financial statements have not been restated.

McCormick & Company, Incorporated
and Consolidated Subsidiaries

We have examined the consolidated balance sheets of McCormick & Company, Incorporated and its consolidated subsidiaries as of November 30, 1980 and 1979 and the related statements of consolidated income and retained earnings and of changes in consolidated financial position for each of the three years in the period ended November 30, 1980. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of the companies at November 30, 1980 and 1979 and the results of their operations and the changes in their financial position for each of the three years in the period ended November 30, 1980, in conformity with generally accepted accounting principles applied on a consistent basis, except for the change, with which we concur, in 1980 to the last-in, first-out method of valuing vanilla inventory as described in Note 13 to the financial statements.—*Auditors' Opinion.*

NOTES TO FINANCIAL STATEMENTS

Note 13: Change in Accounting Method for Vanilla Inventory: In the fourth quarter of 1980, the Company changed from the first-in, first-out (FIFO) method to the last-in, first-out (LIFO) method of valuing vanilla inventory effective from December 1, 1979. The Company believes the LIFO method is preferable because it more closely matches the current cost of vanilla beans, which has fluctuated widely in the world market during the past two years, with current selling prices of vanilla products. The change reduced 1980 net income by $3,666,000 or $.32 per common share.

There was no cumulative effect of the change on prior years since the November 30, 1979, vanilla inventory valuation under the FIFO method is the same as the beginning inventory under LIFO.

To the Shareholders of SCOA Industries Inc.

We have examined the consolidated balance sheets of SCOA Industries Inc. and Subsidiaries as of January 31, 1981 and January 26, 1980, and the related consolidated statements of income, retained earnings, and changes in financial position for the years ended January 31, 1981, January 26, 1980, and January 27, 1979. 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 SCOA Industries Inc. and Subsidiaries as of January 31, 1981 and January 26, 1980, and the consolidated results of operations and changes in financial position for the years ended January 31, 1981, January 26, 1980, and January 27, 1979, in conformity with generally accepted accounting principles applied on a consistent basis, except for the change, with which we concur, in the method of accounting for inventories as described in the "Accounting Change" note to the financial statements.—*Report of Independent Accountants.*

NOTES TO FINANCIAL STATEMENTS

Accounting change

During the fourth quarter of fiscal 1980, the Company changed its methods of valuing substantially all (93%) its inventories from lower of cost or market under the first-in, first-out or retail methods to lower of cost or market under the last-in, first-out (LIFO) method. This change in inventory valuation method was made to more closely match current costs with current revenues. The remaining inventories (7%) continue to be valued at lower of cost or market, utilizing the first-in, first-out method.

As a result of the change in valuation methods during 1980, the carrying value of the Company's inventories at January 31, 1981, was reduced by $1,548,000 and net income for the year then ended was reduced by $1,158,000 after related income taxes ($.12 per share), $366,000 ($.04 per share) of which was attributable to the fourth quarter of fiscal 1980. Since the change to the LIFO method was effective for the entire fiscal year, the previously reported results for the first three quarters of fiscal 1980 have been restated as follows:

	First Quarter (Apr 26)	Second Quarter (July 26)	Third Quarter (Oct 25)
Net income as previously reported	$1,080,000	$1,372,000	$6,032,000
Effect of change to LIFO	(231,000)	(252,000)	(309,000)
Net income as restated	$ 849,000	$1,120,000	$5,723,000
Earnings per share as previously reported	$ .11	$ .14	$ .61
Effect of change to LIFO	(.02)	(.03)	(.03)
Earnings per share as restated	$ .09	$ .11	$ .58

There is no cumulative effect of the change in inventory valuation methods as of the beginning of the year nor is it possible to determine pro forma results for the prior year, since the prior year's ending inventory determined under the first-in, first-out or retail methods is considered to be beginning inventory for the current fiscal year under the LIFO method.

Interest Capitalization

To the Shareholders of American Can Company:

We have examined the statement of financial position of American Can Company and Consolidated Subsidiaries as of December 31, 1980 and 1979, and the related statements of income and earnings reinvested and changes in financial position for each of the three years in the period ended December 31, 1980. 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 American Can Company and Consolidated Subsidiaries at December 31, 1980 and 1979, and the results of their operations and changes in their financial position for each of the three years in the period ended December 31, 1980, in conformity with generally accepted accounting principles which have been consistently applied during the periods after the restatement for the change in 1980 in the presentation of the statement of changes in financial position and except for the adoption in 1979 of the policy of capitalizing interest cost, both with which we concur, as described in Notes 1 and 15 to the financial statements.—*Report of Independent Certified Public Accountants.*

NOTES TO FINANCIAL STATEMENTS

(In millions of dollars except per share amounts)

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

Change in Presentation

In 1980 the Company changed its presentation of the Statement of Changes in Financial Position from an analysis of the change in working capital to an analysis of the change in cash and short-term investments in order to more clearly reflect cash flow. The 1979 and 1978 Statements have been restated to conform to this presentation.

Note 15: Capitalization of Interest

In 1979 the Financial Accounting Standards Board issued an accounting standard on the capitalization of interest. As a result, the Company changed its policy regarding interest on funds borrowed to finance the acquisition of major property, plant and equipment. Since January 1, 1979, this interest has been added to the cost of the property up to the time the facility begins operations. The effect of this change was to decrease interest expense by $17.7 and $9.9 and increase net income by $9.0 ($.47 per share) and $5.0 ($.26 per share) for 1980 and 1979, respectively.

To the Board of Directors and Stockholders,
American Maize-Products Company:

We have examined the consolidated balance sheets of American Maize-Products Company and its Subsidiaries as of December 31, 1980 and 1979, and the related consolidated statements of income and retained earnings and changes in financial position for the years ended December 31, 1980, 1979 and 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.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of American Maize-Products Company and its Subsidiaries at December 31, 1980 and 1979, and the consolidated results of their operations and changes in their financial position for the years ended December 31, 1980, 1979 and 1978, in conformity with generally accepted accounting principles which have been consistently applied during the periods, except as to the adoption, with which we concur, of the policy of capitalizing interest costs as described in Note 4 to the financial statements.—*Auditors' Report.*

NOTES TO FINANCIAL STATEMENTS

Note 4: Accounting Change

Effective January 1, 1980, in accordance with a Statement of Financial Accounting Standards, the Company adopted on a prospective basis the policy of capitalizing interest on funds borrowed to finance the acquisition or construction of major fixed assets. In 1980, $475,000 of interest costs was capitalized which increased net income by $257,000 ($.05 per share).

Compensated Absences

To the Shareholders and the Board of Directors of
Foote Mineral Company:

We have examined the consolidated balance sheets of Foote Mineral Company (a Pennsylvania Corporation and a subsidiary of Newmont Mining Corporation) and subsidiaries as of December 31, 1980 and 1979, and the related statements of income, shareholders' equity and changes in financial position for the years ended December 31, 1980, 1979 and 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.

In our opinion, the financial statements referred to above present fairly the financial position of Foote Mineral Company and subsidiaries as of December 31, 1980 and 1979, and the results of their operations and the changes in their financial position for each of the years ended December 31, 1980, 1979 and 1978, 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 compensated absences required by Statement of Financial Accounting Standards No. 43 explained in Note 1 to the financial statements.—*Auditors' Report.*

NOTES TO FINANCIAL STATEMENTS

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

Accounting Change—In 1980, the Company changed its method of accounting for vacation pay in compliance with new Statement of Financial Accounting Standards No. 43. Financial statements for the years 1979 and 1978 have been restated to reflect the change in accounting for vacation pay. The restatement has resulted in a reduction in net earnings for the years ended December 31, 1979 and 1978 of $144,000 ($.02 per common share) and $125,000 ($.02 per common share), respectively, and a charge to January 1, 1978 retained earnings of $1,106,000.

Mount Vernon Mills, Inc.:

We have examined the consolidated balance sheets of Mount Vernon Mills, Inc. and subsidiaries as of December 31, 1980 and 1979 and the related statements of consolidated income and retained earnings and of changes in consolidated financial position for each of the three years in the period ended December 31, 1980. 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 the companies at December 31, 1980 and 1979 and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1980, 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 compensated absences as discussed in Note 4.—*Auditors' Opinion.*

NOTES TO FINANCIAL STATEMENTS

Note 4: Accounting Change—Compensated Absences

In response to an accounting standard issued by the Financial Accounting Standards Board during 1980, the Company began accounting for employee vacation benefits as they are earned, whereas in prior years such benefits were accounted for in the period when they were paid. The accounting change had no effect on income in 1980 or on income previously reported for 1979 and 1978. In accordance with provisions of the new accounting standard, the beginning balance of retained earnings for 1978, has been reduced by $237,600, the effect (net of income taxes) of applying the new method of accounting retroactively.

To the Shareholders and the Board of Directors of Pratt & Lambert, Inc.:

We have examined the consolidated balance sheets of Pratt & Lambert, Inc. and its subsidiaries as of December 31, 1980 and 1979 and the related statements of consolidated income and retained earnings and of changes in consolidated financial position for each of the three years in the period ended December 31, 1980. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such consolidated financial statements present fairly the financial position of the companies at December 31, 1980 and 1979 and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1980, 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 vacation pay as described in Note A to the financial statements.—*Auditors' Opinion.*

NOTES TO FINANCIAL STATEMENTS

Note A (in part): Accounting Policies

Vacation Pay—In 1980, the company fully adopted the provisions of Statement 43 of The Financial Accounting Standards Board which sets forth the criteria for accounting for compensated absences. In accordance with the pronouncement, the company is accruing for vested and nonvested vacation pay. Previously, the company utilized the acceptable alternative accounting practice of accruing for the cost of vested vacation pay and recognizing the cost of nonvested vacation pay when paid.

The financial statements of prior years have been restated resulting in the following changes in Net Income, Retained Earnings and Earnings Per Share.

	Net Income	Earnings Per Share	Retained Earnings
December 31, 1979 and the year then ended:			
As previously reported......	$2,771,607	$2.09	$21,467,461
Effect of accounting change.	(30,612)	(.03)	(311,719)
As restated..................	$2,740,995	$2.06	$21,155,742
December 31, 1978 and the year then ended:			
As previously reported......	$2,394,613	$1.77	$20,235,611
Effect of accounting change.	(13,290)	(.01)	(281,107)
As restated..................	$2,381,323	$1.76	$19,954,504

To the Board of Directors and Stockholders of Uniroyal, Inc.:

We have examined the balance sheets of Uniroyal, Inc. and consolidated subsidiaries as of December 28, 1980 and December 30, 1979 and the related statements of income, reinvested earnings, and changes in financial position for each of the three fiscal years in the period ended December 28, 1980. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of Uniroyal, Inc. and consolidated subsidiaries at December 28, 1980 and December 30, 1979 and the results of their operations and changes in their financial position for each of the three fiscal years in the period ended December 28, 1980, in conformity with generally accepted accounting principles applied on a consistent basis, after restatement for the change, with which we concur, in accounting for compensated absences.—*Opinion of Independent Certified Public Accountants.*

NOTES TO FINANCIAL STATEMENTS

Accounting Change—In 1980, the Company changed its policies concerning the accounting for compensated absences earned in one year and payable in the following or future years. In addition to accruals previously made for such absences, the Company is now accruing for vacations earned by salaried employees. Accordingly, the Company has retroactively restated its financial statements to reflect this change. The cumulative effect of this change on reinvested earnings at the beginning of 1976 was $9,246,000. The increase (decrease) in net income and related earnings per common share for 1976 through 1979 follows:

In thousands except per share amounts	1979	1978	1977	1976
Net Income..................	$782	$620	$877	$(786)
Earnings per Common Share	$ .03	$ .02	$ .03	$(.03)

Investment Tax Credit

To the Stockholders of Texasgulf Inc.

We have examined the consolidated balance sheets of Texasgulf Inc. and subsidiaries as of December 31, 1980 and 1979 and the related consolidated statements of income, retained earnings and changes in financial position for each of the three years in the period ended December 31, 1980. 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 Texasgulf Inc. and subsidiaries at December 31, 1980 and 1979 and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1980, in conformity with generally accepted accounting principles consistently applied during the period except for the changes, with which we concur, in the method of accounting for investment tax credits and the method of accounting for interest costs as described in Notes 1A and 1G, respectively, to the consolidated financial statements.—*Accountants' Report.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

A. Change in Accounting Policy. During 1980, the company adopted, as of Janaury 1, 1980, the flow-through method of accounting for investment tax credits. Under the flow-through method, which is the prevailing method in industry, investment tax credits are reflected in net income in the year the qualified investment is made, rather than by amortizing the credits over the estimated lives of the equipment. The company previously followed the deferral method.

As a result of the change, income for 1980, before the cumulative effect of the accounting change for prior years, increased by $15,800,000 (48 cents per share). In addition, the pre-1980 cumulative effect of the accounting change increased earnings for 1980 in the first quarter by $39,050,000 ($1.21 per share). Quarterly net income per share for 1980 increased as follows: first quarter $1.33 ($1.21 cumulative effect), second quarter 13 cents, third quarter 8 cents and 15 cents in the fourth quarter. If the flow-through method had been in effect, 1979 and 1978 net income would have been increased by $2,300,000 (7 cents per share) and $2,050,000 (7 cents per share) respectively. Quarterly net income per share for 1979 would have been increased as follows: first quarter 1 cent, second quarter 2 cents, third quarter 2 cents and 2 cents in the fourth quarter.

Note G: Capitalized Interest. In 1979, the company adopted Financial Accounting Standards Board Statement No. 34 and capitalized interest on major construction projects in progress. Interest incurred in 1980 and 1979 amounted to $31,535,000, and $34,985,000 respectively. Interest capitalized in 1980 and 1979 amounted to $29,348,000 and $20,481,000 respectively.

Consolidation Policy

Board of Directors and Shareholders
National Can Corporation
Chicago, Illinois

We have examined the balance sheets of National Can Corporation and consolidated subsidiaries as of December 31, 1980 and 1979, and the related statements of earnings, non-redeemable preferred stock, common stock and other shareholders' equity and changes in financial position for each of the three years in the period ended December 31, 1980. 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 National Can Corporation and consolidated subsidiaries at December 31, 1980 and 1979, and the results of their operations and changes in their financial position for each of the three years in the period ended December 31, 1980, 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 reporting International operations as described in Note A to the financial statements.—*Auditors' Report.*

NOTES TO FINANCIAL STATEMENTS

Note A (in part): Statement of Accounting Policies:

Principles of Consolidation: The consolidated financial statements include the accounts of National Can Corporation and all subsidiaries except for the investments in a financial services subsidiary and a joint venture in Japan which are recorded at cost plus equity in earnings since acquisition.

The International operations report on a November 30 fiscal year-end basis except for National Can Puerto Rico, Incorporated, which reports on a December 31 fiscal year-end basis. All significant intercompany accounts, transactions and profits have been eliminated in consolidation.

The Corporation's International operations, which have been reported on the equity method of accounting prior to the third quarter of 1980, are now reported on a consolidated basis. This method is preferable due to the growth of these operations and has no effect on 1980 or previously reported earnings. The accompanying financial statements for 1979 and 1978 have been restated for this change.

EMPHASIS OF A MATTER

Paragraph 27 of *Statement on Auditing Standards No. 2* states:

In some circumstances, the auditor may wish to emphasize a matter regarding the financial statements, but nevertheless intends to express an unqualified opinion. For example, he may wish to point out that the entity is a component of a larger business enterprise or that it has had significant transactions with related parties, or he may wish to call attention to an unusually important subsequent event or to an accounting matter affecting the comparability of the financial statements with those of the preceding period. Such explanatory information may be presented in a separate paragraph of the auditor's report. Phrases such as "with the foregoing explanation" should not be used in the opinion paragraph in situations of this type.

An example of an auditors' report including explanatory information about the financial statements follows.

Stockholders and Board of Directors
U and I Incorporated
Kennewick, Washington

We have examined the consolidated statements of financial position of U and I Incorporated and subsidiaries as of February 29, 1980 and February 28, 1979, 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.

As discussed in Note B to the consolidated financial statements, in February 1979 the Company discontinued its sugar processing operations and is in the process of selling or otherwise disposing of the related assets.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of U and I Incorporated and subsidiaries at February 29, 1980 and February 28, 1979, and the consolidated results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Report of Independent Auditors.*

NOTES TO FINANCIAL STATEMENTS

Note B—Discontinuance of Sugar Processing Operations

The Company announced in November 1978 that its sugar factories and terminals were for sale and, in January 1979, that it would close those sugar facilities for which it was unable to find buyers. In February 1979, the Company adopted a plan, in the form of a Board of Director's resolution, for the sale or other disposal of the Company's sugar facilities which received stockholder approval.

Most of the sugar inventory associated with the discontinuance was sold during the year ended February 29, 1980 in accordance with the Company's normal terms and prices. The remaining sugar inventory is expected to be sold during the year ended February 28, 1981 in the same manner. Since March 1979, the Company has also had an ongoing program to sell or salvage sugar assets related to the discontinuance and is proceeding as expediently as possible in line with achieving a reasonable return. Certain assets with a net book value of approximately $2,630,000 were sold to a company in which a director of the Company is a principal officer. Proceeds from the above described sales of sugar and related facilities amount to approximately $119,000,000 for the year ended February 29, 1980.

Although the ultimate effect of the discontinuance has not yet been determined, management believes that the net proceeds (after deducting costs and expenses from operations during the phase-out period) from the disposal of the sugar inventories and the sugar processing related property, plant, and equipment will at least equal their aggregate net book value. In accordance with Opinion No. 30 of the Accounting Principles Board of American Institute of Certified Public Accountants, the Company will recognize any gain on the disposal in the period in which it is actually realized.

Also, in accordance with APB Opinion No. 30, the historical results of operations through February 1979 related to the discontinued sugar processing operations have been separated from the results of continuing operations. Likewise, the assets and liabilities applicable to discontinued operations have been segregated in the consolidated statements of financial position so that the assets and liabilities of continuing operations can be clearly identified. Revenues and income tax credits related to discontinued sugar processing operations for the year ended February 28, 1979 were approximately $134,000,000 and $8,900,000, respectively.

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 Shareholders and Board of Directors of
Georgia-Pacific Corporation:

We have examined the consolidated balance sheets of Georgia-Pacific Corporation (a Georgia corporation) and subsidiaries as of December 31, 1980 and 1979, and the related statements of consolidated income, common shareholders' equity and changes in financial position for each of the three years in the period ended December 31, 1980. 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 February 8, 1980, our opinion on the 1979 and 1978 financial statements was qualified as being subject to the effect of any adjustments that might have been required had the outcome of plywood antitrust litigation been known. As explained in Note 13, on May 9, 1980, the United

States Court of Appeals for the Ninth Circuit denied enforcement of a February, 1978 order of the Federal Trade Commission which found a violation of Section 5 of the Federal Trade Commission Act. After reviewing the opinion of the United States Court of Appeals, management has concluded that the corporation's ultimate maximum liability, if any, on the plywood antitrust litigation would not have a material adverse effect on the financial position of the corporation. Counsel in this proceeding has agreed with management's determination of the maximum ultimate liability. Accordingly, our present opinion on the 1979 and 1978 financial statements, as presented herein, is different from that expressed in our report dated February 8, 1980.

In our opinion, the financial statements referred to above present fairly the financial position of Georgia-Pacific Corporation and subsidiaries as of December 31, 1980 and 1979, and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.—*Independent Auditors' Report.*

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, 1980 and 1979, and the related consolidated statements of income, retained earnings and changes in financial position for each of the three years in the period ended December 31, 1980. 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 February 21, 1980, our opinion on the 1979 and 1978 consolidated financial statements was qualified as being subject to the effects on those consolidated financial statements of such adjustments, if any, as might have been required had the outcome of a number of legal proceedings concerning uranium matters been known. As discussed in Notes 13 and 14 of Notes to Financial Statements, the Company has settled certain of these legal proceedings in 1980, and the costs involved have been charged against income in 1980 as required by generally accepted accounting principles. Accordingly, our present opinion on the 1979 and 1978 consolidated financial statements, as presented herein, is different from that expressed in our previous report.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Gulf Oil Corporation and its consolidated subsidiaries at December 31, 1980 and 1979, and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.—*Report of Independent Accountants.*

The Shareholders and Board of Directors
Purolator, Inc.:

We have examined the consolidated balance sheets of Purolator, Inc. and subsidiaries as of December 31, 1980 and 1979 and the related consolidated statements of earnings and retained earnings and changes in financial position for each of the years in the three year period ended December 31, 1980. 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 February 6, 1980, our opinion on the 1979 and 1978 consolidated financial statements was qualified as being subject to the effects of such adjustments, if any, as might have been required had the ultimate outcome of several antitrust matters been known. As explained in note 13, these matters have been settled and, accordingly, our present opinion on the 1979 and 1978 consolidated financial statements, as presented herein is no longer qualified.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Purolator, Inc. and subsidiaries at December 31, 1980 and 1979 and the results of their operations and the changes in their financial position for each of the years in the three year period ended December 31, 1980 in conformity with generally accepted accounting principles applied on a consistent basis.—*Accountants' Report.*

Current Year Qualified; Prior Year Unqualified

To the Shareholders and Directors of
Johns-Manville Corporation:

We have examined the consolidated balance sheets of Johns-Manville Corporation as of December 31, 1980 and 1979, and the related consolidated statements of earnings and earnings reinvested and changes in financial position for each of the three years in the period ended December 31, 1980. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of Canadian subsidiaries, which reflect total assets consitituting 10% in 1980 and 1979, and net sales constituting 10%, 9% and 11% in 1980, 1979 and 1978, respectively, of the related consolidated totals were examined by other auditors whose report thereon has been furnished to us. Our opinion expressed herein, insofar as it relates to amounts included for Canadian subsidiaries examined by other auditors, is based solely upon their report.

As discussed in Note 5 to the consolidated financial statements, the Company is a defendant in a substantial and increased number of asbestos/health legal actions. The ultimate liability resulting from these matters cannot presently be reasonably estimated. In our report dated February 1, 1980, our opinion on the Company's consolidated financial position as of December 31, 1979 was unqualified. However, because of the increased uncertainties that developed during 1980 with respect to these matters, our present opinion on the consolidated financial position as of December 31, 1979, as presented herein, is different from that expressed in our previous report.

In our opinion, based upon our examinations and the report of other auditors, the aforementioned financial statements present fairly the consolidated results of operations and changes in financial position of Johns-Manville Corporation for each of the three years in the period ended December 31, 1980 and, subject to the effects of adjustments that might have been required had the outcome of the uncertainties referred to in the preceding paragraph been known, the consolidated financial position of Johns-Manville Corporation at December 31, 1980 and 1979, in conformity with generally accepted accounting principles applied on a consistent basis.—*Accountants' Report.*

Change in Auditors

Report of Independent Auditors

The Board of Directors and Stockholders
Chock Full O'Nuts Corporation

We have examined the consolidated balance sheet of Chock Full O'Nuts Corporation and subsidiaries as of July 31, 1980, and the related consolidated statements of income, stockholders' equity, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As more fully described in Note 6, actions have been brought against the Company in connection with pension plan and insurance matters principally attributable to its previously discontinued brewery operations; the Company is in the process of asserting counterclaims with respect to the insurance matter. In addition, with respect to other pension plans applicable to its discontinued brewery operations and to a former manufacturing facility, the Company may be able to obtain the benefits of the excess of pension plan assets over the value of vested benefits.

In our opinion, subject to the effects of such adjustments, if any, as might have been required had the outcome of the uncertainties referred to in the preceding paragraph been known, the consolidated financial statements referred to above present fairly the consolidated financial position of Chock Full O'Nuts Corporation and subsidiaries at July 31, 1980, and the consolidated results of their operations and changes in their financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, New York, October 17, 1980

Report of Independent Accountants

The Board of Directors and Stockholders
Chock Full O'Nuts Corporation

We have examined the consolidated balance sheet of Chock Full O'Nuts Corporation and subsidiaries as of July 31, 1979, and the related consolidated statements of income, stockholders' equity, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our report dated October 19, 1979, our opinion on the 1979 financial statements was unqualified. As described in Note 6, actions were brought against the Company by the Pension Benefit Guaranty Corporation and others in connection with certain pension plans, the significance of which cannot presently be determined. For this reason, our present opinion on the 1979 financial statements, as presented herein, is different from that expressed in our previous report.

In our opinion, subject to the effects of such adjustments, if any, as might have been required had the ultimate resolution of the matter discussed in the preceding paragraph been known, the aforementioned financial statements present fairly the consolidated financial position of Chock Full O'Nuts Corporation and subsidiaries at July 31, 1979, 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.

New York, New York, October 19, 1979 except as to the 2nd paragraph of Note 6, which is dated October 17, 1980.

To the Shareholders and Board of Directors
of Grumman Corporation:

We have examined the consolidated balance sheet of Grumman Corporation (a New York Corporation) and subsidiaries as of December 31, 1980 and the related consolidated statements of income, common shareholders' equity, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of Grumman Corporation for the years ended December 31, 1979 and 1978, were examined by other auditors whose report dated February 5, 1980, expressed an unqualified opinion on those statements.

In our opinion, the financial statements referred to above present fairly the financial position of Grumman Corporation and subsidiaries as of December 31, 1980 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.—*Auditors' Report.*

Reports of Independent Certified Public Accountants

The Board of Directors and
Stockholders of LaBarge, Inc.:

We have examined the balance sheet of LaBarge, Inc. as of December 31, 1980, and the related statements of income, changes in stockholders' equity, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of LaBarge, Inc. at December 31, 1980, and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

St. Louis, Missouri
February 11, 1981

The Board of Directors and
Stockholders of LaBarge, Inc.:

We have examined the balance sheet of LaBarge, Inc. as of December 31, 1979 and the statements of income, changes in stockholders' equity and changes in financial position for the years ended December 31, 1979 and 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.

In our opinion, the financial statements designated above present fairly the financial position of LaBarge, Inc. at December 31, 1979 and the results of its operations and the changes in its stockholders' equity and financial position for the years ended December 31, 1979 and 1978, in conformity with generally accepted accounting principles applied on a consistent basis.

Tulsa, Oklahoma
February 1, 1980

Auditors' Opinions

Board of Directors and Shareholders
Macmillan, Inc.

We have examined the consolidated balance sheet of Macmillan, Inc. at December 31, 1980 and the related consolidated statements of operations, retained earnings, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Macmillan, Inc. at December 31, 1980 and the consolidated results of operations and changes in financial position for the year then ended, in conformity with generally accepted accounting principles which have been applied on a basis consistent with that of the preceding year except for the change, with which we concur, in the method of accounting for editorial and certain prepublication costs as described in Note 2.

New York, New York
February 2, 1981

The Shareholders and Board of Directors of
Macmillan, Inc.

We have examined the consolidated balance sheet of Macmillan, Inc. as of December 31, 1979 and the related consolidated statements of operations, retained earnings and changes in financial position for each of the two years in the period ended December 31, 1979. 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 March 13, 1980, our opinion on the financial statements for the year ended December 31, 1979 was qualified as being subject to the effects on the financial statements of Macmillan, Inc. of any adjustments which may have resulted upon consummation of the plan of disposal of certain of its subsidiaries. As discussed in Note 3, the Company has disposed of substantially all the assets and liabilities of those subsidiaries and the losses ultimately realized are not expected to exceed the amount of the 1979 provision. Accordingly, our present opinion on the financial statements for the year ended December 31, 1979 as presented herein is different from that expressed in our previous report.

As described in Note 2, the Company adopted new accounting principles in 1979 to provide a better matching of costs and revenues in today's inflationary economy. These principles include adopting accelerated depreciation for financial statement purposes, establishing an accrual for future vacation pay, expensing as incurred advertising and promotion costs and valuing substantially all inventory on the last-in, first-out (LIFO) inventory method.

In our opinion, the above-mentioned financial statements present fairly the consolidated financial position of Macmillan, Inc. at December 31, 1979 and the consolidated results of operations and changes in financial position for each of the two years in the period ended December 31, 1979, in conformity with generally accepted accounting principles consistently applied during the period except for the changes, with which we concur, referred to in the preceding paragraph.

We have not examined the consolidated financial statements of Macmillan, Inc. for any period subsequent to December 31, 1979. Except as to the matter described in the second paragraph, this report is submitted currently under the circumstances and conditions that existed at March 13, 1980.

New York, New York
March 13, 1980, except for the second and fifth paragraphs above as to which the date is February 2, 1981.

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.

TABLE 6-6: OPINION EXPRESSED ON SUPPLEMENTARY STATEMENTS OR SCHEDULES

	Number of Companies			
	1980	1979	1978	1977
Financial statements of subsidiaries	15	20	20	19
Financial statements other than those of subsidiaries (pension trust fund, price level)	—	3	3	4
Historical summaries or five year summaries of operations	7	9	7	11
Other—financial highlights, pro forma data, etc.	4	4	5	6

Financial Statements of Subsidiaries

The Board of Directors and Shareholders
Associated Dry Goods Corporation
New York, N.Y.

We have examined the consolidated balance sheet of Associated Dry Goods Corporation and consolidated subsidiaries as of January 31, 1981 and February 2, 1980, and the related statements of earnings, shareholders' equity and changes in financial position for each of the three years in the period ended January 31, 1981. We have also examined the balance sheet of Associated Dry Goods Credit Corporation as of January 31, 1981 and February 2, 1980. 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 Associated Dry Goods Corporation and consolidated subsidiaries at January 31, 1981 and February 2, 1980 and the results of their operations and the changes in their financial position for each of the three years in the period ended January 31, 1981, as well as the financial position of Associated Dry Goods Credit Corporation at January 31, 1981 and February 2, 1980, in conformity with generally accepted accounting principles consistently applied during the periods except for the change with which we concur, made as of February 3, 1980, in the method of accounting for interest costs as described in the notes to the consolidated financial statements.—*Accountants' Report.*

Stockholders and Board of Directors
Super Valu Stores, Inc.
Hopkins, Minnesota

We have examined the balance sheets of Super Valu Stores, Inc. and consolidated subsidiaries as of February 23, 1980 and February 24, 1979 and the related statements of earnings, stockholders' equity and changes in financial position for the years (52 weeks) then ended. We have also examined the balance sheets of Super Valu Development, Inc. (wholly-owned unconsolidated finance subsidiary) as of February 23, 1980 and February 24, 1979 and the related statements of earnings and retained earnings and changes in financial position for the years (52 weeks) 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 Super Valu Stores, Inc. and consolidated subsidiaries, and the financial position of Super Valu Development, Inc. at February 23, 1980 and February 24, 1979, and the respective results of their operations and changes in their financial position for the years (52 weeks) then ended, in conformity with generally accepted accounting principles applied on a consistent basis, except for the change, with which we concur, in the method of determining inventory cost for certain inventories as described in Note B to the Super Valu Stores, Inc. financial statements.—*Accountants' Report.*

Financial Highlights

To the Shareholders and
Board of Directors
Aluminum Company of America

We have examined the consolidated balance sheets of Aluminum Company of America and consolidated subsidiaries as of December 31, 1980 and 1979 and the related statements of consolidated income and retained earnings and changes in consolidated financial position for each of the three years in the period ended December 31, 1980. 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 Aluminum Company of America and consolidated subsidiaries at December 31, 1980 and 1979 and the results of their consolidated operations and changes in their consolidated financial position for each of the three years in the period ended December 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.

In addition, we have read the financial information included in the Financial highlights on the first page and in the Five-year summary under the captions, "Earnings", "Financial position" and "Share data" on page 20 of this annual report, have compared it to data taken from the audited financial statements, subjected it to audit procedures, and verified its mathematical accuracy. In our opinion, such data is fairly stated in relation to the audited financial statements taken as a whole.—*Independent Auditors' Report.*

Internal Control System

To the Shareowners of Monsanto Company:

We have made a study and evaluation of the system of internal accounting control of Monsanto Company and its United States subsidiaries in effect during the year ended December 31, 1980. These companies constitute approximately 75 percent of consolidated total assets at December 31, 1980 and approximately 68 percent of consolidated revenues for the year then ended. Our study and evaluation was conducted in accordance with standards established by the American Institute of Certified Public Accountants.

The "management report" on page 30 explains the responsibility of management of Monsanto Company to establish and maintain a system of internal accounting control and the broad objectives and inherent limitations of a system of internal accounting control.

In our opinion, the system of internal accounting control of Monsanto Company and its United States subsidiaries in effect during the year ended December 31, 1980, taken as a whole, was sufficient to meet the objectives referred to above insofar as those objectives pertain to the prevention or detection of errors or irregularities in amounts that would be material in relation to the financial statements of Monsanto Company and its United States subsidiaries.—*Independent Auditors' Opinion on System of Internal Accounting Control.*

REPORT OF MANAGEMENT

In 1980, 260 of the survey companies, as compared to 191 in 1979, 110 in 1978 and 19 in 1977, include a Report of Management in their annual report. Usually (79% of the companies) the Report of Management and Auditors' Report are on the same or adjoining pages. Examples of management reports follow.

Report of Management to the Shareholders of Alcoa

The accompanying financial statements of Aluminum Company of America and consolidated subsidiaries were prepared by management, which is responsible for their integrity and objectivity. The statements were prepared in accordance with generally accepted accounting principles and include amounts that are based on management's best judgments and estimates. The other financial information included in this annual report is consistent with that in the financial statements.

The company maintains a system of internal controls, including accounting controls, and a strong program of internal auditing. The system of controls provides for appropriate division of responsibility and the application of policies and procedures that are consistent with high standards of accounting and administration. The company believes that its system of internal controls provides reasonable assurance that assets are safeguarded against losses from unauthorized use or disposition and that financial records are reliable for use in preparing financial statements.

The Audit Committee of the Board of Directors, composed solely of directors who are not officers or employees, meets regularly with management, with the company's internal auditors, and with its independent certified public accountants, to discuss their evaluation of internal accounting controls and the quality of financial reporting. The independent auditors and the internal auditors have free access to the Audit Committee, without management's presence, to discuss the results of their audits.

Management also recognizes its responsibility for conducting the company's affairs according to the highest standards of personal and corporate conduct. This responsibility is characterized and reflected in key policy statements issued from time to time regarding, among other things, conduct of its business activities within the laws of the host countries in which the company operates and potentially conflicting outside business interests of its employees. The company maintains a systematic program to assess compliance with these policies.

Chairman of the Board and Chief Executive Officer

Executive Vice President—Finance

Report of Management on Financial Statements

The management of American Hospital Supply Corporation is responsible for the financial statements and all other financial information included in this annual report. The financial statements and related information were prepared in accordance with generally accepted accounting principles and include the informed judgments and estimates of management where exact measurement is not feasible.

American's management and employees operate in accordance with a Business Ethics Code of Conduct which requires compliance with all applicable laws and maintenance of the highest integrity in the conduct of American's business. This Code and its intent are widely communicated throughout the organization. In addition, we maintain a system of internal accounting control designed to provide reasonable assurance that American's assets are safeguarded and that transactions are executed and recorded in accordance with established policies and procedures. The concept of reasonable assurance is based on the premise that the costs of controls should not exceed the benefits derived therefrom. Although errors and irregularities may occur, the controls provide reasonable assurance that material errors and material irregularities will be prevented or promptly detected and corrected. This system is reviewed during the year as part of American's internal and independent audit program.

The Board of Directors exercises its responsibility to review the Corporation's financial reporting and accounting practices through its Audit Committee, consisting of five directors, none of whom is an employee of American. The Audit Committee meets periodically with management, internal auditors and the independent accountants to review internal accounting control, auditing and financial reporting matters. Both the internal auditors and the independent accountants have full and free access to the Audit Committee.

Chairman

Chief Financial Officer

Responsibility for Financial Statements

The management of Amstar Corporation is responsible for the integrity and objectivity of the financial statements and other financial information presented in this Annual Report. The financial statements have been prepared in conformity with generally accepted accounting principles consistently applied in all material respects and, necessarily, include amounts reflecting management's estimates and judgment.

Arthur Andersen & Co., independent public accountants, have been engaged, with the approval of the Corporation's stockholders, to examine the financial statements of the Corporation and its subsidiaries. Their report on the financial statements presented in this Annual Report is set forth on page 25.

Amstar Corporation maintains a system of internal accounting controls and procedures to provide reasonable assurance, at an appropriate cost, that the Corporation's assets are protected and that its transactions are properly authorized and recorded. The internal accounting control system is augmented by an internal auditing program, a written code of business conduct, other written policies and guidelines, and careful selection and training of qualified personnel.

The Audit Committee of the Board of Directors, composed of directors who are not officers of the Corporation, meets periodically with the independent public accountants, the chief internal auditor and members of management to discuss accounting controls, auditing and financial reporting matters. The Audit Committee recommends the appointment of the independent public accountants engaged to examine the financial statements of the Corporation and its subsidiaries and reviews with the independent public accountants the scope and results of their audit. The independent public accountants and the chief internal auditor have unrestricted access to, and meet independently with, the Audit Committee.

Responsibility for Financial Reporting

Shareholders of Armco:

The information presented in this Annual Report was prepared by your Company's management. The financial statements were prepared in accordance with generally accepted accounting principles in the United States. These principles require choices among alternatives and numerous estimates of financial matters. We believe that the accounting principles chosen are appropriate in the circumstances and the estimates and judgments involved in Armco's financial reporting are reasonable and conservative. All other financial and operating data included in this Annual Report are presented to provide information we believe useful to investors.

Management is responsible for the integrity and objectivity of the financial information presented in this Annual Report. We maintain a system of internal accounting control and a program of internal audits designed to provide reasonable assurance that the financial reports are fairly presented and that our employees comply with our stated policies and procedures, including policies on the ethical conduct of business. Our policies and system of internal accounting control are continually reviewed and updated as our businesses and business conditions change.

Management recommended and the Audit Review Committee of the Board of Directors approved the hiring of Deloitte Haskins & Sells as independent auditors for the Company. Deloitte Haskins & Sells expresses an informed professional opinion on Armco's financial statements. You can find it on page 25.

The Audit Review Committee of the Board of Directors, which is composed solely of independent outside directors, performs an oversight role relating to Armco's public financial reporting. The Audit Review Committee meets periodically with management, Deloitte Haskins & Sells, and Armco's Internal Auditors, both privately and collectively, to discuss internal accounting control and financial reporting matters. Deloitte Haskins & Sells and Armco's Internal Auditors have free access to the Audit Review Committee to discuss any matters.

We believe that Armco's internal control system combined with the activities of the internal and independent auditors and the Audit Review Committee provide you reasonable assurance of the integrity of our financial reporting.

Vice President-Corporate
Finance and Information Resources

Management's Responsibility for Financial Statements

The preceding financial statements and notes to financial statements of The BFGoodrich Company and subsidiaries have been prepared by management in accordance with generally accepted accounting principles. In preparing the financial statements, management has had to make informed judgments and estimates of the expected effects of events and transactions that are currently being accounted for. Management is responsible for the fairness and integrity of such statements.

To fulfill this responsibility, Goodrich maintains a system of internal accounting controls designed to provide reasonable assurance that accounting records are reliable for the preparation of financial statements and for safeguarding assets. The Company's Management Committee is responsible for the overall system of internal accounting controls. Individual managers are responsible for parts of the system within their respective functions. This system is augmented by the careful selection of people and by an internal auditing function.

Ernst & Whinney, independent auditors, were engaged to examine and to render an opinion on the financial statements of The BFGoodrich Company and subsidiaries. Their opinion is based on procedures believed by them to be sufficient to provide reasonable assurance that the financial statements are not materially misleading and do not contain material error. The report of Ernst & Whinney appears below.

The Board of Directors has an Audit Committee consisting of Directors who are not employees of the Company. The Audit Committee meets regularly to review with management and Ernst & Whinney the Company's accounting policies, internal and external audit plans and results of audits. To ensure complete independence, the independent auditors have full access to the Audit Committee and meet with the Committee without the presence of management.

Report of Management

Lucky's management has prepared the consolidated financial statements and is responsible for the integrity of the information in them, as well as for the other information in the annual report. We believe that the statements conform with generally accepted accounting principles appropriate to our business. The statements are based on our best judgments and estimates where required.

In fulfilling our responsibilities for the integrity of financial information and for safeguarding assets, we rely upon a system of internal controls designed to provide reasonable assurance that our records accurately reflect our business transactions and that these transactions are in accordance with management's authorization. Our system of control includes careful selection and development of people, written policies and procedures, a clearly defined organizational structure, and responsibility reporting with strong budgetary controls. These are supplemented by an internal audit staff which evaluates and reports to management on the adequacy of the records and the effectiveness of the controls.

The financial statements have been examined by Price Waterhouse & Co., independent accountants appointed by the Board of Directors upon the recommendation of its Audit Committee. Their examination provides an independent review of management's discharge of its responsibilities for reporting Lucky's financial condition and results of operations.

The Board of Directors monitors our internal controls through an Audit Committee composed entirely of directors who are not officers or employees of Lucky. The independent accountants as well as the internal auditors have complete and free access to the Audit Committee, and the Committee meets periodically with them and with financial management to ensure that each group is properly discharging its responsibilities.

President and
Chief Executive Officer

Senior Vice President and
Chief Financial Officer

Report of Management

The management of Revlon, Inc. is responsible for the preparation and integrity of the consolidated financial statements and the other financial information contained in the Annual Report. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include amounts that are based on management's best judgments and estimates.

In fulfilling these responsibilities management relies on systems of internal controls which it believes provide reasonable assurance, at appropriate costs, that assets are safeguarded against loss from unauthorized use or disposition, and that the financial records are reliable for preparing financial statements and maintaining accountability for assets. These systems are augmented by written policies, an organizational structure providing division of responsibilities, careful selection and training of qualified people, and a program of financial, operational and systems audits and reviews.

Peat, Marwick, Mitchell & Co., independent certified 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 an understanding of Revlon's accounting systems and procedures and conduct such tests and related procedures as they deem necessary to arrive at an opinion on the fairness of the financial statements.

The Audit Committee of the Board of Directors, composed entirely of outside directors, is responsible for recommending to the Board the independent accounting firm to be retained for the coming year, subject to stockholder approval. The Audit Committee meets periodically with the independent certified public accountants, management and internal auditors to review their performance and ensure that each is properly discharging its responsibilities. The independent certified public accountants and the Audit Committee have access to each other.

Management will continue to recognize its responsibility to modify its systems of internal controls in response to changes in the business environment.

Senior Vice President-Finance
and Chief Financial Officer

Vice President and Controller
and Principal Accounting Officer

Management's Responsibility for Financial Statements

Union Carbide Corporation's financial statements are prepared by the Corporation's management, which is responsible for their fairness, integrity, and objectivity. The accompanying financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis except for the changes described in Note 2 and, accordingly, include amounts which are estimates and judgments. All historical financial information in this Annual Report is consistent with the accompanying financial statements.

The Corporation maintains accounting systems, including internal accounting controls monitored by a staff of internal auditors, which are designed to provide reasonable assurance as to the reliability of the Corporation's financial records and the protection of assets. The concept of reasonable assurance is based on the recognition that the cost of a system must not exceed the related benefits. The effectiveness of those systems depends primarily upon the careful selection of financial and other managers, clear delegation of authority and assignment of accountability, inculcation of high business ethics and conflict-of-interest standards, policies, and procedures for coordinating the management of corporate resources, and the leadership and commitment of top management.

The Corporation's financial statements are examined by Main Hurdman & Cranstoun, independent certified public accountants, in accordance with generally accepted auditing standards. These standards provide for a review of internal accounting control systems and tests of transactions to the extent they deem appropriate. The accountants' report appears on page 38.

The Audit Committee of the Board of Directors, which consists solely of non-employee directors, is responsible for overseeing the functioning of the accounting system, related controls and annual financial statements. The Audit Committee recommends to the Board of Directors the selection of the independent auditors, subject to the approval of shareholders. The Audit Committee periodically meets with the independent auditors, management and internal auditors to review and evaluate their accounting, auditing and financial reporting activities and responsibilities. The independent and internal auditors have full and free access to the Audit Committee and meet with it, with and without management present, to discuss the results of their examinations and the adequacy of internal accounting controls.

Management's Responsibility for Financial Reports

The Consolidated Financial Statements and accompanying notes have been prepared by management and audited by Arthur Young & Company, certified public accountants. These statements, which necessarily require the use of estimates and judgments, are in conformity with generally accepted accounting principles and are based on the accounting policies discussed in the Notes to Consolidated Financial Statements.

Management recognizes its responsibility for the integrity and objectivity of the information presented. To meet this responsibility, management has established written policies concerning financial and accounting matters. The company's system of internal control is designed to provide reasonable assurance that the accounts fairly reflect the transactions of the corporation and that the assets of the corporation are adequately protected and appropriately used in accordance with the corporation's policies.

Management relies on an extensive program of internal audit and the services of independent accountants to augment and provide surveillance over its system and of internal controls. While it is neither feasible nor practical to review the millions of transactions recorded annually, the internal auditors and independent accountants make extensive tests of procedures, records, and transactions through planned audit programs.

Audit and related activities of Arthur Young & Company are conducted throughout the year and involve visits to all significant Lockheed locations throughout the world for the purposes of the annual audit and limited reviews of interim financial statements. Their examination of the accounts is conducted in accordance with generally accepted auditing standards and includes tests of internal controls and accounting records as they deem necessary. The report of certified public accountants appears on page 48.

The audit committee of the board of directors, on behalf of the full board, recommends on the selection of the independent accountants. The committee, made up of five outside directors, reviews the scope of the independent audit and the application of proper accounting principles and reviews the activities of the internal auditors and the independent accountants. The committee meets at least four times each year with representatives of management, internal audit, and the independent accountants. The internal auditors and independent accountants have individual unrestricted access to the audit committee, with or without the presence of management, to discuss the results of their examinations, their observations, and their opinions on the adequacy of financial records, financial reporting, and the system of internal controls.

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-fourth (1980) edition. Twenty-one companies in the 1980 edition have been eliminated and their numbers left unused. The companies selected as replacements have been assigned numbers 889 to 905, 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*	
	AFG Industries, Inc.—*see 40*	
	AM International, Inc.—*see 6*	
	AMAX, Inc.—*see 35*	
	AMETEK, Inc.—*see 47*	
	AMF Incorporated—*see 33*	
	AMP Incorporated and Pamcor, Inc.—*see 49*	
	ASARCO Incorporated—*see 43*	
	ATI, Inc.—*see 602*	
1	Abbott Laboratories	12
3	*ACF Industries, Incorporated*	12
4	*American Stores Company*	1
	Acme-Cleveland Corporation—*see 809*	
	Action Industries, Inc.—*see 756*	
5	Adams-Millis Corporation	12
	Adams-Russell Co., Inc.—*see 741*	
6	*AM International, Inc.*	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
	Alpha Industries, Inc.—*see 889*	
18	Alpha Portland Industries, Inc.	12
19	Aluminum Company of America	12
20	The Amalgamated Sugar Company	12
	Amdisco Corporation—*see 29*	
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	*Amdisco Corporation*	12

Co. No.		*Month in which fiscal year ends
30	*Akzona Incorporated*	12
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	12
39	*American Standard Inc.*	12
40	*AFG 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
	Anadite, Inc.—*see 890*	
	Analogic Corporation—*see 891*	
53	Anchor Hocking Corporation	12
55	Anderson, Clayton & Co.	6
56	Anheuser-Busch Companies, Inc.	12
58	Archer Daniels Midland Company	6
59	Arden Group, Inc.	12
	Armada Corporation—*see 67*	
60	Armco	12
62	Armstrong World Industries, Inc.	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
	Avnet, Inc.—*see 854*	
72	Avon Products, Inc.	12
	Baird Corporation—*see 793*	
74	Baker International Corporation	9

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
	Bangor Punta Corporation—*see 855*	
75	The Barden Corporation	10
79	Bausch & Lomb Incorporated	12
	Baxter Travenol Laboratories, Inc.—*see 856*	
80	Bayuk Cigars Incorporated	12
81	Beatrice Foods Co.	2
	Becton, Dickinson and Company—*see 857*	
	Beehive International—*see 811*	
84	*Squibb Corporation*	12
85	Belding Heminway Company, Inc.	12
86	Bell & Howell Company	12
87	Bemis Company, Inc.	12
88	The Bendix Corporation	9
89	Bethlehem Steel Corporation	12
	Bird & Son, Inc.—*see 92*	
91	The Black and Decker Manufacturing Company	9
92	*Bird & Son, Inc.*	12
95	Bliss & Laughlin Industries Incorporated	12
96	Blue Bell, Inc.	9
	Bobbie Brooks, Incorporated—*see 611*	
97	The Boeing Company	12
	Boise Cascade Corporation—*see 612*	
100	Borden, Inc.	12
101	Borg-Warner Corporation	12
	Bowne & Co., Inc.—*see 718*	
	Brenco, Incorporated—*see 652*	
103	Briggs & Stratton Corporation	6
	Bristol Corporation—*see 742*	
105	Bristol-Myers Company	12
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
	CBI Industries, Inc.—*see 654*	
	CBS Inc.—*see 152*	
	CMI Corporation—*see 797*	
	CPC International Inc.—*see 172*	
	Cabot Corporation—*see 859*	
	Cadence Industries Corporation—*see 572*	
	Caesars World, Inc.—*see 779*	
118	Campbell Soup Company	7
	Campbell Taggart, Inc.—*see 860*	
123	Carnation Company	12
	Castle & Cooke, Inc.—*see 780*	
126	Caterpillar Tractor Co.	12
127	Celanese Corporation	12
128	Central Soya Company, Inc.	8
	Centronics Data Computer Corp.—*see 796*	
130	CertainTeed Corporation	12
131	The Cessna Aircraft Company	9
	Champion International Corporation—*see 566*	

Co. No.		*Month in which fiscal year ends
133	Champion Spark Plug Company	12
	The Charter Company—*see 834*	
	Chemineer, Inc.—*see 835*	
	Chesebrough-Pond's Inc.—*see 861*	
135	*Paxall, Inc.*	10
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
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
151	Colt Industries Inc.	12
	Columbia Pictures Industries, Inc.—*see 862*	
152	*CBS Inc.*	12
153	Combustion Engineering, Inc.	12
	Commercial Metals Company—*see 814*	
	Compugraphic Corporation—*see 798*	
	ConAgra, Inc.—*see 406*	
	Concord Fabrics Inc.—*see 892*	
	Cone Mills Corporation—*see 863*	
	Conoco Inc.—*see 165*	
	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	*Conoco Inc.*	12
167	Control Data Corporation	12
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
185	Cyclops Corporation	12
	DPF Incorporated—*see 314*	
186	Dan River Inc.	12
	Dana Corporation—*see 656*	
	Dart & Kraft, Inc.—*see 467*	
	Day Mines, Inc.—*see 782*	
187	Dayco Corporation	10
	Dayton Malleable Inc.—*see 837*	
188	Deere & Company	10
189	Dennison Manufacturing Company	12

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
	Dentsply International Inc.—*see 799*	
	Designcraft Jewel Industries, Inc.—*see 893*	
191	Diamond International Corporation	12
	Diamond Shamrock Corporation—*see 658*	
	Digital Equipment Corporation—*see 838*	
195	Walt Disney Productions	9
	Doe Spun Inc.—*see 839*	
	R. R. Donnelley & Sons Company—*see 864*	
197	The Dow Chemical Company	12
	Doyle Dane Bernbach International Inc.—*see 616*	
198	Dravo Corporation	12
199	Dresser Industries, Inc.	10
	The Dun & Bradstreet Corporation—*see 784*	
202	E.I. du Pont de Nemours & Company	12
	Durr-Fillauer Medical, Inc.—*see 894*	
	Duplex Products Inc.—*see 800*	
	Dynamics Corporation of America—*see 785*	
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
214	Emerson Electric Co.	9
	Emerson Radio Corp.—*see 895*	
215	Emhart Corporation	12
	Empire Gas Corporation—*see 721*	
	Engelhard Minerals & Chemicals Corporation—*see 659*	
	Erb Lumber Co.—*745*	
	Esmark, Inc.—*see 535*	
	Ethyl Corporation—*see 660*	
218	Evans Products Company	12
220	Ex-Cell-O Corporation	11
	Exxon Corporation—*see 518*	
	FMC Corporation—*see 231*	
222	Fairchild Industries, Inc.	12
224	Fansteel, Inc.	12
225	Fedders Corporation	10
	Federal-Mogul Corporation—*see 865*	
226	Federated Department Stores, Inc.	1
227	The Firestone Tire & Rubber Company	10
228	First National Supermarkets, Inc.	3
	Fleetwood Enterprises, Inc.—*see 866*	
	Fluor Corporation—*see 802*	
	John Fluke Mfg. Co., Inc.—*see 723*	
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*	
235	Freeport Minerals Company	12
236	Fruehauf Corporation	12
	GAF Corporation—*see 240*	
	GATX Corporation—*see 239*	
	Gearhart Industries, Inc.—*see 758*	
239	*GATX Corporation*	12
240	*GAF Corporation*	12
241	*General Host Corporation*	12
245	*Culbro Corporation*	12
246	General Dynamics Corporation	12
247	General Electric Company	12
248	General Foods Corporation	3
	General Host Corporation—*see 241*	
249	General Mills, Inc.	5
250	General Motors Corporation	12
	General Portland Inc.—*see 896*	
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
	Golden Enterprises, Inc.—*see 897*	
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
	Great Northern Nekoosa Corporation—*see 867*	
	The Greyhound Corporation—*see 735*	
272	Grumman Corporation	12
	Guardian Industries Corp.—*see 898*	
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*	
274	Halliburton Company	12
276	*HMW Industries, Inc.*	1
	Hammermill Paper Company—*see 868*	
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
	Hiller Aviation, Inc.—*see 899*	
292	Holly Sugar Corporation	3
	Homasote Company—*see 666*	
293	Honeywell Inc.	12
295	The Hoover Company	12
296	Geo. A. Hormel & Company	10
	Hughes Tool Company—*see 869*	
	Humana Inc.—*see 702*	

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
	Philip A. Hunt Chemical Corporation—see 736	
300	*Norton Simon, Inc.*	6
	IC Industries, Inc.—see 761	
	IPCO 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	
314	*DPF Incorporated*	5
	Iowa Beef Processors, Inc.—see 670	
	JWT Group, Inc.—see 791	
	Jewel Companies, Inc.—see 671	
316	*Jim Walter Corporation*	8
317	Johns-Manville Corporation	12
318	Johnson & Johnson	12
	Johnson Controls, Inc.—see 870	
	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 Aluminium & Chemical Corporation	12
323	Kellogg Company	12
326	Kennecott Corporation	12
	Kerr-McGee Corporation—see 843	
327	Keystone Consolidated Industries, Inc.	6
328	Kidde, Inc.	12
329	Kimberly-Clark Corporation	12
	Knape & Vogt Manufacturing Company—see 762	
330	Koppers Company, Inc.	12
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	
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
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	
	M. Lowenstein Corporation—see 900	

Co. No.		*Month in which fiscal year ends
	Lowe's Companies, Inc.—see 706	
	The Lubrizol Corporation—see 871	
	Lucky Stores, Inc.—see 844	
349	Lukens Steel Company	12
	Lynch Corporation—see 751	
	MCA Inc.—see 364	
	Macmillan, Inc.—see 872	
352	R. H. Macy & Co., Inc.	7
	Malone & Hyde, Inc.—see 675	
355	Marathon Oil Company	12
	The Marley Company—see 819	
	Marriott Corporation—see 805	
357	Marshall Field & Company	1
358	Martin Marietta Corporation	12
359	Masonite Corporation	8
	Mattel, Inc.—see 873	
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
	McLouth Steel Corporation—see 874	
372	The Mead Corporation	12
374	Melville Corporation	12
375	Merck & Co., Inc.	12
376	Meredith Corporation	6
	MetPath Inc.—see 845	
377	Metro-Goldwyn-Mayer Film Co.	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 Corporation	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	
390	Mount Vernon Mills, Inc.	12
392	Munsingwear, Inc.	12
393	G. C. Murphy Company	1
	The Murray Ohio Manufacturing Company—see 806	
	NCR Corporation—see 395	
	NL Industries, Inc.—see 400	
394	Nabisco, Inc.	12
	The Narda Microwave Corporation—see 768	
	National Can Corporation—see 637	
395	*NCR Corporation*	12
398	National Distillers and Chemical Corporation	12

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
399	National Gypsum Company	12
400	*NL Industries, Inc.*	12
401	National Presto Industries, Inc.	12
	National Service Industries, Inc.—*see 875*	
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 Company—*see 876*	
	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*	
	Pabst Brewing Company—*see 877*	
	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
	Pettibone Corporation—*see 684*	
433	Pfizer Inc.	12
434	Phelps Dodge Corporation	12
436	Philip Morris Incorporated	12
437	Phillips Petroleum Company	12
438	Phoenix Steel Corporation	12
439	The Pillsbury Company	5
	Pioneer Hi-Bred International, Inc.—*see 823*	
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*	

Co. No.		*Month in which fiscal year ends
451	The Procter & Gamble Company	6
	Purex Industries, Inc.—*see 878*	
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*	
	Reichhold Chemicals, Inc.—*see 879*	
	Reliance Universal Inc.—*see 826*	
465	Republic Steel Corporation	12
	Revere Copper and Brass Incorporated—*see 880*	
	Revlon, Inc.—*see 849*	
467	*Dart & Kraft, 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*	
	Rubbermaid Incorporated—*see 901*	
	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*	
	Saxon Industries, Inc.—*see 881*	
483	*SCM Corporation*	6
	Schering-Plough Corporation—*see 882*	
	Jos. Schlitz Brewing Company—*see 883*	
	Schlumberger Limited—*see 776*	
	Scope Industries—*see 730*	
484	Scott Paper Company	12
485	Scovill Inc.	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
496	*SCOA Industries Inc.*	1
497	The Signal Companies, Inc.	12
498	Signode Corporation	12

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
	Simkins Industries, Inc.—see *689*	
500	Simplicity Pattern Co. Inc.	1
502	The Singer Company	12
504	A. O. Smith Corporation	12
	SmithKline Corporation—see *884*	
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 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 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
	Stanley Home Products, Inc.—see *692*	
	The Stanley Works—see *885*	
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*	
530	Sun Chemical Corporation	12
	Sun Company, Inc.—see *532*	
	Sunbeam Corporation—see *886*	
531	Sunstrand Corporation	12
532	*Sun Company, Inc.*	12
	Super Valu Stores, Inc.—see *902*	
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*	
	Talley Industries, Inc.—see *903*	
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

Co. No.		*Month in which fiscal year ends
	The Times Mirror Company—see *852*	
544	The Timken Company	12
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
	UNC Resources, Inc.—see *792*	
551	Union Camp Corporation	12
552	Union Carbide Corporation	12
553	Union Oil Company of California	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
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
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
578	The Vendo Company	12
	Vulcan Materials Company—see *887*	
	Walbro Corporation—see *904*	
580	Walgreen Co.	8
	Jim Walter Corporation—see *316*	
	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
	Wheelabrator-Frye Inc.—see *888*	
590	Wheeling-Pittsburgh Steel Corporation	12
	Whirlpool Corporation—see *650*	
	White Consolidated Industries, Inc.—see *698*	
	Whittaker Corporation—see *699*	
	Willamette Industries, Inc.—see *905*	
	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

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
ADDED FOR 1968 EDITION		
601	*United Brands Company*	6
602	*ATI, Inc.*	9
603	*Albertson's, Inc.*	1
605	*American Building Maintenance Industries*	10
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 Corporation*	6
628	*The LTV Corporation*	12
630	*Louisville Cement Company*	12
632	*J. Ray McDermott & Co., Inc.*	3
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	*CBI Industries, Inc.*	12
656	*Dana Corporation*	8
658	*Diamond Shamrock Corporation*	12
659	*Engelhard Minerals & Chemicals Corporation*	12
660	*Ethyl Corporation*	12
662	*Foremost-McKesson, Inc.*	3
666	*Homasote Company*	12
667	*International Multifoods Corporation*	2
668	*International Telephone and Telegraph Corporation*	12
670	*Iowa Beef Processors, Inc.*	10
671	*Jewel Companies, Inc.*	1
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
684	*Pettibone Corporation*	3
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
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		
718	*Bowne & Co., Inc.*	10
721	*Empire Gas Corporation*	6
723	*John Fluke Mfg. Co., Inc.*	9
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
738	*Northwest Industries, Inc.*	12
740	*Tyson Foods, Inc.*	9
ADDED FOR 1973 EDITION		
741	*Adams-Russell Co., Inc.*	9
742	*Bristol Corporation*	12
745	*Erb Lumber Co.*	12
749	*Levi Strauss & Co.*	11
751	*Lynch Corporation*	12
752	*Mosinee Paper Corporation*	12
ADDED FOR 1974 EDITION		
756	*Action Industries, Inc.*	6
758	*Gearhart Industries, Inc.*	1
761	*IC Industries, Inc.*	12
762	*Knape & Vogt Manufacturing Company*	6
763	*Lee Enterprises, Incorporated*	9
766	*Herman Miller, Inc.*	5
768	*The Narda Microwave Corporation*	6
769	*Rowe Furniture Corporation*	11
770	*Unifi, Inc.*	6

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
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		
779	*Caesars World, Inc.*	7
780	*Castle & Cooke, Inc.*	12
782	*Day Mines, Inc.*	12
784	*The Dun & Bradstreet Corporation*	12
785	*Dynamics Corporation of America*	12
786	*Cleveland Calendering & Coating Corp.*	4
788	*Gulton Industries, Inc.*	2
789	*Heublein, Inc.*	6
791	*JWT Group, Inc.*	12
792	*UNC Resources, Inc.*	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
800	*Duplex Products Inc.*	10
802	*Fluor Corporation*	10
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
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
830	*Supreme Equipment & Systems Corp.*	7
831	*Temtex Industries, Inc.*	8
832	*Waste Management, Inc.*	12
833	*The Williams Companies*	12

Co. No.		*Month in which fiscal year ends
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
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 Company*	12
853	*The Upjohn Company*	12
ADDED FOR 1980 EDITION		
854	*Avnet, Inc.*	6
855	*Bangor Punta Corporation*	9
856	*Baxter Travenol Laboratories, Inc.*	12
857	*Becton, Dickinson and Company*	9
859	*Cabot Corporation*	9
860	*Campbell Taggart, Inc.*	12
861	*Chesebrough-Pond's Inc.*	12
862	*Columbia Pictures Industries, Inc.*	6
863	*Cone Mills Corporation*	12
864	*R. R. Donnelley & Sons Company*	12
865	*Federal-Mogul Corporation*	12
866	*Fleetwood Enterprises, Inc.*	4
867	*Great Northern Nekoosa Corporation*	12
868	*Hammermill Paper Company*	12
869	*Hughes Tool Company*	12
870	*Johnson Controls, Inc.*	9
871	*The Lubrizol Corporation*	12
872	*Macmillan, Inc.*	12
873	*Mattel, Inc.*	1
874	*McLouth Steel Corporation*	12
875	*National Service Industries, Inc.*	8
876	*Norton Company*	12
877	*Pabst Brewing Company*	12
878	*Purex Industries, Inc.*	6
879	*Reichhold Chemicals, Inc.*	12
880	*Revere Copper and Brass Incorporated*	12
881	*Saxon Industries, Inc.*	12
882	*Schering-Plough Corporation*	12
883	*Jos. Schlitz Brewing Company*	12
884	*SmithKline Corporation*	12
885	*The Stanley Works*	12
886	*Sunbeam Corporation*	3
887	*Vulcan Materials Company*	12
888	*Wheelabrator-Frye Inc.*	12

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
ADDED FOR 1981 EDITION		
889	*Alpha Industries, Inc.*	3
890	*Anadite, Inc.*	10
891	*Analogic Corporation*	7
892	*Concord Fabrics Inc.*	8
893	*Designcraft Jewel Industries, Inc.*	2
894	*Durr-Fillauer Medical, Inc.*	12
895	*Emerson Radio Corp.*	3
896	*General Portland Inc.*	12
897	*Golden Enterprises, Inc.*	5
898	*Guardian Industries Corp.*	12
899	*Hiller Aviation, Inc.*	8
900	*M. Lowenstein Corporation*	12
901	*Rubbermaid Incorporated*	12
902	*Super Valu Stores, Inc.*	2
903	*Talley Industries, Inc.*	3
904	*Walbro Corporation*	12
905	*Willamette Industries, Inc.*	12

Companies Included in Thirty-fourth Edition Not Included in this Edition of the Survey

83	Beech Aircraft Corporation
290	Hobart Corporation
315	Jantzen, Inc.
340	Liggett Group, Inc.
350	The Macke Company
397	Kraft, Inc.
452	Pullman Incorporated
582	Ward Foods, Inc.
591	White Motor Corporation
610	Belden Corporation
669	Interphoto Corporation
703	Hampton Industries, Inc.
724	Gamble-Skogmo, Inc.
747	F&B/CECO Industries, Inc.
754	Velvet-O'Donnell Corporation
764	Lynnwear Corporation
778	American Garden Products, Inc.
803	Franklin Mint Corporation
829	Stange Co.
846	NATCO Industries, Inc.
858	Bluebird Incorporated

*Months numbered in sequence, January through December

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