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Accounting trends and techniques, 36th annual survey, 1982 edition

American Institute of Certified Public Accountants

1982 Accounting Trends & Techniques AICPA

Thirty-Sixth Edition **1982**

Accounting Trends & Techniques

Annual Survey of Accounting Practices Followed in 600 Stockholders' Reports

AICPA
American Institute of Certified Public Accountants

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Accounting Trends & Techniques

Thirty-sixth 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 January 31, 1982.

Edited by:

Jack Shohet, CPA
Manager
Technical Information Division

Richard Rikert
Research Assistant, Accounting Trends & Techniques

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

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PREFACE

Accounting Trends & Techniques—1982, Thirty-sixth Edition, is a compilation of data obtained by a survey of 600 annual reports to stockholders undertaken for the purpose of analyzing the accounting information disclosed in such reports. The annual reports surveyed were those of selected industrial and merchandising companies for fiscal periods ending between February 27, 1981 and January 31, 1982.

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 either by writing or by calling Richard Rikert—(212) 575-6394.

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. 334 of the companies were listed in the twenty-first (1967) edition and each retained the number assigned in that edition. The other 266 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 929 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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George Dick, Director, Technical Information Division
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Trends (212) 575-6394
NAARS (212) 575-6393

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Section 1: General

THIS SECTION OF THE SURVEY is concerned with general information about the 600 companies selected for the survey and with certain accounting information 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.

TABLE 1-1: INDUSTRY CLASSIFICATIONS

	1981	1980	1979	1978
Foods:				
Meat products	5	9	10	10
Dairy products	4	4	4	5
Canning, etc.	6	6	6	7
Packaged and bulk	18	18	19	19
Baking	4	4	5	4
Sugar, confections, etc.	6	6	6	7
Beverages	6	7	7	5
Tobacco products	6	6	6	6
Textiles	29	29	31	32
Paper products	17	18	17	15
Printing, publishing	11	9	9	8
Chemicals	25	25	25	23
Drugs, cosmetics, etc.	28	29	29	24
Petroleum	29	26	26	26
Rubber products, etc.	9	9	8	8
Shoes - manufacturing, merchandising, etc.	7	7	7	7
Building:				
Cement	2	3	2	3
Roofing, wallboard	11	11	10	11
Heating, plumbing	4	5	5	6
Other	17	17	16	16
Steel and Iron	18	19	19	18
Metal - nonferrous	15	18	18	20
Metal fabricating	21	21	20	18
Machinery, equipment and supplies	38	36	36	34
Electrical equipment, appliances	19	19	20	22
Electrical, electronic equipment	28	27	25	25
Business equipment and supplies	15	16	16	17
Containers - metal, glass, etc.	9	10	11	12
Autos and trucks (including parts, accessories)	23	22	22	20
Aircraft and equipment, aerospace	13	13	13	12
Railway equipment, shipbuilding, etc.	5	5	6	7
Controls, instruments, medical equipment, watches and clocks, etc.	16	14	13	12
Merchandising:				
Department stores	9	9	8	12
Mail order stores, variety stores	2	2	2	2
Grocery stores	18	18	17	17
Other	6	4	6	8
Motion pictures, broadcasting	6	7	7	6
Widely diversified, or not otherwise classified	95	92	93	96
Total Companies	**600**	**600**	**600**	**600**

TABLE 1-2: REVENUE OF SURVEY COMPANIES

	1981	1980	1979	1978
Less than $100,000,000	66	71	71	90
Between $100,000,000 and $500,000,000	124	124	129	139
Between $500,000,000 and $1,000,000,000	77	91	98	100
Between $1,000,000,000 and $2,000,000,000	114	113	115	110
More than $2,000,000,000	219	201	187	161
Total Companies	**600**	**600**	**600**	**600**

INFORMATION REQUIRED BY RULE 14c-3 TO BE INCLUDED IN ANNUAL REPORTS TO STOCKHOLDERS

Rule 14c-3 of the Securities Exchange Act of 1934 states that annual reports furnished to stockholders in connection with the annual meeting of stockholders should include 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. Rule 14c-3 also states the following information, as specified in *Regulation S-K*, should be included in the annual report to stockholders:

1. Selected quarterly financial data.
2. Disagreements with accountants on accounting and financial disclosure.
3. Effects of inflation for those companies not required by FASB *Statement of Financial Accounting Standards No. 33* to disclose such information.
4. Summary of selected financial data for last 5 years.
5. Description of business activities.
6. Segment information.
7. Listing of company directors and executive officers.
8. Market price of Company's common stock for each quarterly period within the two most recent fiscal years.
9. Management's discussion and analysis of financial condition and results of operations.

Examples of items 1, 4, and 9 follow. Examples of segment and inflation information disclosures are presented on pages 19-32 and pages 89-104, respectively.

Quarterly Financial Data

THE BLACK AND DECKER MANUFACTURING COMPANY (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12: Quarterly Results (unaudited)

1981	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net sales	$411,638	$375,489	$331,802	$312,072
Gross margin	170,717(a)	134,420(a)	138,880(a)	96,892
Net earnings	34,224	9,519	21,238	681(b)
Earnings per share	.81	.23	.50	.02(b)
1980				
Net sales	$391,231	$389,618	$332,133	$325,317
Gross margin	147,509	150,061	129,628	127,270
Net earnings	26,289	27,165	17,045	19,557(b)
Earnings per share	.63	.64	.41	.46(b)
1979				
Net sales	$306,549	$298,867	$294,843	$304,809
Gross margin	121,740	118,657	113,921	113,468
Net earnings	22,238	23,242	19,383	29,569(b)
Earnings per share	.53	.56	.46	.70(b)

(a) Includes approximately $3,000, $7,000 and $28,000 for the first three quarters of 1981, respectively, of exchange gains reclassified from other expense (income) to provide a better matching with the related costs. This reclassification had no effect on net earnings or earnings per share.

(b) Amounts include tax credits for stock (inventory) relief in the United Kingdom in the amount of $6,700 ($.16 per share) in 1981, $4,900 ($.12 per share) in 1980 and $10,400 ($.25 per share) in 1979.

CARNATION COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11—Quarterly Income Data (unaudited):

Selected quarterly income data is as follows (in thousands of dollars, except share data):

Quarters	Net sales	Gross profit	Net income	Net income per share
1981				
1st	$ 832,425	$228,555	$ 48,873	$1.32
2nd	818,436	212,497	41,271	1.12
3rd	840,284	208,117	38,445	1.04
4th	862,996	227,172	43,688	1.19
Year	$3,354,141	$876,341	$172,277	$4.67
1980				
1st	$ 764,075	$204,043	$ 40,750	$1.09
2nd	758,088	198,058	36,000	.97
3rd	838,066	204,372	34,697	.93
4th	875,993	220,704	40,484	1.09
Year	$3,236,222	$827,177	$151,931	$4.08

There were no material extraordinary, unusual or infrequently occurring items in any quarter; year-end adjustments were immaterial in relation to fourth-quarter results in each year.

As set forth in Note 2, the financial statements for each of the four quarters of 1980 and the first three quarters of 1981 have been restated to give effect to the provisions of SFAS No. 52, Foreign Currency Translation. Differences in previously reported gross profit, net income and net income per share are all attributable to such restatement.

BRUNSWICK CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 16: Quarterly Data (unaudited)

(dollars in thousands, except per share data)	Quarter 1st	2nd	3rd	4th	Year
1981					
Net sales	$263,816	$278,920	$272,333	$270,129	$1,085,198
Gross margin	$ 68,581	$ 78,225	$ 71,870	$ 67,149	$ 285,825
Earnings from continuing operations	$ 8,130	$ 13,895	$ 9,308	$ 11,207	$ 42,540
Earnings from discontinued operations	7,623	5,157	5,098	6,339	24,217
Net earnings	$ 15,753	$ 19,052	$ 14,406	$ 17,546	$ 66,757
Per common share					
Primary earnings					
Continuing operations	$ .36	$ .64	$ .40	$ .48	$ 1.88
Discontinued operations	.37	.26	.24	.27	1.13
	$ .73	$ .90	$ .64	$ .75	$ 3.01
Fully-diluted earnings					
Continuing operations	$ .36	$ .61	$ .40	$ .46	$ 1.82
Discontinued operations	.33	.22	.21	.25	1.01
	$ .69	$ .83	$ .61	$ .71	$ 2.83
Dividends declared	$ .225	$ .225	$ .225	$ .25	$ .925
Common stock price (NYSE)					
High	$ 17	$ 22½	$ 21¾	$ 21¼	$ 22½
Low	13	16⅝	15½	16⅞	13
1980					
Net sales	$250,816	$230,374	$234,038	$240,223	$ 955,451
Gross margin	$ 59,158	$ 49,299	$ 57,935	$ 51,060	$ 217,452
Earnings (loss) from continuing operations	$ 862	$ (3,148)	$ 6,171	$ 2,219	$ 6,104
Earnings from discontinued operations	5,098	2,332	4,246	6,148	17,824
Net earnings (loss)	$ 5,960	$ (816)	$ 10,417	$ 8,367	$ 23,928
Per common share					
Primary earnings (loss)					
Continuing operations	$ —	$ (.20)	$ .26	$ .07	$ .13
Discontinued operations	.25	.12	.21	.30	.88
	$ .25	$ (.08)	$ .47	$ .37	$ 1.01
Fully-diluted earnings (loss)					
Continuing operations	$ —	$ (.20)	$ .27	$ .10	$ .12
Discontinued operations	.25	.12	.18	.26	.88
	$ .25	$ (.08)	$ .45	$ .36	$ 1.00
Dividends declared	$ .225	$ .225	$ .225	$ .225	$ .90
Common stock price (NYSE)					
High	$ 15⅜	$ 12¾	$ 16¼	$ 17⅛	$ 17⅛
Low	10⅜	10⅛	11⅜	13⅞	10⅛

Allocations of the Company's administrative expenses have been included in the determination of earnings from discontinued operations.

Fourth quarter earnings from continuing operations in 1981 and 1980 were increased by a change in the annual effective tax rates to 32% and a 98% tax benefit, respectively, for the year from the estimated rates of 39% and 19%, respectively, used for the first nine months. Fourth quarter earnings from continuing operations in 1980 were decreased $2.7 million ($.13 per share) due to year-end inventory adjustments.

Gross margin amounts in 1980 and for the quarter ended March 31, 1981 have been restated to reflect the reclassification of certain previously reported research and development costs and administrative expenses.

A change in the actuarial method used to compute expense for most of the Company's pension plans increased third quarter 1980 earnings from continuing operations by $1.6 million, or $.08 per share. Had the change been made in the first quarter, earnings (loss) from continuing operations would have been as follows:

1980 quarter ended	Earnings (loss) from continuing operations	Earnings (loss) from continuing operations per common share: Primary	Fully-diluted
March 31	$1,385	$.02	$.02
June 30	(2,626)	(.17)	(.17)
September 30	5,126	.21	.22

SQUIBB CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Quarterly Financial Data (Unaudited)

	Net sales	Gross profit	Income (loss) from continuing businesses	Income before extra-ordinary charge	Net income	Per share Income (loss) from continuing businesses	Per share Income before extra-ordinary charge	Per share Net income
	(Amounts in millions except per share figures)							
1981								
First Quarter	$ 339.0	$191.5	$ 17.5	$ 18.6	$ 18.6	$ .36	$ .38	$ .38
Second Quarter	365.1	208.7	26.0	28.0	28.0	.52	.56	.56
Third Quarter.........	410.0	230.6	37.3	42.1	42.1	.74	.84	.84
Fourth Quarter	409.8	216.7	(39.7)	22.6	16.1	(.79)	.45	.32
	$1,523.9	$847.5	$ 41.1	$111.3	$104.8	$ .83	$2.23	$2.10
1980								
First Quarter	$ 272.1	$155.7	$ 11.4	$ 16.7	$ 16.7	$ .25	$ .36	$ .36
Second Quarter	310.0	176.7	17.6	24.0	24.0	.37	.50	.50
Third Quarter.........	373.8	208.7	38.6	44.4	44.4	.80	.92	.92
Fourth Quarter	378.3	208.2	35.8	42.3	42.3	.73	.87	.87
	$1,334.2	$749.3	$103.4	$127.4	$127.4	$2.15	$2.65	$2.65
1979								
First Quarter	$ 233.1	$131.6	$ 11.7	$ 16.1	$ 16.1	$ .26	$ .36	$ .36
Second Quarter	265.5	149.5	21.2	28.6	28.6	.47	.63	.63
Third Quarter.........	298.4	163.8	30.4	38.5	38.5	.67	.84	.84
Fourth Quarter	313.1	167.1	26.2	40.5	40.5	.57	.88	.88
	$1,110.1	$612.0	$ 89.5	$123.7	$123.7	$1.97	$2.71	$2.71

The 1981 fourth quarter results include the costs of restructuring, the gain on the sale of Life Savers and the extraordinary charge related to Iran. Previously reported quarterly sales, gross profit and income from continuing businesses data have been restated to reflect the sale of Life Savers. Income from continuing businesses data also have been restated to reflect the Company's adoption of FASB Statement No. 52 during the fourth quarter of 1981, resulting in an increase of $1.0 million ($.02 per share) in the first quarter, $4.9 million ($.10 per share) in the second quarter and $7.2 million ($.14 per share) in the third quarter.

SCOTT PAPER COMPANY (DEC)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Quarterly Highlights

(Millions, except on a per common share basis)	1st Quarter (2)	2nd Quarter (2)	3rd Quarter (2)	4th Quarter
1981				
Sales	$566 (3)	$570	$575	$598
Gross margin (1)	178 (3)	177	178	196
Net income	26	31	27	49
Per common share				
Net income	$ .66	$ .76	$ .64	$1.16
Dividends	.25	.25	.25	.25
Market price				
High	28½	22	20¾	19⅛
Low	20⅜	17⅞	15	15
1980 (4)				
Sales	$546	$528	$485	$524
Gross margin (1)	186	185	135	177
Net income	34	60	4	35
Per common share				
Net income	$ .89	$1.53	$ .10	$ .89
Dividends	.25	.25	.25	.25
Market price				
High	22⅛	17¼	19⅞	23½
Low	14¾	13¼	16⅞	17
1979 (4)				
Sales	$470	$484	$475	$479
Gross margin (1)	159	166	160	154
Net income	37	35	34	30
Per common share				
Net income	$ .96	$ .90	$ .87	$ .77
Dividends	.21	.23	.23	.23
Market price				
High	18⅞	19⅝	20⅞	19¾
Low	13⅝	16¼	16¼	16

(1) Sales less product costs.

(2) 1981 was restated for Financial Accounting Standards Board Statement No. 52, Foreign Currency Translation, which did not have a material effect on any one quarter.

(3) Certain minor reclassifications (not affecting net income) have been effected to more clearly present results of operations.

(4) Restated for Financial Accounting Standards Board Statement No. 43, Compensated Absences.

WHEELABRATOR-FRYE INC. (DEC)

QUARTERLY RESULTS OF OPERATIONS

The following table sets forth a summary of the unaudited quarterly results of operations for the years ended December 31, 1981 and 1980.

(Thousands Except Per Share Amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Year Ended December 31, 1981				
Net Revenues	$395,964	$366,913	$401,186	$384,269
Gross Margin	$ 85,990	$ 91,609	$ 90,913	$101,348
Income from Continuing Operations	$ 14,185	$ 20,579	$ 26,370	$ 28,928
Net Income	$ 19,550	$ 23,025	$ 25,075	$ 23,700
Income Per Share of Common Stock:				
Primary				
Continuing Operations	$ .73	$1.08	$1.38	$1.52
Net Income	$1.02	$1.21	$1.32	$1.23
Fully Diluted				
Continuing Operations	$ .71	$1.02	$1.32	$1.45
Net Income	$ .98	$1.14	$1.26	$1.19
Year Ended December 31, 1980				
Net Revenues	$246,247	$258,643	$250,060	$411,350
Gross Margin	$ 59,520	$ 66,242	$ 63,564	$ 97,194
Income from Continuing Operations	$ 9,950	$ 11,882	$ 13,450	$ 14,521
Net Income	$ 9,950	$ 11,882	$ 13,450	$ 20,018
Income Per Share of Common Stock:				
Primary				
Continuing Operations	$ .88	$1.06	$1.22	$ .81
Net Income	$ .88	$1.06	$1.22	$1.15
Fully Diluted				
Continuing Operations	$ .83	$ .98	$1.10	$ .77
Net Income	$ .83	$ .98	$1.10	$1.09

As more fully described in Note 2 to the Consolidated Financial Statements, the fourth quarter of 1980 and the full year of 1981 include the results of operations of Pullman Incorporated ("Pullman"), which was acquired effective October 1, 1980.

The above summary has been restated to reflect the discontinuance, for accounting purposes, in 1981 of PTC and First Greatwest Corporation.

Selected Information For Five Years

ACF INDUSTRIES, INCORPORATED (DEC)

Five-Year Statistical Summary

(Dollars in thousands except amounts per share and shares outstanding)

Consolidated Summary of Operations:

	Year Ended December 31				
	1981	1980	1979	1978	1977
Revenues:					
Manufacturing operations	$ 773,907	$ 898,003	$ 865,708	$ 712,725	$ 607,096
Railroad car rentals and services	144,160	131,060	117,188	106,313	98,608
Gas and oil operations	21,028	15,578	8,809	5,907	4,052
Other	9,251	8,172	8,944	3,396	3,263
Total revenues	948,346	1,052,813	1,000,649	828,341	713,019
Costs and expenses:					
Cost of manufacturing	635,361	750,811	732,366	592,223	512,935
Fleet operating expenses	39,462	37,225	32,429	27,523	25,343
Selling, administrative and other expenses	102,119	92,802	83,083	71,088	57,354
Depreciation expense	40,865	36,436	42,581	38,837	34,997
Interest expense	50,703	39,361	34,338	27,172	22,162
Total costs and expenses	868,510	956,635	924,797	756,843	652,791
Income before provision for estimated phase-out costs and taxes on income	79,836	96,178	75,852	71,498	60,228
Provision for estimated phase-out costs	—	28,000	—	—	—
Income before taxes on income	79,836	68,178	75,852	71,498	60,228
Estimated taxes on income	32,311	23,422	28,011	30,322	24,971
Net income	$ 47,525	$ 44,756	$ 47,841	$ 41,176	$ 35,257
Net income per common share	$ 5.23	$ 5.02	$ 5.44	$ 4.71	$ 4.05
Dividends paid per common share	$ 2.69½	$ 2.43½	$ 2.20½	$ 2.07½	$ 1.95
Capital expenditures:					
Rolling stock	$ 64,424	$ 101,359	$ 61,451	$ 66,663	$ 51,940
Plant facilities	32,075	31,076	26,906	23,388	16,928
	97,499	132,435	88,357	90,051	68,928
Investment in gas and oil ventures	28,656	20,509	12,721	7,718	7,200
Total	$ 126,155	$ 152,944	$ 101,078	$ 97,769	$ 76,128
Financial position:					
Working capital	$ 209,349	$ 211,767	$ 187,897	$ 173,104	$ 158,046
Property (net)	703,398	651,300	570,713	529,107	478,615
Total assets	1,240,559	1,109,488	1,016,796	923,064	786,033
Long-term debt	379,262	366,713	310,907	291,443	259,656
Deferred taxes on income	193,172	168,781	158,565	145,041	129,736
Stockholders' equity	404,084	376,778	348,384	316,559	292,708
Average number of shares outstanding	9,086,896	8,923,860	8,787,477	8,739,988	8,709,977

ALLEGHENY INTERNATIONAL, INC. (DEC)

Five-Year Consolidated Financial Summary

	1981	1980*	1979*	1978*	1977*
	(Dollars in millions, except Share Data-Common Stock)				
Summary of Operations:					
Net sales	$1,907.8	$ 923.5	$ 850.3	$ 752.8	$ 398.9
Cost of goods sold	1,335.2	674.0	621.6	540.3	314.1
Depreciation and amortization	43.0	20.1	18.9	20.5	9.4
Interest expense	92.4	41.8	35.7	32.9	13.7
Income taxes	23.9	13.2	23.1	9.5	5.4
Earnings from continuing operations before equity earnings	36.5	21.5	18.0	13.9	13.0
Equity earnings	46.1	44.4	28.1	12.3	2.3
Earnings from continuing operations	82.6	65.9	46.1	26.2	15.3
Earnings (loss) from discontinued operations	(1.6)	(21.2)	24.9	7.2	10.1
Net earnings	81.0	44.7	71.0	33.4	25.4
Cash dividends:					
On Preferred Stocks	11.9	15.2	16.6	18.1	5.9
On Common Stock	13.1	10.1	9.8	9.2	9.3
Capital expenditures	57.9	36.1	34.1	39.3	15.8
Share Data-Common Stock:					
Fully diluted earnings (loss) per share:					
Continuing operations	$ 7.20	$ 5.68	$ 3.30	$ 1.34	$ 1.38
Discontinued operations	(.16)	(2.24)	2.42	.70	.96
Net earnings	7.04	3.44	5.72	2.04	2.34
Primary earnings (loss) per share:					
Continuing operations	7.65	6.89	3.86	1.11	1.15
Discontinued operations	(.17)	(2.94)	3.37	.99	1.38
Net earnings	7.48	3.95	7.23	2.10	2.53
Dividends per share	1.40	1.40	1.31	1.28	1.28
Book value per share	35.06	35.38	31.77	25.83	23.98
Number of shares outstanding (in thousands)	10,833	7,310	7,081	7,128	7,295
Number of shareholders	17,548	15,509	17,314	18,359	17,868
Financial Position at Year-End:					
Working capital	$ 529.3	$ 267.0	$ 259.8	$ 256.1	$ 344.4
Property, plant and equipment, net	534.6	343.1	165.3	197.0	206.5
Total assets	2,429.4	1,358.5	1,137.0	1,086.2	1,075.7
Long-term debt	657.0	381.0	314.3	328.0	354.4
Redeemable preferred stocks	336.0	116.5	115.4	114.0	120.5
$3.00 Convertible Preferred Stock	—	1.3	1.7	1.8	2.0
Common Stock issued	7.4	5.6	5.1	5.0	4.9
Additional paid-in capital	126.3	82.7	82.1	84.1	84.3
Retained earnings	352.7	297.7	279.3	235.7	230.7
Cumulative adjustment from foreign currency translation	(27.8)	(.6)	(.8)	—	—
Common Stock in treasury	(7.0)	(30.5)	(14.9)	(9.8)	(.8)

*Restated to reflect changes in accounting principles.

RANCO INCORPORATED (SEP)

5-Year Summary of Selected Financial Data

(In Thousands Except Per Share Data)	1981	1980	1979	1978	1977
Consolidated Earnings					
Net sales	$179,446	$179,418	$157,281	$141,783	$128,067
Cost of products sold	139,555	145,186	126,678	110,932	99,184
Selling, engineering and administrative expense	28,592	28,546	23,721	20,187	15,911
Interest	4,476	4,680	2,370	1,919	1,689
Other (income) expense (A)	(177)	(1,974)	(6,626)	(1,260)	(450)
	172,446	176,438	146,143	131,778	116,334
Income before taxes on income and equity in earnings of affiliate	7,000	2,980	11,138	10,005	11,733
Taxes on income	4,724	369	2,515	4,501	5,554
Income before equity in earnings of affiliate	2,276	2,611	8,623	5,504	6,179
Equity in earnings of affiliate	(334)	1,251	432	2,917	1,104
Net Income	$ 1,942	$ 3,862	$ 9,055	$ 8,421	$ 7,283
Net income per common share (B)	$.55	$1.11	$2.57	$2.29	$2.01
Common dividends	$ 2,940	$ 2,936	$ 2,677	$ 2,544	$ 1,738
Common dividends per share	$.84	$.84	$.76	$.69	$.48
Average shares outstanding	3,500	3,495	3,526	3,669	3,617
Consolidated Financial Position (C)					
Current assets	$ 75,307	$ 85,696	$ 74,834	$ 61,279	$ 59,148
Current liabilities	33,596	44,046	37,100	26,037	20,928
Working capital	41,711	41,650	37,734	35,242	38,220
Property, plant and equipment	37,626	33,529	27,168	19,877	17,299
Total assets	128,899	134,731	116,676	93,967	83,398
Long-term debt	35,033	29,862	20,936	13,281	13,922
Common shareholders' equity	54,033	55,043	54,073	51,323	45,442
Net income as a % of common shareholders' equity (D)	3.6%	7.1%	17.2%	17.4%	17.1%

(A) In 1980 and 1979, other income expense includes a gain of $863,000 and $4,999,000, respectively, on the sale of the German manufacturing facilities. (See Note 11 of Notes to Consolidated Financial Statements)

(B) Per share data are based on the weighted average number of common shares outstanding during each year. No material dilution in earnings per share would result from exercise of stock options.

(C) As restated for the retroactive effect of adopting FASB 43 in 1981. (See Note 15 to the Consolidated Financial Statements.)

(D) Based on average common shareholders' equity for the year.

RUSS TOGS, INC.

Five Year Selected Financial Data

(Dollars in thousands except per share amounts)

	Year Ended				
	January 30, 1982	January 31, 1981	February 2, 1980	February 3, 1979*	January 28, 1978
For the Year					
Net sales	$ 227,841	$ 190,431	$ 177,514	$ 136,164	$ 133,281
Earnings—continuing operations before extraordinary items	10,344	9,079	8,518	6,346	6,923
Extraordinary items (net of income taxes)	654				
NET EARNINGS	10,998	9,079	8,518	6,346	5,838
Earnings per common share:					
Continuing operations before extraordinary items	2.91	2.53	2.13	1.54	1.68
Extraordinary items (net)	.19				
TOTAL	3.10	2.53	2.13	1.54	1.40
Average number of shares used in computing earnings per common share	3,417,000	3,425,000	3,762,000	3,804,000	3,817,000
Dividends per common share	1.00	.88	.88	.88	.76
At Year End					
Working capital	60,472	55,636	54,632	50,877	46,143
Working capital ratio	3.0 to 1	3.3 to 1	3.1 to 1	3.0 to 1	4.7 to 1
Property and equipment—net	11,614	11,946	11,729	11,893	8,461
Total assets	110,479	96,956	98,161	94,436	73,844
Long-term debt	8,405	8,992	10,811	12,067	6,906
Stockholders' equity	68,813	61,639	59,443	56,140	53,940
Shares outstanding:					
Common	3,417,000	3,417,000	3,748,000	3,780,000	3,809,000
Preferred	215,000	215,000	215,000	265,000	265,000
Equity per common share**	17.63	15.53	13.57	12.05	11.38

*Year ended February 3, 1979 represents 53 weeks.
**After liquidation preference of Preferred Stock.

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

EATON CORPORATION (DEC)

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

Financial Condition

Faced with the prolonged economic slowdown, the Company made a strong effort to utilize better its capital resources and improve liquidity by converting accounts receivable and inventories into cash and short-term investments and by reducing current liabilities. Cash and short-term investments totaled $104.7 million at December 31, 1981, a substantial increase of $83.4 million over the prior year's amount. Current liabilities were reduced by $23.3 million to $584.1 million at the end of 1981. Net working capital increased by $14.7 million to $687.5 million at December 31, 1981 and the current ratio increased to 2.2 from 2.1 at the end of 1980 and 1979.

Total debt, consisting of short and long-term debt and the current portion of long-term debt, decreased slightly to $598.3 million at December 31, 1981 from $598.7 million at the end of 1980. The net-debt to net-debt plus equity ratio, which treats short-term investments as a reduction of debt, continued to decline from its peak of three years ago of 44.6% to 32.1% at the end of 1981.

During 1981, the Company significantly changed its debt structure by both fixing the interest rate and extending the maturity of its borrowings. Fifty million dollars of 13¼% Eurodollar Notes due 1989 and the proceeds of $97.6 million from the issue of $200 million of 7% debentures due 2011 were used to repay borrowings outstanding under revolving credit note agreements and commercial paper, which borrowings were subject to high short-term interest rates during the past year and a half. As a result of these financings, the Company has fixed the rate on substantially all of its borrowings and has extended the average life of its debt to over 12 years. In addition, during 1981 the Company increased its fixed rate notes payable to banks outside of the United States and negotiated increases in the amount of long-term lines of credit available from banks during the next several years. These actions will help shield profits from wide swings created by volatile short-term interest rates and enable the Company to meet future financial needs and opportunities.

Despite the current economic slowdown, the Company continued its ambitious program of constructing new facilities and improving the overall efficiency of manufacturing operations. Capital expenditures were $136.7 million, down only $4.6 million from 1980. Major projects which were put into operation during 1981 included the truck transmission plant in Manchester, United Kingdom, the brake and transmission headquarters in Galesburg, Michigan and the engine valve plant in Belmond, Iowa. Additionally, expansion projects at the engine valve plant in Kearney, Nebraska and truck transmission plant in Shenandoah, Iowa were completed. With capacity now in place to meet foreseeable demand, it is expected that capital expenditures for 1982 will be approximately $120 million with the necessary funds provided by a mixture of working capital on hand and cash flow from operations.

In 1982, the Company expects to increase its investment in accounts receivable and inventories and increase current liabilities since it anticipates an increase in economic activity. The Company believes that during this period of increased product demand, the present capital resources available in the form of working capital on hand, credit agreements and funds provided from operations, will be more than adequate to meet these anticipated needs.

Results of Operations—1981 Compared With 1980

Net Sales

Net sales for 1981 were $3,165.3 million, slightly below the amount for 1980 of $3,176.5 million. The economic downturn continued to have a great impact on the Electronic and Electrical and Vehicle Components segments which reported sales slightly above the amounts for 1980 while sales of the Materials Handling Vehicles segment fell 21%. However, due to tight inventory and cost controls, operating profits in the Vehicle Components segment increased by 12%. Overall, unit volumes were lower for most of the Company's key businesses due to high interest rates and the prolonged slowdown in business activity. In general, sales increases of operations in the United States offset declines at international operations.

Gross Margin

Gross margin increased to $799.0 million in 1981, or 25.2% of net sales, from $784.1 million in 1980, or 24.7% of net sales. The increase was primarily due to the effect of cost reduction programs as well as a reduction of charges related to plant closings and divestitures and long-term contracts which were significant in 1980. However, gross margin for 1980, and to a lesser extent for 1981, was favorably affected by the liquidation of LIFO inventory quantities.

Earnings of Finance Subsidiaries and Associate Companies

Earnings of finance subsidiaries and associate companies increased by $9.0 million in 1981 to $23.4 million. The increase resulted primarily from a significant improvement in the results of operations of the Company's associate company in Mexico and domestic finance subsidiary.

Interest Income

Interest income of $11.2 million in 1981 was $5.6 million higher than in 1980 due to the increased investment in short-term securities of cash generated mainly as a result of efforts to liquidate accounts receivable and reduce inventories.

Selling and Administrative and Research and Development Expenses

Selling and administrative expenses were $506.6 million in 1981, an increase of 4.9% compared to an increase of 6.5% during 1980. The continued decline in the rate of growth of these expenses was the result of stringent cost controls. Research and development expenses increased 26.6% during 1981 to $94.1 million compared to an increase of 10.0% during 1980, reflecting the Company's conscious decision to continue aggressive product development programs in those business areas with a high potential for growth.

Interest Expense

Interest expense decreased in 1981 by $14.2 million to $75.0 million. The decline was primarily associated with the refinancing of short and long-term debt which was subject to floating interest rates with the issue of $50 million of 13¼% Eurodollar Notes due in 1989 and the $97.6 million in proceeds from the issue of $200 million of 7% debentures due in 2011.

Exchange (Gain) Loss—Net

Exchange gain—net was $.7 million in 1981 compared to an exchange loss of $3.9 million in 1980. As described under "Accounting Change" in the Financial Review, the Company changed its method of accounting for foreign currency translation. Exchange loss—net for 1980 would not have changed significantly if the new accounting method had been applied in 1980.

Income Taxes

An analysis of changes in income taxes and the effective tax rate is presented under "Income Taxes" in the Financial Review.

Effects of Inflation

A discussion of the effects of inflation on the Company's operations is presented on pages 32 to 34 of the Financial Review.

Results of Operations—1980 Compared With 1979

Net Sales

Net sales for 1980 were $3,176.5 million, a decline of 5% from 1979 sales of $3,359.9 million. The recession experienced by the United States economy during 1980 severely impacted several of the Company's primary markets, especially those represented in the Vehicle Components segment which experienced a decline of 15% in net sales. Sales of the Electronic and Electrical segment increased by almost 10% in 1980. However, the rapid rate of inflation experienced by the economy during 1980 tends to distort the true results of certain of the Company's product classes which experienced reductions in unit volume.

While net sales of the Company's operations in the United States decreased by 10%, its international businesses showed a 7% increase. The worldwide recession in 1980 affected United States operations earlier than international operations.

Gross Margin

Gross margin declined to $784.1 million in 1980 from $872.1 million in 1979. Gross margin also declined as a percentage of sales to 24.7% in 1980 from 26.0% in 1979. These declines resulted in large measure from the Company's inability to attain selling price increases in many of its major product lines in sufficient amount to offset inflationary cost increases and the impact of a one-time charge related to long-term contracts. Partially offsetting this decline was an increase in gross margin relating to the liquidation of LIFO inventory quantities, and a reduction in charges related to plant closings and divestitures.

Earnings of Finance Subsidiaries and Associate Companies

Earnings of finance subsidiaries and associate companies increased by $2.8 million during 1980 to $14.4 million. The increase reflected improved earnings of the Company's domestic finance subsidiary.

Interest Income

Interest income declined $2.5 million in 1980 to $5.5 million, the result of a decline in investments of short-term securities held during the year from the prior year.

Other Income—Net

Other income—net increased to $22.8 million in 1980 from $14.7 million in 1979. The increase reflected increased gains on the repurchase of Eaton debentures and royalty income. These increases were offset to some extent by an increase in charges attributable to minority interest ownership in several of the Company's overseas consolidated subsidiaries.

Selling and Administrative and Research and Development Expenses

Although selling and administrative expenses increased $29.5 million in 1980 to $482.8 million, these expenses increased only 6.5% over 1979 compared to a 26.6% increase during 1979. The decline in the rate of growth of selling and administrative expenses resulted largely from the one-time effect of the 1978 acquisitions, but also stemmed from the Company's continuing efforts to reduce these expenses through tight control and appropriate reduction in the level of employment. Research and development expenses increased by $6.7 million in 1980 to $74.3 million and as a percent of net sales to 2.3% from 2.0% in 1979. These increases reflected the Company's emphasis on developing internal technological expertise and new products and markets.

Interest Expense

Interest expense of $89.2 million in 1980 was $2.3 million higher than in 1979, primarily due to the sharply higher interest rates worldwide. The increases in worldwide interest rates were offset to a great degree by the Company's efforts to reduce its total debt position through the application of internally generated funds.

Income Taxes

An analysis of changes in income taxes and the effective tax rate is presented under "Income Taxes" in the Financial Review.

EX-CELL-O CORPORATION (NOV)

MANAGEMENT'S ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Results of Operations

Fiscal 1981 Compared to 1980

Sales increased $103.8 million, or 10.2 percent, and operating profit increased $10.8 million, or 11.7 percent. Sales and operating profit increased substantially in the Ordnance segment and moderately in the Automotive Components and Aerospace segments. The operating profit of the Industrial Equipment and Specialty Products segments fell below year earlier levels on modestly lower Industries Equipment sales and slightly higher Specialty Products sales.

Industrial Equipment—The reduction in sales and operating profit in the Industrial Equipment segment resulted from declining demand for products with relatively short lead times, and lower packaging equipment lease revenues due to reduced emphasis on leasing. Decreased margins on machine tools produced in Europe and costs associated with development and introduction of new packaging equipment products also reduced operating profit. Planned inventory reductions, which caused lower cost items to be consumed in production, increased operating profit by $4.5 million during the year. Reduced intake of new orders in 1981 will result in substantially lower operating earnings in this segment in 1982.

Automotive Components—Sales and operating profit increased from the severely depressed levels of 1980, even though industry conditions did not improve during the 1981 model year. These increases occurred primarily as the result of greater market penetration, higher selling prices, and greater replacement product volume. 1982 model North American car production has fallen to exceptionally low levels, reducing shipments of this segment. As a result, the return to more satisfactory performance by the Automotive Components segment may be further delayed.

Aerospace—The increase in sales and operating profit in the Aerospace segment resulted mainly from higher selling prices. The proportion of military business increased slightly, and this product mix trend is expected to continue in 1982, as procurement for national defense accelerates. Demand for commercial products softened compared to 1980. Based on orders scheduled for shipment in 1982 and assuming no major delivery stretchouts by customers, operating results should remain strong.

Ordnance—The substantial increase in sales and operating profit in the Ordnance segment occurred because of greater shipments of both wheeled armored vehicles and ordnance systems. Increased vehicle deliveries resulted from a major contract received late in 1980 calling for shipments extending into fiscal 1983. Increased sales of terret control and stabilization systems were related to the U.S. Army's M-1 main battle tank and other tank construction and retrofit programs. Continued sales and earnings growth is expected in 1982.

Specialty Products—Despite a significant increase in sales of plastic components, sales of the Specialty Products segment increased only slightly overall due to the effects of recessionary conditions. Operating profit decreased as the result of product start-up costs in computer peripherals and plastic components. At the end of the year, operations related to crop sprayer and portable heater products were in the process of being divested. The operating results of this segment for 1982 are expected to be favorably affected as the start-up products move into full production and by the disposition of the sprayer and heater products.

Other items—Interest income increased by $7.5 million in 1981 as the result of higher amounts invested in marketable securities at higher interest rates. Research and development expenses increased $5.8 million, or 38.4 percent, in 1981 due to greater emphasis on product development primarily within the Industrial Equipment and Ordnance segments.

Fiscal 1980 Compared to 1979

Sales increased $58.8 million, or 6.1 percent, as the result of higher shipments in the Industrial Equipment, Aerospace, and Specialty Products segments, offsetting decreases in the Automotive Components and Ordnance segments. Operating profit decreased by $13.1 million, or 12.4 percent, as the operating results of all segments except Industrial Equipment fell below year earlier levels.

The improvement in Industrial Equipment in 1980 resulted from the continuing strength of the machine tool business, the shift in emphasis from lease to sale of milk packaging equipment, and increased productivity. The decline in the performance of the Automotive Components segment was due to the depressed level of North American car production. Increasing prices and continuing high demand resulted in higher Aerospace segment sales, but significantly higher raw material costs caused a decline in operating profit. Ordnance sales and operating profit were adversely affected by the low level of incoming orders for wheeled armored vehicles in 1979. Though sales of the Specialty Products segment increased slightly, operating profit was reduced by start-up costs for new computer peripheral products.

Research and development expenses rose $1.6 million, or 11.6 percent, as the result of higher wage and material costs, with the Industrial Equipment, Automotive Components, and Aerospace segments accounting for most of the increase.

Financial Condition

Unused lines of credit at the end of fiscal 1981 from domestic and foreign lenders, respectively, totalled $50 million and $23.3 million. Significant cash resources have resulted from customer deposits on unfilled orders. The future level of such deposits depends upon continued receipt of orders providing for advance cash payments. The year-end ratio of debt to total capital was 14.4 percent compared to 16.3 percent at the end of 1980. During 1981, operations were financed by internally generated funds.

Capital expenditures in 1982 will be made for the purpose of increasing productivity, supporting new business, and expanding the capacity of existing businesses that meet established criteria for growth and return on investment. It is expected that such expenditures will be financed by internally generated funds.

Capital Stock and Dividends

At December 31, 1981, the Company had approximately 14,300 shareholders of record. In May 1981, a three-for-two stock split was effected in the form of a 50 percent stock dividend. Subsequently, the quarterly cash dividend was raised from $.33⅓ to $.37 per share, representing the ninth consecutive annual increase. The dividend payout ratio in 1981 was 38.8 percent, compared to 40.3 percent in 1980. Information on quarterly cash dividends declared and market prices per share is included in the table below. Information on dividend payment restrictions is contained in Note 7 to the financial statements on page 26. The Company's common stock is traded on the New York Stock Exchange.

Changing Prices

Information on the effects of changing prices on the Company's operations is contained in Note 15 to the financial statements on page 30.

INTERNATIONAL MINERALS & CHEMICAL CORPORATION (JUN)

Analysis of Earnings Change and Financial Condition

1981 vs. 1980

Sales increased $195.3 million (11 percent). Nearly all of the increase was due to higher selling prices in most product lines. Operating earnings increased $10.7 million (3 percent) and net earnings increased $7.9 million (5 percent). Earnings reflect the change in 1981 to the last-in, first-out (LIFO) method of accounting for domestic product inventories. This change cut operating earnings and net earnings by $28.4 million and $18.3 million, respectively.

Earnings in 1981 also included a fourth quarter pre-tax loss provision of $14.4 million on the planned disposition of IMC's coal business. Last year's earnings included pre-tax loss provisions of $11.7 million on disposals of certain chemicals facilities, an $8.2 million write-off of certain coal reserves, and a $5.5 million loss on metals futures contracts. Significant changes in operating earnings are discussed below.

Fertilizer operating earnings increased $15.6 million (7 percent). On a pre-LIFO basis, earnings would have increased $24.5 million (11 percent). Most of the increase came from higher prices and, to a lesser extent, higher potash and phosphate chemicals volume. These gains were reduced in part by higher costs and a $15.5 million operating loss from uranium start-up problems, compared with a 1980 uranium pre-operating loss of $3.5 million.

Animal products operating earnings increased $13.7 million (37 percent). On a pre-LIFO basis, earnings would have increased $14.8 million (40 percent). Principal factors in that increase were higher prices for animal feed ingredients and increased volume of Ralgro, a growth-promoting implant.

Chemicals operating earnings increased $1.1 million (17 percent). On a pre-LIFO basis, earnings would have increased $5.8 million (88 percent). As noted earlier, last year's earnings included pre-tax loss provisions of $11.7 million on disposals of certain chemicals facilities.

Gas and oil operating earnings declined $.2 million (1 percent). The benefits of higher prices were just about offset by an increase in exploration expenses.

Industry operating earnings decreased $15.6 million (39 percent). On a pre-LIFO basis, earnings would have decreased $2.0 million (5 percent). Some lower volumes and selling prices on products sold to soft markets were the principal factors.

Interest income and other income, net, declined $8.5 million. The decrease was mainly the result of the $14.4 million pre-tax loss provision on the planned disposition of IMC's coal business. Interest charges increased $4.3 million. Most of the increase resulted from an increase in long-term debt late in fiscal 1980.

Earnings before income taxes were about the same as a year ago but income taxes were $8.6 million lower, resulting in a decline in the effective tax rate from 42.8 percent in 1980 to 39.6 percent in 1981. Higher investment tax credits, partially offset by higher foreign effective tax rates, account for most of the decline in the rate.

1980 vs. 1979

Sales increased $314.9 million (21 percent), with approximately three-fourths of the increase the result of higher selling prices and the balance from higher volume. Operating earnings increased $40.1 million (15 percent) and net earnings increased $25.1 million (21 percent).

Fertilizer operating earnings increased $46.5 million (25 percent). Most of the earnings gain came from improved prices in all product lines that more than offset higher 1980 production costs, particularly for energy and, to a lesser extent, Saskatchewan mining fees. In 1979, operating earnings included a net gain of $9.2 million from the sale of mineral properties less a write-down of an ammonia plant and certain other facilities.

Animal products operating earnings increased $11.4 million (44 percent). The earnings gain came principally from higher shipments: 10 percent increase in animal feed ingredients and 15 percent in Ralgro. Earnings also benefitted from higher prices.

Chemicals operating earnings declined $13.5 million (67 percent). Lower earnings were the result of provisions for losses of $11.7 million on disposals of certain chemicals facilities.

Coal operating losses were $10.8 million higher. The higher operating loss was caused by an $8.2 million write-off of certain coal reserves and lower prices.

Gas and oil operating earnings were about the same as a year earlier.

Industry operating earnings increased $6.2 million (19 percent). Most of the earnings increase came from better petroleum coke selling prices and a $2.7 million gain from the sale of a cargo vessel, partly offset by a $5.5 million loss on metals futures contracts.

Interest earned and other income, net, decreased $35.6 million as the result of 1980 loss provisions on the disposal of chemicals facilities mentioned earlier, whereas the 1979 amount included a pre-tax gain of $24.1 million from the sale of mineral reserves. Interest charges decreased $4.8 million as the result of a change in accounting that resulted in the capitalization of $11.8 million of interest charges; apart from that change, interest costs increased due to higher average borrowings and higher rates.

Income taxes were higher because of higher earnings, but the increase was partly offset by a decline in the effective tax rate from 43.5 percent in 1979 to 42.8 percent in 1980.

Capital Resources and Liquidity

IMC's financial condition grew stronger during the three years ended June 30, 1981. In that period, total assets increased $513.3 million, or 35 percent, and shareholders' equity increased $254.3 million, or 35 percent. Long-term debt also increased $111.3 million, or 30 percent, but remained fairly constant as a percentage of invested capital.

Funds provided by operations in 1981, 1980, and 1979 amounted to $334.5 million, $285.6 million, and $223.6 million, respectively. In addition, there was the aforementioned increase in long-term debt of $111.3 million. These funds and funds provided by property disposals have been adequate for most of IMC's cash needs, including capital expenditures that have amounted to $772.2 million over the last three years. Approximately 62 percent of those expenditures were for expansion projects in the fertilizer and animal products segments and 13 percent for gas and oil property acquisitions and exploration projects.

Capital spending for fiscal 1982 is presently estimated to be $275 million. Major projects include the completion of the phosphate chemicals capacity expansion, phosphate rock reserve acquisitions, and gas and oil property acquisitions and exploration projects. IMC should be able to finance most of those expenditures from internally generated funds but some additional long-term financing will probably be needed. The Company is committed to maintaining its "A" rating on its long-term debt and therefore would expect such financing to bear a reasonable cost.

IMC believes that it has sufficient short-term financing flexibility through the internal generation of funds and from short-term credit lines. At June 30, 1981, IMC had unused short-term credit lines with domestic and foreign banks totaling $186.7 million. In addition, IMC has an unused credit line under a $50.0 million revolving credit agreement that runs to November, 1984. Except for some relatively small overseas borrowings, IMC does not expect to use these credit lines directly but instead plans to use them as a back-up for any necessary commercial paper borrowings. Rating agencies have given the Company's commercial paper their highest rating.

Inflation's Impact

See page 22 for further information concerning the impact of changing prices on historical cost-based financial reporting.

Common Stock Prices and Dividends

Quarter	First	Second	Third	Fourth
Fiscal 1981				
Dividends per share	$ .58	$ .58	$ .65	$ .65
Common stock prices				
High	49½	66½	66½	52⅛
Low	33¼	44⅞	48	38⅜
Fiscal 1980				
Dividends per share	$ .50	$ .50	$ .58	$ .58
Common stock prices				
High	39¼	41	40⅝	36
Low	30⅛	33⅝	31⅛	30

The principal market on which IMC's common stock is traded is the New York Stock Exchange. Common stock prices are from the Composite Tape for New York Stock Exchange issues as reported in The Wall Street Journal.

As of July 31, 1981, the approximate number of registered holders of common stock as reported by the Company's registrar was 18,311. See "Long-Term Debt" in Notes to Consolidated Financial Statements for information on dividend restrictions.

REXNORD INC (OCT)

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

Results of Operations

This discussion supplements the detailed information presented in the Consolidated Financial Statements and Footnotes which begin on page 15. In addition, reference should be made to the Operations Review and Business Segment information on pages 4 through 12, the Supplemental Inflation Data on pages 23 and 24, and the eleven year Summary of Operations on pages 26 and 27.

Accounting Changes

In December 1981, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 52 which changed the method of accounting for foreign currency translation. Under this new accounting method, most foreign currency translation gains and losses do not affect the income statement but are classified in a separate account in shareholders' ownership. The 1981 financial statements reflect this accounting change, and quarterly earnings reported during the year have been restated. This change in accounting had the effect of increasing 1981 net income by $11.1 million or $0.49 per share on a fully diluted basis. This new method does not apply to hyper-inflationary countries, such as Brazil, where SFAS No. 8 concepts still apply.

Rexnord also changed its method of accounting for vacation pay earned by employees in accordance with the recently issued SFAS No. 43. The 1980 and 1979 financial statements have been restated to record the effect of this change, which was not material.

1981 Compared to 1980

Net sales increased four percent in 1981 to $1.130 billion compared with $1.084 billion last year. Although sales increased for all four business segments, unit volume was slightly lower in 1981, and cost increases were only partially absorbed by higher selling prices.

International sales, including exports, were $391 million or 35 percent of total company sales compared to $362 million and 33 percent in 1980. The major contribution to this sales increase came from the Process Machinery segment, because of the strong Latin American market for their product lines.

Cost of goods sold decreased as a percent of sales from 71.9 percent to 71.4 percent in 1981. Selling, general and administrative expenses increased from 19.9 percent of sales in 1980 to 21.0 percent this year primarily because of increased wage and related expenses, and higher selling costs. Interest expense increased $2.0 million in 1981 as a result of higher average debt.

Other income increased $4.7 million because of greater interest income, equity income, and other miscellaneous items. These gains were reduced by greater product line relocation costs and a loss on the sale of the European construction machinery operations. The effective income tax rate increased from 40.0 percent to 43.7 percent in 1981, primarily due to higher foreign taxes and foreign currency translation losses.

Net income for 1981 was $38.5 million or $1.81 per share on a fully diluted basis compared to $41.5 million or $2.03 per share last year. Return on shareholders' equity was 9.8 percent this year versus 10.9 percent in 1980.

Orders and Backlog

At the end of the first half, new orders had increased 11.8 percent over the previous year with the backlog on April 30th at $444 million. However, the incoming order rate declined as the domestic economy weakened in the last half of 1981. For the entire year, new orders totaling $1.180 billion were 10.6 percent ahead of 1980 with the backlog on October 31st at $387 million.

	Orders		Backlog October 31,	
	1981	1980	1981	1980
	(In Millions)			
Power Transmission Components	$ 571	$ 493	$207	$203
Specialty Fasteners	147	138	45	49
Process Machinery	326	312	77	89
Capital Equipment	136	124	58	58
	$1,180	$1,067	$387	$399

1980 Compared to 1979

Net sales increased seven percent in 1980, reaching $1.084 billion. This increase primarily reflects higher sales in the Power Transmission Components and Process Machinery segments. These increases were partially offset by a decline in sales for Specialty Fasteners due to difficult conditions in the automotive and housing markets.

International sales improved over 1979 levels reaching $362 million or 33 percent of total sales in 1980 compared with $281 million and 28 percent in the previous year. Particular strength was noted in demand for components in Western Europe and minerals mining equipment in Latin America and South Africa.

As inflation continued at a high rate throughout the year, a rapid increase occurred in the company's raw material and labor costs in all business segments. During 1980, the company elected the LIFO method of accounting for the remainder of domestic inventories, resulting in higher cost of sales. Operating income declined 25 percent from the high recorded in 1979, with the most significant declines occurring in the Specialty Fasteners and Capital Equipment sectors.

Interest expense in 1980 increased 67 percent as a result of high interest rates and higher borrowings to support working capital requirements. The effective income tax rate declined from 45.7 percent in 1979 to 40.0 percent in 1980 due to increased investment tax credits, foreign tax credits and lower state income taxes.

Net income was $41.5 million or $2.03 per share fully diluted in 1980 versus $56.8 million or $2.76 per share in 1979. The change to the LIFO method of accounting for inventories reduced net income in 1980 by $7.2 million or $0.35 per share on a fully diluted basis.

Liquidity and Capital Resources

Liquidity is generally defined as the ability of a company to generate sufficient cash to meet its operating needs, repay debt, and pay cash dividends to its shareholders. In the past three years, the company has generated funds to support these activities primarily from its operations and increased long-term debt.

Rexnord has emphasized the active management of working capital required to fund growth. Programs include centralized cash management, controlled disbursement procedures, strong inventory control systems, and continuing emphasis on receivable collections.

Working capital was $267 million in 1981, representing a current ratio of 2.5. During the course of the year, the company used commercial paper to fund working capital requirements; at year end, no commercial paper was outstanding. Working capital per dollar of sales improved in 1981 and average asset turnover declined only slightly to 1.43 from 1.45. Notes and accounts receivable levels were up at a lesser rate than sales growth. The investment in year end receivables represented 51.8 days of sales in 1981 compared with 53.4 days in 1980. Inventories declined $27 million during 1981 in line with the decline in orders at the end of the year. Inventory turnover of 2.57 for 1981 compares to 2.59 in 1980.

Short term debt levels declined from a high of $51.5 million in March to $15.1 million at fiscal year end, the lowest level in three years. The notes payable on the balance sheet at year end represent the short term debt of our foreign subsidiaries.

Long term debt was 26.9 percent of total capitalization in 1981, down from the 1980 level of 29.8 percent. Current maturities of $26.1 million will be refinanced by the issuance of commercial paper early in fiscal 1982. The company had domestic bank credit agreements, unused at the close of 1981, providing for borrowings of up to $75 million. In addition, foreign subsidiaries have aggregate credit facilities of $56.5 million.

Capital expenditures totaled $59.9 million in 1981 and are expected to approximate that amount in 1982. In addition to expenditures for machinery and equipment, the major portion of these funds will be used to increase manufacturing capacity in selected product lines. The company expects to fund these expenditures through internally generated funds and commercial paper.

The impact of inflation is described in the Supplemental Inflation Disclosure Data section. Generally, the company strives to offset increased costs with improved productivity, cost reduction programs, and selling price increases where permitted.

Retained earnings were $302.7 million at the end of the 1981 fiscal year. Approximately $71.7 million of these earnings were available for the declaration of dividends at October 31, 1981, under the provisions of the company's debt agreements.

For complete details on Rexnord common stock, refer to the information on pages 20 and 28. In the second quarter of 1981, the Board of Directors increased the annual common stock dividend rate to $1.08 per share. The quarterly dividend of $0.27 paid on December 5, 1981, was the 370th consecutive cash dividend on Rexnord common stock, with cash dividends paid in each of the last 88 years.

THE SINGER COMPANY (DEC)

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

Results of Operations

The performance of each of the Company's major product areas and lines of business is summarized in Note 18 of Notes to Financial Statements on page 49. The major factors affecting the results of operations of each of the lines of business for 1981 compared with 1980 are discussed in the business section beginning with "Products and Services for Government" on page 8. The following comments are intended to present an overview of the more important matters affecting operating results.

See Note 17 titled "Supplementary Data on Changing Prices" on page 46 for a discussion and analysis of the effects of inflation and changing prices on the results of operations.

1981 Compared with 1980

Net sales were $2,834 million in 1981 as compared with $2,787 million in 1980. These results reflect continued growth in the level of activity of Aerospace and Marine Systems' operations. In addition, higher sales volumes were achieved for consumer sewing machines and consumer durables in the Africa, Latin America, and Far East area during the first nine months of 1981, partially offset by reduced demand late in the year. These increases were substantially offset by lower volumes experienced in North America and Europe for consumer sewing products as these operations continue to be affected by reduced demand and the planned shift in their distribution systems to more indirect channels. Sales of these operations in Europe were also lower due to the impact of currency fluctuations. Sales of Products Manufactured for the Consumer in 1981 were essentially even with the prior year. This Group experienced increased sales through most of the year, but was impacted in the fourth quarter as the recession depressed demand.

Operating income was $128 million in 1981 as compared with $130.7 million in the prior year. Operating results were adversely affected in 1981 primarily by the strengthening of the U.S. dollar against normally stable currencies. The Company estimates that such foreign currency fluctuations decreased operating income by approximately $39 million in 1981, as compared with an estimated decrease of $1 million in 1980. The Company's estimates of these effects were derived by translating the 1981 and 1980 operating results of its foreign operations in the local currency into U.S. dollars at the average exchange rates in effect during the immediately preceding year. Excluded from these estimated operating income effects are nations where devaluations are reasonably regular and predictable, as price increases have largely offset the related exchange impact.

Operating income of Aerospace and Marine Systems was substantially greater in 1981 due to the higher sales volume. The Products Manufactured for the Consumer Group recorded increased operating income, reflecting a higher level of portable power tool shipments to Sears coupled with improved manufacturing efficiencies at Motor Products, and improved operating income of Controls Products whose 1980 results included the adverse effect of an inventory adjustment. These results were partially offset by the Furniture Division, which continued to be affected by sluggish demand coupled with idle plant costs and inflationary cost pressures, and by Meter Products due to lower demand by U.S. gas utilities. Despite greater sales, the Africa, Latin America, and Far East Consumer Sewing Products and Consumer Durables area recorded lower operating income principally due to currency fluctuations which had a negative impact of approximately $13 million. These operations were also affected by adverse economic conditions including the influence of the worldwide recession.

A greater operating loss was incurred in the North America and Europe Consumer Sewing Products area resulting from the unfavorable impact of approximately $24 million due to the strengthening of the U.S. dollar against European currencies. Excluding the impact of currency fluctuations, the effect of the sales decline on operating income was more than offset by a reduction in selling and administrative expenses under a program which includes modifying the distribution systems in North America and Europe to more indirect channels. Operating results also improved due to the absence of losses incurred by the former Clydebank, Scotland, plant which was closed in June, 1980. Industrial Sewing Products recorded an operating loss in 1981, reflecting reduced demand and an unfavorable product mix in the developed countries, particularly in Europe. The operating loss includes a negative impact of approximately $2 million due to currency fluctuations. These factors were partially offset by improved results in the developing nations, reflecting higher industrial sewing machine volume.

Income before tax of unconsolidated subsidiaries was lower in 1981, largely due to the impact of higher financing costs and local government controls on the Company's Brazilian finance subsidiary.

Interest costs in 1981 were up substantially over 1980 due primarily to the increased utilization of offshore borrowings for overseas operations to realize tax benefits and reduce foreign exchange exposure; in addition, the effective rates on these foreign borrowings were at higher levels in 1981 compared with 1980. This increase in interest costs was partially offset by foreign currency adjustments related to balance sheet translations and other factors, as well as tax benefits. Foreign exchange adjustments increased pretax income by $4.5 million in 1981 compared with a reduction of $11.4 million in 1980.

Including the effect on operating income and other items, fluctuations in normally stable foreign currencies decreased net income by an estimated $36 million in 1981 as compared with an increase of approximately $4 million in 1980.

Other income (expense)—other was $37.1 million in 1981 and $49.8 million in 1980. These amounts include gains on sales of excess sewing properties of $21.4 million in 1981, and $40.2 million in 1980, under a program largely completed. In addition, other income in 1981 includes $7.1 million from the sale of tax benefits under provisions of the Economic Recovery Tax Act.

The effective tax rate in 1981 was 37 percent versus 62 percent in 1980. This decline was produced by several factors including the continuing program to place debt overseas, a substantially tax-free gain on sale of property, and the sale of tax benefits.

The effective tax rates for 1981 and 1980 also reflect the fact that profits earned by Singer's foreign operations are taxed locally, while U.S. losses generate no offsetting tax benefit. The lower 1981 rate includes the favorable impact of improved operating performance in U.S. operations. See Note 4 of Notes to Financial Statements for additional information on income taxes.

1980 Compared with 1979

Net sales in 1980 were $2,787 million, an increase of $189 million, or 7 percent, from 1979, reflecting the strong performances of Products and Services for Government, Consumer Sewing Products and Consumer Durables in the Africa, Latin America, and Far East area, and Meter Products. In addition, sales were favorably affected by additional selling days in fiscal 1980. Sales increased in Products and Services for Government due to a higher level of activity in all Aerospace and Marine Systems divisions and higher sales in Education as a result of higher billings under Job Corps contracts along with increased shipments of audiovisual equipment and educational material. Consumer Sewing Products and Consumer Durables sales volume in the Africa, Latin America, and Far East area increased, reflecting continued strong consumer demand for these products. Sales of Meter Products increased as compared with the prior year, reflecting continued strong demand by U.S. gas utilities. Sales of Consumer Sewing Products in North America and Europe decreased due to the accelerated reduction in sewing machine units sold in these mature markets, further aggravated by the impact of reduced consumer spending in the United States and Europe.

Operating income increased $4 million, or 3 percent, to $130.7 million due principally to the higher sales volume of Aerospace and Marine Systems, the reduction of certain unusual program development costs at the Link Flight Simulation Division, and higher operating income in the Consumer Sewing Products and Consumer Durables businesses in the Africa, Latin America, and Far East area, reflecting the higher level of sales. The Meter Division recorded greater operating income resulting from continued higher sales volume, and a lower relative increase in selling and administrative expenses as compared with the increase in volume. Industrial Sewing Products registered operating income in 1980 as compared with an operating loss in the prior year, principally due to lower manufacturing costs as a result of the phaseout of industrial sewing machine manufacturing operations at the Clydebank, Scotland, plant during the latter part of 1979, coupled with procurement of product from the Far East. Improvements in U.S. marketing operations also contributed to the improved performance of Industrial Sewing Products. Operating income in Air Conditioning and Heating Equipment increased as a result of reduced selling and administrative expenses and the absence of inefficiencies related to a 1979 strike at a major facility.

These increases in operating income were partially offset by the decline in operating income of the Furniture Division due to reduced consumer spending for durables coupled with increased selling and administrative expenses and higher production costs. Higher production costs also accounted for the lower operating income performance of Motor Products. Controls Products' operating income was lower due to sharp declines in its principal customers' markets, the automotive and appliance industries, along with higher product costs, and the adverse effects of an inventory adjustment. Greater operating losses were recorded by North America and Europe Consumer Sewing Products, reflecting the expected costs of manufacturing inefficiencies and planned expenses relating to changes to the distribution system, both of which are associated with the program that includes a substantial restructuring of sewing machine operations in North America and Europe. These costs and expenses totaled approximately $19 million during 1980. The adverse effects of the volume decline on operating results were offset by an even larger reduction in selling and administrative expenses.

Income before tax of unconsolidated subsidiaries decreased by $4.4 million in 1980 as compared with 1979 mainly due to lower volume at the Company's Brazilian finance company resulting from local government restrictions on finance companies.

The provision for facility restructuring was established as of September 30, 1979, in the amount of $130 million ($124 million after tax), to cover certain costs and expenses associated with the restructuring of the Company's sewing machine manufacturing operations in North America and Europe. See Note 3 of Notes to Financial Statements.

Interest expense increased $17.2 million in 1980 as compared with 1979 as a result of higher interest rates and an increase in facility fees resulting from the larger credit facility available to the Company pursuant to its 1979 Revolving Credit Agreement.

Foreign exchange adjustments reduced pretax income by $11.4 million in 1980 as compared with a reduction of $25.1 million in 1979, primarily reflecting a strengthening of the U.S. dollar against certain European currencies and a lower devaluation rate in Brazil.

Other income (expense)—other increased $38 million in 1980 compared with 1979 principally due to gains on sales of certain excess real property. The property sales, which were primarily in Europe, resulted in a pretax gain of $40.2 million and were part of a Company program to sell excess property of a non-strategic nature.

The Company's effective tax rate was 62 percent for 1980. This rate primarily reflects the Company's inability to tax effect losses in the United States and certain other countries, partially offset by gains on real property sales which were either taxed at significantly lower rates or were offset by operating losses. See Note 4 of Notes to Financial Statements for additional information on income taxes.

Financial Condition

1981

During 1981, funds used for capital expenditures, and dividends and other items, exceeded funds provided from operations and proceeds from dispositionsof excess property, plant, and equipment. As a result, additional borrowings were necessary. A major element of the capital expenditures and the increase in debt originated from a $26 million capitalized lease obligation for the new headquarters office building. The proceeds from sales of excess properties resulted from a program now largely completed.

Accounts receivable increased in 1981 because of expanded volumes of sales in Products and Services for Government and in Consumer Sewing Products and Consumer Durables in the Africa, Latin America, and Far East aarea. These increases were partially offset by a decrease in receivables for Sewing Products operations in Europe, resulting from reduced sales volume and the effects of foreign currency translation. Receivables were slightly lower in the Products Manufactured for the Consumer area due to reduced fourth quarter sales.

Inventory decreased from the prior year, reflecting effective management of the balance sheet. Inventory levels were substantially lower in the North America and Europe Sewing Products area in line with the lower level of sales coupled with a higher proportion of dealer sales and fewer models resulting from the program to restructure these operations. Inventory levels were essentially unchanged despite substantially greater sales in the Products and Services for Government area owing to a higher proportion of percentage of completion contract sales in 1981. Inventory increased in proportion to sales volumes in Consumer Sewing Products and Consumer Durables in the Africa, Latin America, and Far East area.

Notes and loans payable increased in the Africa, Latin America, and Far East area to finance the expanded dimensions of these operations. In the United States, notes and loans payable increased primarily because of required funding of expenditures associated with the program to restructure sewing operations. These increases were offset to some extent in the European Sewing Products area where notes and loans payable were reduced due to lower inventory and receivables levels, and proceeds from property sales. Taxes payable were reduced due to lower effective tax rates and pretax income.

1980

In 1980, funds provided by the sale of excess property, plant, and equipment, by operations, and by a decrease in investments were more than sufficient to fund additions to property, plant, and equipment, net reductions in long-term debt, and dividend payments. However, additional short-term borrowings were necessary to support increases in accounts receivable and inventories.

Accounts receivable levels increased in 1980 because of increased sales volumes in Consumer Sewing Products and Consumer Durables in the Africa, Latin America, and Far East area and in Products and Services for Government. Inventories also increased in these businesses as higher stocks were required to meet the expanding dimensions of their operations. Increased sales volumes in the Meter Products Division also required the maintenance of higher inventory levels. These inventory increases were partly offset by lower balances in the North America and Europe Consumer Sewing Products area, Controls Products, and in Air Conditioning and Heating Equipment, reflecting reduced sales volumes in those product areas. Cash and cash equivalents decreased due to a lower level of cash in transit. Taxes payable increased in 1980 because of the increased level of earnings in the Company's foreign operations.

Liquidity and Capital Resources

It is the Company's policy to maintain accounts receivables and inventories at minimum levels necessary for its diversified operations. Non-productive current assets such as cash and trade receivables which yield little or no interest income are held to a minimum owing to the current high cost of funding.

The Company's current assets have consistently represented over two-thirds of total assets. This allows effective balance sheet management to provide a high level of operating liquidity. Products and Services for Government has a particularly high turnover rate for inventory because of long-term contracts which require progress payments by customers on a percentage of completion basis. These operations also receive advance payments on certain contracts which reduce the related financing requirements. Inventory levels and receivables are high in the Africa, Latin America, and Far East area because the Company's operations are dependent upon extensive distribution networks and the willingness to extend instalment credit.

The Company maintains a number of contractual relationships with its lenders which enable it to draw cash as necessary to meet short-term liquidity requirements. The principal current domestic source is the 1979 Revolving Credit Agreement, as amended, which extends through 1987. See Note 11 of Notes to Financial Statements—Long-Term Debt for a discussion of this Revolving Credit Agreement. This flexible access to funds enables the Company to take advantage of a variety of financing sources. Because of this, working capital tends to understate the Company's liquidity position.

The Company has recently maintained a continuing capital expenditure program of over $60 million per year in various areas of its operations. Current examples of these include facility expansions in Aerospace and Marine Systems, a centralized wood kiln and mill for Furniture operations, and expansion of household sewing machine manufacturing capacity in Taiwan. The Company expects to arrange additional borrowing facilities over the next few years in order to ensure the viability of this program. Except as described in Note 12 of Notes to Financial Statements, the Company did not have any material commitments for capital expenditures at December 31, 1981.

U AND I INCORPORATED (FEB)

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

U and I Incorporated

The nature of the company's operations changed to such an extent during the past five years that an analysis for the past two fiscal years does not result in meaningful comparison to the preceding three years. During the fiscal year ended February 28, 1979, and the two years immediately preceding that, the company's major business was beet sugar processing. Farming and potato processing occupied a minor role. During the fiscal years ended February 29, 1980, and February 28, 1981, integrated farming and processing operations constituted the major business of U and I. Therefore, the comparisons below refer only to the continuing operations.

Results of Operations

Net sales from continuing operations for the 1981 year increased 24 percent over 1980 and 36 percent over 1979. Of these increases, approximately 60 percent is attributed to the warehousing and distribution segment. Revenues generated by this segment are directly affected by the price of refined sugar.

Net sales from farming and related processing for the 1981 year increased 13.5 percent over 1980 and 21 percent over 1979. These increases are primarily attributable to the volume of frozen french fries produced and sold over the three-year period. The weighted average unit sales price received by the company remained constant for the 1979 and 1980 years and increased approximately 3 percent in 1981. In addition, the company began production of large quantities of feed corn in 1980 and doubled that production in 1981. Prices for corn varied depending upon market conditions, but on average were higher in 1981 than 1980. During 1980, the company entered the fresh pack potato market and continued to develop this market during 1981. This product line has not had a significant effect on the increases noted for 1981.

Costs of potato production have increased over the three-year period due in general to overall inflation, specifically as reflected in the costs of materials, energy, labor and fertilizer.

Increased interest expense incurred by the company during 1981 reflects higher market interest rates as well as interest costs associated with increased short-term borrowings during the year. Increased interest expense in 1980 compared to 1979 is due to the inclusion in continuing operations in 1980 of all long-term debt and related interest expense.

Net earnings for the year ended February 28, 1981, include a net gain on the sale of farm real estate amounting to approximately $4,600,000.

Liquidity and Sources of Capital

The major source of the company's liquidity has been the disposal of assets. Cash generated from sale of discontinued assets amounted to $6,582,000 in 1981 and $7,070,000 in 1980, respectively. Proceeds from the sale of farm real estate in 1981 amounted to $7,100,000.

The company's operating cycle is closely related to its crop year for its primary crops of potatoes and corn. Accordingly, short-term operating capital needs included the carrying of inventory and receivables over this length of time. Short-term debt is used to finance the operating cycle of the company. As the company has increased the amount of acreage under cultivation and expanded its production, there has been need to increase the level for short-term debt, which in conjunction with the company's capital expenditure program has resulted in a reduction of working capital over the past two years.

In conjunction with the change of operating focus into integrated farming and processing activities, the company has been developing its farming properties, by increasing the amount of acreage under cultivation and providing additional irrigation and potato storage capacity as well as new corn drying and storage facilities.

Capital expenditures on these items during 1981 totaled $20,410,000 and $14,706,000 in 1980. It is anticipated that the expansion and development program will continue in the future, but at a reduced rate of annual capital expenditure as compared with the past two years. It is also expected that financing for this continued development will come from improved operating profitability as well as some additional long-term debt or equity capital. The company has a high degree of flexibility in both short-term and long-term debt financing from both public and private sources.

The general policy of the company is to match long-term needs with long-term sources of funds. It is this policy which has enabled the company to make the major change in business focus over the past three years without restructuring its long-term debt or renegotiating its loan covenants.

BAIRD CORPORATION (SEP)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

Sales in 1981 were 21% higher than 1980 and marked the 11th consecutive year of increased sales.

Analytical instrument sales—Analytical instrument sales increased 26% in 1981 vs. 1980 largely as a result of the August 1980 acquisition of Labtest, a California-based manufacturer of optical emission spectrometers. Sales in 1980 were 19% higher than 1979, due principally to increased demand from international markets.

Optical systems sales—Foreign sales of night drivers' viewers accounted for a major portion of the 25% increase in 1981 sales vs. 1980 in the Optical Systems segment. There was no significant change in sales between 1980 and 1979.

Nuclear medicine sales—Sales of the System Seventy-Seven Gamma Camera for nuclear cardiology diagnostics were 10% lower in 1981 vs. 1980. The principal reason for this drop in sales was the transition that took place during the year from a sales representative arrangement through another company to a direct organization for handling sales and marketing. Sales increased from 1979 to 1980 mainly because nuclear cardiology gained wider acceptance from the medical community as a useful diagnostic technique and, in particular, recognition of the advantages of the company's System Seventy-Seven Gamma Camera.

Cost of sales—As a percentage of revenue, cost of sales decreased 1.7% in 1981 versus 1980. This decrease resulted principally from price increases as well as production efficiencies. Cost of sales increased in 1980 by 0.6% vs. 1979, due to inflationary cost increases not completely offset by price increases.

Selling, general and administrative expenses—Selling and administrative expenses increased 2.6% as a percentage of sales in 1981 vs. 1980. This increase resulted principally from the inclusion of Labtest, acquired August 1980, for the full year 1981 versus only six weeks in 1980, and an expansion of the sales and marketing organization in connection with the Company's entry into the plasma spectrometer segment of the analytical instrument market.

Selling and marketing expenses increased in 1980 vs. 1979 due largely to costs associated with the development of new international markets and marketing support for the plasma spectrometers.

Foreign exchange—General and administrative expense for 1981 includes foreign exchange losses of $276,000, and translation losses of $183,000, for a combined total loss of $459,000. These losses resulted primarily from the strengthening of the U.S. dollar vs. the English pound sterling, Dutch guilder and German mark, the currencies of our foreign subsidiaries. During 1981, the Company stepped up its borrowings in certain of these currencies to partially hedge against currency fluctuations, but was unable to avoid completely the adverse impact of the greatly strengthened U.S. dollar.

In 1980, combined foreign exchange transactions and translation adjustments resulted in a gain of $58,000.

Research and development—R&D expenses increased sharply in 1981—up 66% from the prior year. The increase in expenses was directed mainly toward the development of new analytical instruments, particularly the Plasma/AFS spectrometer for the simultaneous, multi-element analysis of trace elements in liquid samples. 1980 R&D expenses increased 15% over the prior year, an increase also devoted largely to plasma spectrometers.

Interest expense—The public sale of 600,000 shares of Common Stock in November 1980 generated proceeds of $7,625,000, net of expenses, a portion of which was used to repay certain loans and for general working capital purposes; the remainder was placed in short-term investments.

Interest income, mainly from investments, was $541,000 in 1981, compared with $68,000 in 1980.

Interest expense in 1981 was $765,000 vs. $858,000 in 1980, due mainly to reduced borrowings.

Interest expense, net of interest income, in 1981 and 1980 was $225,000 and $790,000, respectively, a 72% decrease. In 1980, net interest expense decreased 21% over 1979.

Income taxes—In 1981, the effective tax rate was 38.8% compared with 30.4% in 1980. In both years the tax rate was below the statutory rate of 46% due mainly to the availability of Federal DISC tax credits, investment tax credits, job tax credits, the new R&D tax credit in 1981, and retroactive DISC credits in 1980.

Net income—Net income decreased 14 percent in 1981 vs. 1980 and increased 26 percent in 1980 vs. 1979 due to the combined effect of all of the above factors.

Capital resources and liquidity—The liquidity of the Company was greatly enhanced in 1981 by the sale of 600,000 shares of the Company's Common Stock on November 26, 1980 pursuant to a public offering. Net proceeds of $7,625,000 were used to repay certain floating rates debts and to augment the general funds of the Company.

In addition, funds derived from operations (exclusive of non-cash expenses) totaled $1,862,000 in 1981 compared with $1,964,000 in 1980.

Working capital increased by $6,723,000 in 1981 and the current ratio as of September 30, 1981 improved to 3.1 from 2.0 a year earlier, largely a result of the sale of stock in November 1980.

During 1981, there was a net decrease in long-term debt of $1,449,000 resulting from repayment of floating rate loans and scheduled repayments of mortgage loans, offset by a new mortgage loan for the purchase of a plant in The Netherlands.

Capital expenditures, net of minor disposals, were $1,278,000 in 1981. Principal expenditures included the purchase of new premises of our subsidiary in The Netherlands, investments in machinery and tooling for our manufacturing operations, and computers and peripheral equipment for R&D activities.

The Company's cash position as of September 30, 1981 includes $2,200,000 of short-term investments, representing funds remaining from the November 1980 sale of stock.

Combined cash and equivalents, together with available debt facilities are, in the opinion of Management, adequate to finance the present day-to-day working capital needs of the Company.

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 1981 financial statements of the survey companies.

TABLE 1-3: SEGMENT INFORMATION

	Number of Companies			
	1981	1980	1979	1978
Industry segments				
Revenue	457	458	457	445
Operating income or loss	400	405	410	397
Identifiable assets	450	454	452	444
Depreciation expense	448	449	450	439
Capital expenditures	441	442	443	432
Geographic areas				
Revenue	211	206	210	205
Operating income or loss	162	172	174	168
Identifiable assets	202	215	214	205
Depreciation expense	15	21	20	24
Capital expenditures	19	21	22	26
Export sales	123	109	88	101
Sales to major customers	113	102	85	85

Industry Segments

COLLINS & AIKMAN CORPORATION (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8: Business Segments

The Company operates in three business segments, non-fabricated textile products (i.e., requiring further processing before use), fabricated textile products and wallcoverings. Certain information for each segment with respect to operations and related assets employed is contained in the following table. The Company derived 21% in 1981, 24% in 1980, and 26% in 1979 of consolidated revenues (included in the textile segments) from sales to the transportation industry, a substantial part of which represents sales to the three largest U.S. automotive manufacturers, one of which accounted for more than 10% of revenues in each year.

	Textiles				
1981	Fabricated	Non-Fabricated	Wallcoverings	Eliminations*	Consolidated
Operations:					
Net sales	$205,235	$306,572	$102,215	$(10,110)	$603,912
Operating income	18,266	9,413	9,638	71	37,388
General corporate expenses					6,461
Interest					4,919
Income before taxes					26,008
Assets employed at year-end	$102,031	$174,331	$ 75,657	$ (173)	$351,846
Capital expenditures	$ 5,126	$ 8,076	$ 3,423		$ 16,625
Depreciation	$ 4,515	$ 8,056	$ 2,189		$ 14,760
1980					
Operations:					
Net sales	$190,929	$327,100	$ 91,059	$(9,546)	$599,542
Operating income	17,133	13,555	8,805	73	39,566
General corporate expenses					5,850
Interest					4,662
Income before taxes					29,054
Assets employed at year-end	$ 90,701	$177,417	$ 72,187	$ (102)	$340,203
Capital expenditures	$ 6,296	$ 8,813	$ 5,361		$ 20,470
Depreciation	$ 4,283	$ 7,658	$ 1,754		$ 13,695
1979					
Operations:					
Net sales	$176,991	$330,919	$ 78,754	$(10,182)	$576,482
Operating income	14,508	30,002	10,115	80	54,705
General corporate expenses					6,453
Interest					2,998
Income before taxes					45,254
Assets employed at year-end	$ 85,713	$168,874	$ 53,852	$ (176)	$308,263
Capital expenditures	$ 9,749	$ 11,428	$ 2,304		$ 23,481
Depreciation	$ 4,140	$ 7,170	$ 1,541		$ 12,851

*Intersegment sales of non-fabricated textile products.

COMMERCIAL METALS COMPANY (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note O: Business Segments

The Company has identified its principal business segments as shown in the table on next page. It should be recognized that there exist certain interdependencies and overlaps among the Company's operating units, particularly as to the sharing of marketing information and business expertise related to products and customers. The extent of such activities is not reasonably quantifiable or measurable. Accordingly, the information provided may not be indicative of the financial results of the segments if they were independent organizations.

Intersegment sales generally are priced at prevailing market prices. Certain corporate administrative expenses have been allocated to segments based upon the nature of the expense.

($000s)	Marketing of primary and secondary metals, virgin raw materials, and fuels	Secondary metals processing	Semi-finished metals	Steel mfg. and fabrication	Copper tube mfg.	Other	Adjustments and eliminations	Consolidated
1981								
Revenues—unaffiliated customers	$861,228	$170,421	$120,471	$152,752	$20,842	$13,164	$ —	$1,338,878
Intersegment revenues	11,201	3,968	—	118	2,491	135	(17,913)	—
Total revenues	$872,429	$174,389	$120,471	$152,870	$23,333	$13,299	$(17,913)	$1,338,878
Operating profit (loss)	$(1,360)	$ 886	$ 6,560	$ 13,718	$ 788	$ 2,331	$ —	$ 22,923
General corporate expenses								(2,812)
Interest expense								(2,666)
Earnings before income taxes								$ 17,445
Depreciation	$ 191	$ 2,631	$ 15	$ 2,926	$ 252	$ 255	$ —	$ 6,270
Capital expenditures	$ 879	$ 4,787	$ 41	$ 13,425	$ 704	$ 171	$ —	$ 20,007
Identifiable assets	$ 74,839	$ 41,535	$ 43,684	$ 63,434	$ 7,158	$ 6,981	$ —	$ 237,631
Corporate assets								3,195
Total assets								$ 240,826
1980								
Revenues—unaffiliated customers	$748,595	$228,722	$108,667	$144,177	$22,452	$15,385	$ —	$1,267,998
Intersegment revenues	8,787	5,044	—	—	2,815	179	(16,825)	—
Total revenues	$757,382	$233,766	$108,667	$144,177	$25,267	$15,564	$(16,825)	$1,267,998
Operating profit	$ 15,260	$ 5,937	$ 2,359	$ 14,573	$ 651	$ 2,700	$ —	$ 41,480
General corporate expenses								(2,685)
Interest expense								(5,177)
Earnings before income taxes								$ 33,618
Depreciation	$ 155	$ 2,552	$ 14	$ 2,757	$ 252	$ 279	$ —	$ 6,009
Capital expenditures	$ 338	$ 4,467	$ 26	$ 3,883	$ 359	$ 642	$ —	$ 9,715
Identifiable assets	$ 78,041	$ 39,917	$ 28,949	$ 46,442	$ 6,158	$ 8,286	$ —	$ 207,793
Corporate assets								11,711
Total assets								$ 219,504
1979								
Revenues—unaffiliated customers	$654,015	$213,931	$111,409	$133,050	$23,396	$ 9,978	$ —	$1,145,779
Intersegment revenues	12,979	5,436	—	—	3,005	543	(21,963)	—
Total revenues	$666,994	$219,367	$111,409	$133,050	$26,401	$10,521	$(21,963)	$1,145,779
Operating profit	$ 9,414	$ 10,420	$ 1,299	$ 11,592	$ 1,667	$ 1,965	$ —	$ 36,357
General corporate expenses								(1,452)
Interest expense								(6,188)
Earnings before income taxes								$ 28,717
Depreciation	$ 120	$ 2,165	$ 8	$ 2,742	$ 260	$ 210	$ —	$ 5,505
Capital expenditures	$ 250	$ 3,408	$ 4	$ 2,840	$ 344	$ 206	$ —	$ 7,052
Identifiable assets	$ 70,356	$ 45,074	$ 35,319	$ 52,778	$ 6,574	$ 6,319	$ —	$ 216,420
Corporate assets								8,197
Total assets								$ 224,617

Summarized data for the Company's foreign operations (principally Europe) is as follows ($000s omitted):

	1981	1980	1979
Revenues—unaffiliated customers	$343,208	$436,821	$300,685
Intersegment revenues	169	725	616
Total revenues	$343,377	$437,546	$301,301
Operating profit (loss)	$(1,316)	$ 10,500	$ 4,524
Identifiable assets	$ 37,819	$ 36,537	$ 30,278

Domestic export sales aggregated $273,954,000, $202,207,000, and $187,210,000 in 1981, 1980, and 1979, respectively. Of these amounts, $82,446,000, $106,391,000, and $90,304,000 were sold to the Far East in 1981, 1980, and 1979, respectively. Sales to Europe in 1981, 1980, and 1979 were $145,328,000, $58,248,000, and $56,212,000, respectively.

During 1980, sales to one unaffiliated customer aggregated approximately 16% of net sales. Purchases from one unaffiliated vendor aggregated approximately 17% of cost of goods sold. Activity with this customer and this vendor is included in the segment titled "Marketing of primary and secondary metals, virgin raw materials, and fuels."

JOSLYN MFG. AND SUPPLY CO. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 11: Segment of Business Reporting:

The operations of the Company are divided into the following business segments for financial reporting purposes:

Conductor Support: Construction and maintenance materials are designed and produced principally for electric power distribution and transmission lines and for overhead telephone communication lines and cable television. These materials include metal hardware, earth anchors, and other products. In addition, the Company sells complementary goods produced by other manufacturers. Hot dipped custom job galvanizing is also performed for customers.

Protective Equipment: Electric power and electronic protection equipment and switchgear are designed and produced for use by the electric utilities and the telecommunications, aircraft and defense industries. These products include power surge arresters, communication transient suppression devices, electric power switching and interrupting systems and power insulating and terminating devices.

Financial information by business segment is as follows for the years ended December 31, 1981, 1980 and 1979: (dollars in thousands)

	Total Sales	Inter-Segment Sales	Net Customer Sales	Income From Business Segments	Identifiable Assets	Depreciation	Capital Expenditures
1981							
Conductor Support	$ 87,589	$ 3,047	$ 84,542	$10,338	$ 44,025	$1,217	$3,528
Protective Equipment	64,845	955	63,890	14,748	34,124	982	826
General Corporate	—	—	—	—	74,151	67	33
Eliminations	(4,002)	(4,002)	—	—	—	—	—
Consolidated	$148,432	$ —	$148,432	$25,086	$152,300	$2,266	$4,387
1980							
Conductor Support	$ 87,521	$ 3,484	$ 84,037	$ 6,846	$ 41,364	$1,123	$3,890
Protective Equipment	60,247	1,071	59,176	10,157	33,015	879	1,319
All Other	630	—	630	104	—	13	—
General Corporate	—	—	—	—	33,732	27	855
Eliminations	(4,555)	(4,555)	—	—	—	—	—
Consolidated	$143,843	$ —	$143,843	$17,107	$108,111	$2,042	$6,064
1979							
Conductor Support	$ 95,137	$ 1,690	$ 93,447	$ 6,599	$ 53,187	$1,077	$2,667
Protective Equipment	49,839	1,256	48,583	9,384	31,882	732	1,972
All Other	2,298	—	2,298	(203)	2,087	65	42
General Corporate	—	—	—	—	8,448	23	1,308
Eliminations	(2,946)	(2,946)	—	—	—	—	—
Consolidated	$144,328	$ —	$144,328	$15,780	$ 95,604	$1,897	$5,989

Intersegment sales are priced at manufacturing cost plus allowances for expenses and a normal profit. General corporate assets are principally cash, investments, prepaid expenses and land.

Approximately 10% of the Company's consolidated sales are to AT&T companies. These sales are from both the Conductor Support and Protective Equipment segments. Foreign operations of the Company, which are not material, are located in Canada and primarily serve markets in that country. Export sales of the parent Company and its subsidiaries are not material.

NATIONAL SERVICE INDUSTRIES, INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8: Business Segment Information

	Sales and Service Revenues	Operating Profit (Loss)	Identifiable Assets	Depreciation and Amortization Expense	Capital Expenditures
			(In thousands)		
1981					
Lighting Equipment	$263,433	$26,580	$122,754	$ 4,188	$ 6,484
Linen and Industrial Uniform Service	213,280	25,674	126,280	5,375	12,087
Chemical	123,856	17,260	41,808	786	680
Insulation Service	63,728	2,894	19,292	435	942
Other	189,139	8,985	89,925	10,982	10,085
	853,436	81,393	400,059	21,766	30,278
Corporate*		2,333	4,303	43	313
Interest Expense		(940)			
Total	$853,436	$82,786	$404,362	$21,809	$30,591
1980					
Lighting Equipment	$236,730	$24,474	$103,661	$ 3,432	$ 8,216
Linen and Industrial Uniform Service	195,994	23,143	111,220	4,630	9,425
Chemical	111,635	15,740	38,032	732	999
Insulation Service	55,572	3,035	14,504	401	1,311
Other	195,792	16,632	98,642	9,333	10,398
	795,723	83,024	366,059	18,528	30,349
Corporate*		(1,387)	1,939	39	36
Interest Expense		(1,083)			
Total	$795,723	$80,554	$367,998	$18,567	$30,385
1979					
Lighting Equipment	$196,243	$21,159	$ 88,674	$ 2,584	$ 6,819
Linen and Industrial Uniform Service	182,688	22,476	102,364	4,658	7,242
Chemical	100,878	14,167	34,651	641	1,511
Insulation Service	52,259	2,874	12,489	331	630
Other	176,079	13,475	98,689	7,105	12,769
	708,147	74,151	336,867	15,319	28,971
Corporate*		(1,668)	1,205	43	18
Interest Expense		(810)			
Total	$708,147	$71,673	$338,072	$15,362	$28,989

*Corporate expenses are net of income on short-term investments.

A.C. NIELSEN COMPANY (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7: Business Segment Information

The Company's principal business is the marketing of a broad and diversified line of services to the international business community. For the purposes of reporting in accordance with Financial Accounting Standards Board Statement No. 14, the Company's services have been classified into the following business segments:

Research Services—Included in this segment are the Marketing Research Group, the Media Research Group, Coordinated Management Systems, Inc., Dataquest Incorporated, Compucon, Inc. and Product Recovery Services, Incorporated.

Clearing House Services—Included in this segment are the various services offered by the Nielsen Clearing House Group.

Petroleum Information Services—Included in this segment are the various services offered by Petroleum Information Corporation.

Other Services—Included in this segment are the Neodata Services Group, Compumark, Inc., and Pharos International, Inc.

In the following table, sales of services represent only sales to clients as presented in the Company's consolidated statements of income and retained earnings; intersegment sales are not significant. Unallocated interest income ($1,148,000 in 1981, $428,000 in 1980 and $1,105,000 in 1979) and interest expense ($3,540,000 in 1981, $1,549,000 in 1980 and $352,000 in 1979) are included in general corporate expenses, net. Corporate assets are principally cash, marketable securites, and properties.

Intercompany interest expense has been imputed on funds advanced to the Clearing House Group to reflect the capital intensive nature of this business and the cost of capital incurred by this business segment. Interest was imputed based upon a formula which reflected the estimated interest costs of this group as if it were a separate entity relying on outside sources to finance its operation.

FISCAL YEAR ENDED AUGUST 31, 1981
(Thousands of dollars)

	Research Services	Clearing House Services	Petroleum Information Services	Other Services	Eliminations	Consolidated
Sales of services	$400,400	$ 68,101	$71,693	$38,482		$578,676
Operating income before interest income and expense, income taxes, general corporate expenses, net, and loss on translation and exchange	$ 56,738	$ 16,729	$15,347	$ 2,657		$ 91,471
Interest expense:						
Intercompany			(12,824)			$12,824
Other	(1,037)	(301)	(54)	(49)		(1,441)
Interest income	2,508	63	193	168		2,932
Earnings before income taxes, general corporate expenses, net, and loss on translation and exchange	$ 58,209	$ 3,667	$15,486	$ 2,776	$12,824	92,962
General corporate expenses, net						(14,492)
Loss on translation and exchange						(5,558)
Earnings before income taxes						$ 72,912
Identifiable assets	$169,409	$130,090	$49,692	$20,751		$369,942
Corporate assets						33,324
						$403,266
Depreciation expense	$ 11,196	$ 1,215	$ 1,172	$ 1,979		$ 15,562
Corporate depreciation expense						689
						$ 16,251
Capital expenditures	$ 24,969	$ 2,806	$12,529	$ 3,744		$ 44,048
Corporate capital expenditures						2,690
						$ 46,738

FISCAL YEAR ENDED AUGUST 31, 1980
(Thousands of dollars)

	Research Services	Clearing House Services	Petroleum Information Services	Other Services	Eliminations	Consolidated
Sales of services	$347,995	$ 54,603	$51,088	$39,430		$493,116
Operating income before interest income and expense, income taxes, general corporate expenses, net, and gain on translation and exchange	$ 47,368	$ 14,212	$ 9,957	$(2,785)		$ 68,752
Interest expense:						
Intercompany		(8,393)			$8,393	
Other	(1,096)	(154)	(55)	(273)		(1,578)
Interest income	2,444	23	72	148		2,687
Earnings before income taxes, general corporate expenses, net, and gain on translation and exchange	$ 48,716	$ 5,688	$ 9,974	$(2,910)	$8,393	69,861
General corporate expenses, net						(12,552)
Gain on translation and exchange						369
Earnings before income taxes						$ 57,678
Identifiable assets	$143,410	$110,639	$31,354	$20,950		$306,353
Corporate assets						40,504
						$346,857
Depreciation expense	$ 9,586	$ 895	$ 857	$ 2,133		$ 13,471
Corporate depreciation expense						609
						$ 14,080
Capital expenditures	$ 23,683	$ 2,546	$ 1,722	$ 6,903		$ 34,856
Corporate capital expenditures						718
						$ 35,574

FISCAL YEAR ENDED AUGUST 31, 1979
(Thousands of dollars)

	Research Services	Clearing House Services	Petroleum Information Services	Other Services	Elimi-nations	Consoli-dated
Sales of services	$285,988	$43,462	$37,318	$31,338		$398,106
Operating income before interest income and expense, income taxes, general corporate expenses, net, and gain on translation and exchange	$ 40,866	$11,045	$ 6,676	$(2,877)		$ 55,710
Interest expense:						
Intercompany		(5,461)			$5,461	
Other	(503)	(21)	(40)	(117)		(681)
Interest income	1,798	—	64	108		1,970
Earnings before income taxes, general corporate expenses, net, and gain on translation and exchange	$ 42,161	$ 5,563	$ 6,700	$(2,886)	$5,461	56,999
General corporate expenses, net						(8,069)
Gain on translation and exchange						917
Earnings before income taxes						$ 49,847
Identifiable assets	$121,192	$91,745	$27,167	$17,673		$257,777
Corporate assets						22,057
						$279,834
Depreciation expense	$ 6,861	$ 590	$ 602	$ 1,505		$ 9,558
Corporate depreciation expense						497
						$ 10,055
Capital expenditures	$ 14,429	$ 1,249	$ 965	$ 4,660		$ 21,303
Corporate capital expenditures						4,166
						$ 25,469

REXNORD INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7—Business Segment Information

Information regarding the company's business segments and geographic segments for 1981, 1980 and 1979 is included on page 12.

BUSINESS SEGMENT INFORMATION

For the Three Years Ended October 31, 1981 (Millions of Dollars)

The company operates in the production and sale of products in four major segments: Power Transmission Components, Specialty Fasteners, Process Machinery and Capital Equipment. Additional information on these segments is contained on pages 4 to 11 of this Annual Report. Intersegment sales are not material.

In 1981, the company simplified its method of reporting business segment information by combining the Environmental Control Equipment and Construction Machinery segments into one segment called Capital Equipment. Prior year segment data has been restated for the effect of this change.

Identifiable assets represent assets that are used in the company's operations in each segment at year end. Corporate assets are principally cash, marketable securities and property maintained for general corporate purposes.

Export sales included in the United States sales approximated 11% of total net sales for 1981.

Operating results by business segment follow:

	1981	1980	1979
NET SALES			
Power Transmission Components	530	512	466
Specialty Fasteners	146	137	150
Process Machinery	324	308	270
Capital Equipment	130	127	124
	1,130	1,084	1,010
OPERATING INCOME			
Power Transmission Components	75.9	73.7	82.1
Specialty Fasteners	12.0	12.4	23.1
Process Machinery	23.8	28.5	24.5
Capital Equipment	5.4	4.7	12.0
Operating Income	117.1	119.3	141.7
Interest expense	(27.2)	(25.2)	(15.1)
General Corporate Expense	(22.7)	(24.3)	(18.9)
Foreign Currency Adjustments	.9	—	(3.4)
Other	.3	(.7)	.3
Income Before Taxes	68.4	69.1	104.6
ASSETS			
Power Transmission Components	367	361	325
Specialty Fasteners	91	92	83
Process Machinery	179	198	175
Capital Equipment	76	95	79
Identifiable Assets	713	746	662
Investment in Affiliates	9	5	5
Other Corporate Assets	61	44	32
	783	795	699
CAPITAL EXPENDITURES			
Power Transmission Components	38.2	29.6	27.7
Specialty Fasteners	12.6	7.9	4.3
Process Machinery	5.8	8.7	5.4
Capital Equipment	.7	2.1	3.3
Corporate	2.6	3.6	2.3
	59.9	51.9	43.0
DEPRECIATION & AMORTIZATION			
Power Transmission Components	16.3	13.9	11.7
Specialty Fasteners	3.7	3.5	3.3
Process Machinery	4.8	4.3	3.8
Capital Equipment	2.4	1.6	1.3
Corporate	1.4	1.3	.8
	28.6	24.6	20.9

GEOGRAPHIC SEGMENT INFORMATION

	1981	1980	1979
NET SALES			
United States	884	837	815
Western Europe	155	163	127
Other	91	84	68
	1,130	1,084	1,010
OPERATING INCOME			
United States	89.7	89.4	120.1
Western Europe	10.6	14.9	12.0
Other	16.8	15.0	9.6
	117.1	119.3	141.7
ASSETS			
United States	547	545	503
Western Europe	94	121	92
Other	72	80	67
Identifiable Assets	713	746	662
Corporate Assets	70	49	37
	783	795	699

Foreign Operations

BAKER INTERNATIONAL CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (in Part): Industry Segment and Geographic Information

The Company operates principally in four industry segments, three of which provide equipment and services to the petroleum industry:

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

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

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

Mining Products—Manufacture and sale of equipment and provision of repair and other services for the mining and mineral processing industries.

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

Summarized financial information concerning these industry segments and the geographic areas in which the Company operated at September 30, 1981, 1980 and 1979 and for each of the years then ended is shown in the following tables. Certain reclassifications and adjustments have been made to the previously reported amounts to present such information on a basis consistent with the 1981 amounts which the Company believes more precisely presents its industry segment and geographic information.

▪ ▪ ▪

Operations by Geographic Area

In thousands of dollars	United States	Canada	Latin America	Europe	Middle East	Africa	Asia and Australia	Eliminations	Total
1981									
Revenues from unaffiliated customers:									
Sales	$1,096,760	$52,852	$ 65,102	$124,617	$23,306	$50,930	$56,698		$1,470,265
Services and rentals	470,596	41,767	31,373	48,758	21,378	26,044	29,835		669,751
Transfers between geographic areas	107,050	3,289	6,456	22,666	4,814	1,644	1,833	$(147,752)	
Total revenues	$1,674,406	$97,908	$102,931	$196,041	$49,498	$78,618	$88,366	$(147,752)	$2,140,016
Operating Income	$ 349,989	$13,455	$ 17,201	$ 36,515	$ 4,593	$13,641	$20,849	$ (8,096)	$ 448,147
Identifiable assets	$1,374,400	$76,574	$ 97,688	$146,846	$50,182	$66,519	$75,970	$ (99,197)	$1,788,982
Export sales of domestic companies		$14,206	$ 66,535	$ 19,796	$43,915	$22,022	$30,962		$ 197,436
1980									
Revenues from unaffiliated customers:									
Sales	$ 780,518	$52,280	$ 55,483	$ 90,569	$14,996	$43,403	$36,032		$1,073,281
Services and rentals	322,821	43,506	17,569	38,520	11,909	17,865	21,973		474,163
Transfers between geographic areas	90,348	1,463	5,073	13,663	48	20	49	$(110,664)	
Total revenues	$1,193,687	$97,249	$ 78,125	$142,752	$26,953	$61,288	$58,054	$(110,664)	$1,547,444
Operating Income	$ 196,574	$23,143	$ 17,427	$ 17,682	$ 621	$15,016	$10,862	$ (3,192)	$ 278,133
Identifiable assets	$1,034,313	$67,869	$ 63,841	$144,963	$28,267	$53,518	$51,408	$ (58,015)	$1,386,164
Export sales of domestic companies		$14,871	$ 53,483	$ 19,413	$36,893	$11,927	$26,105		$ 162,692
1979									
Revenues from unaffiliated customers:									
Sales	$ 625,040	$36,347	$ 46,327	$ 62,284	$17,354	$25,998	$19,545		$ 832,895
Services and rentals	230,768	29,949	11,931	25,693	12,018	12,169	13,388		335,916
Transfers between geographic area	74,195	1,169	3,993	10,706	8	32	28	$ (90,131)	
Total revenues	$ 930,003	$67,465	$ 62,251	$ 98,683	$29,380	$38,199	$32,961	$ (90,131)	$1,168,811
Operating Income	$ 153,388	$15,397	$ 16,500	$ 13,874	$ 1,646	$ 9,263	$ 6,470	$ (5,507)	$ 211,031
Identifiable assets	$ 848,858	$48,227	$ 50,341	$112,125	$21,263	$36,450	$39,505	$ (52,591)	$1,104,178
Export sales of domestic companies		$10,332	$ 48,918	$ 18,406	$21,783	$12,171	$22,941		$ 134,551

Intersegment sales and transfers between geographic areas are priced at the estimated fair value of the products or services negotiated between the selling and receiving units. Operating income is total revenues less operating expenses but before deduction of general corporate and net interest expense of $63,551,000, $48,998,000 and $43,741,000, and income taxes of $159,607,000, $90,508,000 and $67,861,000 in 1981, 1980 and 1979, respectively. Identifiable assets are those assets that are used by the Company's operations in each industry segment or are identified with the Company's operations in each geographic area. Corporate assets consist principally of cash, prepaid expenses, leasehole improvements, office furniture and intangible assets and amounted to $19,563,000, $15,725,000 and $18,806,000 at September 30, 1981, 1980 and 1979, respectively.

At September 30, 1981 and 1980 total assets and liabilities (excluding intercompany balances) of subsidiaries, divisions and branches located in foreign countries were as follows:

In thousands of dollars	1981	1980
Current assets	$292,845	$230,882
Property—net	168,893	130,507
Other long-term assets	4,202	10,753
Total assets	465,940	372,142
Current liabilities	114,840	102,659
Long-term liabilities	38,596	15,235
Total liabilities	153,436	117,894
Net assets	$312,504	$254,248

Net exchange losses resulting from the translation of foreign currencies in 1981, 1980 and 1979 have been included in the determination of net income for each year and are not material.

BURNDY CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands except per share data)

Note 2: Business Segments and Foreign Operations

The Company and its subsidiaries are engaged predominantly in the manufacture and sale of electrical and electronic connectors utilized in the generation, transmission and distribution of electrical power and in electrical and electronic circuits.

Sales by geographic area for the years ended December 31, 1981, 1980 and 1979 are as follows:

	Sales		
	To outside customers	To affiliates	Total
1981			
United States	$151,686	$7,671	$159,357
Europe	55,109	902	56,011
Canada and Australia	23,953	—	23,953
Latin and South America	23,246	—	23,246
Eliminations	—	(5,803)	(5,803)
Consolidated	$253,994	$2,770	$256,764
1980			
United States	$152,645	$6,880	$159,525
Europe	58,795	1,383	60,178
Canada and Australia	19,878	—	19,878
Latin and South America	19,386	—	19,386
Eliminations	—	(5,264)	(5,264)
Consolidated	$250,704	$2,999	$253,703
1979			
United States	$139,053	$6,296	$145,349
Europe	49,604	1,004	50,608
Canada and Australia	18,454	—	18,454
Latin and South America	20,155	—	20,155
Eliminations	—	(4,748)	(4,748)
Consolidated	$227,266	$2,552	$229,818

Identifiable assets by geographic area are as follows:

	December 31,		
	1981	1980	1979
United States	$140,801	$112,834	$105,797
Europe	73,032	51,056	51,905
Canada and Australia	14,401	12,024	11,091
Latin and South America	20,697	17,185	16,762
Eliminations	(36,028)	(8,727)	(8,414)
	212,903	184,372	177,141
Investments in and advances to unconsolidated affiliates	3,969	9,192	7,372
Corporate assets	722	722	778
Consolidated	$217,594	$194,286	$185,291

Operating profits by geographic area are as follows:

	December 31,		
	1981	1980	1979
United States	$35,802	$33,083	$28,961
Europe	6,063	11,458	9,040
Canada and Australia	3,239	2,862	2,347
Latin and South America	5,323	4,551	3,392
	50,427	51,954	43,740
Less:			
General corporate expenses	(4,710)	(4,859)	(3,286)
Consolidated	$45,717	$47,095	$40,454

In 1981, the Company retroactively adopted FASB Statement No. 52, "Foreign Currency Translation." Under that Statement, for certain foreign operations, all balance sheet accounts are translated at the current exchange rate and income statement items are translated at the average exchange rate for the year; resulting translation adjustments are made directly to a separate component of shareowners' equity. Certain other adjustments continue to be reported in income which resulted in losses of $695 in 1981, $728 in 1980 and $33 in 1979. Previously, certain balance sheet accounts (principally inventories and property and equipment) and related income statement items were translated at historical exchange rates, and all translation adjustments were made directly to income.

The new method of accounting increased net income for 1981 by $1,779 ($.14 per share). As a result of applying the new method retroactively, 1980 net income has been reduced by $875 ($.07 per share) and 1979 net income was reduced by $390 ($.03 per share). Adoption of Statement No. 52 resulted in establishing a new cumulative translation adjustments account that increased shareowner's equity by $1,678 at January 1, 1979.

NCR CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 13—Industry and Geographic Area Information.

Industry Segment Data

NCR operates in one dominant industry segment which includes the developing, manufacturing, marketing, installing, and servicing of business information processing systems for selected worldwide markets.

Geographic Area Data

Corporate assets are principally cash and short-term investments. To the extent permitted by market conditions, transfers between geographic areas are at prices designed to provide a profit after coverage of all manufacturing costs, research and development expenses, and general corporate expenses. The method required to be followed in developing this information on a geographical basis requires the use of estimation techniques and does not take into account the extent to which NCR's product development, manufacturing, marketing, and management skills depend upon each other. Thus, the information may not be indicative of the extent to which each of the geographical areas contributed to NCR's consolidated operating results.

	United States	Europe	Pacific (Japan, Australia, Far East and Canada)	Other	Eliminations	Consolidated
			(000 omitted)			
			1981			
Revenues—Customer	$1,643,658	$ 904,114	$534,734	$350,195		$3,432,701
Intercompany	275,001	29,960	78,701	9,592	$(393,254)	—
Total revenues	$1,918,659	$ 934,074	$613,435	$359,787	$(393,254)	$3,432,701
Operating income	$ 264,858	$ 43,755	$ 70,862	$ 44,022	$ 13,539	$ 437,036
Non-allocable interest and general corporate expenses						73,583
Income before income taxes						$ 363,453
Identifiable assets	$1,785,766	$ 726,380	$440,861	$375,252	$(208,677)	$3,119,582
Corporate assets						266,952
Total assets						$3,386,534
			1980			
Revenues—Customer	$1,499,750	$1,014,791	$499,325	$308,504		$3,322,370
Intercompany	379,599	49,328	95,250	11,959	$(536,136)	—
Total revenues	$1,879,349	$1,064,119	$594,575	$320,463	$(536,136)	$3,322,370
Operating income	$ 288,824	$ 108,325	$ 85,864	$ 55,439	$ (12,231)	$ 526,221
Non-allocable interest and general corporate expenses						57,210
Income before income taxes						$ 469,011
Identifiable assets	$1,888,096	$ 823,256	$426,575	$332,143	$(285,308)	$3,184,762
Corporate assets						181,693
Total assets						$3,366,455
			1979			
Revenues—Customer	$1,376,210	$858,653	$512,067	$255,710		$3,002,640
Intercompany	243,029	33,283	112,201	4,584	$(393,097)	—
Total revenues	$1,619,239	$891,936	$624,268	$260,294	$(393,097)	$3,002,640
Operating income	$ 275,605	$ 97,152	$ 56,983	$ 35,361	$ (5,373)	$ 459,728
Non-allocable interest and general corporate expenses						10,674
Income before income taxes						$ 449,054
Identifiable assets	$1,554,387	$696,862	$389,647	$274,268	$(221,329)	$2,693,835
Corporate assets						224,600
Total assets						$2,918,435

There are various differences between income before income taxes for the United States and foreign operations as shown in Note 4 and operating income shown above. In the above geographic information, interest expense and non-allocable general corporate expenses are not included in operating income, and certain corporate operating expenses incurred for the benefit of the geographic areas are included on an allocated basis.

NCR's net investment in International operations was $804,391,000 at December 31, 1981, $771,054,000 at December 31, 1980 and $612,529,000 at December 31, 1979.

The above information for the years 1980 and 1979 has been restated for NCR's 1981 geographical region reorganization.

THE COCA-COLA COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14: Industry Segment and Geographic Data.

The industry segment and geographic data for 1981, 1980 and 1979 presented on pages 44 and 45 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). Africa, which is not a significant geographic area as defined by FAS 14, has been grouped with Europe in accordance with the Company's management organizational structure. The remaining insignificant geographic areas are combined as Canada and Pacific. Inter-company transfers between geographic areas are not material.

	Year Ended December 31		
	1981	1980	1979
Net sales:*			
United States and Puerto Rico	$3,238,673	$3,059,953	$2,470,911
Latin America	608,110	560,164	417,991
Europe and Africa	1,096,257	1,170,294	995,485
Canada and Pacific	945,995	830,338	804,352
Total net sales	$5,889,035	$5,620,749	$4,688,739
Income from geographic areas:*			
United States and Puerto Rico	$ 337,522	$ 279,315	$ 253,439
Latin America	179,739	148,055	100,541
Europe and Africa	248,802	278,707	267,360
Canada and Pacific	151,444	126,844	143,776
Total from geographic areas	917,507	832,921	765,116
Other income, net of other deductions	(37,671)	(37,893)	(1,244)
General expenses	(72,582)	(58,301)	(50,282)
Income from continuing operations before income taxes	$ 807,254	$ 736,727	$ 713,590
Identifiable assets at year-end:*			
United States and Puerto Rico	$1,631,123	$1,604,490	$1,407,059
Latin America	436,215	420,197	307,264
Europe and Africa	583,017	579,851	533,528
Canada and Pacific	400,766	360,838	341,061
Total by geographic areas	3,051,121	2,965,376	2,588,912
Corporate assets (principally marketable securities and fixed assets)	452,693	289,202	209,642
Discontinued operations	60,967	151,380	139,487
Total assets at year-end	$3,564,781	$3,405,958	$2,938,041

*Amounts for 1980 and 1979 have been restated to reflect the sale of the Company's Aqua-Chem, Inc., subsidiary and Tenco Division.

Major Customers

ACME-CLEVELAND CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note L (in Part): Business and Geographic Segment Information

The Corporation conducts its operations within two business segments which provide the tools of production to other manufacturers. One furnishes the capital equipment acquired by customers for long-term operations. Sales of this equipment result from the capital expenditure programs of customers. The other supplies the expendable products consumed in day to day operations, in some cases to the same customers. Sales of these products result from the rate of operations of customers.

Intersegment sales are accounted for at prices comparable to normal, unaffiliated customer sales, reduced by an approximation of costs not incurred on internal sales. Operating profit is total revenue less operating expenses, excluding interest, general corporate expenses, and in 1981, costs related to restructuring of operations. Net earnings, both consolidated and for the U.S.A., recognize all costs, including those pertaining to restructuring of operations. Identifiable assets by segment include both assets directly identified with each segment and an allocable share of jointly used assets. Corporate assets consist primarily of cash, notes and other investments. Included in the Corporation's sales for 1981 are $122,724,000 to General Motors Corporation. In 1980 and 1979, sales to General Motors were $93,717,000 and $40,666,000, respectively. Sales to Ford Motor Company were $48,920,000 and $63,119,000 in 1980 and 1979, respectively. The following provides information about each segment for each of the past three years (in thousands of dollars):

EASCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in Part): Accounting Policies and Business Segments

Business segments. Inter-segment sales are accounted for on the same basis used to price sales to unaffiliated customers.

Hand tools segment sales included $111,936,000; $88,547,000 and $99,480,000 to Sears, Roebuck and Co. in 1981, 1980 and 1979 respectively.

Reference is made to the 11 Year Business Segments Data on pages 28 and 29 of this report for the 1981, 1980 and 1979 segment sales, operating profits, identifiable assets information, capital expenditures and depreciation expense.

BAIRD CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (In Part): Segment Information

The Company's business can be classified into three significant segments—analytical instruments, optical systems and medical diagnostic equipment. Additional information concerning the individual products and markets covered by these segments is contained elsewhere in the Annual Report. Segment financial and related information for the years ended September 30, 1981, 1980 and 1979 follows:

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B. Geographical Distribution

1981	Domestic	Export	Foreign Based	Total
Sales	$26,923	$12,563	$ 5,748	$45,234
Operating profit	5,506	2,790	19	8,315
Identifiable assets	18,949	7,154	5,136	31,239
1980				
Sales	$25,917	$ 6,071	$ 5,326	$37,314
Operating profit	5,772	1,023	413	7,208
Identifiable assets	17,685	5,193	5,446	28,324
1979				
Sales	$22,062	$ 6,768	$ 4,376	$33,206
Operating profit	5,987	703	278	6,968
Identifiable assets	15,675	4,046	4,890	24,611

C. Major Customers. Direct sales to the U.S. Government, principally from the optical segment, were $11.6 million in 1981 ($13.0 million in 1980 and $12.0 million in 1979). Sales to foreign governments in 1981 were $5.9 million in the aggregate ($3.2 million in 1980 and $5.5 million in 1979).

Export Sales

AMETEK, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 8: Other Information

Information as to the Company's business segments is shown on pages 23 and 24. In January, 1982 the Company acquired approximately 9.9% of the common stock of Robertshaw Controls Company in market and negotiated transactions for approximately $8,400,000 plus certain contingent amounts which may be payable until January 5, 1983.

INFORMATION BY BUSINESS SEGMENTS (IN PART)

The Company classifies its operations into four business segments: Electro-mechanical, Process Equipment, Precision Instruments and Industrial Materials.

The Electro-Mechanical Group produces fractional horsepower electric motors for floor care, computer and business machines and other consumer and industrial products, jet engine and airplane parts, undersea work vehicle and marine electronic systems, die castings, expansion ducting and other components for aerospace and industrial applications.

The Process Equipment Group manufactures centrifuges, filters and other separation and drying equipment, pipe flanges and fittings for high-pressure piping, winery process and storage systems, parts for laundry and drycleaning equipment, flow measuring instruments and valves, and heat transfer equipment for the chemical process market.

The Precision Instruments Group manufactures pressure gauges, measuring and recording devices, automotive, aircraft and industrial instruments, testing equipment, calibration instruments, springs, thermistors, propeller flowmeters, semiconductor components and combustion analyzing instruments.

The Industrial Materials Group produces aluminum extrusions, custom-finished aluminum and plastic components, thermoplastic compounds, color concentrates, synthetic monofilaments and molded thermoplastics for a wide variety of industrial, agricultural and consumer products. The group also produces corrosion-resistant tanks and piping of industrial plastics for use in process systems, and solar collectors for the solar heating systems market. Aluminum products represent approximately 8% in 1981 (9% in 1980 and 10% in 1979) of the Company's consolidated sales.

FINANCIAL INFORMATION BY SEGMENTS AND EXPORT SALES (in thousands)

Net Sales	1981	1980	1979
Electro-mechanical	$144,294	$137,885	$126,415
Process Equipment	78,189	70,742	76,312
Precision Instruments	120,414	108,076	107,696
Industrial Materials	105,189	83,477	82,450
Total consolidated(1)	$448,086	$400,180	$392,873
Operating Profit			
Electro-mechanical	$ 25,102	$ 23,258	$ 19,097
Process Equipment	9,607	7,232	9,605
Precision Instruments	18,787	17,378	18,246
Industrial Materials	11,196	7,526	9,020
Total consolidated(2)	64,692	55,394	55,968
Corporate, administrative, research and net interest expenses	(13,042)	(13,135)	(12,472)
Income before taxes	$ 51,650	$ 42,259	$ 43,496
Export Sales by Geographic Area (Included above):			
Europe	$ 27,708	$ 32,880	$ 22,020
Canada	9,972	6,891	6,503
Other	12,298	12,687	5,815
	$ 49,978	$ 52,458	$ 34,338

(1) After elimination of inter-segment sales, not significant in amount.

(2) Represents sales less all direct costs and expenses (including certain administrative and research expenses) applicable to each segment.

BUCYRUS-ERIE COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note O—Industry Segment Information:

The Company designs, manufactures and sells products in three industries; mining and construction machinery; industrial products; and aerospace systems and components. These segments differ from those previously reported due to the acquisition of Western Gear Corporation and the combining of mining and construction machinery into one segment. Industry segment information includes Western Gear Corporation's operations from September 30, 1981, the date of acquisition. The operations of each of these segments are described on pages 10-24 of the annual report for the fiscal year ended December 31, 1981. Industry segment information for 1980 and 1979 has been restated to be consistent with 1981.

Operating earnings represent total revenue less operating expenses. Interest expense, general corporate expenses (including net non-recurring items of $7.0 million for 1981), nonoperating revenues, income taxes and equity in net earnings of Ruston-Bucyrus, Limited have not been included in the computation of operating earnings.

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

The Company had export shipments from its United States operations amounting to $176.3 million in 1981, $195.6 million in 1980, and $144.9 million in 1979. Export shipments by geographic area in 1981, 1980 and 1979 consisted of the following: Eastern Hemisphere $125.2 million, $137.2 million and $96.1 million, respectively, and Western Hemisphere $51.1 million, $58.4 million and $48.8 million, respectively.

Industry segment information is as follows:

(Dollars in Millions)	1981	1980	1979
Net Shipments			
Mining and Construction Machinery	$382.9	$458.9	$521.5
Aerospace Systems and Components	31.1		
Industrial Products	82.4	52.4	30.9
Consolidated Net Shipments	$496.4	$511.3	$552.4
Operating Earnings			
Mining and Construction Machinery	$ 35.6	$ 72.5	$ 85.1
Aerospace Systems and Components	3.7		
Industrial Products	6.5	(.7)	2.5
	45.8	71.8	87.6
Interest expense	(11.3)	(7.8)	(8.6)
General Corporate expenses	(3.8)	(4.3)	(6.9)
Non-recurring items—net	(7.0)		
Nonoperating revenue	22.4	21.4	20.5
Earnings before income taxes and equity in earnings of Ruston-Bucyrus, Limited	$ 46.1	$ 81.1	$ 92.6
Capital Expenditures			
Mining and Construction Machinery	$ 3.4	$ 10.0	$ 10.4
Aerospace Systems and Components	36.6		
Industrial Products	49.2	4.7	6.4
General Corporate	3.1	1.4	1.4
	$ 92.3	$ 16.1	$ 18.2
Depreciation			
Mining and Construction Machinery	$ 11.8	$ 12.6	$ 12.6
Aerospace Systems and Components	.6		
Industrial Products	3.3	1.9	1.1
General Corporate	1.9	1.1	1.0
	$ 17.6	$ 15.6	$ 14.7
Identifiable assets at year-end			
Mining and Construction Machinery	$402.6	$437.9	$463.0
Aerospace Systems and Components	138.4		
Industrial Products	141.8	40.9	28.8
	$682.8	478.8	491.8
Investment in Ruston-Bucyrus, Limited	42.1	38.8	36.5
Corporate Assets	82.3	109.1	113.1
Total Assets at year-end	$807.2	$626.7	$641.4

COMBUSTION ENGINEERING, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 13 (in Part): Financial Reporting by Business Segments

The Company's equipment, products and services are classified into the following business segments: (a) equipment, products and services supplied to oil and gas and other industrial markets; (b) design, manufacture, installation and service of steam generating systems and equipment for the electric utility industry, including nuclear steam supply systems and (c) design, engineering and construction services (principally through its subsidiary, The Lummus Company), primarily for the chemical, petrochemical and petroleum industries.

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(b) Significant financial data by geographic area follows (1):

	1981	1980	1979
	(Dollars in Thousands)		
Sales (2)—			
United States (3)	$3,025,556	$2,513,852	$2,234,650
Canada	263,490	211,967	191,107
Europe	433,917	350,975	259,950
Other Foreign	86,780	69,661	71,797
	$3,809,743	$3,146,455	$2,757,504
Net Income—			
United States	$ 106,431	$ 89,317	$ 71,887
Canada	11,281	11,675	13,552
Europe	18,754	8,928	7,357
Other Foreign	10,834	6,752	4,845
	$ 147,300	$ 116,672	$ 97,641

December 31,	1981	1980	1979
	(Dollars in Thousands)		
Identifiable Assets—			
United States	$1,629,681	$1,536,754	$1,213,796
Canada	130,943	123,610	118,962
Europe	325,146	229,698	200,418
Other Foreign	93,476	68,213	50,771
	$2,179,246	$1,958,275	$1,583,947

(1) Data presented for geographic areas outside of the United States includes operations of foreign subsidiaries and operations of domestic subsidiaries located in foreign areas.

(2) Includes only sales to unaffiliated customers (intergeographic sales are not significant).

(3) Includes U.S. export sales by geographic area as follows:

	1981	1980	1979
	(Dollars in Thousands)		
Europe, Middle East and Africa	$ 188,759	$ 142,329	$ 87,512
Canada, Central and South America	122,728	90,014	69,317
Far East	121,013	111,223	102,072
	$ 432,500	$ 343,566	$ 258,901

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 nineteen survey companies use a 52-53 week fiscal year.

During 1981, five companies changed the date of their fiscal year end. Examples of such changes and examples of fiscal year definitions follow.

TABLE 1-4: MONTH OF FISCAL YEAR END

	1981	1980	1979	1978
January	26	25	21	25
February	13	14	15	14
March	14	15	12	12
April	6	8	8	9
May	11	10	10	11
June	40	39	39	38
July	12	12	13	13
August	21	21	20	19
September	41	41	45	44
October	24	25	27	30
November	9	11	11	12
Subtotal	**217**	**221**	**221**	**227**
December	383	379	379	373
Total Companies	**600**	**600**	**600**	**600**

Change in Date of Fiscal Year Ending

CASTLE & COOKE, INC.

Consolidated Balance Sheets

	June 20, 1981	Jan. 3, 1981

Consolidated Statements of Income and Retained Earnings

24 Weeks Ended		Year Ended	
June 20, 1981	June 20, 1981 (Unaudited)	Jan. 3, 1981	Dec. 29, 1979

Consolidated Statements of Changes in Financial Position

24 Weeks Ended		Year Ended	
June 20, 1981	June 20, 1981 (Unaudited)	Jan. 3, 1981	Dec. 29, 1979

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Accounting Policies (in Part)

Fiscal Year

The Company has elected to change its fiscal financial reporting year from the Saturday closest to December 31 to the third Saturday in June. For tax purposes, the fiscal year will continue to end on the Saturday closest to December 31. Due to significant seasonal variations, the results of a 24-week period are not necessarily indicative of a full year's operations. The financial information for the fiscal years ended January 3, 1981 and June 20, 1981 include 53 weeks.

ACCOUNTANTS' REPORT

To the Stockholders of
Castle & Cooke, Inc.

We have examined the consolidated balance sheets of Castle & Cooke, Inc. and subsidiaries as of June 20, 1981 and January 3, 1981 and the related consolidated statements of income and retained earnings and changes in financial position for the twenty-four week period ended June 20, 1981 and for each of the fiscal years in the two year period ended January 3, 1981. 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 Castle & Cooke, Inc. and subsidiaries at June 20, 1981 and January 3, 1981 and the results of their operations and changes in their financial position for the twenty-four week period ended June 20, 1981, and for each of the fiscal years in the two year period ended January 3, 1981 in conformity with generally accepted accounting principles applied on a consistent basis.

The accompanying statements of income and changes in financial position for the year ended June 20, 1981 were not audited by us, and accordingly we do not express an opinion on them.

DANA CORPORATION

Balance Sheet

December 31	August 31
1981	1980

Statement of Income

Year ended		
December 31	August 31	
1981	1980	1979

Statement of Retained Earnings

Year ended		
December 31	August 31	
1981	1980	1979

Statement of Changes in Financial Position

Year ended		
December 31	August 31	
1981	1980	1979

COMMENTS ON FINANCIAL STATEMENTS

Year End Change

Effective December 31, 1980 the Board of Directors changed Dana's year end from August 31 to a calendar year end of December 31. Previously the fiscal year coincided with the automotive model year. Dana's increasing participation in the industrial and service markets makes the calendar year a more appropriate business cycle.

During the four month period September 1, 1980 to December 31, 1980 Dana's net sales amounted to $837,700,000, net income $9,800,000 and net income per common share $.28. Working capital during this period decreased $50,600,000. Working capital provided by operations amounted to $22,500,000 while other sources provided $43,300,000 including $19,000,000 from disposals of property and $22,000,000 through the issuance of common stock. Financial resources used amounted to $116,400,000 and consisted primarily of additions to property $31,500,000, dividends $28,200,000 and an increase in investments and other assets of $49,800,000.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of
Dana Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of retained earnings and of changes in financial position, including pages F-2 through F-13, present fairly the financial position of Dana Corporation and its consolidated subsidiaries at December 31, 1981 and August 31, 1980, and the results of their operations and the changes in their financial position for the year ended December 31, 1981 and each of the two years in the period ended August 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 foreign currency translation adjustments and in the method of accounting for inventories as described on page F-6. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

SEARS, ROEBUCK AND CO.

Consolidated Statements of Financial Position

December 31	
1981	1980

Consolidated Statements of Income

	Year Ended December 31	
1981	1980	1979

Consolidated Statements of Changes in Financial Position

	Year Ended December 31	
1981	1980	1979

Consolidated Statements of Shareholders' Equity

	Year Ended December 31	
1981	1980	1979

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Accounting Changes

In 1981 the company changed its financial reporting period to a Dec. 31 year end from a fiscal year ending Jan. 31. This change was precipitated by the decision to file a consolidated federal income tax return. The Consolidated and summarized Group financial statements herein are presented on a calendar year basis.

Coincident with the change in its fiscal reporting period, the company modified its method of accounting for merchandise returns and allowances and compensated absences as prescribed by Statements No. 48 and 43, respectively, of the Financial Accounting Standards Board. These new accounting rules require that the financial statements reflect estimated future sales returns and allowances and vacation liabilities. In previous periods, merchandise returns and allowances were recorded on a cash basis and vacation liabilities were accrued as the employee's right to this benefit vested.

The financial statements previously reported have been restated for the changes noted as follows:

millions	Net Income		Retained Income
	1980	1979	Through 1978
As previously reported on a fiscal year basis (January 31)..	$606.0	$810.1	$6,262.4
Net effect of:			
Change in fiscal reporting period......................	4.9	16.4	12.0
Establishment of accrual for future returns and allowances	(1.1)	2.9	(47.6)
Change in vacation accrual ..	—	.1	(7.9)
As restated......................	$609.8	$829.5	$6,218.9

The financial statements of the company's international subsidiaries for the year ended Dec. 31, 1981 have been translated to U.S. dollars in accordance with SFAS No. 52, "Foreign Currency Translation." The new method of accounting increased 1981 net income by $7.1 million ($.02 per share).

ACCOUNTANTS' REPORT

To the Shareholders and Board of Directors of
Sears, Roebuck and Co.:

We have examined the Consolidated Statements of Financial Position of Sears, Roebuck and Co. and Consolidated Subsidiaries as of December 31, 1981 and 1980 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, 1981. 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 Sears, Roebuck and Co. and Consolidated Subsidiaries as of December 31, 1981 and 1980, 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, 1981, in conformity with generally accepted accounting principles applied on a consistent basis.

UNC RESOURCES, INC.

Consolidated Balance Sheets

December 31, 1981	March 31, 1981

Consolidated Statements of Changes in Financial Position

Year Ended		
December 31,	March 31,	
1981	1981	1980

Consolidated Statements of Earnings (Loss)

Year Ended		
December 31,	March 31,	
1981	1981	1980

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Change of Fiscal Year

Effective December 31, 1981, the Company changed its fiscal year-end from March 31 to December 31. The consolidated statements of earnings and changes in financial position for the year ended December 31, 1981 include the results of operations and changes in financial position for the quarter ended March 31, 1981 to allow comparability with the twelve months ended March 31, 1981 and 1980. See note 24 for a summary of results for the quarter ended March 31, 1981.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors and Shareholders
UNC Resources, Inc.

We have examined the consolidated balance sheets of UNC Resources, Inc. and subsidiaries as of December 31, 1981 and March 31, 1981 and the related consolidated statements of earnings (loss), shareholders' equity and changes in financial position for each of the periods ended December 31, 1981, March 31, 1981 and March 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 UNC Resources, Inc. and subsidiaries at December 31, 1981 and March 31, 1981 and the results of their operations and the changes in their financial position for each of the periods ended December 31, 1981, March 31, 1981 and March 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.

Definition of Fiscal Year

BELL & HOWELL COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note A (in Part): Significant Accounting Policies:

Fiscal Year. The Company uses a 52-53 week fiscal year. References to 1981, 1980 and 1979 are for the 52 weeks ended January 2, 1982, the 53 weeks ended January 3, 1981, and the 52 weeks ended December 29, 1979, respectively.

BROWN GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Accounting Period

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

THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fiscal Year—The Company's fiscal year ends on the last Saturday in February. Fiscal 1980 ended February 28, 1981 and comprised 53 weeks, whereas fiscal 1979 and fiscal 1978 ended February 23, 1980 and February 24, 1979, respectively, and comprised 52 weeks each.

H. J. HEINZ COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Significant Accounting Policies

Accounting Principles: The consolidated financial statements have been prepared using generally accepted accounting principles followed in the United States.

Fiscal Year: The company operates on a fiscal year ending on the Wednesday closest to April 30. Fiscal years for the financial statements included herein ended on April 29, 1981, April 30, 1980 and May 2, 1979. Each year included 52 weeks.

INTERCO INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Significant Accounting Policies

Fiscal Year—The company's fiscal year ends on the last day of February. In this report, reference to fiscal 1981 refers to the fiscal year ended February 28, 1981, fiscal 1980 refers to the fiscal year ended February 29, 1980, and fiscal 1979 refers to the fiscal year ended February 28, 1979.

G. C. MURPHY COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Significant Accounting Policies

The accounting policies of the Company, a general merchandise retailer operating within the United States, conform with generally accepted accounting principles. The significant accounting policies applied in preparing the accompanying consolidated financial statements are summarized below:

Definition of Fiscal Year:

The Company's fiscal year ends on the last Thursday in the month of January. Fiscal year 1981, a 52-week period, ended on January 28, 1982; fiscal year 1980, a 52-week period, ended on January 29, 1981; fiscal year 1979, a 53-week period, ended on January 31, 1980.

THE UNITED STATES SHOE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Major Accounting Policies

Fiscal Year—The company's fiscal year is a 52-53 week year ending on the Saturday closest to January 31. 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 year ending the Saturday closest to January 31. The 12 months ended January 30, 1982 have been designated as *fiscal 1981* because 11 of those 12 months fell into calendar year 1981.

The comparative financial statements included herein have been appropriately restated to represent comparable results for the new fiscal years.

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

	1981	1980	1979	1978
To nearest dollar	89	114	134	161
To nearest thousand dollars:				
Omitting 000	335	306	274	254
Presenting 000	79	107	141	139
To nearest million dollars	97	73	51	46
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

	1981	1980	1979	1978
General and direct references	292	302	341	343
General reference only	300	291	250	247
Direct reference only	5	4	6	7
No reference to notes	3	3	3	3
Total Companies	**600**	**600**	**600**	**600**

DISCLOSURE OF ACCOUNTING POLICIES

APB Opinion No. 22 states a conclusion of the Accounting Principles Board "that information about the accounting policies adopted by a reporting entity is essential for financial statements users . . . (and) should be included as an integral part of the financial statements." *Opinion No. 22* sets forth guidelines as to the content and format of disclosures of accounting policies.

Table 1-7 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.

TABLE 1-7: DISCLOSURE OF ACCOUNTING POLICIES

	Number of Companies			
	1981	1980	1979	1978
Depreciation methods	587	594	595	589
Consolidation basis	582	590	589	589
Inventory pricing	557	562	559	555
Interperiod tax allocation	525	538	541	544
Property	477	512	506	514
Earnings per share calculation	364	351	336	311
Employee benefits	327	356	376	355
Amortization of intangibles	287	300	304	309
Translation of foreign currency	200	164	188	213
Research and development costs	147	160	173	N/C
Capitalization of interest	106	92	49	N/C
Leasing transactions	72	96	117	116

N/C—Not Compiled.

COLUMBIA PICTURES INDUSTRIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A—Summary of Significant Accounting Policies

Principles of Consolidation: The consolidated financial statements include the accounts of the Company and its subsidiaries operating in the United States and in foreign countries without exchange restrictions.

Foreign Currency: Foreign assets and liabilities are translated to their U.S. dollar equivalents based on rates of exchange prevailing at the end of each respective period except for film inventories and fixed assets, which are translated at rates prevailing at acquisition. Revenue and expense accounts are translated at weighted average exchange rates during the periods except for amortization of film inventory and depreciation of fixed assets, which are based on the historical dollar equivalents of the related assets. Aggregate exchange gains and losses arising from the translation of foreign assets and liabilities and from foreign currency transactions are included in net income.

Recognition of Revenues: Revenues from theatrical exhibition of feature films are recognized on the dates of exhibition. Revenues from television licensing agreements are recognized when each film is available for telecasting by the licensee. Long-term receivables and the related liabilities to participants arising through such television licensing are recorded at their present value.

Inventories

Film Costs: Production, print, pre-release and national advertising costs and related interest (beginning in 1980—see Note F) are capitalized as incurred. The individual film forecast method is used to amortize these costs based on the revenues recognized in proportion to management's estimate of ultimate revenues to be received. Unamortized film costs are compared with net realizable values on a film-by-film basis and losses are provided when indicated. The costs of cooperative and other forms of local advertising are charged to expense as incurred.

Guarantees of loans and certain other financing arrangements with third parties made in connection with the production of films are accounted for as loans of the Company.

The costs of feature films in release, feature films completed but not released, and television films are classified as current assets to the extent such costs are expected to be recovered through the respective primary markets. All other costs relating to film production are classified as non-current assets.

Amusement Games: Inventories of amusement games are carried at the lower of cost (determined on a first-in, first-out basis) or market.

Depreciation and Amortization of Fixed Assets: Depreciation and amortization are based on the straight-line method at various rates related to the useful lives or, for leasehold improvements, over the term of the lease, if shorter.

Intangibles: The excess of cost over net assets of acquired companies and the broadcasting licenses of three radio stations are being amortized on a straight-line basis over 40 years. Franchise rights are being amortized over their estimated respective lives, which range from 1 to 12 years.

Income Per Share: Income per share of common stock is computed by dividing net income by the weighted average number of common and common share equivalents (options) outstanding during the period (9,498,257 in fiscal 1981, 9,970,026 in fiscal 1980 and 9,734,017 in fiscal 1979).

Income per share, assuming full dilution is computed as described above with the additional assumptions that common share equivalents are exercised at the higher of the average or ending market price and that the Company's convertible subordinated debentures are converted into common stock, resulting in the elimination of the related interest expense, net of income tax. The numbers of shares of common and common share equivalents used in computing fully diluted income per share were 10,775,154 in fiscal 1981, 10,395,014 in fiscal 1980 and 10,213,520 in fiscal 1979.

Income Taxes: Income taxes are computed on financial statement income with deferred taxes being recognized on items of income or expense which enter into a different fiscal period on a tax return basis. Investment tax credits are accounted for under the flow-through method.

DPF INCORPORATED (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Summary of Significant Accounting Policies

The consolidated financial statements include the accounts of the Company and its subsidiary. All significant intercompany accounts and transactions have been eliminated.

As is discussed later, the Company has discontinued its computer leasing operations and will dispose of the assets employed in that segment of its operations. Accordingly, the accompanying financial statements are presented in a manner that reflects results of operations, financial position and changes in financial position for continuing operations (primarily wholesale baking) separately from the discontinued operations and the loss on disposal of assets employed in discontinued operations. Financial statements for prior years have been restated to conform to this manner of presentation.

Additionally, the presentations in the balance sheet and the statement of changes in financial position have been changed to present current assets and liabilities (working capital) separately from nonworking capital items and to present changes in working capital. These presentations are preferable for a company whose principal business activity is wholesale baking.

The following is a summary of significant accounting principles for continuing operations.

Earnings Per Share

Primary per share amounts are based on the weighted average number of shares of common stock outstanding after consideration of dilutive stock options. Fully diluted earnings per share for 1979 gives effect to the assumed conversion of convertible debentures and the effect of dilutive stock options. Fully diluted per share amounts for 1981 and 1980 did not differ from primary amounts.

Income Taxes

Deferred income taxes are provided on timing differences between financial and income tax reporting methods. Investment tax credits are accounted for under the flow-through method.

Depreciation of Property and Equipment

Property and equipment are recorded at cost except for property held under capital leases, which is recorded at the lesser of fair market value of the property and equipment at date of lease or the net present value of minimum lease commitments. Depreciation is computed generally on the straight-line composite method by asset group by plant until accumulated depreciation equals 50% of cost, and thereafter on the double-declining method. For income tax purposes, the Company utilizes accelerated depreciation methods for certain assets. The estimated useful lives used in computing depreciation of the principal assets are as follows:

Land improvements	15-20 years
Building	30-60 years
Plant equipment	4-18 years
Automotive equipment	4-10 years

For normal retirements, the cost of assets retired or otherwise disposed of, less the proceeds from sale or salvage, is charged to accumulated depreciation. Gain or loss is recognized on unusual retirements and on the disposal of land and buildings.

Inventories

Inventories are stated at the lower of cost or market. Specific invoiced costs are used with respect to ingredients such as flour and sugar and average costs are used for other inventory items.

Capitalized Interest

During the year ended May 31, 1981, the Company began capitalizing interest incurred during the construction phase of significant property additions. Interest in the aggregate amount of $384,000 was capitalized.

GIANT FOOD INC. (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies

Consolidation: The consolidated financial statements include the accounts of Giant Food Inc. and its subsidiaries, all wholly-owned. All significant intercompany accounts have been eliminated.

Inventories: Inventories are valued at the lower of cost or market. The last-in, first-out (LIFO) method is used for determining the cost of grocery, drug, cosmetic and nonfood inventories. The first-in, first-out (FIFO) method is used for determining the cost of other inventories, primarily perishable items.

Real estate for future development: Real estate for future development is stated at cost.

Property, plant and equipment and depreciation: Property, plant and equipment are stated at cost. Depreciation for financial reporting purposes is provided on the straight-line method over the estimated useful lives of the assets; accelerated methods and lives are used for income tax reporting purposes.

Property under capital leases: Property under capital leases is recorded at the lower of the present value of the minimum lease payments or the fair value of the leased property at the inception of the lease. Amortization of the leased property is computed using the straight-line method over the term of the lease. Amortization of the leased property is computed using the straight-line method over the term of the lease.

Treasury stock: Treasury stock is stated at cost.

Interest expense: Beginning in 1981, interest cost incurred in connection with construction in progress is being capitalized in accordance with the provisions of Statement of Financial Accounting Standards No. 34. No interest was capitalized in earlier years and the financial statements of those years have not been restated.

Income taxes: The investment tax credit is accounted for as a reduction of income tax expense in the year in which the related asset is placed in service (flow-through method).

Pension costs: Pension plans covering all eligible executive and administrative personnel are being provided for in amounts sufficient to cover both normal costs and the amortization of the initial actuarial liability over periods of up to forty years. In addition, payments are made to industry retirement plans for most of the other personnel.

Pre-opening costs: Costs associated with the opening of new stores are expensed as incurred.

Income per common share: The Company has elected to apply FASB Interpretation No. 31 "Treatment of Stock Compensation Plans in EPS Computations" for the years subsequent to February 24, 1979. Past experience indicates that the majority of outstanding employee stock options will be surrendered for Stock Appreciation Rights to be paid in cash; therefore, the common stock reserved under such options are not considered common stock equivalents. In prior years, outstanding options had no material dilutive effect.

Income per common share is computed on the weighted average number of common shares outstanding during each year.

Business segments: Substantially all of the Company's assets, revenue and operating income are employed in or derived from combination retail food and drug business in the United States.

HEUBLEIN, INC. (JUN)

SUMMARY OF ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. The Company's investments in affiliated companies (not majority-owned) are accounted for on the equity basis, and the Company's operating results include its share of their net income. All significant intercompany transactions are eliminated in consolidation.

Inventories

Inventories are stated at lower of cost or market. Cost is determined by specific lots, the first-in, first-out (FIFO) method and, beginning in 1980, the last-in, first-out (LIFO) method for certain domestic inventories (see Inventories note).

Bulk whiskey and wine in storage for aging over a number of years are included in current assets in accordance with industry practice.

Property, Plant and Equipment

Property, plant and equipment are carried at cost. Depreciation and amortization are computed generally by the straight-line method over the estimated useful lives of the respective assets or the terms of the related leases. On sale or retirement, the asset cost and related accumulated depreciation are removed from the accounts, and any related gain or loss is reflected in income.

Cost in Excess of Net Assets of Purchased Businesses, Trademarks, Contracts and Franchises

Cost in excess of net assets of purchased businesses is being amortized on a straight-line basis over periods ranging from 5 to 40 years, except for $4,016,000 relating to an acquisition prior to November 1, 1970 which is not being amortized as, in the opinion of management, there has been no diminution in value.

Trademarks, contracts and franchises are carried at cost less amortization which is being provided on a straight-line basis over periods ranging principally from 5 to 40 years.

Franchise and License Fees

Initial franchise fees are recorded as income on the date the store is opened by the franchisee. Monthly fees from franchisees and licensees are accrued as earned.

Taxes

Deferred income taxes result from timing differences between tax and financial recognition of income and expense. The principal items causing timing differences are provisions for losses on disposition of discontinued operations and accelerated depreciation.

The investment tax credit is deducted from federal income tax expense in the year in which the related asset is placed in service.

United States and Canadian excise taxes constitute a lien on in-bond inventories. Since these taxes are not payable until withdrawal from bond, excise taxes have not been accrued with respect to such inventories in accordance with industry practice.

Pension Plans

The Company has non-contributory retirement plans which cover substantially all full-time domestic employees except certain employees covered by union pension plans. Under collective bargaining agreements, the Company makes contributions to various pension plans for certain union employees. Pension costs charged to current earnings include charges for current service and amortization of prior service costs over 30 years. The Company's policy is to fund amounts accrued.

Earnings Per Share

Primary earnings per share are based on the weighted average number of common and common equivalent shares outstanding during each year. Fully diluted earnings per share also include the effects of the remaining dilutive stock options and convertible securities.

MANVILLE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Summary of Significant Accounting Policies

(a) 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.

(b) Inventories

Inventories are stated at the lower of cost, principally on the last-in, first-out basis (LIFO), or market.

(c) Property, Plant and Equipment, and Depreciation

Gains and losses from the normal retirement or replacement of property, plant and equipment are reflected in accumulated depreciation with no effect on current period earnings. Gains and losses arising from abnormal dispositions are included in earnings currently.

Depreciation and amortization are computed using the straight-line method based on estimated useful lives of the related assets. Depletion of mineral properties is calculated using the unit-of-production method. Expenditures for replacements and betterments are capitalized, while maintenance and repairs are charged against earnings as incurred.

The Company is engaged in a reforestation program which will convert its natural forest to timber plantations over approximately thirty-one years. Cost of timber harvested is based on the unit cost rates calculated using the total estimated yield of timber to be harvested during the conversion period for the natural forest and during the growth cycle for each plantation.

(d) Pensions

The Company and its subsidiaries have pension plans covering substantially all of their employees, who are generally eligible to participate in these plans after no more than one year of service. Pension costs, as actuarially determined under aggregate and entry age normal methods, are funded as accrued. Past and prior service costs are amortized over periods of up to 30 years.

(e) Income Taxes

Income taxes are provided at rates applicable in the countries in which the income is earned.

The investment tax credits granted by various countries are accounted for as reductions of income tax expense in the year in which the related capital expenditures become eligible for investment benefit under applicable tax regulations.

Deferred income taxes are provided on items recognized in different periods for financial reporting purposes than for income tax purposes. Deferred income taxes result principally from the use of accelerated methods of depreciation for tax purposes.

Deferred income taxes are also provided on such undistributed earnings of subsidiaries outside the United States as the Company anticipates it will receive as dividends, as well as on undistributed earnings of associated companies in which investments are recorded on the equity basis.

(f) Earnings Per Common Share

Earnings per common share are computed using the weighted average number of common shares outstanding during the applicable period.

(g) Foreign Currency Translation

Effective January 1, 1981, the Company conformed to the accounting standard prescribed by the Financial Accounting Standards Board (FASB) in its Statement No. 52, "Foreign Currency Translation" (see Note 9).

THE STANDARD OIL COMPANY (AN OHIO CORPORATION)

NOTES TO FINANCIAL STATEMENTS

Note A: Major Accounting and Financial Reporting Policies

Reclassification: Certain items in the financial statements have been reclassified to conform to 1981 classifications.

Consolidation: The financial statements include all significant domestic and foreign subsidiaries in which the Company owns more than 50 percent of the voting stock. Joint venture financing and mining companies are consolidated on a pro rata basis.

Inventories: Inventories are stated at cost, but not in excess of replacement value. Crude oil, petroleum products, minerals, chemicals and domestic product inventories are primarily on the last-in, first-out method, and the remainder of inventories are on the first-in, first-out or average cost method.

Oil and Gas: The successful efforts method of accounting is followed for costs incurred in oil and gas exploration and development operations.

Property acquisition costs for oil and gas properties are initially capitalized. Unproved properties whose aquisition costs are not individually significant are aggregated, and the portion of such costs estimated to be nonproductive, based on experience, is amortized over the average expected holding period. Costs of properties surrendered are charged against the valuation allowance.

When a property is determined to contain proved reserves, property acquisition costs are transferred to proved properties and amortized by the unit-of-production method based on estimated proved reserves.

Exploration costs other than drilling, including geological, geophysical and carrying costs, are charged against income as incurred. Exploratory drilling costs are initially capitalized. If and when they are determined to be nonproductive, such costs are charged against income.

For income tax purposes, oil and gas exploration costs, other than carrying costs and intangible drilling costs, are initially capitalized and later expensed if exploration is determined to be nonproductive. Carrying costs and intangible drilling costs are expensed as incurred.

Coal and Metals Mining: Prospecting and exploration costs incurred in the search for new mining properties are charged against income as incurred.

Major expenditures of a nonrecurring special nature and expenditures to bring new properties into production are deferred and amortized ratably over the production benefited. Other development expenditures are charged against income as incurred.

Depreciation, Depletion and Amortization: Depreciation of the trans-Alaska pipeline is computed by the unit-of-throughput method based on estimated applicable proved crude oil reserves. Depletion and depreciation of producing oil and gas properties (other than property acquisition costs) and depletion of mine development costs, mineral lands and leaseholds are computed for each oil and/or gas reservoir or mine using the unit-of-production method based on estimated proved developed reserves.

Depreciation of other property, plant and equipment is provided principally by the straight-line method over estimated useful lives which are periodically reviewed and revised based on experience.

Dismantlement, Restoration and Reclamation Costs: The estimated costs of dismantlement, restoration and reclamation of certain properties and facilities, less estimated residual values, are accrued during operations and such accruals are classified as Other Long-term Obligations.

Property Dispositions: Upon disposition of property, plant and equipment, the asset costs and related accumulated depreciation are eliminated from the respective accounts. Any gain or loss is included in current operations, except for property dispositions subject to Federal Energy Regulatory Commission accounting regulations, according to which asset cost less salvage value is usually charged against the related accumulated depreciation account.

Earnings Per Share: Earnings per share of common stock is based on the weighted average number of common shares outstanding and shares to which the special stock is equivalent.

Capitalized Interest: Interest incurred in connection with the construction of regulated pipelines is capitalized and, beginning in 1980, interest costs incurred in connection with significant expenditures for the construction or acquisition of other property, plant and equipment are capitalized. Capitalization of interest costs did not have a material effect on net income.

Income Taxes: Deferred taxes are provided to reflect the income tax effects of amounts included for financial purposes in different periods than for tax purposes. Investment tax credits are recognized on the flow-through method and include credits on qualified progress expenditures.

Retirement Plans: Past service costs are amortized primarily over periods not exceeding 15 years beginning in 1980 and over periods not exceeding 40 years in 1979.

ACCOUNTING CHANGES

As indicated in Table 1-8, the most frequently disclosed accounting changes in the survey companies 1981 annual reports include changes in pension plan actuarial assumptions, accruing for employee compensated absences as required by FASB *Statement of Financial Accounting Standards No. 43*, and early compliance with *Statement of Financial Accounting Standards No. 52* which "establishes revised standards of financial accounting and reporting for foreign currency transactions." *SFAS No. 43* was effective for fiscal years beginning after December 15, 1980; *SFAS No. 52* will be effective for fiscal years beginning on or after December 15, 1982.

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

TABLE 1-8: ACCOUNTING CHANGES

	Number of Companies			
	1981	1980	1979	1978
Foreign currency translation	142	—	—	—
Compensated absences......	136	23	—	—
Actuarial assumptions or cost methods.............	129	81	42	32
LIFO method adopted or extended	25	49	48	14
Other inventory changes....	7	2	2	3
Interest capitalization........	28	137	33	—
Depreciation method.........	13	4	4	—
Reporting entity.............	8	7	8	3
Investment credit	8	3	5	4
Taxes on undistributed earnings	6	2	—	—
Other - described...........	22	18	79	117

CHANGE IN ACCOUNTING ESTIMATES

WALT DISNEY PRODUCTIONS (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (in part): Business Segments

Effective October 1, 1980, the Company extended the estimated useful lives of certain theme park ride and attraction assets based upon historical data and engineering studies. The effect of of this change was to decrease depreciation by approximately $8 million (an increase in net income of approximately $4.2 million, or $.13 per share).

THE DOW CHEMICAL COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note E (in part): Taxes on Income

Prior to 1981, the Company provided taxes on the full earnings of its domestic international sales corporation (DISC), including deferred taxes of $198 million which remain accrued at December 31, 1981. The Company has determined that commencing with the year ended December 31, 1981, the tax deferred earnings of the DISC will be permanently invested and that under present statutes no tax on those earnings will be payable. The effect of this change in estimate was to increase net income for the year ended December 31, 1981 by $17 million and increase earnings per common share by $.09.

STANADYNE, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (in part): Pension Plans

The Company and its subsidiaries have several pension plans covering substantially all employees, including certain employees in foreign countries. The total pension expense for 1981, 1980 and 1979 was $7,600,000, $9,600,000 and $8,700,000, respectively, which includes amortization of past service cost over 30 years. The Company makes annual contributions to the plans equal to the amounts accrued for pension expense.

During the fourth quarter of 1981, certain changes were made in actuarial assumptions regarding the Company's pension plans. The pension expense for 1981 is calculated using a 7.5% weighted average assumed rate of return compared to 5.5% in 1980 and 1979. The result of this change increased net income and earnings per share by approximately $1,000,000 and $.21 per share, respectively, for the fourth quarter and the year.

UMC INDUSTRIES, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 12: Pension Plans

Charges to earnings with respect to Company-sponsored pension plans, which generally cover employees not included in union-sponsored plans, aggregated $2,266,000 in 1981, $2,625,000 in 1980 and $2,331,000 in 1979.

In 1981 the Company changed several actuarial assumptions used in calculating pension expense. The more significant changes were to increase the assumed rate of return on investments from 6% to 8% and to increase the composite average of salary increases from 4.2% to 6.7%. The net effect of these changes was to reduce pension expense by $1,178,000 for the year and increase net earnings by $638,000 ($.10 per share).

At January 1, 1981 and 1980 Company-sponsored defined benefit plans' accumulated benefits (as estimated by consulting actuaries) and net assets, on an aggregate basis, were:

	1981	1980
Actuarial present value of accumulated plan benefits		
Vested	$23,106	$24,631
Nonvested	782	1,303
Total	$23,888	$25,934
Net assets available for benefits	$34,091	$25,532
	(000's omitted)	

The decrease in the actuarial present value of accumulated plan benefits is principally attributable to using an 8% rate of return assumption in 1981.

In addition, the Company contributed $989,000 in 1981, $1,048,000 in 1980 and $1,166,000 in 1979 to union-sponsored pension plans financed by industry employers.

CHANGE IN ACCOUNTING PRINCIPLES

Foreign Currency Translation

AMERICAN CAN COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

(In millions of dollars except per share amounts)

Note 14: Foreign Currency Translation

During 1981, to more properly present current operating results, the Company adopted Financial Accounting Standards Board Statement No. 52 which revises existing accounting and reporting requirements for the translation of foreign currency financial statements. In accordance with this Statement, gains and losses resulting from translation were substantially eliminated from current operating results and reflected in a separate component of common shareholders' equity. As a result, 1981 net income was increased by approximately $11.8 ($.61 per share). The impact on 1980 and 1979 net income was not material.

MINNESOTA MINING AND MANUFACTURING COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Foreign Currency Translation

As of December 31, 1981, the Company adopted Financial Accounting Standard No. 52, "Foreign Currency Translation." Under this standard, most of the effects of translation rate changes related to net assets located outside the United States, previously included in income, are now recorded in stockholders' equity. This is summarized in the note on Stockholders' Equity, page 40. In addition, certain balance sheet accounts, primarily inventories and property, plant and equipment, previously translated from foreign currencies into U.S. dollars at historical exchange rates, are now translated at year-end rates.

Under the new standard, reported net income for 1981 is $124 million, or $1.06 a share, higher than it would have been under the previous standard. With the adoption of the new standard, prior years have been restated. The effect on net income (dollars in millions) and earnings per share for 1980 and 1979 is as follows:

	1980	1979
Net Income (as reported)	$ 678	$ 655
Net Income (as restated)	668	638
Earnings Per Share (as reported)	$5.78	$5.59
Earnings Per Share (as restated)	5.69	5.44

Compensated Absences

COLGATE-PALMOLIVE COMPANY (DEC)

Consolidated Statement of Retained Earnings

Thousands of Dollars	1981	1980	1979
Balance, January 1, as previously reported			$ 964,145
Adjustment for change in accounting for vacation pay			(10,189)
Balance, January 1, as restated	$1,058,781	$ 977,434	$ 953,956
Add:			
Net income	208,399	171,590	112,085
	1,267,180	1,149,024	$1,066,041
Deduct:			
Dividends declared:			
Preferred stock	440	440	440
Common stock	94,662	89,788	88,166
Excess of cost over par value of common stock acquired for treasury	15	15	1
	95,117	90,243	88,607
Balance, December 31	$1,172,063	$1,058,781	$ 977,434

NOTES TO FINANCIAL STATEMENTS

Note 2: Accounting Changes

In 1981, as a result of the issuance of Statement of Financial Accounting Standards Number 43, the Company extended its accrual for vacation expense to include all employees. Financial statements for years prior to 1981 have been restated to reflect this change, resulting in a decrease in retained earnings as of January 1, 1979 of $10,189,000, and decreases in net income of $1,463,000 or $.02 per share in 1979 and $1,635,000 or $.02 per share in 1980.

In 1981, the Company elected early compliance with the requirements of Statement of Financial Accounting Standards Number 52, which changed the method of accounting for translation of foreign currency financial statements. The most significant aspects of this change are that all assets and liabilities in the balance sheets of foreign subsidiaries whose local currency is the functional currency are translated at the rate of exchange in effect on the balance sheet date, and translation gains and losses are not included in determining net income but are accumulated in a separate component of equity. For subsidiaries that operate in highly inflationary countries, the U.S. dollar is deemed the functional currency, and gains and losses resulting from exchange rate changes are included in determining net income.

Under this revised method, net losses of $8,633,000 resulting from foreign currency transactions have been included in 1981 net income. Had the Company not changed to the new method, foreign currency adjustments would have decreased reported 1981 net income by an additional $39,988,000 or $.49 per share. In addition, the inclusion of non-monetary assets, primarily property, plant and equipment, in the foreign currency translation adjustment has increased the 1981 aggregate translation adjustments by $41,965,000. Prior years have not been restated to reflect this change. Net losses of $3,683,000 in 1980 and $1,634,000 in 1979 resulting from foreign currency translation have been included in net income.

The following is an analysis of the changes during 1981 in the separate component of equity for cumulative translation adjustments:

Thousands of Dollars	
Balance, January 1, 1981	$ 5,763
Aggregate translation adjustments	(81,953)
Balance, December 31, 1981	$(76,190)

Interest Capitalization

MARATHON OIL COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (in part): Accounting Policies

Interest expense: In accordance with Financial Accounting Standards Board Statement No. 34, the Company capitalizes interest expense on major construction and development projects while in progress. In 1981, $58,248,000 of interest expense was capitalized which had the effect of increasing net income by $31,454,000 or 53 cents per share. Total interest cost incurred during 1981 was $217,620,000. No interest expense was capitalized prior to 1981.

SCOTT PAPER COMPANY (DEC)

NOTES

Interest Expense

In 1980 Scott implemented Financial Accounting Standards Board Statement No. 34 which requires the capitalization of interest costs incurred during the construction of major capital projects. During 1981 the Company reviewed its policy and changed the definition of a major capital project from $10,000,000 to $3,000,000 on projects that will take longer than one year to place in service. The effect of this change in 1981 was to increase net income by $850,000 or $.02 per share. A summary of interest expense follows:

(Thousands)	1981	1980	1979
Gross interest expense	$43,167	$36,110	$33,434
Interest income	(7,602)	(8,389)	(6,732)
Capitalized interest	(10,525)	(3,739)	—
Interest expense	$25,040	$23,982	$26,702

U AND I INCORPORATED (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note C—Change in Accounting Method

Effective March 1, 1980, the company complied with the provisions of Statement No. 34 issued by the Financial Accounting Standards Board and changed its method of accounting for interest costs incurred in connection with construction of new properties. The effect of this change is to increase net earnings by $356,000 or $.16 per share. Statement No. 34 does not allow the retroactive application of this change and no pro forma amounts are presented.

Interest for the year ended February 28, 1981 is summarized as follows:

Total incurred	$4,071,000
Capitalized	(672,000)
Interest expense	$3,399,000

LIFO Adopted

MALONE & HYDE, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Inventories: At June 27, 1981, the cost of substantially all inventories is determined using the last-in, first-out method (LIFO). Prior to 1981, wholesale groceries were determined using the LIFO method with the remainder using the first-in, first-out method (FIFO). Management believes that the use of the LIFO method results in a better matching of costs and revenues (see Note B).

Note B: Inventories

During fiscal year 1981, the Company extended its use of the last-in, first-out (LIFO) method of determining inventory cost to substantially all inventories. The effect of the change in 1981 was to reduce ending inventories by approximately $4,569,000 and net income by approximately $2,364,000 ($.30 a share). Since the ending inventories at the date of conversion are the opening inventories for fiscal year 1981, there is no cumulative effect adjustment at June 28, 1980 nor pro-forma amounts applicable to prior years.

If the FIFO method of inventory valuation had been used for determining all inventory costs, inventories would have been approximately $17,656,000 and $8,299,000 higher than amounts reported at June 27, 1981 and June 28, 1980, respectively. Adjusted for income taxes applied at the statutory rates and assuming no other adjustments, net income would have been higher than reported by approximately $4,842,000 ($.61 a share) in 1981, $2,680,000 ($.35 a share) in 1980 and $1,469,000 ($.20 a share) in 1979. This information is presented to enable a reader to make comparisons with companies using the FIFO method of inventory valuation.

SAV-A-STOP INCORPORATED (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(c) Merchandise Inventories—Merchandise inventories are stated at the lower of cost or market (net realizable value). In 1981 (except for warehouse health and beauty aids inventories), 1980 and 1979 cost was determined utilizing the first-in, first-out (FIFO) method. In 1981, the Company adopted the last-in, first-out (LIFO) method of determining the cost of warehouse health and beauty aids inventories as more fully described in note 2.

Note 2: Accounting Change

In the fourth quarter of 1981, the Company adopted the LIFO method of determining the cost of its warehouse health and beauty aids inventories and, accordingly, at August 29, 1981, the cost of approximately 56% of the Company's inventory was determined under the LIFO method. Under the LIFO method it is assumed that the most recent additions to inventory are sold first. Management believes that the LIFO method more closely matches current costs with current revenues for both financial and income tax reporting purposes. At August 29, 1981, inventories valued by the LIFO method would have been $1,596,000 higher if they were stated at the lower of FIFO cost or market. If the FIFO method of inventory valuation had been utilized for warehouse health and beauty aids inventories for the year ended August 29, 1981, reported net earnings would have been $887,000 or $.18 per share higher. Pro forma effects of retroactive application of LIFO are not determinable and there is no cumulative effect on retained earnings at the beginning of the year.

LIFO Cost Determination

WHEELING-PITTSBURGH STEEL CORPORATION

Consolidated Statement of Income and Accumulated Earnings

(In Thousands) Year Ended December 31	1981	1980	1979
Income before cumulative effect of a change in accounting principle	$ 31,543	$ 14,675	$ 49,690
Cumulative effect on prior years (to December 31, 1980) of a change in accounting principle.	28,516	—	—
Net income	60,059	14,675	49,690
Accumulated earnings at beginning of year	231,707	220,677	178,273
	291,766	235,352	227,963
Cash dividends declared:			
Common ($1 per share)	—	—	(3,827)
6% Prior Preferred ($6 per share)	(1,427)	(1,427)	(1,427)
$5 Cumulative Preferred ($5 per share)	(1,642)	(1,642)	(1,642)
Series A Preferred ($2.50 per share)	(694)	(576)	(390)
	(3,763)	(3,645)	(7,286)
Accumulated earnings at end of year	$288,003	$231,707	$220,677
Per share of common stock:			
Income before cumulative effect of a change in accounting principle	$ 7.03	$2.85	$12.16
Cumulative effect on prior years (to December 31, 1980) of a change in accounting principle.	7.25	—	—
Net income	$14.28	$2.85	$12.16
Pro forma amounts assuming the change in accounting principle is applied retroactively:			
Net income	$ 31,543	$ 19,513	$ 52,040
Net income per share of common stock	$7.03	$4.10	$12.77

NOTES TO FINANCIAL STATEMENTS

Note E (in part): Inventories

In the 1981 third quarter, the Corporation changed its method of determining the carrying value of LIFO inventories for financial reporting purposes from a single, all-inclusive cost pool (which will continue to be used for tax purposes) to multiple pools representing all significant corporate inventory commodities in order to more directly measure the effect of changes in inventory mix on cost of products sold. The Corporation believes the multiple pool method is preferable in its circumstances to the method previously used and represents the prevalent industry method. This change increased net income for the year ended December 31, 1981 by $37,416,000 ($9.51 per share), which includes the cumulative effect on prior years (to December 31, 1980) of $28,516,000 equal to $7.25 per share ($35,155,000 before applicable taxes on income), while the effect on the current year aggregates $8,900,000, equal to $2.26 per share ($11,300,000 before applicable taxes on income).

During the year ended December 31, 1981, inventory quantities were reduced, resulting in liquidations of LIFO inventories, the effect of which increased income before taxes on income and cumulative effect of a change in accounting principle by approximately $22,080,000, which includes the pretax effect of the change in accounting principle described above.

Investment Credit

MARSHALL FIELD & COMPANY

Consolidated Statements of Income

	Fiscal Year Ended January 30, 1982	January 31, 1981	February 2, 1980
Income before cumulative effect of a change in accounting principle	$22,602,865	$20,686,038	$18,939,967
Cumulative effect on prior years of change in method of accounting for investment tax credit (note 1e)	6,588,047	—	—
Net Income	$29,190,912	$20,686,038	$18,939,967
Average Number of Common Shares and Common Share Equivalents	12,140,899	10,725,514	10,250,024
Income per Common Share:			
Before cumulative effect of a change in accounting principle	$1.86	$1.93	$1.85
Cumulative effect on prior years of change in method of accounting for investment tax credit (note 1e)	.54	—	—
Net income per common share	$2.40	$1.93	$1.85
Pro forma based on revised method of accounting for investment tax credit, applied retroactively.			
Net income	$22,602,865	$21,629,779	$20,021,881
Net income per common share	$1.86	$2.02	$1.95

Note 1e: Investment Tax Credit

The Company adopted, as of February 1, 1981, the flow-through method of accounting for investment tax credits. Prior to this change, the credits were amortized, using the deferred method, over the estimated useful lives of the assets. Credits are now recognized in the year the assets are placed in service. Flow-through is the prevalent method in the retail industry and provides an offset to the start-up expenses of new stores.

As a result of this change, income before the cumulative effect of the change on prior years increased by $1,370,000, or 11 cents per share. If the flow-through method had been used in 1980 and 1979, net income would have been increased by $944,000 (9 cents per share) and $1,082,000 (10 cents per share), respectively.

Depreciation Method

HARSCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Changes in Accounting Methods:

Vacation Costs:

Financial Accounting Standard No. 43 requires that vacation pay must be accrued as earned even though there is no legal liability to pay such cost at the balance sheet date. In 1980 the Company elected the early adoption of this Standard and recorded a one time charge of $4,093,000 for additional vacation costs as of December 31, 1980. The effect of this change in policy was not material to the 1980 or prior years' financial statements.

Foreign Currency Translation:

Financial Accounting Standard No. 52 requires that adjustments resulting from translating financial statements from a foreign currency into U.S. dollars are to be reported in a separate equity account rather than as an increase or decrease in current year income. The Company elected the early adoption of this Standard as of January 1, 1981. The effect of this change was to increase net income for 1981 by $1,818,000 ($.09 per share). Financial statements of prior periods have not been restated nor has pro forma information been presented because the effect of the change would not have been significant.

Depreciation:

For domestic plant and equipment acquired subsequent to January 1, 1981, the Company changed its method of depreciation from the declining-balance method to the straight-line method. This change was adopted in order to make its depreciation policies more consistent with other similar industrial companies. Further, the Economic Recovery Tax Act of 1981 introduced a system of depreciation which is not based on the useful life concept; therefore, it is not appropriate to maintain the same method of depreciation for financial reporting and tax purposes. The effect of this change was to increase 1981 net income by approximately $1,576,000 ($.08 per share).

On a quarterly basis (unaudited) the effect of the changes in foreign currency translation and depreciation for 1981 was as follows:

(In thousands, except per share)	First	Second	Third
Net income, as reported	$13,602	$14,879	$13,055
Adjustments:			
Currency translation	595	1,194	164
Depreciation	394	394	394
Net income, as restated	$14,591	$16,467	$13,613
Earnings per share:			
as reported	$ .69	$ .76	$ .68
as restated	$ .74	$ .85	$ .70

REPORTING ENTITY

GENESCO INC. (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Principles Changes (in part)

Financial statements for 1980 and 1979 have been restated for the effects of the following accounting principles changes:

In July 1981 the Company began including in its consolidated financial statements the accounts of Genesco Financial Corporation (GFC) and its wholly-owned Canadian subsidiary, Genesco Financial Limited. Both corporations are engaged in the financing of accounts receivable for the Company and its operating subsidiaries. Previously, both corporations had been accounted for by the equity method. The Company believes consolidation of these corporations improves the clarity of its financial statements. Consolidation of these corporations had no effect on net earnings for any period.

KAISER ALUMINUM & CHEMICAL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

(millions of dollars, except share amounts)

Note 2: Change in Accounting Entity

Effective January 1, 1981, the accounts of Kaiser Aluminum Europe Incorporated, a wholly owned subsidiary, have been included in the consolidated financial statements of the corporation, since efforts to find a joint venture partner in Europe were discontinued at the beginning of the year. The subsidiary was previously accounted for under the equity method. Applicable amounts for 1980 and 1979 have been restated. Such restatement of prior results did not change net income or earnings per share, but increased net sales by $266.1 in 1980 and $249.7 in 1979.

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 tabulation 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.

All Subsidiaries Consolidated

ABBOTT LABORATORIES (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Basis of Consolidation—The consolidated financial statements include the accounts of the parent company and all subsidiaries. All intercompany transactions have been eliminated in the consolidated financial statements. The accounts of foreign subsidiaries are consolidated as of November 30, and are translated in accordance with Statement No. 8 of the Financial Accounting Standards Board.

BEATRICE FOODS CO. (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Principles of Consolidation

The consolidated financial statements include all significant majority owned subsidiaries. Intercompany transactions and balances have been eliminated in consolidation. Investments in 20% to 50% owned companies and joint ventures (affiliated companies) are carried on the equity method. Subsidiaries operating outside the United States are included on the basis of fiscal years generally ending on December 31.

BELDING HEMINGWAY COMPANY, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (in part):

1. Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of all subsidiaries after elimination of all significant intercompany items and transactions.

LENOX, INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies (in part)

Principles of Consolidation—The accounts of all subsidiaries have been included in consolidation and all significant intercompany accounts and transactions were eliminated.

THE PARKER PEN COMPANY (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (in part)

Principles of Consolidation

The financial statements include the accounts of the Company and all subsidiaries in which an ownership interest of 50% or more is held. For subsidiaries in which the Company has an ownership of less than 50% but more than 20%, the financial statements reflect the Company's ownership interest share of those earnings. All significant intercompany accounts and transactions have been eliminated from the consolidated financial statements.

TABLE 1-9: CONSOLIDATION POLICIES

	1981	1980	1979	1978
Nature of Subsidiaries Not Consolidated				
Finance related				
Credit	94	97	93	94
Insurance	53	49	42	31
Leasing	24	22	22	18
Banks	6	5	7	6
Real Estate	29	27	27	25
Foreign	19	28	27	33
Number of Companies				
Consolidating all significant subsidiaries	423	422	434	428
Consolidating certain significant subsidiaries	168	170	156	163
Not presenting consolidated financial statements	9	8	10	9
Total Companies	**600**	**600**	**600**	**600**

PNEUMO CORPORATION (NOV)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The accompanying financial statements include the accounts of the Company and its subsidiaries after elimination of all significant intercompany transactions in consolidation.

UNC RESOURCES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Basis of Presentation. The accompanying financial statements include the accounts of the Company, its subsidiaries and UNC-Homestake Partners (through February 25, 1981), after elimination of all significant intercompany accounts and transactions. Investments in affiliates are recorded by the equity method of accounting.

All Significant Subsidiaries Consolidated

ASARCO INCORPORATED (DEC)

NOTES TO FINANCIAL STATEMENTS

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

Principles of consolidation: The consolidated financial statements include all significant subsidiaries controlled by the Company. Uncontrolled subsidiaries and significant investments of 20% or more in associated companies are accounted for by the equity method. Other investments are carried at cost or less.

COMMERCIAL METALS COMPANY (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries except for one small subsidiary which is expected to be sold. Investment in this subsidiary is carried at expected net realizable value. All material intercompany transactions and balances have been eliminated in consolidation.

Finance-Related Subsidiaries Not Consolidated

ASHLAND OIL, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (in part): Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Ashland, all domestic and Canadian subsidiaries (except Integon Corporation ("Integon"), a wholly owned insurance holding company), and significant foreign subsidiaries. Investments in other foreign subsidiaries and affiliates (principally petroleum and certain chemical operations), domestic affiliates 20% to 50% owned, domestic corporate joint ventures and Integon are primarily recorded on the equity method (see Note D). The remaining investments (not significant) are recorded at cost.

GUARDIAN INDUSTRIES CORP. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Accounting Policies

The following is a summary of significant accounting policies followed in the preparation of the consolidated financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of Guardian Industries Corp., and all of its domestic and foreign subsidiaries, except G.I.C. Financial Services Corporation, a wholly owned leasing subsidiary which is accounted for on the equity basis. During 1981, Guardian sold an unconsolidated 50.2%-owned Australian subsidiary which in 1980 was stated on the equity basis. The accounts of a wholly owned Canadian subsidiary and a 70%-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.

HERCULES INCORPORATED (DEC)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation:

The consolidated financial statements include the accounts of Hercules Incorporated, all wholly owned subsidiaries with the exception of finance and insurance subsidiaries, and Hercules' pro rata share of the Hercofina joint ventures. The accounts of wholly owned foreign subsidiaries are included on the basis of their fiscal years ended November 30 (October 31 for Hercofina) adjusted for intercompany transactions to December 31. These fiscal years were adopted to allow sufficient time to include these companies in the consolidated financial statements.

Wholly owned finance and insurance subsidiaries are accounted for on the equity method due to their dissimilar business activities. Investments in affiliated companies, owned 20% or more, are accounted for on the equity method and, accordingly, consolidated net income includes Hercules' share of their net income.

All significant intercompany transactions are eliminated in consolidation.

INSILCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its significant majority-owned subsidiaries other than its wholly-owned finance subsidiary. Investments in the finance subsidiary and other associated companies are accounted for using the equity method, except for two companies (not significant) accounted for using the cost method.

INGERSOLL-RAND COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Principles of Consolidation: The consolidated financial statements include the accounts of all significant subsidiaries except for the wholly owned finance subsidiary. Investments in the finance subsidiary and less than fifty percent owned companies are accounted for under the equity method.

KEYSTONE CONSOLIDATED INDUSTRIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (in part): Accounting Policies

The principal accounting policies of Keystone Consolidated Industries, Inc. and subsidiaries are as follows:

Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiary companies except for a wholly-owned foreign insurance subsidiary which is accounted for on the equity basis. This insurance subsidiary is not consolidated because its operations are significantly different from the consolidated group.

SUNBEAM CORPORATION (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Basis of consolidation—The consolidated financial statements include the accounts of Sunbeam Corporation (the Corporation) and all majority owned subsidiaries, except for a wholly owned insurance company which is accounted for on the equity method. The accounts of the foreign subsidiaries are included in the consolidated financial statements on the basis of their fiscal years which ended February 28, 1981, February 23, 1980, and February 24, 1979. The earlier closing date for the foreign subsidiaries is considered necessary in order for the Corporation to receive the reports and translate foreign currency amounts in the reports prior to including them in the consolidated financial statements. There were no material foreign exchange restrictions affecting the consolidated financial position and operating results of the Corporation during the fiscal years.

Foreign Subsidiaries Not Consolidated

BORG-WARNER CORPORATION (DEC)

SUMMARY OF ACCOUNTING POLICIES

The following paragraphs briefly describe the company's significant accounting policies. Certain amounts in the 1979 and 1980 financial statements have been reclassified to conform to the 1981 presentation.

Principles of Consolidation

The consolidated financial statements include all subsidiaries except those in Argentina and Brazil, which are carried at cost due to political and economic uncertainty, and the financial and protective services companies. Investments in the financial and protective services companies are carried at equity in underlying net assets. Investments in affiliated companies, at least 20% owned by Borg-Warner, and in the Hughes Tool Company, are carried at cost plus equity in undistributed earnings which generally approximates equity in underlying net assets.

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.

INTERNATIONAL TELEPHONE AND TELEGRAPH CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Accounting Policies (in part)

Consolidation Principles: The consolidated financial statements cover the accounts of all significant majority-owned subsidiaries, after including the insurance and finance subsidiaries on an equity basis. Marketable equity securities in the insurance subsidiaries portfolios are carried at market with the after tax difference from cost reflected in stockholders equity. Combined statements for the insurance and finance subsidiaries are shown in support of the consolidated financial statements.

Intercompany transactions are eliminated, except for intercompany profits in certain manufacturing inventories which are transferred on an arm's-length basis and have no material effect on consolidated inventories or net income.

In early 1981, the Corporation and the government of Portugal negotiated arrangements relating to the operating control and future viability of the Portuguese subsidiaries. The accounts of all Portuguese operations were reconsolidated in 1981 with no material effect on the consolidated financial statements.

Other Investments: Investments in 20-50% owned companies ($251,278,000 and $210,570,000 as of December 31, 1981 and 1980) are included on an equity basis. Certain other investments ($79,380,000 and $53,986,000 as of December 31, 1981 and 1980) are carried at cost.

The government of France has announced a program to nationalize certain companies, including the Corporation's telecommunications subsidiaries. That government has publicly stated that it fully intends to protect the rights of the shareholders and owners of companies to be nationalized. In view of these announcements and discussions with the government, the Corporation ceased to consolidate the accounts and operations of the affected subsidiaries effective July 1, 1981. The investment as of December 31, 1981 aggregated $37,728,000. These operations represented less than 3% of consolidated sales, assets, and net income. Should nationalization of these operations occur, it will not have a significant effect on the Corporation's business or financial strength.

Control Likely To Be Temporary

MAPCO INC. (DEC)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Accounting Policies

Consolidation—The consolidated financial statements include the accounts of MAPCO Inc. and its subsidiary companies other than Seminole Pipeline Company (Note 6). All significant intercompany accounts and transactions have been eliminated. As more fully described in Note 2, MAPCO Inc. acquired a majority of the outstanding shares of Earth Resources Company in December 1980. The merger was accounted for on a pooling of interests basis and financial statements for years prior to 1980 are restated on that basis.

Note 6: Investment in Affiliate

MAPCO's investment in Seminole Pipeline Company (Seminole), a wholly-owned subsidiary, is reported at cost plus undistributed earnings since there are outstanding options to unrelated parties to purchase a majority ownership in Seminole. The options are exercisable on April 1, 1982 and upon exercise MAPCO will be required to make a capital contribution of approximately $31,000,000 to Seminole.

Condensed financial information for Seminole is as follows (In Thousands):

Condensed Balance Sheet, December 31, 1981

Current Assets:		Current Liabilities:	
Receivables	$ 780	Accounts payable ...	$ 8,032
Prepaid expenses ..	721	Other current liabilities	8,293
		Notes payable —banks	176,000
Total current assets	1,501	Total current liabilities	192,325
Property, plant and equipment—net	190,897	Shareholders' equity .	180
Other	107		
	$192,505		$192,505

Condensed Statement of Income, For The Year Ended December 31, 1981

Operating revenues.....................................	$1,641
Expenses:	
Operating	632
Depreciation	92
General and administrative	221
Interest	839
Other (income)—net	(274)
	1,510
Pre-tax income	$ 131

The results of Seminole will be included in the 1981 consolidated Federal income tax return of MAPCO Inc. Accordingly, $16,347,000 in investment tax credits have been recognized along with the provision of $11,456,000 in deferred income taxes in the 1981 Consolidated Statement of Income.

Negotiations are in progress to arrange long-term financing. MAPCO is contingently liable as guarantor of the Seminole notes payable.

BUSINESS COMBINATIONS

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

The Board concludes that the purchase method and the pooling of interests method are both acceptable in accounting for business combinations, although not as alternatives in accounting for the same business combination. A business combination which meets specified conditions requires accounting by the pooling of interests method. A new basis of accounting is not permitted for a combination that meets the specified conditions, and the assets and liabilities of the combining companies are combined at their recorded amounts. All other business combinations should be accounted for as an acquisition of one or more companies by a corporation. The cost to an acquiring corporation of an entire acquired company should be determined by the principles of accounting for the acquisition of an asset. That cost should then be allocated to the identifiable individual assets acquired and liabilities assumed based on their fair values; the unallocated 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 1981 the survey companies reported 30 business combinations accounted for as a pooling of interests of which 13 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

ADAMS-RUSSELL CO., INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Acquisitions and Restatement

On July 9, 1981, the Company acquired all of the outstanding stock of Micro-Tel Corporation in exchange for 442,700 shares of the Company's common stock. On September 29, 1981, the Company also acquired all of the outstanding stock of Microwave Products, Inc. in exchange for 192,100 shares of the Company's common stock and $327,500 in cash paid to shareholders representing less than ten percent of the outstanding shares of Microwave Products. Both acquisitions were accounted for as poolings of interests and, accordingly, the 1979 and 1980 financial statements have been restated to include the accounts of the acquired companies.

Micro-Tel manufactures microwave surveillance receivers, and signal generation and measurement equipment, and Microwave Products manufactures flat plate array antennas and waveguide/transmission line assemblies.

The results of operations for 1979 and 1980 have been restated to combine the Company's results for its fiscal years ended September 30, 1979 and 1980 with Micro-Tel's results

TABLE 1-10: BUSINESS COMBINATIONS

	1981	1980	1979	1978
Poolings of Interests				
Prior year's financial statements restated	17	17	22	31
Prior year's financial statements not restated	13	17	17	25
Total	**30**	**34**	**39**	**56**
Purchase Method	**156**	**159**	**185**	**149**

for its fiscal years ended April 30, 1979 and 1980, respectively. Micro-Tel's net income of $172,300 (generated by sales of $2,090,500) for the five months ended September 30, 1980 was credited to consolidated retained earnings in 1980, and Micro-Tel's operations for the year ended September 30, 1981 were included in the 1981 results of operations. The results of operations for 1979, 1980, and 1981 also combine the Company's results for its fiscal years ended September 30 with Microwave Products' results for its fiscal years ended June 30, 1979, 1980, and 1981, respectively.

The 1981 consolidated financial statements include pre-merger sales and net income of the Company, Micro-Tel, and Microwave Products as follows:

	Sales	Net Income
Adams-Russell—Nine months ended June 30, 1981	$33,278,200	$2,724,400
Micro-Tel—Nine months ended June 30, 1981	5,153,500	668,900
Adams-Russell (Including Micro-Tel)—Three months ended September 30, 1981	13,725,100	1,066,500
Microwave Products—Year ended June 30, 1981	7,780,600	648,300
Combined	$59,937,400	$5,108,100

A reconciliation of consolidated sales and consolidated net income as originally reported and as restated follows:

	1980	1979
Sales—		
As originally reported	$36,098,700	$28,387,000
Micro-Tel	5,567,600	4,183,200
Intercompany transactions	(14,000)	(12,100)
Microwave Products	5,070,600	3,415,400
As restated	$46,722,900	$35,973,500
Net Income—		
As originally reported	$ 2,711,700	$ 1,906,600
Micro-Tel	570,000	401,600
Microwave Products	286,200	127,200
As restated	$ 3,567,900	$ 2,435,400

FREEPORT-MCMORAN INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 1: Reorganization

On April 7, 1981, stockholders of Freeport Minerals Company (Freeport) and of McMoRan Oil & Gas Co. (McMoRan) approved a combination of the two companies pursuant to a Plan and Agreement of Reorganization under which Freeport and McMoRan became subsidiaries of Freeport-McMoRan Inc., a new corporation. Each share of Freeport common stock has been converted into 1.795 shares of Freeport-McMoRan common stock and each share of McMoRan common stock has been converted into one share of Freeport-McMoRan common stock.

The financial statements of Freeport-McMoRan Inc. and Consolidated Subsidiaries (the Company) give effect to the reorganization on a pooling-of-interests basis, the conversion of common stock, and the use of the full cost method of accounting for all oil and gas activities (described in Note 2).

The pooling-of-interests basis essentially adds together the financial information for the combining companies (offsetting any transactions between the two companies) as though they always had been subsidiaries of the Company. Accordingly, gross sales and net income of the Company represent the combined results of Freeport and of McMoRan. Shown below for periods prior to the reorganization are (a) on a separate-company basis, Freeport's sales and net income based on its previous successful efforts method of accounting for oil and gas activities, and McMoRan's sales and net income available for common stock, and (b) adjustments to such net income for the use of the full cost method of accounting for all oil and gas activities and for intercompany transactions to obtain the net income reported for the Company.

	First Quarter 1981 (Unaudited)	Years Ended December 31, 1980	1979
	(amounts in thousands)		
Gross sales:			
Freeport	$211,682	$664,358	$487,692
McMoRan	12,968	37,194	20,207
	$224,650	$701,552	$507,899
Net income:			
Freeport	$ 43,250	$147,402	$101,389
McMoRan	1,730	11,589	2,099
Adjustments	658	17,364	6,182
	$ 45,638	$176,355	$109,670

COOPER INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (in part): Acquisitions, Mergers and Dispositions

Acquisition of Crouse-Hinds Company

On April 29, 1981, Cooper completed its acquisition of Crouse-Hinds Company, a Syracuse, New York-based manufacturer of electrical products, wire, cable and cords and other electrical apparatus and equipment. Cooper issued approximately 13.5 million common shares in exchange for all outstanding Course-Hinds equity securities based on an exchange ratio of .75 Cooper common shares for each Crouse-Hinds common and equivalent common share. The combination has been accounted for as a pooling of interests and, accordingly, all historical financial data of Cooper, except dividends per share, has been restated for all periods presented to include the financial data of Crouse-Hinds and adjustments necessary to conform the accounting policies followed by Crouse-Hinds to those followed by Cooper. The adjustments to conform accounting policies did not have a material effect on income, financial position or changes in financial position.

The following table reconciles combined revenues and net income with those previously reported by Cooper for the years 1979 and 1980 and the quarter ended March 31, 1981 (the period prior to the combination):

	First Quarter Ended March 31, 1981 (Unaudited)	Year Ended December 31, 1980	Year Ended December 31, 1979
		(000 omitted)	
Revenues:			
Previously reported	$513,468	$1,842,173	$1,394,797
Equity income (a)	(4,271)	—	—
Crouse-Hinds	193,630	761,958	675,897
Discontinued Aircraft Services segment	(71,057)	(268,208)	(247,866)
Combined revenues	$630,770	$2,335,923	$1,822,828
Net Income:			
Previously reported	$ 47,177	$ 146,672	$ 111,786
Equity income (a)	(4,271)	—	—
Crouse-Hinds	12,850	38,544	36,707
Discontinued Aircraft Services segment	(3,522)	(13,786)	(11,859)
Combined income from continuing operations	$ 52,234	$ 171,430	$ 136,634

(a) At March 31, 1981 Cooper had recorded approximately $4.3 million of equity in the net income of Crouse-Hinds based on Cooper's 41% investment in Crouse-Hinds acquired in late January, 1981. The pooling of interests with Crouse-Hinds supersedes the equity method which was employed on an interim basis at March 31, 1981 pending completion of the Merger.

GIDDINGS & LEWIS, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 1 (in part): Acquisitions

On March 2, 1981, the Company acquired all of the outstanding shares of common stock of Snyder Corporation (Snyder), a manufacturer of specialty machine tools, in exchange for 434,568 shares of the Company's common stock. The acquisition was accounted for as a pooling of interests and, accordingly, the 1980 and 1979 financial statements have been restated to include the accounts of Snyder. The restated 1979 financial statements include the results of operations of Snyder for its fiscal year ended June 30, 1980, and the restated 1980 statements include the results of operations of Snyder recast to a year ended December 31, 1980. Accordingly, the net sales and net income of Snyder 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 statement of income for both 1980 and 1979. Adjustments to retained earnings as previously reported are as follows:

	($000's omitted)
Retained earnings at January 1, 1979 (as previously reported)	$49,400
Effect of pooling of interests with Snyder	3,093
Retained earnings at January 1, 1979 (as restated)	$52,493

Net sales and net income of the separate companies for the three months ended March 31, 1981, (the end of the interim period nearest the date of merger) and for the years ended December 31, 1980 and 1979, are as follows:

	March 31, 1981	December 31, 1980	December 31, 1979
		($000's omitted)	
	(unaudited)		
Net sales:			
Giddings & Lewis, Inc.	$ 93,961	$327,020	$257,727
Snyder Corporation	10,069	39,105	43,118
Combined	$104,030	$366,125	$300,845
Net income:			
Giddings & Lewis, Inc.	$ 8,889	$ 31,362	$ 28,939
Snyder Corporation	181	3,115	3,021
Combined	$ 9,070	$ 34,477	$ 31,960

NABISCO BRANDS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies

Consolidation (in part): As a result of a merger on July 6, 1981, involving Nabisco, Inc., and Standard Brands Incorporated, in which those companies became wholly owned subsidiaries of Nabisco Brands, Inc., all shares of Nabisco, Inc., common stock and Standard Brands Incorporated common stock then outstanding were converted into common stock of Nabisco Brands, Inc. Each share of Nabisco common stock was converted into 1.04 shares of Nabisco Brands common stock. Each share of Standard Brands common stock was converted into one share of Nabisco Brands Common stock. Each share of Standard Brands $3.50 cumulative preferred stock then outstanding was converted into one share of Nabisco Brands $3.50 cumulative preferred stock having the same preferences, special rights and powers. In accordance with the merger agreement, all capital stock of Nabisco and Standard Brands that was held in treasury at the merger date was retired. The combination was accounted for as a pooling-of-interests. To conform the respective companies' accounting for the U.S. investment tax credit, Nabisco's method was changed from the deferral to the flow-through method by retroactively adjusting all periods prior to the combination. As a result of the merger, certain adjustments were recorded in the beginning balances of the shareholders' equity accounts as follows:

(In millions)	Preferred Stock	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings
Balance, December 31, 1978, as reported:					
Nabisco, Inc.	$ —	$ 80.6	$(2.5)	$ 6.2	$460.1
Standard Brands Incorporated	20.0	28.2	(6.3)*	29.4	468.7
Combined	20.0	108.8	(8.8)	35.6	928.8
Adjustments for pooling-of-interests:					
Retirement of treasury stock	(7.5)	(.2)	7.5	2.2	(2.0)
Conversion of common stock		14.7		(14.7)	
Cumulative effect of change in accounting for U.S. investment tax credit					14.5
Balance, December 31, 1978, as adjusted	$12.5	$123.3	$(1.3)	$23.1	$941.3

*Includes preferred stock of $5.2 million.

The accompanying consolidated financial statements represent the consolidated financial position of Nabisco Brands, Inc., and its subsidiaries ("the Company") as of December 31, 1981 and 1980, and the consolidated results of operations for each year of the three years ended December 31, 1981.

For the six-month period ended June 30, 1981, the net sales and net income of Nabisco were $1,331.9 million and $69.2 million, respectively, and the net sales and net income of Standard Brands were $1,468.7 million and $47.2 million, respectively. In addition, the results of combined operations include non-tax deductible merger expenses of $9.3 million, or $.15 per common share, recorded as of June 30, 1981.

The net sales and net income of Nabisco Brands included in the Consolidated Statement of Income for each year of the two years ended December 31, 1980, represent the combined results of operations of Nabisco and Standard Brands for those periods as follows:

(In millions)	Year Ended 1980	1979
Net sales as previously reported:		
Nabisco, Inc.	$2,568.7	$2,362.0
Standard Brands Incorporated	3,018.5	2,613.3
Combined net sales	$5,587.2	$4,975.3
Net income as previously reported:		
Nabisco, Inc.	$ 127.8	$ 99.8
Standard Brands Incorporated	104.4	86.3
Change in accounting for the U.S. investment tax credit	2.6	.4
Combined net income	$ 234.8	$ 186.5

PURCHASES

AMPCO-PITTSBURGH CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2—Acquisition of Buffalo Forge Company

During March 1981, the Corporation completed a tender offer for the outstanding shares of Buffalo Forge Company ("BFC"). On July 14, 1981, the Corporation merged a wholly owned subsidiary into BFC. As a result of this merger all previously outstanding shares of BFC were cancelled and the former shareholders of BFC became entitled to receive $37.50 in cash for each share of BFC stock formerly held. The liability for such shares and the Contested Shares (see Note 3) was recorded. However, the amount, if any, payable to the holder of the Contested Shares will be paid only if there is a final court determination that the sale of the shares and the grant of an option to purchase shares are not subject to rescission.

The acquisition has been accounted for as a purchase transaction. The net tangible assets acquired from BFC are included in the consolidated financial statements at cost in the amount of $104,400,000 (including the Contested Shares) allocated on the basis of estimated fair market value and include: working capital $48,700,000; property, plant, and equipment $60,500,000; notes receivable for Contested Shares $11,200,000; other assets $4,900,000; long-term obligations $19,300,000 and unfunded vested pension liability $1,600,000.

BFC and its wholly owned subsidiaries, Canadian Blower/Canada Pumps Limited, Aerofin Corporation, Aerofin Corporation (Canada) Limited, Aerofin, S.A., and Buffalo Forge, S.A. de C.V., are leading manufacturers of industrial and commercial air and gas handling equipment, manufacturers of centrifugal pumps for special industrial applications, finned tube coils for use in air conditioning systems and machine tools.

The results of operations of BFC from March 12, 1981 have been included in the consolidated financial statements. The investment in Buffalo Forge Company at December 31, 1980 (prior to acquisition) has been reclassifed to other assets.

The unaudited consolidated results of operations on a pro forma basis as though BFC had been acquired January 1 of the respective years are as follows:

	1981	1980
Net sales	$486,585,000	$551,713,000
Net income	11,817,000	13,257,000
Net income per common share on 3,843,896 shares outstanding	$3.07	$3.45

Pro forma net income in each of the years includes a nonrecurring charge of $793,000 or $.21 per share, relating to foreign FIFO inventory resulting from the application of purchase accounting.

BUCYRUS-ERIE COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note B—Acquisition of Western Gear Corporation:

Effective September 30, 1981 the Company acquired Western Gear Corporation, a manufacturer of aerospace systems and components and industrial machinery and equipment for the power transmission, petroleum, marine, metals and transportation markets.

The acquisition has been accounted for as a purchase and, accordingly, the purchase price was allocated to assets and liabilities acquired based upon their fair value at date of acquisition. Allocation of the purchase price is summarized as follows:

Working capital	$ 70,243,000
Property, plant and equipment	71,454,000
Intangible assets (including goodwill of $49,814,000)	77,260,000
Notes payable and other long-term liabilities	(35,786,000)
Total purchase price	$183,171,000

The Company's consolidated financial statements for the year ended December 31, 1981 include the results of operations of Western Gear Corporation after September 30, 1981. Western Gear Corporation's net shipments and earnings for the three month period ended December 31, 1981 were $60,969,000 and $1,375,000, respectively.

Pro forma results of operations which follow assume that the purchase had occurred at the beginning of each year presented. In addition to combining historical results of operations of the two companies, the pro forma calculations include the effect of restatement of the Company's 1980 results of operations for a change in accounting for foreign currency translation (see Note M); adjustments to historical asset and liability values which occur in a purchase; and adjustments to interest expense and income at rates in effect throughout the periods related to additional debt and reduction in temporary investments resulting from the purchase.

Pro forma results of operations (000's omitted, except per share amounts)	1981	1980
Net shipments	$650,821	$702,324
Net earnings	33,918	42,517
Net earnings per share	1.66	2.08

Pro forma financial information presented is not necessarily indicative either of results of operations that would have occurred had the merger been effective on January 1, 1980 or of future results of operations of the combined companies. Pro forma information presented is based on the assumption that the purchase price would have been the same at the beginning of the periods.

THE DOW CHEMICAL COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note G: Acquisitions—Under the terms of an Agreement and Plan of Reorganization with Richardson-Merrell Inc. (RMI), the Company acquired the ethical pharmaceutical business of RMI in exchange for approximately 7.3 million shares of Dow common stock having a fair market value of $260 million. The acquisition was accounted for as a purchase, and, accordingly, revenues and results of operations since March 10, 1981 are included in the Consolidated Statement of Income. The excess of the purchase price over the fair value of the net assets acquired of $119 million is being amortized on a straight-line basis over 40 years. Pro-forma results of operations, adjusted as though the acquisition had been effected as of January 1, 1980, are as follows (in millions, except per share data):

	1981	1980
Net sales	$11,928	$10,918
Net income	$ 566	$ 806
Income per common share	$ 2.99	$ 4.26
Common shares outstanding	189.5	189.5

During 1981, the Company acquired three small subsidiaries, each of which was accounted for as a purchase. The effect of these acquisitions on the results of operations for the current and prior year was not material.

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

NOTES TO FINANCIAL STATEMENTS

(Dollars in millions, except per share)

Note 15 (in part): Mergers and Acquisitions

Conoco Acquisition

In August 1981, DuPont acquired 95% of the outstanding common stock of Conoco Inc. (Conoco), a major U.S. company with operations in crude oil and natural gas, petroleum products, chemicals and coal. Through a merger, Conoco became a wholly owned subsidiary of DuPont on September 30, 1981. Total acquisition cost was $7.8 billion, comprised of $3.9 billion in cash and 78,547,308 shares of DuPont common stock with a fair value of $3.9 billion issued in exchange for Conoco shares. The Monsanto Company's interests in two joint ventures with Conoco, consisting of a petrochemicals complex at Chocolate Bayou, Tex., and a related feedstock unit at Lake Charles, La., were also acquired in connection with the acquisition.

For accounting purposes, the acquisition has been treated as a purchase. Conoco's current assets and all liabilities have been recorded in DuPont's accounts at their fair values. The remainder of acquisition cost has been allocated to noncurrent assets, principally Property, Plant and Equipment. The consolidated results include the operations of Conoco from August 1, 1981 through December 31, 1981, with an appropriate reduction to earnings for minority interests in Conoco ($29) during the period August 1 through September 30, 1981. Inclusion of Conoco in DuPont's 1981 results increased sales by $8.1 billion and net income by $316. In accordance with generally accepted accounting principles, prior period financial statements have not been restated.

Following are pro forma combined results of operations for the years ended December 31, 1981 and 1980, giving effect to the acquisition of Conoco as thought it had occurred January 1, 1980. The results are not necessarily indicative of what would have occcurred had the DuPont acquisition of Conoco been consummated as of January 1, 1980, or of future operations of the combined companies. The results are based on the purchase accounting adjustments recognized in consolidating Conoco, and reflect additional interest expense as if borrowings incurred in connection with the acquisition had been outstanding from the beginning of each year at the interest rates that would have been applicable to the borrowings during these periods. Sales would have been $33.0 billion (1981) and $29.6 billion (1980), after elimination of Conoco's exchanges of crude oil of $2.4 billion and $2.1 billion, respectively. Income before the cumulative effect of the change in accounting for investment tax credit would have been $1,314 or $5.57 per share (1981) and $1,339 or $5.69 per share (1980) with investment tax credit on a flow-through basis. Net income, including the $320 cumulative effect of the change in accounting for investment tax credit for years prior to 1981, would have been $1,634 or $6.93 per share (1981) and $1,301 or $5.53 per share (1980).

The pro forma combined results shown above include, for Conoco, (1) $41 in 1981 and $92 in 1980 resulting from LIFO inventory drawdowns; (2) $42 in 1981 and $26 in 1980 resulting from utilizing the tax benefits of Petroleum Revenue Tax loss carryforwards; and (3) a $76 benefit in July 1981 from retroactive changes in United Kingdom tax law concerning the carrying cost of inventory.

If the items referred to in the preceding paragraph were excluded from the pro forma combined results, income before the cumulative effect of the change in accounting for investment tax credit would have been $1,154 or $4.88 per share (1981) and $1,221 or $5.19 per share (1980) with investment tax credit on a flow-through basis. Net income, including the $320 cumulative effect of the change in accounting for investment tax credit for years prior to 1981, would have been $1,474 or $6.25 per share (1981) and $1,183 or $5.02 per share (1980).

These results are pro forma combined insofar as operations prior to August 1, 1981 are concerned, but they include the consolidated results of operations for the five months ended December 31, 1981. During this five-month period, the results of Conoco's operations, after deducting interest expense on borrowings related to the acquisition, increased DuPont's reported earnings by $.07 per share.

The pro forma combined data exclude the results of operations of Hudson's Bay Oil and Gas Company Limited (HBOG), in which Conoco held a 52.9% interest, and Conoco's gain on the disposition of such interest. Conoco disposed of its interest in HBOG in the second quarter of 1981.

HUGHES SUPPLY INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8—Acquisition of Marbut Company:

On May 29, 1981, the Company acquired all of the outstanding common stock of Marbut Company. Marbut Company is a wholesale distributor of plumbing, heating and air conditioning supplies with eight branches in Georgia and one branch in South Carolina.

The net cost of this acquisition was $4,577,274, consisting of 124,160 shares ($2,979,840 fair market value) of the Company's common stock, $799,221 in cash, and $798,213 in 12% one-year promissory notes. There was no goodwill involved in the acquisition.

The acquisition of Marbut Company was accounted for as a purchase and, consequently, the financial statements for the year ended January 29, 1982 include the operating results of Marbut Company from the date of acquisition. The following summarizes the pro forma results of operations of Hughes Supply, Inc., assuming the acquisition had occurred at the beginning of each period presented:

	Year Ended	
Pro Forma	January 29, 1982	January 30, 1981
Total revenues	$215,436,384	$201,470,264
Net income	4,986,002	6,365,643
Net income per share	2.22	2.92

OCCIDENTAL PETROLEUM CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Acquisitions

In August 1981, Occidental acquired all of the outstanding common stock of Iowa Beef Processors, Inc. (IBP), which is engaged principally in the business of slaughtering, processing and marketing beef. The acquisition, which was accounted for by the purchase method, resulted in the issuance by Occidental of 4,057,961 shares of preferred stocks comprised of two new issues of redeemable preferred stock (Note 12) with an original issue value of $345 million, net, and 13,997,332 shares of Occidental common stock with an original issue value of $401 million, net. The excess of cost over net assets acquired recorded as a result of the purchase is being amortized by the straight-line method over a 40-year period. Earnings since the date of acquisition of IBP have been included in Occidental's 1981 consolidated statement of operations.

The following table presents selected financial information for Occidental and IBP on a pro forma basis assuming the two companies had been combined for the years ended December 31, 1981 and 1980 (in millions, except per share amounts):

	1981	1980
Revenues	$18,426.4	$17,429.2
Net income	759.3	774.0
Earnings per share—		
Primary	7.01	7.30
Fully diluted	6.83	6.94

THE SHERWIN-WILLIAMS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (in part): Acquisitions

Effective October 3, 1981, the company acquired for cash, through a wholly-owned subsidiary, the outstanding stock of Gray Drug Stores, Inc. ("Gray") for $21.00 per common share.

For financial statement purposes, the acquisition has been accounted for under the purchase method. Accordingly, the operations of Gray since the date of acquisition (net sales of $137,860,000 and net income of $3,444,000 or $.35 per share) have been reflected in the statement of consolidated income.

The aggregate purchase price of $55,079,000 has been allocated to the fair value of the net assets acquired based upon a preliminary allocation of the purchase price. The excess of fair value of net assets acquired over the purchase price has been allocated to reduce proportionately the fair values assigned to fixed assets and leased property under capital leases.

A summary of assets acquired and liabilities assumed (excluding net current assets of $45,673,000) is as follows:

Property, plant and equipment	$14,504,000
Other non-current assets	28,596,000
Long-term debt and other liabilities	(33,694,000)
	$ 9,406,000

Pro forma financial information has been prepared in accordance with Accounting Principle Board Opinion No. 16 and is based upon the assumption that Gray was acquired as of January 1, 1980, at the same purchase price. In management's opinion, the pro forma financial information is not indicative of results of operatins that may have occurred had the acquisition of Gray taken place January 1, 1980 or of future results of operations of the combined companies under the ownership and operation of the company.

The following pro forma data reflects adjustments for interest income on short-term investments and gives effect to adjustments resulting from the acquisition:

Thousands of dollars, except per share data	Years ended December 31, 1981	1980
Net sales	$1,907,000	$1,751,000
Net income	24,300	23,500
Net income per common share:		
Primary	2.36	2.29
Fully diluted	1.97	1.82

THE STANDARD OIL COMPANY (AN OHIO CORPORATION)

NOTES TO FINANCIAL STATEMENTS

Note B: Major Acquisitions

Effective June 4, 1981, Kennecott Corporation ("Kennecott"), the largest domestic copper producer, was merged into the Company as a wholly owned subsidiary. Kennecott, a diversified minerals company, is also a leading producer of gold, molybdenum, silver and other minerals, a manufacturer of abrasives and resistant materials, and a producer of industrial engineered components, processes and systems. The Company acquired the outstanding common shares of Kennecott for $62 per share for a total cost of approximately $1.77 billion.

The acquisition has been accounted for as a purchase and, accordingly, the results of Kennecott's operations have been included in the consolidated financial statements since the effective date. The aggregate purchase price was allocated on the basis of fair values to the assets and liabilities acquired.

The following unaudited pro forma consolidated results of operations have been prepared as if the operations of the Company and Kennecott had been consolidated since the beginning of 1980, and includes interest and other significant adjustments.

Millions of Dollars	1981	1980
Sales and operating revenue	$14,790	$13,600
Net income	1,900	1,820
Net income per share	7.73	7.41

On September 30, 1981, the Company purchased from U.S. Steel Corporation certain coal properties primarily in the Appalachia coal region of Pennsylvania and West Virginia including coal reserves and an operating mine for approximately $600 million.

CONTINGENCIES AND COMMITMENTS

FASB *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.

FASB Interpretation No. 34, effective for fiscal years ending after June 15, 1981, requires that indirect guarantees of indebtedness of others be disclosed.

Statement of Financial Accounting Standards No. 47 discusses "unconditional purchase obligations typically associated with project financing arrangements." Paragraph 7 of *SFAS No. 47* states the disclosure requirements for unconditional purchase obligations, as defined in paragraph 6, which have not been recognized in the balance sheet. *SFAS No. 47* is effective for fiscal years ending after June 15, 1981.

Table 1-11 summarizes the various contingencies and commitments (except leases which are summarized in Table 2-27) disclosed in the 1981 annual reports of the survey companies. The balance sheets of 199 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 sale of receivables with recourse and obligations to maintain working capital or restrict dividends are presented in connection with Tables 2-6 and 2-25, respectively.

TABLE 1-11: CONTINGENCIES AND COMMITMENTS

	Number of Companies			
	1981	1980	1979	1978
Loss Contingencies				
Litigation	342	354	353	310
Guarantee of indebtedness	127	132	122	138
Other guarantees	62	N/C	N/C	N/C
Possible tax assessment	73	89	88	97
Sale of receivables with recourse	70	71	70	60
Government regulations	35	19	20	N/C
Renegotiation of government contracts	13	23	30	45
Other—described	32	59	48	52
Gain Contingencies				
Operating loss carryforward	86	77	77	75
Investment credit carryforward	84	84	79	54
Plaintiff litigation	22	21	22	14
Commitments				
Dividend restrictions	430	425	427	423
Plant expansion	103	115	106	93
Purchase agreements	67	28	29	23
Employment contracts	13	16	14	16
Sale agreements	11	N/C	N/C	N/C
Additional payments in connection with an acquisition	10	4	9	7
Other—described	19	21	24	19

N/C—Not Compiled.

LOSS CONTINGENCIES

Litigation

ABBOTT LABORATORIES (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 11: Litigation

There are various suits and other legal proceedings and claims against the parent company and certain of its subsidiaries. These include one group of product liability cases brought against the Company and varying numbers of other pharmaceutical companies on behalf of individuals or groups or alleged classes of individuals claiming billions of dollars in damages and other monetary, injunctive and declaratory relief as a result of injuries alleged to have resulted from the use by their or their spouses' mothers of certain synthetic estrogen drugs, including diethylstilbestrol, during pregnancy. Such use allegedly occurred generally during the period 1946 through 1971. The Company sold diethylstilbestrol products from 1941 through 1961 during which period its total sales of such products were less than $1 million. (These and other legal proceedings to which the Company is a party are discussed more fully in Item 3, Legal Proceedings, in the Form 10-K Annual Report, which is available upon request.) While it is not feasible to predict the outcome of these suits and other legal proceedings and claims with certainty, management is of the opinion, with which its General Counsel concurs, that their ultimate disposition should not have a material adverse effect on the Company's consolidated financial position.

BRISTOL-MYERS COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 7—Litigation

Since 1958, the company (and four other pharmaceutical manufacturers) has been continuously engaged in the defense of proceedings brought by the United States government and other plaintiffs alleging violations of the antitrust laws in the manufacture and sale of broad spectrum antibiotics. Approximately 160 such suits were filed. Four cases were settled and two were dismissed during 1981. The only remaining case is a civil action for damages brought by the United States in which, following trial in 1978 and 1979, the United States District Court for the Eastern District of Pennsylvania dismissed the government's charges in October 1980 and the dismissal has been affirmed by the United States Circuit Court of Appeals. The company prevailed on the merits in all three of the cases which were tried to a conclusion and the balance were settled as previously reported by the company.

In March 1970, the Department of Justice filed a civil antitrust complaint against the company, Beecham Group Limited ("Beecham") and Beecham, Inc., asserting a violation of the antitrust laws based on alleged misconduct in the procedurement of a patent and allegedly restrictive licensing practices in connection with the antibiotic product, ampicillin. In addition to this proceeding, 51 treble damage actions based on the same charges have been filed.

The company has previously reported settlements with retail and wholesale pharmaceutical purchasers and private hospitals. On June 18, 1981, following two weeks of trial on antitrust issues, the charges of patent misconduct having been withdrawn, the company settled for $4,000,000 those cases which asserted claims of cities, counties and states. On October 9, 1981, the company agreed with the Department of Justice to settle for $3,000,000 and certain equitable relief the claims of the United States. The terms of the proposed consent decree have been approved by the Court and final judgment has been entered. None of the settlements constitutes an admission of liability by the company.

Two damage actions relating to ampicillin are pending. They are cases brought against the company, Beecham and Beecham, Inc., by pharmaceutical companies alleging exclusion from the market. The company denies all charges and is engaged in preparing defenses in those cases.

In July 1977, Beecham commenced an action against the company alleging infringement of two patents relating to the penicillin known as amoxicillin which has been marketed by the company since December 1974. Beecham's complaint seeks an injunction against alleged infringement and damages estimated by Beecham as $50,000,000. The company has filed an answer denying the principal allegations of the complaint and asserting defenses and counterclaims based principally upon (i) invalidity of the patents, (ii) Beecham's misconduct in the Patent Office, (iii) violation by Beecham and others of the antitrust laws and (iv) written license grants from Beecham to the company covering the patents in suit. In its reply filed in March 1978, Beecham denied the principal allegations of the counterclaims.

Beecham has made similar charges of patent infringement against Squibb Corp. ("Squibb"), American Home Products Corporations ("AMHO"), Warner-Lambert Company ("Warner-Lambert"), Parke, Davis & Company ("Parke, Davis"), A. H. Robins Company ("Robins") and Biocraft Laboratories, Inc. ("Biocraft") in litigations commenced in the federal courts in Wilmington, Delaware, and the District of Columbia. Those companies have denied Beecham's principal charges, and their pleadings contain allegations similar to those made by the company regarding the invalidity of the amoxicillin patents and misconduct by Beecham in the Patent Office. In addition, AMHO, Warner-Lambert, Parke, Davis, Robins and Biocraft allege violations of the antitrust laws by Beecham and others, and Squibb and AMHO allege that they are sub-licensed in respect of the amoxicillin patents. Robins and Biocraft named the company as a defendant in the suits to which they are parties, alleging that the company is a necessary party to any complete adjudication because it has an exclusive license under the two amoxicillin patents in suit. Neither Robins nor Biocraft seek any monetary recovery from the company.

While the ultimate outcome of the above cases cannot be predicted at this time, it is the opinion of management that the disposition of these cases and any other litigation in which the company is presently involved will not have a materially adverse effect on the company.

COMBUSTION ENGINEERING, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 11: Pending Litigation

In 1975, three utility companies filed a complaint against the Company and certain other defendants alleging that the Company is liable for breach of contract, breach of warranties, negligence and other claims in connection with the supply and erection of a fossil fueled electric generating plant in New York known as the Roseton Plant. Damages are claimed in an amount of approximately $156 million, the major part of which appears to be for consequential damages. The case continues to be in the pretrial discovery phase.

In the past several years, several thousand claimants have brought suit against industrial corporations for serious personal and fatal injuries allegedly resulting from exposure to insulation products containing asbestos. The Company was included in approximately 1,000 asbestos related claims brought in 1979, approximately 2,900 in 1980 and approximately 2,800 in 1981. As of December 31, 1981, approximately 4,700 claims were pending. It can be expected that a substantial number of additional asbestos related claims will continue to be asserted against the Company.

Although the amount of liability, if any, at December 31, 1981, with respect to the actions then pending to which the Company and its subsidiaries are party cannot be ascertained, in the opinion of the Company, any resulting liability will not materially affect the Company's consolidated financial statements.

COPPERWELD CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8—Commitments and Contingencies

Purchase commitments for new plant and equipment were approximately $29,300,000 at December 31, 1981.

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, an independent machinery supplier.

On February 17, 1981, the Federal Court jury returned the following verdicts on liability: Copperweld and Regal combined or conspired against Independence in violation of the anti-trust laws; Copperweld interfered with a contract between Independence and Yoder; Regal interfered with a business relationship between Independence and an Independence customer and slandered Independence.

On March 6, 1981, the jury returned a verdict assessing damages as to which on May 27, 1981, the Court signed an order entering judgment against Copperweld and Regal for $7,497,027 with interest from March 6, 1981 at the rate of 9% and for plaintiff's cost of suit including reasonable attorneys' fees. The Court also entered an additional judgment against Regal for $15,000 with interest from March 6, 1981 at the rate of 9% and plaintiff's cost of suit. On January 19, 1982, plaintiff was awarded attorney's fees in the amount of approximately $1,503,000 plus interest and costs in the amount of approximately $92,000 plus interest. Both parties have filed with the Court motions for reconsideration with respect to the award of attorney's fees.

Copperweld and Regal have appealed the judgment order signed by the Court on May 27, 1981 to the United States Court of Appeals for the Seventh Circuit. It is presently expected that Copperweld and Regal will appeal the award of attorney's fees and costs to the United States Court of Appeals for the Seventh Circuit.

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.

The Corporation has several other law suits pending. In the opinion of management, none of these proceedings will have a material adverse effect on the earnings, financial position or business of the Corporation.

CPC INTERNATIONAL INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Litigation:

The Company is a defendant in a civil suit filed in 1980 in the U.S. District Court in San Francisco, entitled *United States of America v. CPC International Inc., et al.,* C80-2139. The suit alleges that the defendant's pricing practices relating to corn syrup, starch, and other corn wet million products violated a 1950 Federal Trade Commission order, and seeks civil penalties and an injunction. The Company and other defendants are currently engaged in settlement negotiations with the Department of Justice and the Federal Trade Commission.

Also pending are a number of private actions brought following the Government suit under federal and state antitrust laws against the Company and other corn wet millers, purportedly as class actions on behalf of purchasers of corn wet milling products. The plantiffs seek treble damages in substantial but unspecified amounts. The federal actions have been consolidated for pre-trial proceedings in the U.S. District Court in New Jersey (MDL 414). The Company denies the allegations in these actions and is engaged in defending them.

In 1974 and 1975 two actions were brought against the Company in the U.S. District Court in Amarillo, Texas, by Dimmitt Agri-Industries, Inc. and James R. Harsh, alleging that the Company had violated the antitrust laws by artificially depressing the prices of corn syrup and starch, and claiming treble damages in excess of $130 million. In May, 1980 a jury returned a verdict in favor of the Company in the Harsh case, and against the Company in the Dimmitt case in the amount of $1.5 million. The Dimmitt verdict was based on a finding that in 1971 and 1972 the Company had monopolized the markets for these products, and the Court entered judgment against the Company for $5.3 million, representing treble damages, attorneys' fees and costs, for which provision has been made in the financial statements. The Company's appeal is pending in the U.S. Court of Appeals for the Fifth Circuit.

DOVER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12: Contingencies

During 1981, two purported class action suits were brought against Dover in California. The complaints allege that OPW gasoline vapor recovery nozzles malfunctioned causing some gasoline to recirculate to the service station tanks, resulting in an overcharge by the service station. One complaint seeks punitive damages of $50 million, the other complaint seeks damages of $50 million on each of several counts. Dover is vigorously defending the suits. In the opinion of legal counsel and management, the suits are without merit.

The Company and certain of its subsidiaries are also defendants in various other business related lawsuits. It is not possible at this time to predict the outcome of the legal actions; in the opinion of management, however, the disposition of the lawsuits will not have a material effect on financial position.

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.

THE PILLSBURY COMPANY (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14: Other commitments and contingent liabilities:

The Federal Trade Commission inquiry into the arrangement between the company and Kraft, Inc., relating to the distribution of refrigerated dough products manufactured by the company, has now been concluded. The Commission accepted the proposal of the company and Kraft modifying the arrangement and the Commission's order has been entered accordingly. The modification to the arrangement will not be detrimental to the company.

In May of 1981, a jury in the United States District Court for Northern District of Illinois returned a verdict against the company and Wilton Enterprises, the company's division engaged in the cake decorating supplies business, in the amount of $1.49 million in connection with antitrust claims alleged by Parrish's Inc., a competitor. The law provides for trebling of the claimed damages and the assessment of attorney fees. The company continues to believe that the claims are without merit and will contest the claims through post trial motions and appeal, if necessary.

The company and certain of its subsidiaries are parties to additional legal proceedings arising in the conduct of business.

In the opinion of management, disposition of these matters will not materially affect the company's consolidated financial position.

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 subsidiary 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 has been investigated by a Commission appointed by the Norwegian Government, which has published its report. In October of 1981 and in February of 1982, the Company's subsidiary, the independent shipyard and one of its subcontractors were sued in France by Phillips Petroleum Company Norway and eight others operating as a group in the Ekofisk Field in the North Sea and by the Norwegian insurers of the Alexander Kielland seeking recovery for losses of approximately $115 million resulting from the accident.

While the Company does not believe it has liability in this matter, the litigation will involve complex international issues which could take several years to resolve and 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.

STOKELY-VAN CAMP, INC. (MAY)

NOTES TO FINANCIAL STATEMENTS

Litigation

In November, 1977, a class action was brought against the Company alleging violation of the Federal Farm Labor Contractor Registration Act. In May, 1981, the United States District Court for the Central District of Illinois entered a judgment in this action awarding the plaintiffs approximately $216,000 in liquidated damages. The full amount of this award has been provided for in the Company's financial statements. Both the plaintiffs and the Company have appealed this judgment to the United States Court of Appeals for the Seventh Circuit. The Company, by its appeal, is seeking to reverse the judgment in favor of the plaintiffs. The Company believes that the plaintiffs, by their appeal, are seeking to increase the amount of liquidated damages awarded by the judgment. However, the Company is not advised as to the amount of liquidated damages sought by the plaintiffs. Management, upon advice of counsel, believes that, at the conclusion of the appellate process, plaintiffs' appeal will be found to be without merit and that any liability arising from this litigation will not be material in relation to the Company's financial condition.

Guarantee of Indebtedness of Others

COLGATE-PALMOLIVE COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 11: Contingent Liabilities

Under the terms of sale of a former subsidiary, the Company is obligated to guarantee bank loans in declining amounts through July 2, 1987. At December 31, 1981, these guarantees amounted to $15,100,000. Certain properties of this former subsidiary have been pledged as collateral for the guarantees. The Company and its subsidiaries are also contingently liable in respect to lawsuits, taxes and other matters. Management believes reasonable provision for these contingencies has been made in the accounts.

THE DOW CHEMICAL COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note S (in part): Commitments and Contingent Liabilities

As a general partner of several partnerships, the Company may be liable for any deficiencies which may arise in meeting the terms of loan obligations incurred by the partnerships. Assets of the partnerships which have been pledged as security for these loans are currently in excess of the loan obligations.

A Canadian subsidiary has entered into an agreement to purchase substantially all of the output of an ethylene plant in the Province of Alberta. The owner of the plant, The Alberta Gas Ethylene Company, Ltd., has borrowed $243 million which has been guaranteed as to principal and interest by the Company.

In addition, the Company has guaranteed loans of related companies in the amount of $207 million.

K MART CORPORATION (JAN)

NOTES TO FINANCIAL STATEMENTS

Note N: Contingent Obligations

On January 29, 1982, Astra, S.A. ("Astra"), the company's Mexican retail affiliate, made a public offering of long-term debt in the principal amount of $100.0 million to finance the acquisition of land and the construction and fixturing of seven new Astra discount department and food stores in Mexico. The 16¾% notes due 1992 are unconditionally guaranteed by K mart Corporation. The company has additionally guaranteed a bank loan of $12.0 million due November 1982.

The company and G.J. Coles & Coy, Limited ("Coles") have guaranteed indebtedness related to certain properties in Australia on a joint and several basis. Coles subsequently indemnified K mart Corporation from any liability incurred pursuant to these guarantees. As of January 27, 1982, the amount guaranteed was $51.5 million. (See Note (D) for further information on Coles.)

LONE STAR INDUSTRIES, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 8 (in part): Joint Ventures and Unconsolidated Subsidiary

In April 1979, the company and Lafarge Coppee S.A. combined substantially all of their Brazilian operations. The combined entity is being operated under the name of Lone Star's former subsidiary, Companhia Nacional de Cimento Portland (CNCP), with Lone Star holding a 48% interest and Lafarge Coppee a 52% interest. Cimento Maua (Maua), a wholly owned subsidiary of CNCP, constructed a new 825,000-ton cement plant in Cantagalo, northeast of Rio de Janeiro, which was substantially completed in January 1982. If the new plant does not meet certain performance criteria according to a specified timetable, Lone Star and Lafarge Coppee are severally obligated to reimburse Maua for the project costs. Maua has a $75,000,000 Eurodollar borrowing, which contains restrictions on CNCP with respect to the maintenance of working capital, tangible net worth, issuance of additional debt and the payment of dividends. Interest incurred prior to the plant meeting certain performance criteria is guaranteed, severally, by Lafarge Coppee and the company. In addition, the company has guaranteed through June 29, 1982 up to $4,800,000 of Maua's Eurodollar borrowing.

NATIONAL CAN CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note N (in part): Lease Obligations and Other Commitments:

At December 31, 1981, the corporation was contingently liable with respect to guarantees of unaffiliated customers' indebtedness of $6,990,000.

SETON COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6—Contingency:

The Company is the guarantor of notes aggregating approximately $194,000 issued by certain key executives.

SHELLER-GLOBE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14: Contingent Liabilities

The Company is contingently liable as guarantor of certain obligations of dealers aggregating approximately $3,108,000 at September 30, 1981.

The Company is a party to numerous lawsuits incidental to its business, some involving substantial amounts. It is not possible at the present time to estimate the ultimate liability, if any, of the Company in respect of such litigation; however, General Counsel believes that any ultimate liability will not be material in relation to the Company's consolidated financial statements.

Guarantees Other Than Guarantees of Indebtedness

BOISE CASCADE CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 3 (in part): Investments in Joint Ventures

The Company, through a wholly owned subsidiary, has a 50% interest in an unincorporated joint venture, Boise Southern Company, which is engaged in the paper manufacturing and wood products businesses in Louisiana and Texas. Long-term financing of the original De Ridder, Louisiana, paper mill facilities was provided directly to Boise Southern Company by outside sources under a sale and lease-back agreement. The Company has guaranteed 50% of the lease payments for these facilities. These payments approximate $8,210,000 annually through 1993. The Company has guaranteed annual lease payments of approximately $2,468,000 through 1991 for certain timberlands leased by Boise Southern Company and has an indemnification agreement with the joint venture partner, Southern Natural Gas Company, and its parent, Sonat Inc. (formerly Southern Natural Resources, Inc.), for 50% of this guarantee.

FAIRCHILD INDUSTRIES, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 11 (in part): Commitments and Contingent Liabilities

SPACECOM—In June 1980, the company, through a subsidiary, became a 25-percent partner in Space Communications Company (SPACECOM) along with subsidiaries of Western Union Telégraph Company (50 percent) and Continental Telephone Corporation (25 percent). SPACECOM assumed the business and net assets of a Western Union subsidiary whose primary business is a contract with the National Aeronautics and Space Administration (NASA) for the construction and operation by SPACECOM of a satellite communications system to be used to provide service to NASA. The system may also be used to provide commercial service equally to Western Union and American Satellite. Subject to certain limitations, the company has assumed its share (25 percent) of Western Union's guarantee of performance under the NASA contract. The partners have agreed to advance funds to SPACECOM as required in accordance with their proportionate ownership interests. No such advances have been made by the company to SPACECOM as of December 31, 1981.

AMERICAN SATELLITE—The company has guaranteed its share (50 percent) of certain payment obligations of American Satellite to Western Union under agreements covering acquisition of satellite capacity. Remaining guaranteed payments total approximately $1.7 million.

M. LOWENSTEIN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (in part): Long-Term Debt and Dividend Restrictions

In 1980 a subsidiary entered into a lease agreement for a plant to be financed by industrial development bonds. The lease obligation was recorded as long-term debt with the proceeds expended at December 27, 1980 included in "construction in progress" and the unexpended amount ($4,054,000) included in "Other assets and deferred charges." In 1981, the plant was completed and substantially all of the related amounts were recorded in the appropriate property accounts. Lease payments, guaranteed by the Company, fund the bonds' 9¾% annual interest and principal amortization requirements. The bonds mature ratably in the years 1991 to 2000.

MCDONNELL DOUGLAS CORPORATION (DEC)

NOTES. TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 1981

Note L: Customer Financing Commitments

The marketing of commercial aircraft at times will result in agreements to provide or guarantee long-term financing of some portion of the delivery price of aircraft or to guarantee lease payments. At 31 December 1981, $162.1 million of such guarantees were outstanding. Commitments of $16.3 million were also outstanding to accept notes in payment for aircraft or to guarantee financing for customers, related to ordered but undelivered aircraft.

OWENS-ILLINOIS, INC. (DEC)

FINANCIAL REVIEW

Commitments and Contingencies (in part):

The Company is committed to cause National Petro Chemicals Corporation (50%-owned) to maintain working capital at a specified amount while any portion of certain National Petro notes are outstanding ($13.2 million outstanding at December 31, 1981). This commitment may be terminated at any time by purchase of 50% of the outstanding notes.

UNITED TECHNOLOGIES CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 9 (in part): Finance Subsidiaries and Other Investments

Operating agreements with the finance subsidiaries provide that income maintenance payments will be made to the subsidiaries to the extent necessary so that the subsidiaries' earnings available for fixed charges shall not be less than one and one-half times such fixed charges. In addition, the operating agreement between the Corporation and UT Credit provides for the purchase by the Corporation of receivables in the event of default by the obligor and for the purchase of equipment held for lease under operating leases in the event that UT Credit is unable to lease such equipment on reasonable terms, if such receivables and equipment relate to products of the Corporation or products of others incorporating products of the Corporation. At December 31, 1981, $472,042,000 of the accounts and notes receivable and leases included in the combined, condensed financial data of the finance subsidiaries was subject to such purchase terms.

As of December 31, 1981, the finance subsidiaries had outstanding commitments for financing of approximately $850,000,000. Of this amount, $550,000,000 is not expected to be disbursed prior to 1984. A major portion of the commitments relate to aircraft engine financing, much of it subject to future aircraft orders to be placed by the customers.

Possible Tax Assessments

ALLIED CORPORATION (DEC)

OTHER FINANCIAL STATEMENT DATA

Taxes on Income (in part)

The Internal Revenue Service, in 1980, completed an audit of the Company's tax returns for the years 1971 through 1976 and an associated company's tax returns for the years 1972 through 1975. During 1981, the tax assessment relating to the associated company's 1972 tax return was settled for an immaterial amount. The remaining proposed tax assessments aggregate $63 million. Most of the proposed additional taxes relate to the timing of deductions and result in offsetting adjustments in future years. Management is contesting the assessments, which are not expected to have a material effect on the financial position or results of operations of the Company.

AMERICAN HOSPITAL SUPPLY CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note H (in part): Income Taxes:

American's U.S. income tax returns through 1972 have been examined and closed by the Internal Revenue Service. Returns for 1973 through 1976 have been examined and the Internal Revenue Service has issued deficiency notices for approximately $12 million of additional taxes on the reallocation of a portion of the income of subsidiaries operating in Puerto Rico under tax-exemption grants. The proposed income tax deficiencies substantially exceed American's related tax provisions for the years in question. American's management has engaged outside tax counsel for professional assistance in this matter and is contesting the assessments in U.S. Tax Court and through administrative appeals. In the opinion of management, as supported by outside tax counsel, any additional tax liability relating to these issues ultimately determined to be payable for the years in question and for subsequent years will not have a material adverse effect on the consolidated financial position of American.

INSILCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (in part): Income Taxes

The Internal Revenue Service has indicated its intention to treat the loss on Swiss Franc debt prepaid by the Company in 1975 as a capital loss, instead of an ordinary loss, which would increase the Company's tax liability by $3,900,000. The Company, based on the advice of tax counsel, will vigorously contest this issue and while the ultimate outcome of the matter is not determinable at this time, management believes that the ordinary loss treatment will be sustained.

PALL CORPORATION (JUL)

NOTES TO FINANCIAL STATEMENTS

Note 11—Contingencies and Commitments

The consolidated Federal income tax return of the Company for the year ended July 28, 1979 is currently under examination by the Internal Revenue Service. In the opinion of management, any assessments which may result will not have a material effect on the financial condition or results of operations of the Company.

Minimum rental commitments under all noncancelable leases for periods subsequent to August 1, 1981 are not material.

Since fiscal 1972, the Company has had employment agreements with its chairman of the board, president, six corporate vice presidents and three non-corporate vice presidents. Such agreements have been revised from time to time. The agreements provide for minimum salary levels, adjusted annually for cost-of-living changes, as well as for incentive bonuses which are payable if specified management goals are attained. The aggregate commitment for future salaries at August 1, 1981, excluding bonuses, was approximately $4,400,000.

G.D. SEARLE & CO. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Taxes:

IRS: The company received a statutory notice of deficiency from the Internal Revenue Service dated June 8, 1979 in the amount of $58 million. The notice covers tax years 1974 and 1975. The principal issue raised by the IRS concerns certain intercompany transactions between Searle and its pharmaceutical subsidiary in Puerto Rico. The company filed a petition with the U.S. Tax Court on September 5, 1980 contesting the deficiency. In addition, the company received a revenue agent's report dated February 2, 1981 in the amount of $53 million for the tax years 1976 and 1977. The issue is identical to that raised in the June 8, 1979 notice.

The company intends to pursue its position in U.S. Tax Court. If the courts were ultimately to rule for the Government's position and that position were applied to the years 1974 through 1981, the maximum additional tax liability as of December 31, 1981 (after utilizing available net operating losses and foreign and investment tax credits), including interest, would be approximately $292 million.

The case is scheduled to go to trial in June 1982. In the opinion of management and the company's tax consultants, the resolution of these tax issues will not result in a material adverse charge to earnings.

SUNDSTRAND CORPORATION (DEC)

FINANCIAL SUMMARY

Income Taxes (in part):

Federal income tax returns have been examined and cleared by the Internal Revenue Service through 1973. The Internal Revenue Service has issued statutory notices of deficiency proposing assessments of approximately $12 million and $14 million (exclusive of interest and a 5% penalty) pertaining to the Company's federal income tax returns for 1974 and 1975, respectively. Approximately $17 million of these proposed assessments would result in reduction of taxes in years after 1975. The Company does not agree with the IRS position and has filed petitions with the United States Tax Court requesting redetermination of the deficiencies. Final disposition is not expected to have a material effect on the results of operations and, in the opinion of management, adequate provision has been made for income taxes for all years either under examination or not yet under examination.

Receivables Sold With Recourse

THE AMERICAN SHIP BUILDING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 1981, 1980 and 1979

Note 9: Commitments and Contingencies:

Nashville Bridge Company, a wholly owned subsidiary, has agreements with various financial institutions whereby certain receivables are sold on a recourse basis. At September 30, 1981, the Company was contingently liable for approximately $1,369,000 under these agreements. No losses were sustained under these agreements during fiscal years 1981, 1980, or 1979 and the Company believes that since substantially all receivables sold on a recourse basis are collateralized by first marine mortgages, no future material losses will result from these agreements.

ANDERSON, CLAYTON & CO. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10: 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. 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 suit will have no material effect on the Company's financial position or results of operations.

The previously reported suit pertaining to a subsidiary acting as agent in moving a facility for a third party has been settled for an immaterial amount.

The Company recently sold crop loan notes in the amount of $39,869,000 to a bank on which it is contingently liable if such notes are not repaid by growers. The Company has experienced only minimal collection losses on such notes in the past. Over the past three years, the net losses totaled only $162,000 on loans annually reaching a maximum in excess of approximately $40 million.

FMC CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 7: FMC Finance Corporation

Under the terms of an operating agreement between FMC and FMC Finance Corporation, a wholly-owned subsidiary, FMC is obligated to support the earnings of the subsidiary so that its earnings before income taxes and fixed charges (interest expense and rentals) are not less than 1½ times is fixed charges. Such support payments have no effect on consolidated assets or net income of FMC.

Condensed income statement:

	Year ended December 31,		
(Dollars in thousands)	1981	1980	1979
Income:			
Interest and finance charges	$66,445	$53,190	$33,513
Income maintenance from FMC	—	—	1,730
Total income	66,445	53,190	35,243
Expenses and income taxes:			
Interest and other fees paid to FMC	1,794	1,603	1,720
Interest—other	38,793	31,225	19,618
Other expenses	3,816	3,666	3,683
Provision for income taxes	10,071	7,554	4,638
Total expenses and income taxes	54,474	44,048	29,659
Net income	$11,971	$ 9,142	$ 5,584

Condensed balance sheet:

	December 31,	
(Dollars in thousands)	1981	1980
Assets:		
Finance receivables, net (1)	$369,070	$344,337
Other assets	2,546	2,573
Total assets	$371,616	$346,910
Liabilities and stockholders's equity:		
Payable to FMC	$ 11,501	$ 12,631
Short-term notes payable	144,380	123,319
Other liabilities	16,786	13,982
9½% Notes, due 1983	50,000	50,000
Note payable, due 1984, ½% over U.S. Treasury bill rate	25,000	25,000
Note payable to bank, due 1986, floating rate	25,000	25,000
9⅝% Note, due 1985	25,000	25,000
8.70% Subordinated notes, due 1993	15,000	15,000
Stockholders' equity	58,949	56,978
Total liabilities and stockholder's equity	$371,616	$346,910

(1) Including $279.5 million in 1981 and $258.4 million in 1980 from financing products sold by FMC, which represent receivables FMC is obligated to repurchase if payments become delinquent.

FLEETWOOD ENTERPRISES, INC. (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7: Contingent Liabilities

As is customary in the mobile home and recreational vehicle industries, the company is contingently liable at April 26, 1981, under the terms of repurchase agreements with financing institutions providing inventory financing for dealers of the company's products. Although the total contingent liability under these agreements is estimated by the company at approximately $52,000,000, the risk of loss is spread over numerous dealers and financing institutions and is further reduced by the resale value of any products which may be repurchased. Losses under these agreements have not been significant in the past.

PETTIBONE CORPORATION (MAR)

NOTES TO FINANCIAL STATEMENTS

Contingencies

At March 31, 1981, the company was contingently liable to the extent of approximately $4,249,000 ($3,929,000 at March 31, 1980) for accounts receivable discounted.

Government Regulations

ASARCO INCORPORATED (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 9: Contingencies

The U.S. Supreme Court, by denying certiorari in June 1981, let stand a lower court decision upholding the Occupational Safety and Health Administration (OSHA) lead standard. If the OSHA standard is not revised, or if OSHA regulations as to application of the lead standard do not take into account limitations of feasibility, serious questions will be raised as to the ability of the lead industry, including Asarco and Federated Metals Corporation, a wholly owned subsidiary, to comply with it. Asarco's United States operations are affected by a number of federal, state and local environmental regulations, including air quality control standards limiting lead, sulfur dioxide and other emissions, and related regulatory proceedings.

EXXON CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 9 (in part): Litigation

Prior to January 28, 1981, Exxon's United States petroleum operations were subject to Department of Energy (DOE) regulations and, while these regulations are no longer in force, Exxon continues to be subject to audit by the DOE. The DOE has issued Notices of Probable Violation or filed lawsuits alleging that, in various periods since September 1973, Exxon priced certain crude oil, natural gas liquids, and refined petroleum products in excess of levels permitted by DOE regulations. In its announcements concerning these Notices of Probable Violation and related litigation, the DOE has indicated that the total amount of the alleged overpricing is approximately $1,317 million. Since some of the alleged overpricing relates to activities which continued beyond the periods covered by the allegations, cumulative amounts may be higher than those stated in the allegations. Some of the regulations were vague and ambiguous and in many cases the DOE sought to apply them on a retroactive basis. Exxon has attempted in good faith to comply with these regulations and believes it correctly applied them. The corporation continues to defend its position in these matters.

LEAR SIEGLER, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 1981, 1980 and 1979

Note 4 (in part): Commitments and Contingencies

Future development of certain real estate investments is dependent upon several factors, including approval of a change in the use classification of the land by a local government agency, which, if obtained, will require an additional $9,900,000 investment.

UNITED STATES STEEL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15: Environmental and Safety Matters

Many uncertainties continue to exist concerning the capital requirements of and operating costs associated with various laws relating to the environment and safety. In some instances, regulations still have not been issued, performance standards have not been established and equipment requirements have not been defined. In 1980 and 1981 the Corporation entered into agreements with agencies which helped resolve many of these uncertainties with respect to the facilities covered.

Predictions beyond 1981 can only be broad-based estimates by the Corporation, in many cases without any detailed engineering or other documentary support. Such estimates indicate probable additional expenditure authorizations for bringing into compliance with the above-mentioned legislative requirements those existing facilities which are currently expected to be economically operational ranging from $.7 billion to $1.2 billion through 1986 (in 1981 dollars, and includes capitalization of own engineering and interest costs). These estimates assume (a) only minor changes in operating procedures, (b) no process changes and (c) compliance by all Corporation facilities with such environmental and safety laws and regulations, as presently enforced. The economics of the required investment may dictate that certain facilities be closed instead of modified to comply with the requirements. The substantial sums required for these non-income generating expenditures will restrict the ability of the Corporation to continue to modernize and expand its facilities. To preclude a negative impact upon the Corporation's earnings in future years, unless there is a substantial increase in productivity, the costs associated with compliance with all these regulations will have to be recovered through cost-covering price increases, market conditions permitting.

The outcome of pending negotiations and potential administrative and judicial proceedings, as well as future legislative and regulatory changes, will be significant factors in determining the specific amount of expenditures required for this purpose and the periods of time for achieving legislatively established goals. Federal laws and regulations provide for the assessment of substantial civil penalties for noncompliance with environmental requirements under specified circumstances. It is not possible at this time to estimate the specific amount of such penalties that might be assessed against U.S. Steel or the outcome of any pending or future proceeding in which penalties are sought. However, it is not anticipated that the outcome of such proceedings should result in a material adverse effect on U.S. Steel's consolidated financial position. Settlements on a number of proceedings against U.S. Steel involving air and water pollution matters have permitted U.S. Steel to offset penalties assessed against the cost of facilities to be constructed in the future.

Repayment of Investment Grant

CENTRONICS DATA COMPUTER CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 28, 1981 and June 30, 1980 and 1979

Note 10 (in part): Commitments and Contingencies

Contingency

Through June 28, 1981, the Company's wholly-owned manufacturing subsidiary operating in Ireland has received approximately $2,600,000 of capital grants from the Irish Industrial Development Authority which have been used to reduce the cost of buildings and equipment purchased. The Company is contingently liable to repay a declining portion of the grants (approximately $2,500,000 at June 28, 1981) if certain circumstances arise within ten years of receipt of the grants in 1977.

At June 28, 1981, the Company has approximately $2,500,000 in open letters of credit to meet purchase commitments to foreign vendors.

Letter of Credit

DRAVO CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Commitments and Contingent Liabilities (in part)

Gibbs & Hill, Inc., a wholly owned subsidiary, has a minority interest in an Iranian-registered affiliate which has performed engineering design and construction management services for the installation of electric transmission lines and substations in Iran. Receivables due from the affiliate total $3.4 million. Negotiations are in process between the affiliate's Iranian nationals and the government of Iran for payment for the work performed. In addition to the receivables, Gibbs & Hill has a contingent liability under letters of credit issued by a United States bank for $2.3 million. Late in December, 1981, Gibbs & Hill was advised that an Iranian bank had attempted a drawdown under these letters of credit. Gibbs & Hill subsequently obtained a temporary restraining order in the New York State courts prohibiting any such drawdown of funds pending a hearing on a motion for a preliminary injunction. Additionally, a special license was obtained from the U.S. Treasury Department authorizing establishment of a blocked account on Gibbs & Hill's books in favor of the Iranian bank in the event the injunction action proves unsuccessful and the bank fails to withdraw its drawndown demands. Gibbs & Hill has also filed a claim against Iranian Government agencies before the Iran-United States Claims Tribunal which encompasses the above-mentioned receivables and asks for cancellation of the letters of credit.

Severance Pay Liability

BUCKBEE-MEARS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (in part): Commitments and Contingencies

The Company has a contract with one of its unions which calls for the payment of severance pay in the event that the employment level drops below two hundred. The employment level in this union was 220 and 240, respectively, at December 31, 1981 and 1980. In the event that the plant were completely shut down, the potential severance liability would be $1,800,000. There are no current plans that would cause a triggering of this clause but it is possible that a reduction in workforce due to economic conditions, or poor financial performance, could result in a portion of the liability becoming due.

On September 1, 1981, a subsidiary of the Company acquired substantially all of the assets of Electronics Stamping Corporation, a California manufacturer of precision metal stampings and proprietary connector components. The acquisition, accounted for as a purchase, was made for cash, notes payable, and an agreement to make future payments through 1992, contingent upon sales of some of the acquired products. Future contingent payments are limited to $2,500,000 by the agreement. Included in assets acquired were patents valued at $3,140,000. Contingent payments will be recorded as additional cost of assets acquired and amortized over the appropriate lives. The acquisition would not have had a material effect on results of the Company in 1979, 1980 or 1981.

Unasserted Claims

AEL INDUSTRIES, INC. (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12: Contingencies

In April, 1980 the Company was advised by representatives of the U.S. Defense Contract Audit Agency that during a routine audit of a price proposal for a contract in progress in the Company's EMTECH Division, certain procedures were observed which suggest possible deficiencies in the division's labor accounting records. Price negotiations on fixed-price contracts are sometimes based, in part, on labor accounting information supplied by the contractor and deficiencies in such information may entitle the government to an appropriate recovery. Although no formal claim has been asserted against the Company, the Company believes, based on its review of the matter, that to the extent any contract price adjustments are required, such adjustments will not have a material adverse effect on the Company's consolidated financial position, but could be material in relation to the earnings of any future period in which any such adjustments were to occur. The Company has determined that the possible deficiencies in its labor accounting procedures were not material to previously issued consolidated financial statements. Since the amount of any future contract price adjustments (and related statutory liability, if any) cannot be determined, no provision for any liability that may occur has been recorded in the accompanying financial statements. Because the government has neither disclosed the results of its investigation into this matter (which may not be complete) nor asserted any claim, the Company cannot predict whether litigation is likely to result or when final resolution of the matter is likely to occur.

CROWN CENTRAL PETROLEUM CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note K (in part): Contingencies

The Company's foreign crude oil purchase contract was canceled in the third quarter of 1981 because agreement could not be reached on prices satisfactory to both parties. Accordingly, the Company has made adequate provision for possible claims in connection with the termination of the contract in costs and operating expenses during 1981. In the opinion of management, any liability relative to the terminated contract will not exceed the allowance provided and the Company is actively seeking to minimize and potential claims.

GAIN CONTINGENCIES

Operating Loss or Investment Credit Carryforwards

AMERICAN BILTRITE INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note J—Federal and State Income Taxes

The provision (credit) for federal and state income taxes consists of the following:

	1981	1980	1979
	(Dollars in thousands)		
Current:			
Federal	$(662)	$369	$1,360
Foreign	782	525	656
State			172
Deferred:			
Foreign	(120)	84	181
	$ —	$978	$2,369

The provision (credit) for income taxes is exclusive of amounts charged directly to discontinued operations (see Note B).

In 1981, the credit for federal income taxes from continuing operations reflects the tax benefit recognized as a reduction of income taxes provided on the earnings from discontinued operations.

The loss for 1980 did not result in a recovery of federal income taxes because the Company had available net operating loss carryforwards. The difference between the provision for income taxes at the federal statutory rate and that shown in the consolidated statement of operations for 1979 is due to the effect of state and foreign income taxes.

The current provision in 1979 includes charges in lieu of income taxes of $1,687,000 representing income taxes which would have been required in the absence of a net operating loss carryforward.

The federal income tax returns of the Company are settled (subject to Joint Committee review) through December 31, 1978. Refunds of approximately $370,000, due largely to the carryback of foreign and investment tax credits, are due the Company. A portion ($189,000 in 1981, $369,000 in 1980) of previously recorded refundable taxes will not be recovered from prior years due to an Internal Revenue Agent's adjustments. These amounts have been charged to the provision for federal income taxes in 1981 and 1980, respectively.

The Company has net operating loss, investment tax credit, and foreign tax credit carryforwards at December 31, 1981, as follows:

(Dollars in thousands)

Expiration Date	Net Operating Loss	Investment Tax Credit	Foreign Tax Credit
1983			$ 92
1984			167
1985			132
1986			229
1987		$ 34	
1988		69	
1989		96	
1990		211	
1991		475	
1994	$ 368		
1996 and thereafter	13,432		
	$13,800	$885	$620

The amount shown for net operating loss excludes approximately $4,900,000, the tax effect of which was used for financial reporting purposes to reduce the deferred income tax liability.

BURROUGHS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16 (in part): Estimated Income Taxes

Cumulative undistributed earnings of International subsidiaries, for which no additional United States and foreign taxes have been provided, approximated $289 million at the end of 1981. The additional taxes payable if foreign earnings were distributed would be at a rate less than the United States income tax rate since taxes already paid in other countries would be credited against such United States income tax. Cumulative undistributed DISC earnings, for which no United States taxes have been provided, approximated $50 million at the end of 1981.

At December 31, 1981, net operating loss carryforwards of certain International subsidiaries amounted to $77 million. Of this amount, $28.9 million may be carried toward indefinitely and the remainder expires as follows: 1982, $1.0 million; 1983, $1.3 million; 1984, $2.7 million; 1985, $11.3 million; 1986, $21.7 million; thereafter, $10.1 million.

The Internal Revenue Service has completed its examination of the Company's income tax returns for the years 1974-1976 and has commenced its examination of the Company's returns for the years 1977-1979. The Company has received a notice of deficiency for the years 1974-1976. Based upon the opinion of tax counsel, it is the judgment of management that adequate provisions for income taxes have been made, and that final settlement with the Internal Revenue Service will not require a material adjustment, if any, to the consolidated financial statements.

THE CLEVELAND-CLIFFS IRON COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note F (in part): Income Taxes

Components of Income Before Income Taxes:

	(In Millions) 1981	1980	1979
Domestic	$59.3	$66.6	$61.3
Foreign	3.8	6.2	5.0
	$63.1	$72.8	$66.3

Components of Provision For Income Taxes:

	(In Millions) 1981	1980	1979
Current, including $1.0 million (1980-$2.1 million; 1979-$1.9 million) of foreign taxes	$ 5.4	$ 3.6	$ 2.7
Deferred	7.0	14.0	8.6
Deferred investment tax credit, excluding $1.9 million sale of tax benefits, and net of $1.4 million amortization (1980-$2.1 million; 1979-$1.4 million)	5.5	5.0	7.9
	$17.9	$22.6	$19.2*

*Includes a $1.9 million credit resulting from a favorable foreign tax ruling recorded in March 1979.

At December 31, 1981, there are investment tax credit carryovers of $14.6 million of which $12.7 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: 1993—$1.9 million, 1994—$7.9 million, 1995—$2.3 million and 1996—$2.5 million.

CLEVELAND CALENDERING & COATING CORP. (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note K—Income Taxes

At April 30, 1981, the Company had net operating loss carryforwards of approximately $4,160,000 and investment tax credit carryovers of approximately $60,000 available to be applied against future taxable income and tax liabilities, if any. The amounts expire as follows:

Expiration Year Ending	Net Operating Loss Carryforwards	Investment Tax Credit Carryovers
1982		$ 3,000
1983	$1,710,000	3,000
1984	340,000	5,000
1985	850,000	14,000
1986	635,000	27,000
1987	385,000	5,000
1988	240,000	3,000

ICOT CORPORATION (JUL)

NOTES TO FINANCIAL STATEMENTS

Note G—Income Taxes

As of July 31, 1981, the Company has a net operating loss carryover for Federal income tax purposes of approximately $9,883,000. If not offset against taxable income, $87,000 of the net operating loss will expire in 1991, $9,505,000 will expire in 1994 and $291,000 will expire in 1996. In addition to the loss carryovers as of July 31, 1981, the Company has deferred approximately $203,000 of product development costs for Federal tax purposes. These costs are being amortized over five years and will reduce taxable income as follows: 1982—$194,000, 1983—$9,000. Certain other costs approximating $1,612,000 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 $558,000 are available to reduce future Federal income taxes. If not used the credits will expire as follows: 1989—$30,000; 1990—$57,000; 1991—$39,000; 1992—$36,000; 1993—$223,000; 1994—$147,000; 1995—$6,000; and 1996—$20,000. These tax credits 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 1981 and 1980 consist of the following:

	1981	1980
Federal income tax charge equivalent to tax benefit of loss carryovers	$386,000	$130,000
State income taxes:		
Currently payable	20,000	51,000
Deferred	—	(16,000)
	$406,000	$165,000

The reasons for the difference between total tax expense and the amount computed by applying the statutory Federal income tax rate of 46% to income before income taxes and extraordinary credit are as follows:

	1981	1980
46% of pretax income	$413,000	$156,000
Plus State income taxes, net of Federal tax benefit	11,000	21,000
Other items	(18,000)	(12,000)
	$406,000	$165,000

Plaintiff Litigation

BURLINGTON INDUSTRIES, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note I (in part): Leases, Other Commitments and Contingencies

In 1981, an award of approximately $21,000,000 was approved by a federal district court in favor of the company in anti-trust litigation. Recognition of the award has been deferred pending resolution of certain issues on appeal which could affect the ultimate amount recovered by the company.

LITTON INDUSTRIES, INC. (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note L (in part): Litigation and Contingencies

In June 1981, following a jury trial in the U.S. District Court for the Southern District of New York, a judgment in the amount of $276,774,729 was entered in favor of the Company and several of its subsidiaries against American Telephone and Telegraph Company and various affiliates and subsidiaries thereof. The suit sought relief under the Federal antitrust laws for business injury resulting from defendants' actual and attempted monopolization of trade in providing PBX and key telephone equipment. The Company expects the defendants to appeal the judgment and cannot predict when the appellate proceedings will be concluded. Any recovery will be recorded when received.

ZENITH RADIO CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 10—Litigation

In 1974, Zenith filed a lawsuit against certain major Japanese television and electronics manufacturers and their Japanese and U.S. sales subsidiaries and a domestic manufacturer, alleging violations of U.S. antitrust laws and the U.S. Antidumping Act of 1916 in that the Japanese defendants organized to develop and employ their joint economic power to launch a predatory invasion and seizure of the U.S. Market in each consumer electronics product category. The complaint further alleges that this conspiracy consisted of a concerted scheme to fix and maintain high prices in the Japanese home market and to fix and maintain artificially low prices of consumer electronics products exported to the United States. In February 1977, Zenith filed a supplemental complaint adding additional defendants. The lawsuit seeks injunctive relief and damages in excess of $300 million, to be trebled as provided by law. During 1981 the antitrust lawsuit against Japanese television manufacturers and others was dismissed without trial. The dismissal is being appealed by the Company, and the appeal has been consolidated with an earlier pending appeal concerning claims under the U.S. Antidumping Act of 1916.

Certain Japanese defendants in Zenith's antidumping and antitrust action have filed counterclaims against Zenith alleging violations of antitrust laws and seeking treble damages in an unspecified amount. One defendant has also filed a counterclaim against Zenith alleging violation of the Lanham Act and seeking damages in an unspecified amount for alleged diversion of television sales. The Company's management is of the opinion that the counterclaims are without merit and will result in no adverse impact on the Company's financial position.

Contingent Consideration

ACF INDUSTRIES INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7—Marketable Securities

In June 1981, the Company acquired at a cost of $6,044,000, a 5% interest in Ladish Co., a Milwaukee-based producer of forgings and fittings for the aerospace, oilfield equipment, and other industries. Ladish in turn was acquired by Armco Inc. in October 1981, and the Company received in exchange for its Ladish holdings 365,970 shares of Armco common stock with a market value of $9,881,000. This exchange resulted in a fourth quarter pre-tax gain of $3,837,000.

Under the merger agreement between Armco and Ladish, the Company may be entitled to additional shares of Armco stock, depending on the market performance of Armco stock during the period October 1981 to October 1982. The maximum additional Armco shares the Company may receive in 1982 under this agreement is approximately 93,000.

COMMITMENTS

Obligations to Maintain Working Capital or Restrict Dividends

ALUMINUM COMPANY OF AMERICA (DEC)

NOTES TO FINANCIAL STATEMENTS

(In millions, except share amounts)

Note G: Dividend Restrictions

The provisions of certain lending agreements contain, among other things, restrictions pertaining to the maintenance of working capital. At December 31, 1981, working capital exceeded the minimum requirement by $450.4.

Provisions of Alcoa of Australia's (AA) loan agreements require it to maintain a debt to equity ratio of not more than 1.5 to 1. At December 31, 1981, $66.9 of Alcoa's share of undistributed earnings of AA could be remitted as cash dividends without exceeding the required ratio.

Provisions of Alcoa Aluminio's loan agreements prohibit the payment of dividends by them until December 31, 1984, or if later, until completion of the construction project. Alcoa's share of undistributed earnings of Alcoa Aluminio were $39.7 at December 31, 1981.

BURLINGTON INDUSTRIES, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note E (in part): Long-term Debt

The long-term debt agreements contain various restrictions and conditions. At October 3, 1981, under the most restrictive of these, working capital exceeded requirements by $198,000,000 and the company could issue additional long-term debt (exclusive of subordinated debt) of $325,000,000. Also, $324,000,000 of retained earnings was free of restrictions on dividend payments.

HANDY & HARMAN (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (in part): Cash, Notes Payable, Interest, and Restrictions

Under the most restrictive provisions of the Company's loan agreements, $17,089,000 of consolidated retained earnings are unrestricted at December 31, 1981, as to the declaration of cash dividends and the acquisition of capital stock of the Company. The agreements limit total liabilities and long-term liabilities to $413,795,000 and $125,927,000, respectively, and require the maintenance of minimum working capital of $50,000,000, all as determined by formula. Additionally, the agreements require the maintenance of minimum tangible net worth of $85,000,000. At December 31, 1981, the consolidated totals were: Total liabilities—$211,426,000; long-term liabilities—$56,729,000; working capital—$89,545,000; and tangible net worth—$123,725,000.

IPCO CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (in part): Long-Term Debt

The Company must comply with various restrictive covenants contained in the loan agreements relating to working capital, cash flow, capital expenditures, lease commitments, debt limits and the payments of cash dividends. Under the most restrictive of these covenants, the aggregate amount available as of June 30, 1981, for payment of cash dividends, distributions, acquisitions or investments is $787,000. Subject to the above restrictions, the Board of Directors will determine the payment, if any, of future dividends or distributions, in light of conditions then existing, including the Company's earnings, financial condition and requirements, opportunities for reinvesting earnings, business conditions and other factors.

M. LOWENSTEIN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (in part): Long-Term Debt and Dividend Restrictions

The notes payable to insurance companies bear interest at an average annual rate of 7.92% and are payable in annual installments of $2,500,000 to 1992 and $12,500,000 on December 1, 1993.

The Company is required to redeem $2,500,000 principal amount of its 8½% Sinking Fund Debentures Due 1996 on March 1 of each year to 1996. The 8½% debentures held in treasury may be used for redemption purposes.

The debt agreements contain, among other things, provisions regarding maintenance of working capital, and restrictions on cash dividend payments and capital stock purchases. Under the most restrictive of these provisions approximately $19,119,000 of consolidated retained earnings at December 26, 1981 were available for payment of cash dividends.

An agreement among the Company, one of its subsidiaries and a minority shareholder thereof contains, among other things, limitations on the subsidiary's payment of dividends, based on its earnings, except under certain conditions. Under the most restrictive of these provisions, dividends paid to date in 1982 are the maximum payable for the balance of the year without the consent of all of the subsidiary's directors.

PORTEC, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (in part): Long-Term Debt

Under the most restrictive provisions of debt outstanding at December 31, 1981 (a) the Company shall not permit the ratio of its consolidated total liabilities, as defined, to its consolidated tangible net worth to exceed 1.5:1, (b) the Company's consolidated working capital shall be at least $30,000,000 and the ratio of consolidated current assets to consolidated current liabilities shall be at least 2:1, (c) restricted investments and distributions, as defined, and which include payment of cash dividends, shall not exceed, on a cumulative basis, $4,000,000 plus 75% of consolidated net income after December 31, 1977, (d) the Company shall not incur certain types of funded debt, as defined, which in the aggregate exceeds 40% of consolidated net tangible assets, as defined, or 10% of consolidated tangible net worth, as defined, and (e) the Company will not permit the present value of all employee benefits vested under all pension plans maintained by the Company and its subsidiaries to exceed the present value of the assets allocable to such vested benefits by an amount greater than $5,000,000 in the aggregate. Under the most restrictive provisions of debt outstanding at December 31, 1981, retained earnings of $12,563,000 were free of restrictions.

Capital Expenditures

ALBERTSON'S, INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Leases and Commitments (in part)

At January 28, 1982, the Company was committed under contracts and purchase orders for approximately $27,500,000 for property held for resale and for land, buildings and equipment.

ANHEUSER-BUSCH COMPANIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (in part): Commitments and Contingencies

In connection with the plant expansion and improvement program, the company has commitments for capital expenditures of approximately $98.0 million at December 31, 1981.

AVON PRODUCTS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Commitments (in part)

Various construction programs were in progress at December 31, 1981, with an estimated additional cost to complete of $80 million.

CRANE CO. (DEC)

FINANCIAL REVIEW

Long- and Short-Term Financing (in part)

A capital expenditure in excess of $140,000,000 is planned to modernize and expand CF&I Steel Corporation's capacity to produce oil country tubular products. Most of the spending will occur in 1982 and 1983 and will be partially funded by CF&I's revolving credit agreement for $70,000,000 entered into in January, 1981.

JWT GROUP, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (in part): Commitments

Capital Expenditures

Commitments for the purchase of major capital additions to the Company's headquarters in New York amounted to approximately $11,000,000 at December 31, 1981.

NATIONAL GYPSUM COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Leases and Commitments (in part)

The Company had uncompleted appropriations for property, plant and equipment amounting to $48,000,000 and $105,000,000 at December 31, 1981 and 1980, respectively.

SCOTT PAPER COMPANY (DEC)

NOTES

Capital Expenditures

(Thousands)	1981	1980
Plant	$298,902	$235,109
Timber resources	22,197	17,323
	$321,099	$252,432

The unexpended appropriations for capital additions at December 26, 1981 were approximately $296,000,000 compared with $163,000,000 at the end of 1980.

Expenditures for renewals and betterments which increase the useful life or capacity of plant assets are capitalized. Expenditures for repairs and maintenance are charged to income.

STAUFFER CHEMICAL COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Commitments

Unexpended appropriations for the construction of additional facilities approximated $91,000,000 at December 31, 1981. Portions of these appropriations are covered by firm commitments.

TOSCO CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 18 (in part): Commitments and Contingencies

As of December 31, 1981, Tosco has committed to spend $21,746,000 for supply, refining and marketing projects now under construction.

Unconditional Purchase Contracts

GULF OIL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 6 (in part): Commitments

A subsidiary of the Company has an interest in a partnership which is constructing and will own and operate a fluid catalytic cracking unit and associated facilities in the United Kingdom. Construction costs are being funded as incurred through financing arrangements made by the partnership. Total costs of constructing this unit, expected to be completed in mid-1982, are estimated at $950 million. The subsidiary has agreed to advance 35 percent of any funds required to complete the unit.

The Company has contractual commitments to certain companies in which it has equity interests, including the partnership described above, to provide minimum shipping or processing revenues or advance funds which can be applied against future charges. Total payments for normal shipping and processing charges under such arrangements for 1981 were $141 million. Approximate maximum obligations under these agreements in the years 1982 through 1986 are $121, $125, $148, $108 and $79 million, respectively. The present value of all future maximum obligations under these contracts is $820 million.

The Company has contractual commitments in the ordinary course of business for the acquisition or construction of properties and for the purchase of materials, supplies and services. These commitments are not considered significant in relation to the net assets of the Company.

ESMARK, INC. (OCT)

FINANCIAL COMMENTS

Estech, Inc. ("Estech") has two take-or-pay contracts with a major chemical company whereby Estech is obligated to purchase a minimum of 135,000 tons per year of phosphate chemical products. Estech has the option to make reduced alternate payments instead of accepting delivery on these products. In 1981, 1980 and 1979, Estech purchased amounts of phosphate chemical products that approximated the minimum required by the contracts; no alternate payments have been made to date.

The take-or-pay contracts began in 1975 and extend until 1987. Alternate payments are set using a base price which is escalated for certain supplier costs. Future alternate payments under the take-or-pay contracts, which are not recorded as liabilities, are estimated to be (in millions):

1982	$ 8.1
1983	7.6
1984	8.1
1985	8.6
1986	9.2
1987	9.8
Total	$51.4

INLAND STEEL COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (in part): Commitments and Contingent Liabilities

The Company is a participant in two iron ore mining and pelletizing ventures which have incurred long-term debt in connection with the development or expansion of their respective facilities. The Company has obligations under the terms of the various debt agreements to guarantee payment of principal and interest.

The Company's share of the principal payments of the Wabush Mine joint venture will approximate $1,000,000 annually over the next 10 years. The Company's share of the long-term debt of Empire Iron Mining Partnership (which is limited to 40%) will require principal payments of approximately $7,600,000 annually from 1982 through 1996. In December 1981, McLouth Steel Corporation, one of the Company's partners in Empire, filed a petition for reorganization under the Federal bankruptcy laws. This could possibly adversely affect the operations of the mine. In addition, under the partnership financing agreements, unless by December 8, 1982 curative action is taken with respect to the McLouth bankruptcy, either the entire Empire long-term debt of $264.5 million could be restructured or may fall due.

Contracts continue in effect for transportation on the Great Lakes of a portion of the Company's iron ore pellet and limestone requirements for the years 1982 through 1986 at specified rates per ton, subject to formula-controlled escalation. Required minimum payments under these agreements will approximate $9,300,000 annually in 1982 and 1983, and $1,400,000 for the years 1984 through 1986.

THE QUAKER OATS COMPANY (JUN)

NOTES TO FINANCIAL STATEMENTS

Note 15: Long-Term Unconditional Purchase Obligations

The Company is obligated under various contracts to purchase specified goods and services. The contracts expire or become cancellable from 1983 through 1996. The aggregate amount of future required payments at June 30, 1981 is as follows:

Millions of Dollars	1982	1983	1984	1985	1986	Later	Total
Total payments.......	$13.6	$14.0	$15.1	$16.3	$17.3	$7.2	$83.5

STANDARD OIL COMPANY OF CALIFORNIA (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16: Long-Term Purchase Obligations

The Company has long-term, essentially noncancellable, agreements requiring fixed or minimum payments, for the acquisition of equipment, supplies and services, that were negotiated to assist the Company's suppliers in arranging financing for facilities to provide the goods and services. The Company made payments under these agreements of $14 in 1981, and its obligations for fixed or minimum payments in future years are as follows:

	($ Millions)
1982	$ 20
1983	19
1984	11
1985	15
1986	15
1987-1994	93
Total	$173

STANDARD OIL COMPANY (INDIANA)

NOTES TO FINANCIAL STATEMENTS

Note 22: Other Contingencies

At December 31, 1981, contingent liabilities of the company included guarantees of $52 million in outstanding loans of others compared to $58 million at December 31, 1980. The company also has entered into various working capital maintenance agreements and other indirect guarantees with affiliated companies. These agreements supported an estimated $270 million and $240 million of affiliated company borrowings at December 31, 1981, and December 31, 1980, respectively. No significant losses are anticipated from these obligations.

The company has contracted on a take-or-pay basis to purchase certain quantities of materials used in oil and gas producing activities beginning in 1984. The contracted quantities are not in excess of anticipated requirements and will be acquired at prevailing market prices at the time of shipment. The company's minimum obligations under the contract are shown below.

	Minimum Payments (millions of dollars)
1984	$ 7
1985	13
1986	13
After 1986	99
Total	$132
Total at present value	$ 48

Other Purchase Contracts

CMI CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 11 (in part): Commitments and Contingent Liabilities

The Company is the defendant in certain legal proceedings involving product warranties and patent infringements arising in the normal course of business. In the opinion of management and counsel, the ultimate disposition of such proceedings will have no material effect on the consolidated financial statements.

At December 31, 1981, the Company was contingently liable to repay certain grants from the Industrial Development Authority of Ireland (IDA) aggregating approximately $2,295,000. Liability to repay the funds expires under the terms of the grant agreement on December 17, 1991. The grants received are included on the balance sheet as a reduction of property, plant, and equipment.

The Company is committed to purchase over the next eighteen months certain machine tools with an aggregate cost of approximately $16,200,000 for which the Company will receive grants from the IDA of approximately $5,500,000 for those assets to be used in Ireland (see Note 7).

In February 1982, the Company entered into a participation agreement under the terms of which the Company will expend a minimum of $8,000,000 in drilling and equipping a number of oil wells in 1982 and 1983.

KAISER STEEL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note P (in part): Commitments and Contingencies

Under the terms of an amended consent decree signed by Kaiser Steel, the U.S. Environment Protection Agency, the U.S. Department of Justice, and a Federal District Court, Kaiser Steel agreed to comply with various emission regulations at the Fontana Works by certain dates. Due to the phase-out of the primary steelmaking facilities, some of the emission control projects will not be completed. The company is attempting to receive permission to operate under a variance until the tinal shutdown, but currently does not have permission to operate beyond December 31, 1982, without incurring penalties.

In 1979, Kaiser Steel contracted to purchase between 250,000 and 1,000,000 long tons of iron ore pellets, at Kaiser Steel's option, annually for the next ten years. Due to reduced operating requirements, Kaiser Steel is not purchasing any tonnage under this contract and will have no use for such tonnage once primary steelmaking ceases. Based on the contract price at December 31, 1981, which is subject to adjustment, the company's potential financial commitment amounts to approximately $59,000,000. The company has paid no penalties as yet and does not believe any significant amounts ultimately will be paid under the contract. Therefore, no provision was made for this obligation in the provision for shutdown of steelmaking facilities.

Sales Agreements

ASARCO INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (in part): Stockholders' Equity

During 1981 Asarco purchased from The Bendix Corporation 6,106,900 Asarco shares owned by Bendix at a cost of approximately $342.0 million including interest equivalents. These shares were purchased under an agreement dated October 29, 1980, which was approved by Asarco stockholders at a special meeting held January 22, 1981.

On July 17, 1981, Asarco sold 2,500,000 shares of its common stock to M.I.M. Holdings Limited (MIM), an associated company in Australia, at $56.50 per share for a total of $141,250,000. Under the Stock Purchase Agreement with MIM, Asarco has undertaken to sell to Australian purchasers within an eighteen-month period from the date of the sale approximately 22 million of its MIM shares. This time period is subject to extension under certain circumstances. The sale of these shares will reduce the Company's ownership in MIM to 44%.

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 $211,000,000 (including $79,000,000 relating to insurance and finance subsidiaries) as of December 31, 1981 and are contingently liable for receivables discounted of approximately $1.3 billion (including $825,000,000 of receivables reflected in the statements of insurance and finance subsidiaries) arising principally from sales of telecommunications equipment to public administrations.

In 1980, American Telephone and Telegraph Company (AT&T) and the Corporation signed an agreement in settlement of prior anti-trust litigation. The agreement provides that AT&T will purchase over a ten-year period up to $2.0 billion in telecommunications products and services from ITT that the Bell System determines to be competitive. AT&T made a deposit of $100,000,000 in 1980, and will make an equal deposit on January 1, 1984. The income effect of this settlement is being recorded when products and services are delivered under the contract.

Repurchase of Company Stock

BECTON, DICKINSON AND COMPANY (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note J—Agreement Related to Certain Shares Outstanding

The Company entered into an agreement with Sun Company, Inc. in May, 1980 in settlement of the litigation instituted by the Company as a result of Sun's purchase in 1978 of 6,485,493 shares of the Company's common stock.

In April, 1981, under the terms of this agreement, Sun made a public offering of debentures which are exchangeable for such shares. Commencing in 1992, Sun may require the Company to purchase the shares underlying those debentures which are not exchanged for shares when called for redemption pursuant to sinking fund provisions. The price to be paid by the Company to Sun for the unexchanged shares will be determined in accordance with a formula, but may not exceed $26,000,000 in any twelve-month period or a cumulative total of $200,000,000 by the end of the twenty-fifth year following the issuance of such debentures. In addition, such price may not exceed $60 per share or an aggregate premium over the market price of $40,000,000.

METPATH INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (in part): Commitments and Contingent Liabilities:

On April 16, 1975, the Company entered into a stock purchase agreement with Paul A. Brown, M.D., Chairman of the Board and Chief Executive Officer of the Company, which provides that during the ten year term of the agreement, Dr. Brown's estate shall have the right to sell to the Company up to 200,000 shares of the Company's common stock owned by Dr. Brown at the time of his death for a per share price equal to the average market price of the common stock for a specified period prior to Dr. Brown's death. The Company is required to maintain insurance on Dr. Brown's life in a face amount equal to $1,000,000 plus $100,000 for each $1 or fraction thereof by which the market price of the common stock on January 1 and July 1 of each year exceeds $10 per share, with a maximum of $5,000,000. The Company's obligation to purchase any shares under the agreement is limited to the number of shares which can be purchased with the proceeds of such insurance.

Employment Contracts

CONCORD FABRICS INC. (AUG)

NOTES TO FINANCIAL STATEMENTS

Note J—Employment Contracts:

The Company's employment contracts with five officers provide for basic annual salaries aggregating $642,000 a year plus additional compensation based on earnings (as defined); the contracts expire at various dates through 1986. Additional compensation earned for the years ended August 30, 1981 and September 2, 1979 aggregated $161,000 and $63,000, respectively; no additional compensation was earned in the year ended August 31, 1980.

GULF RESOURCES & CHEMICAL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 7 (in part): Commitments and Contingent Liabilities:

Severance Benefits Agreements—

In 1981, GRE entered into severance benefits agreements with certain key employees, which obligate the employees to remain in the employ of GRE during any period of a threatened takeover and, in consideration thereof, will provide the employees with specified benefits upon the subsequent severance of their employment if there were to be a change in control of GRE. As of December 31, 1981, the maximum amount that could be required to be paid under these contracts aggregates $13,000,000.

Joint Venture Agreement

INTERNATIONAL MINERALS & CHEMICAL CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Commitments (in part)

IMC and W.R. Grace & Co. have entered into a 50-50 mining joint venture to produce phosphate rock from reserves being contributed to the venture by Grace. IMC made capital contributions of $19 million and $27 million in 1981 and 1980, respectively, and expects to make additional capital contributions of $38 million over the next two years, during which period Grace is expected to contribute additional phosphate rock reserves. The new mine and related facilities are expected to cost approximately $570 million and are expected to be completed late in calendar 1982. The joint venture presently expects to finance a substantial portion of the total project cost through project financing arrangements collateralized by long-term take-or-pay contracts with IMC and Grace, each contract covering 50 percent of the facilities' output. The timing and amount of debt repayments will depend on when mining operations begin and the ultimate amount borrowed. IMC's share of borrowings by this joint venture amounted to $40.0 million at June 30, 1981.

TABLE 1-12: SUBSEQUENT EVENTS

	Number of Companies			
	1981	1980	1979	1978
Debt incurred, reduced or refinanced	47	22	29	17
Business combinations pending or effected	46	36	51	62
Capital stock issued or retired	20	14	4	8
Stock option plans	11	N/C	N/C	N/C
Stock splits or dividends	5	20	12	16
Sale of assets	28	19	19	19
Litigation	18	10	11	7
Other—described	46	24	29	31

N/C—Not Compiled.

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 1981 annual reports on the survey companies.

Examples of subsequent event disclosures follow.

Debt Incurred, Reduced or Refinanced

ACTION INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 27, 1981 and June 30, 1980 and 1979

Note 11: Subsequent Event

On September 16, 1981 the Company executed a $4 million unsecured Revolving Credit and Term Loan Agreement and borrowed that amount from The Union National Bank of Pittsburgh. The Agreement provides for a revolving credit of $4 million on which total principal is due September 30, 1984 subject to the Company's option to convert on that date to a term loan payable in four annual installments to September 30, 1988; for interest payable monthly at an annual rate of ½% above the Bank's prime rate; and during the three years of the revolving credit for a commitment fee of ½% on the average unused portion of the commitment. The Agreement requires the Company to maintain tangible net worth of $10 million and to comply with all covenants and restrictions of the indenture issued in connection with the 11% Senior Sinking Fund Debenture Bonds. At the same time the Agreement was executed, the Company reduced its short-term line of credit with the Bank to $2.5 million.

BUCYRUS-ERIE COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note G (in part): Long-term Debt:

On September 1, 1981 the Company entered into a $120,000,000 revolving credit and term loan agreement with three participating banks. The agreement provides for revolving credit loans to December 31, 1984. On that date, the Company may, at its option, enter into a five year term loan agreement with the lenders to replace the revolving credit loans. Under the terms of the agreement, restrictions are placed on working capital, net worth and debt to equity ratios. The agreement calls for interest on the loans at either ½% (⅝% after September 15, 1983) above the Eurodollar rate or the prime rate (plus ¼% after September 15, 1983) of the lead bank and a fee of ½%, calculated quarterly, of the unused portion of the commitment. Borrowings under the agreement may be prepaid without premium or penalty.

On January 4, 1982, the Company borrowed $65,000,000 under the revolving credit agreement, proceeds of which were used to retire a portion of 13% Promissory Notes issued in conjunction with acquisition of Western Gear Corporation. The remainder of notes issued were retired on the same date and have been classified as a current liability.

CHEMINEER, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended October 2, 1981, October 3, 1980, and September 28, 1979

Note B (in part): Long-Term Debt

Subsequent to October 2, 1981, the Company obtained an additional $2,500,000 of Industrial Development Revenue Bond financing, with interest at 82% of prime. The proceeds were used to repay debt which had been incurred in connection with the renovation of the new Corporate headquarters, including the $800,000 Industrial Development Revenue Bond and the $1,250,000 outstanding under the bank credit agreement.

CMI CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 15: Subsequent Event

On April 2, 1982, the Company entered into a financing agreement with a commercial bank that permits the Company to borrow at any time up to $8,000,000 at the bank's prime rate of interest. Borrowings under the financing agreement mature on April 2, 1984. Among other things, the agreement provides that the proceeds be used to repay certain of its existing indebtedness and that payment of the note be secured by the unlimited guarantee of payment by the Company's wholly-owned subsidiary, CMIOIL Corporation. On April 2, 1982, the Company borrowed $8,000,000 and liquidated the 10½%, $8,000,000 long-term debt with an insurance company.

DAYTON MALLEABLE INC. (AUG)

NOTES TO FINANCIAL STATEMENTS

Long-Term Debt and Credit Arrangements (in part)

Subsequent to year-end, the Company entered into a revolving credit arrangement with three banks aggregating $15 million. Borrowings bear interest at prime or at ½% over the London Interbank Offered Rate (LIBOR). In lieu of any compensating cash balances, a commitment fee of ⅜% will be paid on the unused portion of the credit line.

DURR-FILLAUER MEDICAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1981, 1980, and 1979

Note 12: Subsequent Events

During January of 1982 the Company sold $2,275,000 of Industrial Revenue Bonds. These bonds will be used to construct a data processing center in Montgomery, Alabama and to finance the purchase and expansion of the Columbia, South Carolina building and land which was previously leased. The bonds mature in 1987 and 1988 and carry interest rates of 11½% and 11¾%. Interest is payable each June 1 and December 1. A letter of credit has been obtained to guarantee payment of the bonds. This letter of credit contains negative covenants requiring that the Company maintain certain working capital and net worth levels and restricts dividends and certain other payments as defined.

SCOVILL INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note E (in part): Long-Term Debt—Long-term debt consisted of the following:

	Dec. 27, 1981	Dec. 28, 1980
4.80% Notes due 1990	$ 10,800,000	$ 11,600,000
7¾% Notes due 1998	29,600,000	31,400,000
15% Notes due 1990	27,000,000	27,000,000
Revolving Credit and Term Loan Agreement	6,000,000	36,000,000
Other Bank Debt	20,000,000	—
Sundry indebtedness		
Domestic	746,000	716,000
Foreign	8,579,000	7,668,000
	102,725,000	114,384,000
Obligations under capital leases	19,930,000	22,282,000
	122,655,000	136,666,000
Less portion due within one year classified as current liability	9,458,000	7,395,000
	$113,197,000	$129,271,000

The Company is required to pay the 4.80% notes in annual amounts of $1,200,000 from 1982 through 1990. The Company is required to pay the 7¾% notes in annual amounts of $1,800,000 through 1997 and $800,000 in 1998. The 15% notes are payable in annual amounts of $5,400,000 from 1986 through 1990.

The Revolving Credit and Term Loan Agreement-Amendment No. 3 with domestic banks provides for a maximum borrowing of $100,000,000 bearing interest at a fluctuating rate per annum equal to the prime rate on the effective date of any change. Effective February 4, 1982, the Company refinanced the Revolving Credit and Term Loan Agreement, and entered into a new Credit Agreement with banks which continues to provide for the availability to the Company of maximum borrowings up to $100,000,000 through January 31, 1986. Any borrowings under the new Credit Agreement would bear interest at a rate per annum equal to the prime rate, a domestic fixed rate, or a Eurodollar fixed rate at the Company's option.

SUN COMPANY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16: Subsequent Event

On March 1, 1982, the Company gave notice to the holder of its Floating Rate Note, Series 1, which is payable $167 million annually from 1983 to 1985, that it will prepay $300 million of the Note on March 31, 1982. The amount to be prepaid would have been payable $100 million annually from 1983 to 1985.

TEMTEX INDUSTRIES, INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note C—Notes Payable and Long-Term Debt

At August 31, 1981, the Company was a party to an agreement with a bank which provided for a term loan of $2,500,000 and a line of credit of $7,000,000 through September 30, 1981. Amounts outstanding under the line of credit, $6,800,000 at August 31, 1981, and the term note bear interest at one percent above the bank's commercial prime rate. At August 31, 1980, $4,700,000 was outstanding under the line of credit. The loan agreement contained several covenants, and under the most restrictive of these convenants, no retained earnings were available for the payment of dividends at September 1, 1981.

The loan agreement required that the Company maintain compensating cash balances (which were not legally restricted). Interest is charged each quarter on any deficiencies in the compensating cash balances. Such charges by the bank were approximately $96,000, $112,000 and $97,000 in 1981, 1980, and 1979, respectively, and are included in interest expense.

In addition to the amount outstanding under the line of credit, notes payable to a bank also includes a $171,150 deed of trust note maturing on October 30, 1981. This note bears interest at one percent above the bank's commercial prime rate and is secured by certain real estate.

On October 15, 1981, the Company borrowed from a bank $4,099,477 pursuant to a 15-year term loan agreement. Ninety percent of this loan is guaranteed by the Farmers Home Administration and bears interest at the higher of RepublicBank Dallas prime rate plus .125% or 1.125% over the discount rate on 90-119 day commercial paper as published by the Federal Reserve Board. The remaining ten percent of the loan, which is unguaranteed, bears interest at the higher of 120% of the sum of RepublicBank Dallas prime rate and 1% or 120% of the sum of 2% and the discount rate on 90-119 day commercial paper, as published by the Federal Reserve Board. Interest rates on both portions of the loan are adjusted quarterly. The loan principal is to be repaid in quarterly payments of $68,325 beginning in January 1982 and continuing through 1996.

The proceeds of this borrowing were used to refinance the term loan of $875,000 (including the $500,000 current portion) outstanding at August 31, 1981 and to repay $3,224,477 of short-term borrowings under the bank line of credit. The current portion of the term loan outstanding at August 31, 1981 of $500,000 and $3,224,477 of the short-term line of credit balance which were refinanced, have been reclassified as long-term debt as of August 31, 1981. The current maturities of the amounts borrowed on October 15, 1981 are included in current liabilities.

As a result of the consummation of the loan agreement, the Company is committed to pay approximately $74,000 in fees, representing guarantees and commitment fees each at 1% of the amount guaranteed.

In connection with the refinancing, the Company entered into a new line of credit agreement with a bank effective on October 1, 1981, which replaced the line of credit agreement effective through September 30, 1981. The agreement provides a line of credit of $4,500,000 through January 15, 1982. Amounts outstanding under this line will bear interest at 1% over the bank's commercial prime rate. The loan agreement will require the maintenance of compensating cash balances (not legally restricted) equal to the sum of 10% of the committed amount of the line of credit and 10% of the average amount outstanding under the line of credit. Interest will be charged on any deficiencies in the compensating cash balances at 1% over the bank's commercial prime rate.

Business Combinations

DOYLE DANE BERNBACH INTERNATIONAL INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note M—Subsequent Events

On March 16, 1982, the Registrant consummated its merger of Fletcher/Mayo/Associates, Inc. ("FMA"), an advertising agency, located in St. Joseph, Missouri, specializing in agricultural and industrial advertising, into a wholly-owned subsidiary of the Registrant. Under the terms of the Merger Agreement, the shareholders of FMA received an aggregate of 199,962 shares of the Registrant's common stock. The merger will be accounted for as a pooling of interests in 1982; and accordingly, the consolidated financial statements for prior years will be restated to reflect the accounts of FMA. FMA's fiscal year ends on September 30. Accordingly, the pooled results will combine the Registrant's calendar year amounts with FMA's fiscal year amounts. FMA's fiscal year will be changed, effective January 1, 1982, to coincide with the Registrant's year. FMA's net income for the three months ended December 31, 1981 will be credited to consolidated retained earnings.

The following table summarizes on a pro forma basis, the combined results of operations as through FMA had been merged on January 1, 1979 (in thousands of dollars except per share amounts):

	Year Ended December 31,		
	1979	1980	1981
Commissions and fees.......	$107,122	$148,556	$166,241
Net income..................	$ 9,143	$ 10,913	$ 11,002
Net income per share*......	$1.66	$1.98	$1.92

*Per share computations give effect to the 199,962 shares issued upon consummation of the merger.

GOULD INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note N: Subsequent Event—Business Combination.

On February 17, 1982, pursuant to the Agreement and Plan of Reorganization dated December 14, 1981, the company acquired all of the outstanding shares of American Microsystems, Inc. (AMI) in exchange for 7,591,288 shares of the company's Common Stock. AMI, a Santa Clara, California, based concern, primarily manufactures a broad range of custom and a select line of standard MOS (metal-oxide-silicon)/LSI (large-scale integrated) circuits, microprocessor design aids and test equipment.

The merger is to be accounted for as a pooling of interests. Accordingly, historical financial data presented in future reports will be restated to include the accounts and transactions of AMI. Unaudited proforma Total Assets and Stockholders' Equity of the company on a combined basis are $1,705.3 million and $880.9 million, respectively, at December 31, 1981. Unaudited proforma combined operating data are indicated below (in millions, except per share data):

For the year ended December 31	1981	1980	1979
Net sales................................	$1,982.9	$1,741.1	$1,635.9
Earnings from continuing operations...	94.2	63.5	85.4
Earnings per share of Common Stock from continuing operations...........	2.12	1.48	2.03

Proforma earnings per share of Common Stock from continuing operations is computed by dividing proforma net income less preferred dividends by the average common shares outstanding and Common Stock equivalents.

COLUMBIA PICTURES INDUSTRIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note N—Subsequent Event

Proposed Merger with the Outlet Company: On July 6, 1981, the Company announced an agreement in principle for the merger of The Outlet Company ("Outlet") with a subsidiary of the Company.

Outlet, a public company, is engaged primarily in the business of owning and operating five television and seven radio stations.

Under the terms of the understanding, the Company would acquire all of the outstanding shares of Outlet common and convertible preferred stock in exchange for units which will be comprised of one share of a new $2 voting convertible preferred stock and up to one share of a new $.75 non-voting non-convertible preferred stock, both of which are expected to be publicly traded. The cost of the acquisition, if consummated, will approximate $175 million and will be accounted for as a purchase.

The agreement in principle is subject to a number of conditions, including negotiation of a definitive merger agreement, approval by the boards of directors and stockholders of both companies and approval by the Federal Communications Commission.

LONE STAR INDUSTRIES, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 28: Subsequent Event

In March 1982, the company agreed in principle to purchase from Gulf & Western Industries, Inc. the capital stock of its cement producing subsidiary, Marquette Company, for $60,000,000 face amount of a new series of Lone Star convertible preferred stock. Each $100 face amount of this preferred stock will be convertible into 3.0769 shares of common stock, with one-half of the shares convertible after three years and the balance convertible after five years. The preferred stock will pay a 10% dividend for two years and a 13½% dividend thereafter. Among the liabilities of Marquette expected to be in existence at the time of the acquisition are $85,000,000 in promissory notes to Gulf & Western, which the company has agreed to guarantee, and $100,000,000 of short-term bank borrowings. The promissory notes will mature at the end of 1986 and will be interest-free until January 1, 1984 after which the interest rate will be 2% below prime. The acquisition, which has been approved by the company's board of directors, will be accounted for as a purchase and is subject to the approval and execution of a definitive agreement, receipt of various regulatory approvals and the approval of Gulf & Western's board of directors.

MOUNT VERNON MILLS, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 7: Subsequent Events

On February 9, 1982, the Company acquired the net assets of Knox Woolen Company (Knox) for $4,342,000 in cash. Knox is a manufacturer of fabrics used in the paper-making industry. The acquisition will be accounted for as a purchase and, accordingly, the net assets and operations of Knox will be included in the Company's financial statements beginning in 1982. The total purchase price did not exceed the fair value of the net assets acquired.

The following unaudited pro forma data presents the results of operations of the Company as if Knox had been acquired on January 1, 1979 (in thousands except per share amounts).

	1981	1980	1979
Net sales.....................	$134,193	$139,690	$121,628
Net income...................	$ 5,245	$ 5,769	$ 5,811
Net income per share.......	$ 6.38	$ 7.01	$ 7.06

UNITED STATES STEEL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 23: Acquisition of Marathon Oil

On January 7, 1982 a wholly-owned subsidiary of U.S. Steel purchased 30 million common shares of Marathon Oil Company for $125 per share, using cash and bank debt, as the first step in its planned acquisition of the entire equity of Marathon, an integrated petroleum company. Provided the merger is approved by the holders of 66-2/3% of the outstanding stock of Marathon at a meeting scheduled to be held in March 1982, a U.S. Steel subsidiary will be merged into Marathon, with Marathon thereby becoming a wholly-owned subsidiary of U.S. Steel. In the merger, each share of Marathon's outstanding common stock (excluding shares owned by Marathon, U.S. Steel and its subsidiaries and shares which are the subject of dissenters' rights, if any have been properly exercised) will be converted into the right to receive $100 principal amount of 12-1/2% Guaranteed Notes due 1994. The notes will be issued by a U.S. Steel subsidiary and guaranteed by U.S. Steel. The total acquisition cost of $5.9 to $6.4 billion will be accounted for by the purchase method. U.S. Steel is presently reviewing whether, subsequent to such acquisition of the entire equity of Marathon, Marathon's assets should be partially or wholly transferred to a subsidiary of U.S. Steel in a transaction which constitutes a complete or partial "liquidation" for Federal income tax purposes.

The following unaudited pro forma combined consolidated balance sheet gives effect to the consummation of the above transactions as if they had been consummated on December 31, 1981. The unaudited pro forma adjustments shown below are estimated, based on the best information available at this time. Therefore, subsequent adjustments may be necessary.

	December 31, 1981		Pro forma	
(In millions except Note prices) (Unaudited)	U.S. Steel	Marathon	Adjustments (Decrease)	Combined
Assets:				
Current assets, excluding inventories	$ 4,214	$ 907	$ (1,670)(a)	$ 3,451
Inventories	1,198	576	1,244(b)	3,018
Property, plant & equipment—net	6,676	4,233	2,088-2,518(c)	12,997-13,427
Other assets	1,228	278	—	1,506
Total assets	$13,316	$5,994	$1,662-$2,092	$20,972-$21,402
Liabilities:				
Current liabilities	$ 2,823	$1,475	$ 392(d)	$ 4,690
Long-term debt	2,340	1,368	3,920-4,350(a)	7,628-8,058
Deferred income taxes	732	588	(588)(e)	732
Other liabilities and redeemable preferred stock	1,161	501	—	1,662
Total	7,056	3,932	3,724-4,154	14,712-15,142
Ownership (shareholders' equity)	6,260	2,062	(2,062)(f)	6,260
Total liabilities and ownership	$13,316	$5,994	$1,662-$2,092	$20,972-$21,402

(a) To record U.S. Steel's purchase price of Marathon for $5,922 to $6,352 through issuance of bank debt of $2,100 and Notes of $2,152 to $2,582 (based on an assumed price range of $75-$90 for the Guaranteed Notes) and cash $1,670 less $332 adjustment of Marathon's long-term debt to reflect appropriate current interest rates.

(b) To restate Marathon's last-in, first-out (LIFO) inventory values at approximate current cost.

(c) To allocate to Marathon's property, plant and equipment the remaining excess of purchase price, per (a) above, over Marathon's net assets after giving effect to the other required balance sheet valuation adjustments.

(d) To record estimated tax liability for "recapture" amounts assuming a complete "liquidation" will occur.

(e) To eliminate Marathon's deferred income taxes.

(f) To eliminate Marathon's shareholders' equity.

The following unaudited pro forma data combines the results of operations of U.S. Steel and Marathon as if the above transactions had occurred at the beginning of the period covered. These pro forma financial results do not represent results which would actually have been obtained if the combination had been in effect during the periods covered.

(In Millions, except per share amounts) (Unaudited)	1981	1980
Revenues	$ 23,674	$ 21,163
Income before extraordinary items	842—846	260—264
Net income	842—846	306—310
Primary income per share	9.43—9.48	3.50—3.55

SIGNODE CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 9: Subsequent Event

On March 1, 1982, the Company announced that it had entered into a definitive merger agreement with a private investor group to include Merrill Lynch White Weld Capital Markets Group, J. Thomas Schanck, president and chief executive officer of Signode Corporation, other key members of Signode management, and various financial institutions. The merger agreement is subject to receipt of definitive financing commitments and stockholder approval, and provides that Signode stockholders will receive $53 in cash for each share of common stock. At a special meeting of the board of directors held on February 27, 1982, the directors who will not participate in the investment group approved the merger agreement.

Sale of Assets

AMERICAN CAN COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

(In millions of dollars except per share amounts)

Note 2 (in part): Business Restructure

On January 4, 1982, the Company announced reaching a preliminary understanding with James River Corporation for the sale of a portion of the Dixie-Northern operations. The proposed sale includes the Company's domestic Dixie, Towel and Tissue and folding carton businesses. The aggregate net book value of these assets is approximately $335. Under the preliminary understanding with James River, the Company would receive approximately $330 in cash, redeemable preferred stock (with a liquidation value of $34) of a James River affiliate exchangeable into James River common stock and 2,880,000 shares of James River common stock. Based upon the value of such common stock on the date of the preliminary understanding ($18.75 per share), the aggregate consideration is approximately $420.

The anticipated gain from the sale would be reduced by costs related to the transaction. Under the terms of the agreement as presently contemplated, the Company would have approximately 21% of the votes represented by the then outstanding James River stock. The understanding is subject to a number of conditions, including James River obtaining suitable financing, negotiation of definitive agreements and requisite corporate and governmental approvals.

AVNET, INC. (JUN)

NOTES TO FINANCIAL STATEMENTS

Note 15: Subsequent Events

On July 22, 1981, Avnet reached an agreement, in principle, to sell to a subsidiary of Noranda Mines, Ltd. the Carol Wire and Cable business for U.S. $110,000,000 cash and U.S. $30,000,000 of 7-year 10% notes. The sale is subject to the parties entering into a definitive agreement, the approval of the respective Boards of Directors and approval of regulatory authorities.

On July 31, 1981, Avnet acquired all the outstanding shares of Loonam Associates, Inc. for $6,275,000 cash, plus an additional amount based on Loonam's next 3-year earnings.

BELDING HEMINWAY COMPANY, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note B (in part):

On February 8, 1982, the Company sold the net assets of its Belding Corticelli Fiberglass Division and certain related assets of a real estate subsidiary to a group of former employees for book value. The proceeds from the sale consist of cash of $3,195,000 and notes receivable totalling $1,015,000. The notes receivable consist of a $715,000 note, bearing interest at the lesser of 15% or as defined in the note receivable, payable in annual installments of $50,000 commencing in March, 1983, with the balance due in March, 1988 and a $300,000 note, bearing interest at 15%, due in August, 1982. The $715,000 note is collateralized by the land and buildings sold.

BRUNSWICK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1981, 1980 and 1979

Note 2: Subsequent Events

On January 25, 1982, Whittaker Corporation announced a tender offer to acquire up to 10.4 million shares of the Company's common stock at $26.50 per share, and $30 million principal amount of the Company's 10% convertible subordinated debentures due in 2006 at $1,234.28 per $1,000 principal amount. Pursuant to the tender offer, Whittaker sought to acquire approximately 49% of the voting power of the Company. Following the cash tender offer, Whittaker indicated it would attempt to acquire the Company's remaining common shares through a merger by exchanging 3/10 share of a new series of preferred stock for each remaining common share of the Company. The preferred stock would be non-voting, callable after the third year at $100 per share, contain no redemption requirements and be a junior security of the new corporation.

On January 27, 1982, the Board of Directors of the Company voted unanimously to recommend to its shareholders that they reject the Whittaker offer. The Board rejected the takeover offer as financially inadequate and began legal action against the tender offer. The Board also directed the Company's investment bankers to explore all alternatives to protect the interests of its shareholders.

On February 10, 1982, Whittaker amended its original offer to increase the consideration to $27.00 per share for 10.4 million common shares, and $1,257.57 per $1,000 principal amount of the 10% debentures. In addition, Whittaker indicated it would seek to acquire each remaining common share of the Company through a merger by exchanging a $30 principal amount of a new issue of 16% subordinated debentures due in 1993. The subordinated debentures would be redeemed through the operation of a sinking fund commencing approximately two years from their issuance. On that date, the Board of Directors unanimously voted to reject Whittaker's revised offer.

On February 11, 1982, the Company announced that an agreement in principle had been reached for American Home Products Corporation (AHP) to acquire the stock of the Medical Group by an exchange of the Company's common shares, to be acquired by AHP in a tender offer, for the Medical Group's stock. On February 16, 1982, AHP and the Company announced the commencement of AHP's tender offer for up to 14,166,666 shares of the Company's common stock at $30 per share.

On February 26, 1982, AHP announced that it had received in excess of 14.2 million common shares of the Company in response to its tender offer. The closing of the disposition of the Medical Group and exchange of shares between the Company and AHP occurred on March 9, 1982. As a result, the Company has reclassified the operations of the Medical Group and certain administrative expenses as discontinued operations for each of the three years in the period ended December 31, 1981 and has separately reflected the net assets of the Group in the consolidated balance sheets as of December 31, 1981 and 1980. This exchange of the Company's shares for the stock of the Medical Group significantly reduces the number of outstanding common shares of the Company.

The condensed results of operations for the discontinued operations for each of the three years in the period ended December 31, 1981 were as follows:

(dollars in millions)	1981	1980	1979
Net sales	$259.7	$244.3	$219.5
Earnings from discontinued operations before income taxes*	$ 39.7	$ 26.8	$ 23.7
Provision for income taxes	15.5	9.0	9.2
Earnings from discontinued operations	$ 24.2	$ 17.8	$ 14.5

*Earnings from discontinued operations before income taxes have been reduced by allocations of the Company's administrative expenses of $8.0 million, $7.0 million and $5.5 million for the years ended December 31, 1981, 1980 and 1979, respectively, since, following the disposition of the Medical Group, the Company intends to reduce such expenses to a level appropriate to its reduced size.

The following unaudited pro forma financial information has been prepared assuming the disposition of the Medical Group to AHP in exchange for 14,166,666 shares of the Company's common stock. The actual gain on the disposition of the stock of the Medical Group and the per share effect on 1982 earnings will differ from the amounts reflected below (and the per share amount will be significantly lower) because the number of the Company's common shares that will be used in the actual per share calculation will be greater than the 9,770,000 shares used for the pro forma calculation and because of changes in the Medical Group's shareholders' equity prior to the actual date of the transaction and possible changes in estimates.

Pro Forma Condensed Consolidated Results of Operations for the Year Ended December 31, 1981 Assuming Tender Offer and Redemption and Exchange had been Effected on January 1, 1981 (unaudited)

(in thousands, except per share data)	Brunswick (historical as restated)	Pro forma adjustments (See Notes)	Pro forma
Net sales	$1,085,198	$ —	$1,085,198
Operating earnings	$ 78,185	$ —	$ 78,185
Earnings from continuing operations before income taxes	$ 62,407	$ (3,406)	$ 59,001
Income tax provision (benefit)	19,867	(1,674)	18,193
Earnings from continuing operations	42,540	(1,732)	40,808
Earnings from discontinued operations	24,217	(24,217)	—
Gain on disposition	—	218,160	218,160
Net earnings	$ 66,757	$192,211	$ 258,968
Adjusted number of common shares used in computation of primary earnings per common share	21,371		9,770
Per common share			
Earnings from continuing operations	$ 1.88		$ 4.18
Earnings from discontinued operations	1.13		—
Gain on disposition	—		22.33
Net earnings	$ 3.01		$ 26.51

Pro Forma Condensed Consolidated Balance Sheet as of December 31, 1981 Assuming Tender Offer and Redemption and Exchange had been Effected on December 31, 1981 (unaudited)

(dollars in thousands)	Brunswick (historical as restated)	Pro forma adjustments (See Notes)	Pro forma
Assets			
Current assets	$ 492,571	$ (11,053)	$ 481,518
Property	256,631	—	256,631
Other assets.............	111,506	—	111,506
Net assets of discontinued operations	174,637	(174,637)	—
Total assets	$1,035,345	$(185,690)	$ 849,655
Liabilities and Shareholders' Equity			
Current liabilities	$ 182,588	$ 21,150	$ 203,738
Long-term debt...........	258,334	(60,000)	198,334
Deferred items...........	50,194	—	50,194
Preferred stock	49,076	(49,076)	—
Liabilities, deferred items and preferred stock................	540,192	(87,926)	452,266
Common shareholders' equity			
Common stock	15,230	4,014	19,244
Additional paid-in capital	78,593	105,062	183,655
Unearned portion of restricted stock issued for future services	(1,644)	—	(1,644)
Retained earnings.....	402,974	218,160	621,134
Cost of common stock in treasury	—	(425,000)	(425,000)
Common shareholders' equity..............	495,153	(97,764)	397,389
Total liabilities and shareholders' equity...........	$1,035,345	$(185,690)	$ 849,655

NOTES TO PRO FORMA FINANCIAL INFORMATION (UNAUDITED)

A. The pro forma financial information assumes the entire $60.0 million of the 10% debentures (which were issued in August, 1981) are converted into common shares at $21.47 per share, or into a total of 2,794,597 common shares and that each of the 1,487,146 shares of preferred stock is converted into 1.72 common shares, or into a total of 2,557,891 common shares. It also assumes that none of the 4½% debentures are converted into common shares.

B. Other pro forma adjustments consist of:

(1) A redemption and exchange of 14,166,666 common shares, with an estimated value of $30 per share for the Medical Group's stock.

(2) The payment by the Company of $10.4 million, in satisfaction of its obligation under the purchase agreement to cause the shareholders' equity of the Medical Group to equal $185 million. The amount of such payment will depend on the shareholders' equity at the closing. Current assets include $12.7 million owed to the Company by the Medical Group. Settlement of such intercompany indebtedness will occur as soon as reasonably possible after the closing.

(3) An accrual of $25.0 million, less income tax benefits of $7.4 million, for costs expected to be incurred in conjunction with the redemption and exchange transaction and certain organization changes.

C. The Company has assumed that it is not required to recognize a gain for tax purposes on the exchange of shares for the stock of the domestic Medical Group. Taxes of $3.5 million have been provided for the estimated liability arising from the disposition of the stock of the Medical Group's foreign entities.

The Company has been advised by Mayer, Brown & Platt, its principal outside counsel, that although there is no exact legal precedent on this subject, there is a proper legal basis for the conclusion that the exchange of common shares acquired by AHP for the stock of the domestic Medical Group constitutes a redemption of shares meeting the requirements of certain sections of the Internal Revenue Code, under which the Company would not be required to recognize a gain on the exchange. Mayer, Brown & Platt has further advised the Company that the Internal Revenue Service may not accept this treatment of the transaction. If it were finally determined that certain sections of the Internal Revenue Code did not apply and the Company were required to recognize all of the gain on the disposition of the stock of the Medical Group, the Company has estimated it would have a tax liability of approximately $65 million.

Under the provisions of Statement of Financial Accounting Standards No. 5, the Company does not intend to accrue this potential tax liability, as it does not consider the likelihood of such additional tax assessment to be probable. As this is a material uncertainty and unless this uncertainty is resolved during 1982, the Company's independent public accountants have indicated that their report on the Company's 1982 consolidated financial statements may be qualified, subject to the resolution of this matter.

D. The pro forma adjustments reflect an additional $5.5 million of interest expense associated with refinancing and adjustments to the interest rates of long-term debt due to The Prudential Insurance Company. The Company is indebted to Prudential under three note agreements, as follows (dollars in thousands):

Note agreement	Annual interest rate	Maturity date	Outstanding principal amount
1975	10½%	7/1/95	$ 43,750
1976	9¾%	7/1/96	46,875
1978	8⁹⁄₁₀%	8/1/98	50,000
			$140,625

Prudential has consented to the agreement between AHP and the Company, subject to the conditions that the Company agrees, prior to the redemption and exchange, to prepay $50.0 million (to be applied ratably to the final maturities of the three note agreements) and that the interest rates under the 1975 and 1976 note agreements be increased to 12⅛% and 10¼%, respectively.

It is the Company's present intention to refinance the prepayment indicated above through the issuance of commercial paper backed by its revolving credit agreement. The Company expects that the commercial paper interest rate will be less than the prime rate.

E. Pro forma earnings per common share are based on the weighted average number of common shares outstanding during the period, adjusted for the common shares issued in the conversions described in A. above, and the redemption and exchange of 14,166,666 shares for the Medical Group's stock.

CHRYSLER CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 3: Subsequent Event—Sale of Chrysler Defense, Inc.

On February 19, 1982, Chrysler and General Dynamics Corporation signed an agreement calling for the sale for cash of 100% of the outstanding capital stock of Chrysler Defense, Inc. ("CDI"), a wholly-owned subsidiary of Chrysler, for $348.5 million, subject to adjustment. Final closing of the sale is expected to occur in March, 1982 and will result in a gain to be recorded during the first quarter of 1982. The sale is contingent upon the satisfactory completion of a number of items including approval by the Chrysler Corporation Loan Guarantee Board and the U.S. Department of Justice. Sales of CDI for the year ended December 31, 1981 were $846.0 million representing sales of combat vehicles and other military equipment and services.

HMW INDUSTRIES, INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13: Event Subsequent to Balance Sheet Date

On April 8, 1982 HMW Industries, Inc. (HMW) and Katy Industries, Inc. (Katy) reached an agreement in principle under which the assets of HMW will be divided so that Katy will receive certain assets in return for substantially all of its shares of common stock of HMW.

Upon successful completion of this transaction, Katy will own assets and assume the liabilities relating to the businesses of Wallace Silversmiths, including HMW's Silver Indexed Bonds, Hamilton Precision Metals and Waldom Electronics. Completion of the transaction is subject to the consummation of a definitive agreement, approval of Katy and HMW boards of directors and lenders, HMW shareholders and regulatory agencies.

Capital Stock Transactions Other Than Business Combinations

AEL INDUSTRIES, INC. (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16 (in part): Subsequent Event

On May 20, 1981, the Company acted to withdraw its Registration Statement under the Securities Act of 1933 for the proposed offering of 750,000 shares of Class A Common Stock and sold 15,000 shares of non-voting 8% Series A Cumulative Preferred Stock to Harte-Hanks Communications, Inc. (Harte-Hanks) for $15,000,000.

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The proceeds from the sale of the preferred stock were used principally to retire outstanding indebtedness under the credit agreement. The pro forma effects assuming the transaction had occurred on February 27, 1981, the date of the accompanying balance sheet, are summarized below:

	Historical	Pro-forma Adjustments	Pro-forma
Total assets	$53,953,846		$53,953,846
Current liabilities	$22,015,979	$(10,805,000)	$11,210,979
Non-current liabilities.......	24,072,190	(4,000,000)	20,072,190
Redeemable preferred stock ...		14,805,000	14,805,000
Common stocks and other shareholders' equity..........	7,865,677		7,865,677
	$53,953,846		$53,953,846

DAN RIVER INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

January 2, 1982, December 27, 1980 and December 29, 1979

Note 9: Subsequent Events and Commitments

a. On January 22, 1982, the Company purchased through an unsolicited offer, 327,400 shares of its common stock at a price of $15.50 per share. These shares are for general corporate purposes. This transaction is not included in these financial statements.

b. Commitments for additions to property, plant and equipment amounted to approximately $20,960,000 at January 2, 1982, $18,857,000 at December 27, 1980 and $16,965,000 at December 29, 1979.

FIRST NATIONAL SUPERMARKETS, INC. (MAR)

NOTES TO FINANCIAL STATEMENTS

Note 14: Subsequent Event

In April, 1981, the Company purchased 452,500 shares of its common stock from the Estate of Julie Kravitz, Deceased for $2,488,750. The shares, representing 12.5% of the outstanding shares prior to the purchase, were subsequently cancelled.

FOREMOST-MCKESSON, INC. (MAR)

FINANCIAL NOTES

Note 2: Subsequent Event

On May 2, 1981, the company acquired 1,551,787 shares, representing 9.6%, of its common stock from Sharon Steel Corporation for $65,175,000 or $42 a share. This represents all of Sharon Steel's holdings in Foremost-McKesson stock.

HAMMERMILL PAPER COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Long-Term Obligations (in part)

In February 1982, $13,354,000 of the 8.07% notes were exchanged for 400,000 shares of newly issued common stock. The transaction resulted in an extraordinary gain of approximately $3,700,000, which will be included in 1982 net income.

LOWE'S COMPANIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Fiscal years ended January 31, 1982, 1981, and 1980

Note 8—Employee Retirement Plans:

In 1957, the company established Lowe's Companies Profit-Sharing Plan and Trust, a qualified noncontributory employee profit-sharing plan, for all employees meeting minimum length of service requirements. The plan provided generally for a contribution of 15% of eligible compensation for participating employees. Contributions were discontinued effective December 31, 1977. Accounts of members in the plan became fully vested at that time, and the trust remains in effect for the benefit of those members. The trust holds approximately 12% of the outstanding shares of the company as of January 31, 1982.

On December 19, 1977, the Board of Directors adopted an Employee Stock Ownership Plan (ESOP) effective January 1, 1978. This plan, like the profit-sharing plan, is a multi-employer plan, and one trust serves the parent and the subsidiaries. The amount contributed to the plan is determined annually by the Board of Directors. The Board authorized a contribution of 12% for Fiscal 1981 and a contribution of 15% for Fiscal 1980 and 1979 of eligible compensation, as defined.

Provisions for payments to the ESOP amounted to $8.932 million, $10.528 million, and $10.226 million, respectively, for the years ended January 31, 1982, 1981, and 1980.

On February 1, 1982, the company issued 466,811 Lowe's common shares to the ESOP with a market value of $12.75 per share, totaling $5.952 million as part of the company's Fiscal 1981 contribution. With these shares the ESOP now holds approximately 14% of the outstanding stock of the company and becomes the largest shareholder.

NORTHWEST INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Acquisition of Common Stock of the Company

The company recently acquired 10 million shares of its common stock principally through two cash tender offers. The first offer expired October 1, 1981 and resulted in the purchase of 5 million shares at $55 per share, net to the seller. The benefit to 1981 earnings per common share from this purchase was $.25. The second offer expired February 10, 1982 and resulted in the purchase of 4.8 million shares at $75 per share, net to the seller. The company subsequently purchased 0.2 million shares in the open market. The 1982 transactions have not been reflected in the accompanying financial statements. If the purchases of the 10 million shares had occurred on January 1, 1981, and if the pretax interest costs on the funds employed were assumed to be 15 percent per year, the 1981 earnings per common share of $9.40 would have increased by $1.65.

THE PILLSBURY COMPANY (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (in part): Financing Commitments:

Sale of stock—on June 2, 1981, subsequent to year-end, the company sold 1.5 million shares of common stock for $60.4 million, net of expenses.

SCOTT PAPER COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Subsequent Events

On January 29, 1982 the Company completed the sale of its new biomass cogeneration facility at its Westbrook, Maine mill for $86,117,000. In addition, in 1981 the Company sold and leased back support equipment for the facility for $5,447,000. The Company will operate the facility under a 25-year contract with the owner and has agreed to purchase all of the facility's steam and electricity under a 25-year contract and to pay for such steam and electricity whether or not they are actually provided. The future minimum payment in each of the next five years is $7,288,000 in 1982 and $7,950,000 in 1983 through 1986 and the balance for the remaining term of the agreement is $159,662,000. At the end of this period, the Company has the option of either renewing the steam and electricity contract or purchasing the facility for its fair market value at that time.

On January 29, 1982 the Company issued 45,000 Series A Preferred Shares in a private placement for an aggregate price of $45,000,000. The rate of dividends on the shares is 13.35% per annum, payable quarterly. The Company is required to make annual sinking fund payments beginning in 1987 until all of the shares are redeemed in 2001. The average term of the shares is 13 years. Due to the mandatory sinking fund payments, the Series A Preferred Shares will be classified as redeemable preferred shares in the Company's financial statements.

SPENCER COMPANIES, INC. (MAY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 17: Subsequent Events—Purchase of Company Common Stock Through Employee Stock Ownership Plan

On August 4, 1981, the Company assigned its right to purchase 269,900 shares of the Company's outstanding common stock (approximately 16%) from Initio Financial, Inc. for $2,917,619 to its Employee Stock Ownership Trust. Accrued interest from August 4, 1980 to the closing date was paid to Initio by the Company.

The Company's Employee Stock Ownership Trust purchased on August 4, 1981 the Initio Financial stock based on a loan of $2,500,000 and a tax deductible contribution of $417,619 from the Company. The loan is to be repaid in 15 years at an interest rate of 10% in semi-annual payments.

For the plan years ending May 29, 1982 and each subsequent year, the Company shall make contributions to the Trust in such amounts as may be determined by its Board of Directors. However, Company contributions for each year shall not be less than the amount required to enable the Trust to discharge its current obligations.

With respect to the 94,800 shares of the 269,900, the Agreement provided for the recovery by the Company of the seller's "profit" pursuant to Section 16(b) of the Securities Exchange Act of 1934. This profit of $461,659, plus interest, was received by the Company.

The Agreements also provided for settlement of pending litigation and other claims between the Company and Initio Financial, Inc. and prohibited the seller from acquiring any additional shares of the Company's common stock for the period of five years. In addition, the Company has paid $50,000 as a reimbursement for legal fees and expenses of the seller.

Litigation

HECLA MINING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (in part): Litigation

Atlas Mining Company filed suit against Hecla in Idaho State District Court in 1980 seeking to define certain of Hecla's extralateral rights in Atlas property. This matter has not been set for trial. On March 5, 1982, the managements of Hecla and Atlas reached a settlement agreement in the litigation between the two companies. The Agreement provides for dismissal of all claims in the pending Idaho District Court action. Under the terms of the agreement, Atlas agrees to sell to Hecla all subsurface rights in the property known as the Atlas North Property, and the lease agreement dated February 11, 1981, between Atlas and Day Mines, Inc. will be terminated. Also under the terms of the agreement, Hecla will enter into a 25-year Mining Lease and Operating Agreement on the Atlas South Property. A final definitive agreement is subject to approval by Atlas and Hecla Boards of Directors and the approval of Atlas shareholders at a special meeting to be called for that purpose.

HUGHES TOOL COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12: Subsequent Events

On January 7, 1982, a United States Court of Appeals issued an opinion holding that certain Hughes Tool patents on the journal bearing drilling bit are valid and on February 22, 1982 denied a motion for re-hearing. This judgment overturns a lower court opinion in favor of Smith International, Inc. in 1979. Pending further appeal and a hearing on damages, no estimate can be made of the amount of damages and royalties which may be awarded to the Company.

On February 15, 1982, the Company completed its purchase for $60,000,000 of substantially all of the assets of two plants from the General Electric Company. These plants manufacture tungstein carbide products, principally cutting structures (referred to in the industry as "compacts" or "inserts") for drilling bits. These plants will be operated as a division of the Company, under the name "Hughes-MPD Division."

PETTIBONE CORPORATION (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contingencies

At March 31, 1981, the company was contingently liable to the extent of approximately $4,249,000 ($3,929,000 at March 31, 1980) for accounts receivable discounted.

Litigation

In May 1976, the Company, its president and others were named as defendants in a suit filed in the Superior Court of California, County of Alameda, by the three former shareholders of Westrac, a corporation acquired by the Company in 1965. The suit seeks compensatory damages of $10,000,000 and punitive damages of $5,000,000 under a clause in the 1965 acquisition agreement. That clause provided for a sharing of proceeds with the plaintiffs in the event the company, in its sole discretion, asserted and was successful in asserting unspecified claims of Westrac arising prior to October 1965. The clause also expressly provided that it became inoperative if no claims were asserted before October 1970, and, in any event, limited the potential sharing to $2,000,000. Plaintiffs seek a share of the 1974 settlement of a lawsuit filed by the Company in 1972, and seek to avoid such five-year and $2,000,000 limitations by alleging fraudulent and unconscionable conduct. The claim has recently proceeded to trial and on May 14, 1981, the Superior Court of the State of California, County of Alameda, entered rulings favorable to the Company that plaintiffs are not entitled to the imposition of a constructive trust and that the five year limitation in the acquisition agreement is enforceable. The parties are submitting proposed findings of fact and conclusions of law and are awaiting further rulings of the Court.

In the opinion of management and its independent counsel the case is without merit. The Company continues to vigorously defend this lawsuit.

The Company is subject to various other claims and lawsuits, including product liability claims, which arise in the ordinary course of business. After consulting with counsel representing the Company in connection with such claims and lawsuits, it is the opinion of management that the disposition or ultimate determination of such claims and lawsuits will not have a material effect on the consolidated financial position of the Company.

Purchase of Asset

ANALOGIC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended July 31, 1981, 1980 and 1979

Note 11: Subsequent Event:

In September 1981, the Company purchased a parcel of land on which it intends to construct operating facilities. The estimated cost of the initial facility (including land and related site development costs) is $15,000,000. A portion will be financed with government funds and the balance from available cash and/or conventional financing.

THE DOW CHEMICAL COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note A (in part): Subsequent Events

Maligne Resources Limited, a wholly-owned subsidiary of Dow Chemical Canada Inc., has agreed to purchase from Dome Energy Limited a 12½ percent interest in certain oil and gas properties of Hudson Bay Oil and Gas Company Limited ("HBOG") located in western Canada for approximately 220 million Canadian dollars ($186 million at December 31, 1981 exchange rates) in cash. In addition, the agreement requires additional payments over a five-year period based on revaluation of the properties to reflect changing prices, royalties and taxes. If current assumptions regarding future escalation of energy prices prove true, the additional payments would be in the order of 240 million Canadian dollars ($202 million at December 31, 1981 exchange rates). Funds for the initial purchase amount will be obtained through loans from a group of banks and will be collateralized by existing properties of Maligne and the HBOG properties to be acquired.

Dow Chemical Iberica, S.A., a Spanish subsidiary, has entered into an agreement with Empresa Nacional del Petroleo, S.A. ("Enpetrol"), to purchase an olefin steam cracker presently owned by Enpetrol. The acquisition cost of approximately 14.4 billion pesetas ($147 million at December 31, 1981 exchange rates) will be guaranteed by the Company. The purchase is expected to be completed in the first quarter of 1982.

Pension Fund Portfolio

COLT INDUSTRIES, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 7: Pension and Retirement Plans

The company and certain of its subsidiaries have in effect, for substantially all employees, pension and retirement plans under which funds are deposited with trustees. As of January 1, 1981 and 1980, the actuarially computed present value of accumulated vested benefits was $337,178,000 and $289,798,000; and of nonvested benefits was $19,974,000 and $13,487,000, respectively, using a 10.4 percent interest factor. The plans' net assets available for benefits, valued at market, were $327,505,000 and $261,868,000, resulting in unfunded vested benefits of $9,673,000 and $27,930,000.

Pension expense of $56,787,000, $52,279,000, and $47,680,000 was charged to earnings in 1981, 1980, and 1979, respectively, and is the maximum annual provision permitted by Opinion No. 8 of the Accounting Principles Board, including amortization of prior service cost at 10 percent per year or over approximately a 15-year period.

Effective January, 1982, in recognition of historically high interest rates, the company changed its portfolio of pension fund assets to match bond maturities with projected benefits for most of its retired employees, principally in its Crucible Inc specialty steels operations. This dedication of a bond portfolio having an effective yield of approximately 15 percent resulted in a significant reduction in unfunded liabilities related to retired employees. Simultaneously, a review of the company's actuarial policies was made resulting in changes effective January, 1982 in the actuarial assumptions used by the company in computing pension liability with respect to active employees. These changes reflect the company's best estimate of future trends and valuation assumptions. The most significant change was an increase in the assumed interest rate of return on investments from 6 percent to 7 percent. Concurrently, the projected wage and salary earnings scales for certain plans were increased 1 percent. As a result of the establishment of the dedicated bond portfolio, the remaining prior service costs relates primarily to active employees and is being amortized over periods not more than 30 years. The net effect of these changes will be to reduce significantly the 1982 pension expense.

Tender Offer

EMPIRE INCORPORATED (JUN)

NOTES TO FINANCIAL STATEMENTS

Note 11: Subsequent Event

On August 19, 1981, the Company (in a public tender) offered to purchase up to 1,200,000 shares of Wetterau Incorporated at a price of $21 net per share. On September 3, 1981, this offer was increased to a total of 2,130,000 shares. The offer expires on September 16, 1981, unless extended. Management of Wetterau is opposing the tender offer and has commenced various court actions to have the offer declared invalid. As of September 3, 1981, no final decisions have been received from the courts.

Formation of Finance Subsidiary

JOY MANUFACTURING COMPANY (SEP)

NOTES TO FINANCIAL STATEMENTS

Note 22: Subsequent Event—Joy Finance Company

On September 26, 1981, the Joy Finance Company was formed. Joy Finance Company is a wholly-owned finance subsidiary of Joy. The purpose of this company is to provide financial services related to the sale of Joy products to Joy distributors and other customers. For financial statement purposes, this new subsidiary will be unconsolidated and will be accounted for using the equity method.

Devaluation of Mexican Peso

MOHASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17: Subsequent Events

Beginning February 18, 1982, the Government of Mexico has been allowing the peso to "float" against other worldwide currencies, resulting in a decrease in its value in relation to the United States dollar. Due to a revaluation of both assets and liabilities exposed to changes in currency exchange rates, the Company's Mexican subsidiary will incur a one time, first quarter 1982 charge to net earnings of approximately $3,000,000. Longer range effects of the devaluation on operating results cannot be quantified at this time.

Change in Par Value

PFIZER INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Subsequent Events

The Board of Directors has approved both an increase in the number of shares of authorized common stock from 100 million to 300 million as well as a change in the par value of its common stock to $.10 per share from its current $.11 1/9 per share. These actions are subject to the approval of the shareholders at the Annual Meeting on April 22, 1982. The change in par value will result in a reclassification of approximately $.8 million from the common stock account to the capital paid-in, in excess of par value account.

The Company plans to exchange common stock at market price for up to $30 million face value of its 8½% Sinking Fund Debentures due 1999 and 9¼% Sinking Fund Debentures due 2000 in February 1982. It is anticipated that this transaction will result in a gain.

Supply Contract

UNIROYAL, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Significant and Subsequent Events

Significant and Subsequent Events are described in Management's Discussion and Analysis located on page 10.

SIGNIFICANT AND SUBSEQUENT EVENTS (IN PART)

Natural Gas Supply

The company's and its affiliates' chemical operations in Geismar, La. have used substantial quantities of natural gas for fuel and feedstock. These natural gas requirements were supplied under a highly favorable long term, fixed price contract which expired on January 1, 1982. In January 1982 the company sold (as described in the following paragraph) its interest in the assets producing vinyl chloride monomer, which used natural gas for fuel and feedstock, and sold its interest in its affiliated isocyanate producing facilities, which also had natural gas energy requirements. Additionally, measures have been and will be taken to reduce energy requirements of the remaining operations at Geismar. The company has entered into a new five-year supply contract which will satisfy its continuing reduced natural gas requirements, but at a substantially higher unit cost than under the previous contract. Based on natural gas prices which would have been payable under the terms of the new contract, if in effect during 1981, it is estimated that the impact on the company's fuel costs for operations in that year, other than vinyl chloride monomer and isocyanates, would have been approximately an additional $13 million.

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. The disclosure requirements of *SAS No. 6* are restated "without significant change" in FASB *Statement of Financial Accounting Standards No. 57* which is effective for fiscal years ending after June 15, 1982. In 1981, 122 survey companies disclosed related party transactions.

Transactions Between Affiliated Companies

AKZONA INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9: Transactions with Affiliates

Approximately 66% of the Company's outstanding common stock is owned beneficially by Akzo N.V. (Akzo), a Netherlands-based company which operates internationally in many of the same businesses as the Company. The Company and Akzo have various agreements which provide for the sharing of business knowledge and research efforts. The more significant agreements are long-term and provide for sharing of specified research costs. The companies also engaged in other transactions, principally related to the sale and purchase of products. Amounts included in the consolidated statement of income with respect to transactions with affiliates are set forth below:

	1981	1980	1979
Sales	$ 6,412,000	$10,302,000	$13,150,000
Purchases	14,599,000	12,479,000	13,673,000
Commissions (net) and royalty income	887,000	822,000	907,000
Research costs (net) and royalty expense	5,169,000	4,107,000	3,157,000

ANDERSON, CLAYTON & CO. (JUN)

NOTES TO FINANCIAL STATEMENTS

Note 4 (in part):

The accompanying consolidated financial statements include transactions of Anderson, Clayton & Co. and consolidated subsidiaries with the nonconsolidated insurance subsidiaries as follows:

(In thousands of dollars)	Year Ended June 30		
	1981	1980	1979
Interest received	$ 112	$ 267	$ 232
Insurance premiums paid to:			
Combined property/casualty insurance subsidiaries	3,478	3,798	4,232
Combined life insurance subsidiaries	3,848	3,675	3,297

ENGELHARD CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 12—Related Party Transactions:

The Company, in the ordinary course of business, purchases raw materials from entities in which it is informed Anglo American Corporation of South Africa Limited (Anglo American) has a material interest. Anglo American owns indirectly a significant amount of the common stock of the Company. The Company's purchases from such parties amounted to $138 million, $240 million and $270 million for 1981, 1980 and 1979, respectively, and were transacted upon terms no less favorable to the Company than those obtained from other parties.

HONEYWELL INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

(Dollars in Millions Except Per Share Amounts)

Note 11 (in part): Cii Honeywell Bull

Following is a summary of financial data pertaining to Cii Honeywell Bull, in which Honeywell holds a 47 percent interest. The amounts for equity in income and net assets are net of intercompany adjustments, hedging, and eliminations.

	1981	1980	1979
Sales	$ 743.3	$ 800.8	$ 620.7
Computer rental and service revenue	625.4	685.4	594.5
	$1,368.7	$1,486.2	$1,215.2
Gross profit	$ 459.0	$ 659.6	$ 584.8
Income before extraordinary income (loss)	$ (31.0)	$ 93.3	$ 17.3
Extraordinary income	0.1	18.4	33.1
Net income (loss)	$ (30.9)	$ 111.7	$ 50.4
Equity in income (loss):			
Before extraordinary income (loss)	$ (15.1)	$ 23.0	$ 13.5
Extraordinary income	1.1	9.4	16.4
Net income (loss)	$ (14.0)	$ 32.4	$ 29.9
Current assets	$ 862.8	$ 795.9	
Noncurrent assets	783.7	743.3	
	1,646.5	1,539.2	
Current liabilities	737.6	608.0	
Noncurrent liabilities	506.2	480.9	
	1,243.8	1,088.9	
Net assets	$ 402.7	$ 450.3	
Equity in net assets	$ 176.3	$ 198.1	

Honeywell transactions and receivable and payable balances with Cii Honeywell Bull are as follows:

Sales to	$ 93.3	$ 131.1	$ 113.5
Cost of sales to	71.6	97.8	85.8
Purchases from	55.5	48.8	48.2
Dividends from	7.9	7.1	6.3
Receivables from	34.9	70.7	
Payables to	26.2	18.2	

SHELL OIL COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4: Transactions with Related Parties

Shell continued in 1981 to have transactions, including the purchase, sale and transportation of crude oil, petroleum and chemical products in the ordinary course of business with related parties, and with subsidiaries of the Royal Dutch Petroleum Company and The "Shell" Transport and Trading Company, Limited, parent companies of Shell Oil Company. Such purchases and transportation charges amounted to $130 million and sales amounted to $258 million for the year 1981. This compares to purchases and transportation of $620 million and $950 million for the years 1980 and 1979, respectively, and sales of $364 million and $235 million for the same periods. The revenues and costs related to these transactions are commingled with other revenues and costs and the amount of profit thereon is not accurately determinable without effort and expense disproportionate to the relative importance of such amount. Transactions with such related companies also include certain foreign venture arrangements with respect to the exploration for and development and production of crude oil and natural gas, a one-third stock ownership interest in a Netherlands Antilles transshipment terminal venture and arrangements whereby Shell and a subsidiary of Shell Petroleum N.V. each perform for, and exchange with the other, research services related to petroleum technology, chemicals and other fields.

Transactions Between Company and Management or Stockholders

FEDDERS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

October 31, 1981, 1980 and 1979

Note 13: Related Party Transactions

On November 3, 1980, 41 officers, directors and employees of the Company purchased an aggregate of 463,100 shares of the Company's common stock from several investors at $1.50 per share above the market price on such date. These shares were purchased with the proceeds of unsecured, 5 year, non-interest bearing notes payable to the Company and its Airtemp subsidiary (see Note 11) totalling approximately $3,000,000 at that date. At October 31, 1981, such notes and deferred compensation (representing the unamortized discount on the non-interest bearing notes) amounting to $1,542,000 and $1,299,000, respectively, are included in other assets. The notes are being used as collateral for interest payable to the I.R.S. (see Note 2).

PANTASOTE INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10: Transactions Between Shareholders and Company

Certain substantial shareholders of the Company control a corporation in Italy that supplied materials to the Company at a total cost of $2,777,000 in 1981, $3,810,000 in 1980 and $2,565,000 in 1979. At December 31, 1981 and 1980, the Company owed this corporation $610,000 and $795,000, respectively.

Other

NATIONAL PRESTO INDUSTRIES, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note C (in part): Long-Term Debt:

On January 5, 1981, the Company issued to a private charitable foundation, a related party, its fifteen-year 10% Convertible Senior Debenture, par amount $5,103,639, in exchange for 202,928 shares of its common stock.

Payment of the principal amount is due January 2, 1996. The Debenture is convertible at the option of the holder into shares of the Company's common stock based on the average daily closing price of the stock on the New York Stock Exchange for a specified time period.

The Company may redeem the Debenture at 110% of the par amount after two years, reduced by .75% per year thereafter until reduced to 100%, or the Debenture holder may require redemption after one year upon two years prior notice.

INFLATION ACCOUNTING

Effective for fiscal years ended on or after December 25, 1979, FASB *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-nine of the survey companies disclosed constant dollar information in 1981 as compared to 450 in 1980 and 326 in 1979. Of these companies, 450 companies disclosed current cost information in 1981 as compared to 406 in 1980 and 119 in 1979.

Statement of Financial Accounting Standards No. 39, a supplement to *SFAS 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 *SFAS No. 39*.

Examples of disclosures of constant dollar, current cost, and mineral reserve information follow.

ALLEGHENY INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years 1981, 1980 and 1979

Note 22: Supplementary Information on the Impact of Inflation (Unaudited):

Allegheny's traditional financial statements, which are prepared in accordance with generally accepted accounting principles reflect transactions recorded at historical or actual costs. During periods of significant and continued inflation, as has been the case during the past decade, such traditional financial statements do not reflect the cumulative effects of increasing prices and changes in the purchasing power of the dollar. Accordingly, in 1979 the Financial Accounting Standards Board issued Statement No. 33, "Financial Reporting and Changing Prices", which requires the disclosure of certain supplementary information to reflect the effects of both general inflation ("constant dollar" accounting) and specific price changes ("current cost" accounting) on certain goods and services an enterprise acquires and uses.

The constant dollar accounting method adjusts historical costs to dollars of the same purchasing power through the use of indices which measure the general rate of inflation applicable to the functional currency being measured. For those enterprises whose functional currency is the U.S. dollar, the Consumer Price Index for all Urban Consumers ("CPI") is used to measure the general rate of inflation.

The current cost accounting method adjusts historical costs of specific assets to the cost of purchasing or replacing them in the current year without regard to making improvements or installing different types of replacement assets.

Current cost amounts for inventories are approximated by adjusting historical inventory valuations, before applying LIFO reserves, for price changes experienced through the end of the year and for the estimated incremental costs related to current cost depreciation expense. Cost of goods sold related to inventories carried at LIFO are adjusted only to reflect LIFO layer liquidations, while cost of goods sold related to all other inventories are adjusted to reflect price changes experienced during the period of time the inventories were held.

In estimating the current cost of property, plant and equipment, externally developed indicies are applied to all classes of property, plant and equipment. The related depreciation and amortization expense is calculated using the same estimated useful lives and methods as in the historical cost financial statements.

The supplemental information which follows is experimental in nature and does not reflect a comprehensive restatement for the effects of inflation. Only those items most affected by changing prices, such as inventories and property, plant and equipment and the related cost of goods sold and depreciation and amortization expense, have been adjusted for the effects of general inflation or specific price changes. Revenues and other costs and expenses were not adjusted as they are assumed to be stated in average dollars for the year presented. In addition, measurements of the purchasing power gain or loss on net monetary assets and liabilities and the increase or decrease in the current cost amounts of inventories and property, plant and equipment, net of inflation, are also presented.

The compilation of inflation-adjusted data involves extensive use of assumptions, estimates and subjective judgments. Therefore, the resulting measurements should be viewed in that context and not as precise indicators of the effects of inflation on Allegheny's financial statements.

Allegheny's Consolidated Statement of Earnings from Continuing Operations Adjusted for Changing Prices for the Year 1981

		(In Millions)	
	As reported in statement of earnings	Constant dollar (adjusted for general inflation*)	Current cost (adjusted for changes in specific prices*)
Net sales	$1,907.8	$1,907.8	$1,907.8
Other income, net	34.3	34.3	34.3
Provision for closedown and relocation of plant facilities	(6.7)	(6.7)	(6.7)
	1,935.4	1,935.4	1,935.4
Costs and expenses:			
Cost of goods sold	1,335.2	1,362.7	1,369.6
Depreciation and amortization	43.0	54.2	54.3
Selling, general and administrative	398.4	398.4	398.4
Interest	92.4	92.4	92.4
	1,869.0	1,907.7	1,914.7
Earnings from continuing operations before income taxes, minority interests and equity earnings	66.4	27.7	20.7
Income taxes	23.9	23.9	23.9
Earnings (loss) from continuing operations before minority interests and equity earnings	42.5	3.8	(3.2)
Minority interests	(6.0)	(5.0)	(4.8)
Equity earnings	46.1	46.1**	46.1**
Earnings from continuing operations	$ 82.6	$ 44.9	$ 38.1
Gain from decline in purchasing power of net monetary liabilities		$ 64.4	$ 64.4
Increase of specific prices (current cost) of inventories and property, plant and equipment held during the year			$ 72.1 (a)
Effect of increase in general price level (constant dollar)			68.4
Excess of increase in specific prices over increase in the general price level			$ 3.7

*In average 1981 dollars.

**In accordance with the provisions of Statement No. 33, equity earnings are not adjusted for the effects of inflation on affiliates' financial statements.

(a) At January 3, 1982 the current cost of inventories was $839,671,000 and the current cost of property, plant and equipment, net of accumulated depreciation and amortization, was $619,406,000.

Earnings from continuing operations for 1981 on both the constant dollar and current cost bases are less than the earnings from continuing operations reported in the historical statement of earnings. This results not only from the increased depreciation and amortization charges necessary to recover the inflation-adjusted values assigned to property, plant and equipment but also from the adjustments to cost of goods sold for Allegheny's businesses (principally non-U.S. locations) which do not use the LIFO inventory valuation method and for the effects of liquidations of LIFO inventory quantities. Additionally, under the provisions of Statement No. 33, income tax expense may not be adjusted for the effects of inflation. As a result, Allegheny's effective income tax rate for 1981 rose from 35.9% on the historical cost basis to 86.4% on the constant dollar basis and 115.6% on a current cost basis.

Included in the calculation of net assets at year-end was the effect of inflation on inventories, property, plant and equipment and net monetary liabilities. No other balance sheet accounts were adjusted.

In a period of continuing inflation, the holding of net monetary liabilities results in a gain in general purchasing power because the amount of money required to settle liabilities represents dollars of diminished purchasing power. The gain in purchasing power is shown separately in the accompanying supplemental data and has been calculated based on average net monetary liabilities for each year multiplied by the general rate of inflation for the year. For purposes of this calculation, net monetary liabilities include the carrying values of Allegheny's redeemable preferred stocks which have mandatory redemption provisions. The purchasing power gain should not be viewed as providing funds for reinvestment or distribution to shareholders.

Five-Year Comparison of Selected Supplementary Consolidated Financial Data of Allegheny Adjusted for the Effects of Changing Prices

	1981	1980	1979	1978	1977
	(Dollars in millions, except per share amounts)				
Net sales:					
Historical	$1,907.8	$ 923.5	$ 850.3	$ 753.8	$ 398.9
Adjusted for general inflation*	1,907.8	1,018.9	1,065.0	1,050.4	598.5
Historical cost information adjusted for general inflation*:					
Earnings from continuing operations	$ 44.9	$ 55.9	$ 43.6		
Earnings from continuing operations per common share:					
Fully diluted	3.36	4.49	2.75		
Primary	3.52	5.26	2.91		
Net assets at year-end	628.2	519.8	498.5		
Current cost information*:					
Earnings from continuing operations	$ 38.1	$ 46.8	$ 38.7		
Earnings from continuing operations per common share:					
Fully diluted	2.66	3.52	**		
Primary	2.77	4.00	2.26		
Excess of increase in specific prices over increase in the general price level	3.7	.1	19.8		
Net assets at year-end	630.5	521.1	520.1		
Other information:					
Gain from decline in purchasing power of net monetary liabilities*	$ 64.4	$ 60.9	$ 73.4		
Cash dividends declared per common share:					
Historical	1.40	1.40	1.31	$ 1.28	$ 1.28
Adjusted for general inflation*	1.39	1.53	1.62	1.77	1.91
Market price per common share at year-end:					
Historical	33.38	43.00	28.25	14.63	18.63
Adjusted for general inflation*	32.28	45.31	33.46	19.63	27.25
Average Consumer Price Index ("CPI")	272.3	246.8	217.4	195.4	181.5

*In average 1981 dollars.

**Amount is antidilutive and, accordingly, is not presented.

ANDERSON, CLAYTON & CO. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 19: Supplementary Information on the Effects of Changing Prices (Unaudited):

The following supplementary information is supplied in accordance with the requirements of Statement of Financial Accounting Standards No. 33 (FAS No. 33), "Financial Reporting and Changing Prices," for the purpose of providing certain information about the effects of changing prices. It should be viewed as an estimate of the approximate effect of inflation, rather than as a precise measure.

Constant dollar amounts represent historical costs restated in terms of dollars of equal purchasing power, as measured by the Consumer Price Index for All Urban Consumers. Current cost data estimates the replacement cost of inventories, plant and equipment and related cost of sales, depreciation expense, and accumulated depreciation.

Because one of the purposes of this information is to estimate the effects of inflation on future cash flows of the Company when property, plant and equipment and inventories are replaced at higher costs, the statement recognizes that the value of an asset to a business cannot exceed the maximum that an enterprise would be willing to pay to acquire an asset. Accordingly, the amount of cash recoverable from use of an asset may be so small that the enterprise would not wish to buy the asset at its current cost if the asset were not already owned. This concept of lower recoverable amount was required to prevent serious overstatement of asset values. Therefore, the historical cost of property, plant and equipment has been restated into 1981 constant dollars for the purpose of adjusting for general inflation and to current costs for specific price reporting purposes. In the opinion of management, the adjusted balance is not in excess of net recoverable amounts. Depreciation expense was calculated using the same estimated useful lives and depreciation methods as used in the primary financial statements.

The information regarding the effects of general inflation contained in the following tables is derived by restating the historical cost basis data to 1981 constant dollars by applying a factor which represents the additional purchasing power of the dollar in earlier years.

As prescribed in FAS No. 33 income taxes were not adjusted from the amount in the primary financial statements.

In addition to its effect on the costs of the Company's tangible assets, inflation also has significant impact on its monetary assets, such as cash and receivables. These assets lose a portion of their purchasing power during periods of inflation, since they purchase fewer goods or services in the future. Conversely, the Company benefits during inflationary periods through owing liabilities, since less purchasing power will be required in the future to satisfy those liabilities. The current year's effect of inflation on the Company's monetary assets and liabilities, that is, the "loss" or "gain" in purchasing power which the Company experienced through holding monetary assets and owing monetary liabilities, is reflected in the supplementary information below as gain (loss) from increase (decline) in purchasing power of net monetary assets.

It is emphasized that this monetary adjustment, as well as the other constant dollar amounts set out in the supplementary statement, represent changes in purchasing power which are shown only for the purpose of illustrating the effects of inflation; they are not gains or losses in the sense that those terms are used in the Company's conventional financial statements.

Although constant dollar and current cost data may be useful for this purpose, they do not reflect specific plans for replacement of property.

Current cost of property, plant and equipment was developed using engineering estimates based on published indexes and independent appraisals in the case of real property. In general, year-end costs were applied to the major elements in inventories to estimate current costs. Such costs were determined from year-end purchase prices or from published market prices as applicable. For agricultural crop items not having a published or current market price, the price representative of normal purchase during the crop year was used.

At June 30, 1981, the current cost of inventories and property, plant and equipment, net of accumulated depreciation was $809,180,000.

Statement of Income from Continuing Operations Adjusted for Effects of General Inflation and Changes in Specific Prices for the Year Ended June 30, 1981

(In thousands of dollars)	As reported in the primary statements	Adjusted for general inflation	Adjusted for changes in specific prices (current costs)
Net sales	$1,929,647	$1,929,647	$1,929,647
Interest and other income	21,434	21,434	21,434
Equity in income of insurance subsidiaries—before tax	14,300	14,300	14,300
	1,965,381	1,965,381	1,965,381
Cost of sales and operating expenses	1,650,845	1,686,229	1,693,266
Depreciation and amortization	20,516	42,478	50,582
Selling and administrative expenses	140,105	140,105	140,105
Interest expense	42,167	42,167	42,167
U.S. and foreign taxes on income	40,031	40,031	40,031
Translation loss from decline in foreign exchange rates	11,357	11,357	11,357
Minority interest	8,961	8,961	8,961
	1,913,982	1,971,328	1,986,469
Income (loss) from continuing operations	$ 51,399	$ (5,947)	$ (21,088)
Gain from increase in purchasing power of net monetary assets		$ 2,367	$ 2,367
Increase in specific prices (current cost) of inventories, and property, plant and equipment held during the year			$ 114,075
Effect of increase in general price level			69,966
Excess of increase in specific prices over increase in general price level			$ 44,109

Five-Year Comparison of Selected Supplementary Financial Data Adjusted for the Effects of Changing Prices:

	Years ended June 30				
	1981	1980	1979	1978	1977
Net sales (thousands)	$1,929,647	$1,900,064	$1,884,189	$1,813,198	$2,019,193
Historical cost information adjusted for general inflation:					
Net income (loss) (thousands)	(5,947)	19,843			
Net income (loss) per common share	(.47)	1.50			
Net assets at end of year (thousands)	805,290	797,512			
Gain (loss) from decline in purchasing power of net assets (thousands)	2,367	(12,447)			
Current cost information:					
Net income (loss) (thousands)	(21,088)	(2,008)			
Net income (loss) per common share	(1.68)	(.15)			
Net assets at end of year (thousands)	886,254	877,015			
Excess of increase in specific prices over increase in the general price level (thousands)	44,109	50,135			
Cash dividends per common share	1.20	1.25	1.30	1.38	1.40
Market price per common share	$ 23.90	$ 23.32	$ 24.56	$ 30.23	$ 33.54
Average consumer price index utilized	259.5	232.6	205.2	187.6	175.8
Average shares outstanding (thousands)	12,565	13,175	13,786	14,031	13,356

BEATRICE FOODS CO. (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12: Inflation Accounting (Unaudited)

Corporate financial results are traditionally reported under the historical cost accounting method. However, in times of frequent price changes, this method may not adequately measure the real growth of business enterprises.

In an effort to help reflect inflation's impact on companies, the Financial Accounting Standards Board (FASB) requires restatement of certain historical cost financial information. Corporations are being asked to use two methods to reflect price changes: constant dollars (i.e., general inflation rate) and current costs (i.e., specific price changes).

Both methods are imprecise because they require many assumptions, estimates, and subjective judgments. In addition, the FASB has encouraged corporations to experiment with various calculation methods. For these reasons, comparison of the inflation-adjusted data between companies may not be valid.

The tables on the following page show the estimated effects of inflation on Beatrice under the two methods stated above.

It is generally agreed that the effects of inflation need to be measured. However, the methods used here are still experimental. More experience by both preparers and users of financial information is necessary to refine and adjust the methods before they can be universally accepted.

See Discussion and Analysis of Operations and Financial Condition for additional comments on inflation.

Explanation of the Methods of Restatement

General—The constant dollar method adjusts historical costs for the effects of inflation by using the Consumer Price Index for All Urban Consumers (CPI-U). The index, which reflects price changes in U.S. urban areas, is being applied universally to both domestic and overseas operations. For current cost disclosures, Beatrice used a series of indexes related to the price of specific items as issued by the United States and foreign governments.

The constant dollar disclosures for international operations have been translated into U.S. dollars using the same rates as used in the financial statements. The current cost disclosures have been translated into U.S. dollars using the current year exchange rates as required by the FASB.

Inventories and Plant and Equipment—Beatrice acquired its inventory and plant and equipment over a period of time during which the dollar has generally decreased in purchasing power. These asset values are understated compared to the expenditures which would be required to purchase equivalent assets. Constant dollar accounting restates the original investment into dollars of the same purchasing power, while current cost accounting attempts to revalue the assets in terms of current prices. The current cost values of inventories and net plant and equipment at February 28, 1981 are $980 million and $1.9 billion, respectively.

Cost of Sales—The adjusted cost of sales values include inventory values adjusted for the effects of inflation under both methods.

Depreciation Expense—Depreciation expense reflects plant and equipment values adjusted for inflation under both methods.

All Other Income Statement Items—All other income statement items in the table "Supplementary Financial Data Adjusted for the Effects of Changing Prices" are stated at historical cost.

Unrealized Gain from Decline in Purchasing Power of Net Amounts Owed—In periods of inflation, holders of monetary liabilities (e.g., debtors) incur an unrealized gain in purchasing power because liabilities are repaid in dollars of diminished purchasing power. Conversely, holders of monetary assets (e.g., cash and accounts receivable) incur an unrealized loss due to the decrease in purchasing power of those assets. Beatrice had an excess of monetary liabilities over monetary assets resulting in an unrealized gain.

Increase in General Price Level over Increase in Specific Prices—This item represents the excess of the general inflation rate compared to the increase in specific prices of inventories and plant and equipment.

Net Assets at Year End (Stockholders' Equity)—The net assets (stockholders' equity) in constant dollars and current costs were determined by adding to historical stockholders' equity the difference between historical and inflation-adjusted values for inventories, net plant and equipment and the net of monetary assets and liabilities.

Supplementary Financial Data Adjusted for the Effects of Changing Prices

(In Millions Except Per Share Data)	As Reported In The Financial Statements (historical cost)	Year Ended February, 1981 Adjusted for General Inflation Rate (constant dollar)	Specific Prices (current cost)
Net sales, interest and other income	$8,839	$8,839	$8,839
Cost of sales, excluding depreciation	6,511	6,632	6,560
Selling, administrative and general expenses, excluding depreciation	1,458	1,458	1,458
Depreciation expense	155	188	194
Interest expense	96	96	96
Earnings before income taxes and minority interests	619	465	531
Provision for income taxes	302	302	302
Earnings before minority interests	317	163	229
Minority interests in net earnings of consolidated subsidiaries	13	13	13
Net earnings	$ 304	$ 150	$ 216
Primary earnings per share	$ 2.94	$ 1.37	$ 2.04

Five Year Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices

(Dollars in Millions except Per Share Amounts)	1981	1980	1979	1978	1977
Net sales, interest and other income	$8,839	$9,450	$9,518	$8,964	$8,424
Historical cost information adjusted for general inflation (constant dollar):					
Net earnings	$150	$149			
Primary earnings per share	$1.37	$1.37			
Net assets at end of year (stockholders' equity)	$2,711	$2,771			
Historical cost information adjusted for specific prices (current cost):					
Net earnings	$216	$222			
Primary earnings per share	$2.04	$2.11			
Net assets at end of year (stockholders' equity)	$2,779	$2,937			
Increase in general price level over increase in specific prices	$171	$193			
Unrealized gain from decline in purchasing power of net amounts owed	$71	$105			
Cash dividends declared per common share	$ 1.30	$ 1.36	$ 1.37	$ 1.31	$ 1.20
Market price per common share at year-end	$18.13	$21.49	$27.56	$31.32	$35.43
Average consumer price index	251.3	222.2	198.4	183.5	172.0

Note—Prior year amounts have been restated for the current year change in the Consumer Price Index for All Urban Consumers. This restatement enhances comparability by presenting all data in terms of constant 1981 dollars.

ENGELHARD CORPORATION (DEC)

SUPPLEMENTARY FINANCIAL INFORMATION

Effects of Changing Prices

The financial statements on pages 16-25 are prepared on the basis of historical costs as required by generally accepted accounting principles. As a result, these financial statements may not reflect the full impact of general inflation and/or other price changes on the Company's operations and its resources.

The Financial Accounting Standards Board (FASB) through the adoption of Statement of Financial Accounting Standards No. 33 (FAS 33) requires supplementary disclosure of selected historical financial information on an adjusted basis in an attempt to recognize the effects of inflation in terms of changes in the general price level ("Constant Dollars" method) and changes in the specific prices of resources, goods and services used by the Company ("Current Cost" method).

Income tax regulations do not permit the adjustment of taxable income to reflect changes in costs determined under either the Current Cost or Constant Dollar methods. Therefore, the provisions for income taxes as reported in the historical financial statements has not been restated.

For comparative purposes, all amounts below and on the following two pages, except for reported historical amounts, are expressed in average-for-the-year 1981 dollars based on the Consumer Price Index for All Urban Consumers (CPI-U) published by the Bureau of Labor Statistics.

Current Costs

The Current Cost Method values inventories and property, plant and equipment at their current cost at year end, or the date of sale, rather than at the cost recorded when they were acquired. Current Cost of inventories ($380 million at year end) is estimated generally on the basis of market prices at that date. Current Cost of sales is based on estimates of mining, refining, metals, manufacturing and other costs at the time of sale. For all practical purposes, historic costs of sales amounts required to replace existing fixed assets with identimethods having the same effect, are considered to be equivalent to Current Cost amounts.

The Current Cost of property, plant and equipment ($430 million net of accumulated depreciation and depletion at year end) is estimated generally on the basis of appropriate published indexes. Thus, Current Cost reflects estimated amounts required to replace existing fixed assets with identical assets, although many may not be replaced in kind. Capitalized mineral deposits are included at current values developed from recent acquisition negotiations. Depreciation and depletion amounts are determined by applying historic methods and rates to Current Costs.

The Current Cost adjustments for 1981 are presented in the table below:

	(Thousands of Dollars)
Earnings before extraordinary charge from Consolidated Statement of Earnings	$71,602
Adjustments for Current Costs:	
Cost of sales, excluding depreciation and depletion	(18,914)
Depreciation and depletion	(18,258)
Earnings before extraordinary charge adjusted for Current Costs	$34,430

The adjustment for cost of sales is larger than would be typical given the proportion of historical cost of sales determined under LIFO and similar methods because the historical amounts include gains from the partial liquidation of certain of these inventories. These gains arose as a consequence of a continuing program to make more efficient use of the Company's assets by eliminating unnecessary inventories.

The adjusted number also reflects interest expense as historically reported without any adjustment for the $8.4 million of holding gains discussed on page 30. Implicit in the interest rates charged the Company is a factor for inflation. Yet FAS 33 requires that the holding gain resulting from that same inflation be reported separately.

Comparison of Selected Financial Data Adjusted for Effects of Changing Prices

(In Average 1981 Dollars Except Historic Amounts)

	1981	1980	1979	1978	1977
		(Thousands of Dollars Except Per Share Data)			
Net sales:					
Historic	$2,191,792	$3,170,587	$1,923,510	$1,146,313	$ 901,780
Constant Dollars	2,191,792	3,499,465	2,410,139	1,598,033	1,353,415
Earnings before extraordinary charge:					
Historic	71,602	65,942	48,222		
Constant Dollars	38,516	43,614	25,500		
Constant Dollars adjusted for Current Costs	34,430	39,100	21,700		
Earnings per share of common stock before extraordinary charge:					
Historic	2.65	2.43	1.83		
Constant Dollars	1.43	1.61	.97		
Constant Dollars adjusted for Current Costs	1.27	1.44	.83		
Net assets:					
Historic	375,704	344,020	289,437		
Constant Dollars	556,138	549,022	507,061		
Constant Dollars adjusted for Current Costs	699,107	899,383	1,080,700		
Gain from decline in purchasing power of net amounts owed	8,430	13,545	14,106		
Increase (decrease) in Current Costs of inventories, property, plant and equipment excluding an increase in Constant Dollars	(201,707)	(219,820)	413,018		
Cash dividends per share of common stock (a):					
Historic	.42				
Constant Dollars	.41				
Market price per share of common stock at December 31 (a):					
Historic	24.25				
Constant Dollars	23.47				
Average consumer price index	272.4	246.8	217.4	195.4	181.5

(a) See Note 1 to Consolidated Financial Statements. Dividend amount represents dividends for the last three quarter of 1981; so the annualized rate would be $.56 per share.

Constant Dollars

In the table below, the Company's 1981 historic earnings have been adjusted to reflect the approximate effects of inflation as measured by the CPI-U. The CPI-U relates to the price changes for the "typical budget" of an urban family and can be very sensitive to volatile price movements of items which may not figure prominently in the expenditures of large corporations or many of their stockholders. In addition, there is almost no relationship between the price fluctuations of precious metals and minerals and the CPI-U.

	(Thousands of Dollars)
Earnings before extraordinary charge from Consolidated Statement of Earnings	$71,602
Adjustments for Constant Dollars:	
Cost of sales, excluding depreciation and depletion	(18,061)
Depreciation and depletion	(15,025)
Earnings before extraordinary charge adjusted for Constant Dollars	$38,516

The cost of sales adjustment is impacted by the gains discussed under Current Cost.

The adjustment for depreciation and depletion was determined by increasing the historic investment in property, plant and equipment by changes in the CPI-U and recomputing depreciation on the enlarged investment base, using historic methods and rates.

Other Comments on Effects of Changing Prices

Net Sales:

For the 1977-81 period, fluctuations in precious metal prices have had a much greater impact on net sales than general inflation as measured by the CPI-U. Because earnings are principally derived from the value added through manufacturing and refining processes, they have not fluctuated in the same manner.

Net Assets (Stockholders' Equity):

Stockholders' equity in Constant Dollars has been adjusted to take account of increases in inventory and property, plant and equipment and gains from the diminution of net monetary liabilities arising from the application of the CPI-U index.

Current Cost adjusted stockholders' equity reflects adjustments for each of the above elements but on an estimated replacement cost basis rather than the CPI-U index. The major adjustments occur from recognition of differences between current market values of certain precious metal inventories over their historic values and increased costs for property, plant and equipment.

It should be noted that the process of estimating Current Costs does not necessarily mean that any given assets would be replaced in kind or that those values could be realized upon liquidation. Also, no effect has been given to the income taxes that would be payable for any liquidation of assets for more than historic amounts.

Gain from Decline in Purchasing Power:

Because the Company has maintained a net monetary liability position (i.e., monetary liabilities exceeding monetary assets), gains have resulted by virtue of the fact that these liabilities will be repaid with dollars of diminished purchasing power. Monetary assets principally include cash and receivables while monetary liabilities consist of payables, all accrued liabilities (including taxes) and all debt.

By requiring that these gains be shown separately, the FASB ignores the connection between the rise in nominal interest rates during periods of inflation and the gains associated with the decline in purchasing power of amounts owed. The increase in nominal interest rates compensates creditors for the decline in purchasing power for amounts owed them, and, accordingly, that portion of the interest expense recorded on historical cost financial statements could be "matched" against the purchasing power gain from net amounts owed.

Increase (Decrease) in Current Costs (Specific Prices) Excluding an Increase in Constant Dollars (General Inflation):

These amounts demonstrate the wide differences between fluctuations in world precious metal prices and increases in the CPI-U. Because the metal is used in the business on a long-term basis, rather than liquidated, these amounts will rise and fall with market prices but should not affect the ongoing profitability of the Company.

Mineral Reserves and Operating Statistics

Information relating to the Company's mineral reserves, mining and milling production and realized product prices follows:

	1981	1980	1979	1978	1977
Proven and Probable Ore Reserves—End of Year:					
Tons (thousands)	180,800	175,100	171,700	170,100	162,700
Attapulgite (%)	21.59	20.72	21.40	21.77	23.07
Kaolin (%)	65.06	64.98	63.48	62.92	60.22
Limestone (%)	12.58	13.44	14.20	14.32	15.56
Talc (%)	.77	.86	.92	.99	1.15
Tons of Ore Processed (thousands)	3,399	3,483	3,481	3,543	3,119
Tons of Minerals Produced (thousands):					
Attapulgite	208	213	225	219	221
Kaolin	861	891	947	929	871
Limestone	315	315	350	359	299
Talc	63	61	62	59	55
Tons Acquired in Place (thousands)	8,100	2,100	700	10,400	5,400
Tons Sold in Place	—	—	—	—	—

Note—As reflected above, the Company has substantial and adequate mineral reserves for continued operation at capacity for extended periods and, as demonstrated above, the ability to replenish these reserves. Because the selling prices of our performance products are not sufficiently related to their crude mineral content but are reflective of the value added to the finished products through our technology and manufacturing capabilities and of the performance of these products in their end uses, these selling prices are not appropriate as a measure of the value of the mineral reserves (see pages 5-9 for further discussion on technology and manufacturing).

GENERAL REFRACTORIES COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18: Supplementary Information Regarding Inflation and Changing Prices (Unaudited)

The relatively high rates of inflation in recent years in the United States and certain other areas of the world have raised questions about measuring results and comparisons of financial data over periods of time. Under existing accounting rules financial statements are prepared in terms of historical costs, which are the dollar values at the time assets were acquired. For example, the book value, of plant and equipment acquired over a period of time is recorded as if the dollar was a common unit throughout the period and the related depreciation charges do not reflect the current cost of the assets utilized.

The following supplementary financial data, as set forth in accordance with the requirements of Financial Accounting Standards Board Statement No. 33, is believed by the Company to have been prepared on a reasonable basis. The Company cannot represent that the supplementary data fairly reflect the effects of inflation since the methods are experimental and involve arbitrary assumptions.

The constant dollar method is designed to adjust historical cost information that has been significantly affected by the decline in the general purchasing power of currencies, using the consumer price index in the United States and its local equivalent in other countries. The result is that historical information is restated to a common unit of measurement, the current year's average dollar.

The current cost method is designed to reflect the current replacement cost of inventory and property, plant, and equipment. In the United States, this was calculated by applying indices, published by the U.S. government, to the historical cost of the assets. Those located outside the United States generally were calculated by applying local indices to historical costs. Depreciation was computed by using the same methods (primarily straight-line) and useful lives as those used in preparing the traditional financial statements. Work in process and finished products inventories were valued principally on the basis of average actual costs adjusted to reflect current material, labor and overhead costs. Raw materials inventories were estimated generally by reference to recent purchases and suppliers' price quotations.

Inflation also affects monetary assets (cash and claims to cash such as accounts receivable) and monetary liabilities. Monetary assets decline in real value during periods of inflation since currency loses purchasing power when it is held. Conversely, debtors benefit during periods of inflation since the obligations can be satisfied in the future with less valuable currency, resulting in a purchasing power gain. The Company was a net monetary borrower during 1981, 1980, and 1979, producing net unrealized purchasing power gains in all periods.

The increase in the loss incurred in 1981, and the losses in 1980, and 1979 under both the constant dollar and current cost methods, can be attributed to increased operating costs and expenses and increased depreciation determined under the two methods. The increased operating costs reflect primarily the impact of revaluing opening inventories to the average current cost, while the increased depreciation is attributed to the higher asset values computed for property, plant, and equipment under the two methods.

Statement of Income from Continuing Operations Adjusted for Changing Prices

For the Year Ended December 31, 1981

	As Reported in the Primary Statements	Dollars of Current Purchasing Power (a) Constant Dollar	Current Cost
	(Dollars in thousands, except per share amounts)		
Net Sales	$409,803	$409,803	$409,803
Operating costs and expenses (b)	$405,295	$410,492	$413,078
Depreciation	12,524	22,301	22,076
Interest expense	13,286	13,286	13,286
Provision for loss on Belgian subsidiary (c)	2,000	3,440	3,961
Other income, net of other deductions	(3,115)	(3,115)	(3,115)
Credit for income taxes (d)	(1,236)	(1,236)	(1,236)
Loss from operations	$(18,951)	$(35,365)	$(38,247)
Loss from operations per common share	$ (5.01)	$ (9.33)	$ 10.09)
Purchasing power gain		$ 6,880	$ 6,880
Increase in specific prices of inventories and property, plant, and equipment held during the year, net of $8,468,000 applicable to Belgian subsidiary sold			$ 12,884 (e)
Effect of increase in general price level			26,925
Excess of increase in general price level over increase in specific prices..			$ 14,041

(a) Constant dollar and current cost amounts are expressed in average 1981 dollars.

(b) Excluding depreciation expense.

(c) The computation of the provision, as reported in the primary statements, includes the assets of the Belgian subsidiary on an historical cost basis. The constant dollar and current cost amounts also include a provision for the excess of inflation adjusted values over historical cost of inventory and net property, plant and equipment.

(d) In accordance with Statement No. 33, no adjustment has been made to the provision for income taxes.

(e) At December 31, 1981, the current cost of inventory was $104,849,000 and the current cost of property, plant, and equipment, net of accumulated depreciation was, $217,753,000, expressed in average 1981 dollars.

Five-Year Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices

	1981	1980	1979	1978	1977
	(dollars in thousands, except per share)(a)				
Net Sales					
Historical dollars	$409,803	$467,126	$480,631	$403,286	$335,368
Constant dollars	409,803	515,162	601,396	562,494	503,329
Income (loss) from continuing operations:					
Historical dollars	(18,951)	121	9,357		
Constant dollars	(35,365)	(21,126)	(7,363)		
Current cost	(38,247)	(24,538)	(14,080)		
Income (loss) from continuing operations: per common share:					
Historical dollars	(5.01)	.01	2.43		
Constant dollars	(9.33)	(5.58)	(1.98)		
Current cost	(10.09)	(6.49)	(3.74)		
Net assets at year-end:					
Historical dollars	84,371	100,846	99,380		
Constant dollars	184,200	200,601	208,363		
Current cost	205,035	242,580	274,276		
Gain from decline in purchasing power of net amounts owed	6,880	9,443	13,676		
Excess of increase in general price level over increase in specific prices of inventory and property, plant and equipment	14,041	42,943	(1,488)		
Dividends per common share:					
Historical dollars	—	—	—	—	—
Constant dollars	—	—	—	—	—
Market price per common share at year-end:					
Historical dollars	4.63	9.50	9.50	6.25	7.75
Constant dollars	4.48	10.01	11.25	8.40	11.34
Average Consumer Price Index (1967 — 100)	272.4	247.0	217.7	195.3	181.5

(a) Constant dollar and current cost amounts are expressed in average 1981 dollars.

Mining Data

The value of the reserves summarized in the following table cannot be reliably assessed at this time since the value is related to a great extent to future economic and technological developments which cannot be predicted. Also, utilization of certain of the reserves will require significant capital expenditures for processing facilities, the feasibility of which will depend on an assessment of future markets and economic and technical trends.

Since most of the Company's mineral reserves are processed into manufactured products and are not sold in the open market, their value to the Company depends on their economic utility in the production of profitable end products.

In recent years the increasing use of synthetic magnesite with different chemical properties than the magnesite contained in the Company's reserves has reduced its reliance on the use of these reserves and necessitated the Company's purchase of magnesite in the open market. The increasing cost of energy required in producing synthetic magnesite may lead to increased demand for natural magnesite (such as that contained in the Company's reserves) which requires substantially less energy to produce, although no such assurances can be given.

The following is a summary of the Company's significant ore reserves and related 1981 activity:

	Proven and Probable Ore Reserve		Ore Production(1)		Average Value(2)	
	1981	1980	1981	1980	1981	1980
Mineral	Tons (000)		Tons (000)		($ per ton)	
Refractory Clay	16,000	15,000	64	109	66	58
Silica	6,000	6,000	32	21	51	49
Magnesite	19,400	20,000	643	720	46(4)	60
Diatomaceous Earth	8,300(3)	10,000	130	135	100	91
Perlite	25,000(3)	18,000	322	325	32	28

(1) Actual yields after beneficiation and milling are in some cases substantially less than tons of raw ore mined.

(2) Actual or estimated values after milling which in some cases is prior to the first commercially marketable product.

(3) Changes from 1980 represent revisions of geological estimates.

(4) Lower value in 1981 attributable to change in translation rate.

INTERNATIONAL MINERALS & CHEMICAL CORPORATION (DEC)

INFLATION-ADJUSTED DATA

Supplementary Information on Financial Reporting and Changing Prices

The Financial Accounting Standards Board (FASB) has issued standards that require the disclosure of financial information about the effects of changing prices on historical cost-based financial statements. The FASB's required disclosures attempt to portray some of the effects of inflation on such financial statements under two different approaches.

The first approach is the constant dollar method. Under that method, the historical costs of property, plant, and equipment, inventories, depreciation and depletion, and cost of goods sold have been adjusted for the effects of general inflation as measured by U.S. Department of Labor's Consumer Price Index for All Urban Consumers. The second approach is the current cost method. Under that method, those same historical costs have been adjusted by specific indexes. The objective of the latter method is to measure and report certain assets and expenses in terms of current cost at the balance sheet date or at the date of use or sale. Under both approaches, IMC's coal operations have been included at their estimated realizable value.

Purchasing power gains are based on IMC's net monetary liabilities at the beginning and end of each year, restated into average 1981 dollars. Although that gain has not been included in the determination of either current cost or constant dollar net earnings, it should be considered in the evaluation of the effect of inflation on IMC. If that gain had been included in those determinations, 1981 net earnings on a constant dollar basis would have been $158 million. On a current cost basis, 1981 net earnings would have been $141 million.

Supplementary information restated to average 1981 dollars is also provided for the last five years for revenues, dividends per share, and the market price per common share at fiscal year end.

Although restated costs and expenses are higher on the constant dollar and current cost bases as compared with historical cost-based amounts, there is no related reduction of taxes on income because income tax laws require deductions to be based on historical costs. As a result, the historical-cost effective tax rate of 39.6 percent in 1981 increases to 50.5 percent when income is determined on the constant dollar basis and 55.2 percent when income is determined on the current cost basis.

Inflation-Adjusted Supplemental Statement of Income

(In millions of dollars except per share amounts)

Year ended June 30, 1981	As Reported (Historical Cost)	General Inflation (Constant Dollars)	Special Prices (Current Cost)
Revenues			
Net sales	$1,985	$1,985	$1,985
Costs and expenses			
Cost of goods sold*	1,429	1,431	1,431
Selling, administrative, and general expenses*	152	152	152
Depreciation and depletion	115	169	186
Interest charges	35	35	35
	1,731	1,787	1,804
Earnings before income taxes	254	198	181
Provision for income taxes	100	100	100
Net earnings	$ 154	$ 98	$ 81
Earnings per common and common equivalent share	$ 5.63	$ 3.60	$ 2.97
Purchasing power gain on net amounts owed		$ 60	$ 60
Effect of increase in general inflation			$ 188
Increase in specific prices (current cost) of inventories and property, plant and equipment held during the year**			94
Excess of increase in general inflation over specific prices			$ 94

*Exclusive of depreciation and depletion.

**At June 30, 1981 and 1980, current cost of inventory was $361 million and $358 million, respectively, and current cost of property, plant, and equipment net of accumulated depreciation and depletion was $1,879 million and $1,867 million, respectively.

1980 Current-Cost Inflation Adjustments

A reconciliation of 1980 net earnings as reported based on historical costs to net earnings based on specific prices (current cost) is as follows:

Net earnings as reported	$146
Increase in depreciation and depletion expense	(61)
Other adjustments to cost of goods sold	(25)
Restatement into average 1981 dollars	7
Net earnings—current-cost basis	$ 67

Five-Year Comparison of Selected Supplementary Financial Data

(In millions of dollars except per share amounts)

Years ended June 30	1981	1980	1979	1978	1977
Net sales					
Historical dollars	$1,985	$1,790	$1,475	$1,364	$1,280
Average 1981 dollars	1,985	1,996	1,865	1,886	1,889
Net earnings					
Historical dollars	$ 154	$ 146			
Average 1981 dollars	98	80			
Current cost — average 1981 dollars	81	67			
Net assets					
Historical dollars	$ 975	$ 881			
Average 1981 dollars	1,474	1,434			
Current cost — average 1981 dollars	1,661	1,690			
General inflation over specific prices	$ 94	$ 20			
Purchasing power gain on net amounts owed	$ 60	$ 74			
Earnings per common share					
Historical dollars	$ 5.63	$ 5.38			
Average 1981 dollars	3.60	2.97			
Current cost — average 1981 dollars	2.97	2.44			
Dividends per share					
Historical dollars	$ 2.46	$ 2.16	$ 1.87	$ 1.73	$ 1.63
Average 1981 dollars	2.46	2.41	2.36	2.39	2.41
Market price per share (at year end)					
Historical dollars	$42.50	$33.75	$32.33	$25.00	$28.50
Average 1981 dollars	40.71	37.64	40.87	34.57	42.05
Average Consumer Price Index	259.4	232.6	205.2	187.6	175.8

Mineral Reserves and Operating Statistics

Information relating to the Company's major proved mineral reserves, mining production, and representative product prices follows:

(Millions of tons)	1981	1980
Phosphate (Florida)		
Reserves at year end	186	141
Bone phosphate of lime	69%	69%
Reserves acquired	52	22
Reserve revaluation	6	2
Phosphate rock mined	13	13
Bone phosphate of lime	69%	70%
Potash (Canada)		
Reserves at year end	1,364	1,375
Average K_2O content	25%	26%
Ore mined	11	11
Average K_2O content	25%	25%
Muriate of potash produced	4	4
Potash (New Mexico)		
Reserves at year end	208	214
Average combined K_2O content of the ore (langbeinite plus sylvinite)	11%	11%
Ore mined	6	5
Average combined K_2O content of the ore (langbeinite plus sylvinite)	10%	10%
Potash produced	1	1
Average Realized Prices		
Phosphate rock per ton	$23.24	$19.99
Potash per ton	76.74	61.04

The table above does not reflect the Company's 50 percent interest in the IMC/Grace joint venture. The joint venture owns 44 million tons of phosphate deposits in West Central Florida, with an estimated bone phosphate of lime content of 67 percent. Preparations are now being made to begin mining activities at this site.

IMC also owns or controls phosphate deposits about 40 miles distant from current mining operations. These deposits are estimated to contain approximately 225 million tons with a bone phosphate of lime content of about 65 percent. There have been no changes in these estimated deposits during the two years ended June 30, 1981. (Deposits are ore bodies which require additional economic and mining feasibility studies.)

IMC has mining interests in a number of other reserves, including feldspar, nepheline syenite, fuller's earth, chrome ore, bentonite, fluorspar and olivine. None of these reserves is significant in relation to IMC's aggregate mining interests.

NORTON SIMON INC (JUN)

NOTES TO FINANCIAL STATEMENTS

Unaudited Supplementary Data on the Effect of Changing Prices

The Company's primary financial statements are prepared based principally on historical prices, that is, the prices that were in effect when the transactions occurred. Continued inflation over time can distort traditional accounting measurements contained in such statements. The Financial Accounting Standards Board Statement No. 33 requires companies to disclose the effects of inflation on their operations by using two different methods to adjust historical financial statements. The accompanying summary of net income adjusted for changing prices and the five-year comparison of selected financial data were prepared in accordance with Statement No. 33.

The first method (constant dollar) of adjusting historical financial statements converts historical dollars to dollars having the same general purchasing power. This adjustment to constant dollars is made by using the Consumer Price Index for all Urban Consumers (CPI) to measure general inflation. The second method (current cost) adjusts historical dollars for changes in specific prices. Under this method, property, inventories, and rental vehicles at June 30, 1981, are valued at prices in existence at that time.

Both of these methods involve the use of assumptions and estimates and should be viewed as indicating trends rather than reflecting the precise impact of inflation. The CPI index, for example, encompasses a wide range of commodities and is not necessarily representative of the changes in the Company's manufacturing or operating costs. Similarly, the current costs of existing assets do not reflect technological improvements and other efficiencies that are usually a benefit of replacing productive capacity. Nor does the supplementary data recognize the customary relationship between changes in costs and revenues.

The prices the Company charges for its products and services are dictated to a great extent by competitive conditions and, in some instances, by governmental regulation. In the past, the Company has generally been able to adjust prices to compensate for cost increases. Competitive conditions and governmental regulations and guidelines permitting, the Company may be able to continue to adjust prices in recognition of cost changes.

Summary of Net Income Adjusted for Changing Prices

For the year ended June 30, 1981
(In thousands of average 1981 dollars)

Net Income as reported in the Statement of Income	$103,655
Adjustments to restate costs for the effect of general inflation	
Cost of net revenues (exclusive of depreciation and amortization)	(19,602)
Depreciation and amortization expense	(28,291)
Net income adjusted for general inflation	55,762
Adjustments to reflect the difference between general inflation and changes in specific prices (current cost)	
Cost of net revenues	(9,961)
Depreciation and amortization expense	(4,419)
Net income adjusted for changes in specific prices	$ 41,382
Gain on net monetary liabilities due to decline of purchasing power of the dollar in 1981	$ 52,551
Effect of the increase in general prices on inventories, property, and rental vehicles	$136,540
Increase in specific prices of these assets held during the year*	85,766
Excess of increase in the general price level over the increase in specific prices	$ 50,774

*At June 30, 1981, the current costs of inventory, property, and rental vehicles, net of accumulated depreciation and amortization, were $518,436, $707,706, and $89,605, respectively.

Notes to Supplementary Data

Property, Rental Vehicles, and Depreciation and Amortization

For the general inflation adjustment, property and rental vehicles were aged by year of acquisition and restated in average 1981 dollars using the CPI. For the specific price adjustment, the current costs of the Company's assets at June 30, 1981, were estimated using both indirect (indices) and direct (trade quotations, list prices, etc.) pricing methods. Depreciation and amortization expense was determined using the same method and rates used in the Company's primary financial statements.

Inventory and Cost of Revenues

The current cost of inventory and cost of revenues represent the cost of purchasing the goods concerned, or of acquiring the resources necessary to produce them, at year-end prices for inventory and at prices in effect at the date of sale for cost of revenues. The information relating to prices at the different dates was obtained from current invoices, price lists, and quotations from the Company's principal suppliers.

Income Taxes

As required by Statement No. 33, no adjustments were made to income tax expense for any effect deemed to arise because of the differences between income reported on a constant dollar or current cost basis and income reported for tax purposes. The income tax expense shown in the primary financial statements is included in net income adjusted for the effects of general inflation and changes in specific prices.

Gain on Net Monetary Liabilities

The gain on net monetary liabilities represents the reduced purchasing power required to satisfy the Company's net monetary obligations. Assets and liabilities that are fixed in terms of dollars that will be received or paid are classified as monetary.

Five-Year Comparison of Selected Financial Data Adjusted for Effects of Changing Prices

For the years ended June 30
(In average 1981 dollars; thousands except per share amounts)

	1981	1980	1979	1978	1977
Historical cost information adjusted for general inflation					
Net Revenues	$3,192,000	$3,360,000	$3,484,000	$3,358,000	$2,668,000
Net Income	55,762	84,075			
Earnings per common share—assuming full dilution	1.18	1.67			
Purchasing power gain on net monetary items	52,551	86,959			
Net assets at June 30	1,123,489	1,413,520			
Current cost information					
Net Income	41,382	77,291			
Earnings per common share—assuming full dilution	.88	1.54			
Excess of increase in the general price level over the increase in specific prices of inventory, property, and rental vehicles	50,774	71,057			
Net assets at June 30	1,153,731	1,419,935			
Other information					
Cash dividends per common share*	1.08	1.16	1.15	1.03	.84
Market price per common share at June 30*	15⅝	15½	19	24⅝	25
Average Consumer Price Index	259.4	232.6	205.2	187.6	175.8

*Adjusted for stock dividends.

OGDEN CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 17: Supplementary Information on Changing Prices (Unaudited)

Ogden's gross margins tend to fluctuate with the mix in sales and service revenues of its various business segments. Certain segments involved with long-term contracts have escalation provisions which tend to offset rising costs, and some segments have been able to increase selling prices to cover increased costs. However, others, because of competitive factors, have been restricted to price increases which are inadequate to maintain gross margin percentages. If net sales and services revenues were matched with current costs of inventories and amortization of capital assets, reported margins would decline.

Inflation over the years has been reflected in higher costs for the current value of plant and equipment resulting in higher charges to income as updated facilities are depreciated.

There are two methods suggested by the FASB for measuring the effects of changing prices in calculating the information presented in the accompanying supplementary schedules.

The first method provides data adjusted for general inflation (constant dollars) using the Consumer Price Index for All Urban Consumers as the broad-based measure of the general inflation rate.

The second method of measurement adjusts for changes in specific prices (current costs). The objective of this method is to reflect the effect of changes in specific prices of assets used in the companies' operations and the current cost of replacing these assets rather than the historical costs actually expended to acquire them.

Both of these methods inherently involve the use of assumptions and estimates, and therefore the results presented should be viewed in that context and not as a precise indicator of the effects of inflation.

Supplementary Financial Data Adjusted for the Effects of Changing Prices for the Year Ended December 31, 1981

(Expressed in thousands of dollars)

Net income as reported in the statement of consolidated income		$ 65,079
Adjustment to restate for the effects of general inflation:		
Cost of goods sold	$ (4,690)	
Depreciation	(28,177)	(32,867)
Net income adjusted for the effects of general inflation (in average 1981 dollars)		32,212
Adjustment to reflect the difference between general inflation and changes in specific prices (current costs):		
Cost of goods sold	2,307	
Depreciation	(6,253)	(3,946)
Net income adjusted for changes in specific prices (in average 1981 dollars)		$ 28,266
Purchasing power gain on net monetary liabilities held during the year		$ 47,245
Increase in current cost of inventory and equipment held during the year (based on specific price changes)		$ 6,388
(Decrease) in current cost of inventory and equipment held during the year (based on specific price changes) net of changes in the general price level (net holding loss)		$ (101,485)
Inventory and Property, Plant, and Equipment at December 31, 1981 Adjusted for Changes in Specific Prices—Current Costs:		
Inventory		$ 249,941
Property, Plant, and Equipment—net of accumulated depreciation		$1,154,921

Supplementary Five-Year Comparison of Selected Financial Data Adjusted for the Effects of Changing Prices

(Average 1981 dollars, expressed in thousands, except per share amounts)

Years ended December 31,	1977	1978	1979	1980	1981
Historical cost information adjusted for general inflation:					
Net sales and service revenues	$2,405,871	$2,575,422	$2,828,171	$2,435,116	$2,324,289
Cash dividends declared per common share	1.31	1.44	1.59	1.55	1.70
Market price per common share at year end	25.76	26.84	28.61	34.08	26.12
Average Consumer Price Index	181.5	195.4	217.4	246.8	272.4
Historical cost information adjusted for general inflation:					
Net income			$ 47,290	$ 33,973	$ 32,212
Net income per common share			3.45	2.52	2.37
Purchasing power gain on net monetary liabilities held during the year			61,275	52,223	47,245
Net assets at year end			699,824	711,124	751,768
Current cost information:					
Net income			$ 40,400	$ 28,546	$ 28,266
Net income per common share			2.92	2.10	2.08
Increase (decrease) in current cost of inventory and equipment held during the year (based on specific price changes) net of changes in the general price level			(51,442)	40,754	(101,485)
Net assets at year end			744,341	810,901	741,327

NOTES TO SUPPLEMENTARY FINANCIAL DATA

Property, Plant, Equipment and Depreciation: Machinery, equipment, buildings and improvements were identified by type and year of acquisition. Current costs were estimated using various indices published by government and private organizations. Current costs of vessels were determined by Naval engineers' estimates and estimates received from ship brokers. Costs of certain assets constructed by Ogden were updated to reflect current costs using engineering estimates, current labor and overhead rates, and current prices for purchased parts.

The current cost of land was generally estimated by management from information supplied by local appraisers. The remaining land was restated to current cost by use of the Consumer Price Index, whereby historically recorded cost of land by year of acquisition was restated to an estimated current year end cost. Since land is not depreciated, there is no impact on income.

The restatement of historically reported depreciation to both constant dollar and current cost was based on the above restatements of property, plant, and equipment, adjusted to the average depreciation for the year. Estimated useful lives, salvage values, and straight-line method of depreciation were consistently applied for historical, constant dollar, and current cost calculations.

Inventory and Cost of Goods Sold: Current costs of raw material and ferrous and non-ferrous scrap inventories were calculated by the direct pricing method for approximately 75% of dollar value of the items. Year end costs were determined by reference to vendors' invoices, catalog prices, suppliers' and vendors' price quotes, and published market prices. The remaining items were adjusted to year end current cost using an estimated composite rate.

Work in process and finished goods inventories were adjusted to current cost by determining the average inventory turnover rate for the various inventories and restating historical recorded costs of such inventories giving effect to the current price changes during the period of material, labor, and overhead components of such inventories.

Cost of goods sold was restated to current cost at time of sales by calculating the material, labor, and overhead components and determining inventory turnover rates mentioned above by component for applicable inventories.

The current cost of sales using the LIFO method of inventory valuation approximates the historical cost of sales. Inventories of such operations have been adjusted to current year end cost.

For long-term contracts of operations where materials are purchased and costs incurred or committed specifically for identifiable contracts with a determinable sales price, the cost of sales and work in process inventory were measured for constant dollar (general inflation) and current cost (specific) at date of commitment. Accordingly, current cost, both general and specific, is the same as historical cost in such operations. However, depreciation of assets used in such operations was adjusted to current cost and is reflected in the restatements.

Net Monetary Assets: A monetary item is defined as an asset owned or liability owed expressed as a fixed dollar amount without reference to future price changes. The purchasing power gain on net monetary assets owned and liabilities owed during the year was determined by analyzing changes in these items for the year and applying the Consumer Price Index. By holding a monetary asset, a theoretical holding loss results; conversely, by holding a monetary liability, a theoretical holding gain results in a period of inflation.

Income Taxes: No adjustment has been made to income tax expense for any deferred income taxes that might be deemed to arise because of the differences between income on constant dollar or current cost basis and income reported for tax purposes.

The income tax expense for the year shown in the primary financial statements is included in net income adjusted for changes in constant dollar and current costs. No portion of such tax expense is allocated to the increase or decrease in the current cost of inventory and equipment.

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

	1981	1980	1979	1978
Balance Sheet	545	544	544	538
Statement of Financial Position	43	45	43	48
Statement of Financial Condition	12	11	13	14
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

	1981	1980	1979	1978
Account form	333	358	363	376
Report form	263	235	228	216
Financial position form	4	7	9	8
Total Companies	**600**	**600**	**600**	**600**

TABLE 2-3: CASH—BALANCE SHEET CAPTIONS

	1981	1980	1979	1978
Cash	359	384	403	
Cash and Equivalents	60	38	35	460
Cash includes certificates of deposit or time deposits	63	71	66	55
Cash combined with marketable securities	118	107	96	85
Total Companies	**600**	**600**	**600**	**600**

CASH

Table 2-3 shows that 60% of the survey companies present cash as a single item and use the caption *cash*. Of the 118 companies showing a balance sheet caption combining cash and marketable securities, 58 disclosed separate amounts either parenthetically on the balance sheet or in a note to the financial statements. Forty-seven 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.

ACTION INDUSTRIES, INC. (JUN)

	1981	1980
CURRENT ASSETS:		
Cash, including time deposits of $305,000 in 1981, with interest averaging 10%	$ 632,263	$ 860,638
Commercial Paper, at cost, which approximates market, with interest averaging 12.9%	—	1,987,139
Trade accounts receivable, less allowance of $562,000 in 1981 and $663,000 in 1980 for doubtful accounts and customer credits	11,805,340	6,775,619

ANALOGIC CORPORATION (JUL)

	1981	1980
Current assets:		
Cash (including time deposits of approximately $8,600.00 at July 31, 1981)	$ 9,426,636	$ 978,503
Accounts receivable, trade, less allowance for doubtful accounts (1981, $487,749: 1980, $440,122)	22,590,100	17,690,721

ANHEUSER-BUSCH COMPANIES, INC. (DEC)

	1981	1980
	(In millions)	
Current Assets:		
Cash (including certificates of deposit of $28.3 in 1981 and $1.6 in 1980)	$ 49.6	$ 7.0
Marketable securities, at cost which approximates market	44.0	7.0
Accounts and notes receivable, less allowance for doubtful accounts of $1.0 in 1981 and 1980	147.7	142.7

CADENCE INDUSTRIES CORPORATION (DEC)

	1981	1980
Current assets:		
Cash, including certificates of deposit of $516,000 in 1981 and $484,000 in 1980 at cost, plus accrued interest, which approximates market	$ 1,137,000	$ 860,000
Accounts receivable, less allowances for doubtful accounts of $4,540,000 in 1981 and $6,438,000 in 1980; and allowances for returns and cancellations of $58,453,000 in 1981 and $68,885,000 in 1980	27,413,000	37,967,000

ETHYL CORPORATION (DEC)

	1981	1980
Current assets:		
Cash and short-term securities	$120,994,000	$108,932,000
Accounts and notes receivable:		
Trade, less allowances for doubtful accounts of $6,719,000 in 1981 and $7,172,000 in 1980	220,805,000	235,224,000
Other	10,384,000	9,674,000
	231,189,000	244,898,000

NOTES TO FINANCIAL STATEMENTS

Note 3: Cash and Short-Term Securities:

Cash and short-term securities consist of the following:

(In Thousands)	1981	1980
Cash	$ 19,423	$ 19,147
Time deposits	12,511	5,546
Short-term securities	89,060	84,239
	$120,994	$108,932

Time deposits and short-term securities are stated at cost plus accrued income, which approximates market value.

THE HOOVER COMPANY (DEC)

	1981	1980
	(in thousands)	
CURRENT ASSETS		
Cash, including time deposits of $15,163 in 1981 and $25,344 in 1980	$ 21,676	$ 31,509
Marketable securities	3,363	512
Notes and accounts receivable, less allowances of $2,818 in 1981 and $2,923 in 1980	130,678	136,954

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.

INTERNATIONAL MINERALS & CHEMICAL CORPORATION (JUN)

	1981	1980
	(in millions)	
Current Assets		
Cash and short-term investments	$ 45.5	$145.6
Receivables, net	260.9	238.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions except per share amounts)

Cash and Short-Term Investments and Receivables

Cash and short-term investments included in the consolidated balance sheets at June 30, 1981 and 1980, were as follows:

	1981	1980
Cash	$ 2.0	$ 3.4
Certificates of deposit	10.2	39.9
Other short-term investments, at cost which approximates market	33.3	102.3
	$45.5	$145.6

Receivables at June 30, 1981 and 1980, included in current assets, were as follows:

	1981	1980
Trade accounts	$231.8	$222.3
Non-trade receivables	34.5	22.4
	266.3	244.7
Less allowances	5.4	6.2
	$260.9	$238.5

JOHNSON CONTROLS, INC. (SEP)

	1981	1980
	(dollars in thousands)	
Current assets		
Cash and marketable securities	$57,521	$25,709
Accounts receivable, less allowance for doubtful accounts of $3,536 and $2,469, respectively	225,071	178,878

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Cash and Marketable Securities

	September 30, 1981	1980
	(dollars in thousands)	
Cash, including time deposits	$ 3,578	$ 827
Interest-bearing, negotiable certificates of deposit	23,112	14,805
Negotiable commercial paper	8,669	—
Bankers' acceptances	20,017	9,754
Other marketable securities	2,145	323
	$57,521	$25,709

Marketable securities are stated at cost, which approximates market value.

MEREDITH CORPORATION (JUN)

	1981	1980
	(in thousands)	
Current Assets:		
Cash and cash items		
On hand and demand deposits	$ 1,709	$ 2,317
Certificates of deposit	17,000	11,000
Short-term investments (at cost, which approximates market)	3,800	2,500
Total cash and cash items	22,509	15,817
Receivables:		
Trade	57,057	45,970
Other	396	457
Less allowances for doubtful accounts and returns	(10,756)	(6,109)
Subtotal	46,697	40,318
Affiliated company	851	208
Net receivables	47,548	40,526

PABST BREWING COMPANY (DEC)

	1981	1980
Current Assets:		
Cash (including certificates of deposit of $2,000,000 and $8,002,000, respectively)	$ 7,861,000	$13,412,000
Marketable securities at cost, which approximates market	6,992,000	23,934,000
Accounts receivable, less allowance for doubtful accounts of $334,000 and $292,000, respectively	18,510,000	20,312,000

ST. REGIS PAPER COMPANY (DEC)

	1981	1980
	(Thousands)	
Current assets:		
Cash	$ 30,711	$ 34,792
Time deposits	36,275	253,186
Short-term investments, at cost approximating market	18,446	99,270
Accounts receivable—customers (less allowances of $11,450 in 1981 and $10,669 in 1980)	260,981	260,788
Other receivables	53,927	43,904
Inventories, at lower of cost or market	287,125	275,586
Total	$687,465	$967,526

SUNBEAM CORPORATION (MAR)

	1981	1980
Current Assets:		
Cash	$ 12,060,000	$ 14,893,000
Time deposits	8,936,000	6,700,000
Accounts receivable (less allowance for doubtful accounts and discounts of $8,789,000 in 1981 and $8,618,000 in 1980)	298,458,000	288,489,000

TOSCO CORPORATION (DEC)

	1981	1980
Current assets		
Cash and equivalents	$ 76,680	$ 25,594
Trade accounts receivable, less allowance for uncollectibles of $2,317,000 (1981) and $1,577,000 (1980)	206,890	203,366

NOTES TO FINANCIAL STATEMENTS

Note 3: Cash Equivalents

At December 31, 1981, cash equivalents amounted to $54,759,000 invested in certificates of deposit and other instruments with banks, with interest ranging from 11.875% to 12.25%, maturing in January 1982. At December 31, 1980, cash equivalents amounted to $20,730,000 invested in certificates of deposit with banks, with interest ranging from 13.5% to 20%, maturing in January 1981.

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 409 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

ANDERSON, CLAYTON & CO. (JUN)

	1981	1980
	($000)	
Current assets:		
Cash	$ 13,317	$25,328
Marketable securities at the lower of cost or market (note 7)	122,775	97,200

Note 7 (in part): Marketable Securities Consists of:

(In thousands of dollars)	June 30	
	1981	1980
Commercial paper	$ 66,309	$ 53,760
Government bills and notes	3,512	574
Repurchase agreements	23,678	7,001
Certificates of deposit	25,508	34,660
Bankers acceptances	3,768	1,205
	$122,775	$97,200

TABLE 2-4: MARKETABLE SECURITIES—VALUATION

	Number of Companies			
	1981	1980	1979	1978
Cost				
Approximates market	251	251	250	263
No reference to market	23	22	15	11
Market value disclosed	4	14	8	5
Lower of cost or market	36	31	35	38
Market value	—	3	2	—

GOLDEN ENTERPRISES, INC. (MAY)

	1981	1980
Current assets:		
Cash	$1,356,752	$ 447,375
Marketable securities, carried at market (Note 1)	3,331,917	4,125,916
Receivables:		
Trade notes and accounts	4,533,257	3,327,766
Other	221,250	227,413
	4,754,507	3,555,179
Less: Allowance for doubtful accounts	20,000	25,000
	4,734,507	3,530,179

Note 1: Marketable Securities

At May 31, 1981 and 1980, marketable securities consist of the following:

	1981	1980
Preferred stocks	$1,787,694	$3,625,916
Common stocks	1,010,575	—
Commercial paper and money market funds	183,648	500,000
Obligations of U.S. Government and its agencies under an agreement to repurchase	350,000	—
Totals	$3,331,917	$4,125,916

Marketable equity securities (Preferred and common stocks) are carried at the lower of aggregate portfolio cost or market value. Marketable equity securities had costs of $3,822,507 and $4,311,344 at May 31, 1981 and 1980, respectively.

To reduce the carrying amount of the marketable equity securities portfolio to market, which was lower than cost, provisions for decline in value of marketable equity securities of $366,074, $402,298 and $157,834 were charged to income for the years ended May 31, 1981, 1980 and 1979, respectively. At May 31, 1981, the valuation allowance of $1,024,238 consists of unrealized losses of $1,052,446 and unrealized gains of $28,208.

All common stocks owned by the Company and its subsidiaries at May 31, 1981 are subject to call options. The premiums received by the Company and its subsidiaries for these unexpired call options have been adjusted for the market value of the options and are shown as a deferred credit in the current liability section of the accompanying balance sheet. The adjustment to market value of the options has increased the provision for decline in value of marketable equity securities by $27,263 for the year ended May 31, 1981.

Net realized losses of $462,909 and $190,349 on the sale of marketable equity securities have been included in the determination of net investment income for the years ended May 31, 1981 and 1980, respectively. There were no sales of marketable equity securities during the year ended May 31, 1979.

The cost of the specific security sold is used to compute gains or losses on the sale of marketable equity securities.

Marketable securities, other than equity securities, are carried at cost which approximates market value.

Dividends are recorded as income on the date the preferred and common stocks trade "exdividend".

MASCO CORPORATION (DEC)

	1981	1980
CURRENT ASSETS		
Cash and cash investments	$ 62,716,000	$ 44,718,000
Marketable securities	74,829,000	92,778,000
Accounts and notes receivable, net of allowance of $4,383,000 (1981) and $2,832,000 (1980)	143,408,000	132,986,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Marketable Securities

Marketable securities, principally common stocks, commercial paper and U.S. Government securities, are carried at cost; market values aggregate approximately $76,200,000 and $97,600,000 at December 31, 1981 and 1980, respectively.

Included in marketable securities are equity securities having an aggregate cost of $31,751,000 and $20,124,000 and an aggregate market value of approximately $34,870,000 and $24,473,000 at December 31, 1981 and 1980, respectively; at December 31, 1981, unrealized gains approximated $4,592,000 and unrealized losses approximated $1,473,000.

Included in other noncurrent assets at December 31, 1981, are marketable securities at cost of $11,600,000 with market value of $9,600,000.

Net realized gains on sales of marketable securities, determined on a specific identification cost basis, aggregated $4,004,000 and $3,107,000 in 1981 and 1980, respectively, and were not significant in 1979.

SCOPE INDUSTRIES (JUN)

	1981	1980
CURRENT ASSETS:		
Cash	$ 223,265	$ 360,620
Short-term investments, at cost which approximates market	200,000	120,000
Marketable securities, at cost (market $4,056,200 in 1981 and $1,634,875 in 1980—Note 2)	1,498,865	1,284,454
Accounts and notes receivable less allowance for doubtful accounts of $213,954 in 1981 and $284,934 in 1980	2,293,495	2,048,481

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Marketable Securities:

Marketable securities are stated at the lower of cost or market at the balance sheet date and consist of common and preferred stocks. Dividend and interest income are accrued as earned. The cost of marketable securities sold is determined on the specific identification method, and realized gains or losses are reflected in income.

Note 2: Marketable Securities

At June 30, 1981, gross unrealized gains and losses were as follows:

	Current Marketable Securities	Long-Term Marketable Securities
Gross unrealized gains	$2,563,936	$35,988,954
Gross unrealized losses	(6,601)	

Included in revenues is a net gain of $64,510 (1981), $282,732 (1980) and $77,590 (1979) realized on the sale of marketable securities.

Long-term marketable securities consist of 1,100,660 shares of Avnet, Inc. Common Stock at June 30, 1981 and 1,000,600 shares at June 30, 1980. It is management's present intention to hold this stock on a long-term basis.

Subsequent to June 30, 1981, the Company realized a gain before income taxes of $2,466,336 on the sale of marketable securities with a cost basis of $728,664.

At Cost—Approximates Market

AMSTED INDUSTRIES INCORPORATED (SEP)

	1981	1980
	(In Thousands)	
Current Assets		
Cash	$ 3,171	$ 6,011
Short-term investments at cost which approximates market	26,000	26,000
Accounts receivable, less allowance for possible uncollectible accounts of $1,480 and $1,271	104,415	120,412

FOTOMAT CORPORATION (JAN)

	1982	1981
	(In Thousands)	
Current assets:		
Cash and marketable securities (Note 1)	$5,271	$5,737
Accounts receivable, net of allowance for doubtful accounts of $78 and $66	4,684	2,265

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

(b) Marketable securities are stated at cost, which approximates market, and consist of repurchase agreements collateralized by U.S. treasury notes. At January 31, 1982 and 1981, $2,000,000 and $2,500,000 respectively were invested in such repurchase agreements.

HOMASOTE COMPANY (DEC)

	1981	1980
CURRENT ASSETS:		
Cash in banks	$ 492,536	$ 291,757
Certificates of deposit	1,500,000	1,825,000
Marketable securities (note 2)	450,000	525,000
Accounts receivable (net of allowance for doubtful accounts of $68,000 in 1981)	1,884,774	1,941,015

Note 2—Marketable Securities:

Marketable securities consist of the following:

	December 31 1981	1980
State securities	$425,000	$425,000
Municipal securities	25,000	100,000
	$450,000	$525,000

Marketable securities are carried at cost which approximates market; cost being determined on the specific identification method.

KAISER STEEL CORPORATION (DEC)

	1981	1980
	(thousands of dollars)	
Current Assets:		
Cash (including short-term investments of $391,976,000 and $485,827,000) (Note E)	$401,587	$495,186
Accounts receivable (less allowances of $2,080,000 for doubtful accounts)	107,131	128,304

Note E: Short-Term Investments

	December 31 1981	1980
	(thousands of dollars)	
Certificates of deposit	$189,564	$280,784
U.S. government obligations	91,200	49,273
Commercial paper	70,423	42,550
Canadian government obligations	34,763	—
Bankers acceptances	6,026	113,220
	$391,976	$485,827

The above investments are recorded at cost, which approximates market.

NABISCO BRANDS, INC. (DEC)

	1981	1980
	(In millions)	
Current assets		
Cash	$ 20.5	$ 17.2
Short-term investments, at cost which approximates market	165.5	217.1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Short-term investments consist of time deposits, certificates of deposit, corporate bonds and U.S. government securities.

NATIONAL DISTILLERS AND CHEMICAL CORPORATION (DEC)

	1981	1980
	(dollar amounts in millions)	
Current assets		
Cash	$ 54.1	$ 43.1
Short-term investments and marketable securities (Note 8)	82.6	24.8
Receivables—less allowance for doubtful accounts of $3.2—1981; $4.1—1980	266.0	293.1

Note 8—Investments and Marketable Securities

Current investments include:

	December 31 1981	1980
U.S. Government obligations	$30.5	$21.1
Certificates of deposit and other debt securities	12.8	3.7
1.3 million shares of Mallinckrodt, Inc.	39.3	—
	$82.6	$24.8

Short-term investments and marketable securities are stated at cost which, except for the investment in the shares of Mallinckrodt, Inc., approximates market. The market value of the Mallinckrodt shares at December 31, 1981 was approximately $65 million. On December 16, 1981 Avon Products, Inc., a corporation whose shares are traded on the New York Stock Exchange, made a tender offer for shares of Mallinckrodt for a cash price of $50 per share. The Company tendered the Mallinckrodt stock in response to the offer and in January 1982 received $37.2 million in cash for 744 thousand shares accepted under the terms of the tender offer. At the time of the tender offer, Avon and Mallinckrodt announced a proposed plan of merger under which the remaining outstanding shares of Mallinckrodt would be exchanged for Avon stock. The exact amount of Avon stock to be received in the exchange would be based on the market price of Avon during a period prior to the merger. However, the exchange would not be less than 1.429 shares or more than 1.667 shares of Avon for each Mallinckrodt share. Based on the market price ($30 per share) of Avon at December 31, 1981, the Company would have received 925 thousand Avon shares with an indicated value of $27.8 million if the merger had taken place at that date.

Non-current marketable securities are stated at cost; at December 31, 1981 aggregate market value exceeded cost by $25 million.

THE PROCTER & GAMBLE COMPANY (JUN)

	1981	1980
	($ Millions)	
CURRENT ASSETS		
Cash	$ 20	$ 32
Marketable securities	596	445

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Marketable Securities: Substantially all of the marketable securities are government and corporate debt instruments which are carried at cost which approximates market.

RUSS TOGS, INC. (JAN)

	1982	1981
Current assets:		
Cash (including certificates of deposit of $11,961,000 in 1982 and $17,823,000 in 1981)	$13,903,000	$21,213,000
Short-term notes and bankers' acceptances (at cost, which approximates market)	5,269,000	1,279,000
Accounts receivable (less estimated discounts and doubtful accounts of $2,877,000 in 1982 and $2,406,000 in 1981)	32,198,000	24,450,000

UNITED STATES SUGAR CORPORATION (SEP)

	1981	1980
	(Dollars in Thousands)	
CURRENT ASSETS:		
Cash	$1,381	$ 855
Time deposits (including accrued interest)	6,222	—
U.S. Government securities purchased under an agreement to resell, at cost, which approximates market (including accrued interest)	3,620	2,250
Municipal obligations, at cost, which approximates market (including accrued interest)	786	893

RECEIVABLES

Table 2-5 summarizes both the descriptive titles used in the balance sheet to describe trade receivables and the type of receivables, other than trade receivables, which the survey companies most frequently showed as current assets. Examples of receivables shown as current assets follow.

Income Tax Refund Claims

INLAND STEEL COMPANY (DEC)

	1981	1980	1979
	Dollars in Thousands		
Current assets:			
Cash	$ 18,392	$ 9,657	$ 18,342
Marketable short-term securities, at cost, which approximates market, and accrued interest	72,513	93,957	10,928
Receivables, less provision for allowances, claims and doubtful accounts of $20,968 at December 31, 1981, $18,575 at December 31, 1980 and $13,419 at December 31, 1979	402,702	435,574	370,393
Refundable income taxes	7,510	38,110	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (in part): Taxes on Income

The Company incurred a loss for tax purposes of approximately $67,000,000 in 1981, and $113,000,000 in 1980. As a result of the carryback of the 1981 loss to prior years, the Company anticipates a refund of $7,510,000.

TABLE 2-5: CURRENT RECEIVABLES

	1981	1980	1979	1978
Trade Receivable Captions				
Accounts receivable	199	209	209	207
Receivables	155	153	162	164
Accounts and notes receivable	121	128	129	139
Trade accounts receivable	125	110	100	90
Total Companies	**600**	**600**	**600**	**600**
Receivables Other Than Trade Receivables		**Number of Companies**		
Tax refund claims	71	51	51	36
Contracts	48	31	22	20
Investees	35	37	35	23
Installment notes or accounts	18	19	23	24

JIM WALTER CORPORATION (AUG)

		1981 (in thousands)		1980
Current assets:				
Cash		$ 39,152		$ 27,951
Instalment notes receivable	$1,859,534		$1,519,415	
Less—Provision for possible losses	(15,213)		(13,212)	
Unearned time charges	(1,013,550)	830,771	(788,089)	718,114
Trade receivables, less $12,617,000 and $10,605,000 provision for possible losses		282,854		275,158
Other notes and accounts receivable		13,464		12,322
Federal income tax refund receivable (Note 5)		46,900		—
Inventories, at lower of cost (first in, first out or average) or market:				
Finished goods	176,384		159,343	
Goods in process	36,571		32,438	
Raw materials and supplies	134,491		130,374	
Houses held for resale	800	348,246	892	323,047
Prepaid expenses and other current assets		8,874		8,437
Total current assets		$1,570,261		$1,365,029

Note 5 (in part): Income Taxes

Deferred income tax results from timing differences in the recognition of revenue and expense for tax and financial reporting purposes. The tax effect of such differences is summarized as follows:

	1981	1980 (in thousands)	1979
Revenue recognized on the instalment method on tax return and on the accrual basis on books	$22,366	$22,835	$16,289
Excess of tax over book depreciation and capitalized interest	25,301	20,645	11,113
Deferred investment tax credit	1,184	2,730	4,870
Mine development expense	5,335	7,612	7,236
Other	(2,022)	(330)	(1,851)
	$52,164	$53,492	$37,657

The above timing differences resulted in a net operating loss carryback for federal income tax reporting purposes and a federal income tax refund receivable of $46.9 million at August 31, 1981.

WEYERHAEUSER COMPANY (DEC)

	1981	1980
	Dollar amounts in thousands	
Current assets:		
Cash, including interest bearing time deposits $88,180 and $118,616	$ 42,525	$ 68,766
Short-term investments, at cost which approximates market	62,025	40,678
Receivables, less allowances $7,301 and $5,575 (Note 5)	606,727	491,684

NOTES TO FINANCIAL STATEMENTS

For the three years ended December 27, 1981
Dollar amounts in thousands except per share figures

Note 5 (in part): Income Taxes

Deferred income taxes are provided to reflect timing differences between financial and tax reporting. Investment tax credits are taken into income in the year in which income taxes are reduced by the credit.

Earnings before income taxes and extraordinary charges are comprised of the following:

	1981	1980	1979
Domestic earnings	$264,541	$453,589	$630,804
Foreign earnings	46,103	75,898	106,990
	$310,644	$529,487	$737,794

Included in receivables at December 27, 1981 is $119,600 for a federal income tax refund primarily resulting from the investment tax credit carryback provisions of the federal income tax code.

Contracts

ALLIS-CHALMERS CORPORATION (DEC)

	1981	1980
	(thousands)	
Current Assets		
Cash	$120,294	$ 58,859
Receivables	291,144	329,669

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Receivables

Receivables include the following:

December 31	1981	1980
	(thousands)	
Trade accounts	$202,002	$226,789
Due from unconsolidated subsidiaries	14,125	20,005
Progress receivables on long-term contracts not billed to customers	105,258	112,664
Allowance for doubtful accounts	(11,971)	(11,750)
Discounts and other allowances	(18,270)	(18,039)
	$291,144	$329,669

Progress receivables represent unbilled revenue recognized on long-term contracts. The December 31, 1981 and 1980 amounts will be billed in accordance with contract terms, with approximately $16.3 million and $13.9 million to be collected beyond one year.

JOY MANUFACTURING COMPANY (SEP)

	1981	1980
	(In Thousands)	
Current Assets		
Cash and cash equivalents	$ 52,089	$ 14,565
Receivables (Note 5)	239,709	220,677

Note 5: Receivables

Receivables include the following:

	1981	1980
	(In Thousands)	
Trade receivables	$208,435	$179,788
Trade installment notes	21,971	31,669
Retentions on long-term construction contracts	7,202	6,965
Unbilled sales on long-term construction contracts	6,555	3,220
Due from unconsolidated subsidiaries	2,207	2,467
	246,370	224,109
Less allowance for doubtful accounts	(6,661)	(3,432)
Receivables	$239,709	$220,677

In accordance with generally recognized trade practice, all trade installment notes including those which mature subsequent to one year, amounting to $8,842,000 at September 24, 1981 and $16,972,000 at September 26, 1981, have been included in current assets. The range of interest rates applicable to trade installment notes receivable was 8.0% to 36.0% at September 25, 1981 and 8.0% to 30.0% at September 26, 1980.

Retentions on long-term construction contracts include $4,444,000 at September 25, 1981 and $587,000 at September 26, 1980, which are collectible after one year.

Substantially all amounts classified as unbilled sales on long-term construction contracts are collectible within one year.

Joy provides an allowance for doubtful accounts based upon the expected collectibility of each specific account. A summary of the changes in the allowance for doubtful accounts is as follows:

	1981	1980	1979
		(In Thousands)	
Balance at beginning of year	$(3,432)	$ (950)	$(764)
Provision charged to net income	(4,745)	(2,750)	(372)
Recoveries of accounts written off	1	3	17
Accounts written off	1,515	265	169
Balance at end of year	$(6,661)	$(3,432)	$(950)

Receivables from Investees

DEERE & COMPANY (OCT)

	1981	1980
	(In thousands of dollars)	
Current Assets:		
Cash	$ 57,213	$ 69,089
Short-term investments—at cost which approximates market value	10,998	512
Receivables from unconsolidated subsidiaries and affiliates	302,361	292,904
Trade receivables:		
Dealer accounts and notes	2,373,018	2,033,234
Retail notes (less deferred finance income of $19,412 in 1981 and $21,691 in 1980)	40,558	95,671
Total	2,413,576	2,128,905
Less allowances	39,183	35,633
Trade receivables—net	2,374,393	2,093,272

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Receivables from Unconsolidated Subsidiaries and Affiliates

Receivables from unconsolidated subsidiaries and affiliates totaled $302 million at October 31, 1981 compared with $293 million at October 31, 1980. Approximately one-half of these receivables in 1981 and two-thirds in 1980 represent short-term loans to the retail finance subsidiaries, while the remaining balance represents normal non-interest bearing intercompany receivables. The short-term loans to the retail finance subsidiaries bear interest at rates approximating short-term corporate borrowing rates. These loans result from the retail finance subsidiaries' requirements for funds to finance their portfolios of retail receivables. The amounts of these receivables fluctuate based upon company and external availability of funds.

Trade Receivables

Dealer accounts and notes receivable at October 31, 1981 totaled $2,373 million, $253 million of which were notes. At October 31, 1980, dealer accounts and notes were $2,033 million, $222 million of which were notes.

The amount of trade receivables from dealers that will become due in the next year will depend upon the amount of related goods sold by dealers. Payments on each dealer's indebtedness are required as the collateral security is reduced by retail sales. In addition, the terms require that the indebtedness be paid on or before scheduled due dates regardless of whether the products are sold at retail. The most extended installment due date is 16 months after the end of the semi-annual period in which that portion of the indebtedness was incurred.

Retail notes included in the consolidated balance sheet at October 31, 1981 represent notes of overseas farm and industrial customers and certain United States notes. These notes totaled $41 million at October 31, 1981, 36 percent of which mature in more than one year. At October 31, 1980, retail notes totaled $96 million. All retail notes receivable include finance charges determined at the company's finance charge rate in effect at the time the respective notes were acquired. Most retail notes acquired from farm and industrial customers in the United States and Canada are sold to the retail finance subsidiaries. Comments regarding those subsidiaries appear on pages 27 and 28.

During 1981, the company sold to financial institutions retail notes receivable having unpaid balances at the time of sale of $73 million. At October 31, 1981, the unpaid balances of receivables sold was $61 million.

In accordance with generally recognized trade practices and the company's consistent policy, all trade receivables have been classified as current assets.

GENERAL ELECTRIC COMPANY (DEC)

	1981	1980
	(In millions)	
Current Assets:		
Cash (note 7)	$2,219	$1,601
Marketable securities (note 7)	252	600
Current receivables (note 8)	4,872	4,339

Note 7: Cash and Marketable Securities

Deposits restricted as to usage and withdrawal or used as partial compensation for short-term borrowing arrangements were not material.

Marketable securities (none of which are equity securities) are carried at the lower of amortized cost or market value. Carrying value was substantially the same as market value at year-end 1981 and 1980.

Note 8: Current Receivables

December 31 (In millions)	1981	1980
Customers' accounts and notes	$3,989	$3,816
Associated companies	49	25
Nonconsolidated affiliates	21	17
Other	927	584
	4,986	4,442
Less allowance for losses	(114)	(103)
	$4,872	$4,339

The increase in other current receivables resulted primarily from tax refunds and carrybacks attributable to increased leasing activity as discussed in note 5.

PITNEY BOWES INC. (DEC)

	1981	1980
	Dollars in thousands	
Current assets		
Cash	$ 9,584	$ 19,130
Short-term investments, at cost which approximates market	69,640	39,185
Accounts receivable, less allowance: 1981, $11,318; 1980, $10,761	220,211	204,137
Receivables from finance subsidiaries	26,747	20,596

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15: Finance Subsidiaries

The company has two wholly owned unconsolidated finance subsidiaries which are engaged primarily in lease financing of the company's business equipment products in the United States and United Kingdom. During 1980, the company's consolidated subsidiary, Pitney Bowes of Canada Ltd., formed a financing division through which it makes lease financing available to its business equipment customers. Condensed financial data for the unconsolidated finance subsidiaries follows:

Condensed balance sheet at December 31	1981	1980
	(In thousands)	
Cash and short-term investments	$ 3,769	$ 1,556
Receivables, net, including amounts due beyond one year	463,785	340,694
Other assets	3,044	2,445
Total assets	$470,598	$344,695
Accounts payable to affiliated companies	$ 26,747	$ 20,596
Accrued expenses and other liabilities	20,945	11,679
Deferred taxes	32,248	23,682
Senior notes payable	295,065	221,868
Subordinated debt due Pitney Bowes	20,927	15,412
Stockholders' equity	74,666	51,458
Total liabilities and stockholders' equity	$470,598	$344,695

Condensed summary of operations, years ended December 31	1981	1980	1979
	(In thousands)		
Revenues	$102,491	$72,818	$49,815
Expenses	80,176	56,007	39,236
Income before income taxes	22,315	16,811	10,579
Provision for taxes	10,107	7,423	4,859
Net income	$ 12,208	$ 9,388	$ 5,720

TEXACO INC. (DEC)

	1981	1980
	Millions of dollars	
Current Assets:		
Cash	$ 190	$ 334
Accounts and notes receivable (includes receivables from a significant nonsubsidiary company of $691 million in 1981 and $685 million in 1980), less allowance for doubtful accounts of $18 million in 1981 and $27 million in 1980	5,748	5,857

LEE ENTERPRISES, INCORPORATED (SEP)

	1981	1980	1979
Current Assets			
Cash and temporary cash investments	$11,582,000	$ 3,957,000	$12,510,000
Trade receivables, less allowance for doubtful accounts 1981 $1,600,000; 1980 $1,100,000; 1979 $800,000	16,607,000	15,514,000	13,303,000
Receivables from associated companies	2,681,000	2,734,000	1,680,000

Installment Receivables

AMF INCORPORATED (DEC)

	1981	1980
	(in thousands of dollars)	
Current Assets		
Cash and short term investments (Note 4)	$ 41,764	$ 37,595
Notes and accounts receivable (Note 5)	316,399	318,689

Note 4: Cash and Short Term Investments

Short term investments, principally time deposits, amounted to $32,516,000 and $27,562,000 at December 31, 1981 and 1980, respectively.

The average interest rate on time deposits at December 31, 1981, was approximately 16.0%.

Note 5: Notes and Accounts Receivable

Notes and accounts receivable from customers, net of unearned interest of $35,059,000 and $32,475,000 include the following at December 31, 1981 and 1980, respectively (in thousands of dollars):

	1981	1980
Amounts due within one year	$256,131	$263,071
Amounts due beyond one year	76,385	75,602
	332,516	338,673
Allowance for possible losses	(16,117)	(19,984)
	$316,399	$318,689

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 $56,885,000 in 1981 and $63,067,000 in 1980, net of unearned interest, ranged generally from 12% to 19% in the United States, and from 8% to 24% overseas during 1981.

Notes and accounts receivable due beyond one year at December 31, 1981 and 1980, include approximately $35,171,000 and $33,216,000, respectively, of investment in sales-type leases net of unearned interest of $14,835,000 and $11,299,000, respectively.

Minimum future lease 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
1982	$10,519	$25,758
1983	9,223	12,291
1984	7,790	9,526
1985	6,942	9,831
1986	6,405	7,309
After 1986	20,080	8,260
	$60,959	$72,975

Trade Acceptances

DYNAMICS CORPORATION OF AMERICA (DEC)

	1981	1980
	($000)	
Current Assets:		
Cash and cash equivalents	$ 856	$ 639
Marketable securities (at the lower of cost or market)	3,257	13,390
Accounts receivable, including trade acceptances of $5,845 (1981) and $6,210 (1980), less allowances for doubtful accounts of $709 (1981) and $624 (1980) and cash discounts of $288 (1981) and $218 (1980)	28,639	27,117

RECEIVABLES USED FOR FINANCING

Table 2-6 shows that 108 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 *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

TABLE 2-6: RECEIVABLES USED FOR FINANCING

	1981	1980	1979	1978
Receivables sold with recourse	76	71	70	61
Receivables sold without recourse	16	14	14	15
Receivables used as collateral	22	25	22	30
Total References	**114**	**110**	**106**	**106**
Reference to receivable financing	108	102	101	99
No reference to receivable financing	492	498	499	501
Total Companies	**600**	**600**	**600**	**600**

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.

Receivables Sold With Recourse

CHICAGO PNEUMATIC TOOL COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Investments in Companies Not Consolidated (in part)

Finance Subsidiary:

On May 1, 1980 Chicago Pneumatic Credit Corporation, a wholly-owned domestic finance subsidiary, began active operations. The finance subsidiary purchases from the parent Company receivables arising from sales of Company products. In addition, through its wholly-owned subsidiary, Mechanics Acceptance Corp., it also purchases receivables from MATCO and finances purchase contracts of end-user mechanics. The parent Company was contingently liable for $17,818,000 and $11,971,000 of the finance subsidiary's receivables at January 1, 1982 and January 2, 1981 respectively.

NASHUA CORPORATION (DEC)

	1981	1980
Current Assets		
Cash	$ 8,221,000	$ 8,167,000
Accounts and notes receivable less allowance for doubtful accounts of $4,329,000 in 1981 and $3,931,000 in 1980	69,219,000	70,169,000

NOTES TO FINANCIAL STATEMENTS

Accounts Receivable:

At December 31, 1981 and 1980 the company was contingently liable to third parties as a result of the sale of certain accounts and notes receivable of approximately $19,000,000 and $16,000,000, respectively. A portion of these sales was made on a regular basis to finance foreign operations.

THE GOODYEAR TIRE & RUBBER COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Accounts and Notes Receivable

(In thousands)	1981	1980
Accounts and notes receivable	$1,712,735	$1,632,801
Less:		
Allowance for doubtful accounts	41,000	42,482
Receivables sold to Goodyear Financial Corporation, less 5% holdback	467,547	446,276
	$1,204,188	$1,144,043
Long term accounts and notes receivable	$ 44,912	$ 35,679
Less: Allowance for doubtful accounts	6,000	3,500
	$ 38,912	$ 32,179

Certain foreign subsidiaries sold accounts receivable of $102,365,000 to banks at December 31, 1981 ($122,392,000 at December 31, 1980). Of this amount an indemnification against loss has been given to the purchasers up to an amount of $69,856,000. There have been no claims made against the indemnification.

Receivables Sold Without Recourse

KROEHLER MFG. CO. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4: Receivables

Receivables are net of an allowance for doubtful accounts of $486,000 in 1981 and $1,819,000 in 1980.

Under the Company's nonrecourse accounts receivable factoring agreement, receivables of $2,014,000 in 1981 and $3,593,000 in 1980 have been discounted. Receivables at December 31, 1980 included $249,000 due from the factor. (Note 9).

Note 9 (in part): Notes Payable and Lines of Credit

In March 1980, the Company entered into a nonrecourse accounts receivable factoring agreement. The factoring agreement, which includes a $1,000,000 availability in excess of eligible receivables, provides, among other things, that the Company at its request can be advanced up to 90% of approved receivables, to a maximum of $10,000,000, at an interest rate of 1¾% above the prime rate. In the event the prime rate is 14% or less, the Company will pay 2% above the prime rate. The Company has an informal arrangement with the factor, whereby availability in excess of eligible receivables has been increased to $1,250,000.

NATIONAL CAN CORPORATION (DEC)

	1981	1980
	(Dollars in thousands)	
Current Assets:		
Cash and cash equivalents	$ 17,182	$ 13,291
Notes and accounts receivable, less allowances (Note 3)	164,420	212,712

Note E: Notes and Accounts Receivable:

Current notes and accounts receivable are net of allowances for doubtful accounts of $7,127,000 in 1981 and $11,291,000 in 1980. Notes and accounts receivable included in other assets are net of allowances for doubtful accounts of $16,772,000 in 1981 and $16,826,000 in 1980. In addition, the corporation sold $60,000,000 of trade receivables on December 31, 1981 to a financial institution pursuant to an agreement whereby the corporation has the right to sell a portion of its receivables on an ongoing basis. This sale was made without recourse on at least 95% of the total amount.

Receivables Used as Collateral

BOBBIE BROOKS, INCORPORATED (APR)

	1981	1980
	(in thousands)	
Current assets		
Cash	$ 1,486	$ 1,312
Accounts receivable, less allowance for doubtful accounts of $602 in 1981 and $527 in 1980—(Note 4)	35,873	29,288

Note 4 (in part): Loans Payable—Banks and Long-Term Debt

In June 1980, the Company replaced its existing revolving credit arrangement with a five-year loan agreement with its banks and a financing agreement with a commercial finance company. These agreements provide secured financing in the form of a term loan from the banks in the original amount of $15,000,000 and short-term loans from the commercial finance company in amounts based upon eligible collateral.

Collateral under the aforementioned agreements consists of the Company's apparel trade accounts receivable, substantially all owned real estate and the stock of its subsidiaries.

CONSOLIDATED PACKAGING CORPORATION (DEC)

	1981	1980
Current assets:		
Cash	$ 167,000	$ 25,000
Receivables:		
Customers, less allowance for doubtful items, $191,000 in 1981 and $221,000 in 1980	6,453,000	5,378,000
Other	664,000	309,000

NOTES TO FINANCIAL STATEMENTS

Note 5: Long-Term Debt and Lease Obligations

Long-term debt and lease obligations at December 31, 1981 and 1980 consisted of the following:

	1981	1980
Revolving bank line of credit borrowings, interest rate at prime plus 2⅞% maturing in 1984	$ 6,357,000	$ —
Installment notes payable, interest ranging from 11¾% to 16% maturities to 1986	2,279,000	1,204,000
Bank loans payable, interest rate of prime plus 3% with monthly payments to 1987	2,113,000	2,470,000
Obligations under capital leases, interest rates ranging from 4½% to 16%, maturities to 2010	2,802,000	2,786,000
Mortgage notes, interest rate of 5½%, maturing in 1983	86,000	141,000
	$13,637,000	$6,601,000

Aggregate long-term debt matures as follows:

1982	$ 2,197,000
1983	1,451,000
1984	7,352,000
1985	699,000
1986	990,000
1987 to 2010	948,000
	11,440,000
	$13,637,000

Inventories, customer accounts receivable and substantially all property, plant and equipment are pledged as collateral to the revolving credit borrowings, installment notes payable, bank loans payable and mortgage notes at December 31, 1981.

During 1981 the Company negotiated a revision of an $11,500,000 short-term revolving line of credit to a long-term arrangement which provides that repayment is not due until August 31, 1984. Under this arrangement the Company may borrow up to $11,500,000 with interest at the prime rate plus 2⅞%.

The revolving line of credit agreement requires the Company, among other things to maintain working capital of at least $2,000,000; a current ratio of not less than 1 to 1; tangible net worth of at least $7,000,000 and a ratio of total liabilities to tangible net worth of not more than 4 to 1. The agreement prohibits payment of any cash dividends.

WHITTAKER CORPORATION (OCT)

	1981	1980
	(In thousands)	
Current Assets		
Cash	$ 40,895	$ 46,617
Short-term investments	25,514	19,059
Receivables (Note 3):		
Notes receivable	5,678	16,267
Trade accounts receivable	238,469	208,785
Other receivables	9,728	8,450
Allowance for doubtful accounts	(6,537)	(6,496)

Note 3 (in part): Notes Payable and Long-Term Debt

Long-term debt consisted of the following:

	October 31, 1981	1980
	(In Thousands)	
COLLATERALIZED DEBT—		
Notes collateralized primarily by certain receivables, real property and equipment maturing at various dates to 1999, with interest rates ranging to the higher of 11½% or 70% of prime	$ 35,727	$ 15,956
CAPITALIZED LEASE OBLIGATIONS—		
Obligations payable in varying monthly or quarterly installments through 1999, with interest rates ranging to the higher of 11% or 65% of prime (Note 8)	18,429	19,254
UNCOLLATERALIZED DEBT—		
Bank loan due 1982, with interest at 8½%	10,000	10,000
Notes maturing at various dates to 1991, with interest rates ranging to 14%	21,437	24,093
SUBORDINATED DEBT—		
5% subordinated notes due 1982	569	1,225
9⅝% subordinated debentures due 1982 through 1993	14,964	14,964
10% subordinated debentures due 1982 through 1988	12,084	12,084
10% subordinated debentures due 1986 through 1996 (less unamortized discount of $1,735,000 at October 31, 1981 and $1,905,000 at October 31, 1980)	32,529	32,359
CONVERTIBLE SUBORDINATED DEBT—		
4½% convertible subordinated debentures due 1982 through 1988, convertible into common stock at $47 per share	4,744	6,247
Convertible subordinated note due 1981, convertible into common stock at $15 per share, with variable interest keyed to the three-month Eurodollar rate plus 1% (at October 31, 1981 the three-month Eurodollar rate was 15¹¹/₁₆%)	3,000	9,000
4¾% convertible subordinated debentures due 1982 through 1987, convertible into common stock at $17 per share	554	821
	154,037	146,003
Less current maturities	20,005	13,583
	$134,032	$132,420

At October 31, 1981, collateral for notes payable and for long-term debt, consisting primarily of receivables, real property and equipment, amounted to approximately $37,000,000.

TABLE 2-7: DOUBTFUL ACCOUNT CAPTIONS

	1981	1980	1979	1978
Allowance for doubtful accounts	288	267	269	270
Allowance	136	135	130	125
Allowance for losses	32	37	36	42
Reserve	23	27	28	33
Reserve for doubtful accounts	9	8	8	6
Allowance for uncollectible accounts	10	11	12	12
Other caption titles	15	13	12	14
	513	498	495	502
Receivables shown net	12	15	17	9
No reference to doubtful accounts	75	87	88	89
Total Companies	**600**	**600**	**600**	**600**

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Table 2-7 summarizes the captions used by the survey companies to describe an allowance for doubtful accounts. *APB Opinion No. 12* states that such allowances should be deducted from the related receivables and appropriately disclosed.

Approximately 10% of the survey companies, in addition to deducting an allowance for doubtful accounts from receivables, also deducted amounts for unearned discounts or finance charges or sale returns.

TABLE 2-8: INVENTORY COST DETERMINATION

	Number of Companies			
	1981	1980	1979	1978
Methods				
Last-in first-out (lifo)	408	396	374	343
First-in first-out (fifo)	371	382	390	392
Average cost	241	238	241	224
Other	52	57	56	52
Use of LIFO				
All inventories	26	26	20	14
50% or more of inventories	210	205	194	205
Less than 50% of inventories	89	94	94	101
Not determinable	83	71	66	23
Companies Using LIFO	**408**	**396**	**374**	**343**

TABLE 2-9: INDUSTRY CLASSIFICATION OF COMPANIES USING LIFO

	1981		1980	
	No.	%*	No.	%*
Foods:				
Meat products	3	60	5	56
Dairy products	—	—	—	—
Canning, etc.	4	67	4	67
Packaged and bulk	10	56	8	44
Baking	—	—	—	—
Sugar, confections, etc.	6	100	6	100
Beverages	5	83	4	57
Tobacco products	4	67	4	67
Textiles	21	72	20	69
Paper products	15	88	16	89
Printing, publishing	6	55	6	67
Chemicals	24	96	23	92
Drugs, cosmetics, etc.	14	50	12	41
Petroleum	26	90	24	92
Rubber products	8	90	8	89
Shoes—manufacturing, merchandising, etc.	4	57	4	57
Building:				
Cement	—	—	1	33
Roofing, wallboard	10	91	10	91
Heating, plumbing	3	75	3	60
Other	13	76	13	76
Steel and iron	16	90	17	89
Metal—nonferrous	12	80	14	78
Metal fabricating	20	95	20	95
Machinery, equipment and supplies	29	76	29	81
Electrical equipment, appliances	11	58	11	58
Electrical, electronic equipment	13	46	10	37
Business equipment and supplies	5	33	6	38
Containers	9	100	9	90
Autos and trucks (including parts, accessories)	17	74	17	77
Aircraft and equipment, aerospace	7	54	7	54
Railway equipment, shipbuilding, etc.	3	60	1	20
Controls, instruments, medical equipment, watches and clocks, etc.	11	69	10	71
Merchandising:				
Department stores	9	100	9	100
Mail order stores, variety stores	2	100	2	100
Grocery stores	14	83	14	78
Other	4	67	4	100
Motion pictures, broadcasting	—	—	1	14
Widely diversified, or not otherwise classified	50	53	44	46
Total Companies	**408**	**68**	**396**	**66**

*Percent of total number of companies for each industrial classification included in the survey.

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 eight companies disclosed that certain LIFO inventory levels were reduced with the result that net income was increased due to the matching of older historical cost with present sales dollars. Forty-one companies disclosed the effect on income from using LIFO rather than FIFO or average cost to determine inventory cost.

Examples of disclosure and reporting practices for inventories follow.

LIFO

AMERICAN HOSPITAL SUPPLY CORPORATION (DEC)

	1981	1980
	$ in millions	
Current assets:		
Cash	$ 20.0	$ 12.2
Marketable securities, at cost (approximates market)	92.6	64.6
Receivables, less allowances—$8.7 (1981); $7.6 (1980)	468.5	417.9
Inventories	490.5	455.1
Prepaid expenses	46.7	36.7
Total current assets	$1,118.3	$986.5

NOTES TO FINANCIAL STATEMENTS

Three Years Ended December 31, 1981

Note B: Inventories

Inventories are valued at the lower of cost or market including provision for slow-moving and obsolete items. Market is considered as net realizable value. Cost has been determined using the last-in, first-out (LIFO) method for substantially all the U.S. inventories (76% of total inventories) and the first-in, first-out (FIFO) method for all other inventories. Prior to 1980, the cost of inventories was determined primarily using the FIFO method.

Inventories consist of the following:

$ in millions	December 31 1981	1980
Finished merchandise	$357.9	$320.2
Work in process	54.1	54.9
Raw materials	78.5	80.0
Total	$490.5	$455.1

American uses the LIFO method because it more realistically reflects operating results by charging current costs against current revenues and minimizing inflation-induced inventory profits. The following data will facilitate comparison with operating results of companies using the FIFO method. If all American's inventories had been determined using the FIFO method at December 31, 1981 and 1980, reported inventories would have been $61.2 million and $33.4 million higher, respectively. Reported net earnings would have been $13.9 million ($.29 per share) higher for 1981 and $12.1 million ($.26 per share) higher for 1980.

BECTON, DICKINSON AND COMPANY (SEP)

	1981	1980
	Thousands of dollars	
Current Assets		
Cash	$ 8,084	$ 5,469
Short-term investments	78,732	50,539
Trade receivables, less allowances of $9,675 in 1981 and $8,842 in 1980	195,577	186,162
Inventories—Note A:		
Materials	62,216	68,083
Work in process	57,066	57,289
Finished products	107,555	96,976
	226,837	222,348
Prepaid expenses	17,553	15,805
Total Current Assets	$526,783	$480,323

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.

Inventories

Inventories are stated at the lower of cost or market. During 1980, the Company adopted the last-in, first-out (LIFO) method of determining cost for substantially all domestic inventories. Previously, cost of these inventories had been determined using the first-in, first-out (FIFO) method. All other inventories are accounted for using the FIFO method.

Note A—Change to the LIFO Method of Inventory Valuation

During 1980, the Company adopted the last-in, first-out (LIFO) method of determining inventory costs for substantially all domestic inventories. These inventory costs had previously been determined using the first-in, first-out (FIFO) method. Management believes that the LIFO method more fairly presents the result of operations by reducing the effect of inflationary cost increases in inventories and thus matches current costs with current revenues.

Inventories valued under the LIFO method were $179,245,000 in 1981 and $178,163,000 in 1980, whereas on a FIFO basis, such inventories would have been higher by $29,015,000 and $14,296,000, respectively. In addition, net income and earnings per share would have been higher by $7,668,000 or $.36 per share in 1981, and $7,148,000 or $.34 per share in 1980. Adoption of LIFO in 1980 did not affect prior years' financial results and, therefore, prior years' earnings have not been restated.

THE BLACK AND DECKER MANUFACTURING COMPANY (SEP)

	1981	1980	1979
	(thousands of dollars)		
Current Assets			
Cash including time deposits	$ 58,084	$ 53,752	$ 14,617
Marketable securities at cost, which approximates market	10,807	17,399	21,352
Accounts receivable, less allowances $8,890 (1980 — $10,315; 1979 — $8,346)	311,671	297,896	243,258
Inventories	390,393	453,925	344,329
Prepaid expenses	17,199	17,912	14,186
Total Current Assets	$788,154	$840,884	$637,742

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(thousands of dollars except per share data)

Note 1 (in part): Summary of Accounting Policies

Inventories: Inventories are stated at the lower of cost or market. The cost of United States inventories is based on the last-in, first-out (LIFO) method; all other inventories are based on the first-in, first-out (FIFO) method.

Note 2: Inventories

	1981	1980	1979
FIFO cost (approximates current cost)			
Finished products	$311,169	$328,794	$220,640
Work-in-process	51,087	66,243	60,203
Raw materials	60,851	80,225	74,064
	423,107	475,262	354,907
Excess of FIFO cost over LIFO inventory value	32,714	21,337	10,578
	$390,393	$453,925	$344,329

The cost of United States inventories stated under the LIFO method represent approximately 40% of the value of total inventories. The LIFO method had the effect of reducing 1981 net earnings by $6,526 ($.16 per share), 1980 net earnings by $5,422 ($.13 per share) and 1979 net earnings by $5,348 ($.13 per share).

FEDERAL-MOGUL CORPORATION (DEC)

	1981	1980	1979
	(Thousands of Dollars)		
CURRENT ASSETS			
Cash	$ 11,497	$ 11,740	$ 7,196
Accounts receivable, less allowance of $3,100,000 in 1981, $2,800,000 in 1980 and $1,600,000 in 1979	130,939	126,358	107,218
Inventories—Note C	173,591	168,812	143,456
Other current accounts	12,271	13,498	7,649
TOTAL CURRENT ASSETS	$328,298	$320,408	$265,519

Note C: Inventories

Inventories are stated at the lower of cost, determined principally by the last-in, first-out (LIFO) cost method, or market. If the first-in, first-out (FIFO) cost method had been used, inventories would have been $103,000,000, $90,000,000 and $72,000,000 higher than reported at December 31, 1981, 1980 and 1979, respectively.

At December 31 inventories consist of the following:

	1981	1980	1979
	(Thousands of Dollars)		
Finished products	$108,379	$100,852	$ 82,679
Work in process	37,294	38,029	33,264
Raw materials	27,918	29,931	27,513
	$173,591	$168,812	$143,456

KEYSTONE CONSOLIDATED INDUSTRIES, INC. (JUN)

	1981	1980
	(In thousands)	
Current assets		
Cash	$ 3,984	$ 4,313
Marketable securities, at cost which approximates market	7,350	—
Accounts receivable, net of allowances	54,287	43,928
Inventories, at the lower of principally last-in, first-out cost or market (Note C)	64,464	74,107
Prepaid expenses	1,344	2,436
Total current assets	$131,429	$124,784

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note C: Inventories

Inventories at June 30, 1981 and 1980, are valued at the lower of last-in, first-out (LIFO) cost or market, except for supplies, and consist of the following:

	(In thousands)	
	1981	1980
Raw materials	$16,017	$19,770
Semifinished products	19,625	22,563
Finished products	18,432	23,489
Supplies (average cost)	10,390	8,285
	$64,464	$74,107

LIFO inventories at current costs would have been $29,015,000 and $24,869,000 higher at June 30, 1981 and 1980, respectively.

The Company reduced inventory quantities resulting in partial liquidation of the LIFO bases. This had the effect of decreasing the cost of goods sold by $2,550,000 in 1981, $3,482,000 in 1980, and $1,089,000 in 1979, and increasing the net earnings by $2,550,000 ($1.36 per share) in 1981, $1,767,000 ($.94 per share) in 1980, and $544,000 ($.29 per share) in 1979.

KOPPERS COMPANY, INC. (DEC)

	1981	1980
	($ Thousands)	
Current assets:		
Cash, including short-term investments of $41,458 in 1981 and $64,755 in 1980	$ 46,824	$ 84,377
Accounts receivable, principally trade, less allowance for doubtful accounts of $4,720 in 1981 and $4,875 in 1980	264,874	298,370
Inventories (Note 3):		
At cost—FIFO (first-in, first-out) basis:		
Product	160,367	177,512
Work in process	50,732	50,112
Raw materials and supplies	129,492	122,020
	340,591	349,644
Less excess of FIFO cost over LIFO (last-in, first-out)	126,836	109,305
	213,755	240,339
Prepaid expenses	17,297	21,769
Total current assets	$542,750	$644,855

STATEMENT OF ACCOUNTING POLICIES

Inventories—Inventories are valued at the lower of cost or market. Cost for approximately 67% of inventories for both 1981 and 1980 is determined by the LIFO (last-in, first-out) method. Cost for the remainder of the inventories represents average costs or standard costs, which approximate actual on the FIFO (first-in, first-out) basis. Market is replacement cost for raw materials and net realizable value for work in process and finished goods.

Note 3: Inventories—The Company reports lower earnings and current tax liabilities by using the LIFO method for most inventories, through which current costs are charged to current revenue, than it would by using other inventory methods. The effect of using the LIFO inventory method (compared with the FIFO method) reduced the Company's net income per share by $.31 in 1981, $.32 in 1980 and $.50 in 1979.

During 1981, certain inventories 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 1981 purchases, the effect of which increased net earnings in 1981 by approximately $3,769,000, or $.14 per share.

MARSHALL FIELD & COMPANY (JAN)

	1982	1981
Current Assets:		
Cash	$ 6,526,379	$ 10,595,498
Receivables, less allowance of $3,033,000 and $3,397,000, respectively, for doubtful accounts	140,769,513	104,292,605
Merchandise inventories (note 1c)	179,007,250	178,018,371
Prepaid expenses	9,455,151	9,056,738
Total Current Assets	$335,758,293	$301,963,212

Note 1C: Inventory Pricing

Substantially all merchandise inventories are valued by use of the retail method and are stated at last-in, first-out (LIFO) cost, which is not in excess of market, except for the merchandise inventories of the John Breuner Company which are stated at the lower of cost or market using the first-in, first-out (FIFO) method. If the FIFO method had been used instead of LIFO, inventories would have been $29,126,000 and $30,919,000 higher than reported at January 30, 1982 and January 31, 1981, respectively.

PARKER-HANNIFIN CORPORATION (JUN)

	1981	1980
	(Dollars in thousands)	
Current Assets		
Cash	$ 539	$ 297
Short-term investments (Note 1)	4,402	1,440
Accounts receivable, less allowance for doubtful accounts (1981 — $4,769; 1980 — $4,334)	177,873	158,095
Inventories (Note 1 and 5):		
Finished products	111,133	95,840
Work in process	145,030	136,060
Raw materials	42,817	38,154
	298,980	270,054
Prepaid expenses	6,482	5,157
Total Current Assets	$488,276	$435,043

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts)

Note 1 (in part): Significant Accounting Policies

Short-Term Investments—Short-term investments, principally commercial paper and repurchase agreements, are carried at cost, which approximates market value.

Inventories—Inventories are stated at the lower of cost or market. The majority of domestic inventories are valued by the last-in, first-out method and the balance of the inventories by the first-in, first-out method.

Note 5: Inventories

Inventories valued at cost based on the last-in, first-out method are approximately 48% in 1981 and 52% in 1980 of total inventories. The current cost of these inventories exceeds their valuation determined on the LIFO basis by $74,272 in 1981 and $62,327 in 1980.

RANCO INCORPORATED (SEP)

	1981	1980
Current assets:		
Cash	$ 445,000	$ 1,681,000
Temporary cash investments, at cost which approximates market	3,389,000	120,000
Accounts receivable, net of allowances for doubtful accounts of $931,000 in 1981 and $1,445,000 in 1980	32,071,000	31,912,000
Refundable income tax	—	2,986,000
Inventories	37,857,000	45,380,000
Prepaid expenses	1,545,000	3,617,000
Total Current Assets	$75,307,000	$85,696,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Inventories:

Inventories are stated at the lower of cost or market. Inventories totaling $14,609,000 in 1981 and $16,470,000 in 1980 are determined using the last-in, first-out method (LIFO). All other inventories (principally international subsidiaries and Teccor) are determined using the first-in, first-out method (FIFO).

Note 4: Inventories

The major components of inventory were as follows:

(Dollars in thousands)	1981	1980
Raw materials and supplies	$ 6,226	$ 7,400
Work-in-process	23,889	28,205
Finished products	7,742	9,775
	$37,857	$45,380

Current costs exceed the LIFO value of inventories by approximately $11,069,000 and $12,340,000 at September 30, 1981 and 1980, respectively.

During 1981 and 1980, 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 current cost of purchases, the effect of which increased net income by approximately $342,000 and $247,000 ($.10 and $.07 per share) in 1981 and 1980, respectively.

FIFO

AVNET, INC. (JUN)

	1981	1980
	(Thousands)	
Current assets:		
Cash	$ 6,890	$ 14,887
Receivables, less allowance for doubtful accounts of $9,166 in 1981 and $7,566 in 1980	234,828	221,476
Inventories	312,663	297,546
Other	8,794	7,725
Total current assets	$563,175	$541,634

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

Note 2: Inventories

June 30,	1981	1980
	(Thousands)	
Finished goods	$224,437	$205,429
Work in process	17,359	17,311
Purchased parts and raw materials	70,867	74,806
Total	$312,663	$297,546

BAXTER TRAVENOL LABORATORIES, INC. (DEC)

	1981	1980
	(In thousands)	
Current assets		
Cash	$ 21,900	$ 11,784
Certificates of deposit	138,886	8,397
Marketable securities, at cost, which approximates market	18,243	1,830
Accounts receivable, principally trade, less allowance for doubtful accounts of $4,175,000 in 1981 and $4,492,000 in 1980	311,369	278,446
Inventories		
Finished products	241,521	274,044
Work in process	85,375	87,240
Raw materials	89,582	105,595
Total inventories	416,478	466,879
Prepaid expenses and other current assets	51,617	54,809
Total current assets	$958,493	$822,145

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (in part)

Inventories: Inventories are stated at the lower of cost (principally, first-in, first-out method) or market. Market for raw materials is based on replacement costs and for other inventory classifications on net realizable value. Appropriate consideration is given to deterioration, obsolescence and other factors in evaluating net realizable value.

BEATRICE FOODS CO. (FEB)

	1981	1980
	(In Thousands of Dollars)	
Current assets:		
Cash	$ 132,420	$ 119,802
Short-term investments, at cost which approximates market	285,108	89,979
Receivables, less allowance for doubtful accounts of $26,030 (1980 — $27,424)	834,480	823,555
Inventories:		
Finished goods	507,807	531,878
Work in process	138,371	149,643
Raw materials and supplies	325,854	332,203
	972,032	1,013,724
Prepaid expenses and other current assets	72,573	70,802
Total current assets	$2,296,613	$2,117,866

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Inventories

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

CENTRONICS DATA COMPUTER CORP.

	1981	1980
	($000)	
Current assets:		
Cash	$ 2,113	$ 2,809
Accounts receivable, principally trade, less allowance for doubtful accounts (1981, $2,836; 1980, $1,105)	28,843	40,378
Inventories (Notes 1(c) and 2)	48,051	59,355
Prepaid expenses and other current assets	1,374	1,309
Deferred income taxes	—	747
Total current assets	$80,381	$104,598

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 28, 1981, and June 30, 1980 and 1979

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

(c) Inventories:

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

Note 2: Inventories

The components of inventory at year end were as follows:

	June 28, 1981	June 30, 1980
	(in thousands)	
Raw materials and parts	$26,608	$38,152
Work-in-process	7,579	9,062
Finished goods	13,864	12,141
	$48,051	$59,355

Declining economic and market conditions during fiscal 1981 adversely affected anticipated sales of the Company's older printer products' (Models 100, 300, 500 Series and Model 779 Printer) inventories which consisted primarily of components and raw materials. In addition, management determined that certain components and subassemblies principally of the Model 730 Printer were made obsolete by engineering changes. Also due to changes in the product mix content of current and anticipated revenues combined with the impact of new products scheduled for fiscal year 1982 introduction, the Company's management concluded that there has been a permanent impairment in the carrying amounts of these inventories. Accordingly, the statement of loss for fiscal 1981 includes a charge of $9,600,000 ($5,500,000 and $4,100,000 provided in the second and fourth quarters respectively, see Note 12) to reduce these carrying amounts.

POLAROID CORPORATION (DEC)

	1981	1980
	(In millions)	
Current assets		
Cash	$ 187.0	$ 130.8
Marketable securities, at cost which approximates market	144.8	149.1
Receivables, less allowances of $8.8 ($9.5 in 1980)	289.5	302.5
Inventories (Note 4)	412.7	396.3
Prepaid expenses	67.8	63.1
Total current assets	$1,101.8	$1,041.8

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

Inventories: Inventories are valued on a first-in, first-out basis at the lower of standard cost (which approximates actual cost) or market value. Market value is determined by replacement cost or net realizable value.

Note 4: Inventories

The classification of inventories at December 31 follows:

(In millions)	1981	1980
Raw materials	$115.1	$131.2*
Work-in-process	170.2	153.9*
Finished goods	127.4	111.2
Total	$412.7	$396.3

*$17.1 million reclassified from raw materials to work-in-process.

VF CORPORATION (DEC)

	1981	1980
Current Assets		
Cash	$ 5,460,000	$ 6,950,000
Short-term investments	72,258,000	18,157,000
Trade accounts receivable, less allowances of $4,592,000 in 1981 and $4,885,000 in 1980	96,716,000	83,196,000
Inventories:		
Finished products	54,673,000	64,561,000
Work in process	20,507,000	18,391,000
Materials and supplies	33,867,000	38,385,000
	109,047,000	121,337,000
Other current assets	5,714,000	9,285,000
Total Current Assets	$289,195,000	$238,925,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (in part): Accounting Policies

Short-Term Investments are stated at cost plus accrued interest which approximates market.

Inventories are stated at the lower of standard cost, which approximates first-in, first-out cost, or market.

Average Cost

CBS INC.

	1981	1980	1979
	(Dollars in thousands)		
Current assets:			
Cash and cash equivalents:			
Cash and cash items	$ 1,745	$ 79,927	$ 97,145
Short-term marketable securities, at cost plus accrued interest (approximates market)	26,275	22,776	42,525
	28,020	102,703	139,670
Notes and accounts receivable, less allowances for doubtful accounts, returns and discounts: 1981, $150,991; 1980 $153,594; 1979, $155,521	728,907	732,807	737,659
Inventories (note 6)	303,081	312,595	307,184

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Inventories. Inventories are stated at the lower of cost (principally based on average cost) or market value.

Note 6: Inventories

Inventories are summarized as follows:

	December 31		
	1981	1980	1979
	(Dollars in thousands)		
Finished goods	$188,521	$190,684	$196,598
Work in process	39,600	37,511	30,718
Raw materials	69,291	81,274	73,724
Supplies	5,669	3,126	6,144
	$303,081	$312,595	$307,184

GRANGER ASSOCIATES (AUG)

	1981	1980
Current Assets:		
Cash	$ 1,274,863	$ 214,767
Trade receivables less allowance for doubtful accounts 1981, $51,268; 1980, $150,815	5,087,547	5,118,066
Current portion of long-term notes receivable	215,846	162,513
Inventories	11,733,823	10,306,332
Prepaid expenses	762,929	544,581
Total current assets	$19,075,008	$16,346,259

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended August 31, 1981, 1980 and 1979

Note 2: Inventories

Inventories are stated at the lower of average cost or market. Inventory balances, net of allowances for obsolescence, at August 31 are as follows:

	1981	1980
Raw materials	$ 4,440,989	$ 4,767,045
Work in progress	6,410,114	5,121,010
Finished goods	882,720	418,277
Total	$11,733,823	$10,306,332

RICHARDSON-VICKS INC. (JUN)

	1981	1980
	(dollars in millions)	
Current Assets		
Cash	$ 12.1	$ 12.1
Time deposits and marketable securities, at cost which approximates market	94.0	96.5
Receivables		
Trade, less allowance for discounts and doubtful accounts of $6.7 (1980—$6.3).	131.5	110.2
Other	34.6	29.8
Inventories		
Raw materials and supplies	64.8	55.6
Work in process	10.2	8.4
Finished products	93.0	83.1
Total inventories	168.0	147.1
Expenses paid in advance	16.5	19.2
Net current assets of discontinued operations	—	117.0
Total current assets	$456.7	$531.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Inventories: Inventories are stated at lower of cost—principally average—or market. Market for raw materials and supplies is based on replacement costs and for other inventory classifications on net realizable value.

Production Cost

CONDEC CORPORATION (JUL)

	1981	1980
Current assets:		
Cash and marketable securities	$ 2,574,000	$ 3,132,000
Accounts receivable	64,158,000	53,260,000
Inventories	107,471,000	96,231,000
Prepaid expenses and other current assets	1,688,000	1,828,000
Total current assets	$175,891,000	$154,451,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (in part)

The consolidated financial statements include the accounts of all subsidiaries. Intercompany transactions are eliminated.

Inventories are stated at the lower of cost, determined principally under the first-in, first-out method (FIFO), or realizable market. At one subsidiary certain inventories are stated at cost determined under the last-in, first-out method (LIFO), which amounts are $1,301,000 in 1981 and $1,676,000 in 1980. Those inventories had a replacement value of $8,908,000 in 1981 and $9,379,000 in 1980.

Long-term contract inventories are stated at accumulated costs less the estimated average cost of items delivered (computed from accumulated costs plus estimates of costs of completion) and less, if applicable, allowances for estimated losses to be sustained on completion. Estimated costs of completion may include estimates as to the effect of change orders and anticipated escalation. Adjustments resulting from changes in contract cost estimates are amortized over the remainder of the contract. Progress payments are advances of part of the purchase price and are offset against inventory until the items are sold.

Cash and Marketable Securities

	1981	1980
Cash	$1,884,000	$1,442,000
Marketable securities, at cost which approximates market	690,000	1,690,000
	$2,574,000	$3,132,000

Accounts Receivable

	1981	1980
Trade and other	$57,391,000	$47,372,000
Allowance for uncollectible receivables	(981,000)	(897,000)
Long-term contracts:		
Billed	6,988,000	5,598,000
Retainage generally liquidated within one year after completion of contracts	760,000	1,187,000
	7,748,00	6,785,000
	$64,158,000	$53,260,000

Inventories

	1981	1980
Finished goods	$ 25,716,000	$23,210,000
Inventoried costs relating to long-term contracts:		
Current production costs	45,520,000	29,417,000
Recoverable costs	4,984,000	3,451,000
Initial tooling, start-up and other non-recurring costs	4,349,000	5,801,000
	54,853,000	38,669,000
Work in progress	55,821,000	50,108,000
Raw materials	17,414,000	14,648,000
Progress payments	(46,333,000)	(30,404,000)
	$107,471,000	$96,231,000

Initial tooling, start-up and other non-recurring costs are amortized over units to be produced. These costs as well as recoverable costs subject to contract changes (including contractual escalation) are principally under firm U.S. Government contracts.

TALLEY INDUSTRIES, INC. (MAR)

	1981	1980
Current assets:		
Cash	$ 3,208,000	$ 4,314,000
Marketable securities at cost (approximates market)	12,729,000	764,000
Accounts receivable net of allowance for doubtful accounts of $1,698,000 in 1981 and $2,163,000 in 1980	64,813,000	80,774,000
Inventories	66,924,000	98,476,000
Deferred income taxes	3,386,000	4,742,000
Prepaid expenses	3,567,000	3,167,000
Total current assets	$154,627,000	$192,237,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies (in part)

Inventories:

Commercial inventories are substantially valued on a first-in, first-out basis and are stated at the lower of cost or market. Costs accumulated under government contracts are stated at actual cost, net of progress payments, not in excess of estimated realizable value.

Inventories

Inventories are summarized as follows:

(thousands)	1981	1980
Raw material and supplies	$ 9,047	$13,650
Work-in-process	14,998	19,894
Finished goods	37,637	61,249
Inventories substantially applicable to fixed-price government contracts in process, reduced by progress payments of $4,880,000 in 1981 and $8,315,000 in 1980	5,242	3,683
	$66,924	$98,476

TEXTRON INC. (DEC)

	1981	1980
	(In millions)	
Current assets:		
Cash	$ 16.6	$ 15.5
Short-term investments, at cost (approximates market)	1.0	5.3
Accounts receivable (less allowances of $15.1 and $13.2)	466.9	532.1
Inventories:		
Finished goods	295.6	262.6
Work in process (less progress payments of $115.9 and $131.8)	566.9	494.7
Raw materials and supplies	131.9	131.5
	994.4	888.8
Deferred income taxes	31.5	30.7
Prepaid expenses	19.7	13.4
Net assets of discontinued operations, less allowance for loss on disposals	—	98.0
Total current assets	$1,530.1	$1,583.8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Inventories

Inventories aggregating $354.3 million at January 2, 1982, and $350.5 million at January 3, 1981, were valued by the last-in, first-out (LIFO) method. If such LIFO inventories had been valued at current costs, they would have been approximately $206 million and $189 million higher at those respective dates. During 1981, a reduction in certain inventory quantities resulted in the liquidation of LIFO layers, the effect of which increased net income by approximately $6.2 million. The remaining inventories, other than those related to long-term contracts and programs, are stated generally at the lower of first-in, first-out (FIFO) cost or market.

Inventories relating to long-term contracts and programs were $242.0 million at January 2, 1982 and $164.6 million at January 3, 1981, which amounts are net of progress payments of $115.9 million and $131.8 million, respectively. Inventory costs include initial unamortized tooling costs of $52.3 million at January 2, 1982 and $34.6 million at January 3, 1981, direct production costs and manufacturing overhead. As to government contracts only, inventory costs also include general and administrative expenses, which amounts were insignificant. Costs attributed to units delivered are based upon the estimated average cost per unit at contract or program completion. In accordance with industry practice, amounts relating to long-term contracts and programs are classified as current assets although certain of these amounts are not expected to be realized within one year.

Market

UNITED BRANDS COMPANY (JUN)

	1981	1980
	(In thousands)	
Current assets		
Cash and equivalents	$ 32,794	$ 44,018
Trade receivables, less allowances of $5,822 in 1981 and $7,033 in 1980	210,005	218,661
Other receivables	44,308	37,321
Inventories	281,712	257,653
Prepaid expenses	14,120	12,818
Total current assets	$582,939	$570,471

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Inventories

Inventories are valued at the lower of cost or market, except for certain meat products which are valued at approximate market. Cost is determined principally on the "last-in, first-out" basis for growing crops and certain inventories of bananas and related products. Cost for other inventory components is determined principally on the "first-in, first-out" or average cost basis.

Note 4—Inventories

Inventories consisted of the following at June 30:

(In thousands)	1981	1980
Bananas and related products	$ 23,296	$ 20,826
Meat	76,636	67,350
Other food products	16,502	18,093
Growing crops	48,444	48,413
Materials and supplies	89,874	81,493
Other	26,960	21,478
	$281,712	$257,653

The carrying value of inventories valued by the LIFO method was $54,460,000 at June 30, 1981 and $52,625,000 at June 30, 1980. If these inventories had been valued at current costs, total inventory values would have been approximately $33,600,000 and $20,200,000 higher than reported at June 30, 1981 and 1980, respectively.

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.

COLECO INDUSTRIES, INC. (DEC)

	1981	1980
	(Amounts in thousands)	
Current Assets:		
Cash (including short-term investments of $10,478 in 1980)	$ 7,749	$11,765
Accounts receivable, less allowances of $11,556 and $8,598	21,236	13,766
Inventories	42,629	29,933
Prepaid advertising (Note 4)	2,728	2,310
Other prepaid expenses	774	432
Total current assets	$75,116	$58,206

Note 4—Prepaid Advertising:

During the period 1979 to 1981, the Company entered into agreements which provided for products and cash (generally 50% of the total contract) to be exchanged for media advertising. Sales for the years ended December 31, 1981, 1980 and 1979 included $2,372,000, $565,000 and $3,519,000, respectively, of shipments under these arrangements. The prepaid advertising expense resulting from these transactions was based on the fair value of the media advertising. The Company employs a process of matching advertising expense with sales revenue generated from advertised products. As a result, advertising expense is recognized as sales revenue is generated by the products advertised within the fiscal year.

JOHNSON PRODUCTS CO., INC. (AUG)

	1981	1980
Current assets:		
Cash	$ 1,388,000	$ 550,000
Receivables:		
Trade, less allowance for doubtful accounts of $250,000 in 1981 and $132,000 in 1980	11,423,000	8,061,000
Other	169,000	137,000
Refundable income taxes	—	2,310,000
Inventories	6,067,000	6,624,000
Prepaid expenses (Note 3)	1,065,000	891,000
Total current assets	$20,112,000	$18,573,000

Note 3: Prepaid Expenses:

Prepaid expenses are summarized as follows:

	1981	1980
Television Production Costs	$ 164,000	$217,000
Inventories of promotional materials	56,000	127,000
Insurance	351,000	294,000
Other	494,000	253,000
	$1,065,000	$891,000

TABLE 2-10: PREPAID ITEMS

	Number of Companies			
	1981	1980	1979	1978
Prepaid expenses	272	267	276	279
Prepaid expenses and other current assets	90	95	92	89
Prepaid expenses and deferred taxes	23	28	23	19
Prepaid expenses and advances	10	9	8	8
Prepaid expenses and other receivables	9	9	9	8
Prepaid expenses and supplies	8	8	6	10
Other captions indicating prepaid expenses	28	31	31	37

SQUARE D COMPANY (DEC)

	1981	1980
	(Dollars in thousands)	
Current Assets:		
Cash and cash equivalents	$ 35,234	$ 44,260
Receivables, less allowances (1981—$5,510; 1980—$4,747)	166,557	164,736
Inventories	198,212	163,480
Insurance and other prepaid expenses	5,078	4,465
Deferred income taxes	8,498	10,519
Total Current Assets	$413,579	$387,460

WESTINGHOUSE ELECTRIC CORPORATION (DEC)

	1981	1980
	(in millions)	
Cash	$ 67.7	$ 111.0
Marketable securities at cost, which approximates market	625.9	742.3
Customer receivables	1,615.4	1,475.2
Inventories	1,141.0	1,013.1
Costs of uncompleted contracts in excess of related billings	249.7	254.0
Prepaid and other current assets (note 7)	612.5	525.4
Total current assets	$4,312.2	$4,121.0

Note 7: Prepaid and Other Current Assets

Prepaid and Other Current Assets (in millions)

	1981	1980
Prefunded pension contribution	$200.0	$200.0
Uranium settlement assets	86.4	45.4
Other	326.1	280.0
Prepaid and other current assets	$612.5	$525.4

Uranium settlement assets relate to settlement items being produced by the Corporation.

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

CERTAINTEED CORPORATION (DEC)

	1981	1980
	(Dollars in Thousands)	
Current Assets:		
Cash	$ 2,210	$ 2,777
Refundable Federal income taxes	18,917	14,981
Accounts and notes receivable	120,785	131,697
Less: Allowances for doubtful receivables ($2,463 and $3,138) and discounts and allowances	7,175	8,004
	113,610	123,693
Inventories:		
Raw materials and supplies	19,809	24,579
Work in process	9,651	8,875
Finished goods	76,749	71,260
	106,209	104,714
Deferred Federal income taxes	7,700	6,495
Total current assets	$248,646	$252,660

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Significant Accounting Policies

Income Taxes:

Deferred income taxes are provided to reflect the results of timing differences in computing income for financial and income tax reporting. The principal timing difference results from computing depreciation for financial reporting primarily by the straight-line method and for income tax reporting by accelerated methods and, beginning in 1981, the accelerated cost recovery system. Investment tax credits are applied, as available, as a reduction of income tax expense.

PHELPS DODGE CORPORATION (DEC)

	December 31,		
	1981	1980	1979
	(In thousands of dollars)		
Current assets:			
Cash and short-term investments, at cost	$ 15,428	$ 19,576	$ 12,034
Receivables, less allowance for doubtful accounts (1981 — $7,559; 1980 — $5,674; 1979 — $3,874)	167,527	202,728	166,855
Inventories	177,039	176,257	152,046
Supplies, at cost or less	101,692	116,598	120,141
Prepaid expenses	6,782	4,682	6,774
Deferred income tax charges	4,961	5,274	4,330
Current assets	$473,429	$525,115	$462,180

TABLE 2-11: OTHER CURRENT ASSET CAPTIONS

	Number of Companies			
	1981	1980	1979	1978
Nature of Asset				
Deferred income taxes	114	91	83	73
Property held for resale	35	27	19	18
Unbilled costs	26	28	34	30
Advances or deposits	12	14	12	15
Other—identified	31	25	24	27
Other current assets	116	105	99	91

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Income Taxes. In addition to charging income for taxes actually paid or payable, the provision for income taxes reflects deferred income taxes resulting from timing differences between financial and taxable income. The Corporation provides for U.S. income taxes on the earnings of investments that are accounted for under the equity method, except for those earnings considered by management to be reinvested indefinitely.

Investment and energy tax credits not sold under "safe harbor" leases are recognized in the year the related assets are available for service. Proceeds on the sale of tax benefits under "safe harbor" leases are taken into income currently and deferred taxes are provided on such amounts.

THE STANDARD REGISTER COMPANY (DEC)

	1981	1980
Current Assets		
Cash	$ 7,055,912	$ 4,160,901
Temporary cash investments, at cost which approximates market	6,225,645	12,203,431
Accounts receivable, less allowance for losses of $604,532 and $514,518, respectively	58,195,796	52,061,100
Inventories	33,052,930	29,188,719
Deferred federal income tax	773,473	1,015,664
Prepaid expense	312,074	309,883
Total current assets	$105,615,830	$ 98,939,698

NOTES TO FINANCIAL STATEMENTS

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

Deferred Income Taxes—Since the depreciation claimed for income tax purposes is in excess of the amounts shown in the Company's financial statements, a provision is made annually for the amount of income tax deferred. Deferred taxes are also recognized for timing differences in accounting for vacation pay and similar items.

Note 6 (in part): Income Taxes

Current federal and state income taxes were $12,281,000 in 1981, $12,035,703 in 1980 and $11,323,819 in 1979. The Company's federal income tax returns have been examined through 1977 and no adjustments are pending.

The Company allocates the investment tax credit to income over the productive lives of the related equipment rather than reporting it currently as net income in the years claimed for tax purposes. This treatment has provided deferred credits of $3,791,425 as of January 3, 1982, $3,172,944 at December 28, 1980 and $2,834,305 at December 30, 1979.

Since 1964, the Company has used accelerated methods of depreciation for tax purposes while employing the straight-line method for financial reporting purposes. Consequently, the federal income tax on the aggregate difference between these depreciation methods has been recognized as a deferred tax liability of $5,753,962 at January 3, 1982, $4,714,357 at December 28, 1980 and $3,916,718 at December 30, 1979. Deferred federal income tax arising from timing differences in accounting for vacation pay and similar items has been recorded as a current asset.

Property Held for Sale

BAUSCH & LOMB INCORPORATED (DEC)

	1981	1980
	(Dollar Amounts in Thousands)	
Current Assets:		
Cash	$ 6,091	$ 5,501
Marketable securities, at cost which approximates market	12,834	12,098
Trade receivables, less allowances of $4,152 and $4,483, respectively	119,494	125,155
Inventories	141,553	167,477
Other	16,848	9,878
Net assets of discontinued operations at estimated realizable value	27,700	—
Future income tax benefits	10,609	—
	$335,129	$320,109

NOTES TO FINANCIAL STATEMENTS

Discontinued Operations (in part)

On November 18, 1981, the Board of Directors approved a plan to discontinue the company's ophthalmic line of business and to dispose of the net assets related to these operations. Disposition alternatives have been developed and discussions are being held with prospective purchasers. In management's opinion, the efforts to dispose of the ophthalmic facilities and net operating assets will be concluded in the near future.

■ ■ ■

The net assets related to the discontinued ophthalmic line of business have been segregated in the 1981 consolidated balance sheet. These assets, consisting principally of inventories and receivables, have been reduced to estimated net realizable value.

THE KROGER CO. (DEC)

	1981	1980
	($000)	
Current Assets:		
Property held for resale	$25,275	—
Prepaid and other current assets	63,928	78,931

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

All amounts are in thousands of dollars except per share amounts.

Property Held for Resale

Property held for resale represents the cost of certain land and buildings committed by the Company for sale and leaseback during the next year and on which title has not transferred to a purchaser. At January 2, 1982, the Company had formal financing agreements for approximately $12,941 of these properties and has additional commitments available for the remaining properties.

CHROMALLOY AMERICAN CORPORATION (DEC)

	1981	1980
	In thousands of dollars	
Current assets:		
Cash	$ 41,212	$ 34,295
Receivables, less allowances of $4,838 and $8,513, respectively	117,110	163,622
Inventories	153,412	256,402
Prepaid expenses and other	32,079	29,605
Current assets of discontinued operations, net	61,911	—
Total current assets	405,724	483,924
Property and equipment, net	470,400	399,681
Investments and other assets:		
Investment in and advances to Financial Services Group	56,638	59,298
Long-term receivables	1,382	5,596
Other assets	10,409	17,961
Excess of cost over fair value of net assets acquired	12,049	17,521
Total investments and other assets	80,478	100,376
Non-current assets of discontinued operations, net	30,731	—
	$987,333	$983,981

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1981, 1980 and 1979

Note 1 (in part): Discontinued Operations

During the fourth quarter of 1981, the Company adopted a plan to dispose of the following businesses: farm equipment, industrial/commercial products, foundries and trucking. These businesses, as well as other related businesses previously diposed of, have been reclassified as discontinued operations in accordance with the provisions of Accounting Principles Board Opinion No. 30 (APB No. 30). The businesses which have not been sold as of December 31, 1981 have been or will be offered for sale and their disposition is expected to be substantially completed within eighteen months. Sales and operating revenues of the discontinued operations were $335,330,000, $535,114,000 and $629,559,000 for 1981, 1980 and 1979, respectively. The results of operations of all of the above businesses are included in the consolidated statement of earnings under the caption "Discontinued operations: Earnings (loss) from operations, net of income taxes (benefits)". Included in the 1981 gain (loss) on disposal of assets is a pre-tax provision of $3,804,000 for operating losses during the phase-out period.

For 1981, the net current and non-current assets of discontinued operations have been reclassified to remove them from their historic classifications and to separately identify them at their estimated realizable value. The 1980 Consolidated Balance Sheet has not been similarly reclassified: however, amounts for both years are presented below.

In thousands of dollars	1981	1980
Current assets, net:		
Accounts receivable, net	$ 44,738	$ 64,553
Inventories	66,503	114,247
Other, net	(49,330)	(62,163)
	61,911	116,637
Non-current assets, net:		
Property and equipment, net	66,133	82,212
Other, net	(35,402)	(18,428)
	30,731	63,784
Total net assets at estimated realizable value	$ 92,642	$180,421

M. LOWENSTEIN CORPORATION (DEC)

	1981	1980
	(in thousands of dollars)	
Current assets:		
Cash and cash equivalents	$ 20,589	$ 12,878
Marketable securities	2,072	2,744
Accounts receivable (less allowances for discounts and doubtful accounts of $1,976 in 1981; $1,593 in 1980)	100,918	106,266
Inventories	113,335	109,991
Assets held for sale (note 3)	1,741	2,870
Prepaid expenses	442	600
Total current assets	$239,097	$235,349

Note 3: Assets Held For Sale

Assets remaining at December 26, 1981 from plant closings are included in "Assets held for sale" at estimated net realizable value or cost, whichever is lower.

In 1980, the Company sold its Wambel Plant in Union, South Carolina and its chemical plant in Carteret, New Jersey, and closed its Aleo Plant in Rockingham, North Carolina, resulting in a net gain of $1,997,00 ($1,072,000 after taxes or $.32 per share), which is included in "Other (income) expense, net".

Unbilled Costs

CBI INDUSTRIES, INC. (DEC)

	1981	1980
	Thousands of dollars	
Current assets:		
Cash	$ 24,595	$ 29,801
Temporary cash investments (Note 4)	143,554	108,456
Accounts receivable less allowance of $1,900 in 1981 and $1,300 in 1980	235,935	169,039
Contracts in progress with accumulated costs exceeding related progress billings		
Accumulated costs	237,985	242,012
Progress billings	(168,927)	(174,374)
Inventories	20,104	17,722
Other current assets	7,532	7,731
Total current assets	$500,778	$400,387

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(thousands of dollars, except per share amounts)

Note 1 (in part): Summary of Accounting Policies

Long-term contracts—CBI's subsidiaries and joint ventures involved in contracts for design, fabrication and construction of large metal plate structures and related systems follow the completed contract method of accounting for income from long-term contracts. Light offshore construction contracts also follow this method. Long-term contracts usually extend for periods in excess of one year. Therefore, the income statement reflects selling prices and costs of contracts completed during the year. In addition, losses expected to be incurred on contracts in progress are charged to income as soon as such losses are determined. Progress billings and costs of uncompleted contracts are deferred and shown as current assets or liabilities in the balance sheet.

Most long-term contracts contain retainage provisions which allow the customer to withhold amounts from payment until CBI has completed its work. It is CBI's practice to invoice these amounts and include them in accounts receivable after work has been completed and when the amounts which were withheld are due.

Costs charged to contracts include materials, direct engineering, fabrication and construction labor and the applicable overheads. Selling and administrative expenses are charged to income in the year incurred and are not allocated to contracts in progress.

CURTISS-WRIGHT CORPORATION (DEC)

	1981	1980
	(In thousands)	
Cash	$ 2,001	$ 2,607
Time deposits	57,886	28,199
Marketable securities, at cost (at market: 1981, $62,805; 1980, $6,016)	54,512	6,362
Accounts receivable (includes U.S. Government receivables: 1981, $3,815; 1980, $5,795)	30,304	28,372
Unbilled charges on long-term contracts	12,276	8,153
Inventories	43,323	45,431
Other current assets	1,727	1,930
Total current assets	$202,029	$121,054

EMERSON ELECTRIC CO. (SEP)

	1981	1980
	Thousands of Dollars	
Current assets		
Cash	$ 21,128	11,521
Short-term investments, at cost which approximates market	104,753	36,891
Receivables, less allowances of $10,978,000 in 1981 and $10,324,000 in 1980	522,671	488,942
Costs and estimated earnings on long-term contracts, less progress billings of $29,052,000 in 1981 and $35,441,000 in 1980	7,728	3,940

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 received in excess of costs incurred on long-term contracts are presented as a current liability.

Advances

A.C. NIELSEN COMPANY (AUG)

	1981	1980
	($000)	
Current Assets:		
Cash and deposits earning interest	$ 14,621	$ 17,077
Marketable securities, at cost which approximates market	12,096	5,034
Accounts receivable:		
Clients (less allowance of $1,620,000 in 1981 and $1,365,000 in 1980 for doubtful accounts)	132,100	116,889
Other	6,416	5,544
Advances to clients	13,509	12,480
Unbilled expenditures for clients	52,073	51,722
Other current assets	18,095	12,586
Total current assets	$248,910	$221,332

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended August 31, 1981, 1980 and 1979

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.

COMMERCIAL METALS COMPANY (AUG)

	1981	1980
CURRENT ASSETS:		
Cash	$ 16,618,867	$ 11,462,548
Temporary investments	—	9,000,000
Notes and accounts receivable (less allowance for collection losses of $2,622,00 and $2,072,000)	96,422,729	103,641,728
Advances for purchase of materials	1,623,198	4,772,544
Inventories	76,750,224	52,566,814
Salvage jobs in process	2,869,213	4,101,662
Prepaid expenses	1,148,931	1,151,724
Total Current Assets	$195,433,162	$186,697,020

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

	1981	1980	1979	1978
Land	396	404	399	388
Land and improvements	98	102	108	109
Land and buildings	29	29	32	29
Land combined with other identified assets	16	15	14	20
No caption with term *land*	17	15	10	11
	556	565	563	557
Line of business classification	44	35	37	43
Total Companies	**600**	**600**	**600**	**600**

BREAKDOWN BY NATURE OF PROPERTY

COMMERCIAL METALS COMPANY

Consolidated Balance Sheets

	August 1981	1980
PROPERTY, PLANT, AND EQUIPMENT, at cost (Note F):		
Land	$ 2,016,387	$ 1,869,372
Buildings	7,705,717	7,530,062
Equipment	64,470,283	47,776,760
Leasehold improvements	5,349,384	4,315,486
Construction in process	1,620,002	1,944,119
Capitalized leases	617,723	617,723
	81,779,496	64,053,522
Less accumulated depreciation and amortization	41,194,434	36,392,085
	$40,585,062	$27,661,437

Consolidated Statements of Changes in Financial Position

	Year ended August 31 1981	1980	1979
SOURCES OF FUNDS:			
Net earnings	$11,244,752	$18,368,091	$15,117,161
Expenses not requiring outlay of funds in the current period:			
Depreciation	6,270,021	6,008,833	5,505,874
Writedown to market of investments in affiliates	318,000	—	—
Deferred income taxes	158,000	4,445,000	1,219,000
Amortization of capitalized leases	94,875	115,366	134,551
Amortization of intangible assets	47,158	47,158	225,828
Equity in earnings of affiliates	(132,873)	(306,824)	(382,277)
Funds provided by operations	$17,999,933	$28,677,624	$21,820,137

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 1981

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

Property, plant, and equipment

Provision for depreciation has been made at annual rates based upon the estimated useful lives of the assets using the straight-line method for assets acquired after August 31, 1980, and accelerated methods for assets acquired before September 1, 1980. Provision for amortization of leasehold improvements is made at annual rates based upon the estimated useful lives of the assets or terms of the leases, whichever is shorter.

DRAVO CORPORATION (DEC)

Consolidated Balance Sheet

	1981	1980
	(In thousands)	
Property, plant and equipment:		
Land	$ 25,476	$ 24,391
Mine development	6,053	6,052
Buildings and improvements	60,870	57,103
Floating equipment	159,596	142,402
Machinery and other equipment	247,838	224,284
	499,833	454,233
Less accumulated depreciation and amortization	203,776	181,779
Net property, plant and equipment	$296,057	$272,454

Consolidated Statement of Changes in Financial Position

(In thousands)

	1981	1980	1979
Internal sources of cash:			
Income from continuing operations	$17,320	$21,562	$28,180
Charges (credits) to income not involving cash:			
Depreciation and amortization	33,989	28,374	25,508
Deferred taxes and other expenses	777	11,507	6,048
Equity in operations of unconsolidated affiliates	128	2,342	(1,583)
Cash from operations	$52,214	$63,785	$58,153

NOTES TO FINANCIAL STATEMENTS

Property, plant, equipment and depreciation. Property, plant and equipment are stated at cost. The cost of buildings, equipment and machinery is depreciated over estimated useful lives on a straight-line basis except for long-lived assets employed at the Kentucky mining and lime processing facility, which are depreciated on a unit of production method. For income tax purposes, depreciation is calculated principally on accelerated bases. Expenditures for maintenance and repairs which do not materially extend the life of assets are included in operating expense. The asset cost and accumulated depreciation are removed from the accounts for assets sold or retired, and any resulting gain or loss is included in income.

TABLE 2-13: DEPRECIABLE ASSET CAPTIONS

	1981	1980	1979	1978
Buildings				
Buildings	275	284	284	283
Buildings and improvements	180	177	170	168
Buildings and land or equipment	68	71	78	76
Buildings combined with other identified assets	9	10	9	15
No caption with term *buildings*	23	16	14	15
	555	558	555	557
Line of business classification	45	42	45	43
Total Companies	**600**	**600**	**600**	**600**
Other Depreciable Asset Captions	**Number of Companies**			
Machinery and/or *equipment*	446	447	450	444
Machinery and/or *equipment* combined with other assets	91	100	93	103
Construction in progress	243	232	225	213
Leasehold improvements	120	128	123	126
Leased assets	118	123	103	103
Automobiles, marine equipment, etc.	76	79	73	83
Furniture, fixtures, etc.	49	55	53	59
Assets leased to others	23	19	22	34

MET-PRO CORPORATION

Statement of Financial Condition

	January 31, 1982	1981
Total current assets	$6,857,955	$5,913,169
Property, plant and equipment, at cost, net	4,471,779	3,726,880

NOTES TO FINANCIAL STATEMENTS

For the Years Ended January 31, 1982, 1981 and 1980

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

Property, plant and equipment:

Property, plant and equipment is recorded at cost. Depreciation is computed principally by use of the straight-line method based upon the estimated useful lives of the various classes of assets. Expenditures for maintenance and repairs are charged to expense as incurred. Renewals and betterments are capitalized.

TABLE 2-14: ACCUMULATED DEPRECIATION

	1981	1980	1979	1978
Accumulated depreciation...	296	291	299	292
Accumulated depreciation and amortization..........	165	167	162	162
Accumulated depreciation, amortization and depletion	32	34	35	33
Accumulated depreciation and depletion..............	21	19	17	18
Allowance for depreciation .	24	27	29	33
Allowance for depreciation and amortization..........	24	23	22	23
Allowance for depreciation and depletion..............	6	7	9	7
Other captions	32	32	27	32
Total Companies.............	**600**	**600**	**600**	**600**

Note 5: Property, Plant and Equipment

Property, plant and equipment was comprised of the following:

	ESTIMATED USEFUL LIFE (YEARS)	JANUARY 31, 1982	JANUARY 31, 1981
Land		$ 522,172	$ 522,172
Buildings and improvements........	10	3,043,853	2,320,842
Machinery and equipment	8 and 10	2,025,460	1,894,164
Furniture and fixtures	5, 10 and 20	633,147	558,318
Automotive equipment	3 and 4	170,260	116,353
Leasehold improvements........	Terms of leases	143,080	103,822
		6,537,972	5,515,671
Less accumulated depreciation..........		2,066,193	1,788,791
		$4,471,779	$3,726,880

The Company is presently constructing a new plant in Suffolk County, New York, with an expected total cost of approximately $1,500,000. Financing of this project is primarily through tax exempt bonds issued through the Suffolk County Industrial Development Agency (see Note 6). The plant is expected to be completed during the year ending in 1983. Construction in progress of $752,200 and $29,200 is included in buildings and improvements at January 31, 1982 and 1981, respectively. Interest cost of $135,724 was capitalized during the year ending in 1982 and is included in construction in progress at January 31, 1982.

Depreciation and amortization of property, plant and equipment charged to operations amounted to $338,104, $319,200 and $283,570 in the years ended in 1982, 1981 and 1980, respectively.

MOUNT VERNON MILLS, INC.

Consolidated Balance Sheets

December 31	1981	1980
Property, Plant and Equipment—At cost (Notes 1 and 3):		
Land	$ 1,451,310	$ 1,571,810
Buildings and land improvements	9,923,598	11,120,498
Power plants......................	1,123,506	1,113,038
Machinery and equipment	60,132,277	61,586,375
Leasehold improvements.........	257,833	226,938
Total	72,888,524	75,618,659
Less accumulated depreciation...	39,831,863	41,413,124
Property, plant and equipment, net....................	$33,056,661	$34,205,535

Statements of Consolidated Changes in Financial Position

For the years ended December 31, 1981, 1980 and 1979

	1981	1980	1979
Working Capital Provided:			
Operations:			
Net income.......	$4,921,453	$5,330,510	$5,067,283
Charges not requiring current outlay of working capital:			
Depreciation ..	3,754,075	3,625,544	2,826,647
Deferred income taxes.	471,707	33,344	318,437
Total from operations	$9,147,235	$8,989,398	$8,212,367

NOTES TO FINANCIAL STATEMENTS

December 31, 1981 and 1980

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

Property, Plant and Equipment:

Depreciation is computed using the straight-line method over estimated useful lives ranging from three to sixty years.

Note 3 (in part): Long-Term Debt

Mortgages payable are due in monthly installments of $16,436 (including interest principally at 4⅝%) to 1983 and are collateralized by property, plant and equipment with a cost of approximately $2,986,000.

In 1981, the Company entered into a financing agreement with the County of Bladen in North Carolina, whereby the County issued industrial development bonds for the financing of a new yarn plant in Clarkton, North Carolina. Note payments are sufficient to pay interest (based on 60% of prime but not to exceed 9⅞%) and amortization requirements of the industrial development bonds which mature in quarterly amounts of $34,616 beginning in April 1983. The terms of the agreement require, among other things, that the Company maintain certain levels of working capital and tangible net worth (as defined) of $40,000,000 and limit short-term borrowing to $12,500,000.

JOS. SCHLITZ BREWING COMPANY

Consolidated Balance Sheets

December 31, 1981 and 1980 (Dollars in Thousands)	1981	1980
Total current assets	$303,969	$265,097
Investments and Other Assets:		
Notes receivable and other noncurrent assets	8,631	38,621
Investments	14,639	14,514
Land and equipment held for sale	12,159	6,710
	35,429	59,845
Plant and Equipment at Cost (Note 3)	577,803	663,176
Less—Accumulated depreciation and unamortized investment tax credit	309,052	346,056
	268,751	317,120
	$608,149	$642,062

SUMMARY OF ACCOUNTING POLICIES

Plant and Equipment

Plant and equipment is carried at cost and includes expenditures for new facilities as well as significant improvements to existing facilities.

The cost of assets retired or otherwise disposed of, together with the accumulated depreciation provided thereon, is relieved from the appropriate asset and accumulated depreciation accounts. Any gain or loss resulting from these transactions is reflected in earnings.

Depreciation

The majority of the company's depreciable assets are 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.

Note 3: Plant and Equipment

At December 31, 1981 and 1980, plant and equipment included the following major classifications (in thousands):

	1981	1980
Land	$ 7,161	$ 8,754
Buildings	119,656	144,782
Machinery and equipment	404,728	463,516
Cooperage and pallets	42,793	42,977
Construction in progress	3,465	3,147
	577,803	663,176
Accumulated depreciation	(300,634)	(334,431)
Unamortized investment tax credit	(8,418)	(11,625)
	$268,751	$317,120

The provision for depreciation charged to consolidated earnings was $32,699,000 in 1981, $34,445,000 in 1980 and $44,516,000 in 1979, and was calculated using the straight-line method for most of the company's depreciable assets. Lower depreciation expense in 1981 was due to the closing of the Milwaukee brewery and in 1980 was the result of the sale of the Syracuse brewery.

UNITED BRANDS COMPANY

Consolidated Balance Sheet

(In thousands)	June 30, 1981	1980
Total current assets	$ 582,939	$ 570,471
Investments and long-term receivables	36,307	37,053
Property, plant and equipment, net	360,528	331,953
Other assets and deferred charges	15,869	10,994
Trademarks	46,436	46,469
Excess of cost over fair value of net assets acquired	267,349	267,075
Total assets	$1,309,428	$1,264,016

Consolidated Statement of Income

(In thousands)	Year Ended June 30, 1981	1980	1979
Operating costs and expenses			
Cost of sales	$3,694,644	$3,394,116	$3,160,308
Selling, general and administrative expenses	243,724	241,524	208,720
Depreciation	36,685	37,471	35,641
	$3,975,053	$3,673,111	$3,404,669

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Property, Plant and Equipment

Property, plant and equipment are stated at cost and, except for land, are depreciated on a straight-line basis over estimated useful lives. Repairs and maintenance are expensed as incurred. Additions and betterments are capitalized and depreciated over the estimated remaining lives of the related assets. Start-up costs for major projects are deferred and amortized over five years. Gains and losses on sales and retirements are included in income.

Commencing with 1980, interest cost that is associated with fixed assets during the time period necessary to prepare such assets for their intended use is capitalized and amortized over their estimated useful lives. In 1981, interest cost of $2,200,000 ($2,000,000 in 1980) was capitalized with a corresponding reduction in interest expense.

Note 6 (in part): Property, Plant and Equipment, Net

Property, plant and equipment was as follows at June 30:

(In thousands)	1981	1980
Land	$ 14,200	$ 15,388
Buildings and improvements	125,190	118,934
Machinery and equipment	303,891	263,137
Ships	95,175	106,151
Cultivations	81,860	75,972
Other	40,323	36,544
	660,639	616,126
Less: Accumulated depreciation	300,111	284,173
Property, plant and equipment, net	$360,528	$331,953

SUNDSTRAND CORPORATION

Consolidated Balance Sheet

	December 31, 1981	1980
	(Amounts in thousands)	
Property, Plant, and Equipment, Net	$284,884	$254,179

Consolidated Statement of Changes in Financial Position

	Year ended December 31, 1981	1980	1979
	(Amounts in thousands)		
Funds provided by (used for) operating transactions			
Net earnings	$ 95,011	$ 76,907	$ 66,274
Items not requiring the use of funds			
Depreciation and amortization	45,241	38,837	35,050
Deferred income taxes	14,056	16,709	4,068
Total funds provided by operations	$154,308	$132,453	$105,392

FINANCIAL SUMMARY

Summary of Significant Accounting Policies (in part)

Property, Plant, and Equipment are recorded at cost and are depreciated principally on the straight-line method. Accelerated depreciation methods are used for tax purposes.

Property, Plant, and Equipment

The estimated useful lives used in computing provisions for depreciation follow:

Land improvements	20 to 25 years
Buildings	20 to 40 years
Building equipment and improvements	10 to 25 years
Machinery and equipment	3 to 20 years
Office furniture and fixtures	7 to 10 years
Leasehold improvements	Lease life
Equipment leased to others	3 to 10 years

Additions and retirements and the related accumulated depreciation are summarized as follows:

(Amounts in thousands)

	Land and improvements	Buildings and improvements	Machinery and equipment	Equipment leased to others	Total property, plant, and equipment
Cost					
Balances at December 31, 1978	$12,415	$83,665	$288,597	$ 9,341	$394,018
Additions at cost	1,239	4,549	38,674	2,556	47,018
Retirements	644	4,198	18,211	350	23,403
Reclassified (a)	—	—	(19,207)	19,207	—
Balances at December 31, 1979	13,010	84,016	289,853	30,754	417,633
Additions at cost	880	10,611	53,222	4,654	69,367
Retirements	87	101	10,996	641	11,825
Balances at December 31, 1980	13,803	94,526	332,079	34,767	475,175
Additions at cost (b)	1,488	9,456	65,947	4,337	81,228
Retirements	4	227	16,743	152	17,126
Balances at December 31, 1981	$15,287	$103,755	$381,282	$38,952	$539,277
Accumulated depreciation					
Balances at December 31, 1978	$ 2,272	$ 27,585	$143,189	$ 3,767	$176,813
Additions	334	2,791	26,410	3,552	33,087
Retirements	186	1,168	14,041	284	15,679
Reclassified (a)	—	—	(6,255)	6,255	—
Balances at December 31, 1979	2,420	29,208	149,303	13,290	194,221
Additions	327	3,054	27,102	6,850	37,333
Retirements	26	101	10,083	348	10,558
Balances at December 31, 1980	2,721	32,161	166,322	19,792	220,996
Additions (b)	904	3,582	38,955	5,982	49,423
Retirements	88	21	15,816	101	16,026
Balances at December 31, 1981	$ 3,537	$ 35,722	$189,461	$25,673	$254,393

(a) During 1979 Sundstrand sold its air conditioning compressor business in a transaction which included the lease of certain assets. The leased assets, originally accounted for as machinery and equipment, were reclassified as equipment leased to others.

(b) Includes assets of acquired companies of $13,446,000 and accumulated depreciation on assets acquired of $7,880,000.

FUNCTIONAL CLASSIFICATION

E. I. DUPONT DE NEMOURS AND COMPANY (DEC)

Consolidated Balance Sheet

(Dollars in millions)	1981	1980
Property, Plant and Equipment (Note 9)...	$21,562	$12,366
Less: Accumulated Depreciation, Depletion and Amortization	8,840	7,900
	$12,722	$ 4,466

Consolidated Income Statement

(Dollars in millions, except per share)	1981	1980	1979
Cost of Goods Sold and Other Operating Charges........	$15,420	$ 9,659	$ 8,428
Selling, General and Administrative Expenses	1,668	1,341	1,135
Exploration Expenses, Including Dry Hole Costs and Impairment of Unproved Properties.........	203	—	—
Research and Development Expense....................	631	491	420
Depreciation, Depletion and Amortization...............	1,144	777	763
Interest and Debt Expense..	476	111	143
Taxes Other Than on Income	1,369	406	371
Total	$20,911	$12,785	$11,260

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, Plant and Equipment

Property, Plant and Equipment (PP&E) is carried at cost, and, except for petroleum and coal PP&E, is generally classified in depreciable groups and depreciated by an accelerated method that produces results similar to the sum-of-the-years' digits method. Depreciation rates range from 4% to 12% per annum on direct manufacturing facilities and from 2% to 10% per annum on technical, power, general and service facilities; in some instances appropriately higher rates are used.

Petroleum and coal PP&E other than that described below is depreciated on the straight-line method at various rates calculated to extinguish carrying values over estimated useful lives.

Generally, the gross carrying value of property retired, sold or otherwise disposed of is charged to accumulated depreciation, depletion and amortization; any salvage or other recovery therefrom is credited to accumulated depreciation, depletion and amortization. Maintenance and repairs are charged to operations; replacements and betterments are capitalized.

Oil and Gas Properties

The company's exploration and production activities are accounted for under the successful efforts method. Costs of acquiring unproved properties are capitalized. Costs of properties that become productive are amortized by field on a unit-of-production basis. Impairment of nonproductive properties, which are individually insignificant, is provided for by amortizing the costs thereof based on past experience or the estimated holding period. Costs of properties surrendered or otherwise disposed of are charged against accumulated depreciation, depletion and amortization.

Geological, geophysical and delay rental expenses are charged to income as incurred. Costs of exploratory dry holes are charged to income as the wells are determined to be dry. Costs of productive oil or gas wells and all other development costs are capitalized and amortized on a unit-of-production basis.

Depreciation of oil and gas production equipment, including support facilities, is provided on a unit-of-production basis.

Coal Properties

Costs of undeveloped properties and development costs applicable to the opening of new coal mines are capitalized and amortized on a unit-of-production basis. Costs of additional mine facilities required to maintain production after a mine reaches the production stage, generally referred to as "receding face costs," are expensed as incurred; however, costs of additional air shafts and new portals are capitalized and amortized.

NOTES TO FINANCIAL STATEMENTS

(Dollars in millions, except per share)

Note 9—Property, Plant and Equipment

	December 31 1981	1980
Petroleum Exploration and Production	$ 4,274	$ —
Petroleum Refining, Marketing and Transportation..................................	918	—
Coal and Minerals	2,030	—
Agricultural and Industrial Chemicals	3,401	2,837
Polymer Products	2,965	2,721
Fibers	5,344	4,870
Industrial and Consumer Products..........	1,431	1,297
Biomedical Products	510	446
Other	689	195
	$21,562	$12,366

Property, Plant and Equipment includes gross assets acquired under capital leases of $180 and $93 at December 31, 1981 and 1980, respectively; related amounts included in accumulated depreciation, depletion and amortization were $49 and $51 at December 31, 1981 and 1980, respectively.

INTERNATIONAL PAPER COMPANY

Consolidated Balance Sheet

In millions of dollars at December 31	1981	1980
Plants, Properties, and Equipment, Net (Note 7)	$2,538.4	$2,563.4
Timberlands, Net (Note 8)	780.5	792.0

Consolidated Statement of Earnings

In millions of dollars except per share amounts—for the years Ended December 31	1981	1980	1979
Costs and Expenses			
Cost of products sold	$3,961.0	$3,864.9	$3,420.3
Distribution expenses	305.9	305.8	266.5
Selling and administrative expenses	310.7	319.0	278.8
Depreciation	223.4	211.9	196.8
Interest	37.3	64.5	79.9
Total Costs and Expenses	$4,838.3	$4,766.1	$4,242.3

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Plants, Properties, and Equipment

Plants, Properties, and Equipment are stated at cost, less accumulated depreciation.

For financial reporting purposes, IP uses the unit of production method for depreciating its pulp and paper mills and the straight-line method for other plants and equipment. When appropriate, additional depreciation is provided on particular assets to recognize reduction in the estimated economic lives of such assets.

Straight-line depreciation rates for financial reporting purposes are as follows: buildings 2½ percent; machinery and equipment 5 percent to 25 percent; woods equipment 10 percent to 16 percent. For tax purposes, depreciation is computed utilizing accelerated methods.

Start-up costs on major projects are capitalized and charged to earnings over a five-year period. These costs are an integral part of the process of bringing a facility into commercial production and therefore benefit future periods. At December 31, 1981, unamortized start-up costs were $49 million.

In accordance with Financial Accounting Standards Board Statement No. 34, beginning January 1, 1980, interest cost has been capitalized on the construction of certain long-term assets. The capitalized interest is recorded as part of the asset to which it is related and is depreciated over the asset's estimated useful life. The Company incurred interest costs of $85 million in 1981 and $92 million in 1980; of these amounts $48 million and $27 million, respectively, have been capitalized.

Timberlands

Timberlands, including capitalized timber harvesting rights, are stated at cost, less accumulated cost of timber harvested. The Company capitalizes those timber cutting contracts where the gross price to be paid is fixed. The portion of the cost of timberlands attributed to standing timber is charged against income as timber is cut, at rates determined annually, based on the relationship of unamortized timber costs to the estimated volume of recoverable timber. The costs of roads and land improvements are capitalized and amortized over their economic lives.

Note 7: Plants, Properties, and Equipment

Plants, Properties and Equipment by major classification follows:

In millions at December 31	1981	1980
Pulp and paper facilities:		
Pulp and paper mills	$2,915.1	$3,083.1
Packaging plants	416.1	519.7
Wood products facilities	382.5	345.4
Woods equipment	254.8	281.8
Other plants, properties, and equipment	302.2	303.7
Total cost	4,270.7	4,533.7
Less: Accumulated depreciation	1,732.3	1,970.3
Plants, Properties, and Equipment, Net	$2,538.4	$2,563.4

Note 8: Timberlands

At December 31, 1981, timberlands owned in fee consisted of 7 million acres in the U.S. with an unamortized cost of $693.4 million.

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 significance 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* are 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.

TABLE 2-15: INVESTMENTS—VALUATION BASES

	Number of Companies			
	1981	1980	1979	1978
Equity	332	335	332	332
Cost	100	106	116	124
Cost less allowances for decline in value	17	14	13	19
Lower of cost or market	27	20	20	19

Equity Method

ASHLAND OIL, INC.

Consolidated Balance Sheets

September 30

(In thousands)	1981	1980
Investments and other assets		
Investments in and advances to unconsolidated subsidiaries and affiliates	$445,875	$153,225
Cost in excess of net assets of companies acquired (less accumulated amortization of $2,979,000)	154,760	—
Notes and other receivables	31,934	19,647
Other assets, prepaid royalties and deferred charges	120,094	79,007
	$752,663	$251,879

Statements of Consolidated Income

Years Ended September 30

(In thousands)	1981	1980	1979
Revenues			
Sales and operating revenues (including excise taxes)	$9,506,564	$8,366,466	$6,740,363
Interest and other income	174,766	141,462	81,756
Equity income	23,188	10,775	16,619
Gain from prepayment of certain long-term debt	22,813	2,123	1,003
	$9,727,331	$8,520,826	$6,839,741

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note D—Unconsolidated Subsidiaries and Affiliates and Foreign Operations

Ashland's investments, which are accounted for on the equity method, are as follows: Integon; Arch Mineral Corporation, a 50% owned coal company; LOOP INC. and LOCAP INC., 18.6% and 21.4% owned companies operating a deepwater offshore port and related pipeline facilities in the Gulf of Mexico; and various domestic and foreign interests in chemical, petroleum and mining companies. Following is a condensed summary of combined financial data along with a summary of the amounts recorded in Ashland's consolidated financial statements. Additional financial information regarding Integon is presented in Note L.

(In thousands)	Amounts reported by investee				Amounts recorded by Ashland		
	Total assets	Total liabilities	Revenues	Net Income	Investments and advances	Equity income	Dividends received
September 30, 1981							
Domestic							
Integon Corporation	$675,708	$429,220	$163,398	$ 8,505(1)	$253,223	$ 8,505(1)	$ —
Arch Mineral Corporation	362,800	238,303	243,184	13,784(2)	68,952	6,927(2)	—
LOOP INC. and LOCAP INC	864,829	805,990	—	5,567	11,058	1,035	—
Other	139,194	102,423	81,147	323	22,648	402	3,969
Foreign	226,029	139,134	322,292	19,868	89,994	6,319	3,745
					$445,875	$23,188	$7,714
September 30, 1980							
Domestic							
Arch Mineral Corporation	$346,806	$229,622	$251,042	$ 6,848	$ 62,679	$ 2,384(2)	$ —
LOOP INC. and LOCAP INC	730,962	719,782	—	3,444	3,460	640	—
Other	68,789	51,188	68,997	3,405	12,476	1,298	2,851
Foreign	168,618	110,669	213,470	10,603	74,610	6,453	1,619
					$153,225	$10,775	$4,470
September 30, 1979							
Domestic							
Arch Mineral Corporation	$317,627	$203,984	$245,682	$18,964	$ 60,295	$ 7,575(2)	$ —
LOOP INC. and LOCAP INC	486,173	478,437	—	—	2,820	—	—
Other	63,944	42,125	31,755	7,264	6,957	2,640	3,633
Foreign	144,276	97,881	157,383	9,135	38,654	6,404	2,602
					$108,726	$16,619	$6,235

(1) Represents operations for the eight months ended August 31, 1981 reduced by minority interest of $1,443,000 prior to acquisition of 100% interest.

(2) Arch Mineral Corporation's net income in 1981 includes a gain of $16,200,000 from the sale of certain coal reserves which increased Ashland's equity income by $8,075,000. In addition to equity income, Ashland received from Arch gross royalty income (before taxes and expenses) of $7,968,000 in 1981, $8,050,000 in 1980 and $7,051,000 in 1979.

At September 30, 1981, Ashland's retained earnings included undistributed earnings of $31,025,000 from unconsolidated subsidiaries and $68,770,000 from 50% or less owned affiliates shown above. In addition to the foreign investments shown above, Ashland's assets included foreign properties of $206,578,000 at September 30, 1981.

THE BFGOODRICH COMPANY

Consolidated Balance Sheet

(Dollars in Millions) At December 31,	1981	1980
Investments and Receivables		
Convent Chemical Corporation	$ —	$ 75.3
Foreign associate companies	60.3	40.7
BFGoodrich Finance Company	—	16.0
Other	31.5	26.8
Total Investments and Receivables	$91.8	$158.8

Consolidated Statement of Income

(Dollars in millions) Year ended December 31,	1981	1980	1979
Sales	$3,184.6	$3,079.6	$2,988.1
Income from sale of tax benefits	72.6	—	—
Gain on dispositions	41.0	8.2	2.0
Equity in earnings of foreign associate companies	14.4	9.9	5.0
Other income (loss)—net	(3.8)	2.3	7.6
	$3,308.8	$3,100.0	$3,002.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share amounts)

Accounting Policies (in part)

Principles of Consolidation: The financial statements include the accounts of the parent company and all active subsidiaries. BFGoodrich Finance Company (BFGFC) was included on the equity method until July 1981, when it was merged into the parent company. The pretax income of BFGFC is included as a reduction of interest expense and its provision for income taxes is included in the income tax provision. Intercompany accounts, transactions and profits in inventories of consolidated subsidiaries have been eliminated upon consolidation.

Investments in associate companies (20 percent to 50 percent owned) in which Goodrich exercises significant influence over operating and financial policies are accounted for on the equity method. Because financial information is not available on a timely basis for three of these companies, Goodrich recognizes its equity in the earnings or losses of such associates based on a period ending three months prior to the end of Goodrich's reporting period.

Equity in Earnings of Foreign Associate Companies

"Equity in earnings of foreign associate companies" as shown in the Consolidated Statement of Income comprises the following:

Year ended December 31,	1981	1980	1979
Compania Hulera Euzkaid, S.A.	$ 8.2	$6.1	$2.7
Policyd, S. A.	5.1	2.9	2.0
Other foreign associate companies	1.1	.9	.3
	$14.4	$9.9	$5.0

Goodrich owns a 35 percent equity interest in Compania Hulera Euzkaid, S.A. ("Euzkadi"), a Mexican company, which manufactures and markets tires, tubes, flat belts, bicycle tires, hose, floor tile and other industrial products. Goodrich records its equity in the earnings of Euzkadi based on a period ending three months prior to Goodrich's reporting period.

Goodrich owns a 40 percent equity interest in Policyd, S.A., a Mexican company, which manufacturers and markets polyvinyl chloride.

The following table sets forth certain summarized unaudited financial information of Goodrich's foreign associate companies on a combined basis:

	1981	1980	1979
Statement of Income Data			
Net sales	$362.8	$297.4	$185.7
Gross margin	134.4	103.3	61.8
Net income	38.4	26.6	13.6
Goodrich's equity in net income of foreign associate companies	$ 14.4	$ 9.9	$ 5.0
Dividends received by Goodrich	$ 1.9	$ 1.0	$ 1.0
Balance Sheet Data			
Current assets	$123.4	$107.9	$ 72.9
Non-current assets	174.2	122.1	79.1
Total assets	297.6	230.0	152.0
Current liabilities	63.4	50.0	32.2
Non-current liabilities	68.3	65.7	30.5
Total liabilities	131.7	115.7	62.7
Net assets	$165.9	$114.3	$ 89.3
Goodrich's equity in net assets of foreign associate companies	$ 60.3	$ 40.7	$ 31.3

W.R. GRACE & CO.

Consolidated Balance Sheet

In Millions

December 31,	1981	1980
Total Current Assets	$1,873.3	$1,735.3
Investments in and advances to affiliated companies	245.6	144.7

Consolidated Statement of Income

In Millions

Years Ended December 31,	1981	1980	1979
Sales	$6,520.8	$6,135.7	$5,326.3
Dividends, interest and other income	59.8	57.9	41.9
Equity in earnings (losses) of affiliated companies	5.5	(.7)	1.4
	$6,586.1	$6,192.9	$5,369.6

SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

Principles of Consolidation

The consolidated financial statements include th accounts of W. R. Grace & Co. ("Company") and all majority owned subsidiary companies. Investments in affiliated companies are carried at cost adjusted for subsequent changes in equity.

NOTES TO FINANCIAL STATEMENTS

(Dollar amounts in millions)

Note 5—Investments in and Advances to Affiliated Companies

Grace has equity interests ranging from 47.5% to 50% in domestic affiliated companies which are engaged in the development of coal and phosphate properties and the manufacture of phosphoric acid and ammonia, and also owns a 49% interest in an ammonia manufacturing company in Trinidad. Upon the completion of the public offering of Omnicare, Inc. in July 1981, Chemed retained a 24% interest in this health care products and services company.

In 1980, Grace and International Minerals & Chemical Corporation ("IMC") formed a partnership to construct facilities to mine certain properties containing phosphate rock reserves. Included in dividends, interest and other income for 1980 and 1981 are gains of $16.1 for each year on contributions of phosphate rock to the partnership. Under the partnership agreement, IMC has two remaining options, which upon exercise, will result in two additional contributions of phosphate rock by Grace during the mine development period. Grace anticipates that the mine will be operating at full production rates in 1983; each partner will receive 50% of subsequent production.

A summary of financial information of affiliated companies is set forth below:

		1981		1980
Current assets	$ 412.9		$ 201.0	
Noncurrent assets ...	989.9		623.8	
Total assets		$1,402.8		$ 824.8
Current liabilities	184.5		117.3	
Noncurrent liabilities	636.6		395.1	
Total liabilities		821.1		512.4
Net assets		$ 581.7		$ 312.4
Grace's investments and advances		$ 245.6		$ 144.7

	1981	1980	1979
Net sales	$ 601.1	$ 282.3	$ 265.8
Net income (loss)	$ 34.4	$ (.4)	$ 7.2
Grace's equity in earnings (losses)..	$ 5.5	(.7)	$ 1.4
Dividends received ..	$ 2.2	$ .2	$ 4.4

At December 31, 1981, Grace had guaranteed certain obligations totaling $153.9 (1980—$80.9) incurred by affiliated companies, including $90.0 of the borrowings incurred by the Grace/IMC partnership. No loss is anticipated under these guarantees, and the guarantees extended in connection with the Grace/IMC partnership borrowings will expire upon completion of the mine.

Transactions arising between Grace and affiliated companies are within the course of ordinary business.

PHELPS DODGE CORPORATION

Consolidated Balance Sheet

(In thousands of dollars)

	December 31, 1981	1980	1979
Current assets	$473,429	$525,115	$462,180
Investments and long-term receivables	190,881	171,904	176,635

Statement of Consolidated Income

(In thousands of dollars)

	1981	1980	1979
Revenues			
Sales and other operating revenues	$1,438,555	1,440,137	1,280,830
Equity earnings	33,781	23,280	16,311
Interest and miscellaneous income	46,530	39,239	8,341
	$1,518,866	$1,502,656	$1,305,482

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in tables stated in thousands except as noted)

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

Basis of Consolidation. The consolidated financial statements include the accounts of the Corporation and all of its significant subsidiaries and its undivided interest in the Woodlawn joint venture. Investments in unconsolidated companies owned 20% or more are recorded on the equity basis. Investments in companies less than 20% owned are carried at cost.

Note 5: Investments and Long-term Receivables

Investments and long-term receivables are as follows:

	1981	1980	1979
Equity basis:			
Black Mountain (49%) ...	$ 44,816	22,133	19,199
Manufacturing interests abroad	53,019	46,660	41,949
Consolidated Aluminum (40%)	—	—	76,462
Other	3,578	3,146	2,959
Cost basis:			
Southern Peru (16.25%).	13,157	13,157	13,157
Receivable from Alusuisse	59,651	67,088	—
Alumina supply loans	15,212	17,655	19,960
Other	1,448	2,065	2,949
	$190,881	171,904	176,635

	1981	1980	1979
Equity earnings (losses) were as follows:			
Black Mountain	$ 22,731	2,975	(1,486)
Manufacturing interests abroad	11,023	9,859	10,351
Gains (losses) on restructure of foreign investments	(524)	2,378	4,288
Consolidated Aluminum...	—	7,832	2,961
Other	551	236	197
	$ 33,781	23,280	16,311

Retained earnings of the Corporation include undistributed earnings of equity investments of (in millions): 1981—$62.8; 1980—$33.6; 1979—$16.5

Condensed financial information pertaining to major equity investments is as follows:

Black Mountain

	1981	1980	1979
Net current assets	$ 380	11,710	245
Fixed assets—net	184,113	180,820	161,780
Long-term debt	(79,412)	(140,466)	(129,537)
Other net assets (liabilities)	(20,107)	(13,479)	29
Net assets	$ 84,974	38,585	32,517
Sales	$105,868	94,245	—
Gain (loss) on currency translation	33,732	(14,780)	(3,034)
Net income (loss)	46,389	6,069	(3,034)

Manufacturing Interests Abroad

Equity basis investments in manufacturing interests abroad represent companies which are engaged primarily in the manufacture of wire and cable and related products. The following table presents summary financial statement information for those companies:

	1981	1980	1979
Net current assets	$ 59,835	61,467	54,378
Fixed assets—net	64,704	57,162	46,462
Long-term debt	(45,628)	(46,655)	(38,766)
Other assets, net	15,821	12,248	10,268
Net assets	$ 94,732	84,222	72,342
Sales	$241,590	226,232	184,701
Gains (losses) on currency translation	(3,509)	96	(23)
Net income	18,169	18,129	15,526
Phelps Dodge's share of net income	11,023	9,859	10,351
Dividends received	4,666	1,889	1,878

Consolidated Aluminum Corporation

The Corporation agreed in 1980 to sell its 40% equity interest in Consolidated Aluminum Corporation ("Conalco") to Swiss Aluminium Ltd. ("Alusuisse") in installments through 1985. The Corporation accounted for the transaction as a sale in 1980 of its entire interest for $110.5 million, representing the 1980 present value of the various cash payments. Pursuant to this agreement Alusuisse paid the Corporation $43 million in 1981 and $11 million in 1980. Alusuisse is obligated to make successive annual payments for the balance of such interest from December 31, 1982 through December 31, 1985 of $17.5 million, $26.5 million, $24.5 million and $27.5 million.

Cost Method

AMERADA HESS CORPORATION (DEC)

	1981	1980
Investments and advances		
Stock of The Louisiana Land and Exploration Company—at cost	$ 2,262,000	$ 2,262,000
Investment in and advances to affiliated companies—at cost plus equity in undistributed earnings	126,438,000	125,387,000
Other—at cost	858,000	870,000
Total investments and advances	$129,558,000	$128,519,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Stock of The Louisiana Land and Exploration Company

At December 31, 1981, the Corporation owned 2,000,000 shares of the capital stock of The Louisiana Land and Exploration Company. The market value of the 2,000,000 shares aggregated $58,750,000 ($29.375 per share) at December 31, 1981 and $99,250,000 ($49.625 per share) at December 31, 1980.

SCHERING-PLOUGH CORPORATION (DEC)

	1981	1980	1979
		($ Millions)	
Total current assets	$1,380.8	$1,217.4	$797.2
Marketable Securities, Non-Current, at cost	103.3	110.7	92.8

NOTES TO FINANCIAL STATEMENTS

(Dollars in millions)

Marketable Securities, Non-Current

Marketable securities consist principally of various government agency debt instruments held for long-term investment. The market values of these securities at December 31, 1981, 1980 and 1979 were $84.3, $102.4 and $84.8, respectively.

JOS. SCHLITZ BREWING COMPANY (DEC)

	1981	1980
	(Dollars in Thousands)	
Investments and Other Assets:		
Notes receivable and other noncurrent assets	$ 8,631	$38,621
Investments (Note 2)	14,639	14,514
Land and equipment held for sale	12,159	6,710
	$35,429	$59,845

SUMMARY OF ACCOUNTING POLICIES

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of the parent company and its subsidiaries, all of which are wholly owned. All material intercompany accounts and transactions have been eliminated.

The cost method of accounting is used for the company's Spanish investments because the company does not have the ability to exercise significant influence in matters relating to financial policy and operating control.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Investments

At December 31, 1981 and 1980, investments in Spanish companies, at cost, net of applicable allowances, were as follows (in thousands):

	1981		1980	
	Ownership	Amount	Ownership	Amount
La Cruz del Campo	28%	$12,624	27%	$12,499
Henninger Espanola	30%	2,015	30%	2,015
		$14,639		$14,514

The company recorded dividend income of $278,000 in 1981, $485,000 in 1980 and $385,000 in 1979 from La Cruz del Campo.

Unaudited information for the year 1981 indicates that La Cruz del Campo and Henninger Espanola were profitable. Accounting practices followed in Spain do not conform to United States principles in some respects.

THE SIGNAL COMPANIES, INC. (DEC)

	1981	1980
	($ Millions)	
Investments and Long-term Receivables		
Unconsolidated companies:		
Capital stock	$291.2	$317.0
Advances	23.7	30.1
Other investments	102.6	98.7
Long-term receivables....................	38.5	44.1
Total investments and long-term receivables	$456.0	$489.9

NOTES TO FINANCIAL STATEMENTS

Note 9: Other Investments

Other investments at December 31, 1980 and 1981 include the Company's investment in Natomas Company of $75 million stated at cost (6,504,068 shares of common stock; approximately 13%). The Company received $1.8 million, $5.6 million and $7.8 million in dividends from Natomas in 1979, 1980 and 1981. The market value at December 31, 1981 was $156.1 million.

Also included in other investments at December 31, 1980 and 1981 is the Company's investment in Unitrode Corporation of $22.3 million stated at cost (1,292,850 shares of common stock; approximately 23%). The Company accounts for this investment under the cost method because, based on the criteria for use of the equity method, the Company does not exercise significant influence and control over Unitrode. The market value at December 31, 1981 was $39.4 million.

Lower of Aggregate Cost or Market Value

ALLEGHENY BEVERAGE CORPORATION (DEC)

	1981	1980
	(In thousands)	
Total current assets	$66,286	$23,814
Investments (Note D).........................	2,514	14,463

Note D—Investments

In 1980, the Company purchased 1,048,700 shares of common stock of Macke for $13,629,000, which represented approximately 35% of Macke's outstanding common stock. Since its ownership of Macke common stock exceeded 20% commencing in the quarter ended September 30, 1980, the Company began accounting for its investment using the equity method. At December 31, 1980, the Company valued its Macke investment at $14,463,000 which represented cost plus equity in net earnings.

On January 30, 1981, the Company acquired substantially all remaining equity interests in Macke through the merger of a wholly-owned subsidiary of the Company into Macke. The recorded cost of acquisition was $47,122,000, including the 1980 investment. The transaction was accounted for as a purchase and the results of operations of Macke are included in the Consolidated Statements of Earnings beginning February 1, 1981, with results prior to that date being reflected on the equity method.

On an unaudited pro forma basis, assuming the Macke merger took place on January 1, 1980, revenues, net earnings and primary earnings per common share would have been $436,230,000, $7,033,000, and $1.77, respectively for 1981 and $424,550,000, $5,885,000 and $1.53, respectively, for 1980. These pro forma results are based upon historical operations and are not necessarily indicative of results to be expected from future operations nor do they purport to represent what actually would have occurred if the Macke operations had been acquired at January 1, 1980. These amounts reflect estimated adjustments for interest expense relating to merger financing and for income taxes.

During 1981, the Company made open market purchases of shares of common stock of Wickes Companies, Inc., a company listed on the New York Stock Exchange. At December 31, 1981, the aggregate cost of these shares was $2,897,000, which was $383,000 above market. A valuation allowance, representing the excess of cost over market value, is included in stockholders' equity. At March 25, 1982, the market value of the shares held at December 31, 1981 was $1,575,000.

Subsequent to December 31, 1981, the Company made additional purchases of such shares of common stock. At March 25, 1982, the aggregate cost and market value of the shares held at that date was $5,100,000 and $3,500,000, respectively. The Company has no present plans of disposing of these shares.

THE KROGER CO. (DEC)

	1981	1980
	($000)	
Total Current assets	$1,278,341	$1,042,405
Notes receivable	15,059	4,341
Investments		
Marketable investment securities	15,772	17,476
Investments in operations to be discontinued		23,873
Other investments	25,177	7,581
Total investments	40,949	48,930

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

All amounts are in thousands of dollars except per share amounts.

Accounting Policies (in part)

Marketable Investment Securities

Marketable investment securities consist of bonds, notes, and common and preferred stocks held for 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 (common and 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 shareowners' equity. Other marketable investment securities (bonds and notes) are carried at cost unless there is a permanent impairment of value at which time the securities are valued at market. In management's opinion there is no indication of a permanent loss in value of the portfolio and there is no present intention to liquidate the securities at less than cost.

Marketable Investment Securities

Marketable investment securities consist of:

	1981	1980
Equity securities, at cost	$26,762	$26,762
Less valuation allowance charged against shareowners' equity	(11,843)	(10,139)
Equity securities, at market	14,919	16,623
Bonds and notes, at cost	853	853
	$15,772	$17,476

The portfolio of equity securities included gross unrealized losses of $11,843 at January 2, 1982. There were no realized gains or losses on marketable investment securities in 1981 or 1979. Net realized losses included in earnings amounted to $94 in 1980. The valuation allowance charged against shareowners' equity increased $1,704 during 1981 and $351 during 1979. The valuation allowance decreased $1,559 during 1980, with $94 charged against earnings.

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.

ARMADA CORPORATION (DEC)

	1981	1980
Total current assets	$28,308,000	$27,211,000
Receivables from sale of business	1,550,000	2,325,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5: Sale of Rendering Business

In 1980, the Company sold its rendering business. A gain of $1,139,000, net of income tax of $523,000 was realized from the sale. The sale proceeds, $10,250,000, consisted of $7,150,000 cash received, a note receivable, $2,410,000, due over the next four years bearing interest at 10¼% per annum and $690,000 under a non-competition agreement due equally in 1981 and 1982.

CLEVELAND CALENDERING & COATING CORP. (APR)

	1981	1980
Other Assets		
Note receivable, less current portion— Notes C and E	$317,195	$354,346
Other assets	97,017	114,085
	$414,212	$468,431

Note C—Note Receivable

Note receivable is comprised of:

	April 30	
	1981	1980
6% note, $5,606 due monthly through May 1, 1988 (including interest)	$387,391	$430,039
Less unamortized discount based on imputed interest of 9%	33,063	41,962
	354,328	388,077
Less current portion	37,133	33,731
Note Receivable, less current portion	$317,195	$354,346

The note is collateralized by machinery and equipment sold. The Company has certain rights, in the event of default, in a real property lease agreement covering the premises on which this machinery and equipment is utilized. This note is pledged as collateral for the long-term debt described in Note E.

TABLE 2-16: NONCURRENT RECEIVABLES

	1981	1980	1979	1978
Balance Sheet Description				
Long-Term Receivables ...	33	36	43	39
Notes Receivable	38	35	33	16
Notes and accounts receivables combined............	15	14	14	12
Accounts Receivable	12	10	7	2
Other—described	31	34	33	37
Receivables combined with other investments, deposits, etc.	58	67	71	93
Total Presentations..........	**187**	**196**	**201**	**199**
Number of Companies				
Presenting noncurrent receivables	180	185	189	190
Not presenting noncurrent receivables	420	415	411	410
Total Companies.............	**600**	**600**	**600**	**600**

FOREMOST-MCKESSON, INC. (MAR)

	1981	1980 ($000)	1979
Other Assets			
Goodwill and other intangibles	$ 91,090	$ 94,145	$ 94,790
Net assets of discontinued operations			34,152
Other—principally notes receivable (Note 4)....	31,848	35,598	32,396
Total	$122,938	$129,743	$161,338

Note 4: Receivables

(in thousands)	1981	1980	1979
Customer accounts...........	$345,204	$308,025	$277,616
Other	39,134	38,521	22,806
Total	384,338	346,546	300,422
Less allowances..............	11,944	10,392	8,815
Net	$372,394	$336,154	$291,607

Allowances are provided for estimated uncollectible amounts, discounts, returns, and other adjustments.

Long-term receivables included in other assets consist primarily of notes receivable from the sale of commercial and industrial land development properties.

LEAR SIEGLER, INC. (JUN)

	1981	1980
Total current assets	$564,920,000	$567,772,000
Property, Plant and Equipment—At Cost		
Land	13,924,000	12,765,000
Buildings and improvements	143,641,000	125,435,000
Machinery and other equipment.	215,529,000	188,627,000
	373,094,000	326,827,000
Less accumulated depreciation and amortization	153,466,000	135,859,000
	219,628,000	190,968,000
Other assets (Note 2)	80,093,000	82,327,000
	$864,641,000	$841,067,000

Note 2: Other Assets

Other assets consist of:

	1981	1980
Rights to develop and lease real estate—net	$ 5,746,000	$ 6,646,000
Long-term receivables (net of allowances for doubtful collections of $4,024,000 and $3,673,000)	10,119,000	11,474,000
Investments in affiliates—at equity	8,205,000	5,686,000
Goodwill (net of accumulated amortization of $4,184,000 and $2,983,000).....................	35,525,000	32,630,000
Property, plant and equipment—net, related to automotive plant closures (Note 7)	7,998,000	11,336,000
Sundry	12,500,000	14,555,000
	$80,093,000	$82,327,000

MAPCO INC. (DEC)

	1981	1980
	($000)	
Other Assets:		
Long-term receivables (Note 5)..........	$36,974	$20,972
Investments, at cost......................	8,617	25,596
Excess of purchase price over net assets of companies acquired	5,684	5,719
Other	25,616	16,210
	$76,891	$68,497

Note 5: Long-Term Receivables

Long-term receivables consist of (In Thousands):

	December 31, 1981	1980
Notes, overriding royalty interest and net profits interest resulting from sale of properties		
—Total amount due	$13,171	$14,794
—Less 7% to 9¼% imputed interest ..	(3,980)	(4,372)
—Present value	9,191	10,422
Advances and other notes	31,034	14,204
Less curent portion	(3,251)	(3,654)
Long-term receivables.......................	$36,974	$20,972

RESTAURANT ASSOCIATES INDUSTRIES, INC. (DEC)

	1981	1980
	($000)	
Other Assets		
Long-term notes receivable, less current portion	$2,795	$1,448
Excess of investment cost over net assets of acquired businesses	1,559	1,660
Liquor licenses	920	830
Other assets	539	432
Deferred charges	419	358
	$6,232	$4,728

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Long-Term Notes Receivable

Long-term notes receivable at December 26, 1981 includes $2,282,000 of notes received principally in connection with the sale of restaurants and other properties. The notes come due from 1982 to 1990 and bear interest at rates of 5½% to 15%. Also included in this caption are notes due from officers of the Company which totaled $513,000 (293,000 at December 27, 1980). These notes come due from 1985 to 1990 and bear interest at rates from 5% to 10%.

SUN COMPANY, INC. (DEC)

	1981	1980
	(Millions of Dollars)	
Total Current Assets	$2,795	$2,607
Long-Term Receivables and Investments (Note 6)	1,171	844
Properties, Plants and Equipment, net	7,391	7,037
Deferred Charges and Other Assets	465	512
Total Assets	$11,822	$11,000

Note 6: Long-Term Receivables and Investments

	December 31 1981	1980
	(Millions of Dollars)	
Accounts and notes receivable	$ 304	$ 44
Investments in and advances to unconsolidated subsidiaries and affiliated companies	526	458
Investments, at cost:		
Becton, Dickinson and Company (Becton) (Note 9)	320	317
Other	21	25
	$1,171	$ 844

Included in accounts and notes receivable at December 31, 1981, are ten-year 14.36 percent notes with a face amount of $275 million received in connection with the sale of 25 percent of Suncor (Note 1). These notes have been discounted to a carrying value of $258 million to reflect an appropriate market rate of interest.

Sun's net share of the earnings of unconsolidated subsidiaries and affiliated companies included in other income, amounted to $59, $50 and $51 million in the years ended December 31, 1981, 1980 and 1979, respectively. Dividends received from such unconsolidated subsidiaries and affiliated companies amounted to $19, $9 and $18 million in 1981, 1980 and 1979, respectively. Earnings employed in the business at December 31, 1981 include $163 million of undistributed earnings of unconsolidated subsidiaries and affiliated companies.

Sun's investment in Becton consists of approximately 6,485,000 shares of Becton's common stock at December 31, 1981, representing a 32 percent interest. These shares are held in escrow by a Trustee for exchange under the terms of exchangeable debentures issued by Sun in 1981. Under the terms of the debentures, Sun has relinquished its voting rights with respect to the escrowed shares (Note 9).

Sunoco Credit Corporation is a wholly-owned unconsolidated finance subsidiary whose principal activity is the issuance of commercial paper to finance the purchase of customer accounts receivable from the Company. Sun has agreed to purchase receivables in default and to maintain net earnings of Sunoco Credit Corporation at an established multiple of fixed charges. Summary information for Sunoco Credit Corporation as of December 31, 1981, 1980 and 1979 and for the years then ended is set forth below (in millions of dollars):

	1981	1980	1979
Assets, principally accounts receivable purchased with recourse from Sun	$425	$405	$461
Liabilities, principally commercial paper	$275	$282	$360
Net assets	$150	$123	$101
Revenues	$ 98	$ 83	$ 28
Net income	$ 28	$ 21	$ 7

TOMLINSON OIL CO., INC. (AUG)

Investments and other assets:		
Land held for resale	$1,724,140	$1,609,124
Debenture offering costs	1,467,445	1,493,565
Notes receivable (Note 6)	127,000	168,500
Undeveloped leases, at cost (net of impairment allowance)	1,191,317	1,250,832
Other	916,428	490,557
	$5,426,330	$5,012,578

Note 6: Noncurrent Notes Receivable

Noncurrent notes receivable are summarized as follows:

	August 31, 1981	1980
10% note from 50%-owned company	$ 90,000	$ 90,000
8% note, due in annual installments of $6,000 on February 1, 1983 and 1984, $10,000 in 1985 and 1986 and $5,000 in 1987—collateralized by second mortgage on real estate	37,000	43,000
10% real estate mortgage notes, due with interest in August 1982 or upon sale of model homes, whichever occurs first	—	35,500
	$127,000	$168,500

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.

TABLE 2-17: INTANGIBLE ASSET VALUATION

	Number of Companies			
	1981	1980	1979	1978
Assets Being Amortized				
Goodwill recognized in a business combination	277	266	271	277
Patents, patent rights	52	56	55	54
Trademarks, brand names, copyrights	20	22	26	23
Licenses, franchises, memberships	20	21	22	18
Other—described	16	18	10	19
Intangible assets (not otherwise described)	26	24	18	9
Assets Not Being Amortized				
Goodwill recognized in a business combination	135	143	156	165
Trademarks, brand names, copyrights	7	8	8	8
Other—described	2	5	5	3
Intangible assets (not otherwise described)	3	6	3	2
Other Bases				
Nominal value	3	4	7	6
Basis not determinable	18	17	12	11

Goodwill

ALLIS-CHALMERS CORPORATION (DEC)

	1981	1980
	(thousands)	
Intangible Assets Arising from Acquisitions	$46,292	$46,799

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (in part)

Intangible Assets Arising from Acquisitions

The excess of the purchase price paid over the net assets of businesses acquired is amortized principally over 40 years on a straight-line basis.

ASHLAND OIL, INC.

	1981	1980
	(In thousands)	
Investments and other assets		
Investments in and advances to unconsolidated subsidiaries and affiliates	$445,875	$153,225
Cost in excess of net assets of companies acquired (less accumulated amortization of $2,979,000)—Notes A and B	154,760	—
Notes and other receivables	31,934	19,647
Other assets, prepaid royalties and deferred charges	120,094	79,007
	$752,663	$251,879

Note A (in part): Significant Accounting Policies

Depreciation, depletion and amortization

The cost of plant and equipment is depreciated over the estimated useful lives of the assets principally by the straight-line method. Costs in excess of net assets of companies acquired are amortized principally over forty years by the straight-line method (see Note B).

Note B—Acquisitions

During 1981, Ashland acquired all of the outstanding stock of Integon Corporation ("Integon"), an insurance holding company with principal operations in life and health insurance and property and casualty insurance, for cash and 3,482,000 shares of $3.96 Series of 1981 Cumulative Preferred Stock. The total cost of the acquisition was $238,272,000, of which $121,859,000 represented the value of the preferred stock and the balance was paid in cash. The excess (88,148,000) of the cost over the fair value of the underlying net assets acquired is being amortized over forty years by the straight-line method.

Also during 1981, Ashland acquired all of the outstanding stock of United States Filter Corporation ("U.S. Filter"), whose operations consist principally of providing engineering services to the energy industry and producing air and water pollution control equipment and systems. The total cost of the acquisition was $402,691,000 paid in $25,866,000 of 13½% notes and the balance in cash. The excess ($150,532,000) of the cost over the fair value of the underlying net assets acquired is being amortized over forty years by the straight-line method.

The acquisitions have been accounted for as purchases as of January 1, 1981. U.S. Filter has been consolidated and Integon is recorded on the equity method (see Note D). If these acquisitions had been made as of the beginning of Ashland's fiscal years, revenues would have been increased by $226,806,000 in 1981 and $846,326,000 in 1980 and net income for those years would have been increased by approximately $1,800,000 in 1981 and $5,000,000 in 1980. Primary earnings per share would have been decreased by approximately $.19 in 1981 and $.61 in 1980 due largely to the dilutive effect of the convertible preferred stock issued in the acquisition of Integon.

THE CHARTER COMPANY (DEC)

	1981	1980
	(in thousands)	
Intangibles resulting from acquisitions, net	$74,115	$44,293
Other assets	69,800	51,097

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10: Intangibles Resulting From Acquisitions

Intangibles resulting from acquisitions consist of the excess of purchase price over the fair value of the net assets of subsidiaries at dates of acquisition and were as follows (in thousands):

	1981	1980
Subject to straight-line amortization, principally over forty years, net of accumulated amortization of $6,161 in 1981 and $8,310 in 1980	$68,781	38,959
Not subject to amortization because, in management's opinion, there is continuing value	5,334	5,334
	$74,115	44,293

Amortization expense was $1,212,000 in 1981, $812,000 in 1980 and $1,691,000 in 1979. The increase in intangibles is primarily the result of consolidating in 1981 the subsidiaries transferred to Media (see note 6).

KELLOGG COMPANY (DEC)

	1981	1980
	(millions)	
Intangible assets, less accumulated amortization of $1.6 and $1.2	$32.2	$31.9
Other assets	6.3	4.3

ACCOUNTING POLICIES

Intangible Assets

Intangible assets represent unamortized excess of cost over fair market value of net assets (goodwill) of businesses acquired by purchase and trademarks. Goodwill amounting to $19.0 million recorded prior to November 1, 1970, is not being amortized as it is considered to have continuing value over an indefinite period. Trademarks and the balance of goodwill are being amortized by the straight-line method, principally over 40 years.

KIDDE, INC. (DEC)

	1981	1980
	(dollars in thousands)	
Excess of Cost over Related Net Assets of Business Acquired	$122,357	$116,247
Investments and Advances, Primarily Affiliates	42,946	30,196
Other Assets	26,233	22,236

NOTES TO FINANCIAL STATEMENTS

Significant Accounting Policies (in part)

The excess of cost over related net assets applicable to businesses acquired prior to November 1, 1970 amounts to $15,100,000 and is not amortized as it is believed to have continuing value; the balance applicable to businesses acquired after October 31, 1970 is being amortized on a straight-line basis over forty years.

RICHARDSON-VICKS INC. (JUN)

	1981	1980
	(dollars in millions)	
Intangible Assets, less accumulated amortization of $18.6 (1980—$14.8)	$91.1	$89.8
Other Assets	6.9	3.7
Net non-current assets of discontinued operations	—	38.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Intangible Assets: Intangible assets represent the excess of cost over net tangible assets at the time of acquisition of products and companies acquired since 1954 and have been adjusted for products and companies disposed of after that date.

In accordance with Accounting Principles Board Opinion No. 17, the cost of intangible assets acquired in transactions initiated after October 31, 1970 is being amortized on the basis of their estimated lives but not to exceed forty years.

Note 6: Amortization of Intangible Assets

Intangible assets of $47,408,000 acquired in transactions initiated after October 31, 1970, the effective date of Opinion No. 17 of the Accounting Principles Board, are being amortized by the straight-line method over various periods up to 40 years. Also, based on the continuing evaluation by management, $21,003,000 of intangible assets acquired prior to November 1, 1970, is being amortized over periods of up to ten years. The balance of intangible assets of $41,232,000 continues to be carried at cost.

Patents

BUCKBEE-MEARS COMPANY (DEC)

	1981	1980
Patents and Other Assets	$3,231,000	$203,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Patents

Patents are stated at cost less amortization over 10 years computed on the straight-line method.

BUCYRUS-ERIE COMPANY (DEC)

	1981	1980
Investments and Other Assets		
Notes receivable	$ 10,825,807	$14,875,481
Ruston-Bucyrus, Limited—at equity in underlying net assets	42,070,395	38,813,309
Intangible assets—Notes A and B	76,010,000	
Other assets	768,160	825,433
	$129,674,362	$54,514,223

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Intangibles

Intangible assets consist of patents, design in contracts and goodwill which are being amortized on a straight-line basis over estimated lives ranging up to 40 years.

Note B (in part): Acquisition of Western Gear Corporation:

Effective September 30, 1981 the Company acquired Western Gear Corporation, a manufacturer of aerospace systems and components and industrial machinery and equipment for the power transmission, petroleum, marine, metals and transportation markets.

The acquisition has been accounted for as a purchase and, accordingly, the purchase price was allocated to assets and liabilities acquired based upon their fair value at date of acquisition. Allocation of the purchase price is summarized as follows:

Working capital	$ 70,243,000
Property, plant and equipment	71,454,000
Intangible assets (including goodwill of $49,814,000)	77,260,000
Notes payable and other long-term liabilities	(35,786,000)
Total purchase price	$183,171,000

DRESSER INDUSTRIES, INC. (OCT)

	1981	1980	1979
	In Millions of Dollars		
Investments and Other Assets			
Investments in unconsolidated subsidiaries and affiliates	$115.1	$ 76.5	$ 45.3
Intangible assets—Note D	38.0	44.0	46.2
Long-term receivables and investments	50.5	65.9	61.8
Other assets	38.3	32.1	21.4
Total Investments and Other Assets	$241.9	$218.5	$174.7

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Intangible Assets: The excess of cost over net assets of business 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 business acquired prior to October 31, 1970 is not amortized unless it is determined 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note D—Intangible Assets

Intangible assets relate to businesses acquired and consist principally of the acquisition costs allocated to patents and the excess of cost over net assets at date of acquisition. At October 31, 1981, 1980 and 1979, unamortized costs allocated to patents were $21.3, $24.2 and $25.3 million respectively, and the excess of cost over net assets at date of acquisition amounted to $15.5, $17.4 and $17.3 million respectively. Approximately $13.2 million of the excess of cost over net assets arising from acquisitions prior to October 31, 1970 is not being amortized.

Patents are being amortized over an average life of approximately 13 years. Patent amortization was $3.1 million in 1981, $3.0 million in 1980 and $2.9 million in 1979. Amortization of excess of cost over net assets at date of acquisition was $3.3 million in 1981, $1.5 million in 1980 and $2.5 million in 1979.

KROEHLER MFG. CO. (DEC)

	1981	1980
	(in thousands of dollars)	
Other Assets:		
Notes receivable	$ 959	$1,055
Investment in unconsolidated foreign affiliate		1,503
Patents, net of amortization	5,907	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Patents

Purchased patents and related costs are being amortized using the straight-line method, over their estimated useful lives.

Trademarks

HEUBLEIN, INC. (JUN)

	1981	1980
	(In thousands)	
Other assets:		
Cost in excess of net assets of purchased businesses	$ 53,070	$53,833
Trademarks, contracts and franchises	13,645	2,675
Other	35,063	34,095
	$101,778	$90,603

SUMMARY OF ACCOUNTING POLICIES

Cost in Excess of Net Assets of Purchased Businesses, Trademarks, Contracts and Franchises

Cost in excess of net assets of purchased businesses is being amortized on a straight-line basis over periods ranging from 5 to 40 years, except for $4,016,000 relating to an acquisition prior to November 1, 1970 which is not being amortized as, in the opinion of management, there has been no diminution in value.

Trademarks, contracts and franchises are carried at cost less amortization which is being provided on a straight-line basis over periods ranging principally from 5 to 40 years.

PUREX INDUSTRIES, INC. (JUN)

Consolidated Balance Sheet

	1981	1980
Other assets:		
Long-term receivables and other assets	$23,512,000	$ 3,594,000
Trademarks and intangible assets arising from acquisitions	9,138,000	16,216,000
Deferred charges	2,378,000	3,198,000
Non-current assets of discontinued operations	13,074,000	11,093,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Accounting Policies (in part)

Trademarks and Intangible Assets—Effective April 1, 1981, the Company commenced amortization of trademarks and intangible assets arising from acquisitions prior to 1970 ($5,765,000) on a straight-line basis over appropriate periods not exceeding 40 years. This change in amortization policy had no significant effect on results of operations.

The remaining trademarks and intangible assets are amortized on a straight-line basis over appropriate periods not exceeding 40 years. Amortization charged to income from continuing operations in 1981, 1980 and 1979 was $362,000, $295,000 and $188,000, respectively.

Brands

PHILIP MORRIS INCORPORATED (DEC)

	1981	1980
	(in millions of dollars)	
Brands, trademarks, patents, and goodwill, at cost, net	$632.2	$640.5
Other assets	132.1	81.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Brands, Trademarks, Patents, and Goodwill:

At December 31, 1981, this account included approximately $447 million which is being amortized on a straight-line basis, principally over 40 years. Cost in excess of net assets of companies acquired prior to November 1, 1970, is not being amortized because, in the opinion of management, the related investments have not experienced any diminution in value. Accumulated amortization was $49.5 million and $36.8 million at December 31, 1981 and 1980, respectively.

Licenses

HILL BROS., INC. (APR)

	1981	1980
Other assets:		
Notes receivable, net	$ 742,577	$ 140,622
Excess of cost over net assets of acquired companies, less accumulated amortization	—	3,663
Cash surrender value (net of policy loans of $288,060 and $233,511 in 1981 and 1980, respectively) of life insurance (face amount of $2,600,000 and $1,900,000 in 1981 and 1980, respectively)	66,396	68,945
Licenses, at amortized cost	1,351,505	1,160,222
Deposits and other assets	160,396	202,539
Total other assets	$2,320,874	$1,575,991

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(d) Amortization of Deferred Charges and Intangible Assets

Deferred charges are amortized by the straight-line method over the periods of their estimated benefit.

Licenses for the retail sale of liquor are granted by governmental authorities and are renewable annually upon payment of annual fees unless such licenses are revoked by the granting authority. The Company records the initial purchase price of such licenses as intangible assets and charges renewal fees to operations as incurred.

Licenses and other intangible assets acquired before November 1, 1970 are not amortized unless, in the opinion of Company management, there has been a decline in the value of such assets; assets acquired after October 31, 1970 are amortized, by the straight-line method, in accordance with the guidelines of Accounting Principles Board Opinion No. 17, which provides that assets of this nature are to be amortized over the lesser of forty years or their estimated useful lives.

KNIGHT-RIDDER NEWSPAPERS, INC. (DEC)

	1981	1980	1979
	(In thousands of dollars)		
Goodwill, Publication and Broadcast Rights Less accumulated amortization of $28,612 in 1981, $22,353 in 1980 and $17,366 in 1979	$316,880	$276,050	$246,251

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Goodwill, publication and broadcast rights arise from the purchase of at least a 20% interest in a company for a price higher than the fair market value of net intangible assets. It is the opinion of management that such intangible assets have not diminished in value since the respective dates of acquisition and, having an indefinite life, are not subject to amortization. However, in compliance with Accounting Principles Board Opinion 17, intangible assets of this type arising from acquisitions accounted for as purchases subsequent to October 31, 1970 of $255,568,000 are being amortized over a 40-year period on a straight-line basis.

OSHMAN'S SPORTING GOODS, INC. (JAN)

	1982	1981
Other Assets (notes A6 and C)	$687,000	$736,000

Note A (in part): Summary of Accounting Policies

6. Amortization of Other Assets

Amortization is computed using the straight-line method. Excess of cost over net assets of a business acquired is being amortized over 40 years. The cost of a trade name (note C) is being amortized over 15 years.

Note C—Trade Name

On June 29, 1978, the Company entered into a licensing agreement with Abercrombie & Fitch Company, the First National Bank of Chicago and First Chicago International Banking Corporation for use of the name "Abercrombie & Fitch," trademarks, patents, and catalogs. The agreement provides for fifteen annual payments escalating from $25,000 to $175,000 (totaling $1,785,000), or 1% of annual sales associated with the trade name and trademarks, whichever is greater. If payments total $3,000,000 for the fifteen year period, ownership of the name, trademarks, and patents transfers to the Company. If payments during the fifteen year period are less than $3,000,000, the Company has the option to extend the agreement for an additional five years, at which time ownership of the name, trademarks, and patents would be transferred to the Company. For financial statement presentation, the minimum payments were capitalized at their discounted present value, using a 10% imputed interest rate (note E), and included in other assets.

Formulae

THE COCA-COLA COMPANY (DEC)

	1981	1980
	($000)	
Formulae, Trademarks, Goodwill and Contract Rights	$131,661	$140,681

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Accounting Policies

Formulae, trademarks, goodwill and contract rights are stated on the basis of cost and, if purchased subsequent to October 31, 1970, are being amortized, principally on a straight-line basis, over the estimated future periods to be benefited (not exceeding 40 years). Accumulated amortization amounted to $16,168,000 and $12,189,000 at December 31, 1981 and 1980, respectively.

Customer Lists

BROWNING-FERRIS INDUSTRIES, INC. (SEP)

	1981	1980
	($000)	
Total current assets	$193,634	$114,727
Property and equipment, at cost, less accumulated depreciation of $182,862 and $155,830 (Notes 2 and 3)	341,944	304,745
Other assets:		
Amount of cost over fair value of net tangible assets of acquired companies, net of accumulated amortization of $5,234 and $4,458 (Note 1)	24,058	24,842
Other intangible assets, net of accumulated amortization of $2,250 and $1,840 (Note 1)	7,312	2,150
Solid waste revenue bond funds held for future acquisition of property and equipment	7,228	9,440
Other	22,024	20,859
Total assets	$596,200	$476,763

NOTES TO FINANCIAL STATEMENTS

September 30, 1981, 1980 and 1979

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

Intangible assets. The amount of cost over fair value of tangible net assets is being amortized on the straight-line method over periods not exceeding 40 years. Other intangible assets consisting of covenants not to compete and customer lists are being amortized on the straight-line method over their estimated lives.

Covenants Not To Compete

DIXICO INCORPORATED (AUG)

	1981	1980
	($000)	
Total current assets	$32,139	$26,563
Net assets of discontinued operations	2,754	2,894
Property, plant and equipment, net	17,645	19,094
Intangibles (Note 1)	840	1,923

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Accounting Policies

Intangibles—Costs in excess of net assets of businesses acquired ($622,000) are being amortized by the straight line method over 40 years. Covenants not to compete ($113,000) are amortized by the straight line method over the lives of the covenants. Cost attributed to rights to a manufacturing process ($105,000) is amortized by the straight line method over 10 years.

VARCO INTERNATIONAL, INC. (DEC)

	1981	1980
	(in thousands)	
Excess of Cost of Investment Over Underlying Net Assets of Business Acquired, less accumulated amortization of $166,000 (1981) and $127,000 (1980)	$1,400	$1,439
Covenant Not To Compete and Consulting Agreement, less accumulated amortization of $141,000 (1981) and $94,000 (1980)—Note A	501	548
Other Assets	672	532

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

Intangible Assets: The excess of cost over net assets of business acquired is being amortized on a straight-line basis over 40 years. A covenant not to compete and a consulting agreement are being amortized, on a straight-line basis, over 15 years, the lives of the agreements.

Software

WHITTAKER CORPORATION (OCT)

	1981	1980
	(In thousands)	
Other Assets		
Goodwill, net of amortization	$38,407	$38,906
Notes receivable—noncurrent	17,030	13,665
Software, net of amortization	4,842	6,121
Miscellaneous	9,163	3,374
	$69,442	$62,066

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(d) Intangibles: Goodwill resulting from acquisitions made prior to November 1, 1970 is not amortized unless, in the opinion of management, it has diminished in value. Goodwill arising from acquisitions subsequent to October 31, 1970 is amortized using the straight-line method over 40 years.

Purchased software is related to the medical information systems business and is amortized using the straight-line method over seven years.

TABLE 2-18: OTHER NONCURRENT ASSETS

	Number of Companies			
	1981	**1980**	**1979**	**1978**
Segregated cash or securities	51	59	49	46
Property held for sale	46	32	26	22
Assets leased to others	33	35	29	8
Deferred income taxes	17	27	29	31
Debt expense	13	19	21	18
Prepaid expenses	12	14	10	15
Start up costs	9	6	9	6
Cash surrender value of life insurance	8	11	12	15
Employee benefits	7	9	8	2
Other identified noncurrent assets	63	57	60	42
Deferred charges or *Other Noncurrent assets*—not described	528	521	525	531

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.

Segregated Funds

BRISTOL CORPORATION (DEC)

	1981	1980
Other Assets		
Unexpended plant and equipment funds (Note 6)	$635,056	$1,283,112

Note 6 (in part): Long-Term Debt

At December 31, 1981, $635,056 of the proceeds from the Economic Development Research Bonds was available for expenditure.

CHEM-NUCLEAR SYSTEMS, INC. (JUL)

	1981	1980
Other assets, at cost:		
Cash equivalent securities (Note 3)	$3,939,661	$ —
Note receivable and other	495,500	—
Land held for future headquarters	432,151	432,151
Other assets	438,933	411,506
Total other assets	$5,306,245	$843,657

Note 3: Cash equivalent securities

In 1981 the Company issued additional common stock to finance a portion of its capital expenditure program and to provide working capital. Proceeds from the issuance are invested in short-term cash equivalent securities prior to their use and the portion intended to be used in the capital acquisition programs is classified as an other asset. Such investments are stated at cost, which approximates market.

CHRYSLER CORPORATION (DEC)

	1981	1980
	(In millions of dollars)	
Investments and Other Assets:		
Restricted cash (Note 7)	$ 71.7	$ 50.3
Investments in associated companies outside the United States	352.4	353.3
Investments in and advances to 20% to 50% owned companies	35.2	30.5
Investments in and advances to unconsolidated subsidiaries	671.7	702.3
Other noncurrent assets	90.8	100.2
Total Investments and Other Assets	$1,221.8	$1,236.6

Note 7 (in part): Property, Plant and Equipment and Capitalization of Leases

Restricted cash resulting from the sale of certain Canadian assets represents escrow funds reserved for future expenditures for tooling and equipment in Canada.

COLT INDUSTRIES INC (DEC)

	1981	1980
	(In thousands)	
Other Assets		
Funds held by trustee for capital projects	$13,430	$19,958
Notes receivable from officers and employees	7,129	7,174

HAMMERMILL PAPER COMPANY (DEC)

	1981	1980
	(Thousands of dollars)	
Total current assets	$299,474	$283,911
Investments and other assets		
Grays Harbor Paper Company, at underlying equity	8,054	7,565
Funds held for construction	6,773	5,392
Other assets and intangibles	13,559	14,251
Total investments and other assets	28,386	27,208

RAGEN PRECISION INDUSTRIES, INC. (SEP)

	1981	1980
Total current assets	$16,438,272	$16,979,379
Trust Fund—Marketable Securities—at cost which approximates market (Note 3)	2,888,261	

Note 3 (in part): Long-Term Debt

The Company has entered into a loan agreement dated August 27, 1981 with the New Jersey Economic Development Authority (Authority). The agreement provides that the Authority deposit the net proceeds from the sale of $3,000,000 principal amount of its ten year Revenue Bonds into an Escrow Fund maintained by the authority's trustee. As the Company makes qualified capital expenditures, 90% of which should be made over the next three years, it will be reimbursed for 75% of such expenditures from the Escrow Fund. Funds in the Escrow account are invested in "qualified" (as defined) securities at the discretion of the Company. Interest is currently payable on the loan.

Property Held For Sale

AMERICAN BILTRITE INC. (DEC)

	1981	1980
	(Dollars in thousands)	
Other Assets		
Land, buildings and equipment held for sale—at estimated realizable value—Note C	$ 9,028	$7,163
Equity investment in affiliated company and other assets	1,557	1,858
	$10,585	$9,021

Note C (in part): Plant Shutdown and Rearrangement Expenses

In 1977, the Company developed a plan for the shutdown of certain plants, the relocation and rearrangement of other facilities and the elimination of various product lines. The estimated cost associated with this plan was accrued in 1977. During 1979, the Company evaluated all phases of its business to develop information which would enable it to concentrate resources in areas offering the greatest potential for growth and profitability. As a result, a new plan was developed which resulted in many changes being effected in 1980. The Company 1) closed its garden hose manufacturing operation in Tullahoma, Tennessee; 2) closed its floor covering distributorship in Linden, New Jersey; 3) announced the closing of the Cambridge Industrial Products plant and the transfer of its products to other locations; 4) sold the Dairy Cap Division, which had been acquired in 1978; 5) announced the closing of the Norwood, Massachusetts facility and discontinued the production of sheet vinyl; and 6) phased out its cloth tape product line and announced the closing of the Philadelphia facility. As a result of these actions, $11,993,000 was charged to 1980 operations. During 1981, $2,900,000 was charged to operations for additional estimated expenses relative to the sale of the Cambridge Industrial Products plant and the Philadelphia Tape facility. In addition, certain land and buildings ($5,250,000) which previously were classified as current assets (expected to be sold in

1981) were reclassified to other assets, since management now believes that such property may not be sold until after 1982.

HON INDUSTRIES INC. (DEC)

	1981	1980	1979
		(In thousands)	
Total Current Assets	$82,790	$79,446	$58,020
Investments			
Equipment leases	7,593	8,302	9,050
Real estate held for resale	12,074	—	—
	19,667	8,302	9,050

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Real Estate Held for Resale

Real estate held for resale is stated on the basis of acquisition cost plus costs of improvements, including interest capitalized during development. For income tax purposes, such interest is expensed in the period paid or accrued.

LESLIE FAY INC. (APR)

	1981	1980
Total current assets	$74,562,000	$67,331,000
Property, plant and equipment of discontinued operations held for sale—realizable value	2,785,000	2,334,000

THE PENN CENTRAL CORPORATION (DEC)

	1981	1980
	(Dollars in Millions)	
Assets held for disposition	$296.5	$331.9
Valuation Case receivable, net of outstanding reorganization securities	—	372.9

NOTES TO FINANCIAL STATEMENTS

Note 7: Assets Held for Disposition

Assets held for disposition are carried at the Company's estimate of their net realizable value, including the deduction of estimated holding and disposal costs. These assets are not being depreciated.

Assets held for disposition consist of the following:

	December 31, 1981	1980
Real estate, rail assets and investments	$143.0	$215.7
Escrow deposits and other restricted assets	140.3	65.7
Other	13.2	50.5
Total	$296.5	$331.9

Deferred Income Taxes

AMERICAN HOME PRODUCTS CORPORATION (DEC)

	1981	1980
	($000)	
Goodwill, trademarks, formulae, patents, etc.	$70,997	$80,802
Deferred taxes and other assets	48,827	45,509

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Income Taxes: The effective tax rate of 47.40% for 1981 differs from the statutory federal income tax rate principally because of non-deductible foreign currency adjustments. Deferred taxes are provided for certain items of revenue and expense when the timing of their recognition for financial statement and income tax purposes differs. The net result of these timing differences is such that taxes currently payable were $8,349,000, $27,219,000 and $20,448,000 more than the provisions for federal and foreign taxes on income in 1981, 1980 and 1979 respectively. Deferred tax benefits in the accompanying balance sheets amounted to $124,120,000 and $115,771,000 at December 31, 1981 and 1980, respectively, of which $86,265,000 and $78,650,000 were classified as current assets. These benefits represent the net cumulative amounts by which future provisions for federal and foreign taxes on income will exceed income taxes actually payable. Income taxes payable upon distribution of accumulated earnings of foreign subsidiaries and affiliates are not significant. Investment tax credits, which were insignificant, are accounted for as a reduction of income tax expense in the year the related assets are placed in service.

HUGHES SUPPLY, INC. (JAN)

	1982	1981
Other Assets:		
Deferred income taxes (Note 1)	$395,046	$459,199

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

Income Taxes: Income taxes are based on elements of income and expense as reported in the consolidated statements of income. Provision is made for timing differences between financial and tax reporting. Such differences relate primarily to leasing activities and depreciation methods. Investment tax credits are recognized as a reduction of the provision for income taxes in the year in which they become available to offset income taxes payable or to increase income taxes refundable.

Cash Surrender Value of Life Insurance

DURO-TEST CORPORATION (JUL)

	1981	1980
Cash surrender value of life insurance (Note 4)	$ 66,556	$ 33,388
Due from employees (Note 2)	414,842	594,102
Other assets	586,460	459,562

Note 2—Due from Employees

The balance in this account represents the non-current portion of amounts due from employees under the Employees' Stock Purchase Plan. The current portion of such amounts due is included in Other current assets and amount to $302,600 and $301,660 for fiscal 1981 and 1980, respectively.

Note 4—Employment Contracts

The Company has five-year employment contracts which are renewable each June 1st for an additional one year, unless such renewal is declined by either party. The current contracts expire in 1986 and provide for minimum annual compensation in the aggregate amount of $939,400. Certain of these contracts have supplemental deferred compensation agreements providing specified amounts of deferred compensation if the individuals continue with the Company until retirement or death. These agreements have been informally funded with life insurance contracts on the individuals concerned which have a face value equal to the aggregate payments due upon death and guaranteed cash surrender values equal to amounts due upon retirement.

KNAPE & VOGT MANUFACTURING COMPANY (JUN)

	1981	1980
Other:		
Cash surrender value of keyman life insurance	$509,071	$435,582
Deferred merchandiser costs	83,034	238,874
Investments	115,000	—
Total Other Assets	$707,105	$674,456

Vacant Land

CHEMPLAST, INC. (AUG)

	1981	1980
Deferred charges and other assets:		
Vacant land held for future use, at cost	$ 56,250	$ 56,250
Deposits, deferred charges and other assets	199,753	142,380
Goodwill	196,567	201,774
Total deferred charges and other assets	$452,570	$400,404

Prepublication Costs

MACMILLAN, INC. (DEC)

	1981	1980
	($000)	
Total current assets	$244,842	$281,266
Prepublication costs	21,158	21,847
Property and equipment, net	20,990	20,281

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Prepublication costs. Prepublication artwork, composition and camera work necessary for publication of multivolume reference works and elementary and secondary textbook series, and book plates for all books,are capitalized. These costs are amortized from date of publication at rates based on the estimated lives, using principally either the unit-of-sale method or the sum-of-the-years' digits method. All prepublication costs relating to individual books and all editorial costs are expensed as incurred. Prior to 1980, certain editorial and prepublication costs were capitalized and amortized from date of publication (see Note 2).

Deferred Debt Expense

DINNER BELL FOODS, INC. (JUN)

	1981	1980
Total current assets	$18,782,913	$17,031,410
Investments and other assets:		
Investments in and advances to 50%-owned companies	1,279,689	1,246,056
Deferred debt expense, less amortization of $236,369 ($181,742 in 1980)	229,024	283,651

NOTES TO FINANCIAL STATEMENTS

Note 1 (in part): Significant Accounting Policies

Deferred debt expense—Debt expense is being amortized by the bonds outstanding method over the terms of the issues.

SYNALLOY CORPORATION (SEP)

	1981	1980
Deferred Charges		
Intangibles arising from acquisitions	$739,549	$758,320
Unamortized debt expense	80,144	80,909
	$819,693	$839,229

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Deferred Debt Expense—Deferred debt expense incurred in connection with the 9.35% promissory notes and the 7.50% and 9.00% Industrial Revenue Notes is being amortized over the life of the notes based on the weighted average of principal outstanding.

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

	1981	1980	1979	1978
Description				
Notes or Loans				
Payee indicated...........	141	137	197	143
Payee not indicated	190	199	200	220
Short-term debt or borrowings	91	78	61	67
Commercial paper	54	29	22	20
Other	22	24	17	17
Total Presentations..........	**498**	**467**	**497**	**467**
Number of Companies				
Showing short-term debt....	429	424	461	447
Not showing short-term debt	171	176	139	153
Total Companies..........	**600**	**600**	**600**	**600**

AMERADA HESS CORPORATION (DEC)

	1981	1980
Current liabilities		
Notes payable............	$ 764,025,000	$ 685,553,000
Accounts payable—trade	532,925,000	624,928,000
Accrued liabilities—payrolls, interest and other....................	421,971,000	374,435,000
Taxes payable	176,010,000	440,657,000
Dividends payable	22,397,000	—
Current maturities		
Long-term debt.........	34,821,000	20,365,000
Capitalized lease obligations..............	7,505,000	10,491,000
Total current liabilities..........	$1,959,654,000	$2,156,429,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4: Short-Term Lines of Credit

Short-term borrowings at the end of 1981 amounted to $764,025,000 (notes $122,122,000; bankers acceptances $641,903,000). At December 31, 1981, the Corporation had unused lines of credit for notes and bankers acceptances with several banks in the United States and abroad aggregating approximately $283,000,000. Under various informal and unrestricted arrangements with the banks, compensating balances are maintained at varying terms against credit lines and related borrowings. During 1981, such compensating balances averaged approximately $10,100,000. No compensating balances are required for lines of credit and borrowings applicable to bankers acceptances.

AMERICAN HOSPITAL SUPPLY CORPORATION (DEC)

	1981	1980
	($ in millions)	
Current liabilities:		
Notes payable to banks	$ 31.1	$ 23.6
Commercial paper	66.7	3.6
Current maturities on long-term obligations	4.7	5.1
Accounts payable	256.3	221.3
Commissions, salaries and withholdings	73.8	63.5
Retirement and other benefit plans	19.7	17.9
Taxes other than federal income taxes.	18.2	16.6
Federal income taxes.....................	29.4	29.0
Total current liabilities	$499.8	$380.6

ANHEUSER-BUSCH COMPANIES, INC. (DEC)

	1981	1980
	(In millions)	
Current Liabilities:		
Short-term borrowings	$ 29.5	$ 16.3
Installment purchase obligation..........	40.0	30.0
Accrued interest payable.................	27.3	23.4
Accounts payable	209.8	168.0
Due to customers for returnable containers	26.3	26.6
Accrued salaries, wages and benefits ..	81.4	63.2
Accrued taxes, other than income taxes	60.1	54.2
Estimated income taxes	5.3	21.6
Other current liabilities...................	13.7	9.6
Total current liabilities	$493.4	$412.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5: Short-Term Borrowings

Short-term borrowings at December 31, 1981 consists of $29.5 million borrowed under the multi-currency revolving credit agreement at an interest rate of 9.7%. Short-term borrowings at December 31, 1980 consisted of $10.0 million borrowed under terms of the 1979 credit agreement, $1.3 million of commercial paper and $5.0 million of bankers acceptances at weighted average interest rates of 21.5%, 17.9% and 18.6%, respectively.

BLUE BELL, INC. (SEP)

	1981	1980
	($000)	
Current Liabilities:		
Notes payable—Banks and other (Note 4)	$135,419	$171,134
Current maturities of long-term debt	3,664	3,617
Accounts payable, principally trade	120,697	124,790
Dividends payable	5,756	5,640
Accrued liabilities:		
Compensation	23,620	25,287
Pension and profit sharing	4,981	8,453
Income taxes	21,624	30,128
Taxes—Other than income	8,028	10,856
Interest	3,534	6,034
Other	7,983	9,916
Total Current Liabilities	$335,306	$395,855

Note 4: Short-term Borrowings and Compensating Balances

Short-term borrowings totaling $135,419,000 at September 30, 1981 and $171,134,000 at September 30, 1980 consisted principally of thirty day and demand obligations at weighted average interest rates of 17.0% at September 30, 1981 and 12.4% at September 30, 1980. Substantially all of these borrowings are under lines of credit, the unused portions of which totaled $84,008,000 at September 30, 1981. The lines of credit generally are renewable as of December 31 each year.

Arrangements relating to certain domestic lines of credit require maintenance of compensating balances expressed in bank collected balances. These balances may be withdrawn on a day-to-day basis without restriction; however, the Company is expected to maintain average bank balances measured on a calendar year basis generally totaling 10% of applicable lines of credit or 20% of related bank loans, whichever is greater. The average compensating balance requirement was approximately $5,975,000 for the year ended September 30, 1981 and $4,550,000 for the previous year. These requirements were satisfied substantially by float.

The maximum amount of short-term borrowings at the end of any month was $186,617,000 in 1981 and $191,093,000 in 1980. Average daily short-term borrowings during the year ended September 30, 1981 were $159,914,000 at a weighted average interest rate of 18.0% per annum and $143,166,000 at an average rate of 13.3% for the prior year.

CRADDOCK-TERRY SHOE CORPORATION (SEP)

	1981	1980
Current Liabilities		
Notes payable to banks—Note C	$ 9,250,000	$ 4,000,000
Trade accounts payable	3,189,000	3,865,000
Employee compensation and related payables	2,518,000	2,938,000
Accrued interest and other expenses	1,653,000	1,891,000
Dividends payable	11,000	302,000
Income taxes	497,000	499,000
Current maturities of long-term debt	869,000	785,000
Total Current Liabilities	$17,987,000	$14,280,000

Note C (in part): Financing Arrangements

Line of credit arrangements with banks provide for short-term borrowings of up to $9,000,000 (all outstanding at October 3, 1981) with interest based upon the prime rate and on such other terms as the Corporation and the banks may mutually agree upon. The Corporation has agreed to maintain approximately 5% of the outstanding loans as compensating balances. Compensating balances are based upon bank ledger balances and serve as part of the Corporation's operating cash balances and are not subject to withdrawal restrictions. The Corporation had other short-term borrowings from banks of $250,000 and also has credit arrangements to support the issuance of letters of credit aggregating approximately $2,500,000 of which approximately $1,700,000 were outstanding at October 3, 1981.

EMERSON RADIO CORP. (MAR)

	1981	1980
Current Liabilities:		
Notes and acceptances payable	$10,977,000	$10,594,000
Accounts payable	2,294,000	2,918,000
Accrued expenses	1,607,000	1,405,000
Income taxes payable		65,000
Total current liabilities	$14,878,000	$14,982,000

NOTES TO FINANCIAL STATEMENTS

Note D—Notes and Acceptances Payable:

Notes and acceptances payable consisted principally of short-term borrowings from banks which are collateralized by trust receipts representing a security interest in the underlying merchandise and proceeds of disposition. Following is a summary of such borrowings:

		March 31,	
	1981	1980	1979
Notes and acceptances payable bank	$10,977,000	$ 9,904,000	$ 6,827,000
Notes payable to officers		690,000	
Total borrowings at March 31	$10,977,000	$10,594,000	$ 6,827,000
Weighted average interest rate at March 31	17.4%	17.2%	12.6%
Maximum amount of borrowings outstanding at any month-end	$23,515,000	$17,349,000	$15,409,000
Average amount of month-end borrowings	$15,179,000	$ 9,743,000	$ 8,864,000
Weighted average interest rate during the year	14%	15%	11%

The banks and the Company have informal oral credit agreements providing lines of credit totaling $33,000,000 for demand loans, bankers acceptances, and letters of credit. Such lines, which may be withdrawn at the banks' option, provide for both unsecured and secured loans. Interest is to be prime rate to ½% over the prime rate for the demand loans and is not to exceed 1¾% over the prevailing rate for bankers acceptances.

The Company is expected to maintain compensating balances of 15% on the demand loans (Balance that was required as of March 31, 1981 was $510,000).

EMPIRE INCORPORATED (JUN)

	1981	1980
Current Liabilities		
Notes payable (Note 4)		
Banks	$23,000,000	$ 9,000,000
Related party	5,884,000	
Current maturities of long-term debt	1,442,531	1,350,020
Accounts payable	9,723,760	12,357,684
Accrued expenses	4,141,749	4,188,811
Income taxes payable		
Current		1,344,273
Deferred	150,000	
Total Current Liabilities	$44,342,040	$28,240,788

Note 4: Notes Payable

Notes payable to banks at June 30, 1981 and 1980, were unsecured with interest at prime. Total unsecured lines of credit for short-term borrowings as of June 30, 1981, were $47,250,000. There are no formal compensating balance agreements involved with these borrowings.

Notes payable to related party at June 30, 1981, are demand notes payable to a major shareholder. The maximum amount borrowed from this party during the year ended June 30, 1981, was $7,041,000. The interest rate on these notes was equal to or below the average rates available through the bank lines of credit.

THE STANDARD OIL COMPANY (AN OHIO CORPORATION)

	1981	1980
	Thousands of Dollars	
Current Liabilities		
Notes payable	$1,883,391	$ 125,306
Accounts payable	943,805	824,235
Accrued income and other taxes	758,466	1,549,138
Accrued interest	128,016	119,524
Accrued other expenses	587,591	186,773
Current maturities of long-term obligations	136,431	271,617
	$4,437,700	$3,076,593

NOTES TO FINANCIAL STATEMENTS

Note F: Notes Payable

Thousands of Dollars	Balance at end of year	Weighted average interest rate at end of year	Maximum amount outstanding at any month-end	Average month-end balance	Weighted average interest rate for the year
1981					
Notes payable	$ 877,212	12.8%	$1,275,849	$784,217	16.7%
Commercial paper and other	1,006,179	12.4	1,126,590	538,665	15.5
1980					
Notes payable	80,812	14.3	402,418	198,532	11.1
Commercial paper and other	44,494	18.7	44,494	7,442	19.3
1979					
Notes payable	—	—	38,798	11,210	10.7

Notes payable includes reverse repurchase agreements of $817 million and $81 million in 1981 and 1980, respectively, which are collateralized by long-term marketable securities.

INTERNATIONAL HARVESTER COMPANY (OCT)

	1981	1980
	($000)	
Current Liabilities (Note 15)		
Notes payable	$ 441,828	$ 808,938
Accounts payable	712,331	984,719
Accrued liabilities	573,501	587,678
Current maturities of long-term debt	80,492	51,529
Total current liabilities	$1,808,152	$2,432,864

Note 15: Current Liabilities

The classification of Current Liabilities at October 31 is as follows:

	1981	1980
	(Thousands of dollars)	
Notes payable:		
Banks	$ 363,805	$ 659,667
Commercial paper	29,260	52,110
Trade	11,823	33,200
Nonconsolidated companies	27,028	58,841
Other	9,912	5,120
Total notes payable	441,828	808,938
Accounts payable:		
Trade	639,801	766,628
Nonconsolidated companies	28,380	157,729
Other	44,150	60,372
Total accounts payable	712,331	984,719
Accrued liabilities:		
Payrolls	134,749	135,390
Taxes	54,105	80,755
Interest	44,733	49,011
Pension, health and welfare	155,956	111,392
Major modernization and expansion program	11,657	54,794
Other	172,301	156,336
Total accrued liabilities	573,501	587,678
Current maturities of long-term debt	80,492	51,529
Total current liabilities	$1,808,152	$2,432,864

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.*

ADAMS-RUSSELL CO., INC. (SEP)

	1981	1980
Current Liabilities:		
Notes payable (less long-term portion)	$ 2,943,900	$ 1,197,600
Accounts payable to vendors	3,709,500	2,235,500
Accrued payroll and employee benefits	3,224,300	2,359,700
Other accrued expenses, etc.	2,116,200	1,790,900
Accrued Federal and state income taxes	890,600	823,500
Total current liabilities	$12,884,500	$ 8,407,200

CLUETT, PEABODY & CO., INC. (DEC)

	1981	1980
	In thousands	
Current liabilities:		
Notes payable	$ 4,803	$ 2,312
Current portion of long-term debt	3,227	3,952
Current portion of obligations under capital leases	841	1,008
Accounts and acceptances payable	68,407	44,494
Accrued expenses	38,144	33,638
Accrued taxes	5,209	9,295
Total current liabilities	$120,631	$ 94,699

THE SINGER COMPANY (DEC)

	1981	1980
	(Amounts in Millions)	
Current liabilities:		
Notes and loans payable	$178.2	$155.1
Accounts payable:		
Trade	98.2	96.7
Drafts	35.5	38.3
Other	63.2	69.6
	196.9	204.6
Accrued expenses:		
Current portion of accrual for facility restructuring	61.5	55.6
Pensions	56.2	57.2
Salaries, wages, and commissions	49.6	49.9
Taxes, other than income taxes	17.2	16.7
Interest	11.1	12.0
Other	112.9	119.6
	308.5	311.0
Long-term debt instalments due within one year	32.3	26.8
Income taxes payable	12.6	36.2
Income taxes deferred	6.6	4.6
Total current liabilities	$735.1	$738.3

TABLE 2-20: CURRENT LIABILITIES—TRADE CREDITORS

	1981	1980	1979	1978
Description				
Accounts payable, payables, or trade payables in a separate caption	538	485	447	426
Accounts payable combined with accrued liabilities or accrued expenses	51	102	137	157
Other captions	11	13	16	17
Total Companies	**600**	**600**	**600**	**600**

THE LUBRIZOL CORPORATION (DEC)

	1981	1980
	($000)	
Current liabilities:		
Accounts payable:		
Trade	$ 51,509	$ 58,516
Affiliated companies	9,566	10,617
Other	9,849	9,428
Dividend payable	10,786	
Accrued expenses:		
Income taxes	19,858	35,383
Other taxes	5,151	4,761
Employee compensation	17,473	12,739
Other	5,504	5,391
Total current liabilities	$129,696	$136,835

SQUARE D COMPANY (DEC)

	1981	1980
Current Liabilities:		
Short-term bank borrowings	$ 18,238	$ 18,820
Current maturities of long-term debt	10,269	10,245
Accounts payable and accrued expenses (Note E)	133,671	120,667
Income taxes	22,937	24,283
Dividend payable	12,399	10,851
Total Current Liabilities	$197,514	$184,866

Note E: Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses include:

	1981	1980
Amounts owing for materials and expenses	$ 94,826	$ 85,739
Accrued wages and salaries	32,438	28,629
Payroll, property and miscellaneous taxes	6,407	6,299
	$133,671	$120,667

TENNECO INC. (DEC)

	1981	1980
	($ Millions)	
Current Liabilities:		
Current maturities on long-term debt...	$ 149	$ 122
Commercial paper	276	71
Notes payable—		
Affiliated companies	41	37
Other	612	601
Accounts payable—		
Trade	1,849	1,629
Affiliated companies	255	232
Deferred federal income taxes	321	317
Interest accrued	127	104
Natural gas pipeline revenue refund reservation	152	77
Other	364	342
	$4,146	$3,532

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 significantly in both 1981 and 1980. Examples of captions describing employee related liabilities follow.

AMP INCORPORATED AND PAMCOR, INC. (DEC)

	1981	1980
	($000)	
Current Liabilities:		
International bank loans	$ 33,406	$ 50,134
Accounts payable	69,829	60,305
Accrued payrolls and employee benefits	41,344	35,386
Accrued taxes on income	81,080	76,405
Accrued expenses—other	19,127	17,127
Current portion of long-term debt	4,606	2,134
Total current liabilities	$249,392	$241,491

BAKER INTERNATIONAL CORPORATION (SEP)

	1981	1980
	($000)	
Current liabilities:		
Accounts payable—trade	$172,986	$127,661
Short-term borrowings	51,951	62,432
Current portion of long-term debt	17,416	12,637
Accrued employee compensation and benefits	86,849	61,679
Income taxes	96,157	43,587
Other current liabilities	42,189	33,395
Total current liabilities	$467,548	$341,391

TABLE 2-21: EMPLOYEE RELATED LIABILITIES

	Number of Companies			
	1981	**1980**	**1979**	**1978**
Description				
Salaries, wages, payrolls, commissions	342	272	202	216
Compensation and/or *Benefits*	103	64	N/C	N/C
Withholdings, payroll taxes.	21	25	35	31
Pension or profit-sharing contributions	125	104	72	69
Other	55	46	52	51
Number of Companies				
Disclosing employee related liabilities	468	373	241	228
Not disclosing	132	227	359	372
Total Companies	**600**	**600**	**600**	**600**

N/C—Not Compiled.

BLISS & LAUGHLIN INDUSTRIES INCORPORATED (DEC)

	1981	1980	1979
		(in thousands)	
Current Liabilities:			
Short-term loans	$ —	$ 2,218	$ 1,552
Current maturities of long-term debt	2,877	720	1,177
Accounts payable, trade	10,417	15,179	12,280
Customer deposits	2,030	2,193	2,450
Accrued liabilities:			
Salaries, wages and vacations	3,372	2,929	3,382
Pension costs	1,504	1,998	2,435
Other	5,898	5,434	6,606
Income taxes	3,973	1,212	10,382
Total current liabilities	$30,071	$31,883	$40,264

DAN RIVER INC. (DEC)

	1981	1980	1979
		amounts in thousands	
Current liabilities:			
Notes payable	$18,219	8,545	—
Long-term debt due currently	5,646	5,692	5,740
Accounts payable, trade	25,365	26,254	25,826
Accrued payroll expenses	8,473	9,150	9,594
Accrued employee benefits	3,992	6,540	7,329
Other accrued expenses	6,169	5,949	5,019
Dividends payable	1,660	1,659	1,646
Accrued income taxes	635	290	4,309
Other	1,995	3,234	2,624
Total current liabilities	$72,154	67,313	62,087

FOOTE MINERAL COMPANY (DEC)

	1981	1980
	($000)	
Current liabilities:		
Current installments of long-term debt .	$ 1,800	$ —
Accounts payable	10,532	10,164
Accrued expenses:		
Vacation pay	3,773	4,189
Pension	3,154	3,499
Other	6,704	4,940
Federal income taxes	4,422	1,880
Total current liabilities	$30,385	$24,672

STANLEY HOME PRODUCTS, INC. (DEC)

	1981	1980
Current Liabilities:		
Notes and loans payable	$ 3,101,620	$ 3,347,116
Accounts payable	24,932,559	22,855,207
Dealers' security deposits	4,138,600	4,198,801
Federal, state and foreign taxes on income	10,767,024	9,771,930
Unredeemed coupons and certificates	2,223,665	2,454,696
Accrued expenses—		
Payroll and commissions	3,310,061	4,343,795
Vacation and sick leave	3,574,552	3,107,770
Pensions and profit sharing	2,519,320	2,213,727
Payroll taxes	1,913,415	1,350,796
Other	4,111,626	4,523,152
Dividends payable	1,473,383	1,345,208
Total current liabilities	$62,065,825	$59,512,198

THE WURLITZER COMPANY (MAR)

	1981	1980
Current Liabilities:		
Short-Term Debt	$ 8,750,000	$ 7,853,000
Current Maturities of Long-Term Debt	823,000	1,809,000
Accounts Payable	4,572,000	4,581,000
Accrued Liabilities:		
Salaries and Wages	2,964,000	2,449,000
Income Taxes—		
Currently Payable	160,000	176,000
Deferred	—	14,000
Other Taxes	673,000	806,000
Interest	363,000	192,000
Contribution to Employee Savings and Profit Sharing Plan	81,000	99,000
Other	1,357,000	792,000
Total Current Liabilities	$19,743,000	$18,771,000

LA MAUR INC. (DEC)

	1981	1980
	($000)	
Current Liabilities		
Accounts payable	$3,315	$2,529
Accrued expenses:		
Payroll	1,077	779
Taxes	315	300
Profit-sharing trust	833	329
Other	1,113	425
Federal and state income taxes	1,004	332
Deferred income taxes	310	386
Total Current Liabilities	$7,967	$5,080

PALL CORPORATION (JUL)

	1981	1980
Current Liabilities:		
Notes payable to banks	$32,010,000	$15,654,000
Accounts payable—trade	11,765,000	10,108,000
Accrued liabilities:		
Salaries and commissions	3,716,000	2,956,000
Payroll taxes	2,037,000	1,117,000
Income taxes	8,885,000	8,564,000
Interest	686,000	251,000
Pension and profit-sharing	3,453,000	2,876,000
Other	3,743,000	3,719,000
	22,520,000	19,483,000
Dividends payable	1,209,000	980,000
Current portion of long-term debt	1,651,000	959,000
Total Current Liabilities	$69,155,000	$47,184,000

INCOME TAX LIABILITY

Table 2-22 summarizes the descriptive balance sheet captions used to describe the current liability for income taxes.

AMERICAN SEATING COMPANY (DEC)

	1981	1980
	($000)	
Current Liabilities:		
Accounts payable	$ 7,110	$ 8,745
Accrued income taxes:		
Current	436	58
Deferred	1,028	—
Other accrued taxes	646	623
Accrued compensation and pensions	4,361	4,683
Other accruals	1,591	1,263
Current maturities of long-term obligations	1,441	1,425
Total Current Liabilities	$16,613	$16,797

TABLE 2-22: CURRENT INCOME TAX LIABILITY

	1981	1980	1979	1978
Income taxes	367	366	351	361
Taxes—type not specified	33	34	32	34
Federal and state income taxes	31	33	31	29
Federal income taxes	28	35	37	37
Federal, state, and foreign income taxes	27	29	30	28
U.S. and foreign income taxes	23	27	23	29
Federal and foreign income taxes	23	21	27	21
Other captions	17	19	23	19
	549	564	554	558
No caption for taxes payable	51	36	46	42
Total Companies	**600**	**600**	**600**	**600**

BRIGGS & STRATTON CORPORATION (JUN)

	1981	1980
Current Liabilities:		
Accounts Payable	$16,486,000	$29,065,000
Foreign Subsidiary Loans	9,891,000	—
Accrued Liabilities—		
Wages and Salaries	12,675,000	12,048,000
Retirement Plan	18,779,000	18,756,000
Taxes, Other Than Income Taxes	2,498,000	2,345,000
Other	16,608,000	17,461,000
Total Accrued Liabilities	50,560,000	50,620,000
Federal and State Income Taxes.	102,000	11,424,000
Total Current Liabilities	$77,039,000	$91,099,000

BURROUGHS CORPORATION (DEC)

	1981	1980
	($000)	
Current Liabilities		
Notes payable within one year	$ 397,442	$ 513,910
Current maturities of long-term debt	31,343	106,548
Accounts payable	397,104	270,641
Accrued payrolls and commissions	163,752	107,922
Accrued taxes other than income taxes	69,408	66,379
Customers' deposits and prepayments	154,893	155,685
Dividend payable to shareholders	27,681	26,982
Estimated income taxes	110,531	18,800
Total current liabilities	$1,352,154	$1,266,867

CARNATION COMPANY (DEC)

	1981	1980
	(in thousands	of dollars)
Current Liabilities:		
Indebtedness to banks and others	$ 71,132	$ 81,892
Current portion of long-term debt	11,776	10,785
Trade accounts payable	137,302	150,711
Accrued liabilities—		
Salaries and wages	25,735	25,169
Taxes, other than income	12,444	11,726
Other	120,305	104,321
Foreign and other taxes measured by income	25,145	22,935
Federal income taxes	20,821	17,951
Total current liabilities	$424,660	$425,490

CROWN ZELLERBACH

	1981	1980
	(In millions of dollars)	
Current Liabilities		
Commercial paper notes payable	$ 53.8	$ 84.0
Notes payable, banks	17.0	17.6
Accounts payable, trade	168.0	148.4
Accrued federal, state and foreign income taxes	19.8	2.6
Accrued payrolls	81.8	70.1
Other current liabilities	127.7	123.5
Long-term debt, installments due within one year	32.3	33.1
Total current liabilities	$500.4	$479.3

HEUBLEIN, INC. (JUN)

	1981	1980
	($000)	
Current liabilities:		
Notes payable	$ 34,204	$ 28,177
Current portion of long-term debt	4,305	5,572
Current obligations under capital leases	2,616	2,900
Accounts payable	77,491	80,061
Accrued expenses	90,181	81,898
Taxes:		
Federal, state and foreign income taxes	44,942	28,189
Excise taxes	50,877	54,846
Other taxes	8,628	9,019
Dividends payable	9,794	8,886
Total current liabilities	$323,038	$299,548

THE STANDARD REGISTER COMPANY (DEC)

	1981	1980
Current Liabilities		
Current maturities of long-term debt	$ 2,008,182	$ 1,570,750
Accounts payable	7,160,885	7,539,478
Dividend payable	544,890	542,840
Accrued compensation	9,642,461	7,779,049
Accrued pension plan contributions	2,366,362	3,437,056
Accrued other expense	2,308,060	2,026,145
Accrued taxes, except income	2,771,495	3,254,756
Income taxes payable	2,901,432	3,022,498
Total current liabilities	$29,703,767	$29,172,572

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.

CHRYSLER CORPORATION (DEC)

	1981	1980
	(In millions of dollars)	
Current Liabilities:		
Accounts payable	$1,022.8	$1,405.1
Short-term debt	163.8	150.5
Current portion of restructured debt	47.5	140.4
Payments due within one year on long-term debt	14.1	25.8
Employee compensation and benefits	329.2	391.1
Taxes on income	5.9	12.3
Other taxes	81.0	113.3
Interest payable	56.6	44.6
Accrued expenses	698.1	746.2
Total Current Liabilities	$2,419.0	$3,029.3

THE GOODYEAR TIRE & RUBBER COMPANY (DEC)

	1981	1980
	($000)	
Current Liabilities:		
Accounts payable—trade	$ 480,897	$ 523,873
Accrued payrolls and other compensation	257,112	234,018
Other current liabilites	168,505	155,453
United States and foreign taxes:		
Current	186,859	170,353
Deferred	111,303	113,229
Notes payable to banks and overdrafts	111,679	147,109
Long term debt due within one year	13,761	35,642
Total Current Liabilities	$1,330,116	$1,379,677

TABLE 2-23: CURRENT AMOUNT OF LONG-TERM DEBT

	Number of Companies			
	1981	1980	1979	1978
Current *portion* of long-term debt	196	189	201	196
Current *maturities* of long-term debt	181	175	181	175
Long-term debt *due* or *payable* within one year	80	83	77	82
Current *installment* of long-term debt	46	46	44	51
Current amount of long-term leases	80	87	80	76
Other captions	6	6	8	11

R. H. MACY & CO., INC. (JUL)

	1981	1980
	Dollars in thousands	
Current Liabilities		
Accounts payable and accrued liabilities	$304,028	$260,397
Income taxes		
Current	14,973	32,203
Deferred	104,473	89,800
Current portion of long-term debt	8,609	5,600
Current portion of obligations under capitalized leases	5,230	4,958
Total current liabilities	$437,313	$392,958

SUN CHEMICAL CORPORATION (DEC)

	1981	1980
	($000)	
Current liabilities		
Bank loans	$ 23,325	$ 21,083
Current maturities of long-term debt	5,486	7,870
Accounts payable	49,675	50,850
Accrued expenses		
Salaries and wages	12,884	12,634
Interest	4,257	3,555
Taxes on income	4,422	8,023
Other	18,422	15,862
Total current liabilities	$118,471	$119,877

WILLAMETTE INDUSTRIES, INC. (DEC)

	1981	1980
	($000)	
Current liabilities:		
Current installments on long-term debt	$ 17,611	15,559
Note payable to bank	—	5,000
Accounts payable	30,528	30,624
Accrued payrolls and related expenses	20,038	19,163
Other accrued expenses	23,988	16,465
Federal and state taxes on income	5,136	24,116
Total current liabilities	$ 97,301	110,927

KIMBERLY-CLARK CORPORATION (DEC)

	1981	1980
	(Millions)	
Current Liabilities		
Accounts payable		
To suppliers	$124.9	$119.7
Other	50.0	48.4
	174.9	168.1
Income taxes payable	68.2	44.1
Dividends payable	19.8	18.3
Short-term debt	70.4	35.0
Long-term debt payable within one year	10.5	6.6
Accrued salaries and wages	66.8	60.4
Accrued pension expense	31.9	32.7
Accrued advertising and promotion expense	45.6	24.3
Other	97.3	89.4
	$585.4	$478.9

OTHER CURRENT LIABILITIES

Table 2-24 summarizes other identified current liabilities. The most common types of other current liabilities are taxes not combined with federal income taxes, accrued interest payable, and dividends payable. Unidentified other current liabilities, generally described as *accrued expenses*, *accrued liabilities*, or *other current liabilities* are not included in Table 2-24.

Taxes Not Combined With Federal Income Taxes

ARMADA CORPORATION (DEC)

	1981	1980
Current liabilities:		
Current maturities of long-term debt	$ 177,000	$ 16,000
Accounts payable	4,414,000	5,254,000
Accrued liabilities:		
Salaries, wages and pensions	2,421,000	2,545,000
Taxes, other than income taxes	442,000	476,000
Estimated plant closing costs	870,000	—
Other	1,706,000	1,491,000
Total current liabilities	$10,030,000	$ 9,782,000

THE BARDEN CORPORATION (OCT)

	1981	1980
Current Liabilities:		
Current maturities of long-term debt	$ 555,556	$ 555,556
Loans payable—bank	5,599,018	1,540,668
Accounts payable and accrued expenses	7,099,001	5,929,847
U.S. and foreign income taxes	1,465,859	1,251,015
Total Current Liabilities	$14,719,434	$ 9,277,086

TABLE 2-24: OTHER CURRENT LIABILITIES

	Number of Companies			
	1981	1980	1979	1978
Taxes not combined wtih Federal income taxes	215	165	119	107
Interest	113	98	59	47
Dividends payable	109	103	108	108
Customer advances, deposits	69	71	60	54
Deferred taxes	53	47	48	47
Guarantees, warranties, service contract obligations	53	39	27	22
Estimated costs related to discontinued operations	38	14	18	19
Due to affiliated companies	26	19	12	10
Billings on uncompleted contracts	22	24	21	21
Insurance	22	N/C	N/C	N/C
Advertising	15	N/C	N/C	N/C
Other — Described	80	67	42	41

N/C—Not Compiled.

NOTES TO FINANCIAL STATEMENTS

Note D—Accounts payable and accrued expenses consist of the following:

	1981	1980
Accounts payable—trade	$2,683,674	$1,870,582
Taxes accrued and withheld other than U.S. and foreign income taxes	1,683,314	1,330,486
Accrued payroll and other compensation	1,931,771	1,668,639
Other	800,242	1,060,140
	$7,099,001	$5,929,847

INTERLAKE, INC. (DEC)

	1981	1980
	(In thousands)	
Current Liabilities:		
Accounts payable	$ 76,840	$ 59,269
Accrued liabilities	34,392	56,706
Accrued employment costs	26,036	27,838
Income taxes payable	14,946	15,874
Taxes other than income taxes	8,908	9,277
Debt due within one year	11,289	19,423
Total current liabilities	$172,411	$188,387

NABISCO BRANDS, INC. (DEC)

	1981	1980
	(In millions)	
Current liabilities		
Short-term borrowings	$ 26.7	$ 25.1
Current maturities of long-term debt	34.7	9.3
Accounts payable	344.4	317.6
Accrued liabilities	417.8	358.8
Dividend payable	29.8	14.5
Income taxes	104.0	133.1
Total current liabilities	$957.4	$858.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accrued liabilities consist of the following:

(In millions)	December 31 1981	1980
Payrolls	$107.2	$ 90.4
Trade discounts	41.5	42.3
Taxes, other than income and excise taxes	46.1	40.9
Excise taxes	39.5	47.0
Pensions	32.5	28.2
Interest	8.4	9.7
Other	142.6	100.3
Total	$417.8	$358.8

ST. REGIS PAPER COMPANY (DEC)

	1981	1980
	($000)	
Current liabilities:		
Notes payable	$ 6,404	$ 17,168
Accounts payable	146,712	161,976
Current portion of long-term debt	47,809	52,481
Accrued Federal income taxes		51,316
Accrued wages and interest	49,586	47,564
Other accrued taxes	25,907	36,202
Other accrued liabilities	29,860	34,708
Total	$306,278	$401,415

WEYERHAEUSER COMPANY (DEC)

	1981	1980
Current liabilities:		
Notes payable	$ 14,315	$ 2,668
Current maturities of long-term debt	13,135	29,899
Current maturities of capital lease obligations	12,114	10,978
Accounts payable	198,784	223,045
Accrued liabilities:		
Payroll—wages and salaries, incentive awards and retirement and vacation pay provisions	169,286	161,931
Taxes—social security, unemployment and real and personal property	47,974	40,007
Interest	33,987	32,211
Other	106,006	100,555
Accrued income taxes	51,332	16,684
Total current liabilities	$646,933	$617,978

Customer Advances/Deposits

HARRIS CORPORATION (JUN)

	1981	1980
Current Liabilities		
Short-term debt—international subsidiaries	$ 8,000,409	$ 8,136,560
Trade accounts payable	98,734,147	90,300,054
Compensation and benefits	92,623,463	75,740,708
Other accrued items	67,282,591	59,797,129
Advance payments by customers	100,034,361	101,462,289
Income taxes	38,650,440	42,565,713
Total Current Liabilities	$405,325,411	$378,002,453

INSILCO CORPORATION (DEC)

	1981	1980
	($000)	
Current Liabilities		
Short-term borrowings	$ 41,224	$ 29,539
Accounts payable	39,911	37,341
Accrued expenses	27,814	24,582
Customer deposits	12,818	13,224
Salaries and wages payable	8,618	8,193
Current portion of long-term debt and lease obligations	3,318	27,438
Income taxes		
Currently payable	2,578	2,797
Deferred	294	1,359
Total current liabilities	$136,575	$144,473

THE PILLSBURY COMPANY (MAY)

	1981	1980
	(In millions)	
Current liabilities:		
Notes payable	$ 22.5	$ 21.5
Current portion of long-term debt	26.7	30.3
Trade accounts payable	297.7	372.8
Advances on sales	113.8	54.4
Employee compensation	51.6	42.9
Taxes on income	57.1	74.2
Other liabilities	113.0	78.8
Total current liabilities	$682.4	$674.9

Product Warranties

AFG INDUSTRIES, INC. (DEC)

	1981	1980
Current liabilities:		
Current maturities of long-term debt	$ 7,061,000	$ 3,135,000
Trade accounts payable	8,111,000	5,825,000
Income taxes	202,000	575,000
Accrued liabilities	13,615,000	10,453,000
Total current liabilities	$28,989,000	$19,988,000

NOTES TO FINANCIAL STATEMENTS

Note 5: Accrued Liabilities

Accrued liabilities at December 31, 1981 and 1980 consisted of:

	1981	1980
Payroll and payroll taxes	$ 3,244,000	$ 2,085,000
Taxes other than income taxes	1,078,000	582,000
Pensions, current portion	2,356,000	2,522,000
Estimated product warranties	1,804,000	2,144,000
Royalties	844,000	398,000
Interest	591,000	154,000
Other	3,698,000	2,568,000
	$13,615,000	$10,453,000

COOPER INDUSTRIES, INC. (DEC)

	1981	1980
	($000)	
Current Liabilities		
Short-term debt	$ 9,542	$ 64,355
Accounts payable and accrued liabilities	473,572	429,274
Accrued income taxes	150,978	71,448
Current maturities of long-term debt	21,542	8,127
	$655,634	$573,204

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6: Accounts Payable and Accrued Liabilities

The following summary sets forth the major components of accounts payable and accrued liabilities:

	December 31, 1981	1980
	(000 omitted)	
Trade accounts	$193,026	$202,624
Salaries, wages and related fringe benefits	89,508	74,364
Contributions payable to pension trusts and supplemental unemployment benefits	50,186	44,789
Accruals for estimated costs of plant relocations and other non-recurring items	52,448	33,772
Accrued warranty costs	9,204	12,918
Advances received on contracts	13,936	17,567
Taxes other than income taxes	21,866	15,319
Dividends	17,371	9,455
Other	26,027	18,466
	$473,572	$429,274

WHIRLPOOL CORPORATION (DEC)

	1981	1980
	(thousands of dollars)	
Current Liabilities		
Notes payable to banks	$ —	$ 564
Accounts payable	74,824	91,043
Payrolls and other compensation	64,627	58,931
Taxes and other accrued expenses	53,829	45,118
Income taxes	36,601	46,643
Product warranty	17,790	16,834
Total Current Liabilities	$247,671	$259,133

Deferred Revenue

BROWNING-FERRIS INDUSTRIES, INC. (SEP)

	1981	1980
	($000)	
Current liabilities:		
Current notes payable	$ 5,826	$ 4,564
Current portion of long-term debt	8,170	5,297
Accounts payable	29,600	28,836
Accrued liabilities—		
Salaries and wages	10,874	8,658
Taxes, other than income	2,527	2,178
Other	49,730	28,293
Income taxes	17,219	7,261
Deferred revenues	17,812	6,339
Total current liabilities	$141,758	$ 91,426

NOTES TO FINANCIAL STATEMENTS

September 30, 1981, 1980 and 1979

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

Deferred revenues. Revenues billed in advance for services are deferred and recorded in income in the period in which the related services are rendered.

Costs/Liabilities Related To Discontinued Operations

BIRD & SON, INC. (DEC)

	1981	1980
Current Liabilities:		
Loans payable	$10,000,000	$ 2,500,000
Accounts payable and accrued expenses	19,016,000	23,300,000
Advance payments on sales contracts	4,735,000	4,610,000
Long-term liabilities, portion due within one year	3,110,000	331,000
Pension contribution payable	3,094,000	3,596,000
Estimated liabilities from disposition of certain operations—Note 2	2,943,000	—
Income taxes	705,000	344,000
Dividend payable	11,000	985,000
Total current liabilities	$43,614,000	$35,666,000

Note 2 (in part): Disposition of Certain Operations

In the fourth quarter of 1981, the Company sold its two Midwestern asphalt roofing plants, together with its Chicago, Illinois, felt mill, and entered into negotiations to sell its Midwestern building materials distribution outlets. In addition, the Company permanently shut down the operations of a felt mill in Phillipsdale, Rhode Island. The Company had previously reported the closing of an asphalt roofing plant in Perth Amboy, New Jersey, in the third quarter of 1981 and the closing of a felt mill in Franklin, Ohio, in the second quarter of 1981. The disposal of the roofing plants is in accordance with the Company's long-range plan to concentrate its asphalt roofing marketing efforts in the high-growth areas of the South and Far West and in the Northeast, where the Company has established a strong market share. The decision to dispose of the felt mills, which produce organic roofing mat, results from the industry's rapid shift towards fiber grass mat as a base for asphalt roofing products, as well as the Company's reduced requirements for roofing mat.

Losses on disposal of assets, closing costs, estimated continuing expenses until disposition and the writedown of assets to estimated realizable values resulted in a provision for loss before income tax credits of $13,622,000 which was reflected in the second quarter ($1,280,000), the third quarter ($3,450,000) and the fourth quarter ($8,892,000). At December 31, 1981, liabilities associated with the disposition of these operations exceeded the remaining assets by $2,943,000, and this excess liability is shown in the consolidated balance sheet as "Estimated liabilities from disposition of certain operations." It is anticipated that the final disposition of the remaining assets will occur during 1982.

PABST BREWING COMPANY (DEC)

	1981	1980
Current Liabilities:		
Accounts payable	$ 45,974,000	$ 45,444,000
Accrued wages and salaries	2,221,000	2,290,000
Accrued vacations and deferred compensation	14,524,000	12,634,000
Dividend payable	819,000	—
Federal excise and other taxes	7,082,000	7,720,000
Federal and state income taxes	136,000	719,000
Obligations under capital leases—current	5,261,000	5,788,000
Accrued plant closing costs	19,120,000	—
	95,137,000	74,595,000
Liability to customers for returnable containers	15,742,000	14,728,000
	$110,879,000	$ 89,323,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6—Plant Closings

In December, 1981, the Company announced the closing of its Peoria Heights, Illinois brewery, with a phase-out to begin in early January, 1982. Estimated closing costs, continuing expenses until disposition and the write-down of related properties to estimated realizable value resulted in a provision for loss of $39,242,000 which was recorded in the fourth quarter of 1981. Of this amount, $19,089,000 is included in current liabilities and $20,153,000 is reflected as a reduction of the value of properties held for sale.

In December, 1980, the Company sold a malt manufacturing facility located in Peoria, Illinois resulting in a loss of $600,000.

During 1979, the Company closed its Los Angeles brewery. The estimated costs and expenses associated with this closing resulted in a provision for loss of $3,440,000 in 1979 and an additional provision of $549,000 in 1981 upon final disposition.

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

	1981	1980
	($000)	
Current Liabilities		
Notes payable	$ 10,000	$ —
Current installments of long-term debt	32,845	24,315
Accounts payable—trade	121,018	111,360
Accrued and other liabilities	73,810	68,686
Accrued costs of plan for asset redevelopment—Note B	49,046	—
Federal income and other taxes	10,339	11,958
Total current liabilities	$297,058	$216,319

Note B—Asset Redeployment Plan

During the third quarter of 1981, the Company adopted a plan for the redeployment of a portion of its assets in its textile businesses, including the realignment of certain manufacturing operations and the concentration of most manufacturing service units and research and development activities in Greenville, South Carolina. This plan is a result of the Company's decision to eliminate certain marginal product lines and to replace older, less cost-effective equipment with more modern production facilities.

The estimated costs of the plan for redeployment of $81,943,000 ($41,800,000 after taxes or $2.90 per share) have been included in the income statement for the year ended October 31, 1981. The provision is comprised of estimated expenses of closing a number of plants and relocating productive equipment ($21,893,000), losses on inventories and phase out of discontinued product lines ($25,316, 000), a provision for severance pay and for moving expenses of reassigned employees ($26,864,000), and other related costs ($7,870,000).

At October 31, 1981, the balance of the provision was $54,831,000 and is included in the accompanying balance sheet as accrued costs of plan for asset redeployment ($49,046,000) and as a reduction of assets held for disposition ($5,785,000). Assets held for disposition consists of inventories, plant and equipment which will be disposed of in connection with the plan.

Net sales of the discontinued product lines in the aggregate were not material.

Billings in Excess of Related Costs

JOHNSON CONTROL, INC. (SEP)

	1981	1980
	($000)	
Current liabilities		
Short-term debt	$ 17,653	$ 4,304
Current portion of long-term liabilities	4,608	4,787
Accounts payable	47,013	45,373
Accrued wages, commissions and related payroll taxes	35,586	26,730
Federal, state and foreign income taxes	21,840	11,094
Billings on uncompleted contracts in excess of related costs	136,490	100,030
Other current and accrued liabilities, including deferred income taxes of $8,886 and $1,056 respectively	52,788	39,140
	$315,978	$231,458

Advertising

COLGATE-PALMOLIVE COMPANY (DEC)

	1981	1980
	($000)	
Current Liabilities		
Notes and loans payable to banks	$117,673	$189,439
Current portion of long-term debt	25,419	22,549
Accounts payable	279,811	277,769
Accrued payroll	72,348	65,671
Dividends payable	24,583	22,957
Accrued advertising	68,245	54,371
Accrued income taxes	97,592	84,812
Other accruals	140,294	115,663
Total current liabilities	$825,965	$833,231

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			
	1981	**1980**	**1979**	**1978**
Unsecured				
Notes	470	461	463	459
Debentures	289	312	302	286
Loans	119	139	139	126
Collateralized				
Capitalized leases	440	430	422	360
Mortgages	185	187	192	200
Notes or loans	82	86	88	86
Convertible				
Debentures	164	168	166	171
Notes	20	22	20	23

ADAMS-MILLIS CORPORATION (DEC)

	1981	1980
Total Current Liabilities	$ 7,496,000	$ 6,011,000
Long-term Debt, less current maturities	11,598,000	7,000,000
Deferred Income Taxes	3,762,000	1,401,000

NOTES TO FINANCIAL STATEMENTS

Long-Term Debt

Long-term debt outstanding is as follows:

	January 3, 1982	December 28, 1980
Notes payable to banks under short-term instruments to be converted to long-term debt	$ 6,000,000	$3,000,000
Industrial Revenue Bond, due in equal annual payments beginning April 1, 1990 to April 1, 1999, interest at 7½%	4,000,000	4,000,000
Industrial Revenue Bond, due in equal semi-annual payments beginning October 1, 1984 to April 1, 1993, interest at 7⅝%	1,890,000	—
Note payable to a bank, due in equal semi-annual payments to October 15, 1985, interest at 7¾%	226,000	—
	12,116,000	7,000,000
Less—Current maturities	518,000	—
	$11,598,000	$7,000,000

Under loan agreements with banks, the Company may borrow up to $7,000,000 until June 30, 1982, with interest at the banks' prime rate. At that date the notes will become fixed in amount and will be due in equal quarterly amounts through December 1988, with interest at the banks' prime rate plus ½%.

The Industrial Revenue Bonds were issued in connection with the acquisition of new facilities under capital lease agreements.

The Note payable to a bank was issued in connection with the acquisition of certain machinery and equipment.

The debt agreements contain provisions regarding working capital requirements, other borrowings, acquisitions, redemption of the Company's stock and dividends. Under these provisions, retained earnings of $20,639,000 at January 3, 1982, are restricted as to the payments of dividneds.

Maturities of the debt in 1982 and in the four succeeding years are $518,000, $980,000, $1,084,000, $1,190,000 and $1,133,000.

CENTRONICS DATA COMPUTER CORP. (JUN)

	1981	1980
	($000)	
Total current liabilities	$39,697	$36,240
Long-term debt, less current portion (Note 5)	54,026	56,902
Deferred income taxes	—	1,009

Note 5: Long-term debt:

Long-term debt consists of the following:

	1981	1980
	(in thousands)	
1978 term notes	$13,333	$15,833
Revolving credit notes	22,000	35,300
Mortgage notes	9,102	9,170
Promissory note, due 12/85 at 13¼%	5,000	—
Promissory note, due 12/85 at 13½%	8,000	—
	57,435	60,303
Less current portion	3,409	3,401
	$54,026	$56,902

On November 29, 1979, the Company restated its financing agreement with three domestic banks, under which the 1978 term notes and the revolving credit notes are outstanding. The agreement provides the Company with up to $49,000,000 of long-term revolving credit. Revolving credit notes bear annual interest at 108½ percent of prime rate and mature on March 31, 1982. At maturity, in accordance with the terms of the financing agreement, the lesser of the then outstanding revolving credit notes or $27,000,000 will be converted into term loans bearing annual interest at 118% of the sum of prime rate plus one-quarter to one-half percent, which will be payable in sixteen equal quarterly installments commencing June 30, 1982. The 1978 term notes are payable in twenty-two equal quarterly installments which commenced on December 31, 1979, maturing on March 31, 1985 with interest payable quarterly at rates ranging from 9¼ percent to 108½ percent of prime rate.

A commitment fee of ½ of 1 percent per annum is payable quarterly on the average daily unused portion of each bank's commitment on the revolving credit loans. In addition, compensating balance arrangements related to the revolving credit loans require the Company to maintain average daily free collected balances of at least 8½ percent of revolving credit loan commitments. Any deficiencies in maintaining such compensating balances are subject to an interest charge computed at the average prime rate, since withdrawal of the compensating balance is not legally restricted.

The terms of the financing agreement include quarterly and year end requirements, among other things for working capital, tangible net worth and minimum liquidity (as defined) and limitations on debt and liens, investments and leases. The Company obtained waivers at the end of the second and third quarterly reporting periods with respect to noncompliance with certain of the aforementioned restrictive covenants. At June 28, 1981 the Company was not in compliance with the loan covenants related to minimum liquidity, tangible net worth, quarterly earnings and certain financial ratios. Although such noncompliance constitutes events of default which have not been cured subsequent to June 28, 1981, the lenders have not caused the debt to become due and payable. The Company has entered into negotiations to modify the existing financing agreements on terms which would provide for collateralization of the loans by liens covering substantially all of the Company's assets, adjustments of the interest rates, modification of the loan covenants and the granting of warrants for the purchase of the Company's stock.

Under the tangible net worth covenant of the current financing agreement, which is the most restrictive, no retained earnings were available for the payment of dividends at June 28, 1981.

Land and buildings with a net depreciated value of approximately $11,000,000 at June 28, 1981 and June 30, 1980, are pledged as collateral for mortgage notes payable. One of the mortgage notes is due in monthly installments of approximately $78,000 including interest at 10% per annum, until November, 1994 at which time a final payment of $6,720,000 is due. The other note is due in monthly installments of approximately $5,000 including interest at 10% per annum, and is due May, 2007.

On January 29, 1981 the Company entered into a loan agreement under which it borrowed $13,000,000 payable in December 1985. The borrowing is composed of one note for $8,000,000 bearing interest at 13½% and one note for $5,000,000 bearing interest at 13¼%. The interest is payable quarterly commencing March 31, 1981. The proceeds from the notes were used to reduce outstanding revolving credit borrowings which bore interest at an annual rate of 108½% of prime rate.

The promissory notes are collateralized by a pledge of substantially all the Company's marketable debt securities until June 30, 1981 (see Note 3), and, thereafter, are required to be collateralized by a pledge of the Company's marketable debt securities and/or other permitted securities having an aggregate market value at all times during the loan period of at least 111% of the principal balance of the notes.

Maturities of long-term debt for the five year period ending June 30, 1986 are as follows: 1982—$3,409,000; 1983—$8,917,000; 1984—$8,925,000; 1985—$8,935,000; 1986—$18,612,000.

THE CESSNA AIRCRAFT COMPANY (SEP)

	1981	1980
Total current liabilities	$262,294,960	$237,610,805
Deferred income tax	20,641,000	17,876,000
Long-term debt due after one year (Note 5):		
5.95% notes payable	5,050,000	6,200,000
9.5% notes payable	19,500,000	22,750,000
6.5% real estate mortgage note payable	212,500	531,250
Other notes payable	900,000	4,000,000
3.875% convertible subordinated debentures	185,000	279,000
Capitalized lease obligations	3,280,000	3,765,000
	29,127,500	37,525,250

Note 5: Long-term debt

Long-term notes and debentures are payable as follows: 5.95% notes, $1,150,000 annually with final maturity in 1986; 9.5% notes, $1,625,000 annually with final maturity in 1994; 6.5% real estate mortgage note, $106,250 semiannually with final maturity in 1983; other notes, $3,100,000 in 1982 and $100,000 annually thereafter with final maturity in 1991; 3.875% convertible subordinated debentures, due in 1992. Prepayments may be made, with or without premiums, as specified in the debt agreements, and future conversions of the debentures may be used to reduce such debt.

The 3.875% convertible subordinated debentures are convertible at any time into common stock at $12.24 per share. Therefore, 15,114 shares of common stock are reserved at September 30, 1981 for the conversion privilege on outstanding debentures. During 1981 and 1980 the conversion of $94,000 and $54,000 of debentures resulted in the issuance of 7,673 and 4,408 shares of common stock, respectively.

Certain Kansas and Ohio municipalities have issued Industrial Revenue Bonds at interest rates ranging from 5.5% to 7% with maturities extending to 1999 to provide funds to acquire leased plant facilities, which facilities are accounted for as purchases. Annual rentals of $657,000 are required for retirement of bonds and interest. Expected bond retirements for the next year of $485,000 are included in current liabilities.

The various debt agreements contain certain restrictions on working capital, purchase of Cessna's stock and payment of cash dividends. Under the most restrictive of these provisions, $56,000,000 of earnings reinvested in business were restricted at September 30, 1981.

Long-term debt maturing within each of the five years subsequent to September 30, 1981 is as follows: 1982—$6,572,500; 1983—$3,487,500; 1984—$3,290,000; 1985—$3,210,000; and 1986—$3,230,000.

CHICAGO PNEUMATIC TOOL COMPANY (DEC)

	1981	1980
Total current liabilities	$ 85,083,000	$ 88,003,000
Long term debt	94,306,000	112,766,000
Pension liability	3,914,000	6,817,000
Other liabilities	5,616,000	3,514,000
Minority interests	1,621,000	6,996,000
Total liabilities	$190,540,000	$218,096,000

NOTES TO FINANCIAL STATEMENTS

Long Term Debt

Long Term Debt (in thousands)	1981	1980
Revolving credit/term loan dated November 12, 1981		
Interest: U.S. dollar loans at bank prime rate or CD rate plus ½ of 1%; eurocurrencies at (LIBOR) rate plus ½ of 1%.		
Maturing 1984 to 1988	$ 6,000	$ —
Revolving credit/term loan dated February 20, 1981.		
Interest: U.S. dollar loans at 103% of the bank price rate; eurodollar/eurosterling loans at (LIBOR) rate plus ½ of 1%.		
Maturing 1984 to 1988	18,432	—
Bank Term Loan dated November 26, 1979.		
Interest: U.S. dollar loans at 108% of the bank prime rate; eurodollar loans at (LIBOR) rate plus ⅝ of 1%.		
Maturing 1983	4,500	7,500
Promissory Notes Payable:		
11% Fixed Rate Note dated July 2, 1980.		
Maturing 1983 to 1985	10,000	10,000
Bank Term Loan dated June 1, 1978.		
Interest on initial $5,000 at 8¼%.		
Balance at prime rate to 112% of prime.		
Maturing 1981 to 1983	14,125	30,000
Bank Term Loan dated December 15, 1978.		
Interest at 107% to 109% of the bank prime rate.		
Maturing 1982 to 1985	16,000	20,000
10⅜% Senior Notes.		
Maturing 1981 to 1993	5,636	—
Purchase Notes		
$3,948 face amount, non-interest bearing (less unamortized discount of $1,337 based on an imputed interest rate of 17½%).		
Maturing 1983 to 1986	2,611	—
Purchase Notes at 110% of prime rate.		
Maturing 1980 to 1984	722	1,039
Industrial Development Revenue Bonds:		
Interest at 5.6% to 8.5%		
Maturing 1980 to 2007	7,970	6,475
Capitalized Leases	2,054	6,625
Other	1,172	1,419
	89,222	83,058
Less current portion	(17,318)	(4,667)
Sub Total	$ 71,904	$ 78,391
Debt due within one year but intended to be refinanced	22,402	34,375
Total	$ 94,306	$112,766

On November 12, 1981 the Company entered into a $15,000,000 revolving credit and term loan agreement with two banks. The terms of the agreement call for a 3-year revolving credit convertible to a 4-year term loan. Under the terms and conditions of this agreement, the Company can denominate its borrowings in U.S. dollars, eurodollars, and/or certain eurocurrencies. For years 1 to 3, interest rates are as follows: U.S. dollars at the bank's prime lending rate, or certificate of deposit rate plus ½ of 1%; eurocurrencies at the London Interbank Rate (LIBOR) plus ½ of 1%. For years 4 to 7, interest rates are as follows: U.S. dollars at the bank's prime lending rate plus ¼ of 1%, or certificate of deposit rate plus ¾ of 1%; eurocurrencies at LIBOR plus ¾ of 1%. The Company has agreed to pay a commitment fee of ½ of 1% per annum on the unutilized portion of the commitment. The commitment fee accrues from January 1, 1982.

On February 20, 1981 the Company entered into an $80,000,000 revolving credit and term loan agreement with a group of banks which can be used to refinance short term debt. A provision of this agreement requires the commitment of $80,000,000 to be reduced by an amount equal to the net cash proceeds realized by the Company from any disposition of assets not in the normal course of business. The sale of the Company's 65% interest in Wreckair Holdings, Ltd. reduced the commitment to $66,000,000. Under the terms of this agreement, the Company can denominate its borrowings in U.S. dollars, eurodollars and eurosterling. For U.S. dollars, the interest rate is at 103% of the floating prime rate, and for eurodollars/eurosterling, the interest rate is fixed for three- and six-month periods at ½ of 1% over the appropriate LIBOR rate quoted by the banks. At January 12, 1984 all outstanding borrowings will convert to a term loan payable commencing April 12, 1984 in sixteen equal quarterly installments at interest rates of 105% to 107% of floating prime and ¾ of 1% over the LIBOR rate. Additionally, a commitment fee of ½ of 1% per annum of the average daily unused balance portion of the commitment and a fee in lieu of balances of 2% times average prime times the commitment is payable.

On November 26, 1979, the Company entered into a loan agreement for an amount of up to $7,500,000. This line of credit matures on October 31, 1983 and is available for unsecured advances in U.S. dollars for periods of up to ninety days and/or eurodollars for periods of up to six months.

On July 2, 1980, the Company borrowed $10,000,000 at a fixed interest rate of 11% to be repaid in four equal semiannual installments commencing December 30, 1983. The proceeds from this loan were used to repay an equivalent amount of the revolving credit agreement dated December 15, 1978.

Under the terms of the agreement dated June 1, 1978, $30,000,000 of revolving credit notes were converted to a term note on June 1, 1979. Repayments under this agreement commenced on November 30, 1981 and are payable in sixteen equal quarterly installments to maturity at August 31, 1985. As of January 1, 1982, the company had prepaid an additional $14,000,000 of this loan. In accordance with the terms of this agreement, pre-payments are applied in reverse order to the existing amortization schedule which now makes the last installment due at November 30, 1983.

Under the terms of the $20,000,000 revolving credit agreement, dated December 15, 1978, $16,000,000 of borrowings then outstanding were converted to a term loan on December 15, 1981, payable commencing on March 15, 1982 in sixteen equal quarterly installments to maturity at December 15, 1985.

In connection with the acquisition of MATCO Tools Corporation in 1981, approximately $5,636,000 of that company's pre-existing indebtedness is reflected which represents 10⅜% Senior Notes due in annual installments of $500,000 to maturity in 1993. The installments are scheduled to commence in 1982. Under the terms of an amendment dated December 31, 1981, the original financial covenants defined for MATCO have been replaced by the financial covenants of the Company. On March 30, 1982, the Company prepaid $3,902,000 and agreed to increase the interest rate to 16% on the remaining $1,734,000.

Purchase notes issued for the remaining shares of MATCO Tools Corporation are payable in installments, the timing of which is directly related to MATCO's net earnings for the years 1982 thru 1985. The face amount of the non-interest bearing notes is $3,948,000 less unamortized discount of $1,337,000, (based on an imputed interest rate of 17½%) reflecting a net liability as of January 1, 1982 of $2,611,000.

The provisions of the February 20, 1981 and November 12, 1981 revolving credit and term loan agreements, as well as the agreements (as amended) dated June 1, 1978, December 15, 1978, July 2, 1980 and the Senior Notes relating to MATCO include certain covenants which provide, among other things, restrictions relating to the maintenance of minimum levels of working capital and tangible net worth and a current ratio as defined. Additionally, total liabilities may not exceed a maximum percentage of tangible net worth as defined. At January 1, 1982 the Company was in compliance with these covenants as defined and amended.

The covenant relating to tangible net worth, which includes foreign currency effects, required that the Company maintain a level of $145.0 million at January 1, 1982, escalating to $150.0 million on the first day of fiscal 1982 and to $170.0 million at the start of fiscal 1983. The actual level at January 1, 1982 was $145.1 million. On March 30, 1982 the Company entered into agreements which amended the tangible net worth covenant to a level of $135.0 million at the start of fiscal 1982, escalating to $146.0 million by the end of the fiscal year. The required level of tangible net worth at the beginning of the 1983 fiscal year remains at $170.0 million. In addition, the amendment agreement provides that during fiscal 1982 quarterly dividend distributions will not exceed the lower of (a) 50% of a prior quarter's consolidated net earnings, adjusted for a defined pool available for dividends, or (b) $500 thousand in any quarter (which is the amount previously declared by the Board of Directors on February 16, 1982 for the first quarter of 1982).

Also, on March 30, 1982, the Company prepaid $3,902,000 of the $5,636,000 Senior Notes referred to above, and agreed to increase the interest rate from 10⅜% to 16% on the remaining $1,734,000.

Included in Other are minor mortgages and term loans with interest rates ranging from 9% to 15% and expiration dates to 2007.

The Company intends ultimately to refinance $22,402,000 of short term debt on a long term basis through the use of the February 20, 1981 Revolving Credit Agreement. Accordingly, at January 1, 1982 such short term debt has been classified as long term debt.

Aggregate maturities of long term debt (excluding capitalized leases) for the 5 years ending after January 1, 1982, based on present arrangements which include the refinancing of short term debt, are as follows:

Year Ending:	
1982 (included in current liabilities)	$ 1,239
1983	18,871
1984	17,791
1985	18,791
1986	12,998

H. J. HEINZ COMPANY (APR)

	1981	1980
Long-Term Debt and Other Liabilities:		
Long-term debt	$180,766,000	$244,653,000
Incentive profit-sharing plans	4,983,000	6,089,000
Deferred income taxes	79,189,000	55,805,000
Future United Kingdom income taxes	19,028,000	10,981,000
Other	26,728,000	34,663,000
	$310,694,000	$352,191,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Long-Term Debt

Details of long-term debt at April 29, 1981 and April 30, 1980 follow.

	Range of Interest	Maturity (fiscal year)	1981	1980
United States Dollars:				
Promissory notes	6⅝%	1982-1993	$ 32,200,000	$ 34,800,000
Promissory notes	15⅛-15⅝	—	—	18,000,000
Promissory notes	5¼-20½	1982-1990	26,560,000	19,979,000
Revenue bonds	5⅜-11½	1982-2005	23,898,000	18,679,000
Debentures	7¼	1984-1998	50,000,000	50,000,000
Mortgages and other	4-8¾	1982-2000	6,389,000	7,187,000
Capitalized lease obligations	—	—	2,601,000	2,994,000
			141,648,000	151,639,000
Foreign Currencies (U.S. dollar equivalents):				
Promissory notes:				
British pounds	12²/₅-18⅝%	1986	13,020,000	6,810,000
Australian dollars	9-15	1982-1989	11,786,000	11,406,000
German marks	6⅞-9⅝	—	—	50,439,000
Venezuelan bolivars	14⁷/₁₀-16⅜	—	—	5,341,000
Australian dollars	11¾-17½	1982-1983	11,500,000	11,100,000
Debentures:				
British pounds	5½-6	1982-1985	3,788,000	4,422,000
German marks	6⅞	1982-1991	1,667,000	—
Mortgages:				
Italian lire	3-7½	1982-1988	5,490,000	7,811,000
German marks	6-7	1982-1989	1,153,000	1,492,000
Capitalized lease obligations	—	—	4,465,000	5,216,000
			52,869,000	104,037,000
Total long-term debt			194,517,000	255,676,000
Less Portion due within one year			13,751,000	11,023,000
			$180,766,000	$244,653,000

Principal payments due on long-term debt outstanding at April 29, 1981 during the four years succeeding fiscal 1982 are as follows:

1983	$32,066,000
1984	$13,231,000
1985	$19,786,000
1986	$22,797,000

Under the most restrictive debt covenant limiting the payment of dividends (the indenture relating to the company's 7¼% debentures), retained earnings of $605,000,000 at April 29, 1981 were available for dividends.

During fiscal 1981, the company refinanced German mark indebtedness incurred in connection with its acquisition of Nadler-Werke GmbH and entered into forward exchange contracts that require the company to deliver in September, 1987 approximately 74 million German marks in exchange for United States dollars.

The company has guaranteed long-term debt, including principal and interest, of affiliated companies and other parties amounting to $45,551,000 at April 29, 1981.

LEAR SIEGLER, INC. (JUN)

	1981	1980
Total current liabilities	$270,606,000	$250,125,000
Deferred income taxes	9,996,000	11,135,000
Other deferred liabilities	24,981,000	24,336,000
Long-term obligations (Note 3)	148,124,000	204,176,000

Note 3: Long-Term Obligations

Long-term obligations consist of:

	1981	1980
Unsecured notes and loans:		
9¼% notes, due in annual installments of $5,500,000 to 1991	$ 55,000,000	$ 60,000,000
Loans under revolving credit agreement and related borrowings, repaid in 1981		49,850,000
10.1% bank term notes, due in quarterly installments of $1,563,000 from 1980 to 1984	17,188,000	23,438,000
9⅞% notes, due in annual installments of $400,000 to 1982 and $840,000 thereafter to 1992	8,800,000	9,200,000
9% notes, due in annual installments of $625,000 to 1994	8,125,000	8,750,000
5½% to 12⁹⁄₁₆% international bank term notes, due in various installments to 1986	6,774,000	8,365,000
7¾% notes, due in annual installments of $800,000 to 1988	5,482,000	6,245,000
9⅞% notes, due in annual installments of $500,000 beginning 1982	5,000,000	5,000,000
Mortgage and other notes, interest from 4% to 15% due in various installments through 1997	17,964,000	15,466,000
Capitalized lease obligations, interest from 4.3% to 12% (Note 4)	15,575,000	18,650,000
	139,908,000	204,964,000
Subordinated obligations:		
10% Sinking Fund Debentures due 2004 (less unamortized discount of $3,907,000 and $4,077,000) at effective interest rate of 13% at date of issue	17,403,000	17,233,000
10% Subordinated Convertible Notes due in annual installments of $2,000,000 from 1987 to 1991	10,000,000	
	167,311,000	222,197,000
Less current maturities	19,187,000	18,021,000
	$148,124,000	$204,176,000

Under a revolving credit agreement with three banks, the Company may borrow up to $50,000,000 to December 31, 1983. As of June 30, 1981 there were no borrowings under this facility.

At June 30, 1981 the Company also had available from domestic and foreign banks unused short-term lines of credit of approximately $86,200,000.

The indenture agreement relating to the Subordinated Sinking Fund Debentures requires that the Company provide a sinking fund for retirement on June 1 of each year from 1989 through 2003 of 5% of the aggregate principal amount of debentures outstanding on June 1, 1988.

The 10% Subordinated Convertible Notes are convertible at the option of the payee into shares of common stock of the Company at a conversion price of $50 per share. Conversion rights commence in March 1982 and terminate in March 1991. At June 30, 1981, 200,000 shares of unissued common stock were reserved for conversion. Commencing March 1, 1984, the Company has an option to redeem the notes at prices ranging from 107% to 101% of the principal amount then due on the notes.

Several of the loan agreements contain provisions pertaining to maintenance of minimum working capital balances, restrictions as to payment of cash dividends and conditions precedent to obtaining additional long-term debt. At June 30, 1981, under the most restrictive provisions of these agreements, consolidated retained earnings of approximately $170,000,000 were unrestricted for payment of cash dividends.

Approximate annual maturities of long-term obligations scheduled for payment for the five fiscal years after June 30, 1981 are as follows: 1982—$19,200,000; 1983—$22,500,000; 1984—$17,800,000; 1985—$10,700,000; 1986—$10,300,000.

QUAKER STATE OIL REFINING CORPORATION (DEC)

	1981	1980
	($000)	
Total current liabilities	$100,557	$110,932
Long-term debt, less current installments (Note 4)	98,289	97,515
Deferred income taxes and investment credit	71,046	59,946
Total liabilities	$269,892	$268,393

Note 4: Long-term debt:

Long-term debt consisted of:

	Thousands of Dollars	
	1981	1980
9% Sinking Fund Debentures due August 1995	$ 21,250	$ 22,500
Collateralized notes	26,486	29,445
Term loan	26,875	26,875
Production note	9,000	—
5¾% Note payable in annual installments of $600,000 to 1986	3,400	4,000
6¾% to 11½% (varies with prime) Federal tax-free industrial revenue debt payable in amounts ranging from $2,262,500 in 1982 to $100,000 in 1991	10,772	13,035
7¼% Serial Debentures	2,428	2,627
Others, 6% to 15¾%, due in various installments to 1987	6,977	5,171
	107,188	103,653
Less payments due within one year	8,899	6,138
	$ 98,289	$ 97,515

The Sinking Fund Debentures have annual sinking fund payments of $1,250,000. At December 31, 1981, one year of the sinking fund payments has been prepaid. Subject to restrictions, the debentures may be called at prices ranging from 103.4% of face value in 1982 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 13% at December 31, 1981). 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 property, plant and equipment (with a cost of $38,501,000 at December 31, 1981) 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.

The term loan agreement provides for interest at 105% of the bank's prime rate (which was 15¾% at December 31, 1981) and repayment of the principal in 1984.

During 1981, the Company borrowed $10,000,000 from a bank with the proceeds utilized for crude oil and gas development. The production note is collateralized by certain crude oil and gas producing properties, bears interest at the bank's prime rate until June 30, 1983 (and prime plus ¼% subsequent to that date), and is payable in twenty quarterly installments which commenced on September 30, 1981. The bank's prime rate at December 31, 1981 was 15¾%.

The 7¼% Serial Debentures are payable annually in amounts increasing from $154,000 in December 1982 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 a subsidiary and are not guaranteed by Quaker State.

The Company has 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 rate on outstanding borrowings and a commitment 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 have been no borrowings under this agreement.

At December 31, 1981, $28,365,000 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, 1981, the Company had additional bank lines of credit aggregating $60,000,000 providing for borrowings at prime rates. Under informal agreements with these banks, the Company maintains compensating balances, $1,540,000 at December 31, 1981, which are not restricted as to use.

The aggregate long-term debt maturing during the next five years is approximately as follows: 1982—$8,899,000; 1983—$10,208,000; 1984—$37,013,000; 1985—$8,562,000; and 1986—$6,504,000.

SCOVILL INC. (DEC)

	1981	1980
Total Current Liabilities	$177,086,000	$162,214,000
Long-Term Debt, less portion due within one year (Note E)	96,614,000	110,396,000
Long-Term Obligations under Capital Leases, less portion due within one year (Note E)	16,583,000	18,875,000
Pension and Other Non-Current Liabilities	31,443,000	35,409,000
Allowance for Loss on Discontinued Operations	43,329,000	—
Minority Stockholders' Interest in Subsidiaries	12,754,000	10,467,000

Note E: Long-Term Debt—Long-term debt consisted of the following:

	Dec. 27, 1981	Dec. 28, 1980
4.80% Notes due 1990	$ 10,800,000	$ 11,600,000
7¾% Notes due 1998	29,600,000	31,400,000
15% Notes due 1990	27,000,000	27,000,000
Revolving Credit and Term Loan Agreement	6,000,000	36,000,000
Other Bank Debt	20,000,000	—
Sundry indebtedness		
Domestic	746,000	716,000
Foreign	8,579,000	7,668,000
	102,725,000	114,384,000
Obligations under capital leases	19,930,000	22,282,000
	122,655,000	136,666,000
Less portion due within one year classified as current liability	9,458,000	7,395,000
	$113,197,000	$129,271,000

The Company is required to pay the 4.80% notes in annual amounts of $1,200,000 from 1982 through 1990. The Company is required to pay the 7¾% notes in annual amounts of $1,800,000 through 1997 and $800,000 in 1998. The 15% notes are payable in annual amounts of $5,400,000 from 1986 through 1990.

The Revolving Credit and Term Loan Agreement-Amendment No. 3 with domestic banks provides for a maximum borrowing of $100,000,000 bearing interest at a fluctuating rate per annum equal to the prime rate on the effective date of any change. Effective February 4, 1982, the Company refinanced the Revolving Credit and Term Loan Agreement, and entered into a new Credit Agreement with banks which continues to provide for the availability to the Company of maximum borrowings up to $100,000,000 through January 31, 1986. Any borrowings under the new Credit Agreement would bear interest at a rate per annum equal to the prime rate, a domestic fixed rate, or a Eurodollar fixed rate at the Company's option.

Other bank debt is a note due thirteen months after demand at a fluctuating daily rate based on Federal Funds rate.

Under the Company's various debt agreements, of which the 15% notes are the most restrictive, the Company is restricted as to the payment of dividends and as of December 27, 1981 $55,952,000 of consolidated earnings retained in the business were free from such dividend restrictions. In addition, there are restrictions as to liens and sale and leaseback transactions, the consolidation, merger or sale of assets, working capital and a limitation on funded indebtedness. Aggregate principal maturities of long-term debt for each of the next five years are as follows:

	1982	1983	1984	1985	1986
4.80% Notes due 1990	$1,200,000	$ 1,200,000	$1,200,000	$1,200,000	$ 1,200,000
7¾% Notes due 1998	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
15% Notes due 1990					5,400,000
Revolving Credit and Term Loan Agreement	750,000	1,500,000	1,500,000	1,500,000	750,000
Other bank debt		20,000,000			
Sundry indebtedness					
Domestic	349,000	159,000	124,000	29,000	23,000
Foreign	2,012,000	3,998,000	684,000	599,000	368,000
	6,111,000	28,657,000	5,308,000	5,128,000	9,541,000
Obligations under capital leases	3,347,000	3,409,000	2,917,000	1,603,000	1,042,000
	$9,458,000	$32,066,000	$8,225,000	$6,731,000	$10,583,000

VULCAN MATERIALS COMPANY (DEC)

	1981	1980
	($000)	
Total current liabilities	$96,327	$86,707
Long-term debt (Note 5)	91,270	85,604
Long-term capitalized lease obligations	8,132	8,679
Deferred income taxes	67,527	54,773
Deferred management incentive and other compensation	7,221	6,441

Note 5: Long-term Debt

Long-term debt, exclusive of current maturities, at December 31, is summarized as follows (in thousands of dollars):

	1981	1980
10¼% sinking fund debentures	$47,180	$52,150
8⅞% notes payable to insurance company	13,500	14,950
6⅝% pollution control revenue bonds	6,800	6,800
6¾% notes payable to insurance company	3,753	4,275
7⅞% pollution control revenue bonds	1,000	1,000
8% pollution control revenue bonds	4,800	4,800
12¼% note issued for acquisition	2,884	—
Pollution control revenue bonds	1,400	—
Note payable to bank in United Kingdom	4,515*	—
Note payable to bank in United Kingdom	2,180*	—
Other notes (rates ranging from 5% to 12.3%)	3,258	1,629
Total	$91,270	$85,604

*Translated at December 31 exchange rate.

The 10¼% debentures are due in 2000 and are subject to annual sinking fund requirements of $3,000,000 in the years 1982-1999. The 1982 sinking fund requirement has been satisfied by bonds held in treasury. The 8⅞% notes are payable in annual installments of $1,450,000 in the years 1982-1990 with the balance of $1,900,000 maturing in 1991; the 6⅝% pollution control revenue bonds issued on behalf of the company in 1978 are payable in installments of $1,000,000 in the years 1998 and 1999 and installments of $1,200,000 in the years 2000-2003; the 6¾% notes are payable in annual installments of $522,500 in the years 1982 through 1988 with the balance of $617,500 maturing in 1989; the 7⅞% pollution control revenue bonds issued on behalf of the company in 1980 are payable in annual installments of $200,000 in the years 2001 through 2005; and the 8% pollution control revenue bonds issued on behalf of the company in 1980 are payable in annual installments of $900,000 in the years 2006 through 2009 with the balance of $1,200,000 payable in 2010. The 12¼% note is payable in annual installments ranging from $306,200 in 1982 to $347,800 in 1991. The $1,400,000 pollution control revenue bonds issued on behalf of the company in 1981 are due at maturity in 1996 with full principal and interest due and payable at the bondholder's option at the end of the fifth or tenth years. The interest rate is a precentage of the prime rate and is fixed quarterly. The bonds may be refunded at any time at the option of the company. The United Kingdom note of $4,515,000 is payable in installments of 235,500 pounds in 1987 and 1988; 471,000 pounds in 1989; and 706,500 pounds in 1990 and 1991. The interest rate is based upon the three-month or six-month Eurosterling rate, or the Eurosterling rate for mutually agreed upon longer or shorter periods, and is subject to change at each rollover date. The $2,180,000 United Kingdom note is payable in installments of 162,443 pounds in the years 1984-1990. The interest rate is based upon the three-month or six-month domestic sterling rate, or the domestic sterling rate for mutually agreed upon longer or shorter periods, and is subject to change at each rollover date.

The aggregate principal payments for the five years subsequent to December 31, 1981, are (assuming the application of the acquired debentures to the earliest sinking fund requirements): 1982—$3,332,000; 1983—$3,335,000; 1984—$3,565,000; 1985—$5,224,000; and 1986—$5,823,000.

Under various financing arrangements, the company has agreed to restrict the aggregate amount expended for cash dividends and purchases of its stock to certain specified limits. Under the most restrictive of these agreements, $262,044,000 and $208,806,000 of retained earnings at December 31, 1981 and 1980, respectively, were free of this restriction. In addition, the company has agreed to certain restrictions on the amount of indebtedness and to certain minimum consolidated working capital requirements that, among other things, have the effect of a further reduction in the amount available for the payment of cash dividends and purchases of its stock.

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

	1981	1980
	($ Millions)	
Total current liabilities	$1,971.2	$1,809.8
Long-term debt (less current maturities) (Note 10)	1,038.9	1,045.9
Other noncurrent liabilities	221.2	213.0
Deferred income taxes	593.1	495.3

Note 10: Long-term Debt

	December 31, 1981		December 31, 1980	
	Due Within One Year	Due After One Year(d)	Due Within One Year	Due After One Year
Long-term debt consists of the following:				
7⅜% Debentures, due February 1, 2001, with annual sinking fund payments beginning in 1982 (reduced by $25.9 million and $0.1 million of such debentures held by the Company on December 31, 1981 and 1980, respectively, for future sinking fund requirements)	$ —	$ 74.1	$ —	$ 99.9
7⅞% Debentures, with annual sinking fund payments through 1994 (reduced by $5.0 million and $4.9 million of such debentures held by the Company on December 31, 1981 and 1980, respectively, for future sinking fund requirements)	—	60.0	0.1	65.0
8% Debentures, due January 15, 2007, with semi-annual sinking fund payments beginning in 1988	—	150.0	—	150.0
8.9% Notes, due October 1, 1996, annual prepayments began in 1981 (a)	6.2	87.6	6.2	93.8
7½% Notes, due November 18, 1982	32.0	—	32.0	32.0
7% Subordinated Debentures, due June 1, 1989. Annual sinking fund payments began in 1980 (reduced by $1.8 million and $2.6 million of such subordinated debentures held by the Company on December 31, 1981 and 1980, respectively, for future sinking fund requirements)	—	10.9	—	11.7
10¼% Notes, payable annually through 1990	5.0	40.0	5.0	45.0
10.45% Notes, due May 15, 1990	—	150.0	—	150.0
Revolving credit agreements with various banks, due April 30, 1984 (b)	—	250.0	—	112.0
Exploration and development advances (c)	7.6	31.8	31.7	51.8
Capitalized lease obligations	11.1	86.6	11.1	96.2
Other indebtedness with various interest rates and maturities	50.5	97.9	37.1	138.5
	$112.4	$1,038.9	$123.2	$1,045.9

(a) The terms of the Company's 8.9% Notes place certain restrictions on dividend payments. At December 31, 1981, $2.09 billion of earnings retained were unrestricted.

(b) The Company has revolving credit agreements with various banks expiring April 30, 1984 under which it may borrow up to $350.0 million, with interest at the prime rate for domestic borrowings or at the London Interbank Offered Rate plus ⅜ of 1 percent subject to adjustment for Federal Reserve costs for Eurodollar borrowings. Under these agreements, the Company is obligated to pay a commitment fee of ⅜ of 1 percent on the unused balance. At December 31, 1981, these agreements support $250.0 million of commercial paper that has been classified as long-term debt based upon the Company's intention to continue that amount of debt in some form for more than one year.

(c) At December 31, 1981, there were $39.4 million of advances from certain gas pipeline companies (all of which were non-interest bearing) for the financing of exploration and development of various leases in the Gulf of Mexico in consideration for undertaking to execute gas purchase and sale agreements for future natural gas production.

(d) The payment schedule of debt due after one year is as follows: 1983—$70.1; 1984—$293.8; 1985—$38.5; 1986—$36.3; 1987 and later—$600.2.

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.

TABLE 2-26: CREDIT AGREEMENTS

	1981	1980	1979	1978
Disclosing credit agreement.	544	514	450	422
Not disclosing credit agreement	56	86	150	178
Total Companies	**600**	**600**	**600**	**600**
Compensating Balances	330	317	272	273

ANDERSON, CLAYTON & CO. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (in part):

A summary of deposit-supported credit available under agreements with various banks and short-term borrowings follows:

(In thousands of dollars)	June 30 1981	1980
Domestic:		
Credit available under agreements with various banks	$ 81,000	$ 83,000
Average deposits required	573	4,325
Borrowings against the above credit availability	None	None
Short-term borrowings	None	None
Foreign:		
Credit available under agreements with various banks:		
Brazil	22,998	21,540
Mexico	150,100	161,421
Average deposits required:		
Brazil	—	—
Mexico	9,200	4,947
Borrowings against the above credit availability:		
Maximum end of month:		
Brazil	18,224	24,152
Mexico	81,900	44,200
Average:		
Brazil	17,828	13,602
Mexico	61,300	33,056
Unused lines of credit at year end:		
Brazil	5,570	1,105
Mexico	117,527	131,153

The deposit requirements were satisfied by balances available from normal business operations.

BEATRICE FOODS CO. (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4: Short-Term Financing and Compensating Cash Balances

The average amounts of short-term debt outstanding during the years ended the last day in February, 1981, 1980 and 1979 were $119, $190 and $141 million, respectively, which were calculated by averaging all month-end balances for each year. The associated weighted average interest rates, which are exclusive of the cost of maintaining certain compensating balances, were 17.1%, 12.5% and 9.8% for the years ended the last day in February, 1981, 1980 and 1979, respectively. These average rates represent total short-term interest incurred divided by the average balance outstanding. The components of Beatrice's short-term financing and related interest rates at each fiscal year-end are summarized below:

(In Millions)	1981	1980	1979
Commercial paper borrowings (domestic operations)	$ —	$ 56	$ 59
Bank and commercial paper borrowings (international subsidiaries)	122	88	84
Total short-term borrowings	$122	$144	$143
Weighted average interest rate	14.7%	13.8%	10.2%

Beatrice's credit lines are adjusted as needs change. As of February 28, 1981, Beatrice has $250 million committed lines of credit under revolving credit agreements, and $288 million informal lines of credit, with both foreign and domestic banks. Commitment fees ranging between ¼ and ½% of the unused credit are paid for these lines of credit. Alternatively, in some cases Beatrice has informally agreed to maintain compensating balances ranging between 5% and 10% of the unused credit; such compensating balance requirements were approximately $6 million as of February 28, 1981 and $11 million as of February 29, 1980. There are no legal restrictions on the use of such compensating balances. Any borrowings under any lines of credit are at interest rates ranging between bank prime and 104% of bank prime, and, at Beatrice's option, borrowings under the revolving credit agreements may alternatively be provided in Eurodollars or other convertible currencies at rates based upon the London interbank rate. At February 28, 1981, the revolving portion of these revolving credit agreements is available for a period of approximately two years, following which, at Beatrice's option, any outstanding borrowings are convertible into term loans payable in equal installments over the succeeding four years at initial interest rates of ½ of 1% over prime for U.S. dollar borrowings and ⅝ of 1% over the London interbank rate for other borrowings. A summary of Beatrice's informal lines of credit as of the last day of February, 1981 and 1980 follows:

(In Millions)	Maximum Credit	Borrowings Under Lines
1981		
Domestic	$101	$—
International	$147	$50
1980		
Domestic	$200	$—
International	$126	$48

ALPHA INDUSTRIES, INC. (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5: Revolving Credit

The Company has a $2,500,000 unsecured revolving credit and term loan agreement with the First National Bank of Boston. The $2,500,000 is available until July 11, 1983 as a revolving credit after which it may be converted into a term loan agreement payable in quarterly installments over four years. The revolving credit loan bears interest at the Bank's prime rate until July 10, 1982 increasing to ¼% over prime for the next year. If converted, the term loan will bear interest at ½% over the Bank's prime rate. In addition the Company is obligated to pay a commitment fee of ½% on the unused portion of the revolving credit line. The loan agreement contains various restrictive convenants comparable to those described in Note 4. The Company also maintains a compensating balance equal to 5% of the revolving line of credit plus 5% of the average outstanding balance under the line. At March 31, 1981 there were no outstanding borrowings related to this agreement.

The Company has also arranged credit lines of approximately $700,000 in foreign countries for its foreign subsidiaries. The Company is the guarantor of these lines of credit. At March 31, 1981 borrowings under the foreign lines of credit were not significant.

BROCKWAY GLASS COMPANY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (in part): Long-Term Debt

On December 31, 1979, the Company entered into an unsecured $36,000,000 credit agreement with several banks. Under a revolving credit arrangement, the banks agreed to lend to the Company, during the following four years from such date, sums evidenced by revolving credit notes not to exceed $36,000,000 bearing interest at the prime rate of the major lending bank. An amendment to that agreement dated December 1, 1981 provided the option to borrow Eurodollars at the Eurodollar rate plus ½ of 1%. As of December 31, 1981, borrowings of $3,000,000 were outstanding under this agreement.

At the expiration of the revolving credit arrangement, or any time prior thereto when the Company shall be indebted to the banks for the full amount of the commitment, the Company may replace all of the revolving credit notes then outstanding (or such lesser amount thereof as the Company may request) with term notes. The term notes will mature in four consecutive installments payable in each year commencing January 1, 1985. Such term notes bear interest at ¼ of 1% above the prime rate of the major lending bank, or if converted to Eurodollars ¾% of 1% above the Eurodollar rate.

The credit agreement provides for the payment of a commitment fee of ½ of 1% per annum on the daily average unused amount of the commitment of the banks during the revolving credit arrangement.

The Company has informally agreed to maintain compensating balances with banks in connection with the unsecured $36,000,000 credit agreement entered into on December 31, 1979. Such compensating balances are to be equal to 5% of the amount of credit committed, plus 5% of the amount borrowed.

The credit agreement provides, among other conditions, a restriction on the payment of dividends and the purchase or redemption of capital stock. At December 31, 1981, $46,956,000 of retained earnings was free of this restriction.

Long-term debt maturities during each of the next five years are as follows: 1982 $2,696,000; 1983 $2,671,000; 1984 $2,680,000; 1985 $36,209,000 and 1986 $3,606,000.

COMMERCIAL METALS COMPANY (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note E: Short-Term Credit Arrangements:

On October 15, 1980, the Company signed a new three-year $40,000,000 revolving credit line agreement convertible in 1983, at the Company's option, into a 4½ year term loan. The line of credit provides for borrowing in U.S. dollars indexed at the prime rate or in Euro-dollars indexed to the London interbank rate. At August 31, 1981, there had been no borrowings under this credit agreement.

During 1981, there was no short-term borrowing at any month-end. Under the terms of the credit arrangement, the Company agreed to maintain average collected balances at participating banks aggregating approximately $800,000; however, the balances were not legally restricted and were used for daily operations as needed.

During 1980, the maximum short-term borrowing at any month-end was $30,700,000 and the average outstanding short-term borrowing was $13,874,000. The weighted average interest rate was 15.3% during 1980.

WALT DISNEY PRODUCTIONS (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (in part): Indebtedness:

Line of Credit

The Company has available through September 1984 an unsecured revolving line of credit of $200 million generally at the prime rate for general corporate purposes. The revolving line can be increased to $300 million at the option of the Company. Under the line of credit, the Company is required to pay a fee on the unused portion of the commitment and to maintain certain compensating balances. There were no borrowings under the line of credit at September 30, 1981. Up to $150 million of the line of credit is available to support commercial paper, against which $10 million had been issued at September 30, 1981.

THE QUAKER OATS COMPANY (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8: Credit Facilities

The Company has a revolving credit agreement, none of which has been utilized, that provides for $175 million in either domestic or Eurodollar borrowings at the Company's option and expires June 30, 1986. The agreement requires a fee of ½ of 1 percent for any unused portion.

The Company, in addition to the $175 million revolving credit agreement, has $125 million available in unused domestic bank lines of credit to meet general corporate purposes. The Company's non-U.S. subidiaries had additional unused lines of credit of approximately $98 million at June 30, 1981.

SCM CORPORATION (JUN)

NOTES TO FINANCIAL STATEMENTS

(In thousands, except per share amounts)

Debt (in part):

Under a Revolving Credit and Term Loan Agreement with a group of banks, SCM may borrow up to $45,000 until March 31, 1983. SCM is obligated to pay a commitment fee of ½ percent per annum on the unused facility and interest on borrowings at the prime rate of a designated bank. On March 31, 1983, SCM has the option to convert the amount outstanding into a term loan, payable quarterly over a maximum of four years with interest at ¼ percent over the prime rate through March 31, 1985 and at ½ percent over the prime rate thereafter. SCM has also informally agreed to maintain compensating balances at participating banks equal to 5 percent of the unused facility during the revolving period and equal to 9 percent of the amount outstanding during the entire agreement term. Borrowings under this agreement amounted to $14,000 at June 30, 1981.

SCM has unused domestic and foreign unsecured short-term credit lines of $82,283 ($50,000 and $32,283, respectively). The total domestic line is subject to a commitment fee of ⅝ percent per annum. Additionally, a usage fee up to ⅝ percent per annum may be charged on certain borrowings.

WEST POINT-PEPPERELL, INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note F: Short-Term Borrowings and Credit Commitments

During fiscal year 1981, the Company had credit commitments with banks totaling $70 million; $45 million under a revolving credit agreement, $5 million under an informal line of credit, and $20 million in letters of commitment. The Company maintained cash balances with the banks equal to 5% of commitments plus 5% of amounts borrowed in the case of $50 million on the above commitments. These compensating balances were not legally restricted and also served to reimburse the banks for other services which they provided the Company. Substantially all of the cash at August 29, 1981, represented compensating balances for credit lines and bank services.

Subsequent to August 29, 1981, the $45 million revolving credit agreement and the $5 million informal line of credit mentioned above, were replaced by $50 million in letters of commitment.

The current facilities commit seven banks to lend up to $70 million for periods as long as three years at floating rates of interest, never greater than the prime lending rate. During the three-year commitment period, the Company may pay back and reborrow at will. The above credit commitments impose no restrictive covenants on the Company other than those already in place under the Company's existing long-term debt agreements (see Note G).

The maximum amount of short-term borrowings outstanding at any one time during 1981 and 1980 was $33,930,000 and $60,575,000, respectively. The approximate average daily amount of such borrowings was $14,614,000 and $40,358,000, respectively.

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* restated their financial statements in either 1977, 1978, or 1979 to give retroactive effect to the requirements of Statement No. 13.

Table 2-27, in addition to showing the number of survey companies reporting capitalized and/or noncapitalized leasee leases, shows the nature of information most frequently disclosed by the survey companies for capitalized and noncapitalized lessee leases. Fifty-six survey companies reported lessor leases.

Examples of long term lease presentations and disclosures follow.

Lessee—Capital Leases

BEATRICE FOODS CO. (FEB)

	1981	1980
Current liabilities:		
Short-term debt	$ 122,410	$ 143,683
Accounts payable	521,061	520,797
Accrued expenses:		
Taxes, other than income taxes	30,252	32,079
Other accruals (principally employees' compensation)	243,880	242,766
Income taxes	112,792	89,309
Current portion of long-term debt	28,813	26,340
Current obligations of capitalized leases	15,563	20,483
Total current liabilities	1,074,771	1,075,457
Long-term debt	564,710	500,030
Long-term obligations of capitalized leases	126,728	159,241

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Plant and Equipment and Depreciation

Plant and equipment is stated at cost. The lease rights of capital leases and capitalized interest costs are recorded in the balance sheet as plant and equipment. The related obligations of the capital leases are accounted for as liabilities.

Depreciation is provided principally on the straight-line method for financial reporting purposes and on accelerated methods for income tax purposes where possible. Amortization of capital leases and capitalized interest costs are included with depreciation expense.

Note 3: Leases

Included in plant and equipment is leased property as follows:

(In Thousands)	1981	1980
Real property	$151,541	$179,821
Machinery and equipment	51,204	78,116
	202,745	257,937
Less accumulated depreciation	70,870	92,655
Total	$131,875	$165,282

Future minimum rentals under capital subleases as of February 28, 1981 are $12.4 million. Contingent rent under capital leases was $1.3 million, $960,000, and $660,000 for fiscal years 1981, 1980, and 1979, respectively.

Future minimum payments under non-cancelable leases as of February 28, 1981 are as follows:

Fiscal Years (In Thousands)	Capital Leases	Operating Leases
1982	$ 26,591	$ 23,532
1983	22,046	18,075
1984	17,863	13,088
1985	14,719	9,969
1986	12,712	7,484
Later years	178,196	32,635
Total minimum lease payments	272,127	$104,783
Less estimated executory costs	2,814	
Net minimum lease payments	269,313	
Less amount representing interest	127,022	
Present value of net minimum lease payments	$142,291	

Future minimum rental receipts under non-cancelable operating subleases as of February 28, 1981 are $2.4 million.

Rent expense for operating leases for 1981, 1980, and 1979 was:

(In Thousands)	1981	1980	1979
Minimum rent	$41,016	$35,153	$31,576
Contingent rent	12,790	13,961	13,134
	53,806	49,114	44,710
Less sublease rentals	2,184	2,019	1,520
Net rent expense	$51,622	$47,095	$43,190

TABLE 2-27: LONG-TERM LEASES

	Number of Companies 1981	1980	1979	1978
Information Disclosed as to Noncapitalized Leases				
Rental expense				
Basic	446	437	436	448
Contingent	118	107	112	117
Sublease	105	105	108	113
Minimum rental payments				
Schedule of	431	424	424	423
Classified by major categories of property	34	39	40	41
Renewal or purchase options	139	145	151	152
Information Disclosed as to Capitalized Leases				
Minimum lease payments	275	270	280	265
Imputed interest	257	256	254	227
Leased assets by major classifications	148	151	159	144
Executory costs	80	81	80	80
Number of Companies				
Capitalized and noncapitalized leases	357	351	352	314
Noncapitalized leases only	107	118	115	156
Capitalized leases only	83	79	70	46
No leases disclosed	53	52	63	84
Total Companies	**600**	**600**	**600**	**600**

INTERCO INCORPORATED (FEB)

	1981 ($000)	1980
Current liabilities:		
Current maturities of long-term debt	$ 12,958	$ 6,335
Current maturities of capital lease obligations	5,845	5,501
Accounts payable	161,692	143,629
Accrued employee compensation	27,992	19,437
Other accrued expenses	32,243	31,713
Income taxes	25,208	39,742
Total current liabilities	265,938	246,357
Long-term debt, less current maturities	187,208	60,225
Obligations under capital leases, less current maturities	79,925	80,718

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands)

Note 1 (in part): Significant Accounting Policies

Depreciation—For financial reporting purposes. the company employs both accelerated and straight-line methods of computing depreciation. Amortization of assets recorded under capital leases is included in depreciation expense. Depreciation expense is computed based on the estimated useful lives of the respective assets which generally range from 15 to 45 years for buildings and improvements, and from 3 to 20 years for machinery and equipment. Approximately 87%, 86% and 85% of depreciation expense was computed on the straight-line method in fiscal 1981, 1980 and 1979, respectively.

Note 7: Obligations Under Capital Leases

The amount capitalized under capital leases is the present value of the minimum lease payments or the fair value of the leased properties at the beginning of the respective lease terms. Generally, interest rates applicable to capital leases range between 4¾% and 16¾% for leased facilities and between 7¾% and 26¼% for leased equipment. Obligations under capital leases amounted to $85,770 and $86,219 at February 28, 1981 and February 29, 1980, respectively. Maturities of these obligations are $5,845, $5,728, $5,388, $4,889 and $4,999 for fiscal years 1982 through 1986, respectively.

Note 13: Lease Commitments

Substantially all of the company's retail outlets and certain other real properties and equipment are operated under lease agreements expiring at various dates through the year 2003. Leases covering retail outlets and equipment generally require, in addition to stated minimums, contingent rentals based on retail sales and equipment usage. Generally, the leases provide for renewal for various periods at stipulated rates.

Assets recorded under capital leases are as follows:

	1981	1980
Land	$ 1,068	$ 1,070
Buildings	88,092	85,809
Machinery and equipment	12,892	11,392
	102,052	98,271
Accumulated depreciation	28,535	23,470
	$ 73,517	$74,801

Future minimum lease payments under capital leases, reduced by minimum rentals from subleases of $2,622, at February 28, 1981 aggregate $164,102, of which $85,770 is included in obligations under capital leases and current maturities, $63,473 represents interest and the balance represents other costs of the leases including taxes, insurance and maintenance. Annual payments under capital leases are $14,471, $13,667, $12,697, $11,738 and $11,411 for fiscal years 1982 through 1986, respectively.

Total rent expense was as follows:

	1981	1980	1979
Basic rentals under operating leases	$36,537	$31,144	$27,964
Contingent rentals, operating and capital leases	25,178	22,042	20,701
	61,715	53,186	48,665
Less sublease rentals	1,524	1,377	1,273
	$60,191	$51,809	$47,392

Included in rent expense above is the cost of services provided by lessors of leased retail departments, estimated to aggregate $10,400, $8,800 and $8,000 in fiscal years 1981, 1980 and 1979, respectively.

Future minimum lease payments under operating leases, reduced by minimum rentals from subleases of $3,160, at February 28, 1981 aggregate $243,154. Annual payments under operating leases are $33,377, $30,832, $27,878, $24,924 and $22,308 for fiscal years 1982 through 1986, respectively.

The company has also guaranteed leases of certain retail outlets of customers which, at February 28, 1981, aggregated approximately $3,800 based on minimum rentals.

STANDARD OIL COMPANY OF CALIFORNIA

	1981	1980
	Dollars in Millions	
Current Liabilities		
Accounts and notes payable (includes amounts due to affiliated companies of $2,122 in 1981 and $2,385 in 1980)	$4,628	$4,994
Current maturities of long-term debt	64	211
Current maturities of obligations under capital leases	36	35
Federal and other taxes on income	1,163	1,308
Other taxes payable	370	437
Total current liabilities	6,261	6,985
Long-Term Debt, Less Current Maturities	1,164	1,109
Obligations Under Capital Leases, Less Current Maturities	871	739

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in Millions, Except Per Share Amounts

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

Properties, Plant and Equipment: All expenditures for development wells, related plant and equipment, and mineral interests in properties are capitalized. Costs of an exploratory well are tentatively capitalized pending determination of whether the well found proved reserves. Those wells which are assigned proved reserves remain capitalized. All other exploratory wells and exploration expenditures are expensed.

Depreciation, depletion and amortization expenses (including provisions for future abandonment and restoration costs) for all capitalized oil and gas expenditures are determined on a unit-of-production method by individual fields based on proved developed reserves, with the exception of proved mineral interests for which amortization is based on proved reserves. Periodic provisions for impairment of interests in unproved properties are expensed.

Depreciation and amortization of other plant and equipment are provided over estimated useful lives. In general, the declining-balance method is used to depreciate domestic plant and equipment and the straight-line method is used to depreciate foreign plant and equipment. The straight-line method also is used for the amortization of all capitalized leases.

Note 15: Lease Commitments

Certain noncancellable leases are classified as capital leases and included as part of the Company's Properties, Plant and Equipment. Other leases are classified as operating leases and not capitalized. Detail of capital leases by function is as follows:

Capital Leases at December 31	1981	1980
Producing	$ 8	$ 8
Manufacturing	10	11
Marketing	12	14
Marine	590	600
Other	127	129
	747	762
Less: Accumulated amortization	(290)	(269)
Net capital leases	$457	$493

At December 31, 1981, the future minimum lease payments under operating and capital leases are approximately as follows:

Year	Operating Leases	Capital Leases
1982	$101	$ 89
1983	77	89
1984	58	253
1985	46	75
1986	39	74
Thereafter	182	820
Total	$503	1,400
Less: amounts representing interest and executory costs		(493)
Net present value		$ 907
Future sublease rental income	$ 85	$ 5

Rental expenses incurred for operating leases during 1981, 1980 and 1979 were as follows:

	1981	1980	1979
Minimum rentals	$172	$207	$152
Contingent rentals	33	24	25
Total	205	231	177
Less: sublease rental income	(43)	(44)	(39)
Net	$162	$187	$138

The contingent rentals are amounts based on factors other than the passage of time, principally sales volumes at leased service stations. Certain leases include escalation clauses for adjusting rentals to reflect changes in price indexes, renewal options ranging from one to twenty-five years, and/or options to purchase the leased property during or at the end of the initial lease period for the fair market value at that time.

UNIROYAL, INC. (DEC)

	1981	1980
	($000)	
Current Liabilities		
Accounts payable	$128,204	$186,851
Short term borrowings	51,216	49,993
Long term debt due within one year	8,181	13,177
Capital lease obligations due within one year	4,746	6,297
Accrued taxes	37,740	38,906
Other accrued liabilities	122,588	130,842
Total Current Liabilities	352,675	426,066
Long Term Debt	350,987	396,038
Long Term Capital Lease Obligations	122,201	131,107

NOTES TO FINANCIAL STATEMENTS

Summary of Accounting Policies (in part)

Property

For financial accounting purposes depreciation, which includes amortization of properties under capital leases, is generally computed using the straight line method at rates considered to be adequate to amortize the total cost over the useful lives of the assets. Summarization of depreciation rates is not practical because of the wide range of rates and numerous classes of property.

Repairs and maintenance are charged to income as incurred. Renewals and betterments, as well as interest costs incurred during the construction period of new facilities or major expansions, are capitalized and amortized over the useful lives of the assets. Leasehold improvements are amortized over the related lease period or the useful life of the improvement, whichever is shorter.

Leases

The company leases certain manufacturing, administrative, warehousing, transportation and other facilities and equipment. The leases generally provide that the company pay the taxes, insurance and maintenance expenses related to the leased property.

An analysis of property under capital leases follows:

In millions	1981	1980
Real estate	$ 86	$ 86
Machinery and equipment	104	106
	190	192
Less accumulated amortization	119	111
Net value	$ 71	$ 81
Lease obligations	$127	$137

A schedule of future minimum lease payments follows:

In millions	Operating	Capital
For the year:		
1982	$20	$13
1983	16	16
1984	12	16
1985	9	16
1986	7	16
Later years	29	121
Total minimum lease payments	$93	198
Less amount representing interest		71
Present value of net minimum lease payments		$127

Sublease rental income totaling $20 million under operating leases and $3 million under capital leases is not reflected above.

Rental expense for all operating leases charged to operations was as follows:

In millions	1981	1980	1979
Gross rental expense	$25.3	$25.7	$26.6
Sublease rentals	6.0	4.9	2.8
Rental expense	$19.3	$20.8	$23.8

Contingent rentals included in rental expense amount to $1.9 million, $1.8 million and $1.4 million for the years 1981, 1980 and 1979, respectively.

Lessee—Operating Leases

GIANT FOOD INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended February 28, 1981, February 23, 1980 and February 24, 1979

Note 5: Commitments

Leases: The Company operates principally in leased store and warehouse facilities. Lease terms range from twenty to thirty years with renewal options for additional periods. Data processing and certain other equipment leases are for terms of three to eight years. Many leases provide that the Company shall pay for real estate taxes, maintenance, insurance and other expenses.

Capital leases: The following is a schedule of future minimum lease payments under capital leases together with the present value of net minimum lease payments as of February 28, 1981:

Fiscal Year	Thousands of dollars
1982	$ 9,260
1983	8,924
1984	8,575
1985	8,411
1986	8,179
Later years	160,549
Total minimum payments	203,898
Less executory costs	2,517
Net minimum lease payments	201,381
Less imputed interest	126,528
Present value of net minimum lease payments	74,853
Less current portion	2,663
Long-term obligations under capital leases	$ 72,190

Minimum payments have not been reduced for future minimum sublease rentals on capital leases of $9,705,000.

Contingent rentals incurred on capital leases amounted to $2,216,000 for 1981, $1,597,000 for 1980, and $1,653,000 for 1979.

Operating leases: Future minimum rentals under non-cancellable operating leases as of February 28, 1981, are as follows:

Fiscal year	Thousands of dollars
1982	$ 6,459
1983	6,223
1984	5,907
1985	5,136
1986	4,821
Later years	41,960
Total minimum payments	$70,506

Minimum payments have not been reduced for future minimum sublease rentals of $884,000.

Total rental expense for all operating leases was as follows:

	1981	1980	1979
	Thousands of dollars		
Minimum rentals	$ 8,702	$6,397	$5,897
Contingent rentals	4,134	2,965	1,903
Sublease rental income	(367)	(306)	(199)
	$12,469	$9,056	$7,601

The Company is contingently liable for rent of $697,000 for the year ending February 27, 1982, and in varying amounts thereafter through the year 2005, for leases which have been assigned to a third party.

It is estimated that minimum and annual rentals for facilities opening in the coming year will amount to approximately $2,000,000.

Property, plant and equipment: The Company plans to expend, net of proceeds from sale-leaseback agreements, approximately $37,000,000 during the next year for equipment, store improvements and expansion of distribution and processing facilities.

MOHASCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11: Rental Commitments

The Company and its subsidiaries lease certain manufacturing and warehousing facilities (capitalized leases), equipment (primarily transportation equipment), and warehouse and showroom facilities (operating leases).

Future minimum lease payments at December 31, 1981 under all non-cancellable leases are as follows:

Period	Capital	Operating
	(In thousands)	
1982	$ 788	6,900
1983	775	5,200
1984	772	4,100
1985	722	3,400
1986	474	3,100
After 1986	2,834	4,800
Total minimum lease payments	6,365	27,500
Less amounts representing interest	1,727	
Total obligations under capitalized leases	$4,638	

It is expected that, in the normal course of business, non-cancellable operating leases that expire will be renewed or replaced.

Rental expense for the years ended December 31, 1981, 1980 and 1979 is as follows:

	1981	1980	1979
	(In thousands)		
Minimum rentals (including cancellable leases)	$11,424	11,222	10,066
Contingent rentals (principally mileage charges)	1,418	1,650	1,618
Sublease rentals	(287)	(461)	(509)
	$12,555	12,411	11,175

CONSOLIDATED PACKAGING CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 11 (in part): Leases

The Company has various leases for real property and machinery and equipment. Many operating leases contain renewal options for varying periods at similar or reduced annual rentals. In addition to rental payments, the majority of leases provide that the Company pay taxes, maintenance, insurance and certain other operating expenses applicable to the leased property. Rental expense under operating leases for 1981, 1980 and 1979 was:

	1981	1980	1979
Rental expense	$1,106,000	$974,000	$919,000
Less sublease rentals	10,000	22,000	66,000
	$1,096,000	$952,000	$853,000

At December 31, 1981, future minimum payments for noncancelable operating leases were as follows:

1982	$ 673,000
1983	348,000
1984	121,000
1985	121,000
1986	70,000
Thereafter	42,000
	$1,375,000

SQUIBB CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Leases

The Company is obligated at December 31, 1981 under long-term operating leases for various types of property and equipment, wtih minimum aggregate rentals totaling $154,487,000, as follows: $20,359,000 in 1982, $15,229,000 in 1983, $12,451,000 in 1984, $10,126,000 in 1985, $8,207,000 in 1986 and $88,115,000 in later years. Minimum aggregate rentals have not been reduced by minimum sublease rentals of $31,107,000 under noncancelable subleases.

Most of the Company's leases contain renewal options and clauses for escalations, payment of real estate taxes, maintenance, insurance and certain other operating expenses of the properties. Certain leases are expected to be renewed or replaced at expiration. Total rental expense for operating leases was:

	1981	1980	1979
	(Amounts in thousands)		
Minimum rentals	$29,718	$22,484	$18,053
Contingent rentals	735	685	482
Sublease rentals	(3,150)	(2,816)	(2,079)
	$27,303	$20,353	$16,456

The Company's obligations under capital leases are not significant.

VULCAN MATERIALS COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 6: Leases

Total rental expense of nonmineral leases, exclusive of rental payments made under leases of one month or less, is summarized as follows (in thousands of dollars):

	1981	1980	1979
Minimum rentals	$4,396	$4,464	$4,259
Contingent rentals (based principally on usage)	1,637	1,675	1,417
Total	$6,033	$6,139	$5,676

Future minimum lease payments under all leases with initial or remaining noncancellable lease terms in excess of one year, exclusive of mineral leases, at December 31, 1981, are as follows (in thousands of dollars):

Year Ending December 31	Capital Leases	Operating Leases
1982	$ 1,349	$ 4,230
1983	1,249	3,762
1984	1,177	3,194
1985	973	2,382
1986	969	1,059
Remaining years	10,190	3,058
Total minimum lease payments	15,907	$17,685
Less: Amount representing estimated executory costs, including profit thereon	8	
Net minimum lease payments	15,899	
Less: Amount representing interest	7,215	
Present value of net minimum lease payments (including long-term obligations of $8,132)	$ 8,684	

Lease agreements frequently include renewal options and require that the company pay for utilities, taxes, insurance and maintenance expense. Options to purchase are also included in some lease agreements, particularly capital leases.

Loan agreements with insurance companies include covenants with regard to annual rentals on leases with a remaining term of more than five years, excluding capitalized leases and leases of mineral properties, office space and data processing equipment. For the company and its subsidiaries which are restricted under the loan agreements, these annual rentals may not exceed 3% of consolidated net worth, determined as of the end of the preceding year.

WINN-DIXIE STORES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8: Leases

(a) Leasing Arrangements: There were 1230 leases in effect on store locations and other properties at June 24, 1981. Of these 1230 leases, 114 store leases and 10 warehouse and manufacturing facility leases are classified as capital leases. Substantially all store leases will expire during the next twenty years and the warehouse and manufacturing facility leases will expire during the next thirty years. However, in the normal course of business, it is expected that

these leases will be renewed or replaced by leases on other properties.

The rental payments on substantially all store leases are based on a minimum rental plus a percentage of the store's sales in excess of stipulated amounts. Most of the Company's leases contain renewal options for five year periods at fixed rentals.

(b) Capital Leases: The following is an analysis of the leased property under capital leases by major classes:

	Asset balances at June 24, 1981	June 25, 1980
	(Amounts in thousands)	
Store facilities	$48,345	50,344
Warehouses and manufacturing facilities	43,949	45,231
	92,294	95,575
Less: accumulated amortization	27,434	23,890
	$64,860	71,685

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 24, 1981:

Fiscal year:	(Amounts in thousands)
1982	$ 12,655
1983	12,608
1984	12,357
1985	12,200
1986	12,200
Later years	183,929
Total minimum lease payments	245,949
Less: Amount representing estimated taxes, maintenance and insurance costs included in total minimum lease payments	61,487
Net minimum lease payments	184,462
Less: Amount representing interest	107,016
Present value of net minimum lease payments	$ 77,446

Minimum lease payments do not include contingent rentals which may be paid under certain store leases on the basis of a percentage of sales in excess of stipulated amounts. Contingent rentals amounted to $249,000, $260,000 and $256,000 in 1981, 1980 and 1979, respectively.

(c) Operating Leases: The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 24, 1981:

Fiscal year:	(Amounts in thousands)
1982	$ 62,495
1983	61,397
1984	60,074
1985	58,589
1986	57,217
Later years	513,798
Total minimum payments required	$813,570

Rental payments under operating leases including, where applicable, real estate taxes, other expenses and additional amounts based on percentages of sales are reflected in the following schedule:

	1981	1980	1979
	(Amounts in thousands)		
Minimum rentals	$59,588	51,977	45,785
Contingent rentals	8,247	7,076	6,254
	$67,835	59,053	52,039

Lessor Leases

ACF INDUSTRIES, INCORPORATED (DEC)

	1981	1980	1979
		($000)	
Property, Plant and Equipment:			
Land	$ 9,858	$ 7,454	$ 7,639
Manufacturing facilities	251,744	231,629	225,760
Specialized railroad cars leased to others and repair service facilities	877,951	822,430	723,028
	1,139,553	1,061,513	956,427
Less-accumulated depreciation	436,155	410,213	385,714
	$ 703,398	$ 651,300	$570,713

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2—Railroad Car Leasing

Most of the Company's specialized railroad cars are leased to industrial customers under full operating leases. Revenue is recognized as it occurs over the life of the lease and expenses, including depreciation and maintenance, are charged to earnings as incurred. There were 39,188 railroad cars in the operating lease fleet as of December 31, 1981 having a net book value of $530,063,000 (at cost less accumulated depreciation of $320,200,000). The minimum future rentals to be received from outstanding operating lease agreements at December 31, 1981 for the Company's specialized railroad cars are:

1982	$127,553,000
1983	112,285,000
1984	93,157,000
1985	71,470,000
1986	47,318,000
Later Years	116,666,000
	$568,449,000

Effective January 1, 1980, the Company changed the estimated useful life of the majority of railroad cars leased to others from 20 to 25 years and increased their residual values. This change, which increased 1980 pre-tax income by $10,346,000 ($5,587,000 after tax, $0.63 per share) makes the depreciable life and residual values of railroad cars more realistic and consistent with past experience and industry practice.

XEROX CORPORATION (DEC)

	1981	1980
	($ Million)	
Rental Equipment and Related Inventories		
At cost (less accumulated depreciation: 1981—$2,715.4; 1980—$3,878.6)	1,905.1	1,966.8
Land, Buildings and Equipment		
At cost (less accumulated depreciation: 1981—$1,126.7; 1980—$1,049.6)	1,438.7	1,410.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (in part)

Revenue Recognition

Revenues from equipment on lease are accounted for principally by the operating lease method. Rental and service revenues from copiers and duplicators vary each month based on the number of copies produced. Revenues from the sale of equipment under installment contracts and from sales-type leases are recognized at time of sale or at inception of lease.

Leasing Arrangements

As Lessee

The Company leases certain land, buildings and equipment under capital leases and operating leases which expire through 2062. Total rent expense under operating leases amounted to $226.5 million in 1981, $209.2 million in 1980 and $179.8 million in 1979. Future minimum lease payments required under capital leases and operating leases that have initial or remaining noncancelable lease terms in excess of one year at December 31, 1981 are summarized below:

(Dollars in millions)	Capital Leases	Operating Leases
1982	$ 15.4	$148.6
1983	12.9	117.4
1984	10.7	89.6
1985	10.0	65.3
1986	8.9	47.9
Later years	100.2	334.8
Total minimum lease payments	158.1	$803.6
Less amount representing executory costs	(5.9)	
Net minimum lease payments	152.2	
Less amount representing interest	(74.4)	
Present value of net minimum lease payments	$ 77.8	

As Lessor

Principal domestic equipment rental plans include maintenance, service and parts, but not supplies such as toner and paper which are sold separately. Different provisions and terms may apply in other countires. Operating lease terms vary, generally from one to thirty-six months. Minimum future rental revenues on operating leases with terms of one year or longer are (in billions): 1982—$1.5; 1983—$0.5; 1984—$0.1; and in the aggregate—$2.1. Total contingent rentals, principally usage charges in excess of minimum rentals for operating leases, amounted to $1.2 billion in 1981, 1980 and 1979, respectively.

The components of the Company's net investment in sales-type leases as of December 31, 1981 and 1980 were:

(Dollars in millions)	1981	1980
Total minimum lease payments receivable	$338.4	$99.8
Less amount representing executory costs	(22.8)	(18.3)
Net minimum lease payments	315.6	81.5
Less: unearned income	(91.2)	(19.5)
Allowance for doubtful receivables	(7.8)	(2.5)
Net investment in sales-type leases	$216.6	$59.5

These receivables are collectible as follows (in millions): 1982—$83.7; 1983—$86.0; 1984—$74.2; 1985—$52.9; 1986—$37.9; thereafter—$3.7.

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

ASHLAND OIL, INC. (SEP)

	1981	1980
	($000)	
Total current liabilities	$1,637,164	$1,354,988
Long-term debt—less current portion	583,290	462,359
Capitalized lease obligations—less current portion	186,776	166,725
Other long-term liabilities	115,416	97,535
Deferred income tax—Note A	206,254	123,463
Minority interest in consolidated subsidiaries	38,941	—

Note A (in part): Significant Accounting Policies

Income Taxes

Deferred income taxes are provided for all significant timing differences in the recognition of revenue and expense for tax and financial reporting purposes. Investment tax credit is accounted for as a reduction of income tax expense in the year realized.

AVON PRODUCTS, INC. (DEC)

	1981	1980
	(in millions)	
Total current liabilities	$527.4	$553.9
Long-term debt	4.8	2.6
Foreign employee benefit plans	41.3	45.7
Other liabilities	5.9	4.2
Deferred income taxes	55.4	48.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies (in part)

Deferred income taxes—These include the effects of tim-

TABLE 2-28: OTHER NONCURRENT LIABILITIES

	Number of Companies			
	1981	1980	1979	1978
Deferred income taxes	502	487	482	478
Minority interest	138	150	154	150
Production payments	12	14	14	17
Employee Liabilities				
Pension or retirement plan	62	72	62	69
Deferred compensation, bonus, etc.	61	81	85	87
Other — described	27	20	15	14
Estimated losses or expenses				
Discontinued operations	23	19	20	21
Insurance	7	8	10	10
Warranties	7	9	8	8
Other — described	44	39	47	38
Deferred credits				
Payments received prior to rendering service	10	10	8	13
Deferred profit on sales	4	5	4	5
Excess of acquired net assets over cost	3	3	5	6
Other — described	8	6	7	9

ing differences related to noncurrent items, including depreciation and capitalized interest.

The net deferred income tax benefit associated with certain current items is included in prepaid expenses.

THE CLEVELAND-CLIFFS IRON COMPANY (DEC)

	1981	1980
Total Current Liabilities	$100,194,000	$115,504,000
Long-Term Obligations		
Long-term debt	27,644,000	20,000,000
Capitalized leases	7,939,000	8,689,000
Total Long-Term Obligations	35,583,000	28,689,000
Other Liabilities	9,527,000	4,839,000
Deferred Income Taxes	79,335,000	66,708,000
Deferred Investment Tax Credit	40,460,000	33,068,000

THE DOW CHEMICAL COMPANY (DEC)

	1981	1980
	(In millions)	
Total Current Liabilities	$2,688	$2,803
Long-Term Debt	3,968	3,438
Deferred Credits and Other Liabilities		
Deferred income taxes	840	745
Deferred employee benefits	65	68
Minority interests in subsidiary companies	44	44
Total Other Liabilities	949	857

STEWART-WARNER CORPORATION (DEC)

	1981	1980
Total Current Liabilities	$47,833,000	$50,785,000
Deferred Income Taxes (Note 2)	3,812,000	5,002,000
Pensions and Deferred Payments	4,464,000	4,627,000
Long-Term Debt:		
Industrial Development Revenue Bonds, Series 1975	655,000	770,000

Note 2 (in part): Income Taxes

Deferred income taxes are provided in recognition of timing differences between financial statements and tax reporting of income and expense items and are primarily related to the use of accelerated methods of depreciating property for tax purposes and other less significant timing differences, and in 1981 the effect of a change in British tax law.

Deferred investment tax credits ($2,664,000 at December 31, 1981, $2,526,000 at December 31, 1980 and $2,169,000 at December 31, 1979) realized on the purchase of certain types of equipment, are being amortized over the useful lives of the equipment.

Minority Interests

DENTSPLY INTERNATIONAL INC. (DEC)

	1981	1980
Total current liabilities	$ 59,737,718	$ 54,163,468
Long-term liabilities	35,603,794	48,137,948
Deferred income taxes	4,686,663	3,890,804
Minority stockholders' equity in subsidiary companies	724,788	705,264
	$100,752,963	$106,897,484

THE SIGNAL COMPANIES, INC. (DEC)

	1981	1980
	(Dollars in millions)	
Total current liabilities	$946.0	$936.9
Long-term debt	682.8	652.9
Deferred income taxes	176.4	260.7
Other liabilities	147.9	133.0
Minority interest	36.1	36.9

NOTES TO FINANCIAL STATEMENTS

Note 4: Minority Interest

Minority interest represents the 10% common stock interest issued by Mack Trucks, Inc. to Regie Nationale des Usines Renault (Renault) for $50 million in May 1979. Effective June 1, 1979 only 90% of Mack's net income is included in Signal's net income. The change in ownership increased the Company's underlying equity in Mack by $13.2 million which has been credited to capital in excess of par value. Mack also issued to Renault $65 million in subordinated debentures convertible into an additional 10% common stock interest in Mack. Interest expense on the convertible subordinated debentures amounted to $4.5 million in 1979 and

$7.2 million in both 1980 and 1981. Dividends paid to Renault were $1.4 million and $0.6 million in 1979 and 1980; none were paid in 1981. Purchases from Renault amounted to $1.2 million, $29.9 million and $76.9 million in 1979, 1980 and 1981.

THE SUPERIOR OIL COMPANY (DEC)

	1981	1980
	($000)	
Total Liabilities	$ 584,486	$457,759
Long-Term Debt	1,144,875	760,769
Deferred Federal and Foreign Income Taxes	519,168	307,269
Other Long-Term Liabilities	2,375	6,965
Minority Interest in McIntyre Mines Limited (Note 2)	118,469	124,147

Note 2 (in part):

McIntyre Mines Limited

At December 31, 1978, Superior owned 40.5 percent (36.2 percent directly and 4.3 percent through CSO) of McIntyre's outstanding common stock. In April 1979, Superior purchased an additional 93,590 shares for $3,650,000, increasing its consolidated ownership to 44.3 percent. On December 11, 1979, McIntyre issued to the holders of its common shares transferable rights (warrants) to purchase one additional common share for each two shares held at the close of business on December 11, 1979. The offer also provided that stockholders who exercised all their own warrants could exercise any remaining unexercised warrants in proportion to their original ownership percentage. Superior and Falconbridge assigned all of their warrants to CSO, and CSO subsequently exercised all of its warrants, the warrants obtained from Superior and Falconbridge, and their proportionate share of the unexercised warrants to acquire 862,164 shares of McIntyre common stock for $48,100,000. As of December 28, 1979, Superior had increased its ownership in McIntyre to 53.1 percent (26.6 percent directly and 26.5 percent through CSO).

KNIGHT-RIDDER NEWSPAPERS, INC. (DEC)

	1981	1980	1979
		($000)	
Total Current Liabilities	$193,758	$168,978	$130,589
Non-current Liabilities			
Long-term debt	60,690	53,708	37,566
Deferred Federal and state income taxes	36,413	27,996	19,652
Employment benefits and other non-current liabilities	12,977	13,021	13,078
Total Non-Current Liabilities	110,080	94,725	70,296
Minority Interests In Consolidated Subsidiaries	1,549	1,251	254

Employee Related Liabilities

AMERICAN HOME PRODUCTS CORPORATION (DEC)

	1981	1980
	($000)	
Total current liabilities	$605,303	$586,650
Deferred compensation payable under Management Incentive Plan	83,213	76,827
Other noncurrent liabilities	209,162	196,438
Minority interests in subsidiaries	36,388	37,573

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5: Management Incentive Plan: The Company's Management Incentive Plan provides for cash and deferred contingent common stock awards to key employees. The maximum shares issuable under the plan is 6,000,000 common shares of which a total of 2,829,920 shares have been awarded through December 31, 1981. Deferred contingent common stock awards plus accrued dividends for a total of 2,275,884 shares were outstanding at December 31, 1981. Awards related to 1981 amounted to $11,394,000 which included deferred contingent common stock of $6,918,000 (190,660 shares). Awards for 1980 and 1979 were exclusively in deferred contingent common stock and amounted to 375,150 shares and 305,135 shares, respectively.

CYCLOPS CORPORATION (DEC)

	1981	1980
	($000)	
Total current liabilities	$122,353	$145,582
Long-term debt	59,032	77,788
Deferred income taxes	9,181	5,977
Excess of vested pension benefits over pension fund assets (Note 9)	8,220	8,483
Net noncurrent liability resulting from discontinued operations	36,253	39,159
Other	4,849	3,787
Total liabilities	$239,888	$280,776

Note 9 (in part): Pensions

The Company and its subsidiaries have several pension plans covering substantially all of their employees. The total pension expenses for all plans were $28,700,000, $27,500,000 and $23,100,000, for 1981, 1980 and 1979, respectively. Pension expense includes amortization of past service liabilities over periods ranging to 40 years and actuarial losses over 15 years. The increases in pension expense are primarily attributable to actuarial gains and losses, plan amendments and changes in the profile of plan participants. Additionally, 1980 pension expense increased $2,600,000 due to a change in actuarial assumptions. The company makes annual contributions to the plans equal to the amounts accrued for pension expense.

The excess of vested pension benefits over pension fund assets which arose from a business acquisition in 1970 is being funded over periods ranging to 40 years; the excess related to the discontinuance of certain operations is included in the net noncurrent liability related to such discontinuance and is being funded over periods ranging to 20 years.

JOHNSON & JOHNSON (DEC)

	1981	1980
	($ Millions)	
Total current liabilities	$881.2	$773.5
Long-term debt	91.7	70.1
Certificates of extra compensation (Note 11)	38.3	32.8
Deferred investment tax credits	30.1	23.7
Other liabilities and deferrals	239.6	163.8
Minority interest in international subsidiaries	11.6	9.5

Note 11: Certificates of Extra Compensation

The Company has a deferred compensation program for senior management and other key personnel. The value of units awarded under the program is related to the asset value and historical earning power of the Company's common stock. Amounts earned under the program and payable only after employment with the Company has ended.

PANTASOTE INC (DEC)

	1981	1980
	($000)	
Other Liabilities and Deferred Credits:		
Deferred taxes on income	$2,213	$3,123
Deferred investment credits	1,245	1,601
Deferred compensation and termination indemnity pay	3,573	3,747
	$7,031	$8,471

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (in part): Employee Benefit Plans

Employee Termination Indemnity: Under terms of labor and employment contracts, foreign subsidiaries provide benefits, which are unfunded, based on employee compensation and length of service. Provisions charged to operations were $679,000 in 1981, $787,000 in 1980 and $654,000 in 1979.

SPENCER COMPANIES, INC. (MAY)

	1981	1980
Total current liabilities	$9,919,554	$7,265,812
Long-term debt less current maturities	2,432,221	3,045,670
Deferred compensation (Note 10)	124,171	—
	2,556,392	3,045,670

Note 10: Deferred Compensation

The Company has employment agreements with certain officers which provide, among other things, that during each of the ten years from and after the termination of employment because of retirement, death or disability, each officer is to be paid deferred compensation. The deferred compensation is being accrued over the remaining term of the employment agreements on a present value basis. Deferred compensation expense for the year ended May 30, 1981 was approximately $124,000 ($67,000 net of income taxes).

Estimated Losses or Expenses

CORNING GLASS WORKS (DEC)

	1981	1980
	($ Millions)	
Total current liabilities	$341.1	$344.8
Accrued Furnace Repairs	27.3	23.8
Other Liabilities and Deferred Credits	36.1	33.2
Loans Payable Beyond One Year	200.1	153.6
Deferred Investment Credits and Deferred Taxes on Income	35.7	24.8
Minority Interest in Subsidiary Companies	7.7	6.7

STATEMENT OF ACCOUNTING POLICIES

Property and Depreciation

Land, buildings and equipment are recorded at cost. Depreciation is based on estimated useful lives of the properties, using accelerated and straight-line methods. In accordance with industry practice, the estimated cost of periodic rebuilding of glassmelting furnaces is provided from current operations, in advance, over the interval between renewals. Corning capitalizes interest cost related to assets under construction.

DAYCO CORPORATION (OCT)

	1981	1980
Total current liabilities	$136,541,000	$120,630,000
Senior debt	89,698,000	82,237,000
Convertible subordinated debt	82,024,000	85,004,000
Estimated costs relating to certain plant closings and other accrued liabilities—Note E	13,910,000	13,832,000
Deferred federal income taxes	12,949,000	9,518,000

Note E (in part): Long-Term Obligations

Estimated costs relating to certain plant closings and other accrued liabilities represent estimated pension, worker's compensation, health care, and life insurance benefits relating to plant closings (which management expects will be paid over the next 20 to 30 years) and the long-term portion of estimated insurance claims payable.

JOS. SCHLITZ BREWING COMPANY (DEC)

	1981	1980
	($000)	
Total current liabilities	$ 84,427	$103,926
Long-Term Debt	111,627	119,767
Accrued Plant Closing Costs (Note 10)	45,686	—
Deferred Income Taxes	60,971	92,834

Note 10 (in part): Gain (Loss) on Disposal of Assets and Facilities Closing

During the third quarter of 1981, the company announced the closing of its Milwaukee, Wisconsin brewery. A provision for losses and other expenses related to that plant closing of $85,000,000 ($43,247,000 after income taxes) was charged to earnings in the third quarter. The earnings charge included a provision for ongoing expenses related to the closing, a write-down of the plant to estimated realizable value, and benefits for employees affected by the closing. Certain of these costs are expected to be payable over an extended period of time. The net present value of future payments is shown in the accompanying consolidated balance sheets as "Accrued Plant Closing Costs."

Production Payment

MARATHON OIL COMPANY (DEC)

	1981	1980
	($000)	
Other Liabilities and Deferred Credits		
Proceeds from production agreements—Note E	$ 443,022	$ 82,444
Deferred income taxes	588,102	451,217
Capitalized lease obligations	36,618	40,388
Other	57,100	55,353
Total Other Liabilities and Deferred Credits	$1,124,842	$629,402

Note E—Proceeds From Production Agreements

A wholly owned subsidiary of the Company received $100,000,000 in 1977 and $200,000,000 in 1981 in connection with a production payment financing of the Kinsale Head gas field. A variable percentage of the proceeds from the sale of gas production is dedicated to repay the financing. The production payment is secured by the proceeds from the sale of the gas from the field and by the related assets and is non-recourse in that Marathon has not guaranteed payment or production. The amount outstanding as of December 31, 1981 was approximately $269,000,000.

In 1981, a wholly owned subsidiary of the Company entered into a secured proceeds production payment facility for $650,000,000 in connection with financing the development of the South Brae Field. A variable percentage of the proceeds from certain hydrocarbon sales is dedicated to repay the financing. Prior to completion, as defined, up to $325,000,000 of the production payment is secured solely by the proceeds from the sale of crude oil and natural gas liquids from the field and the related assets and is non-recourse in that Marathon has not guaranteed payment nor completion of the project; the remaining portion is secured by a repurchase obligation. After completion, and subject to certain conditions, the entire production payment may be converted to non-recourse status. At December 31, 1981, $150,000,000 was outstanding under the non-recourse portion of the production payment.

Interest expense on the foregoing production payments varies based on the London Interbank Offer Rate plus a contractual margin.

SHELL OIL COMPANY (DEC)

	1981	1980
	($ Millions)	
Total Current Liabilities	$3,311	$2,956
Long-Term Obligations		
Long-term debt	3,485	2,986
Production payment	1,698	1,750
Other long-term obligations	240	240
Total Long-Term Obligations	5,423	4,976
Deferred Credits—Federal Income Taxes	2,139	1,583

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11: Production Payment

In 1980, Kernridge Oil Company, a wholly owned subsidiary of the Company, sold a secured proceeds production payment of $1,750 million bearing floating rate interest which averaged 19.62% for 1981. The production payment is payable, as to both principal and interest, from certain revenues from the sale of oil and gas produced from that subsidiary's properties. Based on the amortization schedule, the amounts due during the next five years are $52 million in 1982, $70 million in 1983, $88 million in 1984, $122 million in 1985 and $175 million in 1986 with the final payment due in 1992. The amortization schedule is subject to variation depending on future crude oil prices and production volumes from the Kernridge properties.

Deferred Credits

SIMKINS INDUSTRIES INC. (SEP)

	1981	1980
Total current liabilities	$38,559,680	$22,492,935
Long term debt	14,519,332	19,670,776
Deferred income taxes	1,780,477	2,072,910
Excess of acquired assets over cost (note 5)	620,657	657,650

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

Amortization policy:

The "excess of acquired net assets over cost" including existing investment tax credits in an acquired company by the purchase method, are amortized on a straight-line method over a period of twenty years.

Note 5 (in part): Property, plant and equipment:

On September 15, 1975 the Company acquired all the outstanding stock of Westfield River Paper Company, Inc. which had a net operating loss carryforward of $4,935,980 at that date. The cost basis of Westfield's machinery and equipment was reduced by the amount of federal tax benefits realized from the date of acquisition. Tax benefit realized in excess of the write-off is shown as "excess of acquired net assets over cost." The investment tax credits existing at a time acquisition are included in this account which is being amortized over a twenty year period.

THE DUN & BRADSTREET CORPORATION (DEC)

	1981	1980
Total Current Liabilities	$298,399,000	$222,801,000
Unearned Subscription Income	155,464,000	141,689,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Unearned Subscription Income. Amounts billed for service, guide and magazine subscriptions are credited to Unearned Subscription Income and reflected in operating revenue over the subscription term, which is generally one year.

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 1981 annual reports of the survey companies.

TABLE 2-29: USE OF TERM "RESERVE"

	Number of Companies			
	1981	1980	1979	1978
To describe deductions from assets for				
Doubtful accounts	32	35	36	39
Reducing inventories to LIFO cost	33	18	13	4
Accumulated depreciation	8	6	7	11
Other	5	7	4	9
To describe accruals for				
Employee benefits or compensation	11	9	13	14
Estimated expenses relating to property abandonments or discontinued operations	11	6	7	11
Insurance	4	6	4	5
Other — described	14	13	14	13
Other — not described	15	15	17	16

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 has been a noticeable decrease 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-seven survey companies disclosed preferred stock with mandatory redemption requirements.

TABLE 2-30: TITLE OF STOCKHOLDERS' EQUITY SECTION

	1981	1980	1979	1978
Stockholders' Equity	243	253	269	285
Shareholders' Equity	224	218	198	239
Common Stockholders' Equity	26	30	15	—
Shareholders' Investment	24	25	24	23
Shareowners' Equity	19	21	29	26
Common Shareholders' Equity	17	16	17	—
Stockholders' Investment	8	7	9	13
Other or no title	39	30	39	14
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.* Paragraph 19 states:

> 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 are shown in connection with Table 2-33.

TABLE 2-31: CAPITAL STRUCTURES

	1981	1980	1979	1978
Common stock with:				
No preferred stock	386	387	382	371
One class of preferred stock	140	133	138	136
Two classes of preferred stock	54	57	56	60
Three or more classes of preferred stock	20	23	24	33
Total Companies	**600**	**600**	**600**	**600**
Companies included above with two or more classes of common stock	16	16	15	16

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 2-33.

TABLE 2-32: COMMON STOCK

	1981	1980	1979	1978
Par value stock shown at par value	495	496	495	498
Par value stock shown at amount in excess of per share par value	26	31	29	29
Par value stock shown at assigned value per share	17	14	15	7
No par value stock shown at assigned value per share	22	22	22	19
No par value stock shown at assigned value — per share value not disclosed	56	53	54	63
Issues Outstanding	**616**	**616**	**615**	**616**

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 either fair value at date of issue, or, if fair value is less than redemption value, at fair value increased by periodic accretions of the difference between fair value and redemption value.

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 follow.

TABLE 2-33: PREFERRED STOCK

	Number of Companies			
	1981	1980	1979	1978
Par Value Stock				
Shown at par value	116	117	126	126
Shown at liquidation or redemption value	19	14	14	11
Shown at assigned value per share	9	6	5	4
Other	13	11	9	8
No Par Value Stock				
Shown at assigned value per share	49	43	38	46
Shown at liquidation or redemption value	27	19	10	10
No assigned value per share	19	22	35	47
Other	8	12	7	2
Number of Companies				
Preferred stock outstanding	223	215	218	229
No preferred stock outstanding	377	385	382	371
Total Companies	**600**	**600**	**600**	**600**

Preferred Stock Extended at Par Value

ALUMINUM COMPANY OF AMERICA (DEC)

	1981	1980
	(In millions)	
Shareholders' equity		
Capital stock:		
Serial preferred stock, par value $100, authorized 1,000,000 shares: $3.75 cumulative preferred stock, authorized 660,000 shares; issued and outstanding, 659,909	$ 66.0	$ 66.0
Common stock, par value $1.00, authorized 150,000,000 shares; issued and outstanding: 1981—74,458,330; 1980—73,065,370	74.5	73.1
Additional capital	231.0	190.0
Retained earnings	2,765.2	2,604.7
Total shareholders' equity	$3,136.7	$2,933.8

AMERADA HESS CORPORATION (DEC)

	1981	1980
Stockholders' equity		
Preferred stock, par value $1.00		
Authorized—20,000,000 shares for issuance in series $3.50 cumulative convertible series		
Authorized—12,000,000 shares		
Issued—582,691 shares in 1981; 726,356 shares in 1980 (aggregate involuntary liquidation value $58,269,000 at December 31, 1981)............	$ 583,000	$ 726,000
Common stock, par value $1.00		
Authorized—200,000,000 shares in 1981; 100,000,000 shares in 1980		
Issued—81,457,697 shares in 1981; 80,389,171 shares in 1980.............	81,458,000	80,389,000
Capital in excess of par value...................	215,205,000	203,460,000
Retained earnings.........	2,193,593,000	2,072,682,000
Total stockholders' equity............	$2,490,839,000	$2,357,257,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7: Stockholders' Equity

Per share data and weighted average number of shares outstanding for all periods shown herein were adjusted to reflect the 100% stock dividend paid in August 1980.

Each share of the $3.50 cumulative convertible preferred stock is entitled to one vote and to a cumulative annual dividend of $3.50, and is convertible into 4.345 shares of common stock. The vote and conversion rate are subject to adjustment in the event of stock dividends, stock splits, reclassifications and like events, except that no such adjustments will be made with respect to annual stock dividends not in excess of 2½% paid on common stock. The $3.50 cumulative convertible preferred stock is redeemable at the option of the Corporation, at a call price of $150 per share plus accrued dividends. In the event of voluntary dissolution of the Corporation, the holders of the $3.50 cumulative convertible preferred stock are entitled to $150 per share, and in the event of involuntary dissolution to $100 per share plus, in each case, accrued dividends. The aggregate involuntary liquidation value applicable to the $3.50 cumulative convertible preferred stock exceeded the aggregate par value of such shares by $57,686,000 at December 31, 1981. In the opinion of counsel for the Corporation, the excess of involuntary liquidation value of the $3.50 cumulative convertible preferred stock over the par value will not restrict retained earnings.

At December 31, 1981, the number of shares of common stock reserved for issuance was as follows:

Conversion of $3.50 cumulative convertible preferred stock............	2,531,792
Stock options granted............	337,136
Future grants of stock options............	416,850
Future grants under the Long-Term Incentive Compensation and Stock Ownership Plan............	1,241,150
Total............	4,526,928

BEMIS COMPANY, INC. (DEC)

	1981	1980
	($000)	
Stockholders' equity:		
Nonredeemable first preferred stock 5% cumulative, $100 par value:		
Authorized—10,000 shares		
Outstanding—921 and 1,031 shares	$ 92	$ 103
Nonredeemable convertible series preferred stock, $100 par value, liquidation preferences $100 per share:		
Authorized—200,000 shares		
Outstanding—22,126 and 26,815...	2,213	2,682
Common stock, $5 par value:		
Authorized—14,000,000 shares		
Outstanding—5,208,152 and 5,186,288 shares............	26,041	25,931
Capital in excess of par value...........	49,453	48,963
Retained income............	144,500	132,860
Cumulative translation adjustment.......	(1,704)	
Commons stock held in treasury, 1,445,605 and 1,429,510 shares, at cost............	(42,169)	(41,459)
Total stockholders' equity..........	$178,426	$169,080

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12—Stockholders' Equity:

Cumulative Translation Adjustment—In 1981, the Company adopted the requirements of Financial Accounting Standards No 52, Foreign Currency Translation. Translation adjustments are reported as a separate component of Stockholders' Equity.

Tender Offer for Repurchase of Common Stock—On September 21, 1979, the Company completed the purchase of 1,011,575 shares of common stock for $30,347,000 ($30 per share) pursuant to the tender offer made on September 5, 1979. Expenses and fees relating to the tender offer were $457,000 and are included in the cost of treasury shares.

Convertible Series Preferred Stock—At December 31, 1981, the 22,126 shares of outstanding series preferred stock were convertible into 67,871 shares of common stock and were redeemable at the option of the Company at $100 per share. All preferred stock has equal voting rights with common stock. During 1981, 1980 and 1979, 4,689, 49,882 and 39,462 shares of series preferred stock were converted into 16,637, 178,341 and 142,124 shares of common stock, respectively.

CYCLOPS CORPORATION (DEC)

	1981	1980
	($000)	
Shareholders' equity (Note 8):		
Preferred stock, par value $1, authorized 2,000,000 shares:		
Convertible Preferred stock, Series A, issued 48,515 and 69,012 shares (involuntary liquidation preference $4,852 and $6,901)	$ 49	$ 69
Convertible Preferred stock, Series B, issued 157,410 and 236,804 shares (involuntary liquidation preference $3,620 and $5,446)	157	237
Common stock, par value $1, authorized 10,000,000 shares, issued 3,735,890 and 3,537,854 shares	3,736	3,538
Capital in excess of par value	37,859	36,735
Retained earnings	159,861	143,413
Less: Common stock in treasury, at cost (307,647 and 308,274 shares)	(7,170)	(7,185)
Total shareholders' equity	$194,492	$176,807

Note 8 (in part): Shareholders' Equity

The Series A Preferred stock, if called for redemption by the Company, is redeemable at $100 per share. This series votes on the basis of one vote per share and is convertible at the rate of 3.6510 shares of Common for each share of Series A Preferred. A total of 177,128 shares of Common stock would be issuable if all of the Series A Preferred shares were converted.

The Series B Preferred stock, if called for redemption by the Company, was redeemable at $23.69 per share in 1981 and ratably declines through 1984, after which the redemption price is $23.00 per share. This series votes on the basis of one fourth of one vote per share and is convertible at the rate of 1.0536 shares of Common for each share of Series B Preferred. A total of 165,847 shares of Common stock would be issuable if all of the Series B Preferred shares were converted.

Dividends on the Series A and Series B Preferred are cumulative from the date of issue.

NCR CORPORATION (DEC)

	1981	1980
	($000)	
Shareholders' equity		
Preferred Stock—$5 par value; authorized—10,000,000 shares; outstanding—$1.25 cumulative convertible—18,117 shares in 1981 (19,490 in 1980)	$ 90	$ 97
Common Stock—$5 par value; authorized—80,000,000 shares; issued—26,921,320 shares in 1981 (26,765,572 in 1980)	413,817	407,112
Retained earnings	1,453,157	1,303,846
	1,867,064	1,711,055
Less: Treasury stock at cost—312,019 shares of common stock in 1981 (121,203 in 1980)	13,713	6,572
Total shareholders' equity	$1,853,351	$1,704,483

PHOENIX STEEL CORPORATION (DEC)

	1981	1980
Shareholders' equity—Note 8:		
Preferred stock $.10 par value:		
Authorized—5,000,000 shares		
Series A convertible preferred stock:		
Authorized—1,100,000 shares		
Issued and outstanding—851,740 shares in 1981 (aggregate liquidating preference of $13,759,000); 852,133 shares in 1980	$ 85,000	$ 85,000
Series B convertible preferred stock:		
Authorized—94,000 shares		
Issued and outstanding—94,000 shares (aggregate liquidating preference of $6,279,000)	9,000	9,000
Common stock, $.10 par value:		
Authorized—30,000,000 shares		
Issued and outstanding—9,185,458 shares in 1981; 9,172,896 shares in 1980—at stated value	21,088,000	21,087,000
Additional paid in capital	40,196,000	40,168,000
Accumulated deficit	(57,039,000)	(59,040,000)
Total shareholders' equity	$ 4,339,000	$ 2,309,000

Note 8 (in part): Shareholders' Equity

In March 1977, the shareholders approved an amendment to the Company's Certificate of Incorporation which reduced the par value of common stock from $4.00 to $.10 per share. The Board of Directors did not reduce the Company's stated capital in connection with the reduction in par value. Accordingly, shares of common stock issued prior to the reduction in par value are reflected in common stock at $4.00 per share and shares of common stock issued subsequent to the date of change in par value are reflected in common stock at $.10 per share.

Each share of Series A preferred stock is convertible into 3.69 shares of common stock at a conversion price of $3.25 per share of common stock. Mandatory (to the extent permitted under Delaware law) dividends on the Series A preferred stock are cumulative commencing July 1, 1978 at the annual rate of $1.20 per share, payable quarterly commencing September 30, 1978. The Series A convertible preferred stock is redeemable at the option of the Company after June 30, 1985 at, and has a liquidation preference over the common stock of, $12 per share plus all dividends in arrears.

Each share of Series B preferred stock is convertible into 16 shares of common stock at a conversion price of $3.125 per share of common stock. Mandatory (to the extent permitted under Delaware law) dividends on the Series B preferred stock are cumulative commencing January 1, 1979 at the annual rate of $5.60 per share, payable quarterly commencing March 31, 1979. The Series B convertible preferred stock is redeemable at the option of the Company after June 30, 1986 at, and has a liquidation preference over the common stock of, $50 per share plus all dividends in arrears.

All of the Series B and substantially all of the Series A convertible preferred stock is owned by Creusot-Loire and its affiliates. Under the terms of loan and rental guarantee agreements with the U.S. Economic Development Administration, the Company is prohibited from paying cash dividends to Creusot-Loire and its affiliated until 1982. Creusot-Loire and its affiliates waived their right to dividends on the convertible preferred stock during such period. Upon termination of the guarantee agreements or expiration of the restriction, the Company will be obligated to declare dividends, to the extent permitted by Delaware law, on the Series A and Series B convertible preferred stock held by Creusot-Lorie and its affiliates, including amounts accumulated prior to and during the period of the waiver.

At December 31, 1981, the dividend amounts accumulated but not declared on the Series A and Series B convertible preferred stock held by Creusot-Loire and its affiliates were $3,538,000 and $1,579,000, respectively. Management anticipates that a portion of the accumulated but undeclared dividends will be paid in 1982. No dividend amounts are in arrears on the convertible preferred stock not owned by Creusot-Loire and its affiliates. Shares of common stock reserved for conversion of Series A and Series B convertible preferred stock and convertible debt are as follows:

	December 31, 1981	
	Conversion price	Shares reserved
Series A convertible preferred stock.......	$3.25	3,144,886
Series B convertible preferred stock.......	3.125	1,504,000
6% subordinated convertible debentures..	5.65	1,008,850
8% subordinated convertible note	3.41	2,346,041
		8,003,777

UNITED TECHNOLOGIES CORPORATION (DEC)

	1981	1980
	($000)	
Shareowners' Equity		
Capital Stock:		
Preferred Stock, $1 par value (Authorized—100,000,000 shares) Outstanding—26,368,013 and 27,278,118 shares, respectively.	$ 751,227	$ 854,616
(Aggregate liquidating preference—$766,600,000)		
Common Stock, $5 par value (Authorized—200,000,000 shares) Outstanding—51,881,454 and 43,664,975 shares, respectively.	1,058,729	678,591
Deferred foreign currency translation adjustments	(60,047)	—
Retained earnings...........................	1,462,602	1,201,646
Total Shareowners' Equity	$3,212,511	$2,734,853

NOTES TO FINANCIAL STATEMENTS

Note 14: Shareowners' Equity:

Preferred Stock consists of the following:

In Thousands of Dollars	1981	1980
$4.50 Cumulative Dividend Preferred Stock (Outstanding—20,141 and 34,700 shares, respectively) (Liquidating preference—$105 per share, aggregating $2,115,000).....	$ 2,014	$ 3,470
$2.55 Cumulative Dividend Convertible Preferred Stock (Outstanding—22,395,030 and 22,117,043 shares, respectively) (Liquidating preference—$25 per share, aggregating $559,876,000)............	557,592	551,657
$3.875 Cumulative Dividend Convertible Preferred Stock (Outstanding—3,813,490 and 3,983,614 shares, respectively) (Liquidating preference—$50 per share, aggregating $190,674,000)............	179,614	187,643
$7.32 Cumulative Dividend Convertible Preferred Stock	—	95,290
$8.00 Cumulative Dividend Convertible Preferred Stock (Outstanding—139,352 and 192,148 shares, respectively) (Liquidating preference—$100 per share, aggregating $13,935,000)...	12,007	16,556
	$751,227	$854,616

The $4.50 Preferred Stock is redeemable at the option of the Corporation at $105.00 per share plus accrued and unpaid dividends. The $2.55 Preferred Stock will be redeemable at the option of the Corporation at any time on or after September 1, 1986, initially at $29.00 per share, and thereafter at decreasing amounts to $25.00 per share on September 1, 1994, plus accrued and unpaid dividends. Each share is convertible at the option of the holder at any time into .3867 shares of Common Stock. The $3.875 Preferred Stock will be redeemable at the option of the Corporation at any time on or after August 31, 1983, initially at $52.50 per share, and thereafter at decreasing amounts to $50.00 per share on August 31, 1988, plus accrued and unpaid dividends. Each share is convertible at the option of the holder at any time into 1.25 shares of Common Stock. The $8.00 Preferred Stock will be redeemable at the option of the Corporation at any time on or after April 1, 1984 at $100.00 per share plus accrued and unpaid dividends. Each share is convertible at the option of the holder at any time into 4.44 shares of Common Stock.

In August 1981 a Redemption Notice was given to holders of the $7.32 Preferred Stock at $105.00 per share. Substantially all outstanding shares were converted into Common Stock prior to the redemption date.

At December 31, 1981, 249,614 and 5,976,431 shares of Preferred Stock and Common Stock, respectively, were reserved for issuance under various employee incentive plans (Note 15). In addition, 213,083 shares of Preferred Stock were reserved for issuance on conversion of certain debentures of Carrier Corporation.

The terms of the indentures relating to certain issues of long-term debt include provisions intended to restrict, under certain conditions, the availability of retained earnings for payment of dividends on the Common Stock. At December 31, 1981, all of the Corporation's retained earnings were free of such restrictions.

At December 31, 1981, undistributed earnings of $58,498,000 of the Corporation's unconsolidated finance subsidiaries were included in retained earnings.

TALLEY INDUSTRIES, INC. (MAR)

	1981	1980
Stockholders' equity:		
Preferred stock, $1 par value. Authorized 5,000,000 shares; Issued: 187,000 shares of Series A (192,000 in 1980) ($4,678,000 involuntary liquidation preference)	$ 187,000	$ 192,000
1,848,000 shares of Series B (1,849,000 in 1980) ($36,955,000 involuntary liquidation preference)	1,848,000	1,849,000
Common stock, $1 par value. Authorized 20,000,000 shares; Issued: 4,872,000 shares (4,867,000 in 1980)	4,872,000	4,867,000
Capital in excess of par value	40,469,000	40,468,000
Retained earnings	40,222,000	46,581,000
	87,598,000	93,957,000
Treasury stock at cost, 59,000 common shares	600,000	600,000
Total stockholders equity	$86,998,000	$93,357,000

NOTES TO FINANCIAL STATEMENTS

Capital Stock

Each share of Series A $1.10 Cumulative Convertible Preferred Stock entitles its holder to receive an annual cash dividend of $1.10 per share; to convert it into .76 of a share of common stock, as adjusted in the event of future dilution; and to receive up to $25.00 per share in the event of involuntary or voluntary liquidation; and, subject to certain conditions in loan agreements, may be redeemed at the option of the Company at a price decreasing annually from about $25.22 per share to $25.00 per share after June 30, 1981.

Each share of Series B $1.00 Cumulative Convertible Preferred stock entitles its holder to receive an annual cash dividend of $1.00 per share; to convert it into 1.05 shares of common stock, as adjusted in the event of future dilution; and to receive up to $20.00 per share in the event of involuntary liquidation; and, subject to certain conditions in loan agreements, may be redeemed at a price of $52.50 per share.

Dividends on the shares of Series A and Series B preferred stock are cumulative and must be paid in the event of liquidation and before any distribution to holders of common stock. During fiscal 1981, 5,379 shares of Series A preferred stock were converted to 4,085 shares of common stock; 758 shares of Series B preferred stock were converted to 795 shares of common stock; and no options were exercised for shares of common stock. At March 31, 1981, there were 2,691,490 shares of common stock reserved for conversion of the Series A and Series B preferred stock, the 5% convertible subordinated notes and exercise of stock options.

Preferred Stock Extended at Stated Value

COOPER INDUSTRIES, INC. (DEC)

	1981	1980
	($000)	
Shareholders' Equity		
Series B Preferred stock, without par value (authorized 1,811,240 shares) (2.50 cumulative convertible voting stock; 29,195 and 34,816 shares outstanding (liquidating value at December 31, 1981—$1,606)	$ 876	$ 1,045
Preferred stock, $1 par value (authorized 15,000,000 shares): $2.90 Series (authorized 5,560,130 shares) cumulative convertible voting stock; 5,474,428 and 5,464,000 shares outstanding (liquidating value at December 31, 1981—$180,656)	5,474	5,464
Common stock, $5 par value (authorized 125,000,000 shares); 44,006,766 and 43,667,585 shares issued	220,034	218,338
Capital in excess of par value	260,790	265,282
Retained earnings	801,416	586,278
Common stock held in treasury, at cost; 79,612 shares at December 31, 1981	(3,691)	—
	$1,284,899	$1,076,407

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12: Preferred Stock

Each share of Series B Preferred stock (stated value $30 per share) is convertible into 7.2 common shares and has a liquidating preference of $55 per share. At December 31, 1981, the Series B Preferred stock was redeemable by the Company at $56 per share decreasing to $52.50 per share on October 31, 1987, and thereafter. Each share of $2.90 Preferred stock is convertible into .946 common shares and has a liquidating preference of $33 per share. The $2.90 Preferred stock may not be redeemed prior to October 1, 1984. On or after October 1, 1984, the $2.90 Preferred stock will be redeemable at the option of the Company, at a price which decreases in equal increments from $34.45 to $33.00 between October 1, 1984, and October 1, 1989, and at $33.00 thereafter.

BEATRICE FOODS CO. (FEB)

	1981	1980
	($000)	
Stockholders' equity:		
Preference stock (without par value). Authorized 20,000,000 shares. Issued and outstanding 5,010,457 shares (1980—5,030,813 shares) at stated values with aggregate liquidation preference of $262,247 (1980—$264,255)	$ 259,567	$ 261,043
Common stock (without par value). Authorized 200,000,000 shares. Issued and outstanding 97,756,748 shares (1980—96,945,467 shares) at $1.85 stated value	180,850	179,349
Additional capital	106,930	91,102
Retained earnings	1,634,098	1,473,342
Total stockholders' equity	$2,181,445	$2,004,836

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (in part): Stockholders' Equity

Preference Stock

A summary of outstanding preference stock follows:

	1981	1980
	(In Thousands)	
$2.70 Convertible, $60.00 stated value, 5,769 shares in 1981 and 6,379 shares in 1980 Conversion price—$12.875	$ 346	$ 383
$4.00 Convertible, $10.00 stated value, 29,774 shares in 1981 and 35,689 shares in 1980 Conversion price—$20.00	298	357
$4.50 Convertible, $100.00 stated value, 4,768 shares in 1981 and 18,511 shares in 1980 Conversion price—$22.62	477	1,851
Series A Cumulative Convertible, $52.00 stated value, 4,970,126 shares in 1981 and 4,970,234 shares in 1980 Conversion price—$27.957	258,446	258,452
Total	$259,567	$261,043

All outstanding shares of preference stock are convertible into common stock at the conversion prices stated above based upon the respective stated values of each series, except the conversion price of the $4.00 series is based upon a value of $100 per share. The reduction of outstanding shares of each series of preference stock during fiscal 1981 was due to conversions to common stock.

Outstanding preference stock is redeemable at Beatrice's option at the stated value except the $4.00 series is redeemable at $100 per share and the Series A is redeemable at $55.00 per share beginning August 8, 1983, declining to $52.00 beginning August 8, 1986. In addition, the Series A stock may be redeemed prior to August 8, 1986 only if the dividends paid on the underlying common stock during the twelve months preceding the redemption total at least 105% of the dividends paid on the Series A stock. At the time any preference stock is redeemed, Beatrice is also required to pay an additional amount equal to all dividends accrued or in arrears on the shares being redeemed through the date fixed for redemption.

The preference stock is preferred as to assets over common stock in the event of voluntary liquidation by an amount per share equal to the then current redemption price. The preference stock has preference upon involuntary liquidation in an amount equal to the stated value of such stock, except that the $4.00 series has a preference of $100.00 per share. There are no restrictions upon retained earnings resulting from the excess of the involuntary liquidation preference over the stated value of preference stock.

Common Stock

As of February 28, 1981 an aggregate of 13,272,034 shares of Beatrice common stock were reserved for issuance as follows:

	Shares of Beatrice Common Stock
Exercise of options	107,998
Conversion of preference stock	9,441,265
Conversion of debentures	2,343,106
Incentive deferred compensation plnas	1,379,665
Total	13,272,034

GAF CORPORATION (DEC)

	1981	1980
Shareholders' Equity (Note 12)		
Preferred stock, $1 par value; authorized 6,000,000 shares; $1.20 convertible series issued—1981, 2,611,784 shares; 1980, 3,068,201 shares; at assigned value of $1.25 per share (liquidation value 1981, $69,723,060)......	$ 3,265,000	$ 3,835,000
Common stock, $1 par value; authorized 25,000,000 shares; issued—1981, 14,387,721 shares; 1980, 13,817,202 shares	14,388,000	13,817,000
Additional paid-in capital...........	54,360,000	53,976,000
Retained earnings..................	65,244,000	53,609,000
Total	137,257,000	125,237,000
Less stock held in treasury, at cost:		
Common—1981, 211,467 shares: 1980, 236,887 shares	1,638,000	1,958,000
Preferred—76,400 shares in 1981 and 1980...............	932,000	932,000
Total Shareholders' Equity	$134,687,000	$122,347,000

Note 12: Capital Stock

The $1.20 convertible preferred stock, dividends on which are cumulative, is convertible at any time into common stock at the rate of 1¼ shares of common stock for each share of preferred. The company may redeem the preferred stock at $27.50 per share.

Transactions in common stock held in the treasury were as follows:

	Dollars in Thousands 1981	1980	1979
Balance, January 1..........	$1,958	$2,682	$4,531
Repurchase of 105,100 shares in 1981, 10,600 shares in 1980 and 3,500 shares in 1979 pursuant to the stock purchase plan	618	61	19
Issuance from treasury of 130,520 shares in 1981, 97,500 shares in 1980 and 246,920 shares in 1979 (in connection with soles under the stock option plan and the restricted stock purchase plan)......................	(938)	(785)	(1,868)
Balance, December 31......	$1,638	$1,958	$2,682

As a result of the above issuance of treasury shares, additional paid-in capital increased $276,000 in 1971 and decreased $123,000 and $174,000 in 1980 and 1979, respectively.

The shares of common stock reserved for issuance at December 31, 1981 and 1980 were as follows:

Reserved for	1981	1980
Conversion of $1.20 convertible preferred stock....................................	3,264,730	3,835,251
Conversion of convertible subordinated notes....................................	415,523	441,046
Exercise under stock option and purchase plans....................................	824,550	1,169,370
Total	4,504,803	5,445,667

During 1981, 456,417 shares of preferred stock, assigned value of $570,521, were converted into 570,519 shares of common stock; during 1980, 37,476 shares of preferred stock, assigned value of $46,845, were converted into 46,843 shares of common stock; during 1979, 90 shares of preferred stock were converted into 112 shares of common stock.

SHELLER-GLOBE CORPORATION (SEP)

	1981	1980
	(In thousands)	
Shareholders' equity (Note 8):		
Series preferred stock, no par value; authorized 2,000,000 shares:		
$1.35 cumulative convertible series, $1 stated value, authorized 1,458,921 shares; outstanding 912,804 shares (930,150 in 1980), liquidation preference $26.35 per share—$24,052,000	$ 913	$ 930
$1.40 cumulative convertible series, $1 stated value, authorized 358,273 shares; outstanding 357,915 shares, liquidation preference $30.00 per share—$10,737,000	358	358
$3.00 cumulative convertible series, $10 stated value, authorized 182,806 shares; outstanding 152,029 shares (152,648 in 1980), liquidation preference $50.00 per share—$7,601,000..	1,520	1,526
Common stock, no par value, $1 stated value; authorized 12,000,000 shares; outstanding 6,224,520 shares (6,195,035 in 1980).........	6,225	6,195
Capital in excess of stated value........	36,934	36,937
Retained earnings.........................	99,357	84,651
Total shareholders' equity	$145,307	$130,597

Note 8: Capital stock

Conversion and redemption data for the Company's convertible preferred stocks are as follows :$1.35 preferred shares—convertible into 1.545 common shares, redeemable at option of the Company at $26.35 per share; $1.40 preferred shares—convertible into 1.082 common shares, redeemable at option of the Company at $30.00 per share; $3.00 preferred shares—convertible into 3.535 common shares, redeemable at option of the Company at $102.00, declining $.50 annually to $100.00.

At September 30, 1981, 5,684 of the $3.00 preferred shares were reserved for conversion of convertible debentures and 3,043,648 common shares were reserved for: (a) conversion of $1.35, $1.40 and $3.00 preferred stock and convertible debentures; (b) issuance under stock option plans and a warrant.

Preferred Stock Extended at Redemption Value

AMERICAN BRANDS, INC. (DEC)

	1981	1980
	(In thousands)	
Redeemable Preferred stock		
$2.75 Preferred stock, without par value, stated value and mandatory redemption price $30.50 per share..	$ 167,980	$ 167,980
Convertible Preferred stocks—redeemable at Company's option		
$2.67 Convertible Preferred stock, without par value, stated value $30.50 per share	72,795	96,073
$1.70 Convertible Preferred stock, without par value, stated value $20 per share	972	2,447
Total convertible preferred stocks.	73,767	98,520
Common stockholders' equity		
Common stock, par value $3.125 per share..................................	179,352	179,352
Paid-in capital............................	57,033	58,923
Equity in net unrealized depreciation on investments in marketable equity securities of The Franklin Life Insurance Company..............................	(32,281)	(22,745)
Equity adjustment from translating foreign currency financial statements	(84,332)	32,817
Retained earnings........................	1,784,518	1,596,020
Treasury stock, at cost	(78,328)	(90,882)
Total common stockholders' equity	1,825,962	1,753,485

NOTES TO FINANCIAL STATEMENTS

Capital stock

The Company has 30,000,000 authorized shares of Preferred stock and 100,000,000 authorized shares of Common stock.

Redeemable Preferred Stock

At December 31, 1981, 1980 and 1979, there were 5,507,528 shares of the $2.75 Preferred stock issued and outstanding. The holders of the $2.75 Preferred stock are entitled to cumulative dividends, to one-quarter of a vote per share (in certain events, to the exclusion of the Common shares and other Preferred issues) and to preference in liquidation over holders of Common stock of $30.50 per share, plus accrued dividends. Whenever six quarterly dividend payments on the Preferred stock are in default and until all such dividends have been paid, such holders (in addition to the right to vote with the Common stock and other Preferred stock for the election of directors) may vote separately as a class to elect two of the directors then being elected. The Company will be required on March 10, 1985, and each year thereafter to redeem 3%, and will have the non-cumulative option to redeem an additional 3%, of the number of shares of original issue at a price of $30.50 per share, plus accrued dividends. The 3% annual mandatory redemption amounts to 165,226 shares, or $5,040,000. The Company may also redeem such Preferred stock on or after March 10, 1989, at prices beginning at $31.88 per share and declining to $30.50 per share on March 10, 1999, plus accrued dividends. There are also certain restrictions against the declaration or payment of dividends on Common stock or the acquisition of Common stock by the Company if it is in default on any dividends on the $2.75 Preferred, and the Company may not pay any dividends on Common stock or purchase or redeem any shares of Common stock or shares of any present series of Preferred stock if the Company is in default on redemption payments on the $2.75 Preferred.

Convertible Preferred Stocks—Redeemable at Company's Option

Shares of the $2.67 Convertible Preferred stock issued and outstanding at December 31, 1981, 1980 and 1979 were 2,386,705 shares, 3,149,913 shares and 5,344,047 shares, respectively. The holders of the $2.67 Convertible Preferred stock are entitled to cumulative dividends, to three-tenths of a vote per share (in certain events, to the exclusion of the Common shares), to preference in liquidation over holders of Common stock of $30.50 per share plus accrued dividends and to convert each share of such stock into 1.02 shares of Common stock. Authorized but unissued Common shares are reserved for issuance upon such conversions, but treasury shares may be substituted. During 1981, 1980 and 1979, 763,208 shares, 2,194,134 shares and 163,481 shares, respectively, were converted. The Company may redeem such Preferred stock on or after March 10, 1984, at prices beginning at $32.50 per share and declining to $30.50 per share on March 10, 1989, plus accrued dividends.

Shares of the $1.70 Convertible Preferred stock issued and outstanding at December 31, 1981, 1980 and 1979 were 48,602 shares, 122,353 shares and 211,697 shares, respectively. The holders of the $1.70 Convertible Preferred stock are entitled to cumulative dividends, to one-fifth of a vote per share (in certain events, to the exclusion of the Common shares), to preference in liquidation over holders of Common stock of $20 per share plus accrued dividends and to convert each share of such stock into 0.96 share of Common stock. Authorized but unissued Common shares are reserved for issuance upon such conversions, but treasury shares may be substituted. During 1981, 1980 and 1979, 73,751 shares, 89,344 shares and 428,168 shares, respectively, were converted. The Company may redeem such Preferred stock at a price of $21.50 per share on and after May 1, 1981, and declining to $20 per share on May 1, 1984, plus accrued dividends.

CUMMINS ENGINE COMPANY, INC. (DEC)

	1981	1980
	($000)	
Redeemable preferred stock, no par value, stated at redemption value of $100 per share, 440,000 shares issued	$ 44,000	$ —
Common shareholders' investment:		
Common stock, $2.50 par value, 8,439,231 and 8,405,359 shares issued	21,098	21,013
Additional contributed capital	140,356	140,847
Earnings retained in the business	386,341	289,419
	547,795	451,279

NOTES TO FINANCIAL STATEMENTS

Note 6:

Redeemable Preferred Stock: During 1981, the company sold 440,000 shares of its $13.50 Cumulative Preferred Stock, Series A (1,000,000 shares authorized) to a group of institutional investors. The stock, which has no par value, is stated at its issue price and redemption value of $100 per share. The company may not pay any common stock dividends unless all preferred dividend and mandatory redemption requirements have been met.

Commencing in January 1987, and each year thereafter through 2001, the company is required to redeem 29,333 shares annually at a redemption price of $100 per share plus accrued and unpaid dividends. The company may redeem in advance of scheduled maturity up to five of these mandatory annual redemptions at a price of $100 per share plus accrued and unpaid dividends. Commencing in 1986, the company may redeem any or all of the preferred shares at a price of $109.75 per share, declining by $.75 per share each year through 1999.

GULF & WESTERN INDUSTRIES, INC. (JUL)

	1981	1980
	(000 omitted)	
Redeemable Preferred Stock, $5.75 Sinking Fund Preferred Stock, recorded at liquidation and mandatory redemption price of $100.00 a share—Note G	$ 28,970	$ 30,361
Convertible Preferred and Common Stockholders' Equity—Note H		
Cumulative Convertible Preferred stock, recorded at $2.50 par value:		
Series C $3.875 (liquidation value $19,035,000 at July 31, 1981 and $27,667,000 at July 31, 1980)	476	692
Series D $2.50 (liquidation value $78,516,000 at July 31, 1981 and $99,683,000 at July 31, 1980)	4,907	6,230
Common Stock, recorded at $1.00 par value; 300,000,000 shares authorized; shares outstanding 75,734,612 at July 31, 1981 (excluding 4,413,276 shares held in treasury) and 56,554,525 at July 31, 1980 (excluding 4,427,160 shares held in treasury)	75,735	56,555
Paid-in capital	608,538	336,817
Retained earnings	1,478,435	1,262,303

Note G—Redeemable Preferred Stock

The $5.75 Sinking Fund Preferred Stock has an annual dividend rate of $5.75 a share. Each year the Company is required to redeem 5% of the shares outstanding at $100.00 a share. Minimum redemption requirements for the five fiscal years subsequent to July 31, 1981 are as follows: 1982—$536,000; 1983—$1,422,000; 1984—$1,351,000; 1985—$1,283,000 and 1986—$1,219,000. The Company may, at its option, redeem additional shares at $100.50 a share. At July 31, 1981 and 1980, 535,535 and 550,716 shares of $5.75 Sinking Fund Preferred Stock, respectively, were authorized. At July 31, 1981, 289,704 shares, excluding 9,129 shares held in treasury, were outstanding and at July 31, 1980, 303,614 shares, excluding 10,400 shares held in treasury, were outstanding. Each share of $5.75 Sinking Fund Preferred Stock is entitled to one vote.

Note H (in part): Other Capital Stock

Series C $3.875 Cumulative Convertible Preferred Stock is convertible into 6.030 shares of Common Stock and may be redeemed at $100.00 a share. At July 31, 1981 and 1980, 1,200,000 shares of Series C $3.875 were authorized and 190,352 and 276,670 shares, respectively, were outstanding, excluding 191,169 shares held in treasury.

Series D $2.50 Cumulative Convertible Preferred Stock is convertible into 2.501 shares of Common Stock and may be redeemed at $42.50 a share (but cannot be redeemed unless the market value of Common Stock exceeds a specified amount, presently $21.25 a share). At July 31, 1981 and 1980, 3,700,000 shares of Series D $2.50 were authorized and 1,962,903 and 2,492,083 shares, respectively, were outstanding.

In addition, at July 31, 1981 and 1980, 15,100,000 shares of Cumulative Convertible Preferred Stock and 10,000,000 shares of Cumulative Preferred Stock were authorized and undesignated.

Each share of the preferred stock and Common Stock is entitled to one vote.

The excess of liquidating value over par value of the Company's Series C $3.875 and Series D $2.50 Cumulative Convertible Preferred Stock was $92,168,000 at July 31, 1981. In the opinion of counsel, this condition imposes no restrictions on the payment of dividends.

Convertible preferred stock outstanding at July 31, 1981 does not include 223,000 shares of Series C $3.875 reserved under the stock purchase plan (see below) and 177,143 shares of Series D $2.50 reserved for issuance upon conversion of $15,500,000 of convertible subordinated notes.

Common Stock outstanding at July 31, 1981 does not include 1,660,629 shares reserved under the stock option incentive plan (see below); 1,528,202 shares reserved under the stock purchase plan (see below); 948,262 shares reserved for exercise of warrants expiring 1986 at a total exercise price of $6,723,000; and 1,147,823 shares reserved for conversion of the Series C $3.875 convertible preferred stock outstanding and 5,352,255 shares reserved for conversion of the Series D $2.50 convertible preferred stock outstanding and reserved for issuance.

Preferred Stock Extended at Fair Value Plus Amortization

ALLEGHENY INTERNATIONAL, INC. (DEC)

	1981	1980
	($000)	
Redeemable preferred stocks:		
$2.19 Cumulative Preference Stock (involuntary liquidation and redemption values $125,216,000 at January 3, 1982)	$114,396	$116,521
$11.25 Convertible Preferred Stock (involuntary liquidation and redemption values $273,561,000 at January 3, 1982)	221,584	—
$3.00 Convertible Preferred Stock	—	1,260
Common Stock	7,352	5,603
Other shareholders' equity:		
Additional paid-in capital	126,292	82,698
Retained earnings	352,666	297,681
Cumulative adjustment from foreign currency translation	(27,773)	(610)
Common Stock in treasury, at cost	(6,984)	(30,508)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11: Redeemable Preferred Stocks

At a special meeting on December 29, 1981 shareholders approved an Amendment to the Articles of Incorporation which, among other things, authorized 10,000,000 shares of a newly created class of Cumulative Preferred Stock issuable in series. Pursuant to the Sunbeam Merger Agreement, the Board of Directors established a series of the Cumulative Preferred Stock, designated as $11.25 Convertible Preferred Stock ("$11.25 Preferred Stock"), without par value, and consisting of 2,821,318 shares.

The $11.25 Preferred Stock is convertible into Common Stock at the rate of 1.724 shares of Common Stock for each share of $11.25 Preferred Stock (which conversion rate is subject to adjustment). The $11.25 Preferred Stock may be redeemed by Allegheny in whole but not in part between January 3, 1985 and January 2, 1987 at $100.00 per share plus accrued dividends if the average market price per share of Allegheny Common Stock at that time exceeds 110% of the conversion price per share (the conversion price per share at January 3, 1982 being $58.00) and is redeemable in whole or in part at Allegheny's option at any time after January 2, 1987 at $100.00 per share, plus accrued dividends. On December 1 of each of the years 1991 through 2015, Allegheny is required to redeem as a sinking fund 4% of the number of shares of $11.25 Preferred Stock issued, at a per share price of $100.00 plus accrued dividends.

In the event of voluntary liquidation, the holders of $11.25 Preferred Stock are entitled to receive $100.00 per share plus accrued dividends after payment of the liquidation preference of the $2.19 Cumulative Preference Stock.

The $2.19 Cumulative Preference Stock ("$2.19 Preference Stock"), of which 9,271,629 shares without par value are authorized, may be redeemed by Allegheny in whole or in part at any time after November 30, 1982 at an initial price of $26.69 per share, and thereafter the per share amount is reduced by $.10 per share each subsequent July 1 to a minimum of $25.00 per share on July 1, 1999, plus in all cases accrued dividends. On July 1 of each of the years 1983 through 2002, Allegheny is required to redeem as a sinking fund 5% of the number of shares of $2.19 Preference Stock issued at a per share price of $25.00, plus accrued dividends. As of January 3, 1982, Allegheny had purchased a sufficient number of shares to satisfy the redemption requirement for the year 1983 and a portion of the redemption requirement for the year 1984. By July 1, 1984, Allegheny will be required to acquire or redeem 40,481 additional shares of $2.19 Preference Stock for an aggregate consideration not to exceed $1,012,000. On each subsequent July 1 through the year 2002, an additional 276,010 shares must be acquired or redeemed for an aggregate annual consideration not to exceed $6,900,000.

In the event of voluntary liquidation, the holders of the $2.19 Preference Stock are entitled to receive $26.79 per share to June 30, 1982, and thereafter the per share amount is reduced by $.10 per share each subsequent July 1 to a minimum amount of $25.00 per share at July 1, 1999, plus in all cases accrued dividends.

The initial assigned values of the $2.19 Preference Stock and $11.25 Preferred Stock ($22.03 and $81.00 per share, respectively) are being increased to their redemption prices ($25.00 and $100.00 per share, respectively) during the period in which such stocks are outstanding. Periodic accretions, based on the "interest method," are charged to retained earnings.

Holders of the $2.19 Preference Stock and $11.25 Preferred Stock are entitled to one-quarter vote and one vote per share, respectively.

Changes in the number of shares of redeemable preferred stocks issued were as follows:

	$2.19 Cumulative Preference Stock	$11.25 Convertible Preferred Stock
Balances at December 31, 1978	5,124,093	—
Conversion of notes payable	21,384	—
Purchased for sinking fund	(1,715)	—
Balances at December 30, 1979	5,143,762	—
Conversion of notes payable	18,711	—
Purchased for sinking fund	(15,324)	—
Balances at December 28, 1980	5,147,149	—
Conversion of notes payable	12,474	—
Purchased for sinking fund	(150,967)	—
Acquisition of Sunbeam Corporation	—	2,735,611
Balances at January 3, 1982	5,008,656	2,735,611

Shares of $2.19 Preference Stock and $11.25 Preferred Stock may be issued only pursuant to the 1977 merger of Chemetron Corporation and the 1981 merger of Sunbeam Corporation, respectively, and 21,391 shares of $2.19 Preference Stock were reserved at January 3, 1982 for conversion of notes payable assumed in the Chemetron merger.

Note 12 (in part): $3.00 Convertible Preferred Stock and Common Stock.

At a special meeting on December 29, 1981 shareholders approved an Amendment to the Articles of Incorporation which, among other things, increased the authorized Common Stock, par value of $.66⅔ per share, from 30,000,000 shares to 60,000,000 shares.

In April 1981 Allegheny called for redemption on May 18, 1981 all of its $3.00 Convertible Preferred Stock ("$3.00 Preferred Stock") at a price of $60.00 per share plus accrued dividends of $.40 per share. Pursuant to the alternatives made available to the holders of the $3.00 Preferred Stock, 1,127,234 shares were converted into 1,690,557 shares of Common Stock, 5,818 shares were tendered to a group of investment banking firms at a price of $60.65 per share and 38,088 shares were redeemed by Allegheny for cash at $60.40 per share.

AMERICAN MOTORS CORPORATION (DEC)

	1981	1980
	($000)	
Cumulative Preferred Stock, par value $.01 a share		
Authorized—4,500,000 shares		
Outstanding—1,607,143 shares. Redemption amount of $45,000 less unamortized discount	$ 32,316	$ —
Capital Stock (Common), par value $1.66⅔ a share		
Authorized—110,000,000 shares		
Outstanding—56,976,854 shares in 1981 and 56,975,819 shares in 1980	94,961	94,960
Additional Paid-In Capital	283,035	270,437
Retained Earnings (Deficit)	(84,148)	52,600

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note F—Redeemable Preferred Stock

In July 1981, the Company sold to Renault for $45,000,000, 1,607,143 shares of $2.80 Cumulative Preferred Stock (non-voting, non-participating, $28.00 involuntary liquidation preference) and a Warrant to purchase 6,428,572 shares of Capital Stock (Common) at $7.00 per share. The Warrant is exercisable by the tendering of Preferred Stock or the payment of cash.

The shares of Preferred Stock are redeemable, at the option of the Company, at prices per share ranging from $30.52 in 1982 to $28.28 in 1990 and at $28.00 per share thereafter (plus cumulative dividends). Beginning in 1991, the outstanding Preferred Stock will be subject to annual mandatory redemption at $28.00 per share (plus cumulative dividends), in an amount each year equal to 10% of the total number of shares then outstanding.

The difference between estimated fair value of Preferred Stock at date of issue and the mandatory redemption value is being recorded through periodic accretions, using the interest method with the related charge to retained earnings.

If, at any time, the Company is in arrears as to preferred dividends or mandatory redemptions of Preferred Stock, dividends to holders of Capital Stock (Common) are restricted. If the Company is in arrears for six quarterly dividend payments, or is in arrears as to a mandatory redemption payment, the holders of the Preferred Stock shall be entitled, only while such arrearage exists, to elect two additional members to the then existing Board of Directors. For this purpose, there shall be disregarded, until December 31, 1984, dividends payable through June 30, 1983 not paid due to certain debt agreement restrictions—see Note E. Because of the debt restrictions, dividends of $2,161,000 ($1.34 per share) are in arrears.

REVLON, INC. (DEC)

	1981	1980
	($000)	
Convertible preferred stock (Series A adjustable rate, redeemable at $304,963)	$ 235,930	$231,567
Stockholders' equity:		
Common stock of $1 par value a share. Authorized 75,000,000 shares; issued 36,582,116 shares in 1981 and 36,186,825 shares in 1980	36,582	36,187
Additional paid-in capital	170,814	157,086
Retained earnings	846,208	764,127
Equity adjustment from foreign currency translation	(44,207)	—
	1,009,397	957,400
Less common stock in treasury, at cost; 2,218,934 shares in 1981 and 175,736 shares in 1980	70,664	6,516
Total stockholders' equity	938,733	950,884

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. No shares were converted to common stock in 1981 (360 shares in 1980).

HUMANA INC (AUG)

	1981	1980
	($000)	
Redeemable preferred stock, $1.00 par; authorized 10,000,000 shares; $2.50 cumulative; issued 2,848,161 shares; outstanding 2,706,861 shares-1981 and 2,844,461 shares-1980; mandatory redemption price $67,672 (Note 7)	$ 63,925	$ 65,961
Common stockholders equity		
Common stock, $.16⅔ par; authorized 100,000,000 shares; issued and outstanding 37,125,912 shares-1981 and 36,230,248 shares-1980	6,188	6,038
Capital in excess of par value	94,317	79,117
Retained earnings	196,809	131,158
	297,314	216,313

Note 7: Redeemable Preferred Stock

The Company has designated 7,500,000 shares of its 10,000,000 authorized preferred shares as $2.50 cumulative preferred stock. The remaining 2,500,000 authorized preferred shares have not been designated.

Preferred stock is subject to mandatory redemption in 15 equal annual installments of approximately $4,747,000 commencing in February 1984 at $25.00 per share (plus accrued but unpaid dividends). Any or all outstanding shares may be redeemed by the Company prior to mandatory redemption for $25.00 per share.

In 1981 137,600 shares of preferred stock were purchased for $2,524,000. In 1980 3,700 shares were purchased for $66,000. In 1979 the Company retired 1,406 shares with a carrying value of $32,000. Purchased shares will be used to satisfy mandatory redemption requirements.

The aggregate recorded value of shares outstanding is being increased to the mandatory redemption price of $67,672,000 by annual provisions which are combined with preferred stock dividend requirements in computing income applicable to common stock used in earnings per common share computations.

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 AICPA's Committee on Terminology, a predecessor of the Accounting Principles Board, 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.

ACTION INDUSTRIES, INC. (JUN)

	1981	1980
Shareholders' Investment:		
Common stock, $0.10 par value; authorized 2,268,000; issued 1,729,443 shares in 1981 and 1,728,813 in 1980	$ 172,944	$ 172,881
Capital contributed in excess of par	7,291,571	7,289,834
Retained earnings	8,392,557	7,661,407
	$15,857,072	$15,124,122
Less 35,438 treasury shares, at cost	96,831	96,831
Total Shareholders' Investment	$15,760,241	$15,027,291

GENERAL ELECTRIC COMPANY (DEC)

	1981	1980
	($ Millions)	
Preferred stock ($1 par value; 2,000,000 shares authorized; none issued)	$ —	$ —
Common stock ($2.50 par value; 251,500,000 shares authorized; 231,463,949 shares issued 1981 and 1980)	579	579
Amounts received for stock in excess of par value	657	659
Retained earnings	8,088	7,151
	9,324	8,389
Deduct common stock held in treasury	(196)	(189)
Total share owners' equity	$9,128	$8,200

INTERNATIONAL PAPER COMPANY (DEC)

	1981	1980
	($ Millions)	
Common Share Owners' Equity		
Common stock, $1 par value	$ 50.0	$ 49.7
Capital from conversion of 5% preferred stock	40.4	40.4
Paid in capital	760.4	761.2
Retained earnings	2,357.5	1,977.7
	3,208.3	2,829.0
Less: Common shares held in treasury, at cost	14.1	15.3
Total Common Share Owners' Equity	$3,194.2	$2,813.7

TABLE 2-34: ADDITIONAL PAID-IN CAPITAL—CAPTION TITLE

	1981	1980	1979	1978
Additional paid-in capital	194	187	178	180
Capital in excess of par or stated value	169	170	171	164
Capital surplus	56	62	69	74
Additional capital, or *other capital*	49	48	49	51
Paid-in capital, or *other paid-in capital*	35	30	29	31
Paid-in surplus	12	13	15	15
Other captions	12	13	16	13
	527	523	527	528
No additional paid-in capital account	73	77	73	72
Total Companies	**600**	**600**	**600**	**600**

SCOVILL INC. (DEC)

	1981	1980
Stockholders' Equity		
Capital Stock:		
Preferred Stock (Cumulative) without par value:		
Authorized 3,000,000 shares, issuable in series:		
$2.50 Convertible Series A: Issued and outstanding 70,047 and 79,821 shares	$ 1,558,000	$ 1,776,000
Common Stock, par value $6.25 per share:		
Authorized 20,000,000 shares; issued 9,594,284 and 9,524,345 shares including 195,082 shares in treasury; outstanding 9,399,202 and 9,329,263 shares	58,745,000	58,308,000
Paid in by stockholders	14,795,000	14,420,000
Earnings retained in the business	123,237,000	142,287,000
Equity adjustment from foreign currency translation	(18,420,000)	—
	$179,915,000	$216,791,000

RETAINED EARNINGS

Accounting Terminology Bulletin No. 1 recommends:

The term *earned surplus* be replaced by terms which will indicate source, such as *retained income, retained earnings, accumulated earnings,* or *earnings retained for use in the business.* In the case of a deficit, the amount should be shown as a deduction from contributed capital with appropriate description.

Table 2-35 indicates 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.

AKZONA INCORPORATED (DEC)

	1981	1980
	($000)	
Stockholders' equity:		
Preferred stock—without par value; authorized 1,000,000 shares; issued—none		
Common stock $1.25 par value; authorized 20,000,000 shares; issued 12,613,575 shares	$ 15,767	$ 15,767
Additional capital	61,077	62,102
Accumulated income reinvested in the business	249,786	247,980
	326,630	325,849
Treasury stock, at average cost: 368,416 shares (374,771 in 1980)	6,597	6,710
Total stockholders' equity	$320,033	$319,139

CONSOLIDATED PACKAGING CORPORATION (DEC)

	1981	1980
Shareholders' Equity		
Common shares—$5 par value; 2,500,000 authorized shares; 1,376,670 issued shares	$6,883,000	$6,883,000
Capital in excess of par value	7,626,000	7,626,000
Accumulated deficit	(6,118,000)	(6,309,000)
	$8,391,000	$8,200,000

TABLE 2-35: RETAINED EARNINGS—CAPTION TITLE

	1981	1980	1979	1978
Retained Earnings	484	474	473	462
Retained earnings with additional words	24	27	26	27
Earnings with additional words	57	54	61	69
Income with additional words	19	24	20	20
Earned Surplus	2	3	4	5
Companies with deficits	14	18	16	17
Total Companies	**600**	**600**	**600**	**600**

DENNISON MANUFACTURING COMPANY (DEC)

	1981	1980
Shareholders' Equity		
Capital stock:		
$1 Cumulative Convertible Preferred Stock, par value $10 per share, 395,000 shares authorized; issued and outstanding, 225,000 in 1981 and 195,000 in 1980	$ 2,250,000	$ 1,950,000
Common Stock, par value $1 per share, 30,000,000 shares authorized; issued and outstanding, 9,300,691 in 1981 and 9,107,500 in 1980	9,301,000	9,108,000
Capital in excess of par value	32,375,000	29,329,000
Earnings reinvested	155,763,000	138,240,000
Equity adjustment for foreign translation	(2,835,000)	
	196,854,000	178,627,000
Less account receivable from Employee Stock Ownership Trust	5,687,000	6,180,000
Total Shareholders' Equity	$191,167,000	$172,447,000

GRANITEVILLE COMPANY (DEC)

	1981	1980
Stockholders' equity:		
Common stock—$5 par value, authorized 10,000,000 shares; issued and outstanding, 1981, 4,333,632 shares; 1980, 4,332,722 shares	$ 21,668,160	$ 21,663,610
Capital in excess of par value	1,581,566	1,577,105
Earnings retained for use in the business	77,968,728	81,432,298
Total stockholders' equity	$101,218,454	$104,673,013

DPF INCORPORATED (MAY)

	1981	1980
Stockholders' equity		
Preferred stock, without par value:		
Authorized 1,000,000 shares; issued—none	$ —	$ —
Common stock, par value $.10 per share:		
Authorized 7,500,000 shares; issued 1981—4,534,000; 1980—4,519,000	454,000	452,000
Additional paid-in-capital	49,684,000	49,532,000
Retained earnings (accumulated deficit)	(3,319,000)	21,045,000
	$46,819,000	$71,029,000

KOPPERS COMPANY, INC. (DEC)

	1981	1980
	($ Thousands)	
Redeemable convertible preference stock, no par value, stated value $100 per share: issued and outstanding 750,000 shares, 10% series	$ 75,000	$ 75,000
Cumulative preferred stock (not subject to mandatory redemption), $100 par value: authorized 300,000 shares; issued and outstanding 150,000 shares, 4% series	15,000	15,000
Common stock, $1.25 par value: authorized 60,000,000 shares; issued 27,857,138; and outstanding 27,855,478 shares in 1981 and 27,646,563 shares in 1980	34,819	34,558
Capital in excess of par value	132,935	128,608
Earnings retained in the business	461,298	456,309

PHILIP MORRIS INCORPORATED (DEC)

	1981	1980
	($ Millions)	
Stockholders' Equity		
Common stock, par value $1 per share	$ 125.4	$ 124.8
Additional paid-in capital	415.7	389.0
Earnings reinvested in the business	2,763.5	2,339.2
Total stockholders' equity	$3,304.6	$2,853.0

UNITED STATES GYPSUM COMPANY (DEC)

	1981	1980
	($000)	
Stockholders' Equity		
Preferred Stock—$1 par value; authorized 6,000,000 shares—$1.80 Convertible Preferred Stock (initial series)—authorized 1,800,000 shares: outstanding at December 31, 1981—448,425 and December 31, 1980—544,717, callable at $36 per share ($16,143); liquidation preference of $36 per share; convertible into nine-tenths of a share of common stock	$ 448	$ 545
Common Stock—$4 par value; authorized 20,000,000 shares; outstanding at December 31, 1981—16,478,511 shares and December 31, 1980—16,188,579 shares (after deducting 685,105 shares and 975,037 shares, respectively, held in treasury)	65,914	64,754
Capital received in excess of par value	4,832	—
Deferred currency translation	(10,073)	—
Reinvested earnings	648,167	613,905
Total stockholders' equity	$709,288	$679,204

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 in 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

MERCK & CO., INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 10: Stock Option Plan

Effective December 1, 1981, subject to stockholder approval on April 27, 1982, the 1981 Incentive Stock Option Plan ("ISOP") and the 1981 Nonqualified Stock Option Plan ("1981 Plan") were adopted.

The Stock Option Plan ("Prior Plan") in existence in prior years as well as the above Plans provide for granting to key employees options to purchase Company common stock over ten years, at the fair market value at time of grant. For the Prior Plan, options become exercisable nine months from date of grant at a rate not exceeding 25% per year. For the ISOP and the 1981 Plan, options become exercisable one year from date of grant.

The Prior Plan, the 1981 Plan and, for certain key employees, the ISOP provide for granting stock appreciation rights (SARs) which permit the optionee to surrender the option and receive payment in shares, or shares and cash, equivalent to the difference between the option price and the market value of surrendered option shares.

During 1981, 57,009 shares were purchased under Prior Plan options at prices ranging from $55.25 to $79.00 per share, and 22,185 shares were issued by exercise of SARs.

At December 31, 1981, there were outstanding Prior Plan options to purchase 1,081,740 shares at prices ranging from $55.25 to $100.25 per share (aggregate price $73,339,000) with varying expiration dates through 1991. Of these, options to purchase 498,796 shares were exercisable at December 31, 1981 at prices ranging from $55.25 to $83.50 per share (aggregate price $32,323,000). At December 31, 1981 there are SARs outstanding on 1,059,597 Prior Plan option shares of which 476,653 were exercisable. There were no authorized shares available for future grants at December 31, 1981 under the Prior Plan.

At December 31, 1981, there were outstanding 218,750 ISOP and 87,525 1981 Plan options to purchase shares at $86.50 per share expiring in 1991. Of these, all the 1981 Plan and 22,250 of the ISOP have outstanding SARs. No options or SARs were exercisable at December 31, 1981, and there were a total of 1,985,180 shares available for future grants.

THE BARDEN CORPORATION (OCT)

NOTES TO FINANCIAL STATEMENTS

Note F—Changes in the status of options (after giving retroactive effect to the five-for-four stock split) under the Company's 1969 Qualified Option Plan and its 1978 Stock Option Plan (non-qualified) are summarized as follows:

	Shares		
	1981	1980	1979
Outstanding at beginning of year	15,448	24,511	34,843
Granted	None	None	3,011
Terminated	(502)	(938)	(2,406)
Exercised	(14,846)	(8,125)	(10,937)
Outstanding at end of year	100	15,448	24,511
Exercisable at end of year	100	10,752	9,437
Available for grant at end of year	None	None	None
Price range of options:			
Outstanding	$14.50	$ 3.50-14.50	$ 3.50-$14.50
Exercised	$ 5.95-$14.50	$ 3.50-$ 9.40	$ 3.25-$ 5.95

	Shares		
Non-Qualified	1981	1980	1979
Outstanding at beginning of year	12,500	13,750	13,750
Granted	None	None	None
Terminated	None	(938)	None
Exercised	None	(312)	None
Outstanding at end of year	12,500	12,500	13,750
Exercisable at end of year	12,500	12,500	9,687
Available for grant at end of year	112,188	112,188	111,250
Price range of optoins:			
Outstanding	$3.50	$3.50	$3.50-$9.40
Exercised		$9.40	

Upon the exercise of stock options, the Company credits the Treasury Stock account for the cost of the shares used therefor and charges the Retained Earnings account for the excess of cost over the option price.

FAIRCHILD INDUSTRIES, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 9 (in part): Employee Benefit Plans

Stock Incentive Plans—In October of 1981, the company, subject to shareholder approval at the 1982 Annual Meeting, established a new Stock Incentive Plan which provides for the granting to key employees and officers of incentive stock options, as defined under current tax laws, and stock appreciation rights (the plan is described in greater detail in the company's current Proxy Statement). The stock options are exercisable at a price equal to the market value on the date of grant. Stock appreciation rights provide for the issuance of a combination of stock and cash equal to the appreciation on the allocated shares from the market value at the end of grant to the date of exercise. These stock incentives, and those issued under predecessor stock incentive plans, are generally exercisable one year after the date of grant.

In 1980, the company granted options for 247,107 shares to employees of VSI to replace options to purchase VSI stock. Prices of the options, which become exercisable over a period of up to nine years, range from $.71 to $13.18 per share.

Transactions involving the plans are summarized as follows:

	Option Shares		
	1981	1980	1979
Outstanding January 1	511,771	273,254	316,936
Granted	165,750	374,317	120,000
Canceled	(10,311)	(10,000)	(10,000)
Exercised ($2.03 to $17.12 per share)	(93,981)	(125,800)	(153,682)
Outstanding December 31 ($.71 to $30.75 per share)	573,229	511,771	273,254
Exercisable December 31	262,533	190,685	153,254

	Appreciation Rights		
	1981	1980	1979
Outstanding January 1	123,500	160,500	202,500
Granted	116,000	107,000	65,500
Canceled	—	(16,000)	—
Exercised ($6.45 to $17.75 per share)	—	(128,000)	(107,500)
Outstanding December 31 ($12.00 to $28.00 per share)	239,500	123,500	160,500
Exercisable December 31	123,500	16,500	95,000
Maximum shares issuable for outstanding rights	119,750	61,750	80,250

The outstanding stock incentives, if not exercised, will expire from 1982 to 1990. Subject to shareholder approval of the 1981 Stock Incentive Plan, the company will have 1,114,250 shares reserved for future grant.

The company expenses the increase in the value of the stock appreciation rights resulting from changes in the market price of its common stock. The amount of expense recognized was $1,348,000 in 1980 and $1,352,000 in 1979. As a result of the decline in the market price of the company's common stock, $643,000 of expense was reversed in 1981.

PORTEC, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9: Incentive Program

The Company's 1976 Stock Option Plan ("1976 Plan") permits the granting to key employees of non-qualified stock options and, prior to May 21, 1981, permitted the granting of qualified options to purchase shares of the Company's common stock at prices not less than the fair market value of such shares on the date the option is granted. Options which are granted as qualified options may not, after May 21, 1981, be exercised as qualified options and may be exercised at any time during the five years following the date of grant. Non-qualified stock options may be exercised in various cumulative amounts determined at the time of grant for up to 10 years following the date of grant. This plan was adopted by stockholders in 1976 and amended in 1980 to include authorization to grant stock appreciation rights ("SARs") in relationship to non-qualified options. SARs may be granted at the time the related option is granted or at any time thereafter while the related option remains outstanding. SARs entitle the optionee to receive the appreciation in value of the shares (i.e. the difference between market price of a share at time of exercise of the SARs and option price) in cash, shares or a combination thereof. SARs utilize the same shares reserved for issuance of options and the exercise of an SAR or option automatically cancels the related option or SAR. Options and SARs may be granted under this plan until January 27, 1986, and at December 31, 1981, there were 141,720 shares reserved for issuance under this plan. The final options under the Company's 1966 Plan were exercised in 1980, and that plan expired.

On December 9, 1981, the Company's Board of Directors adopted the 1982 Portec, Inc. Employees' Benefit Plan ("1982 Plan") and reserved 150,000 shares of common stock for the grant of awards thereunder, to key employees, subject to approval by the Company's stockholders. If approved by stockholders, grants of awards may be made under this plan until December 8, 1991. This plan provides for the granting of incentive and non-qualified stock options; SARs in relation to such options, so that the exercise of either an SAR or option will automatically cancel the related option or SAR; restricted stock awards and performance units.

Options and related SARs will be granted at prices which will not be less than the fair market value of such shares on the date the option is granted and may be exercisable for periods of up to 10 years from the date of grant. This plan permits the Company's Board of Directors to make restricted stock awards to key employees whereby the designated employee will have shares issued in his name which will be restricted as to the right of sale and other disposition until certain predetermined performance and/or time requirements are met. Also, the Board may contract with key employees to issue shares to them upon their accomplishment of predetermined performance targets.

The following is a summary of stock option and SAR information; the number of shares and prices related to the options and SARs have been adjusted, where applicable, to reflect the stock dividend paid in 1980.

	1981 Option Shares	1981 Average Option Price	1980 Option Shares	1980 Average Option Price
Stock Options:				
Outstanding—beginning of year	117,610	$15.736	80,042	$13.543
Granted	46,700(a)	12.683	65,150	16.041
Exercised	(1,986)	13.795	(25,416)	9.561
Surrendered for exercised SAR	(330)	13.549	—	—
Cancelled or expired	(16,466)	15.967	(2,166)	16.248
Outstanding—end of year	145,528(a)	$14.762	117,610	$15.736
Exercisable—end of year	78,118	$15.492	79,718	$15.343
Available for grant	146,192(b)	—	26,426	—
Stock Appreciation Rights:				
Outstanding—beginning of year	66,317	$15.600	—	—
Granted	11,700	14.724	66,317	$15.600
Exercised	(330)	13.549	—	—
Cancelled or expired	(10,118)	15.678	—	—
Outstanding—end of year	67,569	$15.405	66,317	$15.600

(a) Includes incentive stock options for 35,000 shares granted at an option price of $12.00 per share under the 1982 Plan which plan is subject to stockholders' approval.

(b) Includes 115,000 shares under the 1982 Plan.

When common stock is issued, the proceeds from options exercised are credited to common stock to the extent of the par value of the shares issued and the excess is credited to additional capital. When treasury common stock is issued, the difference between the cost of treasury stock issued and the proceeds from options exercised is charged to additional capital.

The Company has an incentive compensation program for certain management employees based upon performance in relation to predetermined standards. Additionally, an incentive compensation plan exists for key executives of the Company. Charges to operations for these plans aggregated $1,078,000, $1,551,000 and $1,287,000 for years ended December 31, 1981, 1980 and 1979, respectively.

RAYBESTOS-MANHATTAN, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(000's omitted)

Note L—Employee Stock Options

Under the 1980 Non-Qualified Stock Option Plan, as amended in 1981, the Company may grant options to key employees on the Company's common stock at not less than the fair market value at the time the options are granted. The 1981 amendment increased from 200,000 to 300,000 the aggregate number of shares available for grant under the plan. In addition, the Plan allows the granting of stock appreciation rights with all or part of any option granted thereunder. Upon exercise of a stock appreciation right, the holder surrenders the option and receives the excess of the then fair market value of the common shares over the option price in cash. In general, the options and stock appreciation rights are exercisable at the cumulative rate of 20% a year after one year from the date of grant, except that options and stock appreciation rights granted on December 6, 1979 were exercisable one year after grant.

On November 17, 1980, a tender offer was commenced by Hi-Shear Industries, Inc. Pursuant to a provision of the Plan relating to public offers to purchase shares of the Company, certain officers elected to exercise 56,500 stock appreciation rights for $637 in cash. All exercises were approved by the Management Compensation Committee and paid during 1981. In 1980, $924 was charged to operations for the increase in value and exercise of stock appreciation rights, including the $637. In 1981, $188 was credited to operations for the decrease in value of stock appreciation rights.

The following table represents changes in the number of shares issuable under the plan during the fifty-two weeks ended:

	December 27, 1981 Stock Options	December 27, 1981 Stock Appreciation Rights	December 28, 1980 Stock Options	December 28, 1980 Stock Appreciation Rights
Outstanding at beginning of period ($18.25 to $28.38 per share)	89,000	80,000	50,000	50,000
Granted ($17.25 to $18.25 per share)	—	—	99,500	90,500
Exercised (17.25 to $18.25 per share)	(4,000)	—	(56,500)	(56,500)
Cancelled (18.25 per share)	(12,000)	(10,000)	(4,000)	(4,000)
Outstanding at end of period ($18.25 to $28.38 per share)	73,000	70,000	89,000	80,000
Exercisable at end of period ($23.75 to $28.38 per share)	54,600		50,000	
Shares available for granting options:				
Beginning of Period	54,500		150,000	
End of period	166,500		54,500	

Under the 1969 Qualified Stock Option Plan, the Company granted to key employees options to purchase up to 239,580 shares of the Company's common stock at no less than the fair market value thereof at the time the options were granted. At December 27, 1981, there were no options available for future grant. Options granted under this plan are exercisable within five years from the date of grant. Transactions involving the Plan are summarized as follows:

	December 27, 1981	December 28, 1980
Outstanding at beginning of period ($24.42 to $25.98 per share)	38,981	79,033
Cancelled ($24.42 to $25.98 per share)	(11,200)	(33,648)
Exercised ($16.20 to $25.98 per share)	(658)	(6,404)
Outstanding at end of period ($24.42 to $25.98 per share)	27,123	38,981
Exercisable at end of year ($24.42 to $25.98 per share)	25,019	26,349

STANDUN INC. (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4—Stock Options and Warrant

As of November 30, 1980, the Company had reserved 10,150 shares of its common stock at an exercisable price of $2.38 per share for issuance to key employees upon exercise of options granted during the year 1977 under a qualified stock option plan, which expired on September 30, 1977. All of these options were exercised during the current fiscal year.

During 1978, the Company adopted a new non-qualified Employee Stock Option Plan and reserved 130,000 shares of common stock for issuance to key employees. The plan expires in 1987. Options granted under the plan become exercisable at varying percentages from date of grant through expiration, either at termination of employment or five years after date of grant. At November 30, 1981, options for 78,000 shares at exercise prices ranging from $4.25 to $8.31 had been granted (during the years 1978 through 1981) and were outstanding. At November 30, 1981, options for 23,800 shares were exercisable at prices ranging from $4.25 to $6.38 per share.

During the years 1977 through 1981, the Company granted to an executive officer and five directors, non-qualified stock options to purchase a total of 65,000 shares at prices ranging from $2.38 to $7.94 per share (market price ranging from $2.38 to $7.94 per share at date of grant). These options become exercisable at varying times over the subsequent three years and expire five years after date of grant. At November 30, 1981, options for 58,500 shares were exercisable at prices ranging from $2.38 to $7.94 per share.

The Company has reserved 60,804 shares of common stock for issuance pursuant to the exercise of a common stock purchase warrant. The warrant entitles the holder to purchase shares of the Company's common stock at a price of $6.47 per share at any time through its expiration in 1987.

During 1980, the company entered into stock purchase agreements to sell 75,000 shares of its common stock to certain officers for $5.31 per share (market price at date of grant), at any time during the five years subsequent to the date of the agreements.

All of the shares reserved (330,803) for options, warrant and purchase agreements are subject to certain antidilution provisions.

THE PILLSBURY COMPANY (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11: Stock options:

Under a Nonqualified Stock Option Plan, options to purchase in the aggregate 600,000 shares of the company's common stock can be granted to officers and key employees except for those persons holding awards under the Performance Unit Plan (Note 12). Options granted under the plan are at 100% of the fair market value at dates of grant, become exercisable in annual installments of 25% beginning one year after date of grant on a cumulative basis and expire 10 years after date of grant.

Options granted under an expired Qualified Stock Option Plan have all been either exercised or cancelled at May 31, 1980.

The company adopted Green Giant's Stock Option Plan under which officers and other key employees had been granted qualified and nonqualified options to purchase shares of common stock of Green Giant.

Qualified options were granted at prices not less than 100% of fair market value at dates of grant and exercisable over five years from dates of grant. Nonqualified options were granted at prices no less than 100% of fair market value at dates of grant and are exercisable over ten years from dates of grant. Stock appreciation rights were granted concurrently with specific nonqualified stock options and are redeemable five years after the dates of grant but prior to the expiration of the related stock option. As adopted by the company, each outstanding option was substituted with an option to purchase shares of common stock of the company at a predetermined exchange ratio.

Under all option plans, an amount equal to the option price is credited to common stock at the time of exercise and nothing is charged to earnings.

Changes in stock options outstanding	Reserved	Shares Granted	Exercisable	Option Price Per Share
Balances at May 31, 1978	645,642	97,942	47,222	$10.00-41.38
Granted		95,650		32.94-45.25
Becoming exercisable			34,727	10.00-41.38
Exercised	(31,897)	(31,897)	(31,897)	10.00-23.21
Cancelled	(3,150)	(15,350)	(4,287)	
Green Giant options assumed	108,285	108,285	51,559	16.82-23.21
Balances at May 31, 1979	718,880	254,630	97,324	10.21-45.25
Granted		248,300		30.75-38.63
Becoming exercisable			48,323	18.78-45.25
Exercised	(31,084)	(31,084)	(31,084)	10.21-23.21
Cancelled	(12,996)	(42,896)	(15,037)	
Balances at May 31, 1980	674,800	428,950	99,526	16.82-45.25
Granted		8,600		31.75-44.88
Becoming exercisable			94,961	18.78-45.25
Exercised	(16,542)	(15,542)	(16,542)	18.78-34.69
Cancelled	(12,248)	(62,948)	(25,115)	
Balances at May 31, 1981	646,010	358,060	152,830	16.82-45.25

Options outstanding at May 31, 1981 were granted or assumed in fiscal year 1977 (24,350 shares); 1978 (5,200 shares); 1979 (122,785 shares); 1980 (214,225 shares); and 1981 (1,500 shares). Unexercisable options at May 31, 1981, become exercisable in fiscal year 1982 (80,244 shares); 1983 (70,636 shares); 1984 (53,975 shares); and 1985 (375 shares).

STOCK PURCHASE PLANS

AMERICAN BUILDING MAINTENANCE INDUSTRIES (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (in part): Capital Stock

The company has an employee stock purchase plan under which sale of its common stock has been authorized. The purchase price of the shares under the plan is the lesser of 85% of the fair market value at the commencement of each plan year or 85% of the fair market value of the date of purchase. Employees may designate up to 10% of their compensation for the purchase of stock. During 1981, 1980 and 1979, 61,000, 68,000 and 55,000 shares of stock respectively were issued under the plan for an aggregate purchase price of $843,000, $801,000 and 675,000, respectively. At October 31, 1981, 177,000 shares remained unissued under the plan.

CBI INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12: Employee Stock Purchase Plans

CBI has two employee stock purchase plans, the CBI Employee Stock Purchase and Savings Plan (1977) (parent plan) and the Employee Stock Purchase Plan for Participating CBI Subsidiaries (subsidiary plan). These plans expire on January 16, 1982. Under both plans, CBI sells shares of its common stock on January 15 and July 15 of each year at 85% of the fair market value on those dates. Such shares may be newly issued or reacquired.

The parent plan allows employees of CBI Industries, Inc. and of participating domestic subsidiaries to purchase not more than 800,000 common shares through January 15, 1982, by payroll deductions of 4%, 6% or 8% of each employee's compensation payments. As of December 31, 1981, 443,148 shares had been purchased. The subsidiary plan permits designated employees of participating subsidiaries working outside the U.S. to purchase not more than 100,000 common shares through January 15, 1982, for cash at time of purchase. Cash payments for any year are limited to 8% of the employee's prior year's compensation. As of December 31, 1981, 26,026 shares had been purchased.

Employees made the following purchases under these plans during 1981, 1980 and 1979:

Purchase Date	Number of Shares	Purchase Price	Fair Market Value
July 15, 1981	42,086	$41.65	$49.00
January 15, 1981	32,472	$51.74	$60.88
July 15, 1980	35,300	$41.17	$48.44
January 15, 1980	45,468	$34.90	$41.06
July 16, 1979	54,432	$26.41	$31.07
January 15, 1979	69,588	$21.04	$24.75

All shares sold were from reacquired stock.

Two new substantially identical plans entitled the CBI Employee Stock Purchase and Savings Plan (1982) and the Employee Stock Purchase Plan for Participating CBI Subsidiaries (1982) have been adopted, effective January 1, 1982, subject to shareholder approval at the annual meeting on April 13, 1982.

MIRRO CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 8: Stock Option, Stock Appreciation and Stock Purchase Plans

The Company's 1969 Employee Qualified Stock Option Agreement expired in November, 1979. During 1979, options for 22,100 shares were exercised at the grant price of $9.875 per share and 13,500 options were canceled.

During 1980, the shareholders approved the 1980 Employees' Stock Option and Stock Appreciation Rights Plan. The plan provides that options may be granted to officers or other key employees for the purchase of up to 150,000 shares of the Company's common stock. The options are exercisable six months after date of grant at prices not less than the market value at date of grant, and expire no later than five years after date of grant. The 1980 plan also provides for the granting of stock appreciation rights in conjunction with the options. The rights enable the holder, at the discretion of the Company, to receive cash or the equivalent value in common shares for the excess of the fair market value of the stock over the option price at the date of exercise. When options and appreciation rights are granted in tandem, the exercise of one cancels the other.

No stock options or stock appreciation rights were granted in 1981. There were 22,000 stock options and 11,000 stock appreciation rights granted in 1980 at an option price of $14.25 per share. No stock options or stock appreciation rights were exercised in 1981 or 1980. 128,000 stock options and 64,000 stock appreciation rights are available for grant at December 31, 1981.

During 1981, the shareholders approved the 1981 Executive Restricted Stock Purchase Plan. The plan provides that offers to purchase 200,000 shares of common stock of the Company may be made to key executive employees. The purchase price of the shares offered may not be less than 50% of the average closing price for the common stock on the New York Stock Exchange immediately preceding the date of the offer or the par value of the shares, which ever is lower. Employees at their election may purchase the shares or pay not less than 20% in cash and the remainder in installments over a period not to exceed 5 years. The difference between the average closing price and the purchase price for the common stock is payable to the Company by the employee upon redemption or sale of the stock. The plan requires the Company to repurchase the shares in the event of certain mergers, consolidations, sale of assets or exchanges of shares of the Company. The Company has the option to repurchase the shares in all other events.

During 1981, 44,000 shares were sold at a date when the market value was $13.325 per share. At December 31, 1981, the receivables from executive employees totaled $235,000 which is due in installments over a 5-year period and bear the interest at the rate of 8%. 156,000 shares were available to be offered under the plan at December 31, 1981.

CENTRONICS DATA COMPUTER CORP. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (in part): Stock option and purchase plans

Restricted Stock Purchase Plan—Under the Company's 1979 Restricted Stock Purchase Plan as amended, the Company may offer to sell shares of common stock to employees of the Company and all of its subsidiaries at a price per share of not less than par value ($.01) and not more than 10% of market value on the date the offer is approved, and on such terms as deemed appropriate. The shares issued under the plan are in all events subject to rights of repurchase whereby the Company may reacquire the unvested portions of the shares for the original issue price if such employees' employment with the Company is terminated for reasons other than death or permanent and total disability. Under the plan, such restrictions lapse as to 25% of the purchased shares on each of the second, third, fourth and fifth anniversaries of the purchase date. Common Stock reserved for future grants aggregated 385,000 at June 28, 1981. The following table summarizes the activity of the Employee stock Purchase Plan during the respective fiscal years.

	1981		1980	
	Number of shares	Fair market value at issuance date	Number of shares	Fair market value at issuance date
Shares outstanding beginning of year	22,000	$ 771,000		
Shares issued ($.10 per share)	108,000	2,017,000	22,000	$771,000
Shares repurchased	(15,000)	(449,000)		
Shares outstanding end of year	115,000	$2,339,000	22,000	$771,000

Shares outstanding at June 28, 1981 were issued at various dates during fiscal 1981 (101,000 shares) and 1980 (14,000 shares). The difference between the issue price and the fair market value of the shares at the date of issuance is accounted for as unearned compensation and is being amortized to expense as the employees perform the services. During fiscal 1981, $262,000 was charged to operations. To the extent the amount deductible for Federal income taxes exceeds the amount charged to income for book purposes the Federal income tax benefits relating to this difference is credited to additional paid in capital.

SPERRY CORPORATION (MAR)

NOTES TO FINANCIAL STATEMENTS

Note 15 (in part): Common Stock

Under the employees stock purchase plan approved by stockholders, eligible employees may purchase a maximum of 3,000,000 shares of common stock through payroll deductions ranging from 2% to 10% of their compensation during ten six-month periods which began November 1, 1977. The purchase price per share in each period is 85% of the average market value at either the beginning or end of the period, whichever is lower. During the year ended March 31, 1981, 760,881 shares were issued at purchase prices of $36.71 and $40.22 per share, during the year ended March 31, 1980, 606,619 shares were issued at purchase prices of $35.70 and $36.92 per share.

DANA CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Stock Purchase Plan

All full-time domestic employees are eligible to join Dana's amended employee stock purchase plan. The plan provides that employees may authorize Dana to withhold up to 15% of earnings and deposit such amounts with the plan's independent trustee. The trustee purchases, as nominee for the participants, common stock of Dana at prevailing market prices and distributes shares purchased to the participants.

Under the amended plan, Dana contributes on behalf of each participating employee specified percentages (30% to 50%) of participants' contributions. Dana's contributions are included in the participants' gross wages and appropriate taxes are withheld. Dana's contributions under the amended plan which were charged to expense amounted to $4,675,000 in 1981, $3,899,000 in 1980 and $3,500,000 in 1979.

TREASURY STOCK

Chapter 1B of *Accounting Research Bulletin No. 43*, as revised by *APB Opinion No. 6*, deals with accounting for treasury stock. As shown in Table 2-36, the prevalent balance sheet presentation of treasury stock is to show the cost of treasury stock as a reduction of stockholders' equity.

Examples of treasury stock presentations follow.

Cost of Treasury Stock Deducted From Stockholders Equity

AMF INCORPORATED (DEC)

	1981	1980
	($000)	
Stockholders' Equity		
Capital stock:		
Preferred stock, $100 par value, 3.90% cumulative, shares authorized and issued: 1981—18,000; 1980—20,000	$ 1,800	$ 2,000
Preference stock, without par value, 4,000,000 shares authorized and unissued	—	—
Common stock, $1.75 par value, 40,000,000 shares authorized; shares issued: 1981—23,980,625; 1980—23,526,965	41,966	41,172
Capital in excess of par value	74,803	70,525
Retained earnings	371,965	358,682
Foreign currency translation adjustment	(8,021)	8,722
	482,513	481,101
Less treasury stock, at cost: (Preferred shares: 1981—9,624; 1980—6,739; Common shares: 1981—916,074; 1980—982,027)	(27,686)	(30,140)
Total stockholders' equity	$454,827	$450,961

TABLE 2-36: TREASURY STOCK—BALANCE SHEET PRESENTATION

	1981	1980	1979	1978
Common Stock				
Cost of treasury stock shown as stockholders' equity deduction	341	336	345	345
Par or stated value of treasury stock deducted from issued stock of the same class	41	40	39	42
Cost of treasury stock deducted from stock of the same class	14	16	13	13
Cost of treasury stock shown as noncurrent asset	4	6	6	7
Other	4	6	11	5
Total Presentations	**404**	**404**	**414**	**412**
Preferred Stock				
Cost of treasury stock shown as stockholders' equity deduction	17	20	21	28
Par or stated value of treasury stock deducted from issued stock of the same class	7	6	5	8
Other	4	3	3	4
Total Presentations	**28**	**29**	**29**	**40**
Number of Companies				
Disclosing treasury stock	410	408	417	418
Not disclosing treasury stock	190	192	183	182
Total Companies	**600**	**600**	**600**	**600**

ARMSTRONG WORLD INDUSTRIES, INC. (DEC)

	1981	1980
	($000)	
Stockholders' equity:		
Preferred stock, $3.75 cumulative, no par value.		
Authorized 161,821 shares; issued 161,522 shares (at redemption price of $102.75 per share)	$ 16,596	$ 16,596
Voting preferred stock. Authorized 1,500,000 shares	—	—
Common stock, $1.00 par value per share.		
Authorized 60,000,000 shares; issued 25,939,455 shares	25,939	25,939
Additional paid-in capital	44,660	47,066
Retained earnings	543,457	524,146
	630,652	613,747
Less treasury stock, at cost:		
Preferred stock, $3.75 cumulative—43,373 shares	3,986	3,986
Common stock: 1981—1,501,352 shares; 1980—1,192,748 shares	25,143	22,702
	29,129	26,688
Total stockholders' equity	$601,523	$587,059

ASARCO INCORPORATED (DEC)

	1981	1980
	($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	7,550	6,917
Retained Earnings	929,385	925,921
Treasury Stock (at cost): 1981—5,453,077 shares; 1980—1,866,753 shares	(247,991)	(45,535)
Asarco's pro rata interest in the cost of its shares held by M.I.M. Holdings Limited	(96,800)	—
Total Common Stockholders' Equity	$1,018,783	$1,313,942

NOTES TO FINANCIAL STATEMENTS

Note 3 (in part): Investments

M.I.M. Holdings Limited—At December 31, 1981, the Company owned 218,601,738 common shares (48.9% of the total) of MIM and MIM owned 4,157,563 common shares (16.0% of the total) of Asarco. These respective ownership interests result in Asarco having a pro rata interest of 7.8% in its own shares Thus, the Company's MIM investment carrying value and common stockholders equity have been reduced by the cost to MIM of this pro rata interest in the Asarco shares. Asarco's equity in earnings of MIM excludes any Asarco dividends included in MIM earnings. The Company's MIM investment carrying value and dividends paid are adjusted to reflect Asarco's pro rata interest in its dividends paid to MIM.

Details of the investment are as follows:

	1981	1980
	(dollars in thousands)	
Number of MIM common shares owned by Asarco	218,601,738	218,601,738
Carrying value		
Cost of shares held	$ 9,819	$ 9,819
Equity in undistributed earnings	270,480	281,540
Adjustment for Asarco's pro rata cumulative interest in Asarco dividends paid to MIM	1,318	—
	281,617	291,359
Less Asarco pro rata interest in the cost of its shares held by MIM	96,800	—
Net carrying value	$184,817	$291,359

CHICAGO PNEUMATIC TOOL COMPANY (DEC)

	1981	1980
Stockholders' Equity:		
Preferred stock (without par value)		
Authorized 1,000,000 shares—none issued to date		
Common stock ($8 par value)		
Shares authorized 12,000,000		
Shares issued 5,586,521	$ 44,692,000	$ 44,692,000
Additional paid-in capital	9,345,000	9,345,000
Retained earnings	133,662,000	137,714,000
	187,699,000	191,751,000
Less: Cumulative translation effect	9,153,000	—
Treasury stock at cost (698,970 shares)	20,490,000	20,490,000
Unrealized loss on marketable equity securities	259,000	2,026,000
Total Stockholders' Equity	$157,797,000	$169,235,000

EMPIRE INCORPORATED (JUN)

	1981	1980
Stockholders' Equity		
Capital stock		
Preferred, no par value; authorized 200,000 shares		
Common, $1 par value; authorized 25,000,000 shares, issued 7,830,576 shares	$ 7,830,576	$ 7,830,576
Additional paid-in capital	2,665,557	2,665,557
Retained earnings	48,078,486	49,743,795
	58,574,619	60,239,928
Less treasury stock, at cost 1981—4,307,278 shares; 1980—4,407,490 shares	(21,985,321)	(22,777,791)
	$36,589,298	$37,462,137

STANLEY HOME PRODUCTS, INC. (DEC)

	1981	1980
Stockholders' Equity		
Common stock (voting), par value $1— Authorized 1,058,310 shares Issued 529,155 shares........	$ 529,155	$ 529,155
Common stock non-voting, par value $1— Authorized 6,000,000 shares Issued 2,624,375 shares.....	2,624,375	2,624,375
Capital in excess of par value...	1,780,349	1,780,349
Retained earnings................	103,560,368	92,919,289
Cumulative translation adjustments..........................	(9,417,674)	—
	99,076,573	97,853,168
Less—Shares held in treasury, at cost—		
Common stock (voting), 75,364 in 1981 and 71,719 in 1980	928,990	824,054
Common stock non-voting, 402,549 shares in 1981 and 391,649 in 1980......	6,458,159	6,134,747
Total stockholders' equity..	$ 91,689,424	$90,894,367

Cost of Treasury Stock Classified as Noncurrent Asset

GENERAL MOTORS CORPORATION (DEC)

	1981	1980
	($ Millions)	
Total Current Assets.........................	$13,716.1	$15,485.1
Equity in Net Assets of Nonconsolidated Subsidiaries and Associates (principally GMAC and its subsidiaries)..............	3,379.4	2,899.8
Other Investments and Miscellaneous Assets—at cost (less allowances).......	1,783.5	1,147.3
Common Stock Held for the Incentive Program (Note 3)............................	71.5	125.8

Note 3 (in part): Incentive Program

Common stock held for the Incentive Program is stated substantially at cost and used exclusively for payment of Program liabilities.

(Dollars in Millions)	1981 Shares	1981 Amount	1980 Shares	1980 Amount
Balance at Jan. 1....	2,037,978	$125.8	3,108,316	$192.9
Acquired during the year...............	2,833	.1	9,097	.5
Sold to trustee of S-SPP.............	(8,224)	(.5)	(11,216)	(.6)
Delivered to participants..............	(855,450)	(53.9)	(1,068,219)	(67.0)
Balance at Dec. 31..	1,177,137	$ 71.5	2,037,978	$125.8

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

	1981	1980	1979	1978
Income	362	367	373	367
Earnings	174	175	179	177
Operations	59	56	47	54
Other	5	2	1	2
Total Companies	**600**	**600**	**600**	**600**

Income

E. I. DUPONT DE NEMOURS AND COMPANY

Consolidated Income Statement

MIDLAND-ROSS CORPORATION

Consolidated Statement of Income

SIMPLICITY PATTERN CO. INC.

Statement of Income & Earnings Retained in Business

THE SINGER COMPANY

Statement of Income

Earnings

BURLINGTON INDUSTRIES, INC.

Consolidated Statements of Earnings and Retained Earnings

SNAP-ON TOOLS CORPORATION

Consolidated Statements of Earnings

SUNDSTRAND CORPORATION

Consolidated Statement of Earnings

WM. WRIGLEY JR. COMPANY

Statement of Consolidated Earnings

Operations

BRUNSWICK CORPORATION

Consolidated Results of Operations

TEMTEX INDUSTRIES, INC.

Consolidated Statements of Operations

WHIRLPOOL CORPORATION

Consolidated Statement of Operations

INCOME STATEMENT FORMAT

Table 3-2 shows that more survey companies used a single step income statement to summarize revenue and expense amounts than a multiple step income statement. A substantial number of income statements, both single-step and multiple-step, showed income taxes, 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.

TABLE 3-2: INCOME STATEMENT FORMAT

	1981	1980	1979	1978
Single-step Form				
Federal income tax shown as separate last item	306	310	306	323
Federal income tax listed among operating items...	27	36	45	47
Multiple-step Form				
Costs and expenses deducted from sales to show operating income	147	137	131	118
Costs deducted from sales to show gross margin	120	117	118	112
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 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

ALLEGHENY INTERNATIONAL, INC. (DEC)

	1981	1980	1979
		(In thousands)	
Net sales	$1,907,809	$923,528	$850,290
Other income, net	34,278	14,153	12,266
Provision for closedown and relocation of plant facilities	(6,700)	(3,900)	(2,100)
	$1,935,387	$933,781	$860,456

AMERICAN MAIZE-PRODUCTS COMPANY (DEC)

	1981	1980	1979
Net sales	$423,153,000	$413,707,000	$355,155,000
Cost of sales	325,745,000	319,431,000	277,102,000
Gross profit on sales	$ 97,408,000	$ 94,276,000	$ 78,053,000

BLUE BELL, INC. (SEP)

	1981	1980	1979
		(In thousands)	
Net Sales	$1,427,164	$1,397,760	$1,029,453
Cost and Expenses:			
Cost of goods sold	1,025,812	983,295	710,342
Marketing, administrative and general expenses	295,981	272,457	195,033
Interest expense	33,052	25,563	8,803
Interest income	(2,900)	(5,916)	(7,659)
Miscellaneous income—net	(14,338)	(1,720)	(586)
Total	1,337,607	1,273,679	905,933
Income Before Income Taxes	$ 89,557	$ 124,081	$ 123,520

BROCKWAY GLASS COMPANY, INC. (DEC)

	1981	1980	1979
		(In thousands)	
Net sales	$780,172	$698,456	$585,133
Cost of sales	713,795	639,462	526,028
Selling, general and administrative expense	36,471	29,299	26,747
	750,266	668,761	552,775
Operating income	$ 29,906	$ 29,695	$ 32,358

CONTROL DATA CORPORATION (DEC)

	1981	1980	1979
		(Dollars in millions)	
Revenue			
Net sales	$1,660.2	$1,473.4	$1,147.6
Services	1,111.9	980.6	832.4
Rentals	329.2	311.6	268.6
Total revenue	$3,101.3	$2,765.6	$2,248.6

TABLE 3-3: SALES—CAPTION TITLE

	1981	1980	1979	1978
Net Sales				
Net sales	375	376	379	376
Net sales and operating revenue	9	10	16	18
Net sales combined with other terms	14	16	13	12
Sales				
Sales	89	93	87	89
Sales and operating revenue	23	25	24	27
Sales combined with other terms	19	19	17	19
Other Captions				
Revenue or gross operating income	63	53	53	50
Gross sales, income, billings, shipments, etc.	8	8	11	9
Total Companies	**600**	**600**	**600**	**600**

TABLE 3-4: OTHER REVENUE

	Number of Companies			
	1981	**1980**	**1979**	**1978**
Interest	252	201	175	167
Gains on disposition of assets	120	95	87	69
Equity in earnings of investees	113	107	112	110
Translation gains	81	84	65	46
Dividends	49	40	30	26
Royalties	38	34	32	28
Rentals	8	15	19	14

Sales

AMSTED INDUSTRIES INCORPORATED (SEP)

	1981	1980	1979
		In Thousands	
Sales	$837,078	$914,868	$855,725
Costs			
Cost of goods sold	676,192	709,784	668,445
Selling, administrative and general expenses	57,407	55,697	47,848
Depreciation	21,291	20,184	19,210
Other (income) expense—net	(6,898)	(5,686)	375
Total costs	747,992	779,979	735,878
Income Before Taxes on Income	$ 89,086	$134,889	$119,847

ARDEN GROUP, INC. (DEC)

	1981	1980	1979
Sales	$517,029,330	$509,627,875	$460,479,105
Cost of sales	366,999,427	368,367,303	335,202,890
Gross profit on sales	$150,029,903	$141,260,572	$125,276,215

GRUMMAN CORPORATION (DEC)

	1981	1980	1979
		(Dollars in Thousands)	
Sales	$1,915,529	$1,729,337	$1,476,009
Other income	33,864	29,962	16,909
	1,949,393	1,759,299	1,492,918
Costs and expenses:			
Cost of sales	1,761,701	1,580,214	1,348,075
Selling, administrative and other	101,699	98,262	84,658
Interest	53,007	27,155	26,514
	1,916,407	1,705,631	1,459,247
Income before Federal income tax	$ 32,986	$ 53,668	$ 33,671

Revenue

EMHART CORPORATION (DEC)

	1981	1980	1979
		(In Millions)	
Revenues	$1,747.1	$1,802.9	$1,573.5
Cost of sales	1,195.3	1,286.8	1,129.2
Selling, general and administrative	354.2	363.3	309.1
Research and development	32.5	32.6	28.9
Total operating cost and expenses	1,582.0	1,682.7	1,467.2
Operating income	$ 165.1	$ 120.2	$ 106.3

METRO-GOLDWYN-MAYER FILM CO. (AUG)

	1981	1980	1979
OPERATING REVENUES (note 1)			
Feature films	$256,490,000	$141,623,000	$159,247,000
Television programs	38,953,000	39,554,000	33,721,000
Music publishing	2,870,000	—	—
Total operating revenues	$298,313,000	$181,177,000	$192,968,000

Note 1 (in part): Summary of Accounting Policies

Accounting for Television License Agreements

The Company reports revenue from television licensing agreements, along with related costs, in the accounting period in which the agreement is executed, provided certain conditions of sale have been met, including availability for broadcast.

Feature film operations for fiscal 1979 include $31,237,000 of operating Revenues and $15,922,000 of Net Income ($.48 per share) recognized from the licensing of U.S. network television rights to "Gone With The Wind."

THE WILLIAMS COMPANIES (DEC)

	1981	1980	1979
		(Thousands)	
Revenues:			
Fertilizer			
Agrico Chemical Company	$ 984,626	$1,171,154	$ 912,799
Energy			
Williams Exploration Company	420,689	337,236	269,112
Williams Pipe Line Company	142,694	135,144	124,853
Total energy	563,383	472,380	393,965
Metals			
Edgcomb Metals Company	500,132	493,291	591,451
Intercompany eliminations	(71,805)	(64,139)	(48,202)
Total revenues	$1,976,336	$2,072,686	$1,850,013

Interest Income

THE GILLETTE COMPANY (DEC)

	1981	1980	1979
		(Thousands of dollars)	
Net Sales	$2,334,397	$2,315,294	$1,984,722
Cost of Sales	1,046,872	1,092,163	940,025
Operating Expenses	975,563	945,524	806,472
	2,022,435	2,037,687	1,746,497
Income from Operations	311,962	277,607	238,225
Nonoperating Charges (Income):			
Interest income	(15,410)	(10,246)	(8,375)
Interest expense	78,528	59,706	37,485
Other charges—net	32,053	14,570	19,797
	95,171	64,030	48,907
Income before Income Taxes	$ 216,791	$ 213,577	$ 189,318

MCCORMICK & COMPANY, INCORPORATED (NOV)

	1981	1980	1979
		(Dollars in Thousands)	
Net Sales	$659,817	$527,601	$443,497
Operating Expenses			
Cost of goods sold	423,407	345,181	277,620
Selling, general and administrative	181,105	156,020	132,271
	604,512	501,201	409,891
Income from Operations	55,305	26,400	33,606
Other Income			
Royalties	1,218	883	712
Interest	917	366	862
Miscellaneous	471	789	914
Total	2,606	2,038	2,488
	57,911	28,438	36,094
Income Deductions			
Interest			
Long-term debt	12,355	5,172	4,763
Other	1,706	5,668	1,382
Miscellaneous	2,135	971	592
Total	16,196	11,811	6,737
Income before Income Taxes	$ 41,715	$ 16,627	$ 29,357

MCGRAW-HILL, INC. (DEC)

	1981	1980	1979
		(Thousands of dollars)	
Operating revenue	$1,110,125	$1,000,146	$ 879,886
Other income—net	12,521	9,560	9,620
Interest income	4,435	1,634	4,517
	1,127,081	1,011,340	894,023
Expenses			
Operating	540,167	488,632	430,699
Selling and general	390,800	343,681	305,616
Interest	4,627	8,470	5,760
Total expenses	935,594	840,783	742,075
Income before taxes on income	$ 191,487	$ 170,557	$ 151,948

Equity In Operating Results Of Investees

KAISER ALUMINUM & CHEMICAL CORPORATION (DEC)

	1981	1980	1979
	(millions of dollars)		
Revenues:			
Net sales	$3,225.5	$3,488.2	$3,176.2
Equity in earnings of companies not consolidated	41.2	57.9	47.6
Other	75.3	42.5	39.0
Total revenues	$3,342.0	$3,588.6	$3,262.8

PPG INDUSTRIES, INC. (DEC)

	1981	1980	1979
	(Millions)		
Net sales	$3,353.6	$3,158.4	$3,091.8
Cost of sales	2,232.4	2,087.6	2,072.1
Gross margin	1,121.2	1,070.8	1,019.7
Other expenses			
Selling, general and administrative	435.4	402.5	370.2
Depreciation	146.7	130.7	118.6
Taxes—exclusive of income taxes	107.8	101.2	85.7
Research and development	118.5	102.5	83.3
Interest	42.4	35.7	46.6
Other charges	13.1	14.6	13.2
Total other expenses	863.9	787.2	717.6
Share of net earnings of equity affiliates	10.1	10.4	10.1
Other earnings	85.1	76.5	79.0
Earnings before income taxes and minority interest	$ 352.5	$ 370.5	$ 391.2

WESTINGHOUSE ELECTRIC CORPORATION (DEC)

	1981	1980	1979
	(in Millions)		
Sales and operating revenues	$9,367.5	$8,514.3	$7,443.1
Cost of sales	7,089.8	6,486.4	5,706.2
Distribution, administration and general expenses	1,500.6	1,352.7	1,163.7
Depreciation	219.0	185.0	160.0
Operating costs and expenses	8,809.4	8,024.1	7,029.9
Operating income	558.1	490.2	413.2
Equity in income of finance subsidiary and other affiliates	50.2	24.0	15.7
Other income	103.8	104.0	74.1
Interest expense	(142.6)	(61.7)	(43.7)
Income before income taxes and minority interest	$ 569.5	$ 556.5	$ 459.3

THE SUPERIOR OIL COMPANY (DEC)

	1981	1980	1979
	Amounts in thousands of dollars		
Operating Revenues	$2,057,419	$1,497,695	$1,085,394
Operating Expenses			
Operating costs	422,208	325,016	192,898
Exploration expenses, including dry hole costs	243,590	183,378	144,842
Impairment of unproved oil and gas properties	62,905	43,185	43,955
Depreciation, depletion, and amortization	275,200	233,446	213,135
General and administrative	99,414	87,697	59,187
Federal excise tax on crude oil	169,317	52,838	—
Taxes (other than income)	83,571	45,503	32,068
Total Operating Expenses	1,356,206	971,063	686,085
Income from Operations	701,213	526,632	399,309
Other Income (Expense)			
Dividends and miscellaneous	25,429	32,562	20,826
Gain (loss) on foreign currency translation	(3,354)	(1,988)	1,685
Equity in earnings of affiliated companies	806	31,677	17,118
Interest expense	(39,581)	(25,067)	(59,418)
Income Before Income Taxes and Minority Interest	$ 684,513	$ 563,816	$ 379,520

Gain On Sale of Assets

AMAX INC. (DEC)

	1981	1980	1979
	in thousands of dollars		
Sales	$2,799,400	$2,949,200	$2,865,400
Costs applicable to sales—			
Cost and operating expenses	1,863,100	1,734,300	1,874,500
Depreciation and depletion	211,100	198,300	171,200
Selling and general	172,400	170,200	162,800
Taxes other than income taxes	117,500	85,700	74,000
Exploration	73,800	117,900	82,000
Research	30,500	26,500	21,400
	2,468,400	2,332,900	2,385,900
	331,000	616,300	479,500
Equity in earnings before income taxes—			
Alumax Inc.	101,100	82,900	73,100
Other affiliates	20,400	39,800	1,400
Earnings from operations	452,500	739,000	554,000
Gains on sales of oil and gas interests (Note 2)	83,800		
Other income, net	35,000	29,700	11,300
Interest expense, net	(178,300)	(123,900)	(98,400)
Provision for impairment of investment (Note 2)	(22,100)		
Minority interests in earnings before income taxes	(1,600)	(11,400)	(7,400)
Earnings before income taxes	$ 369,300	$ 633,400	$ 459,500

Note 2: Disposals, write-off and acquisitions

In June 1981, AMAX sold its interest in Canadian oil and gas properties for $173 million in cash and notes and sold its investment in the shares of Adobe Oil and Gas Corporation for $140 million in cash.

In December 1981, AMAX wrote-off the remaining book value of its investment in the notes of Botswana RST Limited. Due to the effect of depressed product prices on that company, there is uncertainty as to its ultimate ability to repay all of its debt.

During 1980, AMAX acquired Rosario Resources Corporation for $403 million in April, phosphate mining and processing operations for $183 million in July and a primary magnesium business for $58 million in November.

CURTISS-WRIGHT CORPORATION (DEC)

	1981	1980	1979
	(In thousands)		
Revenues:			
Sales	$194,929	$185,539	$170,362
Equity in net earnings of associated companies:			
Kennecott Corporation		16,867	19,258
Other	1,877	1,859	739
Gain on sale of investment in associated companies:			
Kennecott Corporation	36,777		
Cenco Incorporated	15,737		
Rentals and gains on sales of real estate and equipment, including gain on sale of real estate: 1981, $159; 1980, $3,816; 1979, $1,125	5,491	8,122	3,698
Interest, dividends and gains and losses on sales of marketable securities, net (1980 includes court-awarded interest of $4,955)	21,644	7,735	2,771
Other income, net	493	829	1,157
Total revenues	$276,948	$220,951	$197,985

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Sale of Investments in Kennecott Corporation

In January 1981, the Corporation and Kennecott entered into a purchase agreement whereby the Corporation sold all of its holdings in Kennecott (4,494,500 shares) to Kennecott for $168,050,000 in cash, resulting in an after tax gain of $18,496,000. An additional 257,000 shares were owned by Dorr-Oliver Incorporated and, accordingly, were included in the transaction described in Note 3.

Note 4: Sale of Investment in Cenco Incorporated

On October 30, 1981, pursuant to a tender offer, the Corporation's investment in Cenco Incorporated was sold for $27,293,000. The sale resulted in an after tax gain of $9,854,000.

EMPIRE INCORPORATED (JUN)

	1981	1980	1979
Operating Revenues ...	$284,548,170	$357,399,548	$182,843,186
Operating Costs and Expenses			
Cost of products sold	237,334,413	305,509,242	138,348,476
General and administrative	35,308,108	29,288,397	26,972,868
Depreciation and depletion	5,970,464	4,877,841	4,479,734
Loss on refining venture	4,013,423		
	282,626,408	399,675.480	169,801,078
Income from Operations	1,921,762	17,724,069	13,042,108
Other Income (Deductions)			
Interest expense	(8,765,470)	(5,380,957)	(3,555,874)
Investment income	2,361,202	171,202	
Gain on sale of property and equipment	424,944	88,997	1,318,104
	(5,979,324)	(5,120,758)	(2,237,770)
Income (Loss) Before Income Taxes	$ (4,057,562)	$ 12,603,310	$ 10,804,338

HARNISCHFEGER CORPORATION (OCT)

	1981	1980	1979
	(Dollar amounts in thousands)		
Revenues			
Net sales of products	$646,100	$634,069	$556,308
License and technical service fees—net	7,579	8,154	5,633
Gain on sales of patents and know-how to:			
Kobe Steel, Ltd.	21,835	—	—
ASEA AB	1,274	—	—
Other income	3,242	2,010	1,929
Equity in earnings of unconsolidated financial subsidiary and associated company	1,427	1,494	1,237
	$681,457	$645,727	$565,107

FINANCIAL NOTES

Note 3 (in part): Gain on Sales of Patents and Know-How; Transactions with Kobe Steel, Ltd.

The gain on sales of patents and know-how recorded in June, 1981 consisted of: $21,835,000 gain on the sale of certain Harnischfeger Japanese construction equipment patents and know-how to Kobe Steel, Ltd. of Japan ("Kobe"), and $1,274,000 gain on transfer of certain electrical control technology to ASEA AB of Sweden (('ASEA"). The net gain, after applicable income taxes of $7,369,000, was $15,740,000 or $1.59 per common and common equivalent share.

Royalty Income

GOULD INC. (DEC)

	1981	1980	1979
		(In millions)	
Revenues:			
Net sales	$1,846.1	$1,611.7	$1,527.3
Equity earnings	11.2	16.2	5.2
Royalty income	6.1	3.6	3.1
Interest income	7.9	4.4	10.5
Gain on involuntary conversion	—	—	9.0
Total Revenues	$1,871.3	$1,635.9	$1,555.1

NORTON COMPANY (DEC)

	1981	1980	1979
		In thousands	
Net sales	$1,334,626	$1,281,798	$1,132,897
Cost and expenses:			
Cost of sales	839,334	823,629	733,931
Selling, general and administrative	317,402	312,616	262,819
	1,156,736	1,136,245	996,750
Income from operations	177,890	145,553	136,147
Other income (expense):			
Interest expense	(39,534)	(31,397)	(18,637)
Interest and dividend income	9,254	4,645	3,170
Royalty income	2,496	3,004	3,195
Income from associated companies	11,665	16,807	13,737
Income (loss) from foreign exchange	3,735	4,316	(1,381)
Other, net	1,043	1,335	(175)
	(11,341)	(1,290)	(91)
Income before income taxes	$ 166,549	$ 144,263	$ 136,056

SUPREME EQUIPMENT & SYSTEMS CORP. (JUL)

	1981	1980	1979
Net Sales	$33,537,976	$32,627,388	$29,073,555
Costs and Expenses:			
Cost of goods sold	23,303,472	23,205,047	20,087,412
Selling expense	5,364,860	5,238,544	4,480,670
Administrative expense	2,328,878	2,030,726	1,986,367
Interest expense	544,728	557,426	511,663
Royalty income	(205,718)	(165,392)	(143,979)
Other income, net	(96,843)	(40,369)	(17,776)
	31,239,377	30,825,982	26,904,357
Income Before Provision for Income Taxes	$ 2,298,599	$ 1,801,406	$ 2,169,198

"Unusual" Credit

ANCHOR HOCKING CORPORATION (DEC)

	1981	1980	1979
Net sales	$953,421,000	$857,511,000	$785,189,000
Costs and expenses:			
Cost of products sold	804,993,000	716,708,000	656,275,000
Selling and administrative expenses	96,522,000	87,548,000	78,391,000
	901,515,000	804,256,000	734,666,000
Income from operations	51,906,000	53,255,000	50,523,000
Other income	2,707,000	1,808,000	1,761,000
Interest expense	(10,716,000)	(10,422,000)	(8,956,000)
Unusual items	5,048,000		10,405,000
Income before income taxes	$ 48,945,000	$ 44,641,000	$ 53,733,000

NOTES TO FINANCIAL STATEMENTS

Note 2—Unusual items

During 1981, the company negotiated settlements with several defendants in an antitrust action against a number of corrugated container manufacturers, and is continuing to pursue its legal remedies against the remaining defendants. These settlements resulted in pretax income of $11,200,000 ($5,643,000 after taxes or $.55 per share). Additionally, the company decided to discontinue operations at its Ceramic Products Division at Chester, West Virginia. Accordingly, a provision of $6,152,000 ($3,176,000 after taxes or $.31 per share) was established to recognize the writedown of certain assets to estimated net realizable value and various costs and expenses estimated to be incurred during the phase-out of this operation. As a result of these unusual items, a pretax gain of $5,048,000 ($2,467,000 after taxes of $.24 per share) was recorded.

On July 15, 1978, a fire destroyed the warehouse facilities, a significant portion of the production facilities and substantially all of the inventories of The Phoenix Glass Company, a division of the company. During 1979, the company and its insurance carrier settled the claims on the warehouse and production facilities destroyed during the fire. Since the insured values of the facilities were based on replacement cost, the proceeds of $12,500,000 substantially exceeded the net book value of the assets destroyed and, accordingly, the company recorded a pretax gain of $10,405,000 ($5,215,000 after taxes, or $.51 per share).

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

	1981	1980	1979	1978
Single Amount				
Cost of sales	234	230	229	220
Cost of goods sold	130	135	136	147
Cost of products sold	126	127	131	124
Elements of cost	14	15	27	18
Other captions	65	69	58	68
	569	**576**	**581**	**577**
More Than One Amount	**31**	**24**	**19**	**23**
Total Companies	**600**	**600**	**600**	**600**

Cost of Goods Sold

CAESARS WORLD, INC. (JUL)

	1981	1980	1979
		(In Thousands)	
Costs and expenses:			
Casino	$169,972	$134,954	$ 45,872
Rooms	22,967	20,388	10,533
Food and beverage	76,035	60,198	35,711
Music and entertainment	28,037	21,486	14,718
Real estate operations	3,136	22,779	11,133
Computer cost of sales, including product development costs of $2,787, $2,205 and $1,746, respectively	24,159	19,790	15,888
Selling, general and administrative	122,958	102,066	48,937
Depreciation and amortization	34,039	22,189	8,735
Provision for doubtful accounts	34,615	16,849	8,420
Interest	41,517	35,246	24,046
Less: Interest capitalized	(415)	(4,200)	(5,875)
Provision for real estate evaluation		1,675	2,416
	$557,020	$453,420	$220,534

SYBRON CORPORATION (DEC)

	1981	1980	1979
		($ Thousands)	
Costs and expenses:			
Cost of goods sold	$387,152	$392,399	$354,670
Selling and administrative expenses	183,828	183,225	161,002
Research and development expenses	21,888	21,423	18,990
Interest expense	12,846	15,249	12,936
Relocation and restructuring expenses	10,029	2,157	14,090
Other (income) expense—net	(10,382)	(862)	1,198
Total Costs and Expenses	$605,361	$613,591	$562,886

DRAVO CORPORATION (DEC)

	1981	1980	1979
		(In thousands)	
Revenue:			
Construction and product sales	$ 933,566	$ 770,228	$740,326
Engineering, construction management, and transportation service sales	578,342	343,697	252,006
	1,511,908	1,113,925	992,332
Cost of construction, products and services:			
Construction and product costs	841,643	656,688	624,356
Engineering, construction management, and transportation service costs	503,081	290,685	206,439
	1,344,724	947,373	830,795
Gross profit on sales	167,184	166,552	161,537
Selling, administrative and general expenses	127,971	115,934	101,306
Income from operations	$ 39,213	$ 50,618	$ 60,231

MUNSINGWEAR, INC. (DEC)

	1981	1980	1979
		(Amounts in thousands)	
Net sales	$131,168	$133,530	$121,998
Cost of sales	100,317	99,397	87,077
Gross profit on sales	$ 30,851	$ 34,133	$ 34,921

TABLE 3-6: EXPENSES INCURRED TO PRODUCE REVENUE

	Number of Companies			
	1981	**1980**	**1979**	**1978**
Selling, general and administrative	321	323	323	327
Selling and administrative or general	173	176	182	178
General and/or administrative	90	86	75	67
Selling	26	27	16	24
Interest	576	572	564	555
Research, development, engineering, etc.	294	286	244	143
Maintenance and repairs	99	83	52	37
Advertising	65	59	38	41
Bad debts	27	17	14	11
Exploration, dry holes, abandonments	24	22	23	23

NATIONAL DISTILLERS AND CHEMICAL CORPORATION (DEC)

	1981	1980	1979
	(dollar amounts in millions)		
Net sales	$2,032.0	$2,055.0	$2,063.1
Cost of goods sold	(1,660.1)	(1,697.2)	(1,706.3)
Selling, advertising and other operating expenses	(179.6)	(169.3)	(157.0)
Operating income	$ 192.3	$ 188.5	$ 199.8

PUROLATOR, INC. (DEC)

	1981	1980	1979
	(Dollars in thousands)		
Costs and expenses:			
Cost of services	$365,645	$298,346	$223,667
Cost of products sold	134,610	123,647	130,095
Selling, administrative and general expenses	143,016	112,565	86,097
Interest expense	6,960	5,017	3,524
Interest income	(3,111)	(1,683)	(2,127)
Other income, net	(1,257)	(1,535)	(1,318)
	$645,862	$536,357	$439,938

REYNOLDS METALS COMPANY (DEC)

	1981	1980	1979
	(In millions)		
Costs and expenses			
Cost of products sold	$3,026.8	$3,063.4	$2,684.5
Selling, administrative and general expenses	241.1	246.0	223.9
Provision for depreciation, depletion and amortization	106.9	89.8	82.9
Interest—principally on long-term obligations	64.7	62.8	70.1
Other deductions	2.1	1.3	23.8
	$3,441.6	$3,463.3	$3,085.2

THE SIGNAL COMPANIES, INC. (DEC)

	1981	1980	1979
	(Amounts in millions)		
Expenses			
Cost of sales	$3,635.2	$3,665.3	$4,101.0
Selling	248.9	284.8	308.9
General and administrative	283.5	342.2	366.8
Research and development	150.9	167.8	205.1
Depreciation	62.4	70.8	77.5
Interest	98.3	114.1	121.3
	$4,479.2	$4,645.0	$5,180.6

Interest Expense

NL INDUSTRIES, INC. (DEC)

	1981	1980	1979
	(In thousands)		
Revenues:			
Net sales	$2,463,828	$1,811,497	$1,465,404
Equity in partially-owned companies	51,034	33,443	16,855
Other income (loss), net	21,802	(3,673)	(623)
	2,536,664	1,841,267	1,481,636
Costs and expenses:			
Cost of goods sold	1,469,058	1,132,851	940,787
Selling, general and administrative	491,786	415,291	338,596
Interest (Note 12)	65,177	41,947	48,858
Minority interest	6,174	4,565	2,869
	2,032,195	1,594,654	1,331,110
Income before items shown below	504,469	246,613	150,526

Note 12: Capitalized Interest

Interest expense includes reductions of $8,450,000 and $5,800,000 in 1981 and 1980, respectively, the amount of interest capitalized in connection with the financing of certain longer term capital projects.

ROHM AND HAAS COMPANY (DEC)

	1981	1980	1979
	(thousands of dollars)		
Net sales	$1,884,664	$1,725,304	$1,590,484
Cost of goods sold	1,388,230	1,266,290	1,137,014
Gross profit on sales	496,434	459,014	453,470
Selling and administrative expense	253,907	229,038	201,147
Research and development expense	76,830	66,881	53,859
Interest expense	23,549	26,587	34,250
Provision for shutdown and disposal of assets	11,151	—	—
Equity in net earnings of affiliates	3,790	4,639	2,483
Other income, net	23,181	8,335	42
Earnings before income taxes and extraordinary credit	$ 157,968	$ 149,482	$ 166,739

TABLE 3-7: OTHER EXPENSES

	Number of Companies			
	1981	1980	1979	1978
Translation losses	138	128	132	110
Taxes other than income taxes	105	103	84	73
Minority interest	41	33	39	37
Estimated losses from discontinued operations other than those considered segment disposal	56	50		
Losses on dispositions of assets	19	22	25	32
Write-down of assets	30	18	18	12
Equity in losses of investees	18	11	8	10

STANDARD OIL COMPANY (INDIANA)

	1981	1980	1979
	(millions of dollars)		
Revenues			
Sales and other operating revenues	$29,947	$26,133	$18,610
Consumer excise taxes	1,357	1,369	1,267
Other income	425	330	320
Total revenues	31,729	27,832	20,197
Costs and expenses			
Purchased crude oil, petroleum products, merchandise	15,498	14,178	9,988
Operating expenses	3,805	3,211	2,602
Petroleum exploration expenses, including exploratory dry holes	1,183	918	589
Selling and administrative expenses	1,260	1,192	923
Taxes other than income taxes	4,726	3,204	1,676
Depreciation, depletion, amortization, and retirements and abandonments	1,475	1,279	1,055
Interest expense	345	254	243
Income (loss) applicable to minority interest	(22)	—	6
Total costs and expenses	28,270	24,236	17,082
Income before income taxes	$ 3,459	$ 3,596	$ 3,115

Advertising Expense

K MART CORPORATION (JAN)

	1982	1981	1980
	(Thousands)		
Sales	$16,527,012	$14,204,381	$12,731,145
Licensee fees and rental income	151,572	138,176	127,440
Equity in income of affiliated retail companies	44,405	37,444	37,351
Interest income	45,677	26,693	21,395
	16,768,666	14,406,694	12,917,331
Cost of merchandise sold (including buying and occupancy costs)	12,360,451	10,417,144	9,282,764
Advertising	385,704	339,009	301,485
Selling, general and administrative expenses	3,423,961	2,987,108	2,537,522
Interest expense:			
Debt	114,884	92,078	50,640
Capital lease obligations	160,745	134,957	120,325
	16,445,745	13,970,296	12,292,736
Income before estimated income taxes	$ 322,921	$ 436,398	$ 624,595

RALSTON PURINA COMPANY (SEP)

	1981	1980	1979
	(Dollars in millions)		
Net Sales	$5,224.7	$4,873.2	$4,568.9
Costs and Expenses:			
Cost of products sold	4,165.0	3,912.1	3,712.7
Selling, general and administrative	326.7	298.5	273.4
Advertising	344.9	314.2	251.1
Unusual or non-recurring item			16.5
Interest	53.9	46.0	44.9
	4,890.5	4,570.8	4,298.6
Earnings from Continuing Operations before Income Taxes	$ 334.2	$ 302.4	$ 270.3

Research and Development

MASONITE CORPORATION (AUG)

	1981	1980	1979
Net sales	$537,550,000	$510,584,000	$559,566,000
Cost of sales	443,930,000	420,061,000	433,775,000
Selling and administrative expenses	52,249,000	47,512,000	47,993,000
Research and development expenses	7,028,000	5,994,000	6,749,000
Income from operations	$ 34,343,000	$ 37,017,000	$ 71,049,000

FMC CORPORATION (DEC)

	1981	1980	1979
	(Dollars in thousands)		
Revenue			
Sales	$3,366,744	$3,207,192	$3,018,401
Equity in earnings of affiliates	1,985	7,348	7,786
Interest income	41,177	23,164	25,454
Other income	13,369	3,441	3,510
Total revenue	3,423,275	3,241,145	3,055,151
Costs and expenses			
Cost of sales	2,560,174	2,548,178	2,402,352
Selling, general and administrative expenses	431,239	370,851	335,175
Research and development	105,761	94,064	83,373
Interest expense	68,295	55,876	53,218
Minority interests	1,078	1,650	1,503
Total costs and expenses	3,166,547	3,070,619	2,875,621
Income before income taxes	$ 256,728	$ 170,526	$179,530

Taxes Other Than Income Taxes

GENERAL REFRACTORIES COMPANY (DEC)

	1981	1980	1979
	(dollars in thousands)		
Net Sales	$409,803	$467,126	$480,631
Operating Costs and Expenses			
Materials, supplies, production labor and expenses	306,374	342,779	347,528
Selling, general and administrative expenses	75,487	78,536	72,774
Depreciation	12,524	12,351	12,856
Taxes other than income taxes	23,434	26,381	26,824
	417,891	460,047	459,982
Income (loss) from operations	$ (8,016)	$ 7,079	$ 20,649

SUN COMPANY, INC. (DEC)

	1981	1980	1979
	(Millions of Dollars)		
Revenues			
Sales and other operating income	$15,012	$12,945	$10,666
Gain on divestments (Note 1)	700	125	1
Other income	255	172	134
	15,967	13,242	10,801
Costs and Expenses			
Cost of products sold and operating expenses	10,671	9,581	8,132
Selling, general and administrative expenses	917	781	634
Taxes, other than income taxes (Note 2)	1,048	531	222
Depreciation, depletion and amortization	733	503	393
Exploratory costs and leasehold impairment	289	186	122
Provision for loss on termination of ship construction operations (Note 1)	—	236	—
Interest cost and debt expense	539	250	123
Interest capitalized	(87)	(63)	(9)
	14,110	12,005	9,607
Income before provision for income taxes	$ 1,857	$ 1,237	$ 1,194

Note 2: Taxes, Other than Income Taxes

Taxes, other than income taxes, charged against income:

	1981	1980	1979
	(Millions of Dollars)		
Windfall profit	$ 626	$ 227	$ —
Crude oil and natural gas production	229	157	93
Ad valorem	68	60	46
Payroll	67	48	39
Import, excise, sales and other	58	39	44
	$1,048	$ 531	$ 222
Taxes collected and paid for others:			
Excise taxes collected from customers	$ 463	$ 466	$ 459
Taxes collected from employees	322	267	202
	$ 785	$ 733	$ 661

Estimated Losses On Discontinued Operations Not Accounted For As Segment Disposals

ALPHA PORTLAND INDUSTRIES, INC. (DEC)

	1981	1980	1979
	(Dollars in Thousands)		
Revenues:			
Construction contracts....	$182,564	$167,304	$137,075
Cement and aggregates..	64,084	90,395	101,596
Interest and other (including in 1980 $1,320 of gain on sale of marketable securities).........	5,060	4,754	3,709
Total revenues.........	251,708	262,453	242,379
Costs and Expenses:			
Construction contracts....	163,059	153,309	122,693
Cement and aggregates..	52,587	73,067	73,514
Selling and administrative	20,087	17,269	13,390
Freight on cement shipments..................	7,542	10,981	13,586
Depreciation	6,234	7,099	6,193
Interest	4,694	3,695	3,326
Plant closings and sales (Note 11)..............	25,166	18,800	—
Total costs and expenses..............	279,369	284,220	232,702
Income (Loss) Before Income Taxes......................	$(27,661)	$(21,767)	$ 9,677

Note 11: Plant Closings and Sales

In 1981 the Company closed its cement plant located in St. Louis, Missouri and sold its cement plant located in Orange, Texas. The asset value of another cement plant, where negotiations are continuing for the sale of such plant, was reduced to reflect estimated realizable value. Costs and expenses in 1981 have been charged with $25,166,000 representing the elimination of asset values in excess of realized and estimated realizable values and related employee expenses.

In 1980 the Company terminated operations at its Birmingham, Alabama plant and all manufacturing operations at its Jamesville, New York plant to be fully effective early in 1981. A small portion of the Jamesville facility continues to be used as a distribution terminal. Costs and expenses in 1980 were charged with $18,800,000 representing the remaining asset values relating to the terminated operations and related employee expenses.

AMERICAN CAN COMPANY (DEC)

	1981	1980	1979
	(In millions of dollars)		
Revenues	$4,836.4	$4,812.2	$4,515.0
Costs and expenses			
Product cost...............	3,886.8	3,982.7	3,583.6
Administrative and selling expenses	781.8	762.7	688.1
	4,668.6	4,655.4	4,271.7
Operating income...........	167.8	156.8	243.3
Interest expense, net	(41.5)	(28.7)	(23.0)
	126.3	128.1	220.3
Investment gain..............	10.1		
Provision for business restructure...................	(29.1)		
Income before income taxes	$ 107.3	$ 128.1	$ 220.3

NOTES TO FINANCIAL STATEMENTS

Note 2 (in part): Business Restructure—

On March 31, 1981, the Board of Directors approved a new strategic plan for a fundamental redirection of the Company. The plan calls for the sale of the Company's Dixie-Northern operations (described below), the realignment or disposal of other operations which are not expected to contribute to the Company's future plans and the reinvestment of the proceeds from the dispositions. As part of the plan, the Company later announced its intent to create a financial services sector through which it would participate in the specialty financial services marketplace.

Dixie-Northern

The Dixie-Northern operations include the Company's paper and forest products operations as well as extensive woodland holdings. Summary financial data for Dixie-Northern is as follows:

	1981	1980	1979
Revenues	$1,305.6	$1,234.0	$1,071.3
Business Operating Income .	$ 94.6	$ 83.3	$ 92.9
Total Assets..................	$ 605.6	$ 580.8	$ 581.8

For each of the last three years, approximately 75% of Dixie-Northern's revenues were included in the Consumer Products/Distribution business segment and approximately 20% were included in the Container and Packaging. The percentage of Dixie-Northern's business operating income for the years 1981, 1980 and 1979 by segment is 73%, 63% and 79% in Consumer Products/Distribution and, 26%, 28% and 16% in Container and Packaging. For each of the last three years, approximately 60% of Dixie-Northern's assets were included in Consumer Products/Distribution, approximately 12% in Container and Packaging and approximately 25% in Other Businesses.

On January 4, 1982, the Company announced reaching a preliminary understanding with James River Corporation for the sale of a portion of the Dixie-Northern operations. The proposed sale includes the Company's domestic Dixie, Towel and Tissue and folding carton businesses. The aggregate net book value of these assets is approximately $335. Under the preliminary understanding with James River, the

Company would receive approximately $330 in cash, redeemable preferred stock (with a liquidation value of $34) of a James River affiliate exchangeable into James River common stock and 2,880,000 shares of James River common stock. Based upon the value of such common stock on the date of the preliminary understanding ($18.75 per share), the aggregate consideration is approximately $420.

The anticipated gain from the sale would be reduced by costs related to the transaction. Under the terms of the agreement as presently contemplated, the Company would have approximately 21% of the votes represented by the then outstanding James River stock. The understanding is subject to a number of conditions, including James River obtaining suitable financing, negotiation of definitive agreements and requisite corporate and governmental approvals.

Provision for Business Restructure

The redirection plan also contemplates management decisions regarding other businesses which are not expected to contribute to the Company's future plans. As a result of decisions which have been made, the Company recorded a pretax nonrecurring charge in the fourth quarter of 1981 of $29.1 which is comprised of charges relating to the divestment of Pickwick's record production unit, $15.0; divestment and consolidation of certain metals recovery operations, $5.5; and other costs, $8.6.

The Company believes that the aggregate nonrecurring charges resulting from these actions and any future decision under the plan will be less than the gain to be realized from the proposed sale of Dixie-Northern.

CHICAGO PNEUMATIC TOOL COMPANY (DEC)

	1981	1980	1979
Sales and Other Income:			
Net sales	$478,249,000	$474,151,000	$454,895,000
Gain on sale of subsidiary	3,608,000	—	—
Other income (net)	4,634,000	1,641,000	971,000
Total	486,491,000	475,792,000	455,866,000
Cost and Expenses:			
Cost of products sold	337,613,000	324,964,000	318,780,000
Selling, administrative and general expenses	93,816,000	86,626,000	76,095,000
Depreciation	8,184,000	11,730,000	10,128,000
Interest expense	20,370,000	22,853,000	15,816,000
Reorganization and facilities rearrangement costs (net)	3,881,000	(714,000)	14,800,000
Other expense	1,767,000	711,000	397,000
Total	465,631,000	446,170,000	436,016,000
Earnings Before Taxes	$ 20,860,000	$ 29,622,000	$ 19,850,000

NOTES TO FINANCIAL STATEMENTS

Reorganization and Facilities Rearrangement Costs—Net

The net amount of $3,881,000 charged to income in 1981 is composed of a provision of $5,552,000 for the contraction of European manufacturing facilities and a $1,671,000 reduction of the 1979 provision.

In the fourth quarter of 1981, a charge of $5,552,000 for which no tax credit may currently be taken was made against income for the consolidation and contraction of four European manufacturing facilities. The charges included amounts to write down current and fixed assets to net realizable value, and employee severance costs.

During 1979, a charge of $14,800,000 was made against income to provide for reorganization and facilities rearrangement costs, mainly at the Company's equipment operation at Franklin, Pa. This charge was made for the withdrawal from foundry and gas booster operations at Franklin, and for certain product replacement costs. The charges included amounts to write down current and fixed assets to net realizable value, and employee severance and additional pension costs. Based upon the completion of certain programs, the 1979 provision was reduced by $1,671,000 in the fourth quarter of 1981.

MOUNT VERNON MILLS, INC. (DEC)

	1981	1980	1979
Gross sales	$130,651,583	$136,679,576	$112,793,427
Less—cash discounts and freight outward	1,450,045	1,924,896	1,389,136
Net sales	129,201,538	134,754,680	111,404,291
Cost of goods sold	107,800,930	112,921,200	94,880,604
Gross profit from manufacturing	21,400,608	21,833,480	16,523,687
Gross profit from trading, commisions, etc.	362,951	644,542	1,409,197
Total	21,763,559	22,478,022	17,932,884
Selling, general and administrative expenses	11,298,967	11,613,878	9,014,162
Income from operations	10,464,592	10,864,144	8,918,722
Other income (expense):			
Interest expense	(660,205)	(895,086)	(429,312)
Provision for plant closing (Note 4)	(1,670,560)	(1,500,000)	
Miscellaneous income (expense), net	(108,374)	739,452	245,873
Income before income taxes	$ 8,025,453	$ 9,208,510	$ 8,735,283

Note 4: Provision for Plant Closing

In 1980, the Company decided to close the plant at Columbia, South Carolina, and included a provision of $1,500,000 in 1980 operations for costs and expenses expected to result from the plant closing. After evaluating various alternatives for the plant building, in September 1981, the Company donated the plant building and adjacent land to the State of South Carolina. Accordingly, it was necessary to increase the provision for plant closing by $1,671,000 to reflect revised estimated costs of closing the plant and the write-off of the book value of the plant and remaining machinery and improvements.

PABST BREWING COMPANY (DEC)

	1981	1980	1979
Sales	$811,523,000	$853,441,000	$785,043,000
Costs and expenses:			
Cost of goods sold	599,324,000	607,526,000	549,447,000
Federal excise taxes	199,659,000	133,539,000	133,643,000
Marketing, general and administrative expenses	105,746,000	90,953,000	82,213,000
	824,729,000	832,018,000	765,303,000
Operating income (loss)	(13,206,000)	21,423,000	19,740,000
Other income and (expense):			
Interest income	4,108,000	3,471,000	2,679,000
Interest expense	(1,965,000)	(2,005,000)	(2,431,000)
Provision for plant closings	(39,791,000)	(600,000)	(3,400,000)
Miscellaneous—net	293,000	(822,000)	(610,000)
	(37,355,000)	44,000	(3,762,000)
Income (loss) before income taxes	$(50,561,000)	$ 21,467,000	$ 15,978,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6—Plant Closings

In December, 1981, the Company announced the closing of its Peoria Heights, Illinois brewery, with a phase-out to begin in early January, 1982. Estimated closing costs, continuing expenses until disposition and the write-down of related properties to estimated realizable value resulted in a provision for loss of $39,242,000 which was recorded in the fourth quarter of 1981. Of this amount, $19,089,000 is included in current liabilities and $20,153,000 is reflected as a reduction of the value of properties held for sale.

In December, 1980, the Company sold a malt manufacturing facility located in Peoria, Illinois resulting in a loss of $600,000.

During 1979, the Company closed its Los Angeles brewery. The estimated costs and expenses associated with this closing resulted in a provision for loss of $3,400,000 in 1979 and an additional provision of $459,000 in 1981 upon final disposition.

A. O. SMITH CORPORATION (DEC)

	1981	1980	1979
		($000)	
Net sales	$783,749	$693,684	$836,433
Cost of products sold	707,208	625,555	734,262
Gross profit on sales	76,541	68,129	102,171
Selling, general and administrative expenses	61,121	60,976	55,248
Interest expense	11,048	8,702	3,703
Provision for plant closing (note 10)	1,415	13,380	—
Other (income) and expense—net	2,971	3,548	(694)
	(14)	(18,477)	43,914
Provision (credit) for income taxes	300	(10,201	18,817
	(314)	(8,276)	25,097
Equity in earnings of unconsolidated companies	5,735	6,573	4,515
Earnings (loss) before extraordinary charge	$ 5,421	$ (1,703)	$ 29,612

Note 10: Plant closing

During 1980 the company closed its automobile passenger frame manufacturing plant in Granite City, Illinois. The closing resulted in a $15,451,000 charge against operations in the third quarter of 1980 for employee severance costs, phase-out costs and provision for losses on the disposal of plant and equipment. A significant portion of this charge represents long-term liabilities for employee related costs. The provision was subsequently adjusted in 1980 to $13,380,000 based on a reassessment of liabilities and exposures. A reassessment of the value of machinery and equipment resulted in a $1,415,000 charge against operations in the fourth quarter of 1981. At December 31, 1981, $3,271,000 representing the book value of plant and equipment net of a provision of $2,487,000 to reduce book value to realizable value is included in property, plant and equipment.

Loss on Sale of Assets

MARSHALL FIELD & COMPANY (JAN)

	1982	1981	1980
Net Sales	$1,193,960,572	$1,012,500,618	$904,295,898
Cost of Sales, including buying and occupancy expenses	848,952,823	715,787,650	637,930,460
Selling, general and administrative expenses (note 9)	293,175,366	246,606,703	220,695,823
Income before Ventures, Real Estate Sale, Sale of Halle Division, Interest and Income Taxes	51,832,383	50,106,265	45,669,615
Income from real estate ventures	1,336,688	1,319,471	292,229
Income before Real Estate Sale, Sale of Halle Division, Interest and Income Taxes	53,169,071	51,425,736	45,961,844
Gain on sale of real estate (note 9)	5,684,723	1,287,163	—
Loss on sale of Halle Division (note 9)	(2,062,039)	—	—
Income before Interest and Income Taxes	$ 56,791,755	$ 52,712,899	$ 45,961,844

Note 9:

In November 1981 the Company sold the stock of its wholly owned subsidiary, The Halle Bros. Co., to a third party, using the proceeds to reduce short-term borrowing. The Company received $24.7 million in cash. Before taxes, the Company incurred a loss of $2,062,039 on the sale. After taxes, this transaction resulted in a gain of $771,727 or $.06 per share. After interest and taxes, Halle's operations reduced earnings per share by $.30, $.16, and $.10 in fiscal 1981, 1980, and 1979, respectively.

In July 1981 the Company sold the Field Annex Building in downtown Chicago. This sale contributed $3,891,000 or 32 cents per share to net income. The net proceeds from the sale of approximately $10 million was used to reduce short-term borrowings.

Selling, general and administrative expenses reflect a credit of $1,390,000 in 1981 for settlement of certain property rights, which contributed $730,000, or 6 cents per share to net income.

Minority Interest

DANA CORPORATION (DEC)

	1981	1980	1979
		$ in thousands	
Net Sales	$2,711,080	$2,524,008	$2,761,135
Equity in earnings of affiliates and other income	58,061	37,512	28,302
Foreign currency adjustments	(18,562)	(11,518)	(902)
	2,750,579	2,550,002	2,788,535
Costs and expenses			
Cost of sales	2,224,013	2,106,234	2,262,801
Selling, general and administrative expenses	273,292	247,123	189,272
Interest expense	65,776	49,613	29,650
Minority interest in net income of consolidated subsidiaries	5,696	8,475	4,035
	2,568,777	2,411,445	2,485,758
Income before income taxes	$ 181,801	$ 138,557	$ 302,777

UNION OIL COMPANY OF CALIFORNIA (DEC)

	1981	1980	1979
		(dollars in millions)	
Revenues			
Sales and operating revenues (including consumer excise taxes of $358.0 in 1981, $384.9 in 1980 and $400.9 in 1979)	$11,103.9	$10,369.0	$7,968.5
Interest, dividends and miscellaneous income	119.3	92.7	83.5
Equity in earnings of affiliated companies	18.5	(5.0)	9.6
Gains on sales of assets	54.5	15.8	28.4
Total revenues	11,296.2	10,472.5	8,090.0
Costs and Other Deductions			
Cost of products sold and operating expense	7,224.2	7,320.4	5,661.0
Selling, administrative and general expense	482.4	395.1	297.8
Depreciation and amortization	585.0	455.6	323.0
Dry hole costs	263.0	162.9	158.8
Exploration operations expense	150.8	124.0	101.3
Interest expense	109.8	99.6	99.5
Excise, property and other operating taxes	1,058.2	692.6	498.4
Earnings applicable to minority interests	.6	1.7	2.1
Total costs and other deductions	9,874.0	9,251.9	7,141.9
Earnings before taxes on income	$ 1,422,2	$ 1,220.6	$ 948.1

Adjustment of Asset Values

CADENCE INDUSTRIES CORPORATION (DEC)

	1981	1980	1979
Net sales and operating revenues	$128,450,000	$127,797,000	$117,715,000
Costs and expenses:			
Cost of sales and other direct operating expenses	61,873,000	59,502,000	52,595,000
Selling, general and administrative expenses	59,842,000	58,356,000	55,057,000
Interest expense	4,871,000	4,069,000	3,258,000
Interest income	(122,000)	(15,000)	(88,000)
	126,464,000	121,912,000	110,822,000
Earnings from continuing operations before revaluation of intangibles, income taxes and extraordinary credit	1,986,000	5,885,000	6,893,000
Revaluation of intangibles (note 5)	(4,337,000)	—	—
Earnings (loss) from continuing operations before income taxes and extraordinary credit	$ (2,351,000)	$ 5,885,000	$ 6,893,000

Note 5: Intangible Assets:

Intangible assets (net of amortization) relate to the following segments:

	1981	1980
	(In Thousands)	
Publishing	$ 8,324	$ 8,324
Publishing services	1,481	1,798
Pharmaceutical products	4,231	4,311
Writing instruments	—	4,337
Theatre	5,597	5,597
	$19,633	$24,367

In June 1981, management determined that the continuing value of the intangible assets relating to its Writing Instruments segment had been repaired and should be written off. There has been no tax benefit provided against this revaluation of intangibles, as the Company does not expect to realize any reductions in its current tax liability as a result of this action.

THE CLEVELAND-CLIFFS IRON COMPANY (DEC)

	1981	1980	1979
Revenues:			
Products and royalties	$188,974,000	$172,879,000	$145,482,000
Services	211,771,000	204,396,000	190,818,000
Interest and dividends	4,588,000	6,428,000	5,572,000
Equity in income of associated companies	2,654,000	3,776,000	5,851,000
Gain on sale of shale oil lands—Note I	-0-	13,685,000	-0-
Other income	4,485,000	2,526,000	5,164,000
Total Revenues	412,472,000	403,690,000	352,887,000
Costs and Expenses:			
Products and royalties	133,933,000	132,208,000	96,969,000
Services	172,760,000	170,077,000	164,874,000
Administrative, selling and general expenses	15,264,000	13,595,000	12,681,000
Interest expense	5,500,000	7,653,000	6,136,000
Write-down of investments—Note J	12,085,000	-0-	-0-
Other expenses	9,901,000	7,357,000	5,921,000
Total Costs and Expenses	349,443,000	330,890,000	286,581,000
Income Before Income Taxes	$ 63,029,000	$ 72,800,000	$ 66,306,000

Note J—Write-Down of Investments

In the fourth quarter of 1981, the Company wrote down the book value of its investments in the common and preferred shares of McLouth Steel Corporation to reflect a decline in value, and the book value of the Humboldt Pellet Plant in Michigan which has been closed for two years. These transactions resulted in an after-tax loss of $8.1 million or $.66 per share.

Litigation Settlements

LIBBEY-OWENS-FORD COMPANY (DEC)

	1981	1980	1979
	(In Thousands)		
Revenues:			
Net sales	$1,226,514	$1,159,863	$1,208,061
Royalties and interest	15,051	7,562	7,127
Other revenues—net	6,343	4,019	2,569
	1,247,908	1,171,444	1,217,757
Costs and expenses:			
Cost of products sold	1,007,611	952,176	966,568
General and administrative, selling, advertising and other expenses	132,585	128,176	120,880
Engineering, research and development expenses	24,425	23,070	20,893
Interest expense	24,053	21,891	16,038
Provision for plant closings	33,700	11,000	
Litigation settlement—Note J	6,000		
	1,228,374	1,136,313	1,124,379
Earnings Before Income Taxes	$ 19,534	$ 35,131	$ 93,378

Note J—Litigation

In August 1981 the company reached an agreement with John Hancock Mutual Life Insurance Company in settlement of a lawsuit filed in 1975 against the company and other parties associated wtih the design and construction of the John Hancock Tower in Boston. The effect of the settlement after insurance proceeds and charge to the accrued product warranty account was a charge to operations of $6,000,000 ($.28 per share).

The company and certain subsidiaries are defendants in various other lawsuits, including two class action lawsuits (one of which involves a national class) in the Federal District Court for the Northern District of Illinois alleging sex discrimination in the company's employment practices. While the ultimate outcome of these lawsuits cannot now be predicted, management is of the opinion, based on the facts now known to it, that the liability, if any, in these lawsuits (to the extent not provided for by insurance or otherwise) will not have a material adverse effect upon the company's consolidated financial position.

MANVILLE CORPORATION (DEC)

	1981	1980	1979
	(Thousands of dollars)		
Revenues			
Net sales	$2,186,005	$2,266,804	$2,276,429
Other income, net	34,674	25,547	20,933
Total	2,220,679	2,292,351	2,297,362
Costs and Expenses			
Cost of sales	1,730,678	1,771,448	1,747,031
Selling, general and administrative	257,844	263,487	238,964
Research, development and engineering	33,820	34,801	31,100
Total	2,022,342	2,069,736	2,017,095
Income From Operations	198,337	222,615	280,267
Interest Expense	72,661	65,379	62,441
Asbestos Health Costs (Note 5)	12,756		
Earnings Before Income Taxes	$ 112,920	$ 157,236	$ 217,826

Note 5 (in part): Contingencies

Costs associated with asbestos-health claims are presented separately in the 1981 financial statements because of the increased activity related to such claims. The 1980 financial statements, which have not been reclassified to conform to the 1981 presentation, include approximately $8.5 million of similar costs that is reflected in cost of sales and selling, general and administrative expenses. Amounts relating to 1979 were not material.

"Unusual" Charge

KNAPE & VOGT MANUFACTURING COMPANY (JUN)

	1981	1980	1979
Net Sales	$56,501,094	$55,450,211	$54,619,750
Cost of Sales	41,483,808	38,597,161	38,173,930
Gross profit on sales	15,017,286	16,853,050	16,445,820
Expenses:			
Selling and shipping	6,789,520	6,718,807	6,270,714
Administrative and general	3,017,545	2,814,402	2,499,367
Total expenses	9,807,065	9,533,209	8,770,081
Operating income	5,210,221	7,319,841	7,675,739
Unusual Charge (Note 5)	(252,500)	—	—
Other income (Expense)—net (primarily interest)	383,408	207,540	(179,088)
Income before income taxes	$ 5,341,129	$ 7,527,381	$ 7,496,651

Note 5—Litigation

During February, 1981 a settlement of litigation by a former manufacturer's representative against the Company, dating back to 1975, was reached. In return for release from all claims, the Company agreed to make payments totaling $252,500. These payments have been treated as an unusual charge in the consolidated statement of income.

"Non-Recurring" Charge

BUCYRUS-ERIE COMPANY (DEC)

	1981	1980	1979
Revenues			
Net shipments.......	$496,362,438	$511,292,625	$552,434,846
Interest, royalties and miscellaneous	27,435,825	27,459,299	26,420,005
	523,798,263	538,751,924	578,854,851
Costs and Expenses			
Cost of products sold	369,383,375	369,976,420	403,691,715
Product development, selling and administrative expenses	90,131,470	79,923,988	73,958,901
Interest expense....	11,273,371	7,737,194	8,639,103
Non-recurring items — net — Note I	6,959,687		
	477,747,903	457,637,602	486,289,719
Earnings before income taxes and equity in earnings of Ruston-Bucyrus, Limited....	$ 46,050,360	$ 81,114,322	$ 92,565,132

Note I—Non-recurring items—net:

Glassport, Pennsylvania Foundry

Effective August 31, 1981 the Company closed its Glassport, Pennsylvania foundry due to a reduced level of sales of castings in increasingly competitive markets. The primary markets for the foundry's castings were heavy manufacturing industries and railroad freight car manufacturers. The Company has offered to sell the foundry to a number of prospective purchasers; however, no agreement has been reached.

Closing costs, estimated continuing expenses until disposition, and write-down of related assets to estimated realizable value resulted in a provision for loss of $14,095,000 which was reflected in the third quarter.

Evansville, Indiana Plant

On December 31, 1981, the Company sold its Evansville, Indiana plant which produced certain models of the Company's mining and construction machinery products.

Proceeds from the sale, less the carrying value of assets conveyed, the cost of relocating certain operations, and other related expenses resulted in a charge to earnings of $6,500,000 in the fourth quarter.

Komatsu-Bucyrus, K.K.

Effective March 31, 1981 the Company agreed to the dissolution and liquidation of Komatsu-Bucyrus, K.K. ("K-B"). Since 1963, the Company had owned a 40% interest in K-B, a Japanese joint venture company which was engaged in manufacture and sale of excavators and mining shovels based on Company designs principally for the Japanese market.

Pursuant to the termination agreements, on April 30, 1981 the Company received payment of regular royalties through March 31, 1981 and $13,635,313 for the sale of technical data pertaining to certain hydraulic excavators covered by the joint venture agreements. The Company has agreed not to manufacture these hydraulic excavator models.

Dissolution and liquidation of K-B was completed during the third quarter and the Company received its share of liquidation proceeds.

PENSION PLANS

Effective for financial statements for years beginning after December 15, 1979, FASB *Statement of Financial Accounting Standards No. 36* supersedes Paragraph 45 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

ALBERTSON'S, INC. (JAN)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pensions

The Company has two pension plans which are noncontributory for eligible employees who are 21 years of age with one or more years of service and who are not covered by collective bargaining agreements. Pension costs include current service costs, which are accrued and funded on a current basis, and prior service costs, which are amortized and funded over periods of not more than 30 years. Actuarial assumptions are reviewed annually.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Employee Benefit Plans

Pension expense totaled $3,783,000 for 1981, $3,124,000 for 1980 and $2,610,000 for 1979. The accumulated plan benefits and net assets as of the most recent actuarial valuation date available are as follows (in thousands):

	February 1		
	1981	1980	1979
Actuarial present value of accumulated plan benefits:			
Vested	$ 9,873	$ 8,611	$6,498
Nonvested	4,719	2,800	2,063
	$14,592	$11,411	$8,561
Net assets available for benefits........................	$10,891	$ 7,260	$4,430

The weighted average assumed rate of return in determining the actuarial present value of accumulated plan benefits was 6% for all three years.

The Company also contributes to various plans under industry-wide collective bargaining agreements which provide for pension benefits. Total contributions to these plans were $13,614,000 for 1981, $12,961,000 for 1980 and $12,259,000 for 1979.

The Company has bonus plans for store management personnel and other key management personnel. Amounts charged to earnings under the plans are computed either on specified percentages of net earnings before taxes on income or on specified increases in operating results over the prior year. Amounts charged to earnings under all bonus plans were $12,967,000 for 1981, $12,586,000 for 1980 and $10,831,000 for 1979.

DOYLE DANE BERNBACH INTERNATIONAL INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(8) Pension Cost

The cost of pension benefits has been determined by the entry age normal basis method. Past service costs are amortized over a thirty-year period.

Note E (in part): Employee Benefit Plans

(1) Pension and Profit Sharing Plans—These plans, as amended, are qualified under Sections 401(a) and 501(a) of the Internal Revenue Code of 1954. The Registrant reserves the right to discontinue either plan at any time. Certain of the Registrant's foreign and domestic subsidiaires have profit sharing plans and its British subsidiary has a pension plan. These plans vary to reflect local laws, taxes and customs.

The pension plan covers substantially all employees of the parent company and certain of its domestic subsidiaries. The United Kingdom subsidiary's pension plan covers substantially all of its employees.

Accumulated plan benefit information and plan net assets for the Registrant's domestic plan, as submitted by consulting actuaries, is presented below (in thousands of dollars):

	January 1, 1980	1981
Actuarial present value of accumulated plan benefits:		
Vested	$2,924	$2,711
Nonvested	830	782
Total	$3,754	$3,493
Net assets available for benefits	$4,214	$4,232

The plans interest and salary scale assumptions were 6% and 4%, respectively, in 1979 and 1980. These assumptions were changed to 7% and 5%, respectively, for 1981. The effect of this change was to reduce 1981 pension expense by $116,000.

The British subsidiary's pension plan is not required to report to governmental agencies pursuant to ERISA and does not determine the actuarial value of accumulated benefits or net assets available for benefits as calculated and disclosed above. As of January 1, 1981, the date of the latest review, the net assets of the plan exceeded the value of the accrued benefits.

Profit sharing expense for the years ended December 31, 1979, 1980 and 1981 amounted to $3,237,000, $4,419,000 and $4,436,000, respectively, and pension expense amounted to $621,000, $361,000 and $658,000, respectively. The Registrant makes annual contributions to the plans equal to the amounts accrued for the related expenses.

TABLE 3-8: PENSION AND RETIREMENT PLANS

	1981	1980	1979	1978
Current Year Expense				
Normal cost and amortization of prior service cost.	478	478	469	476
Normal cost and interest on unfunded prior service cost	—	4	4	2
Normal cost—no reference to prior service cost	57	57	42	32
Normal cost—no unfunded prior service cost	19	21	21	25
Companies Disclosing Amount of Pension Plan Expense	**554**	**560**	**536**	**535**

GENERAL REFRACTORIES COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15: Retirement Plans

The Company and its subsidiaries have pension plans which cover substantially all of their employees. Pension costs charged to continuing operations, $6,500,000 (1981), $8,600,000 (1980), and $6,580,000 (1979), are actuarially determined and include normal costs and amortization of prior service costs over periods not exceeding thirty years. The 1981 decrease in pension expense relates to a reduction of the work force and translations of foreign currencies at lower rates of exchange. During 1980, changes were made in the actuarial assumptions and benefits for certain pension plans of the Company and its subsidiaries. The net effect of these changes was to increase pension costs by approximately $2,000,000 in 1980, principally for certain European subsidiaires.

For the Company and its domestic subsidiaries, a comparison of accumulated pension benefits and plan net assets is as follows:

	Nonsalaried		Salaried	
	January 1 1981	April 1 1980	January 1 1981	April 1 1980
	(dollars in thousands)			
Actuarial present value of accumulated plan benefits:				
Vested	$28,580	$26,787	$12,187	$10,968
Nonvested	2,116	2,191	456	505
	$30,696	$28,978	$12,643	$11,473
Net assets available for benefits	$15,898	$12,843	$18,739	$14,960

The average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7½ percent.

At December 31, 1981, the Company and its domestic subsidiaries had an accrued but unfunded pension liability, related to 1981, amounting to $2,400,000. This liability has been classified as a long-term obligation in the Consolidated Balance Sheet at December 31, 1981.

Pension plans of foreign subsidiaries are not reported to governmental agencies pursuant to ERISA and do not otherwise determine the actuarial value of accumulated benefits or net assets available for benefits as calculated and disclosed above. For those plans, pension costs are funded in accordance with local requirements. The balance sheet accrual exceeded the combined actuarial value of unfunded vested benefits as of December 31, 1981 and 1980.

GETTY OIL COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10: Pension Plans

Getty and certain subsidiaries have several pension and retirement plans which provide for the funding of the costs of prior and current service through trust funds and insurance contracts. The funds are administered by independent trustees and cover substantially all employees. The companies generally bear the entire cost of the plans and may modify or discontinue the plans at any time. Expenses related to retirement plans in 1981, 1980 and 1979 were $38,371,000, $37,158,000 and $36,236,000, respectively.

The total amount of prior service costs as of the most recent valuation date, January 1, 1981, of $75,713,000 is being amortized in accordance with the Employee Retirement Income Security Act of 1974 guidelines. The assets of the pension funds are sufficient to cover the actuarially computed value of vested benefits under the plans. The standards utilized by Getty and certain subsidiaries for funding the pension and retirement plans satisfy the minimum funding requirements prescribed by ERISA.

A comparison of accumulated plan benefits and plan net assets for Getty's defined benefit plans is presented below.

	On January 1 1981	1980
	(In thousands)	
Actuarial present value of accumulated plan benefits:		
Vested	$366,577	$318,169
Nonvested	33,708	21,995
	$400,285	$340,164
Plan net assets available for benefits	$487,167	$370,669

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was seven percent for 1981 and 1980.

GIANT FOOD INC. (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Pension Costs: Pension plans covering all eligible executive and administrative personnel are being provided for in amounts sufficient to cover both normal costs and the amortization of the initial actuarial liability over periods of up to forty years. In addition, payments are made to industry retirement plans for most of the other personnel.

Note 9 (in part): Employee Benefit Plans

Retirement plans: The expense for the years ended in 1981, 1980 and 1979 was $1,859,000, $1,640,000 and $1,459,000, respectively. Annual contributions are made to the plans equal to the amounts accrued for pension expense. A comparison of accumulated plan benefits and plan net assets for the Company's defined benefit plan is presented below:

	May 1, 1980	1979
Actuarial present value of accumulated plan benefits:		
Vested	$ 6,011,217	$ 891,348
Nonvested	786,893	4,298,293
	$ 6,798,110	$5,189,641
Net assets available for benefits	$11,848,402	$9,696,471

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6% for all years.

Included in the aforementioned expense is the estimated cost of a supplemental retirement plan for certain officers which is being provided for by changes to earnings sufficient to meet the expected future benefits.

THE GOODYEAR TIRE & RUBBER COMPANY (DEC)

ACCOUNTING POLICIES

Pensions

The Company's general policy is to fund pension costs accrued including, as to the principal plans, amortization of past service cost over 25 year periods.

NOTES TO FINANCIAL STATEMENTS

Pensions

The Company and its domestic and foreign subsidiary companies have a number of pension plans covering substantially all employees. Pension expense for 1981, 1980 and 1979 was $134,957,000, $148,127,000 and $144,578,000, respectively. The decrease in 1981 was primarily due to the recognition of favorable investment results. The increase in 1980 was primarily due to the full year effect in 1980 of benefit improvements made during 1979, partially offset by the recognition of favorable investment results. A provision for unfunded vested benefits relating to employees whose service terminated in connection with plant closings has been included in plant closure costs.

The actuarial present value of accumulated domestic plan benefits follows:

(In thousands)	December 31, 1981	1980
Vested		
Current employees	$ 706,200	$ 699,150
Retirees	627,500	556,400
Former employees	15,900	12,950
	1,349,600	1,268,500
Nonvested	141,600	140,050
	$1,491,200	$1,408,550
Net assets available for benefits	$1,337,822	$1,325,258

The 8.5% rate of return used in determining the actuarial present value of accumulated plan benefits for 1981 and 1980 is the rate assumed applicable to market values at the respective year ends.

With respect to the Company's foreign plans, it is not practicable to determine the information as disclosed above. At December 31, 1981, the actuarially computed value of unfunded vested benefits for those plans was $24,574,000 ($18,724,000 in 1980).

HOMASOTE COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Pension Plan: The Company has a noncontributory pension plan covering substantially all employees who meet age and service requirements. Pension expense charged to operations includes current service costs and amortization of past service costs over 30 years. The company's policy is to fund pension costs accrued.

Note 7—Pension and Savings Plans:

Total pension expense for 1981, 1980 and 1979 was $210,720, $205,090 and $163,138 respectively.

A comparison of accumulated plan benefits and plan net assets for the pension plan as determined on January 1, the date of actuarial valuation, is as follows:

Actuarial present value of accumulated plan benefits:

	1981	1980	1979
Vested	$3,099,704	$2,742,916	$2,392,305
Nonvested	65,227	59,625	—
	$3,164,931	$2,802,541	$2,392,305
Net assets available for benefits at estimated fair value	$1,892,803	$1,571,461	$1,304,904

The assumed rate of return used in determining the actuarial present value of accumulated benefits was 6% for 1981, 1980 and 1979.

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 salaries. Company contributions charged to operations under this plan in 1981, 1980 and 1979 amounted to approximately $42,000, $43,000 and $81,000 respectively.

W.R. GRACE & CO. (DEC)

SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

Pension Plans

Costs of pension plans are actuarially computed principally using the aggregate cost method under which all unfunded prior service costs are amortized over the estimated remaining service lives of plan participants.

NOTES TO FINANCIAL STATEMENTS

Note 14—Pension, Profit Sharing and Related Plans

Grace has pension plans covering employees of certain operating units who meet age and service requirements. The total domestic and foreign expenses for such pension plans are as follows:

	1981	1980	1979
Domestic	$26.9	$23.3	$22.4
Foreign	10.6	10.6	8.7
	$37.5	$33.9	$31.1

Grace funds its pension plans based on a percentage of payroll expense or cost per hour of service, as determined by independent actuaries. Such contributions are equal to amounts charged for pension expense.

A comparison of accumulated plan benefits and net assets available for benefits for Grace's domestic pension plans is presented below:

	December 31, 1981	1980
Actuarial present value of accumulated plan benefits:		
Vested	$215.4	$182.3
Non-vested	16.6	15.5
Total accumulated benefits	$232.0	$197.8
Net assets available for plan benefits	$311.6	$282.4

Domestic pension plan benefit improvements resulted in cost increases of approximately $.2 in 1981 over 1980 and $.2 in 1980 over 1979. Changes in actuarial assumptions decreased cost by $.2 in 1981 and $1.1 in 1980. The weighted average assumed rate of return used by the actuaries in determining the actuarial present value of accumulated plan benefits was 6.4% in 1981 and 1980.

The assets of pension funds exceeded the actuarially computed value of vested benefits for Grace's foreign pension plans.

Grace also sponsors profit sharing, savings and investment and related plans. The total expense for these plans is as follows:

	1981	1980	1979
Domestic	$10.9	$9.4	$9.3
Foreign	.5	.1	.1
	$11.4	$9.5	$9.4

THE MAY DEPARTMENT STORES COMPANY (JAN)

FINANCIAL REVIEW

Retirement and Profit Sharing

The corporation and its subsidiaries, except Volume Shoe, have noncontributory retirement plans covering all employees who work 1,000 hours or more per year. Actuarially determined pension costs are accrued and are substantially funded on an annual basis, including the amortization of prior service costs over 30 years. Total pension expense under these noncontributory plans was $8.1 million in 1981, $6.6 million in 1980 and $6.3 million in 1979.

The majority of the plans' assets are invested with a major insurance company in a guaranteed investment contract with a yield of 9.3%.

A summary of the combined data for these plans as of the two most recent actuarial valuation dates follows. The actuarial present value of accumulated benefits is the amount that results from applying actuarial assumptions to adjust accumulated benefits to reflect the time value of money and the probability of payment.

(millions)	January 1, 1981	January 1, 1980
Actuarial present value of accumulated benefits:		
Vested	$ 92.3	$ 83.8
Non-vested	2.8	2.7
	$ 95.1	$ 86.5
Net assets available for plan benefits:		
At market	$ 92.8	$ 98.8
At cost	$109.9	$107.3

The assumed rate of return used in the actuarial computations was 7.5% in both years.

In 1981, changes were made in the retirement plans primarily to increase retirement benefits, the effect of which was to increase 1981 pension expense by $0.7 million and to increase the present value of accumulated benefits by $8.1 million. There was no significant effect on the net earnings of the corporation since the combined cost of the retirement and the profit sharing and savings plans is limited to 6½% of net earnings, as defined.

The corporation also has a contributory profit sharing and savings plan in which all employees covered by the retirement plans may participate. There were 19,300 employees participating in the profit sharing and savings plan at December 31, 1981. The corporation's contribution to the profit sharing and savings plan was $5.0 million in 1981, $5.0 million in 1980 and $5.4 million in 1979. The corporation's contribution in 1981 approximated 64% of the employees' eligible contributions.

Volume Shoe has a separate profit sharing plan which covers all Volume Shoe employees who work 1,000 hours or more per year and who have attained age 21. Expenses of $0.7 million in 1981, 1980 and 1979 were recorded for this plan.

The corporation also has an unfunded supplementary pension plan for certain employees for which $1.0 million, $0.9 million and $0.8 million were charged to expense in 1981, 1980 and 1979, respectively. The liability for prior service costs, which was $6.0 million as of January 1, 1981, is being recognized over 30 years. The actuarial present value of accumulated benefits under this plan was $4.1 million at January 1, 1981, of which $3.2 million was vested and $0.9 million was non-vested, and was $4.0 million at January 1, 1980, of which $2.9 million was vested and $1.1 million was non-vested.

Another important element in the retirement program for employees is the federal social security system into which the corporation paid $39.3 million in 1981 as its matching portion of the $39.3 million contributed by its employees.

PHILIP MORRIS INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Pension Plans:

The company and certain of its subsidiaries have pension plans covering substantially all their employees, including certain employees in countries outside the United States. Total pension expense for 1981, 1980, and 1979 was $77.1 million, $66.5 million, and $54.0 million, respectively, including amortization of prior service costs over periods of up to 30 years. The company makes annual contributions to the plans equal to the amounts accrued for pension expense. The plans are generally funded with independent trustees. A comparison of accumulated plan benefits with net assets for defined benefit plans follows:

(in millions)	January 1, 1981	January 1, 1980
Actuarial present value of accumulated plan benefits:		
Vested	$345.5	$304.0
Nonvested	29.8	30.5
	$375.3	$334.5
Net assets available for benefits	$433.8	$338.9

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was principally 6.5% for both 1981 and 1980.

Actuarial Assumptions Changed

BEMIS COMPANY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Accounting Policies:

J. Pensions plans—Pension costs are determined on an actuarial basis and are funded as accrued. Prior service costs of certain plans are being amortized over periods from 10 to 40 years.

Note 4—Pension Plans:

The Company has several pension plans covering substantially all its employees. Total pension expense was $7,461,000 in 1981, $8,009,000 in 1980 and $6,890,000 in

1979. A comparison of accumulated plan benefits and plan net assets is presented below:

	(in thousands of dollars) 1981	1980
Actuarial present value of accumulated plan benefits:		
Vested	$70,968	$77,464
Nonvested	3,296	4,802
	$74,264	$82,266
Net assets available for benefits	$58,290	$55,095

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 8% and 6% for 1981 and 1980, respectively. The effect of the change from 6% to 8% in 1981 was to reduce 1981 pension expense by approximately $1,750,000 and increase net income by $945,000 or $.25 per share.

GRANITEVILLE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 1981, 1980 and 1979 was approximately $3,727,000, $3,937,000 and $3,600,000, 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.

	Information Available As Of January 1, 1981	January 1, 1980	January 1, 1979
	(Dollars in thousands)		
Total assets available for benefits			
At cost	$39,359	$36,487	$32,421
At market	$48,971	$40,356	$34,283
Actuarial present value of accumulated plan benefits:			
Vested	$19,680	$22,084	$19,212
Nonvested	2,938	3,350	2,898
Total	$22,618	$25,434	$22,110
Gross accrued liability	$48,425	$45,270	$39,948
Unfunded accrued liability (assets at cost)	$ 9,066	$ 8,783	$ 7,527
Weighted average assumed rate of return used in determining the above benefits	6%	5%	5%
Actuarial wage rate increase assumption	6%	5%	5%

In 1981, the Company changed its investment return assumption from 5% to 6% and changed its wage rate increase assumption from 5% to 6%. The net effect of these changes was to reduce pension expense by $666,000 and increase net income by $333,000, or $.08 per share.

Actuarial data regarding the value of vested benefits as of January 3, 1982, are not yet available. In the opinion of management, such benefits remain essentially funded. Actuarial data regarding the amount of unfunded prior service costs and the amount of total assets at cost and at market, as of January 3, 1982, 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 1981 was approximately $123,000 ($684,000 in 1980 and $403,000 in 1979).

THE PITTSTON COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8: Pension Plans

The Company and its subsidiaries have several noncontributory pension plans which provide eligible employees with retirement and disability benefits based on past and future services. The total pension expense was $9,168,000 in 1981, $11,295,000 in 1980 and $10,630,000 in 1979, which includes amortization of prior service costs over periods up to 30 years. The plans provide for the funding of the pension costs accrued. The following is a comparison of accumulated plan benefits and plan net assets for all plans:

As of January 1	1981	1980
	(In thousands)	
Actuarial present value of accumulated plan benefits:		
Vested	$61,300	51,050
Non-vested	5,067	4,882
	$66,367	55,932
Net assets available for pension benefits	$91,232	69,997

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7%.

In 1981, for the major plan, the Company changed its investment return assumption from 5% to 6%; changed its pay increase assumption of 3½% for salaried employees to 5%; and increased the period for amortization of prior service costs from 10 to 30 years. In addition, there was a change in the plan's basic benefit formula. The net effect of these changes was to reduce 1981 pension expense by approximately $2,400,000 and increase net income by approximately $1,300,000 or $.03 per share.

Under the labor contract with the United Mine Workers of America, the Company's Coal Group made payments, based on tons of coal produced and hours worked, into two multiemployer pension plan trusts established for the benefit of union employees. Such payments totalled $20,413,000 in 1981, $20,493,000 in 1980 and $16,422,000 in 1979. Under the Employee Retirement Income Security Act of 1974 as amended by the Multiemployer Pension Plan Amendments Act of 1980, an employer is liable upon withdrawal from or termination of a multiemployer plan for its proportionate share of the plan's unfunded vested benefits liability. The Company estimates that its share of the unfunded vested liabilities of these two plans amounted to approximately $101,113,000 at June 30, 1981. The relative position of each employer associated with these plans with respect to the actuarial present value of accumulated benefits and net assets available for benefits is not determinable.

Summary/Statement of Changes in Pension Fund Assets

GENERAL ELECTRIC COMPANY (DEC)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pensions

Assets and liabilities of the General Electric Pension Trust, which funds the obligations of the General Electric Pension Plan, are not consolidated with those of the Company. Investments of the Trust are carried at amortized cost plus programmed appreciation in the common stock portfolio. Beginning in 1981, the funding program and Company cost determination for the Pension Plan use 7½% as the estimated rate of future Trust income. Trust income includes recognition of appreciation in the common stock portfolio on a systematic basis which does not give undue weight to short-term market fluctuations. Programmed appreciation will not be recognized if average carrying value exceeds average market value, calculated on a moving basis over a multiyear period. Changes in prior service liabilities of the Plan are amortized over 20 years. Actuarial gains and losses are amortized over 15 years.

Costs of the General Electric Supplementary Pension Plan, a separate plan primarily affecting long-service professional and managerial employees, are not funded. Current service costs and amortization of prior service liabilities over a period of 20 years are being charged to operating expenses currently.

NOTES TO FINANCIAL STATEMENTS

Note 2: Pensions

Total pension costs of General Electric and consolidated affiliates were $549 million in 1981, $478 million in 1980, and $413 million in 1979.

General Electric and its affiliates have a number of pension plans. The most significant of these plans is the General Electric Pension Plan (the "Plan"), in which substantially all employees in the U.S. are participating. Pension benefits under the Plan are funded through the General Electric Pension Trust (the "Trust"). The other principal pension plan is the General Electric Supplementary Pension Plan. These two plans account for over 90% of GE's pension benefits. Approximately 86,000 persons were receiving benefits at year-end 1981.

For funding and annual cost determination purposes, changes were made in 1981 in mortality assumptions and, recognizing the impact of inflation, in projections of pension benefits and by increasing from 6% to 7½% the estimated rate of future Trust income. The net effect of these changes on 1981 pension costs were not material.

Earnings of the Trust, including programmed recognition of common stock appreciation as a percentage of the carrying value of the portfolio, were 10.1% in 1981 and 8.4% in 1980 and 1979.

Condensed current-value information for the Trust appears below. Current-value information is presented in accordance with Statement of Financial Accounting Standards No. 36 requirements, which differ from the carrying value used by the Company for funding and cost determination purposes.

General Electric Pension Trust

Change in net assets at current value

For the year (In millions)	1981	1980	1979
Net assets at January 1	$6,418	$4,968	$4,202
Company contributions	443	404	341
Employee contributions	103	86	94
Investment income	601	435	383
Pensions paid	(300)	(254)	(225)
Unrecognized portion of change in current value	(686)	779	173
Net assets at December 31	$6,579	$6,418	$4,968

Net assets at current value

December 31 (In millions)	1981	1980	1979
U.S. government obligations and guarantees	$ 432	$ 44	$ 118
Corporate bonds and notes	813	727	496
Real estate and mortgages	871	825	713
Common stocks and other equity securities	3,751	4,181	3,193
	5,867	5,777	4,520
Cash and short-term investments	644	553	371
Other assets—net	68	88	77
Current value of net assets	$6,579	$6,418	$4,968
Carrying value of net assets	$6,440	$5,593	$4,922

The actuarial present value of accumulated plan benefits for the General Electric Pension Plan and the Supplementary Pension Plan, calculated in accordance with Statement of Financial Accounting Standards No. 36, is shown below. The table also sets forth the total of the current value of Pension Trust assets and relevant accruals in the Company's accounts.

General Electric Pension Plan and Supplementary Pension Plan

December 31 (In millions)	1981	1980	1979
Estimated actuarial present value of accumulated plan benefits:			
Vested benefits	$6,032	$6,027	$5,426
Nonvested benefits	511	415	382
Total benefits	$6,543	$6,442	$5,808
Current value of trust assets plus accruals	$6,801	$6,580	$5,075

The present values were calculated using a 7½% interest rate assumption as of December 31, 1981, and 6% as of the end of 1980 and 1979. If the 1981 changes in the actuarial interest rate and mortality assumptions had not been made, the present value of total benefits at the end of 1981 in the preceding table would have been $855 million greater.

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

SUMMARY OF ACCOUNTING POLICIES

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.

1981 FINANCIAL REVIEW

Savings and retirement plans' expenses were as follows:

(In millions)	1981	1980	1979
Pension	$66	$58	$54
Savings and profit-sharing	30	23	22
Total	$96	$81	$76

JCPenney's principal pension plan, which is noncontributory, covers substantially all United States employees who have completed 1,000 or more hours of service within a period of 12 consecutive months. Current pension costs are funded annually as incurred, and at year end 1980, based upon market valuation of investments, all vested benefits were fully funded.

In addition, the Company has an unfunded, noncontributory, supplemental retirement plan for certain management employees.

The unfunded actuarial liability for all pension and retirement plans at December 31, 1980, according to the latest actuarial valuation, was $203 million.

The present value of accumulated benefits for all participants in the Company's principal pension plan and the supplemental plan and the applicable net assets of the plans are as follows:

(In millions)	December 31 1980	1979
Present value of accumulated benefits		
Vested	$179	$134
Non-vested	29	69
	$208	$203
Net assets available for benefits	$429	$315

In determining the actuarial present value of accumulated benefits, the assumed rate of return used was 8.5 percent. Each one percent change in this assumed rate of return would change the present value of accumulated benefits by approximately $28 million. The rate of return used in determining the funding and pension costs of the retirement plans was 6.0 percent.

The savings and profit-sharing plan encourages savings by employees through the allocation of 4.5 percent of the Company's available profits, as defined in the plan, to participants who make deposits under the plan. The eligibility requirement is the same as that under the Company's principal pension plan.

Condensed financial statements of the principal retirement plans are as follows:

Balance sheet

	Savings and profit-sharing December 31			Pension December 31		
(In millions)	1981	1980	1979	1981	1980	1979
Assets						
JCPenney common stock at market value (11, 10, and 9 million shares; at cost: $427, $402, and $381)	$329	$245	$234	$ —	$ —	$ —
Funds with insurance companies	126	119	111	—	—	—
Other investments at market value (cost: $17, $20, $14, $392, $286, and $227)	19	20	15	406	338	245
Other assets, net	30	22	21	36	43	35
	$504	$406	$381	$442	$381	$280
Liabilities and equity						
Estimated liability for pensions	$ —	$ —	$ —	$442	$381	$280
Participants' equity in savings and profit-sharing plan	504	406	381	—	—	—
	$504	$406	$381	$442	$381	$280

Statement of Changes in Retirement Plans' Assets

	Savings and profit-sharing December 31			Pension December 31		
(In millions)	1981	1980	1979	1981	1980	1979
Total assets at beginning of year	$406	$381	$371	$381	$280	$209
Company contributions	30	24	23	47	43	41
Participants' contributions	49	47	47	—	—	—
Investment income	32	28	23	58	29	18
Unrealized appreciation (depreciation) of investments	47	(21)	(35)	(38)	34	16
Benefits paid	(60)	(53)	(48)	(6)	(5)	(4)
Total assets at end of year	$504	$406	$381	$442	$381	$280

COMPENSATORY PLANS

In addition to pension plans (Table 3-8) and "traditional" stock option and stock purchase plans (pages 207-213), 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. That is the principle in Chapter 13B of *ARB No. 43* with two modifications: (a) the meaning of fair value of stock for compensatory plans is narrowed and (b) the measurement date for plans with a variable number of shares of stock or a variable option or purchase price is different . . .

Thus a corporation recognizes compensation cost for stock issued through compensatory plans unless the employee pays an amount that is at least equal to the quoted market price of the stock at the measurement date.

12. *Accruing Compensation Cost.* Compensation cost in stock option, purchase, and award plans should be recognized as an expense of one or more periods in which an employee performs services and also as part or all of the consideration received for stock issued to the employee through a plan. The grant or award may specify the period or periods during which the employee performs services, or the period or periods may be inferred from the terms or from the past pattern of grants or awards (*ARB No. 43* Chapter 13B, paragraph 14; *APB Opinion No. 12, Omnibus Opinion-1967,* paragraph 6).

14. If stock is issued in a plan before some or all of the services are performed, part of the consideration recorded for the stock issued is unearned compensation and should be shown as a separate reduction of stockholders' equity. The unearned compensation should be accounted for as expense of the period or periods in which the employee performs service.

16. *Accounting for Income Tax Benefits.* An employer corporation may obtain an income tax benefit related to stock issued to an employee through a stock option, purchase, or award plan. A corporation is usually entitled to a deduction for income tax purposes of the amount that an employee reports as ordinary income, and the deduction is allowable to the corporation in the year in which the amount is includable in the gross income of the employee. Thus, a deduction for income tax purposes may differ from the related compensation expense that the corporation recognizes, and the deduction may be allowable in a period that differs from the one in which the corporation recognizes compensation expense in measuring net income.

TABLE 3-9: COMPENSATORY PLANS

	Number of Companies			
	1981	1980	1979	1978
Stock award plan	127	104	104	107
Incentive compensation plan	113	148	161	149
Profit-sharing plan	77	89	86	75
Savings fund plan	60	45	40	24
Deferred compensation agreement	36	38	31	25

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

DANA CORPORATION (DEC)

COMMENTS ON COMMON STOCK AND EQUITY

Additional Compensation Plans

Dana has various additional compensation plans covering many of its employees. Most of these employees participate in individual incentive plans, group incentive plans and Scanlon plans. Pay-outs under these plans are computed under various formulas recognizing increased productivity and improved performance. Additional compensation earned by Dana employees under these plans amounted to $65,579,000, $57,439,000 and $62,322,000 in 1981, 1980 and 1979, respectively.

Certain officers and other key employees participate in an additional compensation plan. Under the plan, if consolidated net income for the fiscal year exceeds 6% of consolidated shareholders' equity then, at the discretion of the Board of Directors, an amount equal to 6% of such excess may be accrued for additional compensation. The plan generally provides that, at the option of the compensation committee composed of outside directors of the Board, awards made to participants may be paid out in cash or deferred and later paid in cash or in shares of the Company's common stock. Deferred awards, expressed in "units" of the Company's common stock, are credited with amounts equivalent to dividends on common stock. Dana awarded $3,916,000 in 1981, $4,197,000 in 1980 and $3,310,000 in 1979; 10,298, 15,154 and 14,311 shares of Dana's common stock held in treasury were issued and amounts equivalent to dividends of $501,000, $466,000 and $402,000 were credited to deferred awards in 1981, 1980 and 1979, respectively. Total charges to expense relating to the plan amounted to $3,151,000 in 1981, $501,000 in 1980 and $5,826,000 in 1979. At December 31, 1981, 331,531 common shares held in treasury were reserved for issuance under this plan.

KOPPERS COMPANY, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 9: Employee Compensation Plans

Deferred Compensation Plan—The Company has a Deferred Compensation Unit Plan for officers and other key employees. Operating expense has been charged with $2,139,000, $1,881,000 and $1,504,000 to provide for the benefits accrued during 1981, 1980 and 1979, respectively.

Incentive Plans—The Company has an Incentive Plan for key employees that is based upon the attainment of a specific return on invested capital using income before interest expense and income taxes. Operating expense was charged with $2,430,000 in 1979. There was no charge to operating expense in 1980 or 1981 because of the Company's insufficient return on investment.

Performance Share Plan—The Company has a Performance Share Plan for key employees that provides for an award of performance shares (up to a maximum of 500,000 shares), each equivalent to one share of the Company's common stock and cash. Distribution of the common stock plus cash equal to the fair market value of the common stock will be made at the end of designated periods if specified earnings are attained.

In 1980, $2,418,000 previously charged to operating expenses in 1979 for benefits under the plan were credited against expense as the Company did not expect to reach the required growth rate. The related 1979 cycle performance shares expired on December 31, 1981.

Currently, 74,050 performance shares awarded in 1981 for the award period ending December 31, 1983 are outstanding. No provision has been made in 1981 based on profit performance for that year.

Savings and Profit Sharing Plan—Effective January 1, 1980, the Company initiated a Savings and Profit Sharing Plan for all eligible employees. Participating employees may elect to contribute up to 5% of their salaries, and the Company contributes an amount equal to a specified percentage, based on Company earnings, of the employees' contributions to a limit of $6,000 per employee. The Company's contributions may be made in cash or common stock of the Company. The Company's contribution amounted to $1,923,000 in 1981 and $4,375,000 in 1980.

LUCKY STORES, INC. (JAN)

FINANCIAL REVIEW

Employee Benefit Plans (in part)

Incentive Compensation Plans: Lucky has incentive compensation plans for store management and other management personnel covering more than 3,500 employees. Provision for payments to be made under the plans is based on pretax earnings in excess of a specified return on capital employed in Lucky's operations. The aggregate provision under both plans was $16.9 million in 1981, $16.8 million in 1980 and $18.0 million in 1979.

ST. REGIS PAPER COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Management Incentive Compensation

St. Regis' management incentive compensation plan provides for management incentive awards and senior management performance awards in cash or current shares (payable in full after the close of the award period) or in deferred shares (payable upon termination of employment) of St. Regis common stock, or any combination thereof, for different award periods to key employees, including directors who are officers, in an aggregate amount not exceeding 10 percent of earnings before taxes, after deducting 6½ percent of shareholders' equity, during the year and any unawarded incentive funds of previous years.

The provision amounted to $7,600,000, $7,000,000 and $5,300,000 in 1981, 1980, and 1979, respectively. Awards were allocated as shown in the following table:

(Thousands)	1981	1980	1979
Awards allocated	$5,930	$6,000	$5,323
Payable in cash	$3,729	$3,621	$3,453
Payable in current shares	$ 263		
Number of shares	6		
Payable in deferred shares	$1,938	$2,379	$1,870
Number of shares	61	73	62

At December 31, 1981 and 1980, there were aggregates of 604,810 and 543,313 shares, respectively, of St. Regis common stock payable to key employees under the plan.

UNITED FOODS, INC. (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (in part): Employee Benefit Plans

Incentive Bonus Plan:

Prior to fiscal 1981, the Company had an incentive bonus plan covering approximately 40 key employees that called for 8% of pretax profits for each fiscal year to be allocated to a bonus pool. The charge to operations for the year ended February 29, 1980 and February 28, 1979 was $125,547 and $47,007, respectively. In fiscal 1981, the Company revised the plan to cover nine key employees and calls for 4% of pretax profits to be allocated to the bonus pool. The cost of the plan charged to operations for the year ended February 28, 1981 was $126,873.

UNITED STATES TOBACCO COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Pension and Incentive Compensation Plans (in part)

The Company has an Incentive Compensation Plan which provides for incentive payments to officers and key employees based on stated percentages of net income as defined in the Plan. Expense under the Plan amounted to $4,320,000 for 1981, $3,793,000 for 1980 and $3,017,000 for 1979.

Profit Sharing Plans

ANADITE, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (in part): Employee Benefit Plans

Profit Sharing Plans:

The Company has profit sharing plans covering substantially all employees. Under the Kropp Forge Division contributory plan, the Company is required to make an annual contribution which is to be the lesser of (1) four times the amount of the participants' contributions paid into the plan during the year, (2) fifteen percent of the aggregate compensation of participants during the year, or (3) ten percent of the net operating profits of the Kropp Forge Division, as defined. Under the plan $290,000, $225,000 and $235,000 were charged against income in 1981, 1980 and 1979, respectively.

In 1981, the Company established a contributory profit sharing plan for employees in Texas, California and Arizona. Under the plan, the Company's contribution is determined annually by the Board of Directors. The amount charged against income in 1981 was $111,000.

BEEHIVE INTERNATIONAL (SEP)

NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

Note 7: Employee Benefit Plans

Profit Sharing Plan

In October 1978, International adopted an employee profit sharing plan which has been qualified with the Internal Revenue Service. The contribution to the profit sharing plan was approximately $367,000, $142,000 and $64,000 for fiscal years ended September 30, 1981, 1980 and 1979, respectively.

Management Incentive Plan

In July 1978, International adopted a management incentive plan for certain key employees. The plan provides for participants to receive payments based on certain sales volume and profit levels. The compensation related to the plan in fiscal 1981, 1980 and 1979 was approximately $827,000, $530,000 and $102,000, respectively.

COLLINS & AIKMAN CORPORATION (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ($000)

Note 6 (in part): Employees' Pension and Profit-Sharing Plans.

The Company has an employees' profit-sharing plan which provides for contributions to a fund, to be held in trust by a corporate fiduciary, of a sum not in excess of 8% of income for the year, as defined, but not to exceed the amount permitted under the Internal Revenue Code as a deductible expense. The provisions charged to income in 1981, 1980 and 1979 were $1,491, $1,662 and $2,938, respectively.

Stock Award Plans

AIR PRODUCTS AND CHEMICALS, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7: Incentive Plans

The company and its subsidiaries have various incentive compensation plans for executives and key employees that provide for a combination of cash awards, deferred stock awards, performance awards and stock options with or without related stock appreciation rights. Awards are payable in cash and/or shares of Common Stock of the company. At 30 September 1981, awards equivalent to 190,140 shares of common stock are outstanding. In addition, 685,175 stock options with option prices of $25.75 to $50.31 per share and 403,130 related stock appreciation rights are outstanding at 30 September 1981 along with 390,817 performance units having a value of $12.875 per unit and 302,850 performance units having a value of $27.30 per unit. Exercise of stock options will reduce the number of related performance units and stock appreciation rights outstanding on a one-for-one basis. Most of these awards are accrued over the various incentive and performance periods and the cost will vary depending on changes in the market value of the company's stock. Accordingly, the expense of these plans amounted to $9,783,000 in 1981, $12,763,000 in 1980 and $7,560,000 in 1979.

DOVER CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1981, 1980 and 1979

Note 9 (in part): Stock Options and Performance Incentive Program (adjusted for 2 for 1 stock splits):

Concurrently with the option grant, the Executive Committee may also grant performance shares which give the optionee the opportunity to earn shares up to and including (1) an amount equal in number to those covered by his option for grants made prior to 1981 and (2) twice the number of option shares for 1981 grants, or an amount in cash equivalent thereto, conditioned upon the attainment by the Company of defined cumulative growth objectives covering a period of not less than three fiscal years. If the market price of the Company's common stock has appreciated between the time of the grant and the time of the award, the total value of the performance shares (or payment with respect thereto) received will not increase, but will be equivalent to the value at the time of grant.

Performance share transactions are summarized as follows:

	Maximum Performance Shares Awardable		
	1981	1980	1979
Outstanding at January 1 ...	312,868	308,524	271,596
Awarded (cash)	(109,696)	(71,412)	(83,472)
Granted	138,500	87,040	127,560
Cancelled	(23,006)	(11,284)	(7,160)
Outstanding at December 31	318,666	312,868	308,524

At December 31, 1981, the 318,666 performance shares outstanding consisted of 110,320 shares granted in 1979 (awardable in 1982), 79,234 shares granted in 1980 (awarded in 1983), and 129,112 shares granted in 1981 (awarded in 1984). Earnings were charged $2,190,000 in 1981, $1,344,000 in 1980 and $1,055,000 in 1979, representing the pro-rata portion of anticipated payouts due at the end of the performance periods.

At December 31, 1981, there were 1,422,984 shares available for future grant under the stock option plan and performance incentive program.

The performance goals were achieved with respect to the 71,412 remaining shares granted in 1977, the 109,696 remaining shares granted in 1978, and 110,320 remaining shares granted in 1979. By direction of the Executive Committee, $661,000, $1,076,000 and $1,285,000 was distributed in cash, in early 1980, 1981 and 1982, respectively, to the participants in the program.

CABOT CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note L: Performance Share Plan

Under the Performance Share Plan, awards, expressed as shares of common stock of the Company, have been made to officers and other key employees selected by the Officers' Compensation Committee of the Board of Directors. Awards are earned for performance over a six-year period, but only if the Company has achieved a growth in earnings per share on a cumulative basis over the period that meets goals established by the Committee. The number of shares actually earned may vary from zero to 150 percent of the shares awarded, depending upon the award and the relationship of actual earnings growth to the established goals. At September 30, 1981, the Company had reserved 2,170,718 shares of common stock for issuance under the Plan.

Since adopting the Plan in 1972, awards have been made in five groupings ("flights") with earnings measurement periods for the respective flights specified as being the six-year periods ending September 30, 1978, 1980, 1982, 1984 and 1986. At September 30, 1981, 645,575 performance share awards were outstanding.

The after-tax cost of performance share awards charged against income in fiscal 1981, 1980, and 1979 was $2,849,000, $8,720,000, and $2,390,000, respectively.

GANNETT CO., INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (in part): Capital Stock, Stock Options and Incentive Plans

1978 Executive Long-Term Incentive Plan—The 1978 Executive Long-Term Incentive Plan (the 1978 Plan) provides for the granting of stock options, alternate appreciation rights, performance units, and stock incentive rights to executive officers and other key employees of the Company and its subsidiaries.

Stock options are granted to purchase common stock of the Company at not less than 100% of the fair market value on the day the option is granted. The exercise period, which is determined by the Executive Compensation Committee of the Board of Directors (the Committee), may be up to eight years. Unless otherwise determined by the Committee, the options become exercisable at 25% per year after a one-year waiting period.

Alternate appreciation rights may be awarded concurrently with stock options and have the same exercise terms. When alternate appreciation rights are exercised, the number of shares subject to option as well as the related performance units is reduced on a one-for-one basis. At the discretion of the Committee, the Company will pay the holder of alternate appreciation rights in either cash, stock, or a combination of both, 80% of the amount by which the fair market value of the Company's common stock on the exercise date exceeds the option price of the related stock option. Such payment may not, however, exceed 100% of the option price.

Performance units may be awarded alone or related to a stock option. They are to have a stated value not to exceed 75% of the fair market value of a share of common stock on the date of award. Performance units will be earned to the extent that performance targets (expressed in terms of cumulative average growth of the Company's earnings per share) have been met at the end of the four-year award period. Payments for performance units earned are made at the discretion of the Committee and reduce the number of shares subject to related stock options and the number of alternate appreciation rights on a one-for-one basis. At the discretion of the Committee, payments, in cash, stock, or a combination of both, will be made up to a maximum payment equal to the stated value of the units.

Stock incentive rights entitle the employee to receive for each such right, without payment, one share of common stock at the end of an incentive period, conditioned upon the employee's continued employment by the Company or its subsidiaries throughout the incentive period. The incentive period, which is determined by the Committee, is normally fixed at four years. During the incentive period, the employee receives cash payments for each incentive right equivalent to the cash dividend the Company would have paid to such employee had he or she owned the shares of common stock issuable under the incentive rights.

During 1981, 48,326 (239,453 in 1980 and 7,755 in 1979) performance units and 13,935 (19,590 in 1980 and 14,925 in 1979) stock incentive rights were awarded. During 1981, 11,700 (116,925 in 1980) alternate appreciation rights were awarded. With respect to these awards under the 1978 Plan, the Company has recorded as compensation expense $2,986,000 for the year ended December 27, 1981, $3,210,000 for 1980, and $1,687,000 for 1979. Under the 1978 Plan, the Company has accrued liabilities aggregating $8,726,000 at December 27, 1981, and $5,740,000 at December 28, 1980.

On December 28, 1981 (the Company's 1982 fiscal year), the Company distributed 142,921 shares of its common stock in settlement of stock incentive rights granted during the preceding four years. The accrued compensation liability for these shares was credited to the capital accounts. In early January 1982, the Company paid in cash approximately $2,733,000 in settlement of 178,921 performance units and canceled a like number of stock options.

MILTON ROY COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (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 100,000 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 1981 was $126,000 ($35,000 in 1980). 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 is as follows:

	Common shares	Market price per share (date of grant)
Outstanding December 31, 1979	-0-	
Granted in 1980	59,000	$15.09-$15.28
Cancelled or forfeited	-0-	
Outstanding December 31, 1980	59,000	$15.09-$15.28
Granted in 1981	6,666	$18.09
Cancelled or forfeited	(3,333)	$15.28
Outstanding December 31, 1981	62,333	$15.09-$18.09
Available at December 31, 1981 for future grants	37,667	

STONE CONTAINER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Incentive Compensation Plan:

Following shareholder approval in 1981, the Company adopted a Long-Term Incentive Program which is administered by the Compensation Committee of the Board of Directors. The Program consists of two related parts: the "Restricted Stock Plan" and the "Performance Unit Plan."

(a) The Restricted Stock Plan provides for the award of common shares to the participants, subject to certain restrictions. The maximum number of shares to be awarded under the Plan is 206,250, of which 34,669 were awarded in 1981.

(b) The Performance Unit Plan provides for future cash compensation, if earned upon achievement of certain financial goals as established by the Board of Directors at the beginning of a performance cycle.

Both the Restricted Stock Plan and the Performance Unit Plan involve a measurable amount of compensation over a (five-year) restricted period and a (five-year) performance cycle, respectively. The total charge to compensation expense during 1981 under these Plans was $172,000.

Deferred Compensation Plans

DURR-FILLAUER MEDICAL, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (in part): Retirement and Incentive Plans

The Company has deferred compensation plans for key executives providing for payments upon retirement, death or disability. Individual annual payments range from $8,250 to $22,340 per year, for ten years beginning when the executive reaches age 65. In the event of death, disability or termination of employment, the amount of deferred benefits can be reduced and made payable at an earlier date.

The deferred compensation expense for 1981 was $5,913, which is the payment that would be required to fund the present value of the benefits at retirement. No charge was made to expenses in 1980 or 1979. These plans do not qualify under the Internal Revenue Code and therefore tax deductions are allowable only when the benefits are paid. Appropriate provisions have 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.

SPENCER COMPANIES, INC. (MAY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 10: Deferred Compensation

The Company has employment agreements with certain officers which provide, among other things, that during each of the ten years from and after the termination of employment because of retirement, death or disability, each officer is to be paid deferred compensation. The deferred compensation is being accrued over the remaining term of the employment agreements on a present value basis. Deferred compensation expense for the year ended May 30, 1981 was approximately $124,000 ($67,000 net of income taxes).

TOSCO CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 13 (in part): Common Stock, Stock Options, Warrants and Deferred Compensation Agreements

Under the terms of deferred compensation agreements with certain corporate officers and selected management personnel, compensation rights have been granted which are exercisable for approximately five years and provide for (i) a cash payment equal to the excess of the fair market price of Tosco's Common Stock at date of exercise over the grant price multiplied by the number of rights exercised or (ii) the issuance of an equivalent number of shares of Common Stock held in treasury which could be purchased by the proceeds. As of December 31, 1981 and 1980, a total of 92,500 and 102,500 rights, respectively, were outstanding at prices ranging from $4.00 to $13.00, with an average right price of $4.49 (1981) and $4.54 (1980). During the year ended December 31, 1981, 10,000 rights were exercised for 7,534 shares of Common Stock held in treasury. During the year ended December 31, 1980, 30,700 rights were exercised for 24,308 shares of Common Stock held in treasury. During the year ended December 31, 1981, the accrual for deferred compensation rights was decreased by $1,536,000 to reflect the decrease in the market price of Tosco's Common stock since December 31, 1980. Compensation expense of $1,177,000 (1980) and $3,498,000 (1979) was recorded.

Savings or Investment Plans

BOBBIE BROOKS, INCORPORATED (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (in part):

Employees Savings Plan:

The Company maintains a savings plan for employees which provides for basic (up to 6% of compensation) and supplemental employee contributions and for the Company to match 33⅓% of the employee's basic contribution. The Plan, first offered to the employees September 1, 1978, covers all employees not covered by a collective bargaining agreement. The Plan permits eligible employees to invest in a combination of common stock of the Company, at market value, or a fixed income fund.

The Company's contribution under the Plan amounted to $122,100, $194,600 and $94,500 in 1981, 1980 and 1979, respectively. The Plan acquired 3,000, 2,300 and 2,200 shares of the Company's common stock in 1981, 1980 and 1979, respectively, and held 7,598 shares at May 2, 1981.

The Internal Revenue Service has issued a favorable determination letter with respect to qualification of the Plan and underlying trust under Sections 401(a) and 501(a) of the Internal Revenue Code.

CHESEBROUGH-POND'S INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14 (in part): Retirement and Savings Investment Plans

Under the company's Savings Investment Plan, which was adopted as of October 1, 1979, eligible employees may contribute up to 10 percent of their annual base compensation to either a diversified equity fund, a fixed-income fund or a combination thereof. For those participants not eligible for the company's stock plan, the company makes a matching contribution of 50 cents on the dollar for the first five percent. The plan requires the company's contribution be invested by the trustee in the company's common stock. In 1981, 1980 and 1979, $702,000, $600,000 and $130,000, respectively, were expensed for the plan.

DIAMOND SHAMROCK CORPORATION (DEC)

FINANCIAL SUMMARY

Employee Savings Plan

Under the Company's Employee Savings Plan, eligible participating employees may elect to contribute up to 6% of their salaries to a trust for investment in either a corporate stock fund (Common Stock of the Company) or a government securities fund. The Company contributes an amount equal to 50% of the participant's monthly contribution, which is invested in the corporate stock fund. The Company contributions are fully vested to the participant after three years of continued employment. The Company's contributions to the Plan amounted to $3,121,000 in 1981, $3,025,000 in 1980 and $2,656,000 in 1979.

The Plan Trustee may purchase shares of the Company's Common Stock for the corporate stock fund from the Company at a price equal to the closing market price on the New York Stock Exchange on the date of purchase. At December 31, 1981, 531,088 Common shares were reserved for issuance under the Plan.

NORTON COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (in part): Retirement and Benefit Programs

The Company has an employee investment plan, under which eligible U.S. employees can invest up to twelve percent of their earnings (ten percent in 1979), matched by an amount from the Company equal to one half of the first six percent of the employee contribution, with the Company's contribution invested in the common stock of the Company. The Company's annual contribution was approximately $3,700,000, $3,300,000 and $2,700,000 in 1981, 1980 and 1979, respectively.

DEPRECIATION EXPENSE

Paragraph 5 of *APB Opinion No. 12* stipulates that both the amount of depreciation expense and method or methods of depreciation should be disclosed in the financial statements or in notes thereto. Paragraph 5, Chapter 9C of *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 on pages 132-138.

Straight Line Method

AMERICAN CYANAMID COMPANY (DEC)

	1981	1980	1979
	(Thousands of dollars)		
Net Sales	$3,649,073	$3,453,934	$3,186,998
Expenses:			
Manufacturing cost of sales less depreciation and depletion	2,142,940	2,084,798	1,908,174
Selling and advertising	686,564	625,349	582,954
Administrative and general	195,096	173,220	162,256
Depreciation and depletion	164,578	156,209	140,594
Research and process development	164,145	141,831	124,135
	3,353,323	3,181,407	2,918,113
Earnings From Operations	$ 295,750	$ 272,527	$ 268,885

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OF 1981, 1980 and 1979

Note 1 (in part): Summary of Accounting Policies

Depreciation and Amortization—Depreciation is provided on a straight-line composite method over the estimated remaining useful lives of various classes of assets. When depreciable assets are sold or otherwise retired from service, their cost, less amounts realized on sale or salvage, is charged or credited to the accumulated depreciation account. Expenditures for maintenance and repairs are charged to current operating expenses. Acquisitions, additions and betterments for increasing productive capacity or prolonging service lives of plants, equipment and facilities are capitalized. Intangibles resulting from business acquisitions are carried at cost and amortized over a period of 40 years unless, in the opinion of management, their lives are limited, or they have sustained a permanent diminution in value, in which case they are amortized over lesser periods.

TABLE 3-10: DEPRECIATION METHODS

	Number of Companies			
	1981	**1980**	**1979**	**1978**
Straight-line	565	562	556	560
Declining balance	57	65	63	67
Sum-of-the-years digits	25	26	34	35
Accelerated method-not specified	68	69	71	67
Unit of production	52	51	46	44

BAUSCH & LOMB INCORPORATED (DEC)

	1981	1980	1979
	(Dollar Amounts in Thousands)		
Net Sales	$533,300	$481,802	$400,192
Costs and Expenses:			
Cost of products sold	239,246	207,583	170,982
Selling, administrative and general	150,659	144,295	155,708
Research and development	21,023	16,699	13,246
Depreciation of properties	10,511	8,662	7,317
	421,439	377,239	307,253
Operating Earnings	$111,861	$104,563	$ 92,939

NOTES TO FINANCIAL STATEMENTS

Accounting Policies (in part)

Properties, Depreciation and Amortization

Properties are recorded at cost and include improvements that significantly add to productive capacity or extended useful life. Costs of maintenance and repairs are charged to expense. Upon retirement or disposal of assets, the cost and related accumulated depreciation are removed from the accounts, and gain or loss, if any, is reflected in earnings for the period. Properties are removed from the accounts when they become fully depreciated. Depreciation for financial reporting purposes, including the depreciation of assets relating to capitalized lease obligations, is provided on the straight-line method over the periods of estimated useful lives of the assets. Leasehold improvements are amortized over the periods of the related leases.

MOTT'S SUPER MARKETS, INC. (DEC)

	1981	1980	1979
Sales	$289,342,761	$264,794,424	$234,792,325
Cost of Goods Sold	233,308,156	213,434,169	191,881,418
Gross Profit on Sales	56,034,605	51,360,255	42,910,907
Operating Expenses			
Store, Administrative and General Expenses	47,878,705	44,727,310	37,432,230
Depreciation (Note 1)	1,502,771	1,333,949	1,156,328
	49,381,476	46,061,259	38,588,558
Operating Income	$ 6,653,129	$ 5,298,996	$ 4,322,349

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

Property, Plant and Equipment

The company computes depreciation on the straight-line method using lives of 20 to 40 years on buildings, 15 years on leasehold improvements, 4 to 10 years on furniture and fixtures. Expenditures for renewals and betterments representing improvements to property are capitalized. The cost of maintenance and repairs is charged to expense as incurred.

G. C. MURPHY COMPANY (JAN)

	1982	1981	1980
		($000)	
Costs and expenses:			
Cost of goods sold, including occupancy costs (Note 3)	$608,424	$592,487	$549,766
Selling, general and administrative	170,227	163,459	156,369
Taxes, other than income taxes	15,392	14,646	13,757
Depreciation and amortization	9,729	9,652	9,827
Interest	5,948	5,894	7,428
Interest on capital lease obligations	2,311	2,451	2,404
	$812,030	$788,589	$739,551

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Depreciation and Amortization:

Depreciation and amortization of property and equipment for financial reporting purposes are generally determined on the group basis using the straight-line method at annual rates based upon estimated useful lives of the various assets: 2½% to 10% for buildings and 5% to 20% for fixtures and equipment. Accelerated methods of depreciation are used for income tax purposes.

Cost and accumulated depreciation and amortization related to assets, except buildings, which have become fully amortized, are removed from the accounts.

PACCAR INC. (DEC)

Consolidated Statements of Changes in Financial Position

	1981	1980	1979
		(Thousands of Dollars)	
Source of Funds			
Net income	$85,113	$81,088	$120,147
Items included in net income not affecting working capital:			
Depreciation	19,591	13,485	10,741
Equity in net earnings of unconsolidated companies (net of dividends received)	(18,238)	(18,170)	(15,305)
Deferred income taxes	5,477	2,521	825
Total from Operations	$91,898	$83,924	$116,408

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (in part): Summary of Accounting Policies

Property, Plant and Equipment: Property, plant and equipment are stated at cost. Depreciation of plant and equipment is computed principally by the straight-line method based upon the estimated useful lives of the various classes of assets which range as follows:

Buildings	30-40 years
Machinery and equipment	5-12 years

WEST POINT-PEPPERELL, INC. (AUG)

	1981	1980	1979
		(000 omitted)	
Costs and expenses:			
Costs of goods sold	$ 987,880	$1,009,006	$824,397
Depreciation (Note C)	25,287	22,381	21,341
Amortization of capital leases	4,015	3,527	3,143
Selling and administrative expense	125,297	120,177	103,863
Interest expense:			
Current and long-term debt	12,893	16,791	13,166
Capital leases	2,046	1,391	1,246
Total costs and expenses	$1,157,418	$1,173,273	$967,156

Note C: Property, Plant and Equipment

The straight-line method of depreciation is used for all assets acquired subsequent to 1970. Most assets acquired prior to 1971 are depreciated on the sum-of-the-years-digits method.

Depreciation and amortization are based on the following estimated useful lives:

Buildings	20-60 years
Machinery and equipment	3-15 years
Leasehold improvements	Terms of leases
Capital leases	Terms of leases

Depreciation and amortization charges for the years ended August 29, 1981, August 30, 1980 and August 25, 1979, are as follows:

	1981	1980	1979
		(000 omitted)	
Charged to cost of good sold	$22,033	$19,489	$18,658
Charged to selling and administrative expense	7,269	6,419	5,826
Total depreciation and amortization	$29,302	$25,908	$24,484

Declining-Balance Method

CLARK EQUIPMENT COMPANY (DEC)

Statement of Changes in Financial Position

	1981	1980	1979
		Amounts in thousands	
Financial resources were provided by:			
Net income for the year	$29,940	$51,888	$106,136
Add charges (deduct credits) to income not affecting working capital in the year:			
Equity in unremitted earnings of unconsolidated subsidiaries and minority-owned associated companies	(8,975)	(19,079)	(13,338)
Provision for depreciation of properties	48,365	45,624	42,635
Change in noncurrent deferred income taxes	1,985	(6,249)	4,676
Gain on sales of discontinued plants	(7,910)	—	—
Working capital provided by operations	$63,405	$72,184	$140,109

FINANCIAL REVIEW

Summary of Significant Accounting Policies

Properties and Depreciation

Property, plant, and equipment are carried at cost. Commencing in 1980, interest cost is capitalized, in accordance with the requirements of the Financial Accounting Standards Board (FASB Statement No. 34), as part of the cost of acquiring assets which require a period of time to get the assets ready for their intended use. The amount of interest cost capitalized in 1981 and 1980 is immaterial.

Expenditures for maintenance and repairs are charged to income as incurred and expenditures for major renewals and betterments are capitalized. Depreciation is provided over the estimated useful lives of the assets, generally by the declining balance method of depreciation, which provides higher charges in early years of asset life. Depreciation rates used are 2.5% to 10% for land improvements, 2% to 12.5% for buildings and 4% to 33.3% for machinery and equipment. Properties retired or sold are removed from the property accounts, with gains or losses on disposal included in income.

MOTOROLA, INC. (DEC)

	1981	1980	1979
		(Dollars in thousands)	
Manufacturing and other costs of sales	$2,028,431	$1,845,111	$1,624,966
Selling, general and administrative expense	855,022	772,788	672,282
Depreciation of plant and equipment	173,123	144,790	110,827
Interest expense, net	27,508	36,664	22,382
Special charge	—	13,031	10,286
Total Costs and Other Expenses	$3,084,084	$2,812,384	$2,440,743

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Accounting Policies

Property, Plant and Equipment: Property, plant and equipment is stated at cost. The cost of buildings, machinery and equipment is depreciated generally by the declining balance method over the estimated useful lives of such assets, as follows: buildings and building equipment, 5-50 years, machinery and equipment, 2-12 years.

ROWE FURNITURE CORPORATION (NOV)

Statement of Changes in Consolidated Financial Position

	1981	1980	1979
		($ thousands)	
Working Capital Provided Operations			
Net earnings (loss)	($ 288)	($ 753)	$ 649
Items not requiring (providing) working capital			
Depreciation and amortization	1,331	1,503	1,572
Other—net	(44)	32	(110)
Working capital provided from operations	$ 999	$ 782	$2,111

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Property is stated at cost. Depreciation is computed by the declining-balance method on substantially all property. Leasehold improvements are amortized over the life of the lease. Repairs and maintenance are expensed when incurred. Major renewals and betterments are capitalized and depreciated over their estimated useful lives. The cost and accumulated depreciation of assets retired or sold are removed from the accounts and any gain or loss is included in earnings.

Sum-Of-The-Years-Digits Method

EASTMAN KODAK COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Major Accounting Policies (in part)

Depreciation: Depreciation expense is provided based on historical cost and the estimated useful lives of the assets. The provision for depreciation is calculated generally by the sum-of-the-years-digits method for assets in the United States and by the straight-line method for assets outside the United States

Properties and Accumulated Depreciation

	1981	1980	1979
		(in millions)	
Properties			
Balance at beginning of year	$6,861	$6,041	$5,515
Additions	1,190	902	603
Deductions	(88)	(82)	(77)
Balance at end of year	$7,963	$6,861	$6,041
Made up of:			
Land	$ 153	$ 113	$ 108
Buildings and building equipment	1,767	1,625	1,505
Machinery and equipment	5,327	4,643	4,118
Construction in progress	716	480	310
Total as above	$7,963	$6,861	$6,041
Accumulated Depreciation			
Balance at beginning of year	$3,426	$3,080	$2,778
Provision for depreciation	452	399	361
Deductions	(72)	(53)	(59)
Balance at end of year	$3,806	$3,426	$3,080

THE VENDO COMPANY (DEC)

Consolidated Statements of Changes in Financial Position

	1981	1980	1979
		(In Thousands of Dollars)	
Working Capital was Provided by (Used for):			
Operations—			
Income (loss) before extraordinary items	$(2,061)	$(15,499)	$ 333
Charges (Credits) not affecting working capital—			
Depreciation and amortization	1,105	969	916
Gain on sales of plant and equipment	(2,079)	—	—
Deferred liabilities	—	(1,191)	93
Other	—	(152)	(15)
Working capital provided by (used for) operations	$(3,035)	$(15,873)	$1,327

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Plant and Equipment—

Machinery and equipment is depreciated over the estimated useful lives of the assets by the sum-of-the-years-digit method, and generally by the straight-line method for all other assets using the following lives:

Buildings and leasehold improvements	25 years or lease period
Machinery and equipment	10 to 12½ years
Transportation equipment	3 years

Ordinary repairs and maintenance are charged to operations; unusual repairs which appreciably extend the lives of assets are capitalized. $1,279,000, $1,362,000 and $1,530,000 were charged to operations for repairs and maintenance during 1981, 1980 and 1979 respectively.

Unit of Production Method

GULF OIL CORPORATION (DEC)

Consolidated Statement of Changes in Financial Position

	1981	1980	1979
		Millions of Dollars	
Funds Provided By			
Net income	$1,231	$1,407	$1,322
Income charges (credits) not affecting funds			
Depreciation, depletion, amortization and retirements	1,295	1,152	1,054
Deferred income taxes	299	349	300
Income applicable to minority interests	98	121	79
Other charges (credits)	(38)	(74)	7
Funds from operations	$2,885	$2,955	$2,762

NOTES TO FINANCIAL STATEMENTS

Note 1 (in part): Summary of Accounting Policies

Depreciation, Depletion, Amortization and Retirements

Oil and Gas

Provisions for depreciation, depletion and amortization are calculated on a lease basis in the United States, a field basis in Canada and generally on a country basis in other foreign areas. Depreciation of equipment, amortization of intangible drilling costs applicable to productive wells and provisions for dismantling costs represent charges per unit of production based on estimated proved developed oil and gas reserves. Producing lease costs are depleted based on estimated proved developed and undeveloped oil and gas reserves. Unproved properties are amortized on a group basis by country at a rate determined after considering historical experience, lease terms and other relevant factors.

Minerals

Provisions for depreciation, depletion and amortization of capitalized exploration and development expenditures follow the unit-of-production method based on estimated developed recoverable reserves of individual producing properties.

Other

Provisions for depreciation and amortization of all other properties are generally determined on the group basis using the straight-line method based on estimated remaining economic useful lives of groups of related properties. Rates are revised when a change in life expectancy becomes apparent.

Retirements, Maintenance and Repairs

The cost of properties retired or otherwise disposed of is eliminated from the property accounts and, after adjustment for salvage and dismantling expenses, is charged to accumulated depreciation or depletion. Only gains and losses on extraordinary retirements or retirements involving entire groups of properties are charged or credited to income.

Maintenance and repairs are charged to income, while renewals and betterments which extend the economic useful life of properties are capitalized.

AMAX INC. (DEC)

	1981	1980	1979
	in thousands of dollars		
Costs applicable to sales—			
Costs and operating expenses	$1,863,100	$1,734,300	$1,874,500
Depreciation and depletion	211,100	198,300	171,200
Selling and general	172,400	170,200	162,800
Taxes other than income taxes	117,500	85,700	74,000
Exploration	73,800	117,900	82,000
Research	30,500	26,500	21,400
	$2,468,400	$2,332,900	$2,385,900

NOTES TO FINANCIAL STATEMENTS

Note 1 (in part): Summary of accounting policies

Property, plant and equipment are carried at cost, including capitalized interest. Maintenance and repairs are charged to earnings. Expenditures for major betterments are capitalized. Gains and losses on retirements are included in earnings.

Depreciation and depletion is computed primarily on the unit of production method.

Depletion

THE WILLIAMS COMPANIES (DEC)

Consolidated Statement of Changes in Financial Position

	1981	1980	1979
		(Thousands)	
Working Capital Provided:			
Income from continuing operations	$ 99,167	$138,696	$ 69,154
Add (deduct) items not requiring outlay of working capital in the current period:			
Depreciation and depletion	119,722	105,334	92,728
Provision for deferred income taxes	21,571	49,247	24,456
Share of Peabody Holding Company, Inc.'s net income	(16,060)	(24,015)	(3,302)
Other—net	27,346	17,926	12,860
Total from continuing operations	$251,746	$287,188	$195,896

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Depreciation and Depletion: Depreciation (including amortization of assets held under capital 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.

TEMTEX INDUSTRIES, INC.

Consolidated Statements of Changes in Financial Position

	1981	1980	1979
Source of funds			
(Loss) income from continuing operations	$(784,368)	$ (506,374)	$1,089,800
Items not requiring outlay of working capital:			
Depreciation, depletion and amortization	944,871	1,030,941	772,285
Noncurrent deferred income taxes	8,626	(6,131)	(7,025)
Total From Continuing Operations	$ 169,129	$ 518,436	$1,855,060

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 1981

Note A—Significant Accounting Policies

Property, Plant and Equipment: Property, plant and equipment are carried on the basis of cost. Capitalized leases are carried at the present value of the net fixed minimum lease commitments, as explained in Note G. Depreciation on building and equipment is provided using principally accelerated methods. Depletion of clay deposits and amortization of leasehold improvements and capitalized leases are computed by the straight-line method. The estimated useful lives used in computing depreciation, depletion, and amortization are as follows:

	Years
Clay deposits	10-20
Buildings and improvements	5-30
Machinery, equipment, furniture and fixtures	2-15
Leasehold improvements	Life of lease

The cost of properties renewed, replaced, or disposed of is relieved from the property accounts as well as the related allowances for depreciation, depletion, and amortization, and any profit or loss is transferred to operations. Expenditures for maintenance and repairs are charged to operations; betterments are capitalized.

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 shall 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.

TABLE 3-11: FEDERAL INCOME TAX EXPENSE

	1981	1980	1979	1978
Description Terms				
Income taxes	447	465	451	462
Federal income taxes	119	104	109	94
United States (U.S.) income taxes	17	15	16	17
	583	**584**	**576**	**573**
Other or no caption for expense	17	16	24	27
Total Companies	**600**	**600**	**600**	**600**

ABBOTT LABORATORIES (DEC)

	1981	1980	1979
	(dollars in thousands)		
Net Sales	$2,342,524	$2,038,155	$1,717,979
Cost of products sold	1,299,405	1,143,392	959,564
Research and development	113,655	97,562	85,837
Selling, general and administrative	513,913	458,199	391,140
Total Operating Cost and Expenses	1,926,973	1,699,153	1,436,541
Operating Earnings	415,551	339,002	281,438
Interest expense	77,428	51,520	41,110
Interest and dividend income	(67,460)	(49,150)	(36,859)
Other (income) expense, net	13,071	(1,027)	(5,405)
Earnings before taxes	392,512	337,659	282,592
Taxes on earnings	145,229	123,246	100,393
Net Earnings	$ 247,283	$ 214,413	$ 182,199

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(dollars in thousands)

Income Taxes—Provisions are made for the estimated amount of income taxes on reported earnings which are payable currently and in the future. Investment tax credits, which are not material, are reflected in income by amortization over the lives of the related assets. U.S. income taxes are provided for, as applicable, on those earnings of subsidiaries which are intended to be remitted to the parent company. Undistributed earnings reinvested indefinitely in subsidiaries (other than subsidiaries operating in Puerto Rico under tax incentive grants), as working capital and plant and equipment, aggregated $230,800 at December 31, 1981.

Note 9: Taxes on Earnings

(dollars in thousands except per share data)

The provisions for taxes on earnings, and the related earnings before taxes, are as follows:

Taxes on Earnings	1981	1980	1979
Current:			
Domestic	$ 92,357	$ 80,496	$ 65,802
State	13,045	9,300	7,471
Foreign	23,559	23,304	16,331
Total	128,961	113,100	89,604
Deferred:			
Domestic	14,228	9,366	9,834
Foreign	2,040	780	955
Total	$145,229	$123,246	$100,393

Earnings before Taxes	1981	1980	1979
Domestic	$357,583	$278,194	$238,589
Foreign	34,929	59,465	44,003
Total	$392,512	$337,659	$282,592

The taxes on earnings in 1981, 1980, and 1979 are less than the respective amounts that would result from applying the statutory Federal income tax rate of 46 percent to consolidated earnings before taxes. The tax savings result principally from tax incentive grants related to subsidiaries in Puerto Rico. These estimated tax savings amounted to $48,400 or $.39 per share in 1981, $38,600 or $.31 per share in 1980, and $33,100 or $.27 per share in 1979.

During 1980, the Internal Revenue Service (IRS) completed its examination of the Company's Federal income tax returns for the years 1970 through 1975 and proposed income tax deficiencies of approximately $55,000 for those years resulting from adjustments with which the Company is in strong disagreement. These proposed income tax deficiencies relate to reallocations to the U.S. parent company of a portion of the income of two domestic subsidiaries operating in Puerto Rico under tax incentive grants. The Company has filed a protest against such proposed adjustments and initial conferences have taken place with the Office of the Regional Director of Appeals of the IRS. If a satisfactory resolution of the proposed adjustments is not reached with the IRS, the Company plans to pursue its legal remedies in court where it will vigorously contest the proposed adjustments.

The proposed income tax deficiencies substantially exceed the Company's related tax provisions for the years in question. However, in the opinion of management and outside tax counsel, any additional tax liability relating to these issues utlimately determined to be payable for the years in question and for years through 1981 should not have a material adverse effect on the consolidated financial position of the Company.

ASARCO INCORPORATED (DEC)

	1981	1980	1979
	(dollars in thousands)		
Sales of products	$1,466,224	$1,771,828	$1,668,425
Sales of services............	65,282	45,204	55,794
Total sales of products and services.........	1,531,506	1,817,032	1,724,219
Cost of products and services......................	1,414,269	1,620,969	1,458,043
Income from products and services....................	117,237	196,063	266,176
Other income:			
Proceeds from tax leasing arrangements	33,987	—	—
Interest	10,770	15,241	8,775
Miscellaneous	4,124	3,114	3,214
Total other income.....	48,881	18,355	11,989
Other deductions:			
Selling, administrative and other expenses ...	43,116	42,978	36,904
Depreciation and depletion.....................	58,381	49,368	56,073
Exploration expense	16,821	14,681	10,711
Research expense	6,521	6,073	4,956
Interest	31,727	19,867	29,943
Total other deductions.	156,566	132,967	138,587
Earnings from operations....	9,552	81,451	139,578
Equity in earnings of nonconsolidated associated companies.....................	46,622	195,040	177,198
Earnings before taxes on income and cumulative effect on prior years of changes in accounting policies........................	56,174	276,491	316,776
Taxes on income............	6,136	60,019	57,700
Earnings before cumulative effect on prior years of changes in accounting policies........................	$ 50,038	$ 216,472	$ 259,076

NOTES TO FINANCIAL STATEMENTS

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

TABLE 3-12: TIMING DIFFERENCES—REASONS

	Number of Companies			
	1981	**1980**	**1979**	**1978**
Depreciation	497	486	470	472
Unremitted earnings.........	130	133	100	124
Inventory valuation	105	97	81	70
Installment sales.............	75	63	59	62
Interest and taxes during construction	71	45	20	21
Pensions	67	70	70	56
Other employee benefits	90	84	78	72
Long-term contracts	63	57	53	48
Discontinued operations.....	57	49	44	57
Intangible drilling costs......	47	39	31	35
Leases	42	37	26	31
Warranties	29	26	24	26
Translation of foreign currency accounts...........	22	26	19	22

Investment and energy tax credits: Such credits, except those sold through tax leasing arrangements, are accounted for by the flow-through method.

Note 4: Taxes on Income (dollars in thousands)

Earnings before taxes on income and cumulative effect on prior years of changes in accounting policies:

	1981	1980	1979
From foreign operations.....	$48,100	$227,516	$204,303
From domestic operations...	8,074	48,975	112,473
	$56,174	$276,491	$316,776

Provision for Taxes:

	1981	1980	1979
Current provision:			
U.S.	$ 2,917	$ 7,313	$21,289
Foreign and state	14,336	37,528	22,540
Deferred:			
U.S.	(10,700)	3,472	1,071
Foreign and state	(417)	11,706	12,800
Total	$ 6,136	$60,019	$57,700

Reconciliation of statutory income tax rate:

	1981	1980	1979
U.S. statutory income tax rate	46.0%	46.0%	46.0%
Undistributed equity earnings on which, tax was not provided at the statutory rate.................. (1.1)	(4.1)	!12.8)	
Foreign taxes and tax credits	(6.7)	!9.3)	!5.5)
Investment tax credits.......	(17.8)	(3.0)	(6.0)
Depletion	(11.1)	(3.7)	(5.9)
Minimum tax................	3.7	1.1	1.1
Dividends received deduction.........................	(6.5)	(3.6)	—
Other	4.4	(1.7)	1.3
Taxes on income-effective rate	10.9%	21.7%	18.2%

Tax Credit Carryforwards: Expiration of unused investment tax credit and foreign tax credit carryforwards at December 31, 1981, is as follows:

Expiration Date	Investment Tax Credits		Foreign Tax Credits	
	Tax Basis	Book Basis	Tax Basis	Book Basis
1982	$ —	$ —	$14,328	$5,036
1983	—	—	—	4,806
1984	—	—	2,750	—
1985	—	—	3,885	—
1986	—	—	28,790	6,025
1990	2,106	—	—	—
1991	6,617	—	—	—
1992	7,133	—	—	—
1993	3,068	—	—	—
1994	9,724	2,663	—	—
1995	3,774	3,043	—	—
1996	1,058	1,058	—	—

Asarco established, effective January 1, 1977, an Employee Stock Ownership Plan (ESOP) for eligible employees as permitted under the Tax Reduction Act of 1975. The Act permits the Company to claim an additional one percent investment tax credit on qualified capital expenditures provided the amount is deposited in a trust for the purpose of purchasing the Company's Common Stock for eligible employees. As a result of the Plan, additional investment tax credits (in thousands), of $713 in 1977, $309 in 1978, $972 in 1979, $374 in 1980 and $108 in 1981 were generated but have not yet been used and are carryforwards not included above with expirations beginning in 1992. These amounts have not been paid into the trust.

The Economic Recovery Tax Act of 1981 extended the investment tax credit carryforward period to 15 years which released an additional $10.0 million of investment tax credits relating to prior years. Also made possible by the Act were tax leasing arrangements. These transactions provided $34.0 million of pre-tax earnings related to the leasing of $107.8 million in assets.

Deferred Tax Expense:

	1981	1980	1979
Excess of tax depreciation over book depreciation...	$ 4,059	$13,082	$ 5,698
Amortization of repair costs capitalized in 1978 tax return.....................	695	1,522	4,129
Current mine development costs deducted in tax return versus amortization of such costs capitalized on books in prior years..	(657)	3,663	547
Estimated costs of mine and plant closings deducted in prior years versus actual costs deducted in the current year's tax return....	(364)	(2,186)	(2,947)
Undistributed equity earnings on which tax is accrued (net of foreign taxes).....................	1,571	28,677	8,029
Pension costs on books versus tax deduction.........	(8,851)	550	1,898
Provision for anticipated cost deducted from tax return in subsequent year	4,814	(4,814)	—
Capitalized interest on books in excess of capitalized interest for tax return....	3,858	3,008	—
Investment and foreign tax credits used as a reduction of current and previously recorded deferred taxes......................	(33,937)	(26,442)	(1,900)
Tax leasing arrangements ..	15,681	—	—
Other	2,014	(1,882)	(1,583)
Total	$(11,117)	$15,178	$13,871

BAIRD CORPORATION (SEP)

	1981	1980	1979
Net sales	$45,233,971	$37,313,747	$33,205,625
Cost and expenses:			
Cost of sales	28,000,852	23,715,883	20,925,205
Selling, general and administrative expense	11,434,621	8,479,925	7,365,517
Research and development	3,016,937	1,813,550	1,578,239
Depreciation	589,960	505,000	429,768
Interest expense, net of income of $540,714 ($68,000 in 1980, none in 1979)	224,557	789,594	996,577
Total costs and expenses	43,266,927	35,303,952	31,295,306
Income before income taxes	1,967,044	2,009,795	1,910,319
Federal, state and foreign income taxes (notes 1 and 10)	764,000	610,000	795,300
Net income	$ 1,203,044	$ 1,399,795	$ 1,115,019

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

F. Income Taxes The Company provides deferred income taxes on timing differences between book and tax treatment of revenues and expenses. The Company accounts for investment tax credits as a reduction of tax expense in the year in which the related asset is placed in service (flow-through method).

Note 10: Federal, State and Foreign Income Taxes

Federal, state and foreign income tax expense is summarized as follows:

	1981	1980	1979
Federal:			
Current	$422,800	$927,000	$ —
Deferred:			
Due to current timing differences	138,200	(546,800)	609,400
Due to non-current timing differences	52,500	53,400	38,000
Total Federal	613,500	433,600	647,400
State:			
Current	148,600	443,100	47,600
Deferred:			
Due to current timing differences	27,800	(308,200)	91,300
Due to non-current timing differences	5,700	5,800	9,000
Total State	182,100	140,700	147,900
Foreign:			
Current	(31,600)	35,700	—
Total Foreign	(31,600)	35,700	—
Total Federal, state and foreign income taxes	$764,000	$610,000	$795,300
Effective tax rate	38.8%	30.4%	41.6%
State income taxes (net of Federal tax benefit)	(5.0)	(3.8)	(4.1)
Investment tax credit utilization	3.5	3.6	3.9
Jobs tax credit utilization	1.2	1.4	2.6
DISC benefit	6.9	6.5	—
Surtax exemption	1.0	1.0	—
Revision of estimate of prior years' DISC benefits	—	9.4	—
Losses of foreign subsidiaries	(3.2)	(1.8)	—
Research and development credit utilization	2.2	—	—
Other	.6	(.7)	2.5
Statutory Federal Rate	46.0%	46.0%	46.5%

Deferred tax expense results from timing differences in the recognition of revenue and expense for tax and financial statement purposes. The sources of these differences and the tax effect of each are as follows:

	1981	1980	1979
Revenue recognized on completed contract basis for tax return and on percentage of completion basis for books	$166,000	$(1,536,500)	$490,500
Utilization of net operating loss carryforward for Federal tax purposes	—	650,700	183,400
Excess of tax over book depreciation	58,200	59,200	47,000
Other	—	30,800	26,800
Total deferred tax expense	$224,200	$ (795,800)	$747,700

CARNATION COMPANY (DEC)

	1981	1980	1979
		(in thousands)	
Net Sales	$3,354,141	$3,236,222	$2,825,508
Interest on Short-Term Investments	38,279	21,539	18,572
Miscellaneous Income	7,443	5,098	4,465
	3,399,863	3,262,859	2,848,545
Costs and Expenses, including provision for depreciation of $44,695, $44,161 and $37,843 in 1981-79, respectively:			
Cost of sales	2,477,800	2,409,045	2,119,291
Selling, general and administrative expenses	576,667	542,322	453,890
Interest expense	25,894	26,161	22,889
	3,080,361	2,977,528	2,596,070
Income Before Provision for Taxes on Income	319,502	285,331	252,475
Taxes on Income (Note 10):			
Federal	104,336	92,542	85,597
Foreign	27,800	27,491	21,046
State	15,089	13,367	13,057
	147,225	133,400	119,700
Net Income	$ 172,277	$ 151,931	$ 132,775

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Accounting Policies:

Interperiod Allocation of Income Taxes—Provision is made in the accounts for all major timing differences (primarily accelerated depreciation and state franchise taxes) resulting from the recognition of income and expenses in different periods for financial reporting than for tax purposes. There are cumulative undistributed earnings of foreign subsidiaries and affiliated companies at December 31, 1981 aggregating approximately $235 million for which it has not been considered necessary to provide for deferred income taxes as this amount has been or is expected to be reinvested for an indefinite period of time.

Investment Tax Credit—The accumulated reduction in income taxes resulting from application of the investment tax credit is taken into income over the estimated useful lives of the related plant assets.

Note 10—Income Taxes:

Provision for income taxes is made up of the following components:

December 31	1981	1980	1979
		(in thousands of dollars)	
Currently payable:			
Federal	$100,590	$ 88,995	$ 81,106
Foreign	31,769	28,576	18,172
State	15,089	13,367	13,057
	147,448	130,938	112,335
Deferred:			
Federal	940	1,951	1,446
Foreign	(3,969)	(1,085)	2,874
	(3,029)	866	4,320
Net deferral of investment tax credit (federal)	2,806	1,596	3,045
Total provision for income taxes	$147,225	$133,400	$119,700

The differences between the tax provisions reflected in the financial statements and income taxes calculated at statutory federal income tax rates were as follows:

December 31	1981	1980	1979
		(in thousands of dollars)	
Pre-tax income:			
United States	$251,824	$226,092	$205,712
Foreign	67,678	59,239	46,763
Income before provision for taxes on income	$319,502	$285,331	$252,475
Tax provision	$147,225	$133,400	$119,700
Tax at statutory federal income tax rate	146,971	131,252	116,139
Tax rate differences	$ 254	$ 2,148	$ 3,561
State income taxes, net of federal income tax benefit	$ 8,148	$ 7,218	$ 7,051
Net other (each less than 5% of statutory tax)	(7,894)	(5,070)	(3,490)
Tax rate differences	$ 254	$ 2,148	$ 3,561

MALONE & HYDE, INC. (JUN)

	1981	1980	1979
	(Thousands of Dollars)		
Income Before Income Taxes	$30,636	$43,574	$38,383
Income taxes—Note E	12,250	18,629	17,116
Net Income	$18,386	$24,945	$21,267

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Income Taxes: The provision for income taxes is based upon income reported in the accompanying financial statements. Deferred income taxes are provided for timing differences between income reported in the financial statements and income reported for income tax purposes. Investment tax credits are accounted for by the flow-through method.

Note E—Income Taxes

Provision for income taxes has been made as follows:

	1981	1980	1979
	(Thousands of Dollars)		
Federal:			
Current	$ 8,588	$15,717	$14,524
Deferred	2,212	700	776
	10,800	16,417	15,300
State	1,450	2,212	1,816
	$12,250	$18,629	$17,116

The provision for income taxes differs from an amount computed at the statutory rates as follows:

	1981	1980	1979
	(Thousands of Dollars)		
Income taxes at statutory rate	$14,093	$20,044	$18,040
Investment credit	(2,115)	(1,850)	(1,010)
Equity in earnings of unconsolidated subsidiaries.....	(724)	(417)	(426)
State income taxes, net of federal benefit	782	1,194	963
Other	214	(342)	(451)
	$12,250	$18,629	$17,116

The tax effects of the principal timing differences resulting in deferred tax expenses are as follows:

	1981	1980	1979
	(Thousands of Dollars)		
Accelerated depreciation for tax purposes	$1,060	$665	$840
Provisions for doubtful accounts.....................	1,007		
Capitalized lease expense...	(200)	(200)	(197)
Capitalized construction period interest	397	395	
Other timing differences	(52)	(160)	133
	$2,212	$700	$776

MINNESOTA MINING AND MANUFACTURING COMPANY (DEC)

	1981	1980	1979
	(Dollars in millions)		
Net Sales	$6,508	$6,080	$5,440
Operating Expenses			
Cost of goods sold........	3,731	3,400	2,950
Selling, general and administrative expenses.	1,608	1,492	1,334
Total	5,339	4,892	4,284
Operating Income	1,169	1,188	1,156
Other Income and Expense			
Interest expense..........	79	62	56
Investment and other income—net	(63)	(59)	(56)
Total	16	3	—
Income Before Income Taxes	1,153	1,185	1,156
Provision for Income Taxes.	480	517	518
Net Income	$ 673	$ 668	$ 638

NOTES TO FINANCIAL STATEMENTS

Accounting Policies (in part)

Income Taxes: The provision for income taxes includes deferred taxes resulting from items (principally depreciation) reported in different periods for tax and financial statement purposes. Investment tax credits are used to reduce the current provision for federal income taxes.

Income Taxes

Income before income taxes and the related provision for income taxes are as follows:

		(Dollars in millions)	
Income before income taxes			
	U.S.	Foreign	Total
1981	$789	$364	$1,153
1980	754	431	1,185
1979	759	397	1,156

Provision for income taxes

1981	Current	Deferred	Total
Federal	$249	$ 32	$ 281
State	42	2	44
Foreign	152	3	155
Total	$443	$ 37	$ 480
1980			
Federal	$259	$ 24	$ 283
State	39	2	41
Foreign	181	12	193
Total	$479	$ 38	$ 517
1979			
Federal	$302	$ 8	$ 310
State	38	—	38
Foreign	172	(2)	170
Total	$512	$ 6	$ 518

A reconciliation of the statutory U.S. income tax rate to the worldwide consolidated effective tax rates follows:

	1981	1980	1979
Statutory U.S. tax rate	46.0%	46.0%	46.0%
U.S. investment tax credit*.	(2.5)	(2.0)	(2.0)
All other—net	(1.9)	(.4)	.8
Effective worldwide tax rate	41.6%	43.6%	44.8%

*(1981, $29 million; 1980, $24 million; 1979, $23 million)

At December 31, 1981, there were approximately $1,043 million of reinvested earnings and cumulative translation of subsidiaries, primarily outside the United States, which are considered to be permanently invested in subsidiary operations. No provision has been made for taxes that might be payable upon their remittance. If a portion were to be remitted, income tax credits would substantially offset any resulting tax liability.

THE STANDARD REGISTER COMPANY (DEC)

	1981	1980	1979
Revenue			
Net sales	$318,105,201	$288,865,717	$265,737,557
Other income..........	1,490,911	1,289,502	534,020
Total revenue	$319,596,112	$290,155,219	$266,271,577
Cost and Expense			
Cost of products sold..	$202,360,907	$183,648,354	$167,971,994
Engineering and research	3,854,993	3,478,223	3,143,061
Selling and administrative	76,285,900	68,567,464	62,236,313
Depreciation	5,831,359	5,352,287	4,995,699
Interest	1,620,432	2,127,149	1,741,188
Total cost and expense	$289,953,591	$263,173,477	$240,088,255
Income Before Income Taxes	$ 28,642,521	$ 26,981,742	$ 26,183,322
Income Taxes (Note 6)			
Current	$ 12,281,000	$ 12,035,703	$ 11,323,819
Deferred	1,981,013	1,039,880	1,365,566
Total income taxes .	$ 14,262,013	$ 13,075,583	$ 12,689,385
Net Income	$ 15,380,508	$ 13,906,159	$ 13,493,937

NOTES TO FINANCIAL STATEMENTS

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

Deferred Income Taxes—Since the depreciation claimed for income tax purposes is in excess of the amounts shown in the Company's financial statements, a provision is made annually for the amount of income tax deferred. Deferred taxes are also recognized for timing differences in accounting for vacation pay and similar items.

Investment Tax Credit—The Company has consistently allocated the investment tax credit to income over the productive lives of the related equipment.

Note 6—Income Taxes

Current federal and state income taxes were $12,281,000 in 1981, $12,035,703 in 1980 and $11,323,819 in 1979. The Company's federal income tax returns have been examined through 1977 and no adjustments are pending.

The Company allocates the investment tax credit to income over the productive lives of the related equipment rather than reporting it currently as net income in the years claimed for tax purposes. This treatment has provided deferred credits of $3,791,425 as of January 3, 1982, $3,172,944 at December 28, 1980 and $2,834,305 at December 30, 1979.

Since 1964, the Company has used accelerated methods of depreciation for tax purposes while employing the straight-line method for financial reporting purposes. Consequently, the federal income tax on the aggregate difference between these depreciation methods has been recognized as a deferred tax liability of $5,753,962 at January 3, 1982, $4,714,357 at December 28, 1980 and $3,916,718 at December 30, 1979. Deferred federal income tax arising from timing differences in accounting for vacation pay and similar items has been recorded as a current asset.

Income tax expense consists of the following:

	1981	1980	1979
Current tax paid or payable:			
Federal	$10,261,181	$10,037,190	$ 9,504,694
State and local	2,019,819	1,998,513	1,819,125
Total	$12,281,000	$12,035,703	$11,323,819
Deferred federal tax related to:			
Depreciation..............	$ 1,039,605	$ 797,639	$ 653,472
Investment tax credit.....	618,481	338,639	844,129
Other timing differences (credit).................	322,927	(96,398)	(132,025)
Total	$ 1,981,013	$ 1,039,880	$ 1,365,566
Total income tax expense	$14,262,013	$13,075,583	$12,689,385

The reconciliations of the statutory federal income tax rate and the effective tax rates follow:

	1981	1980	1979
Statutory federal income tax rate	46.0%	46.0%	46.0%
State and local income taxes	3.7	4.0	3.8
Investment tax credit........	(1.5)	(1.4)	(1.2)
Other	(.1)	(.2)	(.1)
Effective tax rates........	48.1%	48.4%	48.5%

MANVILLE CORPORATION (DEC)

Earnings	1981	1980	1979
	(Thousands of dollars)		
Revenues			
Net sales	$2,186,005	$2,266,804	$2,276,429
Other income, net	34,674	25,547	20,933
Total	2,220,679	2,292,351	2,297,362
Costs and Expenses			
Cost of sales	1,730,678	1,771,448	1,747,031
Selling, general and administrative	257,844	263,487	238,964
Research, development and engineering	33,820	34,801	31,100
Total	2,022,342	2,069,736	2,017,095
Income From Operations	198,337	222,615	280,267
Interest Expense	72,661	65,379	62,441
Asbestos Health Costs	12,756		
Earnings Before Income Taxes	112,920	157,236	217,826
Income Taxes (Notes 1e and 11)			
Current	56,214	46,680	67,261
Deferred	(3,614)	29,920	35,959
Total	52,600	76,600	103,220
Net Earnings	$ 60,320	$ 80,636	$ 114,606

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

(e) Income Taxes

Income taxes are provided at rates applicable in the countries in which the income is earned.

The investment tax credits granted by various countries are accounted for as reductions of income tax expense in the year in which the related capital expenditures become eligible for investment benefit under applicable tax regulations.

Deferred income taxes are provided on items recognized in different periods for financial reporting purposes than for income tax purposes. Deferred income taxes result principally from the use of accelerated methods of depreciation for tax purposes.

Deferred income taxes are also provided on such undistributed earnings of subsidiaries outside the United States as the Company anticipates it will receive as dividends, as well as on undistributed earnings of associated companies in which investments are recorded on the equity basis.

Note 11—Income Taxes

Earnings before income taxes and income tax expense consisted of the following:

	1981	1980	1979
	(Thousands of dollars)		
Earnings before income taxes			
Domestic	$ 22,763	$ 53,222	$109,748
Foreign	90,157	104,014	108,078
	$112,920	$157,236	$217,826
Income tax expense			
Current:			
U.S. federal	$ 13,155	$ (754)	$ 14,914
U.S. state and local	2,696	4,776	5,844
Foreign			
Canadian federal and provincial	21,929	11,723	19,164
Canadian provincial mines	7,172	5,307	9,903
Other	11,262	25,628	17,435
	56,214	46,680	67,261
Deferred:			
U.S.	(9,990)	22,402	27,363
Foreign			
Canadian federal and provincial	1,450	1,222	2,967
Canadian provincial mines	1,328	2,641	2,531
Other	3,598	3,655	3,098
	(3,614)	29,920	35,959
	$ 52,600	$ 76,600	$103,220

The U.S. investment tax credit amounted to $6,692,000 in 1981, $6,347,000 in 1980 and $11,468,000 in 1979.

The cumulative undistributed earnings of subsidiaries outside the United States on which the Company had not provided deferred income taxes at December 31, 1981 were approximately $200,000,000.

The effective income tax rate on consolidated pre-tax earnings differs from the U.S. federal income tax statutory rate for the following reasons:

	1981	1980	1979
	% of Pre-Tax Earnings		
U.S. federal income tax statutory rate	46.00%	46.00%	46.00%
Increase (decrease) resulting from:			
Tax on U.S. foreign source income	5.95	6.16	2.95
U.S. investment tax credit	(5.93)	(4.04)	(5.26)
Capital gains on timber	(6.11)	(3.87)	(2.03)
Difference between U.S. federal statutory rate and foreign effective rates	4.89	1.86	2.96
Accrual for income taxes relating to DISC	3.54		
Other, net	(1.76)	2.61	2.77
	46.58%	48.72%	47.39%

Because of uncertainties regarding the future tax status of domestic international sales corporations (DISC's) and due to changes in the corporate structure resulting from the Company's reorganization, income taxes of approximately $4 million were accrued during 1981 for the Company's principal DISC.

Deferred income tax expense consisted of the following:

	1981	1980	1979
	(Thousands of dollars)		
Excess of tax over financial statement depreciation ...	$ 25,042	$31,188	$33,864
Foreign tax credit carryforward ...	(24,660)		
Undistributed earnings of foreign subsidiaries ...	(9,456)	(4,931)	986
Other, net ...	5,460	3,663	1,109
	$ (3,614)	$29,920	$35,959

The Internal Revenue Service has examined the consolidated U.S. federal income tax returns for years prior to 1976 and various Canadian taxing authorities have examined substantially all Canadian federal and provincial income and mines tax returns for years prior to 1978. As a result of these examinations, certain tax issues and proposed tax adjustments relating to years since 1969 are currently being negotiated, administratively appealed or litigated.

INVESTMENT CREDIT

The Internal Revenue Code generally 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 addition 1% to 1.5% 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.

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

THE AMALGAMATED SUGAR COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

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

Income Taxes: In addition to charging income for taxes currently payable, the Company provides for deferred income taxes to recognize the effect of timing differences between financial and tax reporting, principally relating to depreciation and pension costs. Investment and other tax credits are utilized to reduce income tax expense in the year such credits become available.

Note 4 (in part): Income Taxes

The provision for income taxes includes:	52 weeks ended Dec. 28, 1981	52 weeks ended Dec. 29, 1980	53 weeks ended Dec. 31, 1979
Currently payable ...	$27,143,000	$14,889,000	$3,313,000
Deferred ...	2,426,000	1,517,000	561,000
Investment, energy, research, and jobs credit ...	(2,616,000)	(527,000)	(869,000)
	$26,953,000	$15,879,000	$3,005,000

The deferred income taxes result from the following:

	52 weeks ended Dec. 28, 1981	52 weeks ended Dec. 29, 1980	53 weeks ended Dec. 31, 1979
Excess of tax depreciation over book depreciation ...	$1,927,000	$ 917,000	$992,000
Excess of pension deduction for taxes over book expense ...	306,000	285,000	56,000
Income reported on a cash basis for tax purposes ...	117,000	316,000	
Interest expense capitalized for book purposes ...	41,000	64,000	
Excess of cash discounts for taxes over (under) book expense ...	60,000	(65,000)	1,000
Charge for estimated liability on purchases deferred for tax purposes ...			(495,000)
Other ...	(25,000)		7,000
	$2,426,000	$1,517,000	$561,000

The provision for income taxes differs from the amount which would be provided by applying the U.S. Federal income tax rate of 46% for 1981, 1980, and 1979 to income before provision for taxes as illustrated below:

	52 weeks ended Dec. 28, 1981	52 weeks ended Dec. 29, 1980	53 weeks ended Dec. 31, 1979
Tax expense computed at statutory rate on pre-tax income ...	$27,642,000	$15,477,000	$3,911,000
State income taxes, net of Federal tax benefit ...	1,802,000	1,000,000	207,000
Investment, energy, research, and jobs credit ...	(2,616,000)	(527,000)	(869,000)
Other ...	125,000	(71,000)	(244,000)
	$26,953,000	$15,879,000	$3,005,000

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

NOTES TO FINANCIAL STATEMENTS

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

Taxes

It is the policy of the Company to include investment tax credits in income on the basis of the "flow through" method. Deferred income taxes are provided for timing differences in the recognition of certain items for tax and financial reporting purposes. Deferred income taxes are not provided for undistributed earnings of a Domestic International Sales Corporation because such earnings are expected to be reinvested permanently.

Note J—Income Taxes (Credits)

Income taxes (credits) consist of:

	1981	1980	1979
	(Dollar amounts in thousands)		
Income taxes (credits) currently payable (receivable):	$ (6,720)	$8,525	$31,720
Investment tax credit	(8,200)	(5,900)	(6,400)
Net Federal	(14,920)	2,625	25,320
Foreign	220	285	580
State	200	1,350	4,850
	(14,500)	4,260	30,750
Deferred income taxes (credits)	(23,500)	2,340	2,350
	$(38,000)	$6,600	$33,100

The Deferred income taxes (credits) relate to timing differences between items reported for tax purposes and financial statement purposes. The principal timing differences were: depreciation expense $6,500,000 offset by the current deferred benefit of estimated costs of plan for asset redeployment $25,200,000 in 1981; depreciation expense $3,450,000, offset by the effect of the change in elements of inventory $1,800,000 in 1980; and depreciation expense $2,080,000 in 1979. The Company has sufficient income taxes paid in prior years to enable it to carry back the losses incurred in 1981.

A reconciliation of income tax expense shown in the accompanying Consolidated Statement of Income with amounts computed by applying the statutory Federal income tax rate to income before tax follows:

	1981		1980		1979	
	(Dollar amounts in thousands)					
	Amount	% of Pretax income	Amount	% of Pretax income	Amount	% of Pretax income
Income tax expense (credit) based on statutory rates	$(28,002)	(46.0)%	$12,382	46.0%	$37,394	46.3%
Increase (decrease) resulting from:						
State income tax expense (credit) net of federal tax effect	(2,106)	(3.5)	729	2.7	2,604	3.2
Tax benefit of DISC	(32)	(.1)	(675)	(2.5)	(592)	(.7)
Investment tax credits	(8,200)	(13.5)	(5,900)	(21.9)	(6,400)	(7.9)
Other, net	340	.7	64	.2	94	.1
	$(38,000)	(62.4)%	$ 6,600	24.5%	$33,100	41.0%

TABLE 3-13: INVESTMENT TAX CREDIT

	1981	1980	1979	1978
Flow-through method	531	528	529	521
Deferral method	62	67	67	71
No reference to investment credit	7	5	4	8
Total Companies	**600**	**600**	**600**	**600**

INLAND STEEL COMPANY (DEC)

	1981	1980	1979
	Dollars in Thousands		
Income before taxes on income	$ 68,785	$ 3,421	$159,568
Provision for taxes on income:			
Current taxes	$(24,716)	$(44,171)	$54,623
Deferred taxes	44,003	44,239	17,721
Investment and energy tax credits	(7,757)	(26,328)	(43,884)
Total (Note 9)	$ 11,530	$(26,260)	$ 28,460
Net income	$ 57,255	$ 29,681	$131,108

STATEMENT OF ACCOUNTING AND FINANCIAL POLICIES

Investment Tax Credits

Investment tax credits, excluding that portion sold to other companies, are taken into income under the "flow-through" method of accounting in the periods when qualifying capital expenditures are incurred or capital projects are completed. Investment tax credits earned prior to 1968 are taken into income over the depreciable lives of the related assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (in part): Taxes on Income

The pretax income for each of the years indicated on which income taxes were provided is summarized as follows:

Years Ended December 31	1981	1980	1979
	Dollars in Thousands		
Pretax income or (loss):			
Domestic	$62,597	$(8,207)	$150,988
Canadian operations	6,188	11,628	8,580
	$68,785	$ 3,421	$159,568

The elements of income tax expense for each of the three years indicated below were as follows:

Years Ended December 31	1981	1980	1979
	Dollars in Thousands		
Current taxes on income:			
Federal	$(25,778)	$(47,769)	$ 40,463
State	(699)	959	7,832
Foreign	1,761	2,639	6,328
	$(24,716)	$(44,171)	$ 54,623
Deferred taxes on income:			
Federal	$ 44,197	$ 41,190	$ 19,698
Foreign	(194)	3,049	(1,977)
	$ 44,003	$ 44,239	$ 17,721
Investment and energy tax credits:			
Earned in the current year	$ (6,597)	$(25,168)	$(42,724)
Amortization of deferred credit	(1,160)	(1,160)	(1,160)
	$ (7,757)	$(26,328)	$(43,884)

The Company incurred a loss for tax purposes of approximately $67,000,000 in 1981, and $113,000,000 in 1980. As a result of the carryback of the 1981 loss to prior years, the Company anticipates a refund of $7,510,000.

Investment tax credits included in determining the respective year's net income, but carried forward for tax purposes, reduced the deferred income tax liability by $6,448,000 in 1981, $22,042,000 in 1980 and $17,587,000 in 1979. Deferred income tax liability was further reduced in 1981 and 1980 by the carryforward for tax purposes of $16,005,000 and $19,471,000, respectively, in investment tax credits recognized in net income of prior years. The carryforward of these investment credits resulted from the carryback of the Company's 1981 and 1980 taxable losses. The investment credit carryforward for tax purposes totaled $81,553,000 on December 31, 1981, of which $16,996,000 is available to reduce taxes payable through 1993, $36,389,000 through 1994, $21,720,000 through 1995 and $6,448,000 through 1996.

Investment tax credits totaling $6,751,000 were recognized in 1979 in connection with the adoption of the Tax Reduction Act Employee Stock Ownership Plan (TRASOP). TRASOP credits of $2,011,000 were recognized in 1980 and $341,000 in 1981. The earnings-per-share effect of investment and energy tax credits, including the TRASOP investment credits, was $.37 in 1981, $1.26 in 1980 and $2.12 in 1979. The TRASOP tax credit requires current recognition of a supplemental compensation cost equivalent to the credit, thus resulting in no effect on net income.

Late in 1981, the Company sold tax benefits related to $71,123,000 of capital assets placed in service in 1981. Deferred taxes were provided on the $19,584,000 of cash proceeds and the transaction thus resulted in a $10,575,000 contribution to net income. This contribution, however, included $7,480,000 which would have been claimed as investment and energy tax credits if the sale had not taken place.

The variance from the Federal statutory tax for each of the three years indicated below consisted of the following elements:

Years Ended December 31	1981	1980	1979
	Dollars in Thousands		
Federal income tax computed at statutory tax rate (46%)	$31,641	$ 1,574	$73,401
Additional taxes or (credits) resulting from:			
State income taxes, net of Federal income tax benefit	(377)	520	4,229
Investment and energy tax credits	(7,757)	(26,328)	(43,884)
Percentage depletion	(8,850)	(3,495)	(5,845)
Capital gains	(3,469)	(77)	(982)
All other, net	342	1,546	1,541
Total income taxes or (credits)	$11,530	($26,260)	$28,460

Deferral Method

GRUMMAN CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 3 (in part): Income Taxes

The provision for Federal taxes on income consists of the following:

	1981	1980	1979
	(In Thousands)		
Statutory rate of 46% applied to earnings (substantially all domestic) before Federal income taxes	$15,174	$24,687	$15,489
Amortization of investment tax credit	(1,999)	(2,352)	(1,282)
Other	(675)	(335)	(107)
	$12,500	$23,000	$14,100

Investment tax credits are deferred and amortized over the expected lives of the related assets through reduction of the provision for Federal taxes on income. Net investment credits added in 1981 and 1980 applicable to assets acquired or leased totaled $3,733,000 and $2,274,000, respectively.

The Company intends to postpone indefinitely payment of taxes on income of the Domestic International Sales Corporation (DISC) by reinvesting its undistributed earnings in export-related assets. Cumulative undistributed DISC earnings for which Federal income taxes have not been provided amount to approximately $13,000,000.

UNITED TECHNOLOGIES CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 1 (in part): Summary of Accounting Principles

Provisions for income taxes are based upon income and expenses recorded in accordance with the Corporation's regular accounting practices, and as shown in the financial statements. The income tax effects of differences in the time when income and expenses are reflected in accordance with such regular accounting practices and the time they are recognized for income tax purposes are shown in the balance sheet as deferred income taxes. Investment tax credits are taken into income by amortization based upon the useful lives of related fixed assets. Generally, provision has not been made for federal income taxes on undistributed earnings of international subsidiaries, since a substantial portion of such earnings is reinvested and the Corporation believes that income taxes otherwise payable upon repatriation of earnings not reinvested would be largely offset by available foreign tax credits.

Note 12 (in part): Taxes on Income

The provision for income taxes for each of the three years ended December 31, 1981 comprised the following:

In Thousands of Dollars	1981	1980	1979
Currently payable:			
United States			
Federal	$149,891	$ 13,479	$ 24,375
State	30,457	14,881	15,001
Foreign	146,743	124,300	112,067
	$327,091	$152,660	$151,443
Deferred:			
United States			
Federal	$ 38,697	$179,274	$125,740
State	16,274	14,639	1,855
Foreign	3,867	11,331	(1,919)
	$ 58,838	$205,244	$125,676
Investment tax credit deferred, net	$ 16,762	$ 15,940	$ 6,931
	$402,691	$373,844	$284,050

Deferred income taxes represent the tax effects of transactions which are reported in different periods for financial and tax reporting purposes. Such timing differences include adjustments for tax purposes of inventories, and of warranty, severance, pension and other expense accruals, which tend to recur annually; and differences in long-term contract revenue recognition and depreciation practices for book and tax purposes, and other items.

▪ ▪ ▪ ▪

The Corporation is entitled to an investment tax credit for the year 1981 of $32,748,000 ($26,065,000 in 1980 and $15,462,000 in 1979), relating to fixed assets acquired during the year. The tax credits are amortized over the useful lives of the related fixed assets. Such amortization credited to income in 1981 amounted to $15,986,000 (10,125,000 in 1980 and $8,531,000 in 1979). At December 31, 1981 deferred investment tax credits aggregated $63,078,000.

Since 1972, federal income tax legislation has permitted indefinite postponement of currently payable income taxes on a portion of profits from export sales by the Corporation's export subsidiaries which are Domestic International Sales Corporations. The Corporation has reduced its income tax provisions to the extent that management believes that export earnings can continue to be reinvested in export-related assets and the taxes postponed, as provided by this legislation.

Deferred income taxes generally have not been provided on undistributed earnings of international subsidiaries and of Domestic International Sales Corporations, amounting to $418,193,000, included in consolidated retained earnings at December 31, 1981.

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* discusses disclosure of untaxed undistributed earnings of subsidiaries. The Interpretation states in part:

> Care should be exercised in drafting the footnote required by paragraph 14-b of *APB Opinion No. 23* so that readers may be fully apprised of tax implications of unremitted earnings of subsidiaries. The following is illustrative.
>
> "It is the policy of the Company to accrue appropriate U.S. and foreign income taxes on earnings of subsidiary companies which are intended to be remitted to the parent company in the near future. Unremitted earnings of subsidiaries which have been, or are intended to be, permanently reinvested (disclosure of purpose), exclusive of those amounts which if remitted in the near future would result in little or no such tax by operation of relevant statutes currently in effect, aggregated $ at December 31, 1972."

Table 3-14 shows the extent to which the survey companies accrued taxes on undistributed earnings.

TABLE 3-14: TAXES ON UNDISTRIBUTED EARNINGS

	1981	1980	1979	1978
Taxes accrued on all undistributed earnings..........	28	21	25	31
Taxes accrued on a portion of undistributed earnings.	140	154	150	119
Taxes not accrued on undistributed earnings..........	235	218	215	238
No mention of undistributed earnings	197	207	210	212
Total Companies	**600**	**600**	**600**	**600**

Taxes Accrued On All Undistributed Earnings

COMMERCIAL METALS COMPANY (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Investments In and Advances To Affiliated Companies

Investments in affiliates are accounted for under the equity method. The Company's equity in the net earnings of such affiliates has been included in other revenues in the amounts of $132,873, $306,824, and $382,277 for 1981, 1980, and 1979, respectively. Deferred income taxes are provided in amounts estimated to be payable if accumulated earnings are remitted to the Company as dividends. Two small foreign affiliates are carried at the lower of cost or market.

Note G. Income Taxes:

The provisions for income taxes include the following:

	Year ended August 31		
	1981	1980	1979
	($000s omitted)		
Current:			
United States (net of investment and energy tax credits of $2,634,000, $814,000, and $314,000, respectively, and foreign tax credits of $153,000 in 1979)..................	$4,182	$ 9,257	$10,847
Foreign	212	500	575
State and local	1,648	1,048	959
	6,042	10,805	12,381
Deferred	158	4,445	1,219
	$6,200	$15,250	$13,600

Deferred taxes arise from the recognition of certain items of revenue and expense in different years for tax and financial statement purposes. The sources and tax effects of these differences are:

	Year ended August 31		
	1981	1980	1979
Tax on excess of tax depreciation over book	$1,601,000	$ —	$ —
Tax on unremitted foreign income....................	(1,522,000)	4,257,000	1,114,000
Other	79,000	188,000	105,000
	$ 158,000	$4,445,000	$1,219,000

The Company's effective tax rates were 35.5% in 1981, 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		
	1981	1980	1979
Statutory rate	46.0%	46.0%	46.7%
State and local taxes........	4.6	1.8	1.7
Investment and energy tax credits	(15.1)	(2.4)	(1.1)
	35.5%	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 4 (in part): Provision for income taxes

The provision (credit) for income taxes consists of the following:

	1981	1980	1979
		(Thousands)	
Current:			
Federal	$16,080	$32,697	$12,311
State	4,980	6,826	3,274
	21,060	39,523	15,585
Deferred:*			
Differences in tax and financial depreciation and amortization methods	6,157	12,789	16,004
Exploration and development costs capitalized for financial purposes	26,352	19,081	20,900
Investment tax credits	—	20,885	(4,253)
Undistributed earnings of subsidiaries	(10,301)	5,057	2,665
Other	(637)	(8,565)	(10,860)
	21,571	49,247	24,456
Foreign	(98)	(366)	462
Total provision	$42,533	$88,404	$40,503
Relates to:			
Continuing operations	$52,906	$88,404	$40,503
Discontinued operations	(10,373)	—	—
	$42,533	$88,404	$40,503

*State portion is less than 5 percent of each item.

ZENITH RADIO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Significant accounting policies

Income Taxes: Prepaid income taxes result from recognition of certain accrued expenses (principally product warranty and co-op advertising and merchandising programs) which become tax deductible in subsequent periods. Deferred income taxes relate primarily to accelerated tax depreciation and undistributed earnings of DISC and foreign subsidiaries (See Note 7).

Investment tax credits are accounted for by the "flow-through" method and, accordingly, are recognized as a reduction of tax expense in the year the related assets are placed in service.

Note 7—Income taxes

Income tax provision components were:

In millions	1981	1980	1979
Currently payable:			
Federal	$ 6.1	$18.1	$12.8
Foreign	3.1	2.7	2.5
State	2.0	2.5	1.3
Deferred taxes relating primarily to accelerated depreciation and undistributed earnings of foreign subsidiaries and DISC	4.5	2.5	1.4
Utilization of tax benefit resulting from write-down of color TV tube facility	1.7	1.3	1.4
Increase in prepaid taxes primarily from product warranty, co-op advertising, merchandising and certain insurance programs	(2.6)	(4.7)	(4.3)
Investment tax credit	(2.9)	(1.4)	(1.4)
Research and development tax credit	(.9)	—	—
Total	$11.0	$21.0	$13.7

Differences between the statutory federal income tax rate and the effective rate are summarized below:

	1981	1980	1979
Statutory federal income tax rate	46.0%	46.0%	46.0%
State income taxes, net of federal tax benefit	4.7	2.5	2.0
Foreign taxes	5.7	—	—
Foreign subsidiary loss carry-forward utilized	(2.3)	(1.1)	(1.9)
Gain on sale of plant and land at capital gain tax rate	—	(.6)	(.3)
Investment tax credit	(11.0)	(2.9)	(4.1)
Research and development tax credit	(3.4)	—	—
Other	1.7	.4	.3
Effective tax rate	41.4%	44.3%	42.0%

Income taxes are provided on all undistributed earnings of DISC. Through 1976, U.S. income taxes were provided on all undistributed earnings of a foreign subsidiary at capital gain rates, based upon the intention to repatriate such earnings in a capital transaction. Beginning with 1977, U.S. income taxes have been provided at ordinary rates on all undistributed earnings of foreign subsidiaries. The undistributed earnings are expected to be remitted to the parent company in the form of a dividend.

Taxes Accrued On Portion Of Undistributed Earnings

BLUE BELL, INC. (SEP)

NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 1981, 1980 and 1979.

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

Income Taxes—Deferred United States income taxes are provided on undistributed earnings of subsidiaries located outside the United States, except on earnings the Company intends to continue investing in operations outside the United States or to remit to the Company by means of tax-free distributions. Deferred income taxes also are provided on other timing differences in reporting income and expenses for financial statement and income tax purposes, principally depreciation and certain inventory costs. Investment tax credits, which have not been material, are recorded as a reduction of current United States income tax expense in the year such as credits are utilized.

Note 10: Income Taxes

The provision for income taxes is computed based on the following amounts of income before income taxes:

	1981	1980	1979
		(In thousands)	
Domestic	$108,663	$ 97,871	$ 58,944
Foreign	(19,106)	26,210	64,576
Total	$ 89,557	$124,081	$123,520

The provision for income taxes consists of the following:

	1981	1980	1979
		(In thousands)	
Current:			
United States	$34,752	$33,071	$38,946
State and other	5,680	4,881	3,484
Foreign	15,227	15,842	24,279
Total	55,659	53,794	66,709
Deferred	(12,778)	2,377	(10,472)
Total	$42,881	$56,171	$56,237

The 1981 credit provision for deferred income taxes consists primarily of $10,613,000 attributable to net changes in deferred United States taxes on undistributed earnings of foreign subsidiaries and $3,703,000 attributable to United States tax benefits for losses of certain foreign subsidiaries. The 1980 provision and the 1979 credit provision for deferred income taxes result primarily from net changes in deferred United States taxes on undistributed earnings of foreign subsidiaries.

The consolidated effective income tax rate, computed on the basis of income before income taxes, for the last three years differed from the United States statutory rate. Significant causes of such rate differences for each year were as follows:

	1981	1980	1979
United States statutory rate	46.0%	46.0%	46.5%
Puerto Rican and foreign operations exempt or partially exempt from income taxes or taxed at rates different from the United States income tax rate, and not expected to be subject to United States taxation	(6.9)	(9.5)	(4.8)
Foreign subsidiaries' earnings no longer expected to be distributed on which United States taxes were previously provided	(7.0)	—	—
Losses of subsidiaries for which no tax benefits were recognized	19.2	8.4	1.0
State income taxes	2.8	1.7	1.2
Other	(6.2)	(1.3)	1.6
Effective tax rate	47.9%	45.3%	45.5%

The difference in each year in the effective income tax rate attributable to Puerto Rican and foreign operations arises principally from exemptions from income taxes that expire at various dates from 1982 to 2000.

At September 30, 1981, $24,600,000 of potential United States taxes on undistributed foreign subsidiaries' earnings of $59,600,000 have not been provided because the Company intends to continue investing these earnings outside the United States.

At September 30, 1981, certain foreign subsidiaries have operating loss carryforwards of approximately $63,254,000 for which tax benefits were not recognized in the loss period. These loss carryforwards expire as follows: 1983, $237,000; 1984, $34,000; 1985, $6,738,000; 1986, $38,710,000; and thereafter, $17,535,000.

BROWN & SHARPE MANUFACTURING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Significant Accounting Policies

Income Taxes

Certain income and expense items are recorded on a different basis for financial accounting and income tax purposes. Deferred taxes are provided in the financial statements for significant timing differences.

Investment tax credits are accounted for by the "flow-through" method. Federal income taxes are not provided on the unremitted earnings of foreign subsidiaries, since it has been the practice and is the intention of the Company to continue to reinvest these earnings in the business outside the United States. Provision is made for Federal income taxes on Brown & Sharpe DISC, Inc., the Company's domestic international sales corporation.

Note 4 (in part): Income Taxes

Taxes on income consisted of the following:

	1981	1980	1979
Current:			
Federal	$ (50,000)	$3,536,000	$3,297,000
Foreign	1,621,000	1,701,000	661,000
	1,571,000	5,237,000	3,958,000
Deferred:			
Federal	(594,000)	637,000	932,000
Foreign	(691,000)	486,000	410,000
	(1,285,000)	1,123,000	1,342,000
State	314,000	740,000	700,000
Taxes on income..........	$ 600,000	$7,100,000	$6,000,000

Deferred taxes resulted from the following:			
Accelerated depreciation and deferral of lease revenue........	$ 1,122,000	$ 972,000	$ 612,000
Foreign income subject to tax assessments at future dates..........	(691,000)	486,000	410,000
Retirement costs currently deductible.....	(1,114,000)	—	460,000
Other	(602,000)	(335,000)	(140,000)
Deferred taxes.......	$(1,285,000)	$1,123,000	$1,342,000

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The amount of unremitted foreign earnings considered permanently invested abroad at year-end was approximately $32,670,000. At December 26, 1981 a United Kingdom subsidiary had approximately $4,500,000 of tax loss carryforwards which were principally the result of stock relief.

MCA INC. (DEC)

SUMMARY OF ACCOUNTING POLICIES

Income Taxes

Provision for both current and deferred federal, state and foreign income taxes (excluding domestic income taxes applicable to unremitted earnings of foreign subsidiaries that have been or are intended to be permanently reinvested outside the United States) is made at prevailing income tax rates based on pretax consolidated income. Such provision is based on the Company's election to file consolidated tax returns. Investment tax credits are accounted for as a current reduction of income tax expense.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (in part): Income Taxes and Extraordinary Income

The provision for income taxes on income before extraordinary income, as shown in the Consolidated Statement of Income, is summarized as follows:

($ in thousands)	1981	1980	1979
Current			
Federal	$ 1,400	$ 3,300	$ 7,400
State	2,900	5,500	7,600
Foreign	20,200	13,000	18,400
	24,500	21,800	33,400
Deferred (principally federal)	(16,200)	(7,900)	8,700
	$ 8,300	$13,900	$42,100

The provision for deferred income taxes on income before extraordinary income is summarized below:

($ in thousands)	1981	1980	1979
Differences in book and tax accounting for:			
Recognition of television license fees	$ 3,600	$(10,800)	$12,300
Film cost amortization....	10,800	11,300	(10,800)
Receivable allowances ...	4,000	(1,500)	—
Accruals for domestic income taxes on unremitted earnings of foreign subsidiaries (intended to be repatriated in the future) and the Domestic International Sales Corporation (DISC)......................	(11,000)	4,200	4,000
Deferred investment tax credit benefit.............	(29,300)	(25,700)	4,100
Exchange of loans by Columbia Savings and Loan.....	(300)	13,200	—
Other, net....................	6,000	1,400	(900)
	$(16,200)	$ (7,900)	$ 8,700

The difference between the U.S. federal income tax rate of 46% and the Company's effective income tax rate is explained below:

	1981	1980	1979
Federal income tax rate.....	46.0%	46.0%	46.0%
State taxes, net of reduction of federal tax	3.0	2.4	2.2
Investment tax credit........	(31.0)	(25.0)	(18.1)
Taxes on foreign earnings at less than 46%	(8.1)	(7.5)	—
Book value over tax basis of assets......................	(1.5)	(3.1)	(1.7)
Other, net	.1	(1.3)	(2.3)
Effective income tax rate ...	8.5%	11.5%	26.1%

Current and deferred federal income taxes have been reduced by investment tax credits of $30,400,000 for 1981, $30,200,000 for 1980 and $29,300,000 for 1979. Of these amounts, approximately $2,700,000 in 1981, $2,600,000 in 1980 and $2,500,000 in 1979 represent credits allowable for the Company's contributions to its Employee Stock Ownership Plan (ESOP). The Company's contributions to the ESOP have no effect on net income.

■ ■ ■ ■

At December 31, 1981, the Company had $29,700,000 of deferred taxes accrued for unremitted foreign earnings that may not be permanently reinvested outside the United

States. Unremitted earnings that have been or are intended to be reinvested outside the United States for an indefinite period of time and on which no deferred income taxes have been provided amounted to approximately $44,000,000 at December 31, 1981. The additional U.S. income tax on these earnings, if repatriated, would be offset in part by foreign tax credits.

SCOTT PAPER COMPANY (DEC)

FINANCIAL REVIEW

Taxes on Income (in part)

(Thousands)	1981	1980	1979
Current			
Federal	$ 4,993	$ 6,872	$10,169
Foreign	15,461	35,394	15,999
State and local	2,843	1,447	4,631
	23,297	43,713	30,799
Deferred			
Federal	41,597	1,969	10,502
Foreign	1,667	1,054	2,959
State and local	1,104	1,167	845
	44,368	4,190	14,306
	$67,665	$47,903	$45,105

Current taxes are the amounts payable on each year's earnings under applicable statutes and regulations.

Deferred income taxes include the effects of timing differences where some items of income and expense are not recognized for taxation in the same period in which they affect earnings.

Deferred income taxes consisted of the following:

(Thousands)	1981	1980	1979
Balance at beginning of year	$ 91,714	$87,524	$73,218
Foreign currency translation—prior years	(2,190)	—	—
Deferred taxes on timing differences			
Accelerated depreciation	19,538	18,370	21,357
Capitalized interest	4,288	1,424	—
Undistributed foreign earnings	531	(477)	4,731
Mill closings and dispositions	(3,375)	(5,752)	347
Investment tax credits	4,313	(12,967)	(8,953)
Sale of tax benefits	18,980	—	—
Other timing differences	93	3,592	(3,176)
Balance at end of year	$133,892	$91,714	$87,524

Deferred taxes were provided in each year because tax depreciation exceeded depreciation for financial statement purposes.

Deferred taxes of $4,288,000 for 1981 and $1,424,000 for 1980 were provided for interest which was capitalized for financial statement purposes in accordance with FAS 34, but which was deducted as incurred for tax purposes.

In 1981 and 1979 deferred taxes were increased by $531,000 and $4,731,000, respectively, for the U.S. tax on the portion of the earnings of consolidated Canadian subsidiaries which was expected to be remitted to the parent company. In 1980 deferred taxes were reduced by $477,000 upon receipt of a portion of the expected remittances. The Company's share of undistributed earnings in consolidated foreign subsidiaries which is intended to be permanently reinvested, and on which no U.S. taxes have been provided, totaled $177,000,000 at the end of 1981.

OWENS-ILLINOIS, INC. (DEC)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income Taxes on Undistributed Earnings. In general, the Company plans to continue to invest in the business the undistributed earnings of foreign subsidiaries and of domestic and foreign corporate joint ventures accounted for by the equity method. No provision is made for taxes which would be payable if such earnings were distributed. At December 31, 1981, the undistributed earnings of foreign subsidiaries and domestic and foreign corporate joint ventures approximated $264.0 million. The tax on this amount, if remitted, would in part be offset by foreign tax credits. For other investments accounted for by the equity method, the Company's policy is to provide for applicable deferred taxes.

No Accrual for Taxes

BRISTOL-MYERS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (in part): Provision for Income Taxes

United States income taxes have not been provided on substantially all of the unremitted earnings of non-U.S. subsidiaries, since it is management's practice and intent to reinvest such earnings in the operations of these subsidiaries. In those instances where it is the intention to remit earnings, United States income taxes have been provided to the extent they are not offset by foreign tax credits. The total amount of the net unremitted earnings of Non-U.S. subsidiaries was approximately $408 million at December 31, 1981.

THE HOOVER COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note F (in part): Income Taxes

Because the Company plans to continue to finance foreign expansion and operating requirements by reinvestment of undistributed earnings of its foreign subsidiaries (approximately $64,000,000 at December 31, 1981), United States income taxes have not been provided on such earnings. If such earnings were distributed, additional income taxes payable would be reduced significantly by available foreign tax credits arising from foreign income taxes that have been paid. Income taxes have been provided for all currently planned distributions.

STANADYNE, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Accounting Policies

Income Taxes—Deferred taxes are provided for timing differences in the recognition of revenue and expense for income tax and financial reporting purposes. Investment tax credits are reported as a reduction of the current provision for taxes in the year the related assets are placed in service. No provision for federal income taxes is made on the tax deferred portion of undistributed earnings of a domestic international sales corporation (DISC) organized in 1973, since the Company intends to continue to reinvest such earnings in export related activities. The undistributed earnings amount to $2,966,000 at December 31, 1981.

THE STANLEY WORKS (DEC)

SIGNIFICANT ACCOUNTING POLICIES

Income Taxes

The provisions for income taxes are based upon income as reported for financial statement purposes. Such provisions differ from amounts currently payable because certain items of income and expense are reported for income tax purposes in periods different from those in which they are reported in the financial statements. The tax effects of these timing differences, principally depreciation, are reflected as deferred income taxes.

Investment tax credits are accounted for on the flow-through method as a reduction of the provision for United States income taxes in the year in which the credits are available for tax purposes.

Since it has been the practice and is the intention of the Company to continue to reinvest the earnings of foreign subsidiaries in the growth of businesses outside the United States, United States income taxes generally have not been provided on the unremitted earnings of foreign subsidiaries.

No provision has been made for deferred income taxes on undistributed earnings of the Company's Domestic International Sales Corporation (DISC) since the Company plans to reinvest such undistributed earnings in qualified export-related assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note J (in part): Income Taxes

The amounts of undistributed foreign earnings, before available tax credits and deductions, which were considered to be indefinitely reinvested were approximately $128,000,000 at January 3, 1982, $124,000,000 at December 28, 1980 and $110,000,000 at December 30, 1979. There are presently no significant remittance restrictions with respect to earnings of foreign subsidiaries.

The amount of the DISC's undistributed earnings on which deferred income taxes have not been provided was approximately $1,867,000 at January 3, 1982.

STAUFFER CHEMICAL COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Income Taxes (in part):

Deferred taxes have not been provided on undistributed earnings of consolidated domestic and foreign subsidiaries as such earnings will be required in the subsidiaries' operations. The cumulative amount of these earnings on which United States taxes have not been provided was $244,600,000 at December 31, 1981. Under current federal income tax laws, dividend exclusions and foreign tax credits would be available to reduce substantially the federal income taxes which might otherwise result from distributions of such undistributed accumulated earnings. The estimated income taxes payable on these earnings, if distributed, would be $58,900,000 at December 31, 1981.

FOREIGN CURRENCY TRANSLATION

Effective for fiscal years beginning on or after December 15, 1982, FASB *Statement of Financial Accounting Standards No. 52* will supersede FASB *Statement of Financial Accounting Standards No. 8* as the authoritative pronouncement on foreign currency translation. *SFAS No. 52* requires translation adjustments to be "reported separately and accumulated in a separate component of equity"; whereas, *SFAS No. 8* requires translation adjustments to be included in determining net income. Table 1-8 shows that 142 survey companies disclosed early compliance with *SFAS No. 52.*

Examples of translation adjustment disclosures follow. Additional examples of disclosures made as a result of changing to the requirements of *SFAS 52* are presented in connection with Table 4-3.

THE GILLETTE COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Change

In December 1981, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 52, the new standard for foreign currency translation, and encouraged its early adoption. Accordingly, as of January 1, 1981, the Company revised its method of translating inventories, property, plant and equipment and certain deferred income taxes from historical to current exchange rates, and depreciation from historical rates to weighted average rates in effect during the year. In addition, gains and losses from translation and certain transactions with their tax effects have been accumulated in a separate section of equity, rather than affecting net income. These changes apply to all foreign entities except those in highly inflationary economies, for which translation rules remain essentially unchanged.

As a result of this accounting change, net income for 1981 has been increased by $43,056,000, or $1.42 per share. Results for 1980 and 1979 have not been restated as the effect would not be material.

An analysis of the equity adjustment from foreign currency translation at December 31, 1981, follows.

		(Thousands of dollars)
Adjustment as of January 1, 1981, to reflect assets and liabilities at current exchange rates		$ 2,976
Effect of accounting change on income before income taxes	$(45,974)	
Related income tax effect	2,918	(43,056)
Exchange adjustment to assets and liabilities, primarily property, plant and equipment		(20,671)
Balance at end of year		$(60,751)

Net exchange losses for 1981, calculated according to the new standard and included in other charges, were $17,129,000. Net exchange losses for 1980 and 1979, which are not restated, were $10,708,000 and $11,159,000, respectively. These amounts include charges of $26,500,000 and $10,000,000 in 1981 and 1980, respectively, and a credit of $4,300,000 in 1979, representing the difference between translating cost of sales of foreign operations at weighted average rates and at historical rates.

CBS INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11: Foreign Currency Translation

The accounting for foreign currency translation has been changed to conform to Statement of Financial Accounting Standards No. 52. Generally, adjustments for currency exchange rate changes are now excluded from net income for those fluctuations that do not impact cash flow.

The effect on 1981 income from continuing operations as well as on net income was an increase of $11,782,000 or $.42 per share. See note 14 for the restatement of prior years' results.

Net income included transaction losses of $5,384,000, $5,159,000 and $2,883,000 for 1981, 1980 and 1979, respectively.

An analysis of the changes to the "Foreign currency fluctuations" component of shareholders' equity is as follows:

	Year ended December 31		
	1981	1980	1979
	(Dollars in thousands)		
Balance at beginning of year	$ 10,940	$ 4,997	$18,471
Translation adjustments, and gains (losses) from hedges and intercompany balances	(26,861)	5,396	(13,532)
Income taxes related to hedges and intercompany balances	465	547	58
Balance at end of year	$(15,456)	$10,940	$ 4,997

Note 14: Restatement of Prior Years

(Dollars in millions, except per share amounts)

Prior years' financial statements have been restated. The financial results of these restatements are as follows:

	Year ended December 31			
	1980		1979	
	Amount	Per Share	Amount	Per Share
Net income as previously reported	$193.0	$6.92	$200.7	$7.21
Foreign currency translation (note 11)	(1.2)	(.04)	0.2	.01
Advance royalty payments (note 12)	(1.6)	(.06)	(3.4)	(.12)
Vacation benefits (note 13)	(0.5)	(.02)	(0.2)	(.01)
Net income as restated	189.7	6.80	197.3	7.09
Loss (gain) on discontinued operations (note 3)	0.8	.03	(1.8)	(.06)
Income from continuing operations	190.5	$6.83	$195.5	$7.03

The revenues from the discontinued operations for the years 1981 through 1979 were $49.7, $54.1, and $54.5, respectively.

JOHNSON & JOHNSON (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Foreign Currency Translation

In 1981, the Company adopted FAS No. 52, Foreign Currency Translation, which replaces FAS No. 8. The financial statements of prior years have not been restated for the change as the effect of FAS No. 52 in those years was immaterial. Selected quarterly financial data for 1981 (Note 14) were restated to reflect this change. Under FAS No. 8, net earnings would have been reduced by $58.6 million or $.32 per share in 1981. Net currency transaction losses included in net earnings were $.7 million in 1981, $.1 million in 1980 and $2.4 million in 1979.

An analysis of the changes during 1981 in the separate component of Stockholders' Equity for cumulative currency translation adjustments follows:

(Dollars in Millions)	1981
Cumulative currency translation adjustments at December 29, 1980	$ (5.0)
Translation adjustments and gains and losses from certain hedges and intercompany balances	(78.6)
Income taxes allocated to translation adjustments and hedges	(2.1)
Cumulative currency translation adjustments at January 3, 1982	$(85.7)

KELLOGG COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Accounting change—Foreign currency translation

Effective for 1981, the Company has elected to adopt FAS 52, the new foreign currency translation standard. Under the standard, all assets and liabilities of operations outside the United States, except for operations in hyperinflated economies, are translated into U.S. dollars at period-end exchange rates. Gains and losses resulting from translation, hedging net foreign investments and certain intercompany balances are reflected as a currency translation adjustment in Shareholders' Equity. The cumulative effect of translating foreign assets and liabilities at the current rate of exchange as of the beginning of 1981 is set forth as the opening balance in the summary of the currency translation adjustment that follows.

(millions)	
Currency translation adjustment to January 1, 1981.....	$ 4.0
Translation and gain and loss adjustments during 1981 .	(22.4)
Income tax effect of 1981 adjustments....................	(3.6)
Currency translation adjustment at December 31, 1981.	$(22.0)

The effect of applying the new standard was to reclassify net exchange losses which under pre-existing accounting standards would have reduced net earnings for 1981 by $7.2 million or $.09 a share. The new standard was not applied for 1980 and 1979.

Gains and losses on foreign currency transactions and translation of balance sheets of operations in hyperinflated economies are reflected in earnings. The net exchange gain or loss reflected in other income for 1981, 1980 and 1979 is not material.

ELI LILLY AND COMPANY (DEC)

	1981	1980	1979
	(Dollars in thousands)		
Net sales	$2,773,205	$2,558,637	$2,250,824
Operating costs and expenses:			
Manufacturing costs of products sold...........	1,083,734	1,023,515	873,184
Research and development	234,809	200,700	177,663
Marketing	507,516	463,756	394,668
Shipping	58,657	57,736	54,014
General administrative ...	271,880	247,623	209,764
	2,156,596	1,993,330	1,709,293
Operating Income	616,609	565,307	541,531
Other income (deductions):			
Interest income	58,070	39,560	34,742
Interest expense..........	(22,174)	(18,442)	(11,474)
Foreign exchange losses—Note B	(25,209)	(14,008)	(19,728)
Other—net	18,694	17,924	14,108
Income Before Taxes..	$ 645,990	$ 590,341	$ 559,179

Note B (in part): Accounting Changes

Foreign Currency Translation: Effective January 1, 1981, the Company adopted the provisions of Financial Accounting Standards Board Statement No. 52. In the application of this Statement, exchange adjustments resulting from foreign currency transactions generally are recognized currently in income, whereas adjustments resulting from translations of financial statements are reflected as a separate component of shareholders' equity. This accounting change had the effect of increasing net income for 1981 by $13 million ($.17 per share) and reducing shareholders' equity at December 31, 1981, by $32.7 million. The effect on net income for 1980 and 1979 was not material. Note I contains an analysis of currency translation adjustments reflected in shareholders' equity.

Note I: Currency Translation Adjustments

Following is an analysis of currency translation adjustments reflected in shareholders' equity:

	(Thousands)
Balance (negative amount) at January 1, 1981...........	$ (5,708)
Translation adjustments and gains and losses from hedging and intercompany transactions	(40,712)
Allocated income taxes......................................	757
Balance at December 31, 1981	$(45,663)

MANVILLE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(g) Foreign Currency Translation

Effective January 1, 1981, the Company conformed to the accounting standard prescribed by the Financial Accounting Standards Board (FASB) in its Statement No. 52, "Foreign Currency Translation" (see Note 9).

Note 9—Foreign Currency Exchange and Translation

Effective January 1, 1981, the Company adopted the new foreign currency translation standard prescribed by FASB Statement No. 52. Adoption of the new standard increased net earnings in 1981 by $9.8 million, or $.42 per common share. Earlier adoption of this standard would not have materially affected consolidated earnings for prior years; consequently, no restatement was made.

An analysis of changes in the Cumulative Currency Translation Adjustments included in Common Shareholders' Equity at December 31, 1981 is as follows:

	(Thousands of dollars)
Cumulative currency translation adjustments as of January 1, 1981......................................	$ (978)
For the year ended December 31, 1981:	
Currency translation adjustments....................	(22,040)
Income taxes related to currency translation adjustments	124
Amounts related to dispositions of investments....	460
Cumulative currency translation adjustments as of December 31, 1981....................................	$(22,443)

The effect of realized foreign currency transactional gains and losses included in the determination of 1981, 1980 and 1979 net earnings was not material.

REXNORD INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands Except Per Share Data)

Note 2—Accounting Changes

In December, 1981, the Financial Accounting Standards Board issued SFAS No. 52, which changed the method of translating foreign currency financial statements and the accounting treatment for most foreign currency gains and losses. With the exception of hyper-inflationary countries, such as Brazil where the existing SFAS No. 8 accounting treatment is to be continued, foreign currency assets and liabilities are translated into United States dollars at the rate of exchange existing at year end. Income amounts are translated at the average of the monthly exchange rates. Under SFAS No. 8, inventories, property and intangible assets (and related cost of sales, depreciation and amortization) are translated at rates prevailing when the balances originate.

Under the new accounting method, gains and losses resulting from the translation of foreign currency financial statements, certain forward contracts and foreign currency intercompany transactions are deferred and classified as a separate component of shareholders' ownership. Under SFAS No. 8, such gains and losses are reflected in income currently.

The company has elected to comply with the new accounting treatment in 1981. This change had the effect of increasing net income in 1981 by $11.1 million, or $.49 per share on a fully diluted basis. Quarterly amounts for 1981 have been restated for this change. The Financial Accounting Standards Board recognizes the impracticality of applying the new standard retroactively and, therefore, restatement of prior years' financial statements is not required.

An analysis of the cumulative foreign currency translation gain (loss) amount for 1981 follows:

Beginning of year cumulative foreign currency translation gain	$ 1,703
Translation adjustments resulting from exchange rate changes, hedge contracts and intercompany transactions	(16,030)
Income taxes related to the above	(168)
End of year cumulative foreign currency translation losses	$(14,495)

The effects of foreign currency fluctuations are reflected in the accompanying statements of income as follows:

	1981	1980	1979
Increase (decrease) in cost of sales	$3,576	$288	$ (752)
Miscellaneous other (income) expense	(859)	11	3,412
Net foreign currency losses	$2,717	$299	$2,660

In years prior to 1981, the company followed the accepted practice of accruing the vested portion of vacation expense. In 1981, the company changed its method of accounting for vacation pay earned by employees to the full accrual method as prescribed in the recently issued SFAS No. 43. Accordingly, 1980 and 1979 financial statements have been restated to reflect the effect of this change, which was not material in relation to net income of any year or quarter.

UNIROYAL, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Accounting Change

As of the beginning of the 1981 fiscal year, the company adopted Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation." This change in accounting increased 1981 income before extraordinary items and net income by $14,425,000 and increased income per common share by $.54. The cumulative effect of this change on net assets at the beginning of 1981 was a reduction of $6,809,000 and is reflected as the opening balance of Accumulated Translation Adjustment which is reported as an element of Stockholders' Equity in the accompanying balance sheets. An analysis of the change in Accumulated Translation Adjustment for 1981 follows (in thousands):

Aggregate adjustment at December 29, 1980	$ (6,809)
Aggregate adjustment resulting from translation adjustments, and gains and losses from certain hedges and intercompany balances	(17,996)
Income taxes applicable to aggregate adjustment	174
Balance at January 3, 1982	$(24,631)

The aggregate foreign exchange loss included in the determination of 1981 net income was $1,441,000. The effect of this change on 1980 and 1979 net income was not considered significant and, therefore, such years have not been restated.

THE UPJOHN COMPANY (DEC)

	1981	1980	1979
	Dollar amounts in thousands		
Operating revenue:			
Net sales of products	$1,698,431	$1,571,356	$1,352,990
Revenue from services	199,903	189,220	155,035
Other revenue	4,714	7,060	5,719
Total	1,903,049	1,767,636	1,513,744
Operating costs and expenses:			
Products sold	752,238	690,831	592,800
Services sold	121,715	116,979	97,508
Research and development	171,606	147,328	129,338
Marketing and administrative	613,301	565,827	476,307
Total	1,658,860	1,520,965	1,295,953
Operating income	244,188	246,671	217,791
Investment income	40,759	23,299	17,883
Interest expense	(56,686)	(32,520)	(24,153)
Foreign exchange losses	(15,588)	(2,319)	(7,191)
All other, net	20,779	(2,151)	(409)
Earnings before income taxes and minority equity	$ 233,452	$ 232,980	$ 203,921

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollar amounts in thousands, except per-share data

Note F: Foreign Operations

Adoption in 1981 of Statement of Financial Accounting Standards No. 52 increased earnings before income taxes and minority equity by approximately $20,100, and net earnings by approximately $17,500 ($.58 per share). Restatement of prior years was not required.

The consolidated financial statements include amounts related to foreign operations as follows:

December 31	1981	1980
Working capital	$237,474	$258,841
Net property and other assets	152,678	125,135
Noncurrent liabilities	(31,599)	(26,206)
Minority Equity	(20,092)	(20,422)
Equity in foreign assets	$338,461	$337,348

Foreign exchange losses included in earnings, net of minority equity and taxes, were $11,361 in 1981; $2,421 in 1980; and $3,992 in 1979.

An analysis of currency translation adjustments included in shareholders' equity follows:

Currency Translation Adjustments	1981
Beginning of year	$ 7,589
Net loss originating during the year	22,555
Income taxes	(1,584)
End of year	$28,560
Minority share in currency translation adjustments	$ 888

ANDERSON, CLAYTON & CO. (JUN)

	1981	1980	1979
	(In thousands of dollars)		
Cost of sales and operating expenses	$1,650,845	$1,489,370	$1,305,809
Depreciation and amortization	20,516	15,411	14,565
Selling and administrative expenses	140,105	116,464	105,187
Interest expense	42,167	25,603	19,305
U.S. and foreign taxes on income	40,041	33,912	30,209
Translation loss from decline in foreign exchange rates	11,357	2,526	2,556
Income applicable to minority interest	8,961	6,672	4,226
	$1,913,982	$1,689,958	$1,481,857

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 Standard Board's Statement of Accounting Standards No. 8, Accounting for the Translation of Foreign Currency Transactions and Foreign Currency Financial Statements. For the years ended June 30, 1981, 1980 and 1979, transactions involving foreign exchange were subject to controls imposed by the respective governments.

DRESSER INDUSTRIES, INC. (OCT)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Translation of Foreign Currencies. In accordance with FASB Statement No. 8, the assets and liabilities of foreign subsidiaries are translated into U.S. dollars on the following basis:

Balances representing cash and amounts receivable or payable that are denominated in foreign currencies are translated at rates that approximate the year-end foreign exchange rates.

Other assets and liabilities (principally inventories and property, plant and equipment and related depreciation) are translated at historical exchange rates prevailing at the dates of acquisition.

Revenue and expense transactions are translated in a manner that produces approximately the same U.S. dollar amounts that would have resulted had the underlying transactions been translated into U.S. dollars on the dates they occurred. Revenues and expenses that relate to assets and liabilities translated at historical rates are translated at these historical rates.

Losses on forward exchange contracts are recognized in net earnings in the current period. Gains on these same type contracts are recognized currently if the contracts are intended to hedge general exposed foreign currency net asset or liability positions. Gains are deferred if the contracts are intended to hedge identifiable foreign currency commitments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note L (in part): Supplementary Income Statement Information

Net foreign exchange adjustments (including gains and losses from both settlement of commercial transactions and translation of the accounts of foreign subsidiaries) resulted in net gains of $12.7 million in 1981, net losses of $6.8 million in 1980 and net gains of $4.5 million in 1979. Net foreign exchange adjustments are included in Other income (deductions).

MOTOROLA, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4: Foreign Exchange

It is the company's policy to attempt to neutralize its exposure to exchange rate fluctuations, including the value of non-U.S. inventory destined for sale in foreign currencies, where it is both practical and economically justified to do so. Under Statement of Financial Accounting Standard No. 8 (SFAS-8), sales and other revenue are translated from other currencies into U.S. dollars at prevailing exchange rates while inventory must be translated at the rates in effect at the time of purchase. The inventory gain (loss) separately indicated below reflect management's best estimates of the impact of currency rate changes on manufacturing and other cost of sales. The effects of foreign currency exchange rate changes, after applicable income taxes, occurring in 1981, 1980 and 1979 were as follows:

(Dollars in thousands)	1981	1980	1979
Exchange gain (loss) included in earnings from operations before income taxes	$13,403	$3,839	$(3,573)
Related income taxes	(211)	1,139	236
Gain (loss) included in net earnings as determined in accordance wtih SFAS-8	13,192	4,978	(3,337)
Management's estimate of the gain (loss) on non-U.S. inventories due to exchange rate changes arising only in the respective years (unaudited):			
Estimated amount realized during the year included in manufacturing and other costs of sales	(15,059)	(483)	2,091
Estimated amount to be realized in the subsequent year in manufacturing and other costs of sales	959	(3,585)	1,308
Total estimated gain (loss) (unaudited)	(14,100)	(4,068)	3,399
Result of the company's foreign currency exposure management (unaudited)	$ (908)	$ 910	$ 62

OWENS-CORNING FIBERGLAS CORPORATION (DEC)

	1981	1980	1979
	(In thousands of dollars)		
Costs and Expenses:			
Cost of sales	$1,924,535	$1,851,734	$1,734,013
Marketing and administrative expenses	285,750	251,060	222,350
Science and technology expenses	67,697	58,278	49,055
Cost of borrowed funds	37,041	32,715	22,164
Cash discounts	21,142	20,553	20,909
State and local income and franchise taxes	4,855	6,845	12,960
Foreign currency exchange (gain) loss	(2,768)	164	2,577
Gain on sale of investment in affiliates	(4,665)	—	—
Other	21,093	38,604	21,707
	$2,354,680	$2,259,953	$2,085,735

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign Operations

Accounts of foreign subsidiaires and affiliates are maintained in the currencies of the countries in which they operate and are translated to U.S. dollars in conformity with Financial Accounting Standards Board Statement 8. Accounts representing cash and amounts receivable or payable are translated to U.S. dollars at exchange rates prevailing at year-end. Other assets and liabilities are translated at exchange rates in effect when acquired or incurred. Revenues and expenses for each month generally are translated at the average rate of exchange in effect during the month. Foreign currency exchange gains and losses are reflected in income.

Forward exchange contracts are purchased to hedge against currency fluctuations affecting operations of certain foreign subsidiaries. Realized and unrealized gains and losses on these contracts are recorded in income currently except that gains and losses on contracts to hedge specific foreign currency commitments are deferred and accounted for as part of the commitment transactions.

WARNER-LAMBERT COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Significant Accounting Policies:

Translation of financial statements in foreign currencies—Translation of financial statements denominated in foreign currencies is accomplished following the provisions of Statement of Financial Accounting Standards No. 8. Accordingly, assets and liabilities of foreign subsidiaries and branches are translated into U.S. dollars at rates of exchange in effect at year-end, except for inventories, property, plant and equipment and intangible assets which are translated at rates of exchange in effect at the date of acquisition. Revenues and costs and expenses are translated at average rates in effect during the year, except for cost of goods sold, depreciation and amortization which are translated at historical rates. Foreign exchange gains and losses are included in income in the year they arise.

Note 4—International Operations:

At December 31, 1981 and 1980, Warner-Lambert's consolidated foreign subsidiaries and branches, excluding Puerto Rican operations, had net current assets of $451.3 million and $460.8 million and total net assets of $594.9 million and $572.1 million, respectively. Foreign income before taxes totaled $154.3 million, $211.0 million and $208.9 million for the years 1981, 1980 and 1979, respectively. Earnings of foreign subsidiaries considered to be reinvested for an indefinite period at year-end 1981 totaled approximately $390 million.

The effects on income before income taxes resulting from exchange rate changes for the years 1981, 1980 and 1979 were (in thousands):

	1981	1980	1979
	Increase (Decrease)		
Effect on gross margin from charging cost of goods sold with inventory at historical exchange rates	$(71,218)	$(9,928)	$ (4115)
Effect of balance sheet translations and other currency transactions	9,349	2,717	(8,769)
Effect on income before income taxes	$(61,869)	$(7,211)	$(12,884)

LONG-TERM CONTRACTS

Accounting and disclosure requirements for long term contracts are discussed in *Accounting Research Bulletin No. 45,* Chapter 11 of *Accounting Research Bulletin No. 43,* SEC Accounting Series Release No. 164, and AICPA *Statement of Position* 81-1.

Table 3-15 shows that usually the percentage of completion method or a modification of this method, the unit of production method, is used to recognize revenue on long-term contracts. Examples of disclosures for long-term contracts follow.

TABLE 3-15: METHOD OF ACCOUNTING FOR LONG-TERM CONTRACTS

	1981	1980	1979	1978
Percentage-of-completion ..	91	92	88	86
Completed contract	11	15	11	10
Not determinable	1	1	1	4
Referring to long-term contracts	**103**	**108**	**100**	**100**
Not referring to such contracts	497	492	500	500
Total Companies	**600**	**600**	**600**	**600**

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 the 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.

FMC CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part): Principal accounting policies

Revenue recognition for long-term contracts. Sales are recorded under most production contracts as deliveries are made. Sales under cost reimbursement contracts for research, engineering, prototypes, repair and maintenance and certain production contracts are recorded as costs are incurred and include estimated fees in the proportion that costs incurred to date bear to total estimated costs. The fees under certain Government contracts may be increased or decreased in accordance with cost or performance incentive provisions. Such awards or penalties are recognized at the time the amounts can be reasonably determined.

JOY MANUFACTURING COMPANY (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Statement of Accounting Policies

Long-term Construction Contracts

Sales on long-term construction contracts are recorded for financial statement purposes using the percentage-of-completion method. Under this method, sales are recognized according to the ratio of costs incurred to currently estimated total contract costs, which include an allowance for any costs expected to be incurred in excess of the original contract cost estimate. Continual reviews of estimated total contract costs are made during the life of such contracts, based on the best information available, and may result in adjustments to sales previously recorded.

MARTIN MARIETTA CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note A (in part): Accounting Policies

Revenues Recognition: Sales to commercial customers are recorded upon shipment of products or performance of services.

Sales under Aerospace contracts generally are recognized under percentage-of-completion methods and include a proportion of the earnings expected to be realized on the contract in the ratio that costs incurred bear to estimated total costs. Sales are recorded on cost-type contracts as costs are incurred and on fixed-price-type contracts when deliveries are made or work is performed. Contracts in progress are reviewed quarterly, and sales and earnings are adjusted in current accounting periods based on revisions in contract value and estimated costs at completion. Performance incentives are incorporated in certain contracts and are recognized when incentives are earned or awarded or penalties are incurred or assessed. Provisions for estimated losses on contracts are recorded when identified.

NORTHROP CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (in part)

Sales

Sales under cost-reimbursement, service, research and development and construction-type contracts are recorded as costs are incurred and include estimated earned fees or profits calculated on the basis of the relationship between costs incurred and total estimated costs (cost-to-cost type of percentage-of-completion method of accounting). Sales under other types of contracts are recorded as deliveries are made and are computed on the basis of the estimated final average unit cost plus profit (units-of-delivery type of percentage-of-completion method of accounting). Certain fixed-price contracts may contain provisions for price redetermination or for cost or performance incentives. Such redetermined amounts or incentives are included in sales when the amounts can reasonably be determined. Estimated amounts for contract change orders and claims are included in sales only when realization is probable.

In the period in which it is determined that a loss will result from the performance of a contract, the entire amount of the estimated ultimate loss is charged against income. Other changes in estimates of sales, costs and profits are recognized using the cumulative catch-up method of accounting. This method recognizes in the current period the cumulative effect of the changes on current and prior periods. The effect of the changes on future periods of contract performance are recognized as if the revised estimates had been the original estimates.

TENNECO INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 (in part): Summary of Accounting Policies

Long-Term Shipbuilding Contracts

Newport News Shipbuilding and Dry Dock Company ("Newport"), a subsidiary, reports profits on its long-term shipbuilding contracts on the percentage-of-completion method of accounting, determined on the basis of a comparison of costs incurred to date to estimated final costs. Newport reports losses on such contracts when first estimated. The performance of such contracts may extend over several years; therefore, periodic reviews of estimated final revenues and costs are necessary during the term of the contracts. Final contract settlements and periodic reviews may result in revisions to estimated final contract profits or losses which have the effect of including cumulative adjustments of income in the period the revisions are made.

MCDERMOTT INCORPORATED (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Contracts and Revenue Recognition

Marine and onshore construction contract revenues are generally recognized as contractual obligations are completed. Revenues are recognized on certain marine contracts containing identifiable separate projects when such projects are completed and accepted by the customer. Revenues from time or day-rate basis marine contracts are recognized as earned. General and administrative costs are included in marine and onshore contract costs. Claims for extra work or changes in scope of work are recognized when collection is probable. Current provisions are made for all known or anticipated losses on marine and onshore construction contracts which have not been completed. The Company plans to adopt the percentage of completion method of accounting in fiscal 1982 for marine and onshore construction contracts, which may require restatement of previously reported results. The Company does not expect this change to have a material effect upon net income as reported for fiscal 1981.

Power generation systems and equipment contract revenues and related costs are principally recognized on a percentage of completion method for individual contracts or components thereof based upon work performed or the ratio of costs incurred to total estimated costs, as applicable to the product or activity involved. Revenues so recorded are included in umbilled revenues until invoiced to customers under the terms of the contracts. Contract price and cost estimates are reviewed periodically as the work progresses and adjustments proportionate to the percentage of completion are reflected in income in the period when such estimates are revised.

The Company is usually entitled to financial settlements relative to the individual circumstances of deferrals or cancellations of power generation systems and equipment contracts. The Company does not recognize such settlements or claims for additional compensation until final settlement is reached.

Note 2: Contracts in Progress

Contracts in progress and advance billings on contracts at

March 31 consist of the following:

	Contracts in Progress 1981	Contracts in Progress 1980	Advance Billings on Contracts 1981	Advance Billings on Contracts 1980
	(In thousands of dollars)			
Marine and onshore construction contracts:				
Cost of uncompleted contracts	$332,730	$165,766	$350,165	$113,782
Billings to customers	153,504	114,780	476,319	179,779
	179,226	50,986	126,154	65,997
Power generation systems & equipment and other contracts:				
Unbilled revenues	278,302	256,935		
Cost of work in progress	188,551	219,871		
	466,853	476,806		
Billings to customers in excess of revenues recognized	138,600	166,667	285,625	247,119
	328,253	310,139	285,625	247,119
	$507,479	$361,125	$411,779	$313,116

The amounts of general and administrative expenses remaining in the cost of uncompleted marine and onshore construction contracts at March 31, 1981 and 1980 were $68,000,000 and $34,334,000, respectively. Cost of work in progress of power generation systems and equipment and other contracts is based upon accumulated production costs less estimated costs associated with revenues recognized.

Unbilled revenues on contracts include $52,329,000 and $83,111,000 at March 31, 1981 and 1980, respectively, expected to be collected after one year.

Included in accounts and notes receivable are amounts representing retainages on contracts as follows:

	1981	1980
	(In thousands of dollars)	
Retainages	$49,577	$39,177
Retainages expected to be collected after one year	$ 8,821	$11,632

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* provides illustrations of transactions which should and should not be accounted for as a business segment disposal. These examples are reprinted in Section I 13 of *FASB Accounting Standards—Current Text*.

In 1981, 67 survey companies discontinued the operations of a business segment, and 13 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.

Disposals of Segments

AMF INCORPORATED (DEC)

	1981	1980 ($000)	1979
Income from Continuing Operations	$67,246	$53,774	$48,523
Discontinued Operations (Note 2):			
Income (loss) from operations, net of income taxes (benefit): 1981—$(1,300); 1980—$3,856; 1979—$4,518	(1,300)	4,242	5,673
Loss on disposal, net of income tax benefit of $16,100	(36,000)	—	—
	(37,300)	4,242	5,673
Income before Cumulative Effect of Accounting Change	$29,946	$58,016	$54,196

Note 2 (in part): Acquisitions and Discontinued Operations

In 1981, AMF sold its Harley-Davidson Motorcycle and Head Sports Wear operations and commenced disposition of its Powerboat Division. In connection with these dispositions, charges of $36,000,000 (net of related income tax benefits) were made to net income during 1981. These charges include a valuation adjustment related to securities received on the sale of Harley-Davidson, net operating losses, and other losses and costs in connection with these dispositions arising subsequent to the decision to discontinue these operations. Cash received for the businesses sold approximated $65,000,000. Revenues for discontinued operations in 1981 to the date of sale were approximately $171,600,000 and were $352,200,000 and $319,500,000 in 1980 and 1979, respectively.

BAUSCH & LOMB INCORPORATED (DEC)

	1981	1980 ($000)	1979
Earnings From Continuing Operations	$47,286	$52,591	$45,111
Loss from discontinued operations, net of income tax benefits	(4,257)	(258)	(3,883)
Provision for disposal of discontinued operations, net of income tax benefits	(33,100)	—	—
Net Earnings	$ 9,929	$52,333	$41,228

NOTES TO FINANCIAL STATEMENTS

Discontinued Operations

On November 18, 1981, the Board of Directors approved a plan to discontinue the company's ophthalmic line of business and to dispose of the net assets related to these operations. Disposition alternatives have been developed and discussions are being held with prospective purchasers. In management's opinion, the efforts to dispose of the ophthalmic facilities and net operating asests will be concluded in the near future.

The net losses of the ophthalmic operations are presented in the consolidated statement of earnings under the caption, "Loss from Discontinued Operations" and include:

(Dollar Amounts in Thousands)	1981	1980	1979
Net sales	$66,876	$100,879	$102,839
Costs and expenses	72,833	108,978	108,177
Income tax benefits	1,700	7,841	1,455
Loss from operations	$ 4,257	$ 258	$ 3,883

The 1980 results of operations include costs ($6.8 million) and income tax benefits ($6.9 million) related to the consolidation of certain lens manufacturing operations which had been previously reported as non-recurring items, and a gain ($2.8 million) and income tax charges ($.8 million) on the sale of the company's investment in UKO International Limited.

The provision for loss on disposal of ophthalmic operations consists of the following:

(Dollar Amounts in Thousands)	Before Tax	Tax Benefits	After Tax
Write-down of assets to estimated net realizable value	$18,600	$ 5,300	$13,300
Disposal costs, including severance pay	12,600	4,600	8,000
Estimated operating losses until disposition	8,600	4,100	4,500
Subtotal	39,800	14,000	25,800
Costs for consolidation and disposition of certain ophthalmic operations previously recognized in 1981	10,200	2,900	7,300
Total	$50,000	$16,900	$33,100

The net assets related to the discontinued ophthalmic line of business have been segregated in the 1981 consolidated balance sheet. These assets, consisting principally of inventories and receivables, have been reduced to estimated net realizable value.

COOPER INDUSTRIES, INC. (DEC)

	1981	1980	1979
		(000 omitted)	
Income from continuing operations	$241,270	$171,430	$136,634
Discontinued operations (Note 2):			
Income from operations of Aircraft Services segment (less applicable incomes taxes of $13,624, $12,210 and $9,299)	15,884	13,786	11,859
Gain on sale of Aircraft Services segment (less applicable income taxes of $18,532)	27,391	—	—
Net Income	$284,545	$185,216	$148,493

Note 2 (in part): Acquisitions, Mergers and Dispositions

Sale of Aircraft Services Segment

On December 18, 1981, Cooper sold its Aircraft Services segment (comprised entirely of the Cooper Airmotive division) to Aviation Power Supply (re-named Aviall, Inc. concurrent with its acquisition of Cooper Airmotive) for $151 million plus an approximate 9% equity interest in Aviall. The $151 million in proceeds consisted of $5 million in cash and a note for $145,950,000 due and collected on January 20, 1982 and collaterized by irrevocable letters of credit. Because the proceeds from the note will be utilized by Cooper to reduce outstanding long-term indebtedness, at December 31, 1981 the Company's $145,950,000 borrowing under its revolving credit agreements has been separately classified in a financial position caption entitled "Long-term Indebtedness to be Retired upon Collection of Note Receivable" and the Note Receivable has been correspondingly classified as a long-term asset.

This sale has been accounted for as a disposal of a segment of a business and as a consequence, the results of operations of the Aircraft Services segment for all prior years and the period from January 1, 1981 through December 18, 1981 and the gain on the sale have been separately classified in Cooper's consolidated results of operations, the consolidated statement of changes in financial position and certain notes to the consolidated financial statements. For the period ended December 18, 1981 and the two years ended December 31, 1980 and 1979, revenues of the discontinued Aircraft Services segment were $269,089,000, $268,208,000 and $247,866,000, respectively.

For federal income tax purposes the sale of the Aircraft Services segment qualifies as an installment sale and accordingly $17.8 million of the estimated income tax payable with respect to the $45.9 million gain on the sale has been recorded as a current deferred income tax liability.

SQUIBB CORPORATION (DEC)

	1981	1980	1979
		(Amounts in thousands)	
Income from Continuing Businesses	$ 41,098	$103,373	$ 89,478
Income from businesses sold (net of taxes)	12,181	24,371	34,244
Gain (loss) on sale of businesses (net of taxes)	58,068	(318)	—
Income before Extraordinary Charge	$111,347	$127,426	$123,722

NOTES TO FINANCIAL STATEMENTS

Businesses Sold

On December 30, 1981, the Company sold the business of Life Savers, Inc., its confectionary products segment, resulting in a gain of $58,068,000 (net of taxes on income of $24,575,000), or $1.16 per share. Pursuant to plans adopted in 1979, the Company sold Dobbs Houses, Inc., Table Talk, Inc. and certain related operations in mid-1980, which resulted in a nominal loss of one cent per share, or $318,000 (net of income tax benefits of $1,712,000).

The results of the businesses sold have been segregated as a separate component of income in the statement of consolidated income. The net assets of Life Savers, Inc. have been separately classified and stated at book value in the consolidated balance sheet at December 31, 1980.

Combined operating results relating to businesses sold were as follows:

	1981	1980	1979
		(Amounts in thousands)	
Net sales	$322,503	$511,772	$672,771
Income before taxes on income	21,099	41,652	61,385
Provision for taxes on income	8,918	17,281	27,141
Income from businesses sold	$ 12,181	$ 24,371	$ 34,244

Net assets of Life Savers, Inc. at December 31, 1980 consisted of the following:

	(Amounts in thousands)
Current assets	$114,466
Current liabilities	(71,536)
Net current assets	42,930
Property, plant and equipment (net)	121,304
Other noncurrent assets (net)	15,861
Noncurrent liabilities	(24,792)
Net assets	$155,303

TIME INCORPORATED (DEC)

	1981	1980	1979
		(in thousands)	
Income from Continuing Operations	$184,568	$162,073	$152,286
Discontinued Operations:			
Operating loss—net of income tax credit	(9,157)	(20,870)	(8,364)
Provision for loss on disposals—net of income tax credit of $21,207,000	(26,590)	—	—
Total Discontinued Operations	(35,747)	(20,870)	(8,364)
Net Income	$148,821	$141,203	$143,922

NOTES TO FINANCIAL STATEMENTS

Discontinued Operations

During the first quarter of 1981, Time-Life Films discontinued its television and motion picture business. In addition, during the third quarter, the Company ceased publication of *The Washington Star*. Accordingly, the Consolidated Financial Statements have been reclassified to report separately these discontinued operations.

Operating losses from discontinued operations are net of income tax credits amounting to $8,000,000, $21,000,000, and $9,300,000 for 1981, 1980, and 1979, respectively.

The major portion of Time-Life Films' assets (TV syndication inventory) is currently being offered for distribution through a negotiated syndication agreement. Substantially all of the assets of *The Washington Star* have been sold.

At December 31, 1981 and 1980, approximately $32,273,000 and $49,279,000 of liabilities, respectively, applicable to Time-Life Films and *The Washington Star*, have been included in "Net Assets of Discontinued Operations".

Revenues applicable to discontinued operations were approximately $41,024,000, $81,770,000, and $87,512,000 for 1981, 1980 and 1979, respectively.

UMC INDUSTRIES, INC. (DEC)

	1981	1980	1979
		(000's omitted)	
Earnings from continuing operations	$8,812	$ 7,631	$11,602
Discontinued operations			
Operating earnings, net of income taxes	70	1,251	1,705
Gain on sales, net of income taxes	245	1,735	—
Earnings from discontinued operations	315	2,986	1,705
Net earnings	$9,127	$10,617	$13,307

NOTES TO FINANCIAL STATEMENTS

Note 4: Discontinued Operations

On March 31, 1981 the Company sold its Universal Match division to Swedish Match AB, of Stockholm, Sweden, for a price of approximately $9,000,000. The sale resulted in a gain of $245,000 ($.04 per share) net of income taxes of $423,000.

During October and November 1980 the Company sold the businesses and certain assets of its Hermetite, OKT/Colson and General Plastics divisions for cash and notes amounting to $10,974,000. The sales resulted in a gain of $1,735,000 ($.28 per share) net of income taxes of $1,322,000.

Operating earnings of discontinued operations of $70,000, $1,251,000 and $1,705,000 net of income taxes of $63,000, $1,100,000 and $1,606,000 for 1981, 1980 and 1979, respectively, have been reclassified in the Consolidated Statement of Operations as "Discontinued operations—Operating earnings." Net sales of discontinued operations aggregated $6,320,000, $42,404,000 and $46,056,000 in 1981, 1980 and 1979, respectively.

The net assets of Universal Match included in the Consolidated Balance Sheet at December 31, 1980 consist of: current assets, $7,367,000; current liabilities, $1,948,000; and property, plant and equipment, net, $1,801,000.

Adjustment of Amounts Reported in Prior Periods

ADAMS-MILLIS CORPORATION (DEC)

	1981	1980	1979
Earnings from Continuing Operations	$1,480,000	$2,210,000	$2,725,000
Discontinued Operations:			
Loss from operations of discontinued Texturing Division, net of related income tax benefit of $511,000	—	—	(528,000)
Gain (loss) on disposal of discontinued Texturing Division, net of related income tax effects of $343,000 in 1980 and $1,267,000 in 1979	—	606,000	(1,483,000)
Gain on settlement of Texturing Division litigation, net of related income tax provision of $280,000	288,000	—	—
Earnings Before Extraordinary Gain	$1,768,000	$2,816,000	$ 714,000

NOTES TO FINANCIAL STATEMENTS

Discontinued Operations

Effective September 30, 1979, the Company discontinued its yarn texturing and dyeing operation, and by December 30, 1979, the facilities were no longer in operation. Sales from discontinued operations were $9,018,000 in 1979.

The operations of the texturing division and the estimated loss on disposal have been presented in the accompanying statements of income as discontinued operations. The loss on disposal of discontinued operations in 1979 includes estimated losses of $1,531,000 on sales of equipment, loss of $701,000 from operation of the texturing and dying facility from September, 1979, until operations ceased, and a provision for estimated carrying costs until disposition.

On March 28, 1980, the Company sold the land and building of the discontinued operation, which was carried at net book value at December 30, 1979.

During the first quarter of 1981, the Company agreed to a settlement of the litigation instituted in 1970 against Milliken Research Corporation. The amount received, net of tax and other expenses, is included in earnings from discontinued operations since it was related to the texturing division.

Reversal of Decision to Dispose of Segment

NATIONAL GYPSUM COMPANY (DEC)

	1981	1980	1979
		(Thousands)	
Net sales	$965,665	$ 983,930	$1,018,557
Other revenue	15,268	24,511	19,234
	980,933	1,008,441	1,037,791
Expenses:			
Cost of products sold	793,510	757,050	748,572
Selling, administrative and general	133,053	133,394	119,587
Interest	12,531	8,551	14,142
Sundry	1,782	4,051	2,338
	940,876	903,046	884,639
Income from continuing operations before taxes	40,057	105,395	153,152
Taxes on income	7,660	42,155	69,014
Earnings from continuing operations	32,397	63,240	84,138
Adjustment to (provision for) estimated cost of disposal of Cement Division	6,427	(2,575)	(3,852)
Net Earnings	$ 38,824	$ 60,665	$ 80,286

NOTES TO FINANCIAL STATEMENTS

Subsequent Event

On January 26, 1982, the Company announced its decision to continue the operation of its Cement Division, notwithstanding an earlier announcement to sell the business. As a result of the decision to retain the Cement Division, the provision for estimated cost of disposal of $5,901,000, net of income taxes of $660,000, has been credited to earnings in the fourth quarter of 1981 as a separate component of net earnings under the caption "Adjustment to (provision for) estimated cost of disposal of Cement Division." A portion of the prior year provision, $526,000, had been reversed in the second quarter of 1981 as a result of normal reevaluation of the estimated cost of disposal.

While reported net earnings for 1980 and prior years did not change, the operating results of the Cement Division for those years have been reclassified from discontinued to continuing operations.

TABLE 3-16: CHARGES OR CREDITS SHOWN AFTER INCOME TAX CAPTION

	Number of Companies			
	1981	1980	1979	1978
Equity in earnings or losses of investees	58	58	52	43
Minority interest	52	61	57	63
Cumulative effect of accounting change	14	10	10	6
Other	1	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

THE HOOVER COMPANY (DEC)

	1981	1980	1979
		(in thousands)	
Income (Loss) Before Minority Interest	$(43,807)	$26,785	$46,640
Minority interest in income (loss) of foreign subsidiaries (includes $10,128 due to deferred income tax write-back in 1979)	(25,029)	1,532	11,495
Net Income (Loss)	$(18,778)	$25,253	$35,145

UNITED TECHNOLOGIES CORPORATION (DEC)

	1981	1980	1979
	In Thousands of Dollars		
Income before minority interests	$472,724	$413,196	$342,084
Less—Minority interests in subsidiaries' earnings	15,038	19,813	16,476
Net Income for the Year	$457,686	$393,383	$325,608

Equity in Investee Operating Results

CORNING GLASS WORKS (DEC)

	1981	1980	1979
		In millions	
Income before minority interest and equity earnings	$48.5	$ 75.4	$ 81.9
Minority interest in earnings of subsidiaries	(1.4)	(2.5)	(2.2)
Equity in earnings of associated companies	50.3	41.8	45.2
Net income	$97.4	$114.7	$124.9

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* illustrate events and transactions which should and should not be classified as extraordinary items. These examples are reprinted in Section I 17 of *FASB Accounting Standards—Current Text.* 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.

TABLE 3-17: EXTRAORDINARY ITEMS

	1981	1980	1979	1978
Nature				
Operating loss carryforwards and other tax adjustments	27	30	40	35
Debt extinguishments	6	4	5	4
Litigation settlements	4	3	4	9
Other	20	11	4	8
Total Extraordinary Items	**57**	**48**	**53**	**56**
Number of Companies				
Presenting extraordinary items	53	47	49	53
Not presenting extraordinary items	547	553	551	547
Total Companies	**600**	**600**	**600**	**600**

Tax Loss Carryovers

CUMMINS ENGINE COMPANY, INC. (DEC)

	1981	1980	1979
		$ thousands	
Earnings (loss) before extraordinary credit	$100,011	$(10,987)	$57,938
Extraordinary credit—utilization of operating loss carryforwards	15,200	—	—
Net earnings (loss)	$115,211	$(10,987)	$57,938

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (in part): Income Taxes

The extraordinary credit of $15.2 million in 1981 results from utilization for financial reporting purposes of all of the operating loss carryforwards of the company's U.K. subsidiaries. Additional tax benefits of $14.0 million were realized in 1981 as a result of stock relief and other unused U.K statutory deductions from prior years. Operating loss carryforwards for tax purposes attributable to certain U.K. subsidiaries aggregated $60 million at December 31, 1981. These tax loss carryforwards have no expiration dates.

GRANGER ASSOCIATES (AUG)

	1981	1980	1979
Income (loss) before taxes on income and extraordinary credit	$3,902,325	$(4,350,680)	$(5,747,272)
Taxes on income (credit)	1,577,966	—	(1,516,365)
Income (loss) before extraordinary credit	2,324,359	(4,350,680)	(4,230,907)
Extraordinary credit—Income tax benefit from utilizing loss carryforwards	1,324,246	—	—
Net income (loss)	$3,648,605	$(4,350,680)	$(4,230,907)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended August 31, 1981, 1980 and 1979

Note 6 (in part): Taxes on Income

The provision (credit) for income taxes consists of:

	1981	1980	1979
Current:			
State	$ 116,284	$ —	$ —
Deferred:			
Federal	—	—	(1,272,365)
State	137,436	—	(244,000)
	137,436	—	(1,516,365)
Utilization of operating loss carryforward	1,324,246	—	—
Provision (credit) for income taxes	$1,577,966	$ —	$(1,516,365)

No income taxes were provided in 1980 because the Company incurred a net loss.

Extinguishment of Debt

THE BFGOODRICH COMPANY (DEC)

	1981	1980	1979
		($ Millions)	
Income before extraordinary gain	$ 91.5	$61.7	$82.6
Extraordinary gain from exchange of preferred stock for debentures	18.0	—	—
Net income	$109.5	$61.7	$82.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share amounts)

Extraordinary Gain

In February 1981, Goodrich issued 2,568,291 shares of its $3.125 Cumulative Convertible Preferred Stock, Series C in exchange for $86.8 outstanding principal amount of its 8¼ percent Sinking Fund Debentures and 7 percent Subordinated Debentures. The extinguishment of debt resulted in an extraordinary gain of $18.0 ($.93 per share) which represents the difference between (i) the fair market value of Series C Stock issued, and (ii) the net carrying amount of debentures exchanged after deducting unamortized debt discount and issuance expenses and expenses of the exchange. The exchange was a nontaxable transaction for tax reporting purposes.

PHELPS DODGE CORPORATION (DEC)

	1981	1980	1979
		(In thousands of dollars)	
Income before extraordinary item	$58,492	$91,314	$110,771
Extraordinary item	10,829	—	—
Net income	$69,321	$91,314	$110,771

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Extraordinary Item

In November 1981 the Corporation issued a total of 777,480 common shares in exchange for $21.4 million principal amount of the Corporation's 8.10% Sinking Fund Debentures due 1996 and $14.4 million principal amount of its 8½% Notes due 1985. As a result of the exchange, the Corporation recognized a tax-free gain of $10.8 million ($.51 per common share) in the fourth quarter of 1981.

Litigation Settlement

REICHHOLD CHEMICALS, INC. (DEC)

	1981	1980	1979
		(Dollars in thousands)	
Income before extraordinary item	$17,054	$16,114	$12,230
Extraordinary item:			
Settlement of litigation	(2,380)	—	—
Net income	$14,674	$16,114	$12,230

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1981, 1980 and 1979

Note 11: Extraordinary Item—Settlement of Litigation

In 1977, the Company and other chemical companies were indicted by a grand jury alleging a conspiracy to fix the prices of coating resins and allocate the coating resins business of certain major customers among themselves from 1971 through November, 1974, in violation of Section 1 of the Sherman Act. In 1978, the Company entered a plea of *nolo contendere* with the result that the court imposed a fine of $50,000. As a result of the indictment, class action lawsuits were commenced in 1977 by two small paint companies on behalf of all purchasers of certain types of coating resins. The suits alleged excessive prices were paid because of the alleged conspiracy.

In June, 1981, the Company agreed to a $3,700,000 settlement payment in the class actions in U.S. District Court in Louisville, Kentucky. The settlement is detailed in a written agreement which provides, among other things, for a refund to the Company to the extent claims are not submitted by certain members of the class. The estimated net cost to the Company is $2,380,000, or $.34 per share (reduced by a related tax benefit of $720,000). The unusually low tax benefit is due to a portion of the settlement which is deemed to be non-deductible for tax purposes.

The Company has had established policies for years which require strict compliance with all laws in the conduct of its business and has devoted increasing efforts to educating personnel about their responsibilities and means of performing them and monitoring compliance. The Company believes the settlement of the coating resins class actions to be unusual and nonrecurring. Accordingly, the settlement, which is subject to court approval, has been reflected as an extraordinary item.

Excess Insurance Proceeds

ADAMS-MILLIS CORPORATION (DEC)

	1981	1980	1979
Earnings Before Extraordinary Gain	$1,768,000	$2,816,000	$714,000
Extraordinary Gain, net of related income tax provision of $2,438,000	3,489,000	—	—
Net Earnings	$5,257,000	$2,816,000	$714,000

NOTES TO FINANCIAL STATEMENTS

Extraordinary Gain

On March 19, 1981, a fire damaged a major portion of the Company's sock finishing and distribution center in Kernersville, North Carolina. Substantially all assets destroyed by the fire were covered by insurance for their equivalent replacement values. The Company has settled its claims relating to building, machinery, equipment and inventory. The excess of proceeds over the net book value of the building, machinery and equipment ($3,489,000, net of related income tax of $2,438,000) has been reflected as an extraordinary gain in the statement of income. The excess of proceeds over the net book value of inventory and fire related expenses ($699,000) has been reflected as a separate amount included in income from operations.

Property Sold Under Eminent Domain

PRATT & LAMBERT, INC. (DEC)

	1981	1980	1979
Income Before Extraordinary Item	$4,141,200	$3,151,900	$2,741,000
Extraordinary Item—Gain on Sale of Property (Less Applicable Income Taxes of $502,400) (Note P)	563,800	-0-	-0-
Net Income	$4,705,000	$3,151,900	$2,741,000

Note P: Extraordinary Item—Gain on Sale of Property

In September of 1981 the company sold under eminent domain its Kansas City plant to the Missouri State Highway Commission. The transaction resulted in an after tax gain of $563,800.

TABLE 3-18: EARNINGS PER SHARE—1981

	Additional shares issuable for			
	Debt	Preferred Stock	Options	Warrants
Included in primary per share calculation	28	50	201	26
Included in fully diluted per share calculation	86	70	35	3
No dilution	47	29	161	14
Not disclosed	33	7	115	8
No additional shares issuable	406	444	88	549
Total Companies	**600**	**600**	**600**	**600**

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

LA MAUR INC. (DEC)

	1981	1980	1979
Earnings per share (based on average shares outstanding)			
Earnings before extraordinary item	$1.46	$.83	$.56
Extraordinary loss	—	—	.11
Net earnings	$1.46	$.83	$.45

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

7. Earnings per share

Net earnings per share of common stock is based on the weighted average number of shares outstanding, which were 1,719,000, 1,683,000 and 1,658,000 for the years ended December 31, 1981, 1980 and 1979, respectively. These shares give effect to the 20% stock dividend paid in the second quarter of 1981. Shares issuable upon the exercise of stock options are excluded from the computation since the effect on earnings per share would be insignificant.

MILTON ROY COMPANY (DEC)

	1981	1980	1979
Weighted average number of common shares[1]	2,153,100	2,099,000	2,596,000
Income per share of common stock:[1]			
Income from continuing operations	$1.87	$1.61	$1.19
Loss from discontinued operations	—	—	(.46)
Net income per common share......................	$1.87	$1.61	$ .73
Dividends declared and paid[1]	$ .37	$ .28	$ .18

[1]Restated to give effect to 4-for-3 stock split in March, 1982 and 3-for-2 stock split in March, 1980.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net income per common share:

Net income per common share is obtained by dividing net income by the weighted average number of common shares outstanding plus common share equivalents resulting from dilutive stock options and grants. All per share amounts in the accompanying financial statements and related notes have been restated to give retroactive effect to the 4-for-3 and 3-for-2 stock splits (Note 7). Primary and fully diluted earnings per share are essentially the same.

SIMKINS INDUSTRIES INC. (SEP)

	1981	1980	1979
Net income per common share based upon average number of shares outstanding: 1,378,051 in 1981, 1,401,965 in 1980 and 1,681,608 shares in 1979			
Income before extraordinary item.......................	$4.54	$2.54	$3.08
Extraordinary item...........	$(.84)	$ .96	$ —
Net income	$3.70	$3.50	$3.08

THE STANLEY WORKS (DEC)

	1981	1980	1979
Earnings per share of Common Stock	$2.10	$1.87	$1.82

SIGNIFICANT ACCOUNTING POLICIES

Earnings Per Share

Net earnings per share are based on the weighted average number of shares of Common Stock outstanding during each year (26,399,000 shares in 1981, 26,001,000 shares in 1980 and 25,643,000 shares in 1979). The exercise of outstanding stock options and subscriptions would not result in a material dilution of earnings per share.

Complex Capital Structure

CADENCE INDUSTRIES CORPORATION (DEC)

	1981	1980	1979
Earnings (loss) per common share (note 1):			
Primary:			
Continuing operations .	$(2.60)	$2.00	$2.41
Discontinued operations	.10	(.72)	.27
Extraordinary credit ...	.28	.38	.53
Net earnings (loss)	$(2.22)	$1.66	$3.21
Fully diluted:			
Continuing operations .	$(2.60)	$1.84	$2.15
Discontinued operations	.10	(.55)	.20
Extraordinary credit ...	.28	.29	.41
Net earnings (loss)	$(2.22)	$1.58	$2.76
Average number of shares used in primary computation........................	1,381,422	1,441,424	1,401,748
Average number of shares used in fully diluted computation...................	1,381,422	1,857,147	1,833,793

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

Earnings per share—Primary earnings (loss) per common share are computed by dividing earnings (loss) applicable to common stock by the weighted average number of common shares and in 1980 and 1979 common share equivalents outstanding during each period after a retroactive adjustment of prior periods in order to give effect to a 5% stock dividend in 1980. Common share equivalents included dilutive stock options and warrants which were outstanding during each period. Fully diluted earnings (loss) per common share are computed as above and in 1980 and 1979 also assumed that the Company's dilutive convertible notes and convertible preferred stock had been converted at the beginning of the respective periods.

BRUNSWICK CORPORATION (DEC)

	1981	1980	1979
Earnings per common share			
Primary			
Continuing operations .	$1.88	$ .13	$1.66
Discontinued operations	1.13	.88	.73
Net earnings	$3.01	$1.01	$2.39
Fully-diluted			
Continuing operations .	$1.82	$ .12	$1.62
Discontinued operations	1.01	.88	.64
Net earnings	$2.83	$1.00	$2.26

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1981, 1980 and 1979

Note 3: Earnings per common share

Net earnings and the number of common shares used in the computation of earnings per share were determined as follows:

(in thousands, except per share data)	1981 Primary	1981 Fully-diluted	1980 Primary	1980 Fully-diluted	1979 Primary	1979 Fully-diluted
Adjusted net earnings						
Earnings from continuing operations	$42,540	$42,540	$ 6,104	$ 6,104	$36,903	$36,903
Deduct: preferred dividends	(3,576)	—	(3,587)	(3,587)	(3,587)	—
Add back: interest expense, net of income taxes, on debentures due						
2006	1,068	1,068	—	—	—	—
1987	—	260	—	**	—	**
1981	—	—	—	**	—	230
Adjusted earnings from continuing operations	40,032	43,868	2,517	2,517	33,316	37,133
Earnings from discontinued operations	24,217	24,217	17,824	17,824	14,522	14,522
Adjusted net earnings	$64,249	$68,085	$20,341	$20,341	$47,838	$51,655
Adjusted number of common shares						
Average shares outstanding	20,269	20,269	20,168	20,168	20,051	20,051
Incremental shares for exercise of stock options	93	93	*	79	*	50
Shares issuable upon conversion						
Preferred stock	—	2,566	—	**	—	2,571
Debentures due 2006	1,009	1,009	—	—	—	—
1987	—	101	—	**	—	**
1981	—	—	—	**	—	233
Adjusted number of common shares	21,371	24,038	20,168	20,247	20,051	22,905
Earnings per common share						
Continuing operations	$ 1.88	$ 1.82	$ .13	$ .12	$ 1.66	$ 1.62
Discontinued operations	1.13	1.01	.88	.88	.73	.64
Net earnings	$ 3.01	$ 2.83	$ 1.01	$ 1.00	$ 2.39	$ 2.26

*Not included in calculation as dilution was not significant.

**Not included in calculation as effect of conversion would be anti-dilutive.

GEORGIA-PACIFIC CORPORATION (DEC)

	1981	1980	1979
Income per share of common stock (Note 1)			
Primary	$1.51	$2.33	$3.11
Fully diluted	1.49	2.27	3.02

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

Income per Share of Common Stock. Primary income per share of common stock has been computed based on the weighted average number of shares outstanding, assuming conversion of the convertible preferred stock and issuance of shares under stock option and stock purchase plans. The average number of shares used in the computation for primary income per share was 105,400 in 1981, 104,000 in 1980 and 104,810 in 1979. Fully diluted income per share of common stock, in addition, assumes conversion of the convertible subordinated debentures. The average number of shares used in the computation for fully diluted income per share was 109,450 in 1981, 108,050 in 1980 and 108,860 in 1979.

HAMMERMILL PAPER COMPANY (DEC)

	1981	1980	1979
Earnings per common share			
Primary	$5.57	$4.98	$4,40
Fully diluted	$5.18	$4.64	$4.11

SUMMARY OF ACCOUNTING POLICIES

Earnings per Share

Primary earnings per common share is based on the weighted average number of common and common equivalent shares outstanding and gives effect to applicable preferred dividend requirements. Common stock equivalents result from dilutive stock options computed using the treasury stock method, shares issuable in exchange for the second cumulative preferred stock, Series A, and shares contingently issuable in connection with acquisitions. The numbers of shares used in computing primary earnings per common share were 8,115,784 for 1981, 8,188,397 for 1980 and 8,042,196 for 1979.

Fully diluted earnings per common share assumes, in addition to the above, that the 5% convertible subordinated debentures were converted at the beginning of the year, with earnings being increased for interest expense thereon, net of taxes, and the additional dilutive effect of stock options. The number of shares used in computing fully diluted earnings per common share were 8,872,634 for 1981, 8,956,769 for 1980 and 8,792,196 for 1979.

MAPCO INC. (DEC)

	1981	1980	1979
Primary Earnings per Common Share (Note 11)	$3.51	$4.48	$3.28
Average Common Shares Outstanding	27,607,221	27,261,339	27,021,928
Fully Diluted Earnings per Common Share (Note 11)	$3.41	$4.35	$3.28
Assumed Common Shares Outstanding	30,667,330	29,144,483	27,021,928

Note 11: Earnings Per Share

Primary earnings per common share were based on the weighted average number of common shares and common share equivalents outstanding during the year as retroactively adjusted for the ERC 20% stock dividend declared June 23, 1980. Equivalent shares consist of those shares issuable upon the assumed exercise of ERC stock options and a warrant, calculated under the treasury stock method.

Fully diluted earnings per share were computed on the same basis as above with the additional assumption that all of the 10% Convertible Subordinated Debentures were converted into common stock at the date of issuance and that the related interest expense, net of statutory income taxes, was restored to net income.

The following table summarizes the average number of common shares and equivalents used in the calculation of primary and fully diluted earnings per share:

	1981	1980	1979
Primary:			
Weighted average common shares	27,607,221	26,949,779	26,734,303
Stock options and warrant	—	311,560	287,625
Average common shares outstanding	27,607,221	27,261,339	27,021,928
Fully Diluted:			
Average common shares outstanding	27,607,221	27,261,339	27,021,928
Convertible subordinated debentures	3,060,109	1,883,144	—
Assumed common shares outstanding	30,667,330	29,144,483	27,021,928

REVERE COPPER AND BRASS INCORPORATED (DEC)

	1981	1980	1979
Income per common share			
Primary	$1.64	$3.82	$4.50
Fully diluted	1.52	3.24	3.76

NOTES TO FINANCIAL STATEMENTS

Note K: Per Share Data

Primary earnings per share are computed after the deduction of preferred stock dividends, if any, on the basis of the weighted average number of common shares outstanding plus the common stock equivalents which would arise from the exercise of stock options, if dilutive.

Fully diluted earnings per share assume conversion of the 5½% Convertible Subordinated Debentures and the Series A convertible preferred stock for the period in which it was outstanding and the common stock equivalents which would arise from the exercise of stock options.

The average numbers of common shares and equivalents entering into the calculation of primary and fully diluted earnings per share are as follows:

	1981	1980	1979
Primary:			
Weighted average common shares............	5,686,378	5,680,960	5,674,308
Stock options.............	27,847	23,004	23,350
	5,714,225	5,703,964	5,697,658
Fully Diluted:			
Weighted average common shares............	5,686,378	5,680,960	5,674,308
Stock options.............	27,847	24,230	26,550
Convertible debentures...	1,227,766	1,434,270	1,491,749
Convertible preferred stock....................		51,840	55,678
	6,991,991	7,191,300	7,248,285

UNITED MERCHANTS AND MANUFACTURERS, INC. (JUN)

	1981	1980	1979
Income/(loss) per share of Common Stock—Note N:			
Assuming no dilution:			
Income/(loss) from continuing operations...	$(1.23)	$(4.18)	$1.80
Income from discontinued operations ...	.16	.78	.59
Income/(loss) before extraordinary credit	(1.07)	(3.39)	2.39
Extraordinary credit ...	.59	.07	1.98
Net income/(loss) ...	$ (.48)	$(3.32)	$4.37
Assuming full dilution:			
Income from continuing operations...........			$1.65
Income from discontinued operations ...			.51
Income before extraordinary credit			2.16
Extraordinary credit ...			1.81
Net income..........			$3.97

Note N—Per Share Data:

Income/(loss) per share—assuming no dilution is based on the weighted average number of shares of Common Stock outstanding of 5,936,667 (1981), 5,928,964 (1980) and 5,924,669 (1979). There were no dilutive stock options and the convertible debentures and note are not deemed common stock equivalents.

In 1979, income per share—assuming full dilution is based on the assumptions that the outstanding 4% Convertible Subordinated Debentures and the 5% convertible subordinated note payable to an insurance company, were converted at the beginning of the year. There were no dilutive stock options. The number of shares used in this computation was 6,808,558. In 1981 and 1980, loss per share—assuming full dilution is not shown, since the assumed conversion of the debentures and note would be antidilutive.

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.

EX-CELL-O CORPORATION

CHARITABLE CONTRIBUTIONS

As a responsible corporate citizen, Ex-Cell-O regularly makes contributions to charitable, educational, and other nonprofit organizations which provide essential human services, increase educational levels, and enhance the quality of life in locations where Ex-Cell-O operates. During 1981. Ex-Cell-O Corporation and the Ex-Cell-O Foundation made contributions totalling $627,000, an amount equivalent to approximately six-tenths of one percent of corporate earnings before income taxes. In addition, a corporate contribution of $533,000 was made to the Ex-Cell-O Foundation. The principal function of the Foundation is to stabilize the levels of contributions during economic downturns.

EXXON CORPORATION

PUBLIC SERVICE PROGRAMS

Support for public service activities increased by 18 percent.

Contributions in the United States totaled $45 million, including $22 million in grants by the Exxon Education Foundation.

Additional grants for engineering education will mark Exxon's centennial.

The Exxon Education Foundation announced a $15 million program to help relieve serious faculty shortages in the engineering field. Funds will go to 66 U.S. colleges and universities to create 100 teaching fellowships and to provide 100 salary support grants for junior faculty.

The Foundation also gave $1.8 million to the engineering schools of six traditionally black colleges to support faculty development.

Exxon started a matching gifts program to aid cultural groups.

Gifts by employees or annuitants to U.S. museums, performing arts groups, historical societies and other nonprofit cultural institutions are matched dollar for dollar by Exxon. The Exxon Education Foundation continued its program to match gifts to colleges and universities on a 3-to-1 basis.

Public TV performance a "triple play" for Exxon arts support programs.

The premiere of Carlisle Floyd's opera *Willie Stark* inaugurated the ninth season of *Great Performances,* the television series which has been supported by Exxon since its inception. The work was developed at the Exxon-funded Music Theater Workshop of the National Opera Institute. Conductor John DeMain had trained under an Exxon/National Endowment for the Arts program managed by Affiliate Artists to help young conductors develop their talent.

W. R. GRACE & CO.

FOUNDATION INCREASES SUPPORT OF COMMUNITY GROUPS

President Reagan, calling for private citizens and businesses to support charities and nonprofit groups, has asked Americans to revitalize their spirit of volunteerism. One consequence of the Reagan Administration's "new federalism," which limits the federal government's role in the economy, has been increased emphasis on donations by corporate foundations and other private sources to support colleges, museums, hospitals and other organizations that once depended more heavily upon public funds.

In answer to questions about the extent to which corporate foundations might fill the breach, Grace Foundation President Richard I. Morris answers, "While the Grace Foundation cannot give money to every worthy organization, we still can—and do—contribute to a great many, though selectively."

In 1981 this policy translated into grants totaling $4.1 million to more than 700 organizations, an increase of $800,000 or 24 percent over 1980's total. The Foundation plans to increase its contributions again in 1982.

"We think our program is pretty well balanced," observes Mr. Morris. "About 40 percent of Foundation money supports educational institutions, with another 25 percent going to cultural activities and almost 15 percent to urban minority affairs programs. The remainder goes to a variety of deserving groups."

One example of a group that benefits from Grace Foundation giving is Broad Jump, an 11-year-old nonprofit corporation that offers educational enrichment to disadvantaged children. A Broad Jump program called "Prep for Prep" gets minority children ready for demanding college preparatory schools such as New York City's Dalton, Horace Mann and Collegiate. Prep for Prep selects highly motivated minority children and provides them with intensive tutoring and training.

Contributions to Grace Foundation, which supports a broad range of nonprofit endeavors, are but one expression of W. R. Grace & Co.'s commitment to programs that extend "beyond the bottom line." These include such issues as equal employment opportunity and affirmative action, environmental protection, worker safety and community involvement. A Board Committee on Corporate Responsibility, composed of four directors—Henry G. Parks, Jr. (chairman), John D. J. Moore, Harold A. Stevens and David L. Yunich—monitors Grace's performance in each of these areas and develops policies on the changing role of the corporation in society.

LEAR SIEGLER, INC.

CORPORATE SOCIAL RESPONSIBILITY

As a concerned corporate citizen, Lear Siegler, Inc. contributed $570,000 or approximately .5% of pretax domestic income to educational, health, welfare, cultural and civic organizations during the 1981 fiscal year. Contributions from the Lear Siegler Foundation increased for the sixth consecutive year. In addition, LSI and its divisions made significant direct cash and in-kind contributions to civic and philanthropic organizations. Lear Siegler hopes to continue this pattern of increased support of non-profit organizations.

PEPSICO, INC.

CORPORATE RESPONSIBILITY.

Our primary responsibility is to maximize the return over time for shareholders. This goal cannot be achieved without attention to our impact on society and to the vitality of society itself. Beyond our concerns for producing safe, wholesome, environmentally sound products and treating all of our publics fairly and responsibly, management pursues policies that support and encourage the development of a healthy environment for our businesses.

Reflecting concern for the many communities in which they operate, PepsiCo's divisions and subsidiaries make charitable contributions to United Way, among other health and human service agencies, as well as to local arts and educational institutions. For example, the corporation and its employees at Purchase Headquarters have been recognized for their leadership in per capita and matching corporate contributions to the United Way in the Tri-State Area.

Contributions to regional and national nonprofit organizations from all our divisions are channelled through the PepsiCo Foundation. Although it is impossible for the corporate community to fill the gap created by Federal spending cutbacks, the PepsiCo Foundation is increasing its annual giving in response to President Reagan's challenge for private enterprise to help offset reductions in the Federal budget. No corporation can answer every request. Therefore, the PepsiCo Foundation has concentrated its growing funds in the specific fields of preventive medicine, higher education, and the arts.

Educational grants focus on graduate business schools, economic education, scholarships, and minority programs. Our pledge of $1 million to the United Negro College Fund, for example, reflects our commitment to increase our support for minority education during a period of Federal cutbacks in financial aid.

The corporation encourages its employees to be involved in the world around them. The PepsiCo Foundation's Matching Gifts Program to Education and the Arts matches employees' individual contributions to institutions of their choice.

Employees are also encouraged to participate in the democratic process as individuals and through PepsiCo's political action programs. Divisional groups of EMPAC (Employees Public Affairs Campaign) provide forums for PepsiCo people to learn about and debate public affairs issues.

These activities are only a sampling of the ways in which PepsiCo and its people express their concern for society's well-being and work to enhance it. We believe involvement in these programs represents an indirect but important investment in your corporation's future growth.

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 1981 fiscal year transactions are presented throughout this section.

DIVIDENDS

Chapter 7B of *Accounting Research Bulletin No. 43* discusses the accounting for stock dividends. *APB Opinion No. 15* refers to Chapter 7B and states in part:

> 48. *Stock dividends or splits.* If the number of common shares outstanding increases as a result of a stock dividend or stock split or decreases as a result of a reverse split, the computations should give retroactive recognition to an appropriate equivalent change in capital structure for all periods presented. If changes in common stock resulting from stock dividends or stock splits or reverse splits have been consummated after the close of the period but before completion of the financial report, the per share computations should be based on the new number of shares because the readers' primary interest is presumed to be related to the current capitalization. When per share computations reflect such changes in the number of shares after the close of the period, this fact should be disclosed.

Table 4-2 shows the nature of distributions made by the survey companies to their shareholders. Approximately 72% 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 55% of the survey companies make a similar disclosure for cash dividends paid to preferred stock shareholders.

Examples of distributions to shareholders follow.

TABLE 4-1: PRESENTATION OF CHANGES IN RETAINED EARNINGS

	1981	1980	1979	1978
Statement of Stockholders' Equity	336	307	277	263
Separate statement of retained earnings	130	151	161	163
Combined statement of income and retained earnings	111	129	145	161
Changes shown in balance sheet or notes	23	13	17	13
Total Companies	**600**	**600**	**600**	**600**

TABLE 4-2: DIVIDENDS

	Number of Companies			
	1981	1980	1979	1978
Cash Dividends Paid to Common Stock Shareholders				
Per share amount disclosed in retained earnings statement	378	408	420	421
Per share amount not disclosed in retained earnings statement	148	127	119	111
Total	**526**	**535**	**539**	**532**
Cash Dividends Paid to Preferred Stock Shareholders				
Per share amount disclosed in retained earnings statement	123	110	128	131
Per share amount not disclosed in retained earnings statement	99	100	90	90
Total	**222**	**210**	**218**	**221**
Dividends Paid By Pooled Companies	**6**	**5**	**7**	**5**
Stock Dividends	**21**	**27**	**31**	**39**
Dividends In Kind	**6**	**—**	**3**	**—**

Cash Dividends

FOOTE MINERAL COMPANY

Consolidated Statements of Shareholders' Equity
Years Ended December 31, 1981, 1980 and 1979
(In Thousands)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total Shareholders' Equity
Balance, December 31, 1978	$459	$7,651	$27,161	$47,401	$(3,369)	$79,303
Add (Deduct)—						
Conversion of preferred stock	(19)	66	(47)	—	—	—
Issuances under stock option plan	—	17	89	—	—	106
Preferred dividends ($2.20 per share)	—	—	—	(999)	—	(999)
Common dividends ($.60 per share)	—	—	—	(4,280)	—	(4,280)
Net earnings	—	—	—	9,215	—	9,215
Balance, December 31, 1979	$440	$7,734	$27,203	$51,337	$(3,369)	$83,345
Add (Deduct)—						
Conversion of preferred stock	(5)	17	(12)	—	—	—
Issuances under stock option plan	—	14	91	—	—	105
Preferred dividends ($2.20 per share)	—	—	—	(962)	—	(962)
Common dividends ($.30 per share)	—	—	—	(2,155)	—	(2,155)
Net earnings	—	—	—	6,261	—	6,261
Balance, December 31, 1980	$435	$7,765	$27,282	$54,481	$(3,369)	$86,594
Add (Deduct)—						
Conversion of preferred stock	(3)	11	(8)	—	—	—
Preferred dividends ($2.20 per share)	—	—	—	(953)	—	(953)
Common dividends ($.35 per share)	—	—	—	(2,520)	—	(2,520)
Net earnings	—	—	—	9,556	—	9,556
Balance, December 31, 1981	$432	$7,776	$27,274	$60,564	$(3,369)	$92,677

RIVAL MANUFACTURING COMPANY

Consolidated Statements of Shareholders' Equity

	Common stock—$1 par value	Additional paid-in capital	Retained earnings	Common stock in treasury, at cost
Balance, January 1, 1979	$6,363,640	$1,010,085	$43,133,172	($119,312)
Purchase of 12,000 shares of treasury stock	—	—	—	(92,888)
Net earnings for the year	—	—	7,066,331	—
Dividends declared, $.80 a share	—	—	(5,073,512)	—
Balance, December 31, 1979	6,363,640	1,010,085	45,125,991	(212,200)
Purchase of 23,300 shares of treasury stock	—	—	—	(191,630)
Net earnings for the year	—	—	7,402,530	—
Dividends declared, $.80 a share	—	—	(5,052,723)	—
Balance, December 31, 1980	6,363,640	1,010,085	47,475,798	(403,830)
Purchase of 34,506 shares of treasury stock	—	—	—	(285,326)
Net earnings for the year	—	—	7,634,778	—
Dividends declared, $.80 a share	—	—	(5,026,871)	—
Balance, December 31, 1981	$6,363,640	$1,010,085	$50,083,705	($689,156)

RUSS TOGS, INC.

Consolidated Statement of Stockholders' Equity

	Year Ended		
	Jan. 30, 1982	Jan. 31, 1981	Feb. 2, 1980
		($000)	
Capital Stock—$1 Par Value			
Preferred:			
Balance at beginning of year	$ 215	$ 215	$ 265
Purchase and retirement of 50,000 shares			(50)
Balance at end of year	215	215	215
Common	4,114	4,114	4,114
Additional Paid-in Capital			
Balance at beginning of year	10,088	10,088	11,119
Excess of cost over par value of preferred shares acquired and retired			(1,031)
Balance at end of year	10,088	10,088	10,088
Retained Earnings:			
Balance at beginning of year	54,950	49,286	44,582
Net earnings (statement attached) ..	10,998	9,079	8,518
Total	65,948	58,365	53,100
Less cash dividends:			
Common ($1.00 a share in 1982 and $.88 a share in 1981 and 1980)	3,416	3,007	3,311
Preferred ($1.90 a share)	408	408	503
Total	3,824	3,415	3,814
Balance at end of year	62,124	54,950	49,286
Treasury Stock			
Balance at beginning of year	(7,728)	(4,260)	(3,940)
Purchase of common stock for treasury (10 shares in 1982, 331,402 shares in 1981, 31,835 shares in 1980)		(3,468)	(320)
Balance at end of year	(7,728)	(7,728)	(4,260)
TOTAL STOCKHOLDERS' EQUITY	$68,813	$61,639	$59,443

DENNISON MANUFACTURING COMPANY

Statement of Consolidated Earnings Reinvested

Year Ended December 31	1981	1980	1979
		($000)	
Balance at Beginning of Year	$138,240	$125,989	$109,962
Net earnings for the year	30,074	23,255	25,230
	168,314	149,244	135,192
Less cash dividends paid:			
Preferred Stock ($2.60, $2.32 and $2.00 per share in 1981, 1980 and 1979, respectively).	566	452	228
Common Stock ($1.30, $1.16 and $1.00 per share in 1981, 1980 and 1979, respectively)	11,985	10,552	8,975
	12,551	11,004	9,203
Balance at End of Year	$155,763	$138,240	$125,989

SIMKINS INDUSTRIES INC.

Consolidated Statement of Income and Retained Earnings

Years Ended September 30, 1981, 1980 and 1979

	1981	1980	1979
Net income	$ 5,095,900	$ 4,913,887	$ 5,182,847
Retained earnings at beginning of year	40,022,066	35,108,179	30,181,742
Cash dividends declared—none in 1981, none in 1980 and $.48 per share in 1979	—	—	(256,410)
Retained earnings at end of year	$45,117,966	$40,022,066	$35,108,179

Stock Dividends

BIRD & SON, INC.

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, 1979	$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
Cash dividends declared:							
5% cumulative preferred stock—$5 per share				(61,000)			(61,000)
Common stock—$1.49 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)
Cash dividends declared:							
5% cumulative preferred stock—$5 per share				(58,000)			(58,000)
Common stock—$1.21 per share				(5,343,000)			(5,343,000)
Purchase and retirement of 212,245 shares of common stock—Note 7		(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
Net loss				(27,060,000)			(27,060,000)
Cash dividends declared:							
5% cumulative preferred stock—$5 per share				(57,000)			(57,000)
Common stock—$.09 per share				(395,000)			(395,000)
Common stock dividends—278,646 shares—Note 7			1,742,000	(3,701,000)		1,905,000	(54,000)
Purchase of 726 shares of 5% cumulative preferred stock					(28,000)		(28,000)
Balance December 31, 1981	$1,500,000	$18,351,000	$1,742,000	$58,405,000	$(260,000)	$(2,577,000)	$ 77,161,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (in part): Stockholders' Equity

During 1981, the Board of Directors declared four common stock dividends payable from shares held in the Treasury. A 1% stock dividend declared in February, a 2% stock dividend declared in May, and a 2% stock dividend declared in August have been distributed to shareholders of record. A 2% stock dividend declared on November 24, 1981, was distributed on January 9, 1982, to shareholders of record on December 18, 1981. The Company has given effect to these distributions by capitalizing $3,701,000 of retained earnings, representing the fair market value of 278,646 shares on the dates of declaration and cash ($54,000) paid or payable in lieu of fractional shares. Additionally, Treasury stock was credited with $1,905,000, representing the cost of those shares, and other capital was credited with $1,742,000, the excess of fair market value over cost.

JOHN FLUKE MFG. CO., INC.

Consolidated Statement of Stockholders' Equity

(In thousands except shares)	Number of Shares Outstanding	Par Value of Common Stock	Additional Paid-In Capital	Retained Earnings
Balance, September 30, 1978	2,863,929	$ 716	$14,808	$17,244
Net income				9,246
Exercise of stock options	46,850	12	477	
Two-for-one stock split effected in the form of a stock dividend	2,907,793	727	(727)	
Exercise of stock options after stock split effected in the form of a stock dividend	20,800	5	113	
Retirement of treasury shares	(2,986)	(1)	(14)	
Balance, September 30, 1979	5,836,386	$1,459	$14,657	$26,490
Net income				9,625
5% stock dividend distributed March 31, 1980 at fair market value	294,110	74	7,389	(7,463)
Exercise of stock options (including $95,000 income tax benefit from exercise of nonqualified stock options)	80,158	20	1,105	
Balance, September 26, 1980	6,210,654	$1,553	$23,152	$28,652
Net income				8,478
5% stock dividend distributed March 31, 1981 at fair market value	314,615	78	6,843	(6,921)
Exercise of stock options (including $42,000 income tax benefit from exercise of non-qualified stock options)	147,474	37	2,106	
Employee stock purchase plan	34,747	9	887	
Balance, September 25, 1981	6,707,490	$1,677	$32,988	$30,209

NOTES TO FINANCIAL STATEMENTS

Note 9—Stock Dividend

A 5% stock dividend was distributed on March 31, 1981 to stockholders of record on February 13, 1981. Average shares outstanding and all per share amounts included in the financial statements and notes are based on the increased number of shares giving effect to this stock dividend.

PACCAR INC.

Consolidated Statements of Income and Retained Earnings

	Year Ended December 31 1981	1980	1979
	(Thousands of dollars)		
Net Income	$ 85,113	$ 81,088	$120,147
Retained earnings at beginning of year	441,630	384,040	294,399
	526,743	465,128	414,546
Less dividends declared:			
Cash (per share: 1981 — $2.64; 1980 — $2.59; 1979 — $3.36)	23,910	23,498	30,506
Stock—Note J	66,296		
Retained Earnings at End of Year	$436,537	$441,630	$384,040

Note J—Stock Dividend and Changes in Capital Accounts

On December 18, 1981, the Board of Directors declared a 10% common stock dividend payable February 19, 1982 to stockholders of record on January 15, 1982, with fractional shares to be paid in cash. The following summarizes the effect of the dividend on the capital accounts of the Company:

	Balance January 1, 1981	10% Stock Dividend	Balance December 31, 1981
Common Stock:			
Number of shares issued	8,249,985	823,758*	9,073,743
Amount ($12 par)	$99,000,000	$9,885,000	$108,885,000
Additional paid-in capital		$56,324,000	$56,324,000
Treasury stock:			
Number of shares	5,000	500	5,500
Amount (at cost)	$157,000		$157,000

*Dividend of 824,998.5 shares less fractional shares of 1,240.5.

After giving effect to the stock dividend, the new number of shares outstanding is 9,068,243. For all years presented in this report, this number has been used retroactively to compute net income per share and dividends per share.

Dividend in Kind

WHEELABRATOR-FRYE INC.

Consolidated Statements of Shareholders' Equity

For the Three Years Ended December 31, 1981

(Thousands Except Per Share Amounts)	Convertible Preferred Stock Series A	Series B	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock
Balance, January 1, 1979	$ —	$48,987	$ 3,278	$ 74,120	$133,146	$ —
Net income	—	—	—	—	42,675	—
Dividends—						
Common—$1.20 per share	—	—	—	—	(12,828)	—
Series B preferred—$2.00 per share	—	—	—	—	(3,054)	—
Purchase of Series B preferred stock for retirement	—	(2,916)	—	(267)	—	—
Purchase of common stock for treasury	—	—	—	—	—	(13,721)
Exercise of stock options	—	—	1	47	—	—
Balance, December 31, 1979	—	46,071	3,279	73,900	159,939	(13,721)
Net income	—	—	—	—	55,300	—
Dividends—						
Common—$1.40 per share	—	—	—	—	(14,606)	—
Series B preferred—$2.00 per share	—	—	—	—	(2,958)	—
Issuance of Series A preferred	96,675	—	—	—	—	—
Issuance of Series B preferred	—	215	—	12	—	—
Conversion of Series B preferred to common stock	—	(3,721)	36	3,685	—	—
Purchase of Series B preferred stock for retirement	—	(96)	—	(31)	—	—
Issuance of common stock in connection with Pullman acquisition	—	—	1,903	300,875	—	—
Purchase of common stock for treasury	—	—	—	—	—	(715)
Exercise of stock options	—	—	3	204	—	—
Balance, December 31, 1980	96,675	42,469	5,221	378,645	197,675	(14,436)
Net income	—	—	—	—	91,350	—
Dividends—						
Cash—						
Common—$1.60 per share	—	—	—	—	(27,251)	—
Series A preferred—$4.125 per share	—	—	—	—	(7,356)	—
Series B preferred—$2.00 per share	—	—	—	—	(2,682)	—
Stock—						
Pullman Transportation Company Inc.	—	—	—	—	(26,000)	—
Conversion of Series A and B preferred to common stock	(10)	(12,625)	123	12,512	—	—
Issuance of common stock from treasury for debt	—	—	—	718	—	2,105
Purchase of common stock for treasury	—	—	—	—	—	(120)
Exercise of stock options	—	—	25	1,877	—	—
Balance, December 31, 1981	$96,665	$29,844	$ 5,369	$393,752	$225,736	$(12,451)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (in part): Acquisitions and Dispositions

During 1981, the Company organized a new subsidiary, Pullman Transportation Company Inc. (PTC). The new subsidiary owns all of the assets of the rail freight-car manufacturing operations acquired from Pullman except for certain plants, equipment and related liabilities which are being retained by the Company. PTC also holds various rights that, under certain circumstances, would allow it to acquire either or both of the domestic and international truck trailer manufacturing operations of Pullman. In connection with the formation of PTC, the Company has guaranteed a $50,000,000 working capital loan facility.

Effective December 21, 1981, the Company's Board of Directors declared a dividend, payable in common stock of PTC, representing approximately 50% of the equity of the new company. In February, 1982 the common stock of PTC was distributed to the Company's common shareholders. The remaining equity, in the form of convertible preferred stock, is held by the Company and is included in Investments in and

Advances to Nonconsolidated Entities in the accompanying Consolidated Balance Sheets. The amounts reflected in the accompanying consolidated financial statements as the Stock Dividend Payable and the Investment Held for Distribution are based on the book value of PTC at December 31, 1981. For the years ended December 31, 1981 and 1980, PTC had a loss of $1,433,000 and income of $3,893,000, respectively, which are reflected in Income from Discontinued Operations. These amounts are net of an income tax benefit of $978,000 in 1981 and income tax expense of $3,769,000 in 1980. Net revenues in the accompanying consolidated statements of income exclude revenues from PTC and its predecessor operations of $264,426,000 and $133,373,000 for the year ended December 31, 1981 and the three months ended December 31, 1980, respectively.

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 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			
	1981	1980	1979	1978
Change in accounting for compensated absences...	122	22	—	—
Change in accounting for foreign currency translation	29	—	—	—
Poolings of interests	17	17	22	31
Change in accounting for leases	—	2	28	69
Other	9	3	28	11

Change in Accounting Principles

McGRAW-HILL, INC.

Consolidated Statement of Income and Retained Income

Years ended December 31, 1981, 1980 and 1979

	1981	1980	1979
	(Thousands of dollars)		
Net income	$ 98,117	$ 86,356	$ 76,897
Retained income at beginning of year as previously reported...			299,739
Effect of change in accounting for vacation pay (Note 2)			(2,628)
Retained income at beginning of year as restated	391,132	342,402	297,111
	489,249	428,758	374,008
Deduct dividends declared:			
Preference stock	45	62	105
Common stock	41,690	37,564	31,501
	41,735	37,626	31,606
Retained income at end of year..	$447,514	$391,132	$342,402

Note 2: Accounting Change—Accrued Vacation Pay

During 1981 the company changed its method of accounting for earned but unused vacation pay to comply with the requirements of the Statement of Financial Accounting Standards on compensated absences and retroactively restated its financial statements. As a result of this restatement the company established an additional accrual for vacation pay as of January 1, 1979, of $2.6 million, net of income taxes of $2.8 million. The effect of this change on net income for each of the years presented is not material.

ALBERTSON'S, INC.

Consolidated Stockholders' Equity

(in thousands)

	Common Stock $1.00 Par Value	Capital in Excess of Par Value	Retained Earnings	Total
BALANCE AT FEBRUARY 1, 1979, as previously reported	$ 7,384	$33,926	$107,562	$148,872
Cumulative effect of change in accounting for compensated absences			(4,401)	(4,401)
BALANCE AT FEBRUARY 1, 1979, as restated	7,384	33,926	103,161	144,471
Exercise of stock options	12	155		167
Cash dividends, $.60 per share			(8,874)	(8,874)
Net earnings			37,473	37,473
Two for one stock split	7,395	(7,395)		
BALANCE AT JANUARY 31, 1980	14,791	26,686	131,760	173,237
Exercise of stock options	50	689		739
Cash dividends, $.80 per share			(11,852)	(11,852)
Net earnings			40,690	40,690
BALANCE AT JANUARY 29, 1981	14,841	27,375	160,598	202,814
Exercise of stock options	34	549		583
Cash dividends, $.88 per share			(13,083)	(13,083)
Net earnings			48,478	48,478
BALANCE AT JANUARY 28, 1982	$14,875	$27,924	$195,993	$238,792

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Change in Accounting

The Company has changed its method of accounting for compensated absences from the commonly used cash basis to an accrual method to comply with Financial Accounting Standards Board Statement 43. This Statement requires an employer to accrue a liability for employees' rights to receive compensation for future absences when certain conditions are met. These conditions arise primarily from vacation benefits that employees have earned but have not yet taken and from plans which provide for payment of sick pay regardless of whether an employee is absent due to illness.

All financial statements presented have been restated to apply this method retroactively. The following is an analysis of the decrease in net earnings and earnings per share for the prior years:

	Net Earnings (in thousands)	Earnings Per Share
1980	$931	$.06
1979	850	.05
1978	912	.06
1977	714	.04

BAXTER TRAVENOL LABORATORIES, INC.

Consolidated Statements of Stockholders' Equity

(Treasury stock section omitted for presentation purposes)

	Year ended December 31		
	1981	1980	1979
	(In thousands)		
Convertible preferred stock			
Balance, beginning of year .... $	65 $	77 $	101
Sale of convertible preferred stock under stock purchase plan	22	25	—
Conversion of convertible preferred stock	(44)	(37)	(24)
Balance, end of year	43	65	77
Common stock			
Balance, beginning of year	34,859	34,250	33,771
Sale of common stock, principally under stock option and stock purchase plans	184	236	252
Conversion of convertible subordinated debentures and convertible preferred stock, net of expenses	690	189	37
Par value of common stock contributed to the employees' profit sharing trusts	—	184	190
Two-for-one stock split	35,208	—	—
Balance, end of year	70,941	34,859	34,250
Additional contributed capital			
Balance, beginning of year	231,802	209,404	193,392
Sale of common stock and convertible preferred stock, principally under stock option and stock purchase plans	5,711	9,412	8,628
Conversion of convertible subordinated debentures and convertible preferred stock, net of expenses	13,435	4,571	216
Differences between market and par value or treasury stock cost of common stock contributed to the employees' profit sharing trusts ..	(663)	8,415	7,168
Two-for-one stock split, net of expenses	(35,414)	—	—
Balance, end of year	214,871	231,802	209,404
Retained earnings			
Balance, beginning of 1979, as previously reported	—	—	384,967
Cumulative effect on years prior to 1979 of the change in accounting for compensated absences	—	—	(2,500)
Balance, beginning of year, as restated	581,816	476,682	382,467
Net income for the year	150,581	127,300	111,308
Cash dividends declared on common stock of \$.38, \$.32 and \$.25 per share in 1981, 1980 and 1979, respectively	(26,686)	(22,111)	(17,039)
Cash dividends declared on convertible preferred stock of \$.84, \$.71 and \$.59 per share in 1981, 1980 and 1979, respectively	(45)	(55)	(54)
Balance, end of year	705,666	581,816	476,682
Total stockholders' equity	\$978,325	\$848,406	\$720,410

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Change in Accounting for Compensated Absences

Effective December 31, 1981 the company adjusted its liability for compensated absences in accordance with FAS No. 43. The consolidated financial statements for prior years have been restated, resulting in a decrease in retained earnings as of January 1, 1979 of $2,500,000 (net of applicable income tax effects), and a reduction in net income of $1,100,000 ($.02 per share) and $600,000 ($.01 per share) in 1980 and 1979, respectively. The accounting change decreased net income by $400,000 ($.005 per share) in 1981.

CARNATION COMPANY

Consolidated Statement of Stockholders' Investment

THREE YEARS ENDED DECEMBER 31, 1981	Capital stock	Other capital	Retained earnings	Cumulative foreign currency translation
	(in thousands, except share data)			
BALANCE AT DECEMBER 31, 1978, AS REPORTED	$74,637	$48,776	$663,245	
Cumulative effect of translation adjustment			(3,117)	$ 4,939
BALANCE AT DECEMBER 31, 1978, RESTATED (Note 2)	74,637	48,776	660,128	4,939
Net income for the year 1979			132,775	
Adjustment for translation				8,655
Cash dividends ($1.50 per share)			(55,978)	
BALANCE AT DECEMBER 31, 1979	74,637	48,776	736,925	13,594
Net income for the year 1980			151,931	
Adjustment for translation				(324)
Cash dividends ($1.66 per share)			(61,864)	
Exercise of stock options (1,388 shares)	3	35		
Purchase of treasury shares (320,800 shares)	(642)		(7,945)	
BALANCE AT DECEMBER 31, 1980	73,998	48,811	819,047	13,270
Net income for the year 1981			172,277	
Adjustment for translation				(37,281)
Cash dividends ($1.82 per share)			(67,056)	
Exercise of stock options and conversion of debentures (31,692 shares)	64	787		
Purchase of treasury shares (300,800 shares)	(602)		(8,590)	
BALANCE AT DECEMBER 31, 1981	$73,460	$49,598	$915,678	$(24,011)

Note 2—Restatement of Financial Statements:

In December 1981, the Financial Accounting Standards Board issued Statement No. 52 (SFAS 52) on Foreign Currency Translation. The company adopted the new statement during the fourth quarter of 1981 and has restated its prior years' financial statements and notes thereto.

Under SFAS 52, all foreign currency assets and liabilities are translated at year-end rates of exchange. Operating statements are translated at weighted average rates of exchange for the year. The principal effect of the new accounting method is to defer unrealized foreign currency gains and losses in a separate component of stockholders' equity. Also, inventories, capital assets and intangible assets are translated at year-end exchange rates rather than rates prevailing at dates of acquisition. Accordingly, net income for the year 1981 was increased by $24,500,000 ($.66 per share) and net income amounts for the years 1980 and 1979 were reduced by $2,800,000 ($.08 per share) and $5,200,000 ($.14 per share), respectively.

THE CONTINENTAL GROUP, INC.

Statement of Changes in Preferred and Common Stockholders' Equity

(in millions)	$4.25 Cumulative Preferred Stock at stated value $100 per share	Common Stock at par value $1 per share	Paid-in Capital	Common Stock in Treasury at cost	Net Unrealized Investment Gains and Losses	Foreign Currency Translation Adjustments	Retained Earnings	Total
Balance January 1, 1979								
Previously reported.........	$5.1	$32.7	$340.5	$ (6.5)	$ (5.1)		$ 786.9	$1,153.6
Foreign currency translation adjustment................						$148.5	3.7	152.2
Compensated absences adjustment							(21.2)	(21.2)
Restated	5.1	32.7	340.5	(6.5)	(5.1)	148.5	769.4	1,284.6
Issuances of stock								
Acquisitions		.4	7.2					7.6
Stock plans, etc.			(.3)	4.1				3.8
Purchases of stock				(10.2)				(10.2)
Net investment and translation adjustments					13.7	17.8		31.5
Net earnings							184.6	184.6
Dividends								
Preferred and preference ..							(17.6)	(17.6)
Common							(73.4)	(73.4)
Balance December 31, 1979.	5.1	33.1	347.4	(12.6)	8.6	166.3	863.0	1,410.9
Issuances of stock			(.4)	7.5				7.1
Purchases of stock				(3.2)				(3.2)
Net investment and translation adjustments					27.9	(49.6)		(21.7)
Net earnings							200.2	200.2
Dividends								
Preferred and preference ..							(25.1)	(25.1)
Common							(78.5)	(78.5)
Balance December 31, 1980.	5.1	33.1	347.0	(8.3)	36.5	116.7	959.6	1,489.7
Issuances of stock			(.6)	11.5				10.9
Purchases of stock			5.3	(13.3)				(8.0)
Net investment and translation adjustments					(14.6)	(40.4)		(55.0)
Net earnings							242.2	242.2
Dividends								
Preferred and preference ..							(24.9)	(24.9)
Common							(82.3)	(82.3)
Balance December 31, 1981.	$5.1	$33.1	$351.7	$(10.1)	$ 21.9	$ 76.3	$1,094.6	$1,572.6

NOTES TO FINANCIAL STATEMENTS

Changes in Accounting Policies

In 1981, the Company adopted Financial Accounting Standards Board pronouncements regarding accounting for compensated absences (FAS 43) and foreign currency translation (FAS 52). Financial statements for prior periods have been restated to apply these changes retroactively.

Adoption of these pronouncements decreased net earnings and net earnings per common share as follows:

	1981	1980	1979
Net earnings (in millions)			
Before restatement	$262.8	$224.8	$189.2
Foreign currency translation adjustment	(20.4)	(23.9)	(3.3)
Compensated absences adjustment..	(.2)	(.7)	(1.3)
Restated	$242.2	$200.2	$184.6
Net earnings per common share			
Before restatement	$ 7.24	$ 6.11	$ 5.27
Foreign currency translation adjustment	(.62)	(.74)	(.10)
Compensated absences adjustment..	(.01)	(.02)	(.04)
Restated	$ 6.61	$ 5.35	$ 5.13

THE STANLEY WORKS

Consolidated Statements of Changes in Stockholders' Equity

Fiscal years ended January 3, 1982, December 28, 1980 and December 30, 1979

(Thousands of Dollars)	Common Stock	Capital in Excess of Par Value	Retained Earnings	Translation Adjustments	Treasury Stock	Total Stockholders' Equity
Balance December 31, 1978 as previously reported.	$65,502	$ 8,511	$217,954		$(8,005)	$283,962
Adjustments resulting from change in accounting for vacation pay—Note A			(1,369)			(1,369)
Adjustments resulting from change in accounting for foreign currency translation—Note A			5,921	$ (7,477)		(1,556)
Balance December 31, 1978 as restated	65,502	8,511	222,506	(7,477)	(8,005)	281,037
Issuance of 169,042 Common shares and 17 treasury shares for employee stock plans	845	2,658				3,503
Common Stock transactions (32,109 shares) and dividends of pooled company prior to merger	160	389	(22)			527
Net earnings			46,566			46,566
Foreign currency translation adjustment				1,114		1,114
Cash dividends declared—$.58 per share			(13,988)			(13,988)
Balance December 30, 1979	66,507	11,558	255,062	(6,363)	(8,005)	318,759
Issuance of 13,301,387 Common shares and 411,248 treasury shares in a two-for-one stock split						
Purchase of 1,251 shares					(22)	(22)
Issuance of 305,213 Common shares and 43,374 treasury shares for employee stock plans	763	2,878			422	4,063
Net earnings			48,641			48,641
Foreign currency translation adjustment				2,337		2,337
Cash dividends declared—$.665 per share			(16,982)			(16,982)
Balance December 28, 1980	67,270	14,436	286,721	(4,026)	(7,605)	356,796
Net earnings of international subsidiaries for November 1980			255			255
Issuance of 141,200 Common shares and 250,461 treasury shares for employee stock plans	353	2,204			2,473	5,030
Purchase of 11,176 shares					(217)	(217)
Net earnings			55,368			55,368
Foreign currency translation adjustment				(14,136)		(14,136)
Cash dividends declared—$.72 per share			(18,997)			(18,997)
Balance January 3, 1982	$67,623	$16,640	$323,347	$(18,162)	$(5,349)	$384,099

Note A—Accounting Changes

Change in Accounting for Foreign Currency Translation—In 1981, the Company retroactively adopted FASB Statement No. 52, "Foreign Currency Translation" and restated stockholders' equity as of the beginning of 1976 and restated previously reported results of operations for each of the five fiscal years ended December 28, 1980. Under that Statement, for most foreign operations, all balance sheet accounts are translated at the current exchange rate and earnings statement items are translated at the average exchange rate for the year. Resulting translation adjustments are made directly to a separate component of stockholders' equity. Certain other transaction adjustments continue to be reported in earnings. Previously, certain balance sheet accounts (principally inventory and property, plant and equipment) and related earnings statement items were translated at historical exchange rates, and all translation adjustments were made directly to earnings.

The new method of accounting increased net earnings for 1981 by $10,260,000 ($.39 per share). Also as a result of applying the new method retroactively, 1980 net earnings have been reduced by $1,613,000 ($.06 per share) and 1979 net earnings have been reduced by $2,095,000 ($.08 per share). Adoption of Statement No. 52 resulted in a net decrease of $1,556,000 in stockholders' equity at the beginning of 1979.

Change in Accounting for Compensated Absences—Prior to 1981, the Company followed the common practice of accounting for the cost of employees' compensated absences in the period they were paid. Effective as of the beginning of 1981, as a result of Financial Accounting Standards Board Statement No. 43, the Company began accruing such benefits as they are earned. Financial statements for years prior to 1981 have been restated as required by Statement No. 43, resulting in a decrease in retained earnings at the beginning of 1979 of $1,369,000. The effect on net earnings for 1980 and 1979 was not material.

TRW INC.

Statement of Changes in Consolidated Shareholders' Investment

(Dollar amounts in thousands)

Years Ended December 31	1981	1980	1979
Serial Preference Stock II			
Balance at January 1	6,431	9,425	10,463
Converted to common stock, 193,141 shares of Series 1 and 320,986 shares of Series 3 in 1981; 814,584 shares of Series 1 and 274,117 shares of Series 3 in 1980; and 371,841 shares of Series 1 and 5,648 shares of Series 3 in 1979	(1,414)	(2,994)	(1,038)
Balance at December 31	5,017	6,431	9,425
Common Stock			
Balance at January 1	40,012	37,015	35,693
Sold under stock options, 163,922 shares in 1981, 92,692 shares in 1980, and 93,996 shares in 1979	205	116	118
Issued upon conversion of 5% Debentures, 60,774 shares in 1981 and 2,856 shares in 1980, and upon conversion of preference stock, 1,022,383 shares in 1981, 2,302,376 shares in 1980, and 963,015 shares in 1979	1,354	2,881	1,204
Balance at December 31	41,571	40,012	37,015
Other Capital			
Balance at January 1	141,550	138,483	134,785
Excess of stated value of 5% Debentures and preference stock converted over par value of common stock issued upon conversion	3,252	262	2,244
Excess of proceeds over par or stated value of stock sold under stock options	6,300	2,805	1,454
Balance at December 31	151,102	141,550	138,483
Cumulative Translation Adjustments			
Balance at January 1, as retroactively restated	35,065	52,857	37,662
Translation adjustments and hedging transactions gains (losses)	(31,912)	(19,233)	14,184
Income taxes	(4,197)	1,441	1,011
Balance at December 31	(1,044)	35,065	52,857
Retained Earnings			
Balance at January 1, as previously reported	1,099,115	968,031	847,888
Retroactive adjustment for accounting changes	(18,981)	(11,622)	(5,431)
Balance at January 1, as restated	1,080,134	956,409	842,457
Net earnings	228,830	204,531	188,451
	1,308,964	1,160,940	1,030,908
Deduct dividends declared:			
Preference stock	8,530	11,584	15,868
Common stock	79,434	69,222	58,631
	87,964	80,806	74,499
Balance at December 31	1,221,000	1,080,134	956,409
Total Shareholders' Investment	$1,417,646	$1,303,192	$1,194,189

NOTES TO FINANCIAL STATEMENTS

Accounting Changes

In compliance with recent pronouncements of the Financial Accounting Standards Board, the company in 1981 changed its method of accounting for vacation pay benefits and for the translation of foreign currency financial statements and accounting for hedging transactions. Financial statements for 1980 and 1979 have been restated to reflect these changes. The new method of accounting for vacation pay benefits requires a liability to be accrued for vacation pay benefits when earned rather than when paid. The new method of translating foreign currency financial statements requires all accounts denominated in foreign currencies to be translated at current exchange rates. Exchange gains and losses resulting from translation of foreign financial statements (except for hyperinflationary countries such as Brazil and Argentina) and transactions of a hedging or investment nature are required to be deferred and reported as a separate component of shareholders' investment, rather than included in net earnings.

For 1981 the effect of these changes was to increase net earnings and fully diluted earnings per share by $9.2 million and $.24, respectively. Net earnings and fully diluted earnings per share for 1980 and 1979 have been reduced by $7.4 million and $.20, and $6.2 million and $.17, respectively.

Foreign Currency Transaction Losses

Foreign currency transaction losses included in net earnings amounted to $9.8 million, $11 million, and $13.5 million in 1981, 1980, and 1979, respectively. The preceding amounts include $8.6 million, $12 million, and $13.4 million, which were related to devaluations of the Brazilian cruzeiro.

XEROX CORPORATION

Consolidated Statements of Common and Class B Shares, Additional Paid-In Capital and Retained Earnings (in part)

(Dollars in millions, except per share data) Year Ended December 31	1981	1980	1979
Retained Earnings			
Balance at beginning of year, as previously reported	$3,248.9	$2,866.2	$2,501.3
Add (deduct) adjustments for the cumulative effect on prior years of retroactively applying the new methods of accounting for			
Foreign currency translation	(35.4)	11.1	51.6
Vacation pay benefits	(58.1)	(50.3)	(42.7)
Balance at beginning of year, as adjusted	3,155.4	2,827.0	2,510.2
Net income	598.2	564.9	515.0
Total	3,753.6	3,391.9	3,025.2
Deduct cash dividends declared			
On common and Class B stocks (Per share: 1981 — $3.00; 1980 — $2.80; 1979 — $2.40)	(253.5)	(236.5)	(195.5)
On capital stock of pooled company prior to acquisition	—	—	(2.7)
Total cash dividends	(253.5)	(236.5)	(198.2)
Balance at end of year	$3,500.1	$3,155.4	$2,827.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Changes

Foreign Currency Translation

In December 1981, the Financial Accounting Standards Board (FASB) issued Statement No. 52, Foreign Currency Translation, which revised the existing accounting and reporting requirements for translation of foreign currency transactions and foreign currency financial statements. The Company has elected the early application of the Statement encouraged by the FASB. As permitted by the Statement, the financial statements for the four years prior to 1981 have been restated. The effects of this change in accounting on net income and net income per common share were (in millions, except per share data):

Increase (decrease)	Net Income	Per Share
1981	$ 26.2	$ .31
1980	(46.5)	(.55)
1979	(40.5)	(.48)

Vacation Pay

Effective January 1, 1981, the Company adopted Statement No. 43 of the FASB whereby the costs of employees' vacation pay benefits are accrued as they are earned. Financial statements for the four years prior to 1981 have been restated as required by the Statement, resulting in a decrease in retained earnings as of January 1, 1979 of $42.7 million, net of $40.6 million of income taxes. The effects of this change in accounting on net income and net income per common share were (in millions, except per share data):

Increase (decrease)	Net Income	Per Share
1981	$(7.6)	$(.09)
1980	(7.8)	(.09)
1979	(7.6)	(.09)

CBS INC.

Retained Earnings

	1981	1980 ($000)	1979
Balance at beginning of year as previously reported ...			$734,020
Cumulative restatement adjustment			(7,545)
Balance at beginning of year as restated	$ 961,359	$849,866	726,475
Net income (as restated for 1980 and 1979)..........	163,811	189,708	197,271
Less cash dividends:			
Common stock: 1981 and 1980, $2.80 per share; 1979, $2.65 per share...............	78,152	78,029	73,661
Preference stock, $1.00 per share...............	157	186	219
Balance at end of year (as restated for 1980 and 1979)......................	$1,046,861	$961,359	$849,866

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11: Foreign Currency Translation

The accounting for foreign currency translation has been changed to conform to Statement of Financial Accounting Standards No. 52. Generally, adjustments for currency exchange rate changes are now excluded from net income for those fluctuations that do not impact cash flow.

The effect on 1981 income from continuing operations as well as on net income was an increase of $11,782,000 or $.42 per share. See note 14 for the restatement of prior years' results.

Net income included transaction losses of $5,384,000, $5,159,000 and $2,883,000 for 1981, 1980 and 1979, respectively.

An analysis of the changes to the "Foreign currency fluctuations" component of shareholders' equity is as follows:

	Year ended December 31		
	1981	1980	1979
	(Dollars in thousands)		
Balance at beginning of year	$ 10,940	$ 4,997	$18,471
Translation adjustments, and gains (losses) from hedges and intercompany balances..........	(26,861)	5,396	(13,532)
Income taxes related to hedges and intercompany balances..........	465	547	58
Balance at end of year......	$(15,456)	$10,940	$ 4,997

Note 12: Advance Royalty Payments

The accounting for advance royalty payments in the Company's recorded music operations has been changed to conform to Statement of Financial Accounting Standards No. 50. Advance royalty payments are now capitalized as an asset, rather than expensed, when the past performance and current popularity of the artists to whom they relate provide a sound basis for estimating that the advances are recoverable from future royalties. The effect on 1981 income from continuing operations as well as on net income was an increase of $3,164,000 or $.11 per share. See note 14 for the restatement of prior years' results.

Note 13: Vacation Benefits

The accounting for employees' vacation benefits has been changed to conform to Statement of Financial Accounting Standards No. 43 and benefits are now accrued on an as-earned basis. The effect on 1981 income from continuing operations as well as on net income was a decrease of $825,000 or $.03 per share. See note 14 for the restatement of prior years' results.

Note 14: Restatement of Prior Years

(Dollars in millions, except per share amounts)

Prior years' financial statements have been restated. The financial results of these restatements are as follows:

	Year ended December 31			
	1980		1979	
	Amount	Per Share	Amount	Per Share
Net income as previously reported......................	$193.0	$6.92	$200.7	$7.21
Foreign currency translation (note 11)..........	(1.2)	(.04)	0.2	.01
Advance royalty payments (note 12)........	(1.6)	(.06)	(3.4)	(.12)
Vacation benefits (note 13)......................	(0.5)	(.02)	(0.2)	(.01)
Net income as restated	189.7	6.80	197.3	7.09
Loss (gain) on discontinued operations (note 3)	0.8	.03	(1.8)	(.06)
Income from continuing operations....................	$190.5	$6.83	$195.5	$7.03

The revenues from the discontinued operations for the years 1981 through 1979 were $49.7, $54.1, and $54.5, respectively.

MCA INC.

Consolidated Statement of Shareholders' Equity

($ in thousands)	Common Stock Shares	Common Stock Amount	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount
Balance at December 31, 1978, as previously reported	23,457,236	$ 98,508	$546,662	146,267	$2,533
Restatement for change in accounting for film costs			(10,507)		
Balance at December 31, 1978, as restated	23,457,236	98,508	536,155	146,267	2,533
Net income			158,997		
Cash dividends ($1.35 per share)............................			(31,533)		
Incentive Stock Plan					
Shares issued	105,900	4,398			
Shares forfeited..				60,753	1,034
Income tax benefit from vesting of incentive stock (193,435 shares of common stock).....................		2,308			
Shares issued to MCA Employee Stock Ownership Plan......		1,181		(39,482)	(679)
Shares issued in exchange for shares of Pioneer Savings and Loan Association...		1,958		(65,971)	(1,137)
Balance at December 31, 1979..............................	23,563,136	108,353	663,619	101,567	1,751
Net income			119,042		
Cash dividends ($1.50 per share)............................			(35,423)		
Incentive Stock Plan					
Shares issued	57,664	2,975			
Shares forfeited				24,230	743
Income tax benefit from vesting of incentive stock (165,649 shares of common stock).....................		2,255			
Shares issued to MCA Employee Stock Ownership Plan......		1,632		(53,797)	(1,005)
Shares issued in exchange for shares of The Mutual Savings and Loan Association.......................................	195,069	9,599			
Balance at December 31, 1980..............................	23,815,869	124,814	747,238	72,000	1,489
Net income			89,788		
Cash dividends ($1.50 per share)............................			(35,736)		
Incentive Stock Plan					
Shares issued	89,925	4,378		(8,075)	(167)
Shares forfeited..				45,240	1,664
Income tax benefit from vesting of incentive stock (136,216 shares of common stock).....................		1,296			
Balance at December 31, 1981..............................	23,905,794	$130,488	$801,290	109,165	$2,986

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Change in Accounting for Film Costs

In December 1981, the Financial Accounting Standards Board issued Statement No. 53 which establishes standards of financial reporting by producers and distributors of motion picture films effective for fiscal years beginning after December 15, 1981, with earlier application encouraged. The Statement requires that film costs be reported at the lower of unamortized cost or net realizable value as determined on a film-by-film basis. The Company had previously reported film costs at the lower of unamortized cost or net realizable value as determined on an aggregate basis. The Company, as encouraged by FASB No. 53, implemented this statement in 1981 and has restated the applicable financial statements for years prior to 1981. The net effect of this accounting change on 1981 earnings was insignificant.

This restatement resulted in a reduction in net income of $18,605,000 ($.79 per share) for 1980, $19,691,000 ($.84 per share) for 1979, $1,674,000 ($.07 per share) for 1978 and $8,833,000 ($.38 per share) for 1977.

Prior Period Adjustment

McCORMICK & COMPANY, INCORPORATED

Income and Retained Earnings

	Year Ended November 30		
	1981	1980	1979
		Restated—See Note 1	
	(Dollars in Thousands Except Per-Share Data)		
Net Income	$ 29,924	$ 13,196	$ 18,709
Retained Earnings at Beginning of Year as Restated (Note 1)	98,070	91,157	78,144
	127,994	104,353	96,853
Reductions in Retained Earnings			
Dividends declared			
Preferred Stock—$5.00 per share	16	16	16
Common Stock (Voting and Non-Voting) per share, 1981 — $.71; 1980 — $.56; 1979 — $.50	8,730	6,267	5,680
Cost in excess of fair value of treasury stock issued	4,891		
	13,637	6,283	5,696
Retained Earnings at End of Year	$114,357	$ 98,070	$ 91,157

NOTES TO FINANCIAL STATEMENTS

Note 1. Restatement: Based on information developed as a result of the inquiry being conducted by the Audit Committee of the Company's Board of Directors into the accounting for certain customer allowances, sales, advertising and other expenses, principally at the Grocery Products Division, the Company has determined that a restatement of prior years' audited financial statements, as well as unaudited quarterly financial statements, is appropriate.

Accordingly, the financial statements for the fiscal years 1979 and 1980 included herein have been restated, including reclassification of certain customer allowances previously treated as marketing expenses to reductions of net sales. A reconciliation of the sales, net income and earnings per common share for the four years ended November 30, 1980, as previously reported and as restated, is presented below.

	(Dollars in Thousands Except Per-Share Data)			
	1980	1979	1978	1977
Net sales as previously reported	$547,966	$457,165	$400,357	$355,151
Net reduction resulting from restatement	20,365	13,668	8,270	5,469
Net sales as restated	$527,601	$443,497	$392,087	$349,682
Net income as previously reported	$ 14,840	$ 19,430	$ 16,735	$ 14,816
Correction of accounting for certain customer allowances and sales, net of related expenses	(2,184)	(1,117)	(2,366)	(919)
Correction of accounting for advertising and other expenses	(1,067)	(284)	218	(458)
Income tax effect	1,607	680	1,099	676
Net income as restated	$ 13,196	$ 18,709	$ 15,686	$ 14,115
Earnings per common share as previously reported	$ 1.31	$ 1.71	$ 1.48	$ 1.35
Net reduction resulting from restatement	.14	.06	.09	.06
Earnings per common share as restated	$ 1.17	$ 1.65	$ 1.39	$ 1.29

The effect of the restatement on retained earnings as previously reported as of the beginning of each of the three years ended November 30, 1981, was:

	(Dollars in Thousands) 1981	1980	1979
Retained earnings at beginning of year, as previously reported	$102,643	$ 94,086	$ 80,352
Reduction resulting from restatement	4,573	2,929	2,208
Retained earnings at beginning of year, as restated	$ 98,070	$ 91,157	$ 78,144

Also, interim unaudited financial results for the previously published three quarters of fiscal year 1981 and for each of the four quarters of fiscal years 1979 and 1980 have been restated. A comparison of the previously published summary interim unaudited data concerning sales, gross profit on sales, net income and earnings per common share, as previously reported and as restated is:

(Dollars in Thousands Except Per-Share Data)

	Net Sales		Gross Profit on Sales		Net Income		Earnings Per Common Share	
	As Previously Reported	As Restated	As Previously Reported	As Restated	As Previously Reported	As Restated	As Previously Reported	As Restated
1981								
1st Qtr.	$134,491	$131,995	$ 50,251	$ 46,674	$ 3,509	$ 3,879	$ .32	$ .35
2nd Qtr.	154,435	157,002	52,508	55,660	3,788	3,612	.31	.30
3rd Qtr.	166,684	166,703	56,385	56,682	4,952	4,940	.40	.40
4th Qtr.	*	204,117	*	77,394	*	17,493	*	1.41
Total	$ *	$659,817	$ *	$236,410	$ *	$29,924	$ *	$2.50**
1980								
1st Qtr.	$115,845	$112,780	$ 42,249	$ 38,501	$ 1,492	$ 1,282	$ .13	$ .11
2nd Qtr.	125,386	122,106	45,742	42,003	2,346	2,554	.20	.22
3rd Qtr.	129,327	125,576	46,495	42,346	1,933	2,090	.17	.18
4th Qtr.	177,408	167,139	68,334	59,570	9,069	7,270	.82	.66
Total	$547,966	$527,601	$202,820	$182,420	$14,840	$13,196	$1.31**	$1.17
1979								
1st Qtr.	$ 94,667	$ 93,401	$ 35,931	$ 33,659	$ 2,928	$ 3,499	$ .26	$ .31
2nd Qtr.	102,652	100,331	40,403	37,350	3,207	3,388	.28	.30
3rd Qtr.	107,581	104,488	41,228	37,806	2,554	2,897	.22	.25
4th Qtr.	152,265	145,277	64,192	57,062	10,741	8,925	.95	.79
Total	$457,165	$443,497	$181,754	$165,877	$19,430	$18,709	$1.71	$1.65

*Not previously reported.

**Earnings per common share are computed based on the weighted average number of shares outstanding during each period; consequently, total quarterly earnings per common share do not necessarily equal earnings per common share for the year.

1981 earnings include $3.7 million, or $.30 per share, in the 4th quarter, from $6.5 million sale of a McCormick Properties building in the Hunt Valley Business Community to the lessee.

Pooling of Interests

ST. REGIS PAPER COMPANY

Statements of Shareholders' Equity

(Thousands, except shares and per-share amounts)	Preferred Stock	Common Stock	Common Treasury Stock	Other Capital	Retained Earnings
Balance at December 31, 1978	$113	$159,341	$ (2)	$217,899	$ 749,730
Pooling of interests—Drum Financial Corporation		7,755		13,337	(11,433)
Cumulative effect of change in accounting for compensated absences					(14,184)
Restated Balance at January 1, 1979	113	167,096	(2)	231,236	724,113
Net earnings					163,614
Cash dividends:					
Preferred stock, $2.75 per share					(309)
Common stock, $1.85 per share					(59,299)
Pooled company					(1,187)
Purchase of common stock, 18 shares			—		
Issuance of common stock:					
Conversion of preferred stock, 281,249 shares	(113)	1,406		(1,293)	
Conversion of 4⅞% debentures, 14,789 shares		74		370	
Stock option plan, 19,224 shares		96		383	
Management incentive compensation plan, 21,503 shares		108		471	
Balance at December 31, 1979	—	168,780	(2)	231,167	826,932
Pooling of interests—Angelina Casualty Company		638	(275)	(269)	2,735
Restated Balance at January 1, 1980	—	169,418	(277)	230,898	829,667
Net earnings					177,388
Cash dividends:					
Common stock, $2.03 per share					(65,611)
Pooled companies					(1,722)
Purchase of common stock, 55 shares			(2)		
Issuance of common stock:					
Conversion of 4⅞% debentures, 57,806 shares		289		1,447	
Stock option plan, 40,521 shares		202		736	
Management incentive compensation plan, 51,926 shares		260		1,169	
Balance at December 31, 1980	—	170,169	(279)	234,250	939,722
Net earnings					179,218
Cash dividends:					
Common stock, $2.15 per share					(71,009)
Pooled company					(1,365)
Purchase of common stock, 12,830 shares			(428)		
Issuance of common stock:					
Conversion of 4⅞% debentures, 8,253 shares		41		207	
Stock option plan, pooled company, 33,398 shares; conversion of debentures, pooled company, 21,517 shares		275		989	
Stock option plan, 24,508 shares		123		578	
Management incentive compensation plan, 37,319 shares, including 5,828 treasury shares		158	207	698	
Balance at December 31, 1981	$ —	$170,766	$(500)	$236,722	$1,046,566

Stock balances at December 31, 1978: preferred stock, 112,500 shares; common stock, 31,868,261 shares; and treasury stock, 56 shares.

Stock balances at January 1, 1979: preferred stock, 112,500 shares; common stock, 33,419,467 shares; and treasury stock, 56 shares.

Stock balances at December 31, 1979: common stock, 33,756,232 shares; and treasury stock, 74 shares.

Stock balances at January 1, 1980: common stock, 33,883,732 shares; and treasury stock, 17,937 shares.

Stock balances at December 31, 1980: common stock, 34,033,985 shares; and treasury stock, 17,992 shares.

Stock balances at December 31, 1981: common stock, 34,153,152 shares; and treasury stock, 24,994 shares.

Sales and Acquisitions (in part)

In September 1981, St. Regis acquired the outstanding common stock of Drum Financial Corporation in exchange for 1,584,000 shares of St. Regis common stock. The transaction was accounted for as a pooling of interests, and prior years' financial statements have been restated. The restatement of 1980 and 1979 financial statements resulted in the following changes to previously reported net earnings:

(Thousands)	Net Earnings 1980	1979
Amount previously reported:		
St. Regis, adjusted for compensated absences	$168,627	$156,798
Drum Financial Corporation	8,033	8,571
Adjustments for acquisition	728*	(1,755)*
Amount as restated	$177,388	$163,614

*Adjustments were made to conform the accounting policies of Drum to those of St. Regis.

Net earnings for the first six months of 1981 for St. Regis and Drum, on a separate-company basis, were $97,656,000 and $4,545,000, respectively.

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.

TABLE 4-4: OTHER CHANGES IN RETAINED EARNINGS

	Number of Companies			
	1981	1980	1979	1978
Charges				
Treasury stock transactions	55	54	51	67
Other—Described	31	25	26	28
Credits				
Poolings of interests	13	6	11	9
Other—Described	13	17	13	9

Treasury Stock Transactions

WINN-DIXIE STORES, INC.

Consolidated Statements of Stockholders' Equity

(Capital stock section omitted for presentation purposes)

Years Ended June 24, 1981, June 25, 1980 and June 27, 1979	1981	1980	1979
	(Amounts in thousands)		
RETAINED EARNINGS:			
Beginning of year	513,030	484,578	424,380
Net earnings	95,395	91,950	94,462
Deduct conversion of 6,212,712, 324,294 and 465,679 shares of Class B common stock in 1981, 1980 and 1979, respectively	3,357	155	208
Deduct cash dividends on common stock of $1.92, $1.68 and $1.44 per share in 1981, 1980 and 1979, respectively	40,906	29,507	26,990
Deduct excess of cost over proceeds of treasury shares sold under employees' stock purchase plan	1,863	4,161	—
Deduct excess of cost and related expenses over par value of shares purchased in tender offers and retired	50,572	29,675	—
Deduct par value of common and Class B common shares issued in connection with 4-for-3 stock split	—	—	6,553
Deduct payments for fractional shares and expenses in connection with 4-for-3 stock split	—	—	513
End of year	511,727	513,030	484,578
COST OF COMMON STOCK HELD:			
Beginning of year 2,419,203, 1,508,665 and 468,436 in 1981, 1980 and 1979, respectively	64,744	40,849	11,232
Add cost of 550,326, 1,552,918 and 1,040,229 shares reacquired during 1981, 1980 and 1979, respectively	16,423	43,152	29,617
Deduct cost of 291,721 shares issued under employees' stock purchase plan (642,380 in 1980)	9,156	19,257	—
End of year—2,677,808, 2,419,203 and 1,508,665 shares in 1981, 1980 and 1979, respectively	72,011	64,744	40,849
TOTAL STOCKHOLDERS' EQUITY	$467,195	473,872	470,175

THE DUN & BRADSTREET CORPORATION

Consolidated Statement of Shareowners' Equity

Three Years Ended December 31, 1981	Common Stock ($1 Par value)	Capital in Excess of Par Value	Retained Earnings	Translation Adjustments	Total
Balance, January 1, 1979	$27,872,000	$49,518,000	$218,292,000		$295,682,000
Restatement of prior years' financial statements for compensated absences			(3,050,000)		(3,050,000)
Net income for the year			88,533,000		88,533,000
Cash dividends ($1.67 per share)			(46,475,000)		(46,475,000)
Value of National CSS, Inc. stock options converted into D&B stock options		3,800,000			3,800,000
Treasury shares reissued under stock option and deferred compensation plans	193,000	5,201,000			5,394,000
Treasury shares reissued for acquisition of Air Tariffs Corporation	59,000	1,941,000			2,000,000
Treasury shares acquired	(405,000)	(774,000)	(14,053,000)		(15,232,000)
Balance, December 31, 1979	27,719,000	59,686,000	243,247,000		330,652,000
Net income for the year			102,387,000		102,387,000
Cash dividends ($1.97 per share)			(55,061,000)		(55,061,000)
Treasury shares reissued under stock options and deferred compensation plans	540,000	19,102,000			19,642,000
Treasury shares acquired	(277,000)	(647,000)	(12,282,000)		(13,206,000)
Balance, December 31, 1980	27,982,000	78,141,000	278,291,000		384,414,000
Translation adjustments, January 1, 1981				$ 369,000	369,000
Net income for the year			121,474,000		121,474,000
Cash dividends ($2.28 per share)			(63,903,000)		(63,903,000)
Treasury shares reissued under stock option and deferred compensation plans	202,000	8,941,000			9,143,000
Treasury shares acquired	(186,000)	(429,000)	(11,107,000)		(11,722,000)
Change in translation adjustments during the period				(4,155,000)	(4,155,000)
Balance, December 31, 1981	$27,998,000	$86,653,000	$324,755,000	$(3,786,000)	$435,620,000

FANSTEEL INC. (DEC)

Consolidated Statement of Shareholders' Equity

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Total
Balance at December 31, 1978	$7,215,710	$5,414,160	$30,878,800	$43,508,670
Net income	—	—	9,867,600	9,867,600
Dividends ($2.80 per share)	—	—	(4,036,537)	(4,036,537)
Constructive retirement of 1,925 shares of treasury stock acquired in 1979	(9,625)	(7,218)	(28,169)	(45,012)
Balance at December 31, 1979	7,206,085	5,406,942	36,681,694	49,294,721
Net income	—	—	15,063,648	15,063,648
Dividends ($4.90 per share)	—	—	(7,053,295)	(7,053,295)
Constructive retirement of 1,907 shares of treasury stock acquired in 1980	(9,535)	(7,170)	(37,766)	(54,471)
Balance at December 31, 1980	7,196,550	5,399,772	44,654,281	57,250,603
Net income	—	—	12,576,435	12,576,435
Dividends ($4.20 per share)	—	—	(6,034,917)	(6,034,917)
Constructive retirement of 3,524 shares of treasury stock acquired in 1981	(17,620)	(13,251)	(90,579)	(121,450)
Balance at December 31, 1981	$7,178,930	$5,386,521	$51,105,220	$63,670,671

Warrants Repurchased

GANNETT CO., INC.

Consolidated Statements of Changes in Shareholders' Equity

Fiscal Years Ended December 30, 1979, December 28, 1980, and December 27, 1981

	Common Stock $1 Par Value	Additional Paid-in Capital	Retained Earnings	Total
Balance December 31, 1978	$34,217,000	$90,618,000	$459,308,000	$584,143,000
Net income, 1979			143,281,000	143,281,000
Dividends declared, 1979—$1.21⅓ per share and $461,000 paid by pooled company			(60,234,000)	(60,234,000)
Stock options and warrants exercised	317,000	4,989,000		5,306,000
Tax benefit derived from stock option plans		43,000		43,000
Shares issued under acquisition agreement	30,000	664,000		694,000
Conversion of long-term notes payable	202,000	3,498,000		3,700,000
Other		(22,000)		(22,000)
Balance December 30, 1979	34,766,000	99,790,000	542,355,000	676,911,000
Net income, 1980			151,985,000	151,985,000
Dividends declared, 1980—$1.38 per share			(72,870,000)	(72,870,000)
Stock options and warrants exercised	166,000	3,668,000		3,834,000
Tax benefit derived from stock option plans		2,376,000		2,376,000
Conversion of long-term notes payable	324,000	3,526,000		3,850,000
Par value of shares issued in stock split December 17, 1980	17,627,000	(17,627,000)		
Other		(103,000)		(103,000)
Balance December 28, 1980	52,883,000	91,630,000	621,470,000	765,983,000
Net income, 1981			172,506,000	172,506,000
Dividends declared, 1981—$1.57 per share			(83,235,000)	(83,235,000)
Stock options exercised	162,000	2,467,000		2,629,000
Tax benefit derived from stock option plans		1,804,000		1,804,000
Repurchase of warrants, net of tax benefit		(2,512,000)	(20,800,000)	(23,312,000)
Balance December 27, 1981	$53,045,000	$93,389,000	$689,941,000	$836,375,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (in part): Capital Stock, Stock Options and Incentive Plans

On October 28, 1980, the Company's Board of Directors approved a three for two stock split effective on January 5, 1981, for shareholders of record on December 17, 1980. In these notes and the accompanying financial statements, all per common share amounts have been adjusted to reflect the stock split.

In 1981 the Company repurchased 1,350,000 of its outstanding warrants for $43,497,000. The net cost of the repurchased warrants was $23,312,000 after giving effect to tax benefits of $20,185,000.

TABLE 4-5: PRESENTATION OF CHANGES IN ADDITIONAL PAID-IN CAPITAL

	1981	1980	1979	1978
Statement of stockholders' equity	292	275	248	255
Statement of additional paid-in capital	33	38	45	47
Schedule in notes	102	99	98	94
No statement or schedule but changes disclosed	43	56	76	78
Balance unchanged during year	58	55	60	54
Subtotal	**528**	**523**	**527**	**528**
Additional paid-in capital account not presented	72	77	73	72
Total Companies	**600**	**600**	**600**	**600**

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.

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.

TABLE 4-6: STOCK SPLITS

	1981	1980	1979	1978
Ratio				
Less than three-for-two	9	8	8	9
Three-for-two (50%) to two-for-one	24	22	16	14
Two-for-one (100%)	32	33	24	19
Greater than two-for-one	5	—	4	4
Total Companies	**70**	**63**	**52**	**46**
Account Charged				
Additional paid-in capital	35	35	26	25
Retained earnings	17	5	10	4
No charge	18	23	16	17
Total Companies	**70**	**63**	**52**	**46**

KERR-McGEE CORPORATION (DEC)

Consolidated Statement of Capital in Excess of Par Value

(In thousands of dollars)	1981	1980	1979
Balance, at beginning of year	$252,579	$251,023	$250,276
Par value of common shares issued in two-for-one stock split	(26,028)	—	—
Excess of proceeds over par value of common stock issued upon the exercise of stock options	1,662	1,556	747
Balance, at end of year	$228,213	$252,579	$251,023

FINANCIAL REVIEW

Stockholders' Equity (in part)

At the end of the year, stockholders' equity totaled $1.5 billion, compared with $1.3 billion at the end of 1980. The table below reports the changes in common stock issued and outstanding for the last three years:

	1981	1980	1979
Total shares issued, January 1	26,009,646	25,983,348	25,963,723
Exercise of stock options and stock appreciation rights (prior to stock split)	18,548	26,298	19,625
Two-for-one stock split	26,028,194	—	—
Exercise of stock options and stock appreciation rights (subsequent to stock split)	31,624	—	—
Total shares issued, December 31	52,088,012	26,009,646	25,983,348
Shares held in treasury—			
January 1	106,840	106,840	106,840
Purchases (prior to stock split)	546	—	—
Two-for-one stock split	107,386	—	—
Purchases (subsequent to stock split)	10,217	—	—
December 31	224,989	106,840	106,840
Shares outstanding, December 31	51,863,023	25,902,806	25,876,508

BURNDY CORPORATION

Consolidated Statements of Shareowners' Equity

(Dollars in thousands)

	Common stock Shares	Common stock Par value	Additional paid-in capital	Retained earnings	Cumulative translation adjustments	Treasury stock Shares	Treasury stock Cost
Balances at January 1, 1979	13,135,694	$ 6,568	$10,606	$ 73,856	$ 1,678	644,622	$ 5,255
Shares issued under employee stock option plan			(13)			(50,760)	(281)
Tax benefit arising from the exercise of non-statutory options			147				
Net earnings for the year				21,054			
Net adjustments from translation of foreign currency statements					562		
Cash dividends at $.47 per share				(5,863)			
Purchase of treasury stock						93,000	1,070
Stock awards			(40)			(7,200)	(40)
Amortization of stock awards			155				
Balances at December 31, 1979	13,135,694	6,568	10,855	89,047	2,240	679,662	6,004
Shares issued under employee stock option plan			52			(52,040)	(288)
Tax benefit arising from the exercise of non-statutory options			248				
Net earnings for the year				23,336			
Net adjustments from translation of foreign currency statements					(1,970)		
Cash dividends at $.54 per share				(6,767)			
Stock awards			(372)			(72,300)	(372)
Amortization of stock awards			467				
Balances at December 31, 1980	13,135,694	6,568	11,250	105,616	270	555,322	5,344
Par value of common stock issued in 2-for-1 stock split		6,568	(6,568)				
Shares issued under employee stock option plan			(52)			(36,304)	(322)
Tax benefit arising from the exercise of non-statutory options			152				
Net earnings for the year				32,839			
Net adjustments from translation of foreign currency statements					(4,067)		
Amounts transferred to net earnings resulting from the sale of net assets by unconsolidated foreign affiliate					1,239		
Cash dividends at $.63 per share				(7,849)			
Purchase of treasury stock						420,200	7,961
Stock awards			(430)			(47,000)	(430)
Amortization of stock awards			439				
Balances at December 31, 1981	13,135,694	$13,136	$ 4,791	$130,606	$(2,558)	892,218	$12,553

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (in part): Shareowners' Equity

(a) Stock split

A 2-for-1 stock dividend was declared by the Board of Directors on June 2, 1981 to shareowners of record on July 20, 1981. All share and per share amounts in the financial statements and notes thereto have been adjusted to give effect to the 2-for-1 stock split.

COMMERCIAL METALS COMPANY

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	$33,844,021		
Net earnings				15,117,161		
Cash dividends—$.37 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				18,368,091		
Cash dividends—$.39 a share				(1,679,275)		
10% stock dividend	256,757	1,283,785	4,364,869	(5,648,654)		
Treasury stock acquired, at cost					19,887	489,473
Stock issued under stock option and purchase plans	76,249	381,245	560,265			
BALANCE, AUGUST 31, 1980	2,874,489	14,372,445	23,317,986	58,499,234	19,887	489,473
Net earnings				11,244,752		
Cash dividends—$.43 a share				(1,890,347)		
Stock split, three-for-two (Note K)	1,448,346	7,241,730	(7,249,023)		9,993	—
Treasury stock acquired, at cost					37,300	726,080
Stock issued under stock option and purchase plans	214,635	1,073,175	556,390			
BALANCE, AUGUST 31, 1981	4,537,470	$22,687,350	$16,625,353	$67,853,639	67,180	$1,215,553

Note K: 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

During 1981, the stockholders approved a change in the authorized shares of common stock to 10,000,000.

On December 8, 1980, the Board of Directors declared a three-for-two stock split in the form of a stock dividend on the Company's common stock payable January 30, 1981, to shareholders of record on January 9, 1981. Earnings per share and outstanding share data have been adjusted for the three-for-two stock split.

THE UNITED STATES SHOE CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Stock Split

On May 26, 1981, the Board of Directors authorized a three-for-two split of the company's common shares to be effective June 30, 1981. The split was effected in the form of a 50% stock dividend. As a result of the split, the stated value per common share was reduced from $.33⅓ to approximately $.22¹/₅. All references in the consolidated financial statements and elsewhere throughout this annual report to amounts per share and to the numbers of common shares have been restated to give retroactive effect to the stock split.

WESTVACO CORPORATION

Consolidated Statement of Income and Retained Income

In thousands, except per share

Year ended October 31	1981	1980	1979
Net income	$100,791	$ 86,858	$ 76,856
Retained income at beginning of year	457,652	396,732	342,993
	558,443	483,590	419,849
Dividends:			
Preferred stock ($4.50 a share)	8	12	63
Common stock (1981-$1.14⅔ a share; 1980-$1.02⅓ a share; 1979-$.91 a share)	29,260	25,926	23,054
Transfer to common stock on three-for-two stock split	42,573		
	71,841	25,938	23,117
Retained income at end of year	$486,602	$457,652	$396,732

NOTES TO FINANCIAL STATEMENTS

Note K: Shareholders' Equity

On March 24, 1981, the Board of Directors declared a three-for-two split of the common stock in the form of a 50% stock dividend to holders of record on April 6, 1981. As a result, $42,573,000 ($5 for each share issued pursuant to the stock split) has been transferred from retained income to the common stock account. All per share data and number of shares for all periods included in the financial statements and notes have been adjusted to reflect the split.

Changes in the common stock account are summarized below for 1979, 1980 and 1981:

Dollars in thousands	Shares issued	Amount
Balance at October 31, 1978	16,918,585	$160,600
Transactions during 1979	—	—
Balance at October 31, 1979	16,918,585	160,600
Issued to Savings and Investment Plan	47,699	1,526
Balance at October 31, 1980	16,966,284	162,126
Issued to Savings and Investment Plan	62,787	2,419
Balance at April 6, 1981	17,029,071	164,545
Three-for-two stock split	8,514,536	42,573
Issued to Savings and Investment Plan	316,344	7,421
Issued to Dividend Reinvestment Plan	48,792	1,085
Issued for exercise of stock options and stock appreciation rights	2,685	71
Balance at October 31, 1981	25,911,428	$215,695

At October 31, 1981, 1980 and 1979, there were 2,000,000 shares of preferred stock without par value authorized and available for issue.

At October 31, 1981, $476 million of consolidated retained income was not restricted as to the payment of dividends under provisions of the Company's Certificate of Incorporation.

CPC INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 1981, 1980 and 1979

Capital Transactions

	Common Stock		Capital in Excess of Par Value of Stock	Treasury Stock	
	Shares	$ Millions	$ Millions	Shares	$ Millions
Balance Jan. 1, 1980	23,925,274	$12.0	$148.2	129,698	$4.6
Shares issued for stock options	44,760	—	1.7	(8,355)	(.3)
Shares issued for deferred compensation	—	—	—	(1,833)	(.1)
Shares purchased	—	—	—	2,300	.2
Balance Dec. 31, 1980	23,970,034	12.0	149.9	121,810	4.4
Two-for-one stock split May 1, 1981	23,970,034	—	—	121,810	—
Shares issued for stock options	—	—	.1	(90,654)	(1.7)
Shares issued for deferred compensation	—	—	—	(3,544)	(.1)
Shares purchased	—	—	—	20,920	.7
Balance Dec. 31, 1981	47,940,068	$12.0	$150.0	170,342	$3.3

Proceeds from sale of stock under the Company's stock options plans are credited to common stock at par value of $.25 per share and to capital in excess of par value for the excess of the option price over the par value. At December 31, 1981, 103,255 shares of common stock in treasury were reserved for deferred compensation programs.

Pursuant to authorization by the stockholders, a two-for-one stock split was effected on May 1, 1981.

THE LUBRIZOL CORPORATION

Consolidated Statements of Shareholders' Equity

	Number of Shares Outstanding	Shareholders' Equity: Common Shares	Shareholders' Equity: Retained Earnings	Accumulated Translation Adjustments
		(In Thousands of Dollars)		
Balance, January 1, 1979	20,000,859	$27,553	$295,483	
Net income for 1979			90,775	
Cash dividends ($.80 per share)			(31,892)	
Common Shares—Treasury:				
Shares purchased	(198,800)	(292)	(8,306)	
Shares sold	89	5		
Shares issued upon exercise of stock options	5,962	221		
Equity Purchase Plan transactions:				
Shares issued	76,375	1,312		
Shares reacquired	(9,500)	(108)		
Balance, December 31, 1979	19,874,985	28,691	346,060	
Net income for 1980			111,511	
Cash dividends ($.90 per share)			(35,807)	
Common Shares—Treasury:				
Shares purchased	(1,248)	(1)	(81)	
Shares issued upon exercise of stock options	48,993	2,185		
Equity Purchase Plan transactions:				
Shares issued	15,200	330		
Shares reacquired	(6,600)	(101)		
Balance, December 31, 1980	19,931,330	31,104	421,683	
Translation adjustments:				
Accumulated effect to January 1, 1981				$ 1,157
Adjustment for 1981				(26,389)
Net income for 1981			92,031	
Two-for-one stock split in the form of a 100% stock dividend	19,931,330			
Cash dividends ($1.08 per share)			(43,123)	
Common Shares—Treasury:				
Shares purchased	(2,574)	(2)	(84)	
Shares issued upon exercise of stock options	122,184	2,323		
Equity Purchase Plan transactions:				
Shares issued	14,000	159		
Shares reacquired	(50,000)	(341)		
Balance, December 31, 1981	39,946,270	$33,243	$470,507	$(25,232)

NOTES TO FINANCIAL STATEMENTS

Note 4—Common Shares

On April 27, 1981, the shareholders approved an increase in the authorized Common Shares of the company from 25,000,000 to 60,000,000 shares. On the same day, the Board of Directors authorized a two-for-one stock split in the form of a 100% stock dividend. The shares were issued on May 29, 1981 to shareholders of record on May 8, 1981.

Information on net income per share, dividends per share, and Common Shares outstanding have been adjusted for the stock split for all years presented.

PALL CORPORATION

Consolidated Statement of Stockholders' Equity

Years Ended August 1, 1981, August 2, 1980 and July 28, 1979	Common Stock	Capital in Excess of Par Value	Retained Earnings	Total Stockholders' Equity
BALANCE AT JULY 31, 1978	$3,922,000	$6,428,000	$32,672,000	$43,022,000
Net earnings			14,761,000	14,761,000
Cash dividends declared			(2,928,000)	(2,928,000)
Three-for-two stock split (including $9,000 paid for fractional shares)	1,962,000	(1,971,000)		(9,000)
Issuance of stock pursuant to exercise of stock options, 17,428 shares	17,000	200,000		217,000
U.S. income tax benefit from employees' disqualifying dispositions of stock option shares		4,000		4,000
BALANCE AT JULY 28, 1979	5,901,000	4,661,000	44,505,000	55,067,000
Net earnings			18,873,000	18,873,000
Cash dividends declared			(3,703,000)	(3,703,000)
Three-for-two stock split (including $15,000 paid for fractional shares)	2,954,000	(2,969,000)		(15,000)
Issuance of stock pursuant to exercise of stock options, 51,168 shares	51,000	421,000		472,000
BALANCE AT AUGUST 2, 1980	8,906,000	2,113,000	59,675,000	70,694,000
Net earnings			24,799,000	24,799,000
Cash dividends declared			(4,605,000)	(4,605,000)
Reduction of par value from $1.00 per share to $.50 per share	(4,457,000)	4,457,000		
Three-for-two stock split (including $21,000 paid for fractional shares)	2,229,000	(2,250,000)		(21,000)
Issuance of stock pursuant to exercise of stock options, 73,425 shares	41,000	404,000		445,000
BALANCE AT AUGUST 1, 1981	$6,719,000	$4,724,000	$79,869,000	$91,312,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7: Common Stock and Capital in Excess of Par Value

On November 20, 1980, the Company's authorized common stock was increased from 12,500,000 shares to 20,000,000 shares, and the par value was reduced from $1.00 per share to $.50 per share. On the same day, the Board of Directors declared a three-for-two stock split effective December 5, 1980. The amount of $4,457,000 was transferred from common stock to capital in excess of par value to reflect the reduction in par value. The par value of the new shares issued totalled $2,229,000, and this amount was transferred from capital in excess of par value to the common stock account.

On November 29, 1979, the Company's authorized common stock was increased from 8,500,000 to 12,500,000 shares, with the par value remaining at $1.00 per share. On the same day, the Board of Directors declared a three-for-two stock split effective December 14, 1979. The par value of the new shares issued totalled $2,954,000, and this amount was transferred from capital in excess of par value to the common stock account.

All references in the financial statements with regard to average number of shares of common stock and related prices, dividends and per share amounts have been restated to reflect the foregoing common stock splits.

As of August 1, 1981, 195,000 shares of common stock of the Company were reserved for the exercise of stock options.

SCOA INDUSTRIES INC.

Consolidated Statements of Income and Retained Earnings ($000)

Fiscal year ended	Jan. 30, 1982	Jan. 31, 1981	Jan. 26, 1980
Net income	32,109	28,118	30,381
Retained earnings, beginning of year	112,974	96,181	72,202
	145,083	124,299	102,583
Cash dividends declared — $.58, $.52 and $.43 per share	(8,677)	(7,745)	(6,402)
Transfer to common stock account for par value of shares issued under stock splits — 5,050,468 shares in 1981 and 3,579,817 shares in 1980	(5,050)	(3,580)	
Retained earnings, end of year	$131,356	$112,974	$ 96,181

NOTES TO FINANCIAL STATEMENTS

Common Stock (in part)

On November 2, 1981, the Board of Directors of the Company declared a three-for-two split of its common stock, effected as a stock dividend, deliverable on January 15, 1982 to shareholders of record on December 31, 1981. On March 8 and November 3, 1980, the Board declared five-for-four splits of its common stock, effected as stock dividends, deliverable on May 9, 1980 and January 16, 1981 to shareholders of record on April 18, 1980 and December 31, 1980. Pursuant to the aforementioned declarations, 5,050,468 shares in 1981 and 3,579,817 shares in 1980 were distributed from the authorized and unissued common stock and $5,050,000 in 1981 and $3,580,000 in 1980, representing the par value of the shares issued, were transferred from retained earnings to the common stock account. All per share amounts have been restated in the consolidated financial statements.

RAYTHEON COMPANY

Statements of Stockholders' Equity

	Years Ended December 31, 1981, 1980 and 1979			
	Common Stock		Additional	Retained
	Shares	Par Value	Paid-in Capital	Earnings
		In thousands		
Balance at December 31, 1978				
As previously reported	40,138	$50,173	$115,001	$ 727,373
Two-for-one stock split	40,138	30,103	(30,103)	
As restated	80,276	80,276	84,898	727,373
Net income				240,340
Dividends declared				
$.85 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	804	804	8,830	(5)
Proceeds under common stock option plans	624	624	8,536	
Balance at December 31, 1979	81,704	81,704	101,776	903,002
Net income				282,257
Dividends declared				
$1.05 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	818	818	8,791	
Proceeds under common stock option plans	844	844	14,809	
Balance at December 31, 1980	83,366	83,366	125,376	1,094,854
Net income				324,041
Dividends declared—$1.25 per share				(105,160)
Proceeds under common stock option plans	814	814	12,722	
Balance at December 31, 1981	84,180	$84,180	$138,098	$1,313,735

NOTES TO FINANCIAL STATEMENTS

Note K: Capital Stock

At the Annual Meeting held on May 27, 1981, the stockholders approved an amendment to the company's Certificate of Incorporation, effective June 8, 1981, increasing the number of authorized shares of common stock from 50,000,000 to 125,000,000, splitting each outstanding share of common stock two-for-one and decreasing the par value per share of common stock to $1.00 from $1.25. Shares of common stock and treasury stock, dividends per share, stock options, prices at which options are exercisable, income per share and other per share statistics have been computed giving retroactive effect to the aforesaid stock split.

There are 3,000,000 shares of serial preferred stock without par value authorized and unissued at December 31, 1981 and 1980.

THE SHERWIN-WILLIAMS COMPANY

Statements of Consolidated Shareholders' Equity

Thousands of dollars

	Serial Preferred Stock	Common Stock	Other Capital	Retained Earnings	Cumulative Translation Adjustment	Treasury Stock
Balance at December 31, 1978	$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	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—$4.00 per share	—	—	—	(775)	—	—
Common stock—$.60 per share	—	—	—	(5,861)	—	—
Balance at December 31, 1980	8,583	34,162	6,000	254,184	—	(16,053)
Cumulative translation adjustment	—	—	—	—	(1,548)	—
Two-for-one stock split	—	34,537	(5,360)	(29,177)	—	—
Treasury stock acquired:						
164,044 shares of common stock	—	—	—	—	—	(3,234)
Common stock issued:						
138,838 shares upon exercise of stock options	—	552	1,113	—	—	—
93,782 shares upon conversion of preferred stock	(1,038)	535	503	—	—	—
4,342 shares upon conversion of 6.25% Convertible Subordinated Debentures	—	20	137	—	—	—
Net income	—	—	—	31,385	—	—
Cash dividends declared:						
Series A preferred stock—$4.00 per share	—	—	—	(271)	—	—
Series B preferred stock—$4.40 per share	—	—	—	(700)	—	—
Common stock—$.80 per share	—	—	—	(7,936)	—	—
Current year translation adjustment	—	—	—	—	(1,374)	—
Balance at December 31, 1981	$7,545	$69,806	$2,393	$247,485	$(2,922)	$(19,287)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 1981, 1980 and 1979

Note 2—Stock Split

On February 18, 1981, the company's board of directors authorized a two-for-one split of the common stock effected in the form of a 100% stock dividend which was distributed on March 30, 1981, to holders of record on March 9, 1981. Accordingly, all numbers of common shares and per share data have been restated to reflect the stock split. The par value of the additional shares of common stock issued in connection with the stock split was credited to common stock and a like amount charged to other capital and retained earnings.

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			
	1981	1980	1979	1978
Credits				
Common stock issuances:				
Employee benefits	340	349	320	359
Conversion of debt	83	83	64	55
Conversion of preferred stock	61	60	59	61
Business combinations	49	51	56	47
Stock option tax benefits	49	56	50	41
Public offerings	21	15	12	N/C
Purchase or retirement of capital stock	21	26	22	29
Other—Described	47	39	37	48
Charges				
Treasury stock issued for less than cost	57	50	48	41
Purchase or retirement of capital stock	56	49	53	48
Conversion of preferred stock	25	32	33	21
Business combinations	3	7	12	19
Other—Described	24	30	22	20

N/C—Not Compiled

Stock Issued in Connection with Employee Benefit Plans

HALLIBURTON COMPANY

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, 1978	58,801,907	$147,005	$209,847
Shares issued to employees under restricted stock plan (Note 10)	83,576	209	6,869
Balance, December 31, 1979	58,885,483	147,214	216,716
Shares issued to employees under restricted stock plan (Note 10)	40,739	102	7,719
Issuance of shares to effect two-for-one stock split	58,926,222	147,315	(147,315)
Other	—	—	114
Balance, December 31, 1980	117,852,444	294,631	77,234
Shares issued to employees under restricted stock plan (Note 10)	245,866	615	11,041
Other	—	—	78
Balance, December 31, 1981	118,098,310	$295,246	$ 88,353

Note 10: Capital Stock

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, 1981 previously unissued shares of 3,547,504 (net of 396,972 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, 1981 the unamortized excess amounted to $43,440,000. 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, 1981 for future issuance under the Company's career executive incentive stock plan totaled 1,452,496 shares.

POTLATCH CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 12: Common Stockholders' Equity

Changes in common stock ($1 par value) follow:

	1981	1980	1979
Balance at beginning of year	$15,230	$15,168	$15,168
Shares issued under option plans	22	4	—
Shares issued as contributions to company's salaried employees' savings investment and stock ownership plan	59	58	—
Balance at end of year	$15,311	$15,230	$15,168

Additional paid-in capital is summarized as follows:

	1981	1980	1979
Balance at beginning of year	$86,704	$84,297	$84,107
Excess of option price of shares over par value of common stock relative to stock issued under option plans, including related tax benefit	638	161	—
Excess of market price of shares over par value of common stock relative to contribution to company's salaried employees' savings investment and stock ownership plan	2,274	2,101	—
Excess of option price of shares over cost of treasury stock relative to stock options exercised, including related tax benefit	—	145	190
Balance at end of year	$89,616	$86,704	$84,297

AIR PRODUCTS AND CHEMICALS, INC. (SEP)

Changes in Shareholders' Equity

	Common Stock $1 Par Value (number of shares)	Capital in Excess of Par Value (in thousands of dollars)	Retained Earnings
Balance, Beginning of Year 1979	28,155,663	$148,445	$308,695
Net Income			97,540
Cash Dividends			
Common Stock, $.65 per share			(18,376)
Treasury shares issued at market price for:			
Employees Savings and Stock Ownership Plan	52,405	1,360	
Incentive Compensation Plan Awards	58,790	1,419	
Tax Reduction Act Employee Stock Ownership Plan (TRASOP)	38,695	1,048	
Balance, Beginning of Year 1980	28,305,553	152,272	387,859
Net Income			115,502
Cash Dividends			
Common Stock. $.80 per share			(22,728)
Treasury shares issued at market price for:			
Employees Savings and Stock Ownership Plan	52,645	1,443	
Incentive Compensation Plan Awards	15,477	253	
Original shares issued for:			
Tax Reduction Act Employee Stock Ownership Plan (TRASOP)	46,700	1,681	
Stock Options	409	8	
Other		114	
Balance, Beginning of Year 1981	28,420,784	155,771	480,633
Net Income			126,039
Cash Dividends			
Common Stock, $.80 per share			(22,835)
Original shares issued at market price for:			
Employees Savings and Stock Ownership Plan	48,277	1,805	
Incentive Compensation Plan Awards	56,241	2,319	
Tax Reduction Act Employee Stock Ownership Plan (TRASOP)	36,754	1,567	
Stock Options	9,168	322	
Purchase of Treasury Stock	(1,334)	(56)	
Balance, End of Year 1981	28,569,890	$161,728	$583,837

THE CLEVELAND-CLIFFS IRON COMPANY

Statement of Consolidated Shareholders' Equity

	Common Shares	Capital In Excess Of Par Value Of Shares	Retained Income	Common Shares In Treasury	Total
Balance January 1, 1979 (as reported) ...	$12,807,000	$5,817,000	$271,209,000	$(6,500,000)	$283,333,000
Adjustment for accounting change (Accounting Policies Note)			(700,000)		(700,000)
Balance January 1, 1979 (revised)	12,807,000	5,817,000	270,509,000	(6,500,000)	282,633,000
Net income			47,133,000		47,133,000
Cash dividends paid on Common Shares—$1.40 a share			(17,134,000)		(17,134,000)
Purchase of 30,744 Common Shares less distribution of 3,101 common shares				(1,038,000)	(1,038,000)
Balance December 31, 1979	12,807,000	5,817,000	300,508,000	(7,538,000)	311,594,000
Net income			50,226,000		50,226,000
Cash dividends paid on Common Shares—$1.50 a share			(18,305,000)		(18,305,000)
Distribution of 13,050 Common Shares in accordance with the stock options plans—Note H		262,000		167,000	429,000
Purchase of 38,571 Common Shares less distribution of 682 common shares				(1,261,000)	(1,261,000)
Balance December 31, 1980	12,807,000	6,079,000	332,429,000	(8,632,000)	342,683,000
Net income			45,166,000		45,166,000
Cash dividends on Common Shares—$1.70 a share			(20,893,000)		(20,893,000)
Distribution of 122,400 Common Shares in accordance with the stock option plans—Note H		2,264,000		1,710,000	3,974,000
Purchase of 1,476 Common Shares less distribution of 1,283 common shares		2,000		(79,000)	(77,000)
Balance December 31, 1981	$12,807,000	$8,345,000	$356,702,000	$(7,001,000)	$370,853,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note H—Stock Option Plans

Under the Company's 1969 stock option plan for certain employees, options to purchase Common Shares were granted at the market price of such shares on the date of grant. No options for Common Shares are available for future grants. Options generally become exercisable over four years beginning one year from date of grant and have a term of five years. Following is the status of the 1969 plan:

	1981 Number Of Shares	1981 Option Price Range Per Share	1980 Number Of Shares	1980 Option Price Range Per Share
Outstanding at beginning of year	192,100	$27.75-31.63	203,000	$27.75-31.63
Exercised	101,500	27.75-31.63	900	27.75
Cancelled	14,000	29.25-31.63	10,000	31.63
Outstanding at end of year	76,600	27.75	192,100	27.75-31.63
Exercisable at end of year	76,600	27.75	140,516	27.75-31.63

Under the Company's 1979 restricted stock plan, Common Shares may be awarded or sold to certain employees with certain restrictions as to disposition over specified periods. The market value of the awards, as determined on the date of the grant, is charged to expense when the restrictions on the Common Shares are removed. Following is the status of the 1979 plans:

	Common Shares 1981	Common Shares 1980
Available for award or sale at beginning of year	187,850	200,000
Awarded during the year	20,900	12,150
Available for award or sale at end of year	166,950	187,850
Awarded and restricted at end of year	30,837	12,150

Stock Issued in Conversions

THE BENDIX CORPORATION

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 $64 per share at September 30, 1981, 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.

On February 27, 1981, the Corporation purchased through a tender offer approximately four million shares of its outstanding Common Stock at $64 per share. All such purchased shares have been cancelled and retired.

At September 30, 1981, 5,830,759 shares of Common Stock were reserved for conversion of Series A and Series B Preferred Stock and for the Corporation's Stock Option, Incentive Compensation, Performance Incentive, and Stock Ownership plans, and 380,415 shares of Series B Preferred Stock were reserved for a subsidiary's employee stock option plan.

A summary of Stockholders' Equity is set forth below:

	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional Capital	Retained Earnings
	Shares	Amount	Shares	Amount	Shares	Amount		
			(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 business			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
Net income								452.8
Cash dividends								
Series A Preferred Stock								(.5)
Series B Preferred Stock								(16.6)
Common Stock								(60.6)
Stock purchase					(4,000,014)	(20.0)	(9.3)	(228.2)
Conversion of preferred stock	(57,258)	(.4)	(11,962)	(.5)	126,463	.6	.3	
Stock sold under stock option plans and related income tax benefits			58,290	2.4	219,570	1.1	5.0	
Balance, September 30, 1981	194,160	$1.5	4,115,023	$170.8	19,368,980	$ 96.8	$42.7	$1,158.9

BROWNING-FERRIS INDUSTRIES, INC.

Consolidated Statements of Capital Stock and Additional Paid-In Capital

For the Three Years Ended September 30, 1981, 1980 and 1979
(Amount Columns In Thousands)

	Serial Convertible Preferred Stock, No par		Common Stock, $.16⅔ Par		Additional Paid-In Capital
	Shares	Amount	Shares	Amount	
Balance, September 30, 1978	402,567	$21,255	17,116,716	$2,853	$ 62,419
Conversion of serial preferred stock into common stock	(1,096)	(55)	3,649	1	54
Redemption of serial preferred stock	(212)	(212)	—	—	—
Stock options exercised	—	—	92,814	15	881
Amortization of discount on serial preferred stock	—	—	—	—	15
Transfer of additional paid-in capital to serial preferred stock to reflect redemption value	—	85	—	—	(85)
Balance, September 30, 1979	401,259	21,073	17,213,179	2,869	63,284
Redemption of serial preferred stock	(638)	(638)	—	—	—
Stock options exercised	—	—	360,003	60	3,291
Amortization of discount on serial preferred stock	—	—	—	—	8
Common stock issued in acquisition	—	—	399,990	67	1,089
Conversion of serial preferred stock into common stock	(15,207)	(760)	50,683	8	752
Income tax benefit of stock options exercised	—	—	—	—	200
Balance, September 30, 1980	385,414	19,675	18,023,855	3,004	68,624
Stock options exercised	—	—	203,505	34	2,115
Sale of common stock, net of expenses	—	—	1,050,000	175	34,822
Conversion of serial preferred stock into common stock	(25,378)	(1,673)	104,404	18	1,655
Income tax benefit of stock options exercised	—	—	—	—	659
Balance, September 30, 1981	360,036	$18,002	19,381,764	$3,231	$107,875

NABISCO BRANDS, INC.

Consolidated Statement of Shareholders' Equity

(Dollars in millions)	$3.50 Cumulative Preferred Shares	$3.50 Cumulative Preferred Amount	Common Stock Issued Shares	Common Stock Issued Amount	Common Stock Treasury Stock Shares	Common Stock Treasury Stock Amount	Additional Paid-in Capital	Retained Earnings
Balance, December 31, 1978	125,302	$12.5	61,626,164	$123.3	(64,044)	$(1.3)	$23.1	$ 941.3
Net income								186.5
Dividends declared								(89.6)
Issued in connection with:								
Exercise of stock options			39,978	.1			.6	
Incentive compensation plans					30,603	.7	—	
Employee Stock Ownership Plan			24,885	—			.6	
Dividend Reinvestment and Stock Purchase Plan			109,271	.2			2.4	
Treasury stock acquired					(3,463)	(.1)	—	
Balance, December 31, 1979	125,302	12.5	61,800,298	123.6	(36,904)	(.7)	26.7	1,038.2
Net income								234.8
Dividends declared								(99.5)
Issued in connection with:								
Exercise of stock options			42,550	.1			.7	
Incentive compensation plans					33,400	.7	.1	
Employee Stock Ownership Plan			27,264	—			.8	
Dividend Reinvestment and Stock Purchase Plan			169,142	.3			4.2	
Convertible debentures			36,406	.1			.8	
Purchase of minority interest			29,167	.1			1.3	(.7)
Treasury stock acquired					(1,823)	—		
Balance, December 31, 1980	125,302	12.5	62,104,827	124.2	(5,327)	—	34.6	1,172.8
Net income								266.3
Dividends declared								(111.6)
Issued in connection with:								
Exercise of stock options			66,135	.1			1.4	
Incentive compensation plans					38,805	.9	—	
Employee Stock Ownership Plan			44,254	.1			1.1	
Dividend Reinvestment and Stock Purchase Plan			220,885	.5			5.3	
Convertible debentures			666,886	1.3			14.9	
Treasury stock acquired	(5,310)	(.5)			(38,876)	(1.0)	(.1)	
Balance, December 31, 1981	119,992	$12.0	63,102,987	$126.2	(5,398)	$ (.1)	$57.2	$1,327.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Long-Term Debt (in part)

The various debenture and other note issues generally require annual payments until final maturity. During 1981, the Company prepaid certain sinking fund installments through the repurchase of $47 million of principal amount of debentures.

The 5¼% Guaranteed Convertible Debentures were called for redemption during 1981 in connection with the merger. $16.2 million of these debentures were converted into 666,886 shares of common stock and the remainder were redeemed for cash.

The combined maturities and sinking fund obligations for all long-term debt issues during the next five years are as follows (in millions): 1982, $34.7; 1983, $36.6; 1984, $71.9; 1985, $77.6; and 1986, $42.2.

TRIANGLE INDUSTRIES, INC.

Consolidated Statement of Shareholders' Equity

Years Ended December 31	1981	1980	1979
Common shares issued (number)			
Balance at beginning of year	2,251,050	2,251,050	2,147,957
Shares issued upon conversion of convertible subordinated notes	126,353	—	—
5% stock dividend	—	—	103,093
Balance at end of year	2,377,403	2,251,050	2,251,050
Common shares			
Balance at beginning of year	$ 2,251,000	$ 2,251,000	$ 2,148,000
Shares issued upon conversion of convertible subordinated notes	126,000	—	—
5% stock dividend	—	—	103,000
Balance at end of year	$ 2,377,000	$ 2,251,000	$ 2,251,000
Additional paid-in capital			
Balance at beginning of year	$ 7,246,000	$ 7,246,000	$ 6,525,000
Excess of $1,950,000 principal amount of 7.10% convertible subordinated notes over the stated value of 126,353 common shares issued upon conversion	1,824,000	—	—
5% stock dividend	—	—	721,000
Balance at end of year	$ 9,070,000	$ 7,246,000	$ 7,246,000
Retained earnings			
Balance at beginning of year, as previously reported			$38,906,000
Cumulative effect on prior years of change in accounting for compensated absences			(783,000)
Balance at beginning of year, as restated	$42,904,000	$39,787,000	38,123,000
Net income	1,371,000	3,988,000	3,232,000
Cash dividends	(887,000)	(871,000)	(744,000)
5% stock dividend	—	—	(824,000)
Balance at end of year	$43,388,000	$42,904,000	$39,787,000
Treasury shares			
Balance at beginning of year	$(1,295,000)	$ (983,000)	$ (983,000)
Purchase of 31,400 shares	—	(312,000)	—
Balance at end of year	$(1,295,000)	$(1,295,000)	$ (983,000)
Total shareholders' equity	$53,540,000	$51,106,000	$48,301,000

Purchase Method Business Combination

BURROUGHS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (in part): Acquisitions

Effective December 3, 1981, Memorex Corporation (Memorex) was merged into a wholly-owned subsidiary of the Company pursuant to a Plan and Agreement of Reorganization as of October 30, 1981. The total consideration paid by the Company of $117 million for the outstanding equity of Memorex consisted of $103.1 million in cash and 475,583 shares of Burroughs common stock valued at $13.9 million.

The acquisition is being accounted for as a purchase. The underlying net assets of Memorex as reported in its financial statements exceed the cost of the Company's investment. This excess will be allocated to Memorex assets acquired and liabilities assumed, principally rental equipment and property, plant and equipment, following completion of an appraisal and an in-depth study. The allocation of the excess will result in lower future costs, principally depreciation and amortization of Memorex assets. The liabilities (including long-term debt at fair value) and current assets of Memorex have been combined with those of Burroughs and included in the 1981 consolidated balance sheet. Pending completion of the aforementioned appraisal and in-depth study, noncurrent assets and the portion of the excess not allocated to debt have been included in Other Assets.

Note 8: Common Stock, Paid-in Capital and Treasury Stock

Changes in issued common stock, paid-in capital and treasury stock for the three years ended December 31, 1981 were as follows:

	(thousands)				
	Common stock		Paid-in	Treasury Stock	
	Shares	Amount	Capital	Shares	Amount
Balance at December 31, 1978	40,999	$204,996	$408,273	(47)	$ (476)
Sale of stock under the stock option and purchase plans	229	1,147	13,581		
Conversion of convertible debt	6	28	376		
Acquisition of assets			352	6	61
Balance at December 31, 1979	41,234	206,171	422,582	(41)	(415)
Sale of stock under the stock option and purchase plans	313	1,563	13,173		
Conversion of convertible debt	4	22	286		
Balance at December 31, 1980	41,551	207,756	436,041	(41)	(415)
Sale of stock under the stock option and purchase plans	457	2,289	12,040		
Purchase of treasury stock				(421)	(13,623)
Acquisition of Memorex	139	694	2,528	337	10,736
Retirement of treasury stock	(84)	(422)	(2,465)	84	2,887
Balance at December 31, 1981	42,063	$210,317	$448,144	(41)	$ (415)

At December 31, 1981, 2,036,000 shares of unissued common stock of the Company were reserved for conversion of convertible debt and the stock option and purchase plans.

FLUOR CORPORATION

Consolidated Statement of Shareholders' Equity

($ in thousands, except per share amounts)

Years ended October 31, 1979, 1980 and 1981	Series B Preferred Stock	Common Stock	Additional Capital	Retained Earnings	Unamortized Executive Stock Plan Expense	Total
Balances at October 31, 1978	$460	$ 9,805	$ 126,857	$283,845	$ (2,732)	$ 418,235
Net earnings				98,671		98,671
3-for-2 stock split		4,802	(4,802)			
Cash dividends on preferred ($3.00 per share)				(644)		(644)
Cash dividends on common ($.48½ per share)				(22,744)		(22,744)
Conversion of preferred into common	(377)	629	(252)			
Exercise of stock options		22	693			715
Amortization of executive stock plan expense					612	612
Issuance of restricted stock		63	3,552		(3,536)	79
Common stock purchases		(759)	(47,009)			(47,768)
Balances at October 31, 1979	83	14,562	79,039	359,128	(5,656)	447,156
Net earnings				131,889		131,889
2-for-1 stock split		14,890	(14,890)			
Cash dividends on preferred ($.75 per share)				(27)		(27)
Cash dividends on common ($.65 per share)				(30,840)		(30,840)
Conversion of preferred into common	(79)	186	(107)			
Redemption of preferred	(4)		(441)			(445)
Exercise of stock options—net		119	3,043			3,162
Amortization of executive stock plan expense					1,173	1,173
Issuance of restricted stock—net		67	5,363		(5,365)	65
Balances at October 31, 1980	—	29,824	72,007	460,150	(9,848)	552,133
Net earnings				159,238		159,238
Cash dividends on common ($.80 per share)				(44,313)		(44,313)
Exercise of stock options—net		96	2,305			2,401
Amortization of executive stock plan expense					1,821	1,821
Issuance of restricted stock—net		78	4,443		(4,517)	4
Issuance of stock-acquisition of St. Joe Minerals Corporation		18,810	978,113			996,923
Balances at October 31, 1981	$ —	$48,808	$1,056,868	$575,075	$(12,544)	$1,668,207

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Acquisition of St. Joe Minerals Corporation (in part)

Pursuant to an Agreement and Plan of Merger, on May 1, 1981 the company acquired 20,409,822 shares of St. Joe Minerals Corporation (St. Joe) common stock (approximately 45 percent of the outstanding common shares) for cash at a price of $60 per share. The company's 45% investment in St. Joe for the three month period preceding consummation of the merger was accounted for using the equity method. On August 3, 1981, the merger was approved by the shareholders and 30,095,532 shares of the company's common stock, valued at $996,923,000, were exchanged for the remaining outstanding common shares of St. Joe. The cost of the acquisition, which has been accounted for as a purchase, was $2,230,208,000 including expenses.

Certain estimates were made at October 31, 1981, as to the allocation of the purchase price to certain assets of St. Joe which may require future adjustments. Potential adjustments would not have a material effect on the October 31, 1981 consolidated financial statements.

Income Tax Benefit from Issuance of Stock to Employees

DIGITAL EQUIPMENT CORPORATION

Consolidated Statements of Stockholders' Equity

(In Thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
July 1, 1978	$39,873	$ 362,110	$ 502,775	$ 904,758
Shares issued under stock option and purchase plans (Note J)	733	23,579		24,312
Restricted stock plans, charge to operations (Note J)		8,602		8,602
Stock option and purchase plans—excess Federal income tax benefits (Note J)		4,130		4,130
Net income—1979			178,434	178,434
June 30, 1979	40,606	398,421	681,209	1,120,236
Shares issued upon conversion of 4½% Convertible Subordinated Debentures	4,384	241,506		245,890
Shares issued under stock option and purchase plans (Note J)	579	21,287		21,866
Restricted stock plans, charge to operations (Note J)		9,306		9,306
Stock option and purchase plans—excess Federal income tax benefits (Note J)		4,590		4,590
Net income—1980			249,861	249,861
June 28, 1980	45,569	675,110	931,070	1,651,749
Sale of common stock	2,500	238,178		240,678
Shares issued upon conversion of 8⅞% Convertible Subordinated Debentures	5,551	387,287		392,838
Shares issued under stock option and purchase plans (Note J)	728	31,890		32,618
Restricted stock plans, charge to operations (Note J)		9,751		9,751
Stock option and purchase plans—excess Federal income tax benefits (Note J)		8,758		8,758
Net income—1981			343,297	343,297
June 27, 1981	$54,348	$1,350,974	$1,274,367	$2,679,689

Note J (in part): Stock Options

At the time these options are exercised, the common stock account is increased by the par value ($1 per share) of the shares sold and the remaining portion of the proceeds is credited to additional paid-in capital. The excess of the fair market value of the shares on the grant date over the option price is charged to operations each year as the restrictions lapse. Such charges to operations amounted to $9,751,000 in fiscal 1981, $9,306,000 in fiscal 1980 and $8,602,000 in fiscal 1979. The amount deductible for Federal income taxes exceeds the amount charged to income for book purposes; the Federal income tax benefits relating to this difference have been credited to additional paid-in capital.

1968 Employee Stock Purchase Plan Under the Company's 1968 Employee Stock Purchase Plan, all United States, Canadian, German and United Kingdom employees may be granted options to purchase common stock at 85% of market value on the first or last business day of the six month payment period, whichever is lower. Common stock reserved for future grants aggregated 982,532 shares at June 27, 1981 and 1,411,781 shares at June 28, 1980. There were 429,249 shares issued at an average price of $65.70 in fiscal 1981 and 379,387 shares at $50.02 in fiscal 1980. There have been no charges to income in connection with the options other than incidental expenses related to the issuance of the shares. Federal income tax benefits relating to such options have been credited to additional paid-in capital.

SAV-A-STOP INCORPORATED

Consolidated Statements of Changes in Stockholders' Equity

Years ended August 29, 1981, August 30, 1980 and September 1, 1979

	Preferred stock	Common stock	Additional paid-in capital	Retained earnings	Treasury stock
Balances September 2, 1978	$14,749	389,192	12,448,205	18,988,234	—
Proceeds from exercise of stock options	—	8,961	195,987	—	—
Market value of shares issued under 1978 Restricted Stock Bonus Plan	—	7,000	278,000	—	—
Federal income tax benefits resulting from early sales of shares obtained by exercising stock options	—	—	42,675	—	—
Net earnings	—	—	—	1,398,223	—
Preferred stock dividends declared—$1.35 per share	—	—	—	(199,117)	—
Balances September 1, 1979	14,749	405,153	12,964,867	20,187,340	—
Proceeds from exercise of stock options	—	4,747	121,341	—	—
Federal income tax benefits resulting from early sales of shares obtained by exercising stock options	—	—	51,414	—	—
Net earnings	—	—	—	5,712,317	—
Dividends declared:					
Preferred stock—$1.69 per share	—	—	—	(248,896)	—
Common stock—$.10 per share	—	—	—	(403,502)	—
Cost of 120,000 common shares purchased	—	—	—	—	(1,200,000)
Balances August 30, 1980	14,749	409,900	13,137,622	25,247,259	(1,200,000)
Proceeds from exercise of stock options	—	13,382	822,599	—	—
Market value of shares issued under 1980 Restricted Stock Bonus Plan	—	9,950	1,006,018	—	—
Federal income tax benefits resulting from early sales of shares obtained by exercising stock options	—	—	262,352	—	—
Net earnings	—	—	—	5,008,865	—
Dividends declared:					
Preferred stock—$1.35 per share	—	—	—	(199,117)	—
Common stock—$.10 per share	—	—	—	(419,958)	—
Balances August 29, 1981	$14,749	433,232	15,228,591	29,637,049	(1,200,000)

Treasury Stock Transactions

DIAMOND INTERNATIONAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7: Capital Stock

Changes in preferred and common stock outstanding during 1979, 1980 and 1981 were as follows:

	Number of Shares		Par Value (In thousands of dollars)		Capital in Excess of Par Value (In thousands of dollars)
	Preferred*	Common**	Preferred*	Common**	
Balance January 1, 1979	2,371,488	11,673,891	$2,371	$5,837	$ 79,568
Common and preferred shares issued upon exercise of stock options and stock appreciation rights	9,650	5,789	10	3	259
Common shares issued in stock dividend distribution.	—	1,163,633	—	582	38,982
Conversion of preferred shares to common shares	(48,675)	22,649	(49)	11	37
Balance December 31, 1979	2,332,463	12,865,962	2,332	6,433	118,846
Common and preferred shares issued upon exercise of stock options and stock appreciation rights	750	20,196	1	10	886
Common shares issued in acquisition of Brooks-Scanlon, Inc. (see Note 3)	—	2,245,080	—	1,123	82,736
Conversion of preferred shares to common shares	(137,813)	64,193	(138)	32	105
Balance December 31, 1980	2,195,400	15,195,431	2,195	7,598	202,573
Common shares issued upon exercise of stock options and stock appreciation rights	—	6,545	—	3	138
Purchase of treasury shares	—	(1,504,144)	—	(752)	(16,860)
Conversion of preferred shares to common shares	(56,031)	26,097	(56)	13	42
Balance December 31, 1981	2,139,369	13,723,929	$2,139	$6,862	$185,893

*Preferred—$1.20 Diamond Series A Cumulative Convertible Preferred, par value $1.00 per share.
**Common—par value $.50 per share.

Common shares held in Treasury at December 31, 1979 and 1980 amounted to 294,750 shares. On May 21, 1981, the Company repurchased 1,504,144 shares of its common stock. The aggregate purchase price of $65,994,000 has been allocated as follows: common stock—$752,000; capital in excess of par value—$16,860,000; and earnings retained—$48,382,000. As of December 31, 1981, all treasury shares have been constructively retired by resolution of the Board of Directors.

Preferred stock is convertible, at the option of the holder, into fully paid and non-assessable shares of the Company's common stock at the rate of .466 shares of common stock for each share of Preferred stock. The Company has the option to redeem the Preferred stock, in whole or in part, any time after November 15, 1983 at prices from $16.75 to $16.00 per share.

WHITE CONSOLIDATED INDUSTRIES, INC.

Consolidated Statements of Common Stockholders' Equity

	Common Stock	Other Capital	Retained Income	Common Stock in Treasury	Total
			(In Thousands)		
Balance January 1, 1979	$11,850	$ 99,379	$198,794	$(6,129)	$303,894
Net income			75,705		75,705
Cash dividends:					
Serial Preferred Stock, Series A, B and C—$3.00 a share; Series D—$4.75 a share			(4,934)		(4,934)
Common Stock—$1.325 a share			(15,799)		(15,799)
Issuance of 6,570 shares of Common Stock under stock option plans	7	110			117
Issuance of 1,838,861 shares of Common Stock upon conversion of debentures	1,839	39,846			41,685
Excess of par value over cost of Preferred Stock redeemed		659			659
Balance December 31, 1979	13,696	139,994	253,766	(6,129)	401,327
Net income			57,009		57,009
Cash dividends:					
Serial Preferred Stock, Series A, B and C—$3.00 a share; Series D—$4.75 a share			(4,637)		(4,637)
Common Stock—$1.40 a share			(18,582)		(18,582)
Issuance of 8,860 shares of Common Stock under stock option plan	9	149			158
Issuance of 19,973 shares of Common Stock upon conversion of debentures	20	448			468
Excess of par value over cost of Preferred Stock redeemed		567			567
Balance December 31, 1980	13,725	141,158	287,556	(6,129)	436,310
Net income			62,032		62,032
Cash dividends:					
Serial Preferred Stock, Series A, B and C—$3.00 a share; Series D—$4.75 a share			(4,244)		(4,244)
Common Stock—$1.475 a share			(19,616)		(19,616)
Issuance of 10,772 shares of Common Stock under stock option plan	11	235			246
Issuance of 23,216 shares of Common Stock upon conversion of debentures	23	573			596
Excess of par value over cost of Preferred Stock redeemed		1,600			1,600
Balance December 31, 1981	$13,759	$143,566	$325,728	$(6,129)	$476,924

ANDERSON, CLAYTON & CO.

Statements of Retained Earnings and Additional Paid-in Capital

Years Ended June 30, 1981, 1980 and 1979

(In thousands of dollars except per share)

	1981	1980	1979
Consolidated Retained Earnings:			
Balance at beginning of year	$418,593	$380,495	$345,696
Net income for year	51,399	52,749	48,815
	469,992	433,244	394,511
Cash dividends paid on common stock ($1.20 a share in 1981, $1.12 a share in 1980 and $1.03 a share in 1979)	14,927	14,651	14,016
Balance at end of year (notes 1, 8 and 9)	$455,065	$418,593	$380,495
Consolidated Additional Paid-In Capital:			
Balance at beginning of year	$84,162	$84,458	$85,038
Excess of cost of treasury common stock over proceeds received from exercise of stock options (note 9)	(376)	(296)	(580)
Balance at end of year	$83,786	$84,162	$84,458

Note 9. The Company has stock option plans that provide for granting of options on common stock to officers and key employees. Information concerning options outstanding as of June 30, 1981, June 30, 1980 and June 30, 1979 is tabulated as follows:

(Shares)	June 30		
	1981	1980	1979
Under option	353,105	333,455	400,265
Exercisable	133,043	215,142	205,878
Exercised during year	55,437	41,980	49,380
Granted during the year	154,300	11,500	152,750
Expired	61,700	—	200
Cancelled	17,513	36,330	8,500
Available for options	383,121	458,208	433,378

Price per share of shares under option was $9.00 to $23.75 at June 30, 1981 and 1980 and $9.00 to $25.13 at June 30, 1979. Price per share of options exercised during the year was $9.00 to $20.50 in 1981, $9.00 to $19.75 in 1980 and $8.87 to $19.75 in 1979. During 1981 the Company issued 26,750 stock appreciation rights at $22.125 to $22.50 per share and cancelled 750 rights at $22.125 per share. None were exercisable in 1981. During 1979 the Company issued 26,000 stock appreciation rights at $20.50 per share of which 500 were cancelled in 1980 and 750 in 1981. Rights exercisable were 12,375 in 1981 and 6,375 in 1980. None were exercisable in 1979.

The Company has followed the policy of using treasury common shares to fulfill its obligations under the stock option plans. When stock is issued pursuant to the stock options plans, the difference between the cost of treasury common shares issued and the option price is charged or credited to additional paid-in capital.

Public Offering of Stock

MONSANTO COMPANY

Statement of Consolidated Shareowners' Equity

(Dollars in millions, except per share)

	1981	1980	1979
Preferred Stock			
Balance, January 1	$ 0.3	$ 0.3	$ 0.4
Conversion to common stock	(0.1)		(0.1)
Balance, December 31	$ 0.2	$ 0.3	$ 0.3
Common Stock			
Balance, January 1	$ 73.9	$ 73.9	$ 73.9
Issuance of new shares	6.0		
Balance, December 31	$ 79.9	$ 73.9	$ 73.9
Additional Contributed Capital			
Balance, January 1	$ 651.8	$ 652.9	$ 651.5
Conversion of convertible securities and issuances under employee stock plans	1.3	(1.4)	(0.8)
Issuance of new shares	199.5		
Other	0.9	0.3	2.2
Balance, December 31	$ 853.5	$ 651.8	$ 652.9
Reinvested Earnings			
Balance, January 1	$2,122.7	$2,102.3	$1,892.5
Net income	445.1	148.8	331.0
Preferred dividends ($2.75 per share)	(0.3)	(0.4)	(0.5)
Common dividends ($3.75, $3.55 and $3.35 per share for 1981-1979, respectively)	(144.8)	(128.0)	(120.7)
Balance, December 31	$2,422.7	$2,122.7	$2,102.3
Common Stock in Treasury			
Balance, January 1	$ (40.5)	$ (47.6)	$ (38.9)
Shares purchased	(1.5)	(4.0)	(12.4)
Conversion of convertible securities and issuances under employee stock plans	15.9	11.1	7.9
Reclassification from miscellaneous investments			(4.4)
Other			0.2
Balance, December 31	$ (26.1)	$ (40.5)	$ (47.6)

NOTES TO THE FINANCIAL STATEMENTS

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 1.12 shares of the Company's common stock, subject to adjustment in certain events under antidilution provisions. Preferred stock may be redeemed solely at the Company's option at $73 per share (the voluntary liquidation preference) and has an involuntary liquidation preference of $35 per share, or an aggregate of $3.5 at December 31, 1981.

The Company issued 26,860, 39,241 and 30,120 common shares principally out of treasury stock upon conversion of 23,988, 35,042 and 26,931 preferred shares in 1981-1979, respectively. The Company also issued 59,997, 40,775 and 41,138 shares out of treasury stock in 1981-1979, respectively, upon exercise of conversion rights by holders of convertible loan stock issued by Monsanto p.l.c., and 130,066, 14,824 and 15,355 in 1981-1979, respectively, upon exercise of stock options. In 1981, the Company issued 58 shares from treasury stock for conversion of convertible debentures issued by Monsanto International Finance Company. There were no conversions of these debentures in 1980 or 1979.

The Company held 34,800 and 58,106 shares of its common stock in treasury for specific purposes (principally for distribution to participants in the Employee Stock Purchase Plan) at December 31, 1981 and 1980, respectively.

In addition, at December 31, 1981, there were 340,628 common shares reserved for conversion of convertible securities and 2,213,439 for stock options.

On April 29, 1981, the Company sold 3,000,000 shares of common stock in a public offering. The net proceeds of $205.5 from this issuance were used to reduce outstanding commercial paper reflected in long-term debt as of December 31, 1980.

THE MOHAWK RUBBER COMPANY

Consolidated Statements of Stockholders' Equity

	Common Stock					
	Shares	Par Value	Additional Paid-in Capital	Preferred Stock Series SAS	Retained Earnings	Total
Balance, January 1, 1979	1,678,259	$1,678,000	$13,883,000	$11,000	$19,944,000	$35,516,000
Conversion of preferred stock	116,156	116,000	(105,000)	(11,000)		
Dividends paid:						
Common stock—$.80 per share					(1,342,000)	(1,342,000)
Preferred stock—$405 per share					(46,000)	(46,000)
Net earnings					1,972,000	1,972,000
Balance, December 31, 1979	1,794,415	1,794,000	13,778,000	—	20,528,000	36,100,000
Dividends paid—$.80 per share					(1,435,000)	(1,435,000)
Net earnings					4,701,000	4,701,000
Balance, December 31, 1980	1,794,415	1,794,000	13,778,000	—	23,794,000	39,366,000
Debentures converted	4,032	4,000	60,000			64,000
Additional common stock issued less cost of issue	350,000	350,000	5,213,000			5,563,000
Dividends paid—$.875 per share					(1,736,000)	(1,736,000)
Cash in lieu of stock dividend			(8,000)			(8,000)
Net earnings					8,460,000	8,460,000
Balance, December 31, 1981	2,148,447	$2,148,000	$19,043,000	$ —	$30,518,000	$51,709,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note F (in part): Stockholders' Equity

In 1981, the Company declared a 3-for-2 stock split effected in the form of a 50% stock distribution. Additional paid-in capital was charged and common stock credited for the par value of the additional shares issued. All share and per share data have been adjusted to give effect to the stock split.

In 1981, the Company sold an additional 350,000 shares of common stock through a public offering. Proceeds of this issue were used to reduce long-term bank borrowings. Earnings per common share, assuming the debt retirement occurred at the beginning of the period, would have been $4.06 for 1981.

NATIONAL SEMICONDUCTOR CORPORATION

Consolidated Statements of Shareholders' Equity

(in thousands)	Common stock	Additional paid-in capital	Retained earnings	Total
Balances at May 31, 1978	$ 6,543	$ 31,293	$ 78,627	$116,463
Net earnings—1979	—	—	27,415	27,415
Issuance of stock (118,604 shares) under option, purchase and award plans.	60	2,069	—	2,129
Tax benefits related to stock option plans	—	432	—	432
Balances at May 31, 1979	6,603	33,794	106,042	146,439
Net earnings—1980	—	—	45,043	45,043
Issuance of stock (249,153 shares) under option, purchase and award plans.	124	4,541	—	4,665
Tax benefits related to stock option plans	—	900	—	900
Stock distribution to effect three-for-two stock split	3,349	(3,349)	—	—
Balances at May 31, 1980	10,076	35,886	151,085	197,047
Net earnings—1981	—	—	52,426	52,426
Issuance of stock (651,514 shares) under option, purchase and award plans.	326	9,788	—	10,114
Contributions (211,915 shares) to profit sharing plan	106	7,047	—	7,153
Tax benefits related to stock option plans	—	3,959	—	3,959
Net proceeds from common stock offering (1,500,000 shares)	750	61,908	—	62,658
Balances at May 31, 1981	$11,258	$118,588	$203,511	$333,357

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (in part): Shareholders' Equity

The net proceeds of the public offering of 1,500,000 shares of common stock on October 15, 1980, amounting to $62,657,810, were used to reduce bank borrowings incurred for general corporate purposes, including capital expenditures and additions to working capital.

Capital Transaction of Subsidiary

ASHLAND OIL, INC.

Statements of Consolidated Common Stockholders' Equity

(In thousands)	Common stock	Paid-in capital	Retained earnings	Treasury shares, etc.	Total
Balance at October 1, 1978 (including cumulative effect of accounting change of $9,462,000)	$27,841	$148,398	$864,792	$(99,396)	$941,635
Net income			526,253		526,253
Additional shares issued in 3 for 2 stock split	11,282	(11,398)		(4)	(120)
Cash dividends					
Preferred stock			(10,119)		(10,119)
Common stock, $1.80 a share			(59,350)		(59,350)
Purchased and retired common stock	(12,646)	(52,512)	(495,783)		(560,941)
Converted $22,424,000 of 4¾% debentures	651	21,556			22,207
Converted preferred stock	3,446	(998)		96,002	98,450
Other changes	2	37		(15)	24
Balance at September 30, 1979	30,576	105,083	825,793	(3,413)	958,039
Net income			205,129		205,129
Cash dividends					
Preferred stock			(18,715)		(18,715)
Common stock, $2.20 a share			(60,266)		(60,266)
Purchased and retired common stock	(122)	(354)	(3,974)		(4,450)
Converted $5,570,000 of 4¾% debentures	167	5,353			5,520
Converted and cancelled preferred stock	9	(3)		405	411
Issued preferred stock and 11.10% debentures in exchange for common stock	(3,981)	(14,134)	(161,051)		(179,166)
Purchased and redeemed preferred stock		952			952
Purchased 7,000 treasury shares				(282)	(282)
Balance at September 30, 1980	26,649	96,897	786,916	(3,290)	907,172
Net income			90,032		90,032
Cash dividends					
Preferred stock			(30,498)		(30,498)
Common stock, $2.40 a share			(63,612)		(63,612)
Issued common shares of Ashland Coal, Inc. to another investor—Note I		64,215			64,215
Converted $2,461,000 of 4¾% debentures	74	2,368			2,442
Purchased 51,000 treasury shares				(1,889)	(1,889)
Other changes	90	4,628	(778)		3,940
Balance at September 30, 1981	$26,813	$168,108	$782,060	$ (5,179)	$971,802

Note I—Common Stockholders' Equity

In June 1981, Ashland Coal, Inc., a wholly owned subsidiary, issued additional common shares to another investor for $102,500,000 which reduced Ashland's ownership interest to 75%. As a result of this issuance, Ashland's share in the net assets of Ashland Coal, Inc. was increased by $64,215,000, which was credited to paid-in capital.

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 11.10% Subordinated Debentures, due 2004.

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.

At September 30, 1981, 3,703,000 shares of Ashland common stock are reserved principally for conversion of the 4¾% Convertible Subordinated Debentures and $3.96 Series of 1981 Cumulative Preferred Stock.

INSILCO CORPORATION

Consolidated Statement of Changes in Shareholders' Equity

Year Ended December 31

In Thousands of Dollars (except per share amounts)

	1981		1980		1979	
	Shares	Amount	Shares	Amount	Shares	Amount
8% CONVERTIBLE PREFERRED STOCK						
Outstanding January 1	30,466	$ 762	31,925	$ 798	31,925	$ 798
Conversions to common stock	(6,428)	(161)	(1,459)	(36)	—	—
Redeemed for cash	(24,038)	(601)	—	—	—	—
Outstanding December 31	—	$ —	30,466	$ 762	31,925	$ 798
CONVERTIBLE SECOND PREFERRED SERIES A						
Outstanding January 1	487,761	$ 975	745,458	$ 1,491	755,792	$ 1,512
Conversions to common stock	(381,293)	(762)	(257,697)	(516)	(10,334)	(21)
Outstanding December 31	106,468	$ 213	487,761	$ 975	745,458	$ 1,491
COMMON STOCK						
Issued January 1	13,794,275	$ 13,794	11,454,360	$ 11,454	10,438,619	$ 10,439
Conversion of 9¾% debentures	—	—	1,452,494	1,453	—	—
5% stock dividends	1,377,964	1,378	543,477	543	1,001,421	1,001
Other conversions	552,599	553	343,944	344	14,320	14
Issued December 31	15,724,838	$ 15,725	13,794,275	$ 13,794	11,454,360	$ 11,454
ADDITIONAL PAID-IN CAPITAL						
Balance January 1		$ 84,343		$ 63,483		$ 52,322
Conversion of 9¾% debentures		—		14,817		—
5% stock dividends, at market value		22,100		5,832		11,138
Issuance of Times Fiber common stock		9,562		—		—
Other conversions		531		211		23
Balance December 31		$116,536		$ 84,343		$ 63,483
RETAINED EARNINGS						
Balance January 1		$112,047		$100,078		$ 95,927
Net earnings		34,007		30,423		26,947
Redemption of preferred stock		(361)		—		—
Deduct dividends declared on:						
8% Convertible Preferred Stock ($1.50 in 1981; $2.00 in 1980 and 1979)		(48)		(62)		(64)
Convertible Second Preferred Series A ($1.25)		(246)		(778)		(944)
Common Stock:						
Cash (1981 — $.93*; 1980 — $.83*; 1979 — $.77*)		(13,839)		(11,239)		(9,649)
Stock, at market value		(23,478)		(6,375)		(12,139)
Balance December 31		$108,082		$112,047		$100,078
TREASURY STOCK						
Balance January 1	663,199	$ 7,447	669,099	$ 7,511	677,417	$ 7,604
Purchased	40,017	674	1,586	20	136	2
Conversion of 9¾% debentures	—	—	(5,749)	(65)	—	—
Issued under Performance Share Unit Plan	(16,468)	(185)	(1,737)	(19)	(8,454)	(95)
Balance December 31	686,748	$ 7,936	663,199	$ 7,447	669,099	$ 7,511

*Adjusted to give effect to 5% stock dividends.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9—Sale of TFC Common Shares

In March 1981, the Company's subsidiary, Times Fiber Communications, Inc. (TFC), completed its initial public offering of common shares. A total of 1,950,000 shares were sold at $19.50 per share ($18.15 after deducting underwriters' costs), of which 780,000 previously unissued shares were sold by TFC and 1,170,000 were sold by the Company. The net proceeds of $29,775,000, after deducting other expenses and taxes, were used principally to reduce debt. The Company realized a gain of $17,074,000 ($11,832,000 or $.77 per share after-tax) on the sale of its TFC shares. An additional 262,500 shares of TFC common stock were issued in March and April 1981 to key employees of TFC for $428,000 upon exercise of stock options which were granted principally in 1977.

Because TFC sold its shares at an amount per share in excess of the Company's average carrying value per share, there was an increase of $8,483,000 in the Company's portion of TFC's shareholders' equity. The Securities and Exchange Commission requires that the Company credit this amount directly to its additional paid-in capital account. The Company's portion of TFC's equity was also increased by $1,079,000 as a result of TFC's issuance of common stock upon exercise of stock options, reflecting the Company's portion of TFC's tax benefit of $2,209,000 relating to the issuance of these shares.

In the fourth quarter, the Company exercised its right of first refusal and purchased (at market value) 125,000 shares of TFC common stock, which had been issued to certain TFC officers upon exercise of stock options. The cost of such shares exceeded the related equity in net assets of TFC by $1,877,000. This amount has been included in Intangible Assets and is being amortized over 40 years.

As a result of the above transactions, the Company's ownership in TFC was reduced from 99% to 75%.

Insider Trading Profit

SIMPLICITY PATTERN CO. INC. (JAN)

NOTES TO THE FINANCIAL STATEMENTS

Note 10: Capital in excess of par value at January 31, 1982 reflects a contribution of $175,000, less taxes of $81,000, received during 1981 pursuant to Section 16(b) of the Securities Exchange Act of 1934, as amended, resulting from the purchase and sale of common stock of the Company by an owner of more than 10% of such stock within a period of less than six months. There were no changes in capital in excess of par value for the years ended January 31, 1981 and January 31, 1980.

Par Value Reduction

CLEVELAND CALENDERING & COATING CORP. (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note G—Common Stock

On October 21, 1980, the stockholders approved an amendment to the Company's Certificate of Incorporation for the reduction in the par value of Common Stock from $.50 to $.10 per share and the cancellation of 8,206 shares of Common Stock held in treasury. These amendments affected the stockholders' equity accounts as follows:

	Common Stock		Additional
	Shares Issued	Dollar Amount	Paid-in Capital
Balance at May 1, 1980....	2,198,089	$1,099,044	$2,254,153
Cancellation of 8,206 shares held in treasury...........	(8,206)	(4,103)	
Reduction of par value from $.50 to $.10.............		(875,953)	875,953
Balance at April 30, 1981..	2,189,883	$ 218,988	$3,130,106

Par Value Elimination

SCOPE INDUSTRIES

Consolidated Statements of Shareowners' Equity

For the Years Ended June 30, 1981, 1980 and 1979

	Common Stock Number of Shares	Amount	Capital in Excess of Par Value	Retained Earnings
Balance, June 30, 1978	2,348,240	$ 939,296	$2,487,810	$13,381,267
Net income				4,161,555
Cash dividends on common stock, $0.10 per share				(241,683)
Cash purchase of common stock and subsequent retirement	(106,915)	(42,766)	42,766	(765,532)
Exercise of stock option	100,000	40,000	177,654	
Balance, June 30, 1979	2,341,325	936,530	2,708,230	16,535,607
Net income				4,843,306
Cash dividends on common stock, $0.13 per share				(296,908)
Cash purchase of common stock and subsequent retirement	(96,595)	(38,638)	38,638	(912,616)
Balance, June 30, 1980	2,244,730	897,892	2,746,868	20,169,389
Net income				4,339,721
Cash dividends on common stock, $0.16 per share				(355,125)
Elimination of par value of common stock		2,746,868	(2,746,868)	
Cash purchase of common stock and subsequent retirement	(52,530)			(1,095,407)
Balance, June 30, 1981	2,192,200	$3,644,760	$ —	$23,058,578

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8: Common Stock

On October 28, 1980, the shareowners approved an amendment to the Company's Articles of Incorporation which increased the authorized number of shares of common stock from 1,500,000 to 5,000,000 and eliminated the par value of the stock.

On January 4, 1981, the outstanding common shares were split five for one. All shares and per share data have been restated to give effect to the stock split.

In 1974 the shareowners approved the grant of a non-qualified stock option for 100,000 shares at a price equal to the fair market value ($.8375) at the date of the grant. During 1979 the option was exercised and the proceeds were credited to the common stock account to the extent of par value and the remainder and related tax benefit of $133,904 to additional paid-in capital. No charge was made against income.

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.

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 three 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

	1981	1980	1979	1978
Final statement	388	402	418	442
Follows income statement and balance sheet	153	144	116	101
Between income statement and balance sheet	52	49	59	50
First statement	6	2	4	4
Other	1	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.

In prior years the survey company statements usually showed a change in working capital or in cash and cash equivalents in terms of total sources and total uses. In 1981, 74 survey company statements show a change in cash and cash equivalents in terms of fund flows associated with operating, investing, and financing activities. This form of presentation is discussed in the *FASB Discussion Memorandum—Reporting Fund Flows, Liquidity, and Financial Flexibility* dated December 15, 1980.

Table 5-2 summarizes the manner in which a change in working capital or in cash and cash equivalents—whether expressed in terms of sources and uses or fund flows associated with operating, investing, and financing activities—was shown on the survey company statements. Examples of statements follow.

TABLE 5-2: FORMAT

	1981	1980	1979	1978
Changes in Working Capital				
Sources equal uses	59	65	65	72
Increase (decrease) in working capital	341	399	402	400
Ending working capital	66	77	82	86
Changes in Cash				
Sources equal uses	6	8	8	7
Increase (decrease) in cash or cash and cash equivalent	70	32	25	19
Ending cash or cash and cash equivalent	58	19	18	16
Total Companies	**600**	**600**	**600**	**600**

SOURCES AND USES

Sources Equal Uses

BUCYRUS-ERIE COMPANY

Consolidated Statements of Changes in Financial Position

Year Ended December 31,	1981	1980	1979
Source of Working Capital			
From operations			
Net earnings	$ 37,658	$45,348	$53,819
Noncash charges (credits) to earnings:			
Depreciation, amortization and writedown of fixed assets	27,262	15,631	14,737
(Decrease) Increase in deferred liabilities	(3,878)	3,254	3,307
Equity in earnings of Ruston-Bucyrus, Limited	(11,293)	(246)	(4,088)
Total working capital provided from operations	49,748	63,986	67,775
Dividends received from Ruston-Bucyrus, Limited	675	639	874
Stock options exercised	25	37	473
Disposals of property, plant and equipment	16,709	539	538
Decrease (Increase) in noncurrent portion of notes receivable	4,049	9,284	(7,786)
Additions to long-term debt	91,800		
Increase in noncurrent liabilities	9,419		
Miscellaneous	57	275	215
Decrease in (addition to) working capital	17,877	(31,574)	(23,397)
	$190,362	$43,188	$38,693
Applications of Working Capital			
Additions to property, plant and equipment	$ 92,324	$16,068	$18,229
Cash dividends paid	17,965	17,962	17,952
Reductions in long-term debt	1,258	10,000	2,500
Increase in intangibles	77,260		
Effect of exchange rate changes on working capital	1,554	(842)	11
	$190,362	$43,188	$38,693

HOMASOTE COMPANY

Consolidated Statements of Changes in Financial Position

Years Ended December 31	1981	1980	1979
Sources of Working Capital:			
From operations:			
Net earnings	$ 955	$ 959	$1,473
Items which do not use (provide) working capital:			
Depreciation of plant and equipment	1,417	770	773
Gain on sale of equipment	(10)	(18)	(49)
Deferred income taxes	(7)	96	—
	2,355	1,806	2,197
Proceeds from long-term borrowings	—	—	4,000
Proceeds from sale of equipment	13	26	75
Proceeds from sale of treasury stock	566	3	155
Decrease in other assets	107	—	21
Decrease in funds held in escrow	731	2,832	—
	$3,774	$4,669	$6,451
Uses of working capital:			
Cash dividends paid	$ 494	$ 384	$ 531
Additions to plant and equipment	1,912	3,560	1,286
Current installments and repayments of long-term debt	400	400	466
Purchase of treasury stock	597	127	365
Increase in funds held in escrow	—	—	3,564
Increase in other assets	—	31	—
Increase in working capital	369	164	237
	$3,774	$4,669	$6,451

BURNDY CORPORATION

Consolidated Statements of Changes in Financial Position

	Year Ended December 31, 1981	1980	1979
Sources of Working Capital:			
Operations:			
Net earnings	32,839	$23,336	$21,054
Items not requiring an outlay of working capital:			
Depreciation and amortization of property, plant and equipment	9,444	7,488	6,493
Other amortization	487	507	195
Deferred income taxes	(147)	87	60
Deferred retirement	194	140	229
Gain on sale of assets	(8,140)	—	—
Equity in net earnings of unconsolidated affiliates	(2,750)	(1,527)	(1,523)
Working capital provided from operations	31,927	30,031	26,508
Proceeds from long-term debt	1,512	9,374	1,243
Decrease (increase) in investments in and advances to unconsolidated affiliates	107	(293)	(10)
Stock options and awards	422	588	415
Proceeds from sale of assets by an unconsolidated affiliate	19,761	—	—
Change in property, plant and equipment due to exchange rate changes	1,826	1,852	(362)
	$55,555	$41,552	$27,794
Applications of Working Capital:			
Acquisitions of property, plant and equipment	$12,701	$11,147	$13,164
Change in shareowners' equity resulting from exchange rate changes	2,828	1,970	(562)
Dividends	7,849	6,767	5,863
Purchase of treasury stock	7,961	—	1,070
Reduction in long-term debt	4,409	3,567	2,520
Change in other assets	(580)	2,749	20
Reduction in deferred retirement	—	104	—
Increase in goodwill	741	—	—
Increase in working capital	19,646	15,248	5,719
	$55,555	$41,552	$27,794

CMI CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1981	1980	1979
Source of working capital:			
Operations:			
Net earnings	$ 4,549	3,021	4,252
Items included in net earnings which do not affect working capital:			
Depreciation, depletion and amortization of property, plant and equipment	3,146	2,065	1,935
Amortization of patents	33	33	31
Deferred income taxes, noncurrent portion	988	386	(158)
Equity in (earnings) loss of unconsolidated subsidiary	31	(229)	(205)
Working capital provided from operations	8,750	5,277	5,855
Proceeds from sale of common shares	11,043	—	—
Additional long-term debt	24,434	1,080	8,895
Proceeds from sale of property, plant, and equipment, net	1,023	889	412
Decrease in other assets	438	1,284	—
Employee stock options exercised	161	89	61
	$45,851	8,622	15,225
Disposition of working capital:			
Cash dividends	$ 345	305	303
Acquisitions of subsidiaries (excluding excess of current liabilities over current assets acquired of $267,679):			
Property, plant, and equipment	3,953	—	—
Long-term debt assumed	(2,581)	—	—
Additions to property, plant and equipment	23,332	4,584	4,884
Increase in other assets	—	—	710
Reduction of long-term debt	6,054	793	1,583
Treasury shares acquired	—	—	1
Increase in working capital	14,746	2,938	7,741
	$45,851	8,622	15,225

LUBRIZOL CORPORATION

Consolidated Statements of Changes in Financial Position

	Year Ended December 31		
	1981	1980	1979
Source of Funds			
Operations:			
Net income	$ 92,031	$111,511	$ 90,775
Charges to operations not requiring funds:			
Depreciation	32,068	23,414	18,406
Deferred taxes	6,511	8,536	3,302
Other—net	585	620	234
Total	131,195	144,081	112,717
Decrease in receivables	15,908		
Decrease in construction funds in escrow	7,150		
Proceeds from long-term debt	2,694	22,846	
Increase in accounts and dividend payable	3,149	9,214	17,630
Increase in accrued expenses		11,317	5,090
Increase in non-current liabilities		3,318	1,570
Common Shares sold under Equity Purchase and Stock Option plans	2,482	2,515	1,538
Net assets of subsidiaries sold			6,933
Other	802	1,390	941
Reduction in non-current assets and liabilities resulting from exchange rate change	8,359		
Decrease in cash and short-term investments			29,946
Total	$171,739	$194,681	$176,365
Application of Funds			
Capital expenditures	$ 75,399	$ 92,140	$ 50,807
Dividends on Common Shares	43,123	35,807	31,892
Purchase of Common Shares	427	183	8,706
Decrease in accrued expenses	10,288		
Increase in receivables		26,107	19,689
Increase in inventories		7,174	41,335
Increase in investments in non-consolidated companies	416	5,630	23,804
Construction funds in escrow		15,562	
Reduction in non-current liabilities	3,743		
Other	744	193	132
Translation adjustment	26,389		
Increase in cash and short-term investments	11,210	11,885	
Total	$171,739	$194,681	$176,365

Increase (Decrease) in Working Capital or Cash

AMSTAR CORPORATION

Consolidated Statements of Changes in Financial Position

For the years ended June 30	1981	1980	1979
Source of funds:			
Net income	$ 73,440	$30,853	$22,376
Expenses not requiring outlay of working capital			
Depreciation and amortization	20,266	19,553	18,735
Deferred taxes	(1,049)	3,478	3,157
Pension benefit improvements and stock appreciation rights	7,341	—	—
Working capital provided from operations	99,998	53,884	44,268
Book value of dispositions	—	—	9,050
Receipt of industrial revenue bond financing	—	3,000	1,800
Retirements of plant and equipment	2,252	835	574
Other, net	880	(1,192)	(341)
Total source of funds	103,130	56,527	55,351
Application of funds:			
Additions to property, plant and equipment	23,231	19,797	16,502
Dividends declared for shareholders	14,989	13,245	13,230
Reduction of long-term debt	6,499	5,298	5,204
Working capital of The Hoffmaster Company, Inc. at date of sale and proceeds received in form of long-term note	—	—	5,759
Total application of funds	44,719	38,340	40,695
Increase in working capital	$ 58,411	$18,187	$14,656

ATLANTIC RICHFIELD COMPANY (DEC)

Consolidated Statement of Changes in Financial Position

	1981	1980	1979
Source:			
Net income	$1,671,290	$1,651,423	$1,165,894
Add expenses not requiring outlay of working capital in the current period:			
Deferred income taxes	505,096	479,572	525,983
Depreciation, depletion and amortization	1,115,985	880,565	683,877
Dry-hole expenditures charged to income	296,500	235,606	135,119
Working capital provided from operations for the period	3,588,871	3,247,166	2,510,873
Sales and dispositions of property, plant and equipment	144,841	63,746	51,266
Proceeds from issuance of capital stock	93,350	84,811	60,611
Additional long-term debt and capitalized lease obligations	1,012,580	743,431	85,617
Additional advances and production payments	418,000	—	—
	5,257,642	4,139,154	2,708,367
Application:			
Additions to fixed assets (including dry-hole costs)	3,558,468	3,369,548	1,822,542
Dividends to shareholders	538,047	437,275	337,492
Increase in investments and long-term receivables	223,971	448,744	(110,816)
Reduction of long-term debt	662,013	424,793	137,766
Reduction of capital lease obligations	90,888	27,181	110,072
Reduction of advances and production payments	53,922	76,144	29,692
Other (net)	(13,343)	229,435	13,953
	5,113,966	5,013,120	2,340,701
Increase (decrease) in working capital	$ 143,676	$ (873,966)	$ 367,666

NATIONAL SERVICE INDUSTRIES, INC.

Statements of Consolidated Changes in Financial Position

For the Years Ended August 31	1981	1980	1979
Funds Were Provided by:			
Operations—			
Net income	$50,086	$45,154	$39,773
Add items not requiring outlay of funds—			
Depreciation and amortization	21,809	18,567	15,362
Provision for deferred income taxes	380	1,841	1,739
	72,275	65,562	56,874
Increase in Accounts Payable and Accrued Liabilities	5,436	—	17,942
Sales and Retirements of Property, Plant, and Equipment	2,980	1,403	1,038
Additional Long-Term Borrowing	264	4,223	31
Funds Provided	80,955	71,188	75,885
Funds Were Used for:			
Additions to Property, Plant, and Equipment (including rental furniture of $6,589 in 1981, $6,495 in 1980, and $9,062 in 1979)	30,591	30,385	28,989
Purchase of Treasury Stock	1,678	—	1,897
Cash Dividends Paid on Common Stock	16,553	15,306	13,255
Repayment of Long-Term Debt	2,042	1,581	1,667
Increase in—			
Receivables	10,366	3,338	16,438
Inventories and linens in service, net	536	10,061	22,484
Prepayments and other, net	808	372	227
Decrease in Accounts Payable and Accrued Liabilities	—	4,476	—
Funds Used	62,574	65,519	84,957
Increase (Decrease) in Cash and Short-Term Investments	$18,381	$ 5,669	$(9,072)

SCM CORPORATION

Statements of Changes in Consolidated Financial Position

Years Ended June 30,	1981	1980	1979
Sources:			
Operations:			
Net income	$ 56,511	$53,861	$ 47,352
Items not requiring working capital:			
Depreciation	39,578	34,919	34,399
Deferred income taxes	6,304	301	7,547
Amortization of intangibles	5,777	2,487	2,842
Other, net	(4,100)	1,453	2,114
Working capital provided by operations	104,070	93,021	94,254
Issuance of long-term debt	19,625	436	56,122
Disposals of property, plant and equipment	7,418	5,508	4,557
Total sources	131,113	98,965	154,933
Applications:			
Capital expenditures	101,188	63,530	52,920
Reduction of long-term debt	11,010	16,029	9,414
Cash dividends declared	17,762	13,641	10,878
Purchase of treasury shares	6,187	—	—
Other changes in non-current items	3,372	(1,029)	(1,328)
Total applications	139,519	92,171	71,884
(Decrease) increase in working capital	$ (8,406)	$ 6,794	$ 83,049

End of Year Working Capital or Cash

THE DOW CHEMICAL COMPANY

Consolidated Statement of Changes in Financial Position

	Year Ended December 31		
	1981	1980	1979
	(In millions)		
Funds Provided By:			
Net income	$ 564	$ 805	$ 784
Charges (credits) to income not requiring outlay of funds:			
Depreciation	806	728	634
Equity in net income of nonconsolidated companies, less dividends received	(104)	(99)	(92)
Deferred income taxes	218	169	106
Funds from operations	1,484	1,603	1,432
New long-term debt	628	650	317
Increase (decrease) in short-term debt and current portion of long-term debt	(272)	135	141
Increase in current payables and accruals	49	53	523
Sale of common stock to employees	35	40	37
Disposition of property and noncurrent investments	49	103	166
Common stock issued in acquisition of Richardson-Merrell Inc.	260		
Total Funds Provided	2,233	2,584	2,616
Funds Used For:			
New plant properties	1,176	1,184	1,268
Cash dividends declared	342	302	272
Purchase of treasury stock	67		40
Reduction in long-term debt	158	267	199
Increase in current accounts and notes receivable	44	106	405
Increase in inventories	110	621	314
Increase in noncurrent receivables and sundry assets	113	127	58
Investment in related companies	16	61	207
Acquisition of businesses (less cash and securities of $32):			
Plant properties	128		
Goodwill	128		
Other assets—net	26		
Total Funds Used	2,308	2,668	2,763
Net Decrease In Funds	(75)	(84)	(147)
Cash and marketable securities, beginning of year	168	252	399
Cash and marketable securities, end of year	$ 93	$ 168	$ 252

GIDDINGS & LEWIS, INC.

Consolidated Statement of Changes in Financial Position

Years ended December 31, 1981, 1980, and 1979	1981	1980	1979
Working capital:			
Sources:			
Net income	$35,464	$34,477	$31,960
Charges (credits) not requiring working capital:			
Depreciation	8,121	7,304	5,735
Deferred income taxes	(566)	2,317	(7)
Property and equipment disposals	182	172	347
Other	(105)	217	255
Adjustment to conform fiscal year of pooled company	—	(2,455)	
Total from operations	43,096	42,034	38,291
Long-term debt incurred and assumed	—	423	1,909
Issuance of treasury stock	—	—	1,664
Exercise of options and warrants and debt conversions	524	6,283	997
Other	146	315	445
	43,767	49,057	43,306
Applications:			
Additions to property, plant, and equipment	11,714	13,626	10,704
Acquisitions (excluding working capital)	—	2,094	2,105
Long-term debt—payments and change in current maturities	1,920	1,991	1,797
Debt conversions	362	5,893	835
Addition to other assets	1,726	—	—
Purchase of treasury stock	—	—	1,482
Cash dividends paid	8,055	6,853	4,641
Other	56	167	188
	23,834	30,625	21,754
Increase in working capital	19,933	18,432	21,552
Working capital at beginning of year	117,335	98,903	77,351
Working capital at end of year	$137,268	$117,335	$98,903

INLAND STEEL COMPANY

Consolidated Statement of Funds Flow

Years Ended December 31	1981	1980	1979
Sources of Funds			
From Operations:			
Net income	$ 57,255	$ 29,681	$131,108
Add non-working capital items:			
Depreciation	161,194	144,725	129,386
Net provision for deferred taxes on income	20,390	1,566	(1,026)
Deferred employee benefit costs	7,349	11,741	10,070
Deferred raw material joint venture costs	(7,593)	11,496	7,710
Undistributed earnings of affiliated companies	(547)	4,351	(1,260)
Total from operations	238,048	203,560	275,988
Long-term debt issued	—	203,813	1,185
Pollution control bond funds received from trustees, net	24,802	(10,112)	24,405
Sales and exchanges of stock	8,776	9,223	10,529
Net proceeds from sales of land, operating properties and other investments	22,540	12,713	3,134
Total	$294,166	$419,197	$315,241
Uses of Funds			
Capital expenditures	$134,535	$240,903	$284,223
Reduction of long-term debt	27,413	31,423	20,309
Net increase in non-cash working capital	76,476	26,373	11,013
Notes receivable from sales of operating assets	9,722	2,204	—
Purchases of stock for treasury	13,375	—	24,773
Dividends paid to stockholders	42,837	51,150	59,274
All other—net (source) use	2,517	(7,200)	6,773
Total	306,875	344,853	406,365
Increase (decrease) in cash and marketable securities	(12,709)	74,344	(91,124)
Cash and marketable securities—beginning of year	103,614	29,270	120,394
Cash and marketable securities—end of year	$ 90,905	$103,614	$ 29,270

LEGGETT & PLATT, INCORPORATED (DEC)

Consolidated Statements of Changes in Financial Position

	1981	1980	1979
Sources of Working Capital			
From operations			
Net earnings	$11,953	$ 8,395	$ 6,881
Charges (credits) to earnings not affecting working capital			
Depreciation and amortization	6,352	6,605	5,390
Earnings of associated companies	(1,148)	(757)	(995)
Deferred income taxes	310	213	597
Other	164	101	129
Distributions from associated companies	900	1,700	1,032
Working Capital provided from Operations	18,531	16,257	13,034
Proceeds from long-term debt	10,035	1,879	13,273
Proceeds from sale of treasury stock	1,250	—	—
Sale of property, plant and equipment	563	415	1,166
Decrease in sundry assets	83	622	—
Issurance of common stock	36	619	157
	30,498	19,792	27,630
Applications of Working Capital			
Additions to property, plant and equipment	9,110	7,039	13,322
Reduction of long-term debt	2,660	13,458	2,273
Cash dividends	2,251	2,060	1,745
Purchase of treasury stock	13,029	83	—
Purchase of subsidiary (exclusive of working capital at date of acquisition)			
Plant, property and equipment	—	—	3,373
Excess of cost over net assets acquired	—	—	831
Pension liability	—	—	597
Advances to associated companies	838	369	485
Increase in sundry assets, net	—	—	796
	27,888	23,009	22,228
Increase (Decrease) in Working Capital	2,610	(3,217)	5,402
Working capital-beginning of year	28,993	32,210	26,808
Working capital-end of year	$31,603	$28,993	$32,210

SNAP-ON TOOLS CORPORATION

Consolidated Statements of Changes in Financial Position

Fiscal Years Ended January 2, 1982, January 3, 1981 and December 29, 1979

	1981	1980	1979
Sources of Working Capital			
From Operations			
Net earnings for the year	$ 40,013	$ 38,322	$ 42,603
Charges to earnings not using working capital			
Depreciation and amortization of property, plant and equipment	11,024	9,535	7,409
Deferred income taxes	1,078	903	846
Working capital provided from operations	52,115	48,760	50,858
Disposition of property, plant and equipment	581	315	367
Issuance of long-term debt	—	6,444	556
Proceeds from employee stock incentive plans	1,398	4,786	2,373
Other—net	(103)	(23)	(14)
	53,991	60,282	54,140
Applications of Working Capital			
Dividends paid in cash	16,935	16,542	15,005
Additions to property, plant and equipment	14,858	25,758	23,174
Decrease in long-term debt	2,397	2,393	389
Increase in currency translation adjustment	2,754	—	—
	36,944	44,693	38,568
Increase in Working Capital	17,047	15,589	15,572
Working capital at beginning of year	147,132	131,543	115,971
Working capital at end of year	$164,179	$147,132	$131,543

OPERATING, INVESTING, AND FINANCING ACTIVITIES

CPC INTERNATIONAL INC.

Consolidated Statement of Changes in Financial Position

For the Years Ended December 31

$ Millions	1981	1980	1979
Cash provided by operations			
Net income	$218.4	$197.4	$178.6
Non-cash charges (credits) to net income:			
Depreciation	87.6	74.4	67.1
Other non-cash items	22.8	8.8	8.4
Increase (decrease) in non-current items due to changes in exchange rates	(39.1)	(2.9)	10.5
Changes in working capital:			
Notes and accounts receivable	29.1	(56.5)	(63.0)
Inventories	76.8	(51.2)	(72.4)
Accounts payable and accrued items	(66.0)	42.3	62.3
Cash provided by operations	329.6	212.3	191.5
Cash dividends	(91.7)	(81.1)	(71.4)
Cash provided by operations and retained in the business	237.9	131.2	120.1
Financing activities			
Long-term financing	141.5	15.2	19.6
Short-term financing—net	(31.0)	92.9	1.0
Payment of long-term debt	(30.6)	(16.8)	(10.0)
Net proceeds from financing activities	79.9	91.3	10.6
Total cash available from operations and financing activities	317.8	222.5	130.7
Investment activities			
Capital expenditures	293.5	235.9	150.7
Investment in affiliates	59.9	14.5	16.5
Sale of plants and properties	(47.6)	(8.7)	(28.9)
Net cash used by investment activities	305.8	241.7	138.3
Increase (decrease) in cash and temporary investments	12.0	(19.2)	(7.6)
Cash and temporary investments at beginning of year	68.7	87.9	95.5
Cash and temporary investments at end of year	$ 80.7	$ 68.7	$ 87.9

W.R. GRACE & CO.

Consolidated Statement of Changes in Financial Position

Years Ended December 31,	1981	1980	1979
		In Millions	
Source (Use) of Funds			
Net income	$ 361.3	$ 287.4	$ 231.2
Add (deduct) items not affecting working capital:			
Depreciation, depletion and amortization	285.3	232.4	190.0
Deferred income taxes	50.1	49.6	10.9
Equity in unremitted (earnings) losses of affiliated companies	(25.9)	(17.2)	3.0
Net (gains) losses on disposal of businesses	(38.1)	13.9	(12.8)
Working capital provided by operations	632.7	566.1	422.3
Working capital items(1)	(130.2)	37.2	(77.6)
Book value of properties sold	25.6	31.1	22.0
Capital expenditures	(656.9)	(658.4)	(513.8)
Cash dividends	(117.1)	(101.8)	(87.6)
Other transactions, net	(67.2)	(14.0)	18.7
Total Before Investment and Financing Activity	(313.1)	(139.8)	(216.0)
Investment Activity			
Proceeds from disposal of businesses	102.1	31.5	118.5
Businesses acquired in purchase transactions	(69.9)	(58.2)	(125.0)
Increase in investments in and advances to affiliated companies	(51.4)	(25.5)	(1.2)
Other investment transactions, net	(.4)	2.1	7.1
Total Investment Activity	(19.6)	(50.1)	(.6)
Financing Activity			
Increase in long term debt	346.4	321.4	107.7
Increase (decrease) in loans payable	5.1	(94.0)	80.1
Reduction in long term debt	(70.4)	(92.7)	(105.9)
Conversion of subordinate debentures	8.6	22.8	26.2
Total Financing Activity	289.7	157.5	108.1
Decrease in Cash and Marketable Securities	$ (43.0)	$ (32.4)	$(108.5)
(1) Analysis of Working Capital Items			
Notes and accounts receivable	$ (92.1)	$ (10.2)	$(112.0)
Inventories	(111.7)	(42.7)	(125.5)
Accounts payable	20.9	46.1	102.5
Income taxes	(14.4)	(7.4)	28.2
Other, net	67.1	51.4	29.2
	$(130.2)	$ 37.2	$ (77.6)

INTERNATIONAL HARVESTER COMPANY

Statements of Changes in Financial Position

For the Years Ended October 31

	1981	1980	1979
Funds Provided by (Used for) Operations			
Continuing operations			
Income (loss)	$(635,684)	$(374,798)	$352,817
Items not affecting working capital:			
Depreciation and amortization	143,509	121,633	119,517
Undistributed earnings of nonconsolidated companies	(96,642)	(119,849)	(102,728)
Deferred income taxes and other	9,091	(39,956)	156,705
(Gain) loss on disposal of property	(6,605)	134	(793)
Other	1,912	961	2,033
Working capital provided by (used for) continuing operations	(584,419)	(411,875)	527,551
Discontinued operations			
Income (loss)	242,556	(22,530)	16,745
Items not affecting working capital:			
Depreciation and amortization	6,283	8,013	7,281
Deferred income taxes	—	(27,030)	2,316
(Gain) loss on disposal of property	(9,270)	797	(45)
(Gain) on sale of Solar	(275,694)	—	—
Valuation adjustment-Wisconsin Steel	32,874	54,900	—
Working capital provided by (used for) discontinued operations	(3,251)	14,150	26,297
Changes in working capital affecting operations			
Decrease (increase) in receivables	89,123	36,786	(122,901)
Decrease (increase) in inventories	490,084	11,265	(450,011)
Increase (decrease) in accounts payable and accrued liabilities	(171,370)	118,209	372,174
Decrease (increase) in other assets	(19,120)	(97,800)	(46,197)
Net	388,717	68,460	(246,935)
Funds provided by (used for) operations	(198,953)	(329,265)	306,913
Funds Provided by (Used for) Investment Activities			
Purchases of property	(325,300)	(383,763)	(284,907)
Increase in investments and long-term receivables	(22,480)	(72,036)	(52,060)
Proceeds from property disposals	33,029	15,094	9,523
Proceeds from sale of Solar	502,475	—	—
Other	(32,552)	(15,280)	(13,792)
Funds provided by (used for) investment activities	155,172	(455,985)	(341,236)
Funds Provided by (Used for) Financing Activities			
Additions to long-term debt	443,690	442,858	117,690
Issuance of common stock	12,558	32,914	30,726
Increase (decrease) in notes payable	(39,423)	397,550	105,932
Issuance of Series C Preferred Stock	—	150,000	—
Redemption of Series A Preferred Stock	(3,333)	—	—
Reduction of long-term debt	(81,688)	(43,030)	(145,687)
Funds provided by financing activities	331,804	980,292	108,661
Funds Used for Dividends	(31,250)	(83,141)	(76,389)
Funds			
Increase (decrease) during year	256,773	111,901	(2,051)
Cash and marketable securities at beginning of the year	137,106	25,205	27,256
Cash and marketable securities at end of the year	$393,879	$137,106	$ 25,205

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			
	1981	1980	1979	1978
Net income or loss	468	517	509	512
Income or loss from continuing operations	73	41	39	40
Income or loss before extraordinary items	37	36	41	40
Depreciation and/or amortization and/or depletion	600	600	600	600
Deferred taxes and/or deferred investment credit	512	501	496	500
Equity in earnings or losses of investees	178	175	179	174
Minority interest	44	49	52	56

Net Income or Loss

ALPHA INDUSTRIES, INC.

Consolidated Statement of Changes in Financial Position

Years Ended March 31, 1981, 1980 and 1979

	1981	1980	1979
Working capital provided from:			
Net income	$2,775	$1,872	$1,334
Add (deduct) items not affecting working capital:			
Contribution of treasury stock to Employee Stock Ownership Trust (ESOT)	199	155	65
Depreciation and amortization	879	591	488
Deferred income tax	247	58	95
Gain on reacquisition of 6% debentures	—	—	(24)
Working capital provided from operations	4,101	2,638	1,959
Proceeds from sale of common stock	7,275	—	—
Proceeds from long-term notes payable	974	996	—
Issuance of common stock for 6% debentures	316	252	—
Tax benefit from stock option transactions	48	131	74
Provided by ESOT for debt reduction	43	43	—
Guaranteed debt of ESOT	—	—	218
Total working capital provided	12,759	4,062	2,252
Working capital used for:			
Additions to property, plant, and equipment	3,804	2,538	1,218
Purchase of Company's 6% debentures	43	—	31
Decrease in long-term notes payable	110	83	83
Cash dividends	251	130	123
Conversion of 6% debentures to common stock	316	252	—
Debt guarantee in connection with funds used to acquire Company shares by ESOT	—	—	218
Other	20	2	(25)
Total working capital used	4,545	3,007	1,650
Increase in working capital	$8,214	$1,055	$ 602

CLARK EQUIPMENT COMPANY

Statement of Changes in Financial Position

Years ended December 31	1981	1980	1979
Financial resources were provided by:			
Net income for the year	$ 29,940	$ 51,888	$106,136
Add charges (deduct credits) to income not affecting working capital in the year:			
Equity in unremitted earnings of unconsolidated subsidiaries and minority-owned associated companies	(8,975)	(19,079)	(13,338)
Provision for depreciation of properties	48,365	45,624	42,635
Change in noncurrent deferred income taxes	1,985	(6,249)	4,676
Gain on sales of discontinued plants	(7,910)	—	—
Working capital provided by operations	63,405	72,184	140,109
Additions to long-term borrowings	17,289	22,695	1,327
Sales of properties	16,519	7,410	3,046
Decrease (increase) in investments in rental equipment	3,858	5,760	(2,677)
Proceeds from sale of stock under option plans	25	60	296
	101,096	108,109	142,101
Financial resources were used for:			
Cash dividends	27,999	28,136	27,655
Additions to properties	61,839	79,457	59,594
Common stock purchased and held in treasury	—	9,018	24,773
Long-term borrowings paid or becoming current liability	17,662	4,144	22,537
Decrease (increase) in rental equipment installment obligations	3,388	7,250	(3,208)
Increase (decrease) in investments and advances to finance subsidiaries and minority-owned companies	2,441	(4,059)	8,232
Decrease (increase) in accrued items	1,599	341	(361)
Changes in exchange rates	7,983	5,547	—
	122,911	129,834	139,222
(Decrease) increase in working capital	$(21,815)	$(21,725)	$ 2,879

THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC.

Statement of Changes in Consolidated Financial Position

	Fiscal 1980 (53 weeks)	Fiscal 1979 (52 weeks)	Fiscal 1978 (52 weeks)
Source of funds:			
From operations:			
Net (loss)	$(43,049)	$ (3,807)	$(52,186)
Expenses (income) not requiring (providing) working capital:			
Depreciation and amortization	56,695	56,299	61,825
Amortization of real property leased under capital leases	11,207	11,265	12,607
Anticipated cost of Restructuring Program (non-current portion)	—	—	17,900
Deferred income taxes	2,493	1,115	(8,804)
Deferred investment tax credits	(412)	(792)	(1,200)
Working capital provided from operations	26,934	64,080	30,142
Proceeds from rights offering	56,250	—	—
Disposition of property	9,464	26,285	19,781
Obligations under capital leases	1,540	(808)	34,980
Decrease in property leased under capital leases due to store closings, terminations and amendments	877	10,520	23,297
Proceeds from borrowings	1,270	4,658	—
Other	1,310	5,616	(1,667)
Total	97,645	110,351	106,533
Disposition of funds:			
Dividends	—	—	1,245
Expenditures for property	56,906	67,949	57,470
Property leased under capital leases	15,114	9,750	47,303
Decrease in obligations under capital leases due to store closings, terminations and amendments	1,123	11,906	28,370
Current maturities and repayment of long-term debt	1,919	6,615	1,589
Transfer of non-current accruals to (from) current liabilities	(6,723)	6,331	4,281
Total	68,339	102,551	140,258
Increase (decrease) in working capital	29,306	7,800	(33,725)
Working capital—beginning of year	233,993	226,193	259,918
Working capital—end of year	$263,299	$233,993	$226,193

MAPCO INC.

Consolidated Statement of Changes in Financial Position

Year Ended December 31	1981	1980	1979
Working Capital Provided By:			
Net income for the year	$ 96,890	$122,260	$ 88,600
Items not requiring (providing) working capital:			
Depreciation and depletion	68,488	54,037	51,592
Provision for deferred income taxes	34,121	31,146	18,680
Department of Energy consent orders	—	12,951	—
Gain on sale of investment	(5,587)	—	—
Other, net	477	372	1,934
Working capital provided by operations	194,389	220,766	160,806
Increase in long-term debt	93,000	204,079	53,525
Retirements of property, plant and equipment	19,263	14,681	8,751
Sale of investment	8,173	—	—
Exercise of stock options	7,833	2,267	330
Issuance of common stock	1,485	2,721	402
Change in fiscal year of pooled company	—	4,838	—
	324,143	449,352	223,814
Working Capital Used For:			
Additions to property, plant and equipment	225,920	287,167	156,965
Decrease in long-term debt	62,718	28,861	32,820
Investments and long-term receivables	2,539	18,031	1,215
Cash dividends	49,739	38,283	31,636
Other, net	4,363	5,767	1,966
	345,279	378,109	224,602
Increase (Decrease) in Working Capital	($ 21,136)	$ 71,243	($ 788)

MCDERMOTT INCORPORATED

Consolidated Statement of Changes in Financial Position

For the Three Fiscal Years Ended March 31, 1981

	1981	1980	1979
SOURCE OF FUNDS:			
Operations:			
Net income	$106,697	$ 88,366	$ 92,957
Charges (credits) not affecting working capital:			
Depreciation and amortization	126,222	111,803	111,365
Deferred income taxes	44,450	64,900	100,205
Equity in earnings of joint venture companies net of dividends received of $4,976,000 in 1981, $8,052,000 in 1980 and $17,921,000 in 1979	(7,450)	(732)	7,952
Other	18,873	8,623	8,712
Working capital provided from operations	288,792	272,960	321,191
Issuance of common stock	4,686	125,728	3,749
Proceeds from sale and exchange of property, plant and equipment	2,782	58,320	3,412
Long-term borrowing (including fluctuations under the revolving credit agreement)	131,357	189,976	405,318
	427,617	646,984	733,670
APPLICATION OF FUNDS:			
Additions to property, plant and equipment	272,377	257,005	131,026
Reduction of long-term debt (including fluctuations under the revolving credit agreement)	166,813	210,770	392,103
Reduction of deferred and non-current income taxes	69,046	63,921	91,480
Cash dividends	83,303	70,684	62,427
Other—net	2,451	37,980	4,523
	593,990	640,360	681,559
NET INCREASE (DECREASE) IN WORKING CAPITAL	$(166,373)	$ 6,624	$ 52,111

MOTT'S SUPER MARKETS, INC.

Consolidated Statement of Changes in Financial Position

	(52 Weeks) Jan. 2, 1982	(53 Weeks) Jan. 3, 1981	(52 Weeks) Dec. 29, 1979
Source of Working Capital			
Net Income	$4,743	$3,817	$2,888
Add: Expenses not requiring current outlay of working capital:			
Depreciation	1,502	1,333	1,156
Prepaid Commissions	1	1	1
Deferred Income Taxes	160	100	53
Deferred Compensation	48	48	48
Working Capital Provided from Operations	6,457	5,302	4,148
Book Value of Property, Plant and Equipment Sold	1	—	1
Decrease in Marketable Securities	16	1,276	282
Increase in Long-Term Debt	—	653	—
	6,475	7,232	4,431
Application of Working Capital			
Purchase of Marketable Securities	—	—	103
Investment in Wakefern Food Corporation	118	466	122
Purchase of Property, Plant and Equipment	2,301	2,777	2,088
Increase in Other Assets	87	1	—
Decrease in Long-Term Debt	134	70	66
Dividends Declared	356	285	285
Fractional Shares	7	—	—
	3,006	3,602	2,667
Increase in Working Capital	$3,469	$3,630	$1,764

A.C. NIELSEN COMPANY

Consolidated Statements of Changes in Financial Position

	For the Year Ended August 31 1981	1980	1979
Sources of working capital			
Net income	$ 35,999	$28,885	$26,131
Add (deduct), items not affecting working capital:			
Depreciation of property and equipment	16,251	14,080	10,055
Amortization of intangible assets	5,239	3,566	2,106
Increase in accrued profit sharing payable after one year	184	198	1,719
Increase (decrease) in accrued severance and pension obligations	(1,122)	2,223	3,418
Income taxes allocable to future years	4,357	(670)	(611)
Other, net	260	2,344	349
Working capital provided by operations	61,168	50,626	43,167
Increase in long-term debt	10,879	7,842	2,782
Sale of property and equipment	2,267	1,614	1,974
Issuance of capital stock	2	485	359
Property and equipment held for sale	4,517	—	—
Other, net	(213)	(1,433)	595
	78,620	59,134	48,877
Uses of working capital:			
Additions to property and equipment	46,738	35,574	25,469
Additions to data files	2,747	3,376	2,139
Cash dividends paid	11,003	9,512	8,355
Acquisitions of businesses	7,850	7,049	12,135
Other noncurrent investments	5,081	—	—
	73,419	55,511	48,098
Increase in working capital	$ 5,201	$ 3,623	$ 779

Income or Loss From Continuing Operations

AEL INDUSTRIES, INC.

Consolidated Statement of Changes in Financial Position

Three years ended February 27, 1981

	1981	1980	1979
Source:			
Income from continuing operations..	$ 478	$ 1,722	$ 2,318
Items not affecting working capital:			
Depreciation and amortization of plant and equipment......	2,409	2,052	1,438
Amortization of debt discount..	46	49	58
Provision for (reduction of) deferred income taxes.........	(474)	733	1,645
Gain on repurchase of debentures..........................	(50)	(92)	(112)
Share in net (income) loss of unconsolidated affiliate, net of applicable income taxes..	(305)	(151)	140
Working capital provided from continuing operations.................	2,105	4,314	5,488
Loss from discontinued operations ..	(1,696)	(1,899)	(320)
Provision for estimated loss on disposition............................	(2,774)		
Items not affecting working capital in the current period:			
Reduction of deferred income taxes.........................	(1,039)	(1,607)	(294)
Allowance for loss on disposal of non-current assets........	86		
Working capital absorbed by discontinued operations	(5,424)	(3,506)	(614)
Working capital provided from (absorbed by) operations	(3,319)	807	4,874
Sale of stock under stock option plan	140	3	2
Conversion of 6¼% subordinated sinking fund debentures...........	116		
Decrease in investments and advances.............................	7	19	24
Undepreciated value of asset disposals..................................	305	20	8
Long-term borrowings................	9,087	8,126	4,107
	6,337	8,978	9,018
Applications:			
Increase in investments and advances..........................		203	
Additions to property, plant and equipment	7,641	7,871	5,964
Reduction of long-term debt	4,827	4,203	1,188
Increase in other assets...........	133	64	95
Dividends paid		8	7
	12,602	12,351	7,256
Increase (decrease) in working capital..................................	(6,265)	(3,373)	1,762
Working capital at beginning of period..............................	9,007	12,379	10,617
Working capital at end of period....	$ 2,742	$ 9,006	$12,379

THE COCA-COLA COMPANY

Consolidated Statements of Changes in Financial Position

Year Ended December 31,	1981	1980	1979
SOURCE OF WORKING CAPITAL			
From operations:			
Income from continuing operations	$447,070	$406,318	$395,147
Add charges not requiring outlay of working capital during the year:			
Depreciation	136,868	131,042	110,288
Deferred income taxes......	23,692	31,500	17,629
Other (principally amortization of goodwill and container adjustments).......	61,009	37,932	29,370
TOTAL FROM CONTINUING OPERATIONS...............	668,639	606,792	552,434
Discontinued operations (excludes provisions for depreciation, amortization and deferred income taxes of $2,429 in 1981, $4,521 in 1980, and $(2,504) in 1979).........................	37,141	20,311	22,469
TOTAL FROM OPERATIONS..	705,780	627,103	574,903
Increase in long-term debt........	4,057	99,415	7,234
Disposals of property, plant and equipment	71,788	77,053	25,041
Other	1,090	854	1,133
	782,715	804,425	608,311
APPLICATION OF WORKING CAPITAL			
Cash dividends	286,787	266,928	242,159
Additions to property, plant and equipment	319,792	287,186	329,559
Acquisitions of purchased companies excluding net current assets:			
Property, plant and equipment—net.............	9,814	5,885	51,842
Other assets including goodwill, net of other liabilities .	113	7,593	23,456
Increase in investments and other assets...........................	85,131	95,254	25,223
Other	11,830	2,348	7,147
	713,467	665,194	679,386
INCREASE (DECREASE) IN WORKING CAPITAL	$ 69,248	$139,231	$(71,075)

THE ARUNDEL CORPORATION

Consolidated Statements of Changes in Financial Position

	Years Ended December 31, 1981	1980	1979
Funds Were Provided By:			
Operations:			
Earnings (Loss) from continuing operations before extraordinary item	$ 184	$ (822)	$ (276)
Charges to operations not affecting funds:			
Reduction of assets to estimated net realizable value before taxes	—	657	—
Depreciation	2,883	2,797	2,546
Continuing Operations	3,068	2,631	2,270
Earnings (Loss) from discontinued operations	(3,593)	(6,541)	1,009
Charges (Credits) to operations not affecting funds:			
Construction joint venture losses before taxes	4,787	6,218	1,890
Depreciation	240	266	154
Deferred income taxes	(600)	—	80
Provision for operating losses during the phase-out period	—	500	—
Discontinued Operations	835	444	3,134
Funds provided by operations before extraordinary item	3,904	3,076	5,404
Extraordinary item—income tax benefit from utilization of loss carryforward	—	—	417
Disposition of subsidiary	2,937	—	—
Disposition of land held for future development or sale, net of gain or loss	2,454	305	1,398
Borrowing on notes payable—line of credit	2,851	4,000	3,570
Borrowing on notes payable—other	2,142	1,836	3,088
Increase (decrease) in accounts payable	881	933	(313)
Disposition of property under development, net of gain	327	360	599
Proceeds from exercise of stock options	73	6	—
Common stock issued in acquisitions	—	—	795
Funds provided	15,572	10,517	14,959
Funds Were Applied To:			
Acquisition of businesses	—	—	582
Payments on notes payable—line of credit	5,523	403	2,203
Property, plant and equipment net of retirements of $847,608, $151,120 & $274,906 respectively	3,969	3,033	4,323
Payments on notes payable—other	2,177	2,904	2,711
Increase in inventories	1,360	1,648	980
Advances to construction joint ventures, net	1,321	3,423	3,438
Land held for future development or sale	711	789	915
Decrease (increase) in deferred items	616	(212)	470
Revenue recognized (excess of billings) on contracts in process	551	(1,834)	1,092
Property under development	141	289	300
Decrease (increase) in income taxes	86	(113)	530
Increase (decrease) in notes and accounts receivable	38	(240)	(1,238)
Cash dividends paid	36	36	212
Other—net	101	26	(413)
Funds applied	16,637	10,155	16,109
Decrease (increase) in cash	$ 1,065	$ (362)	$ 1,150

BEMIS COMPANY, INC.

Consolidated Statement of Changes in Financial Position

Years ended December 31	1981	1980	1979
Financial resources were provided by:			
Continuing operations:			
Income	$15,846	$15,527	$15,581
Add (deduct) items not requiring the use of working capital:			
Depreciation and amortization	18,283	14,452	12,969
Amortization of capital leases	773	769	771
Minority interest in net income	1,167	919	1,145
Deferred income taxes	3,401	770	2,501
Equity in undistributed earnings of affiliates	(159)	(869)	(467)
Write-off of goodwill	346		
Gain on disposal of fixed assets	(474)	(520)	(725)
Working capital provided by continuing operations	39,183	31,048	31,775
Discontinued operations:			
Income (loss) from textile operations		362	(144)
Loss on sale of textile operations		(1,914)	
Income from operations of Brown Printing			310
Gain on sale of Brown Printing	1,920		10,466
Add (deduct) items not requiring the use of working capital:			
Depreciation and amortization		561	4,888
Minority interest in net income			10
Deferred income taxes		(1,499)	565
Equity in undistributed earnings of an affiliate		(17)	37
Loss (gain) on disposal of fixed assets		2,746	(716)
Working capital provided by discontinued operations	1,920	239	15,416
Total resources provided by operations	41,103	31,287	47,191
Dividends and net proceeds from sale of an affiliated company	8,088		
Proceeds from property retirements—continuing operations	1,401	3,485	2,166
Proceeds from property retirements—discontinued operations		9,481	4,580
Additional long-term borrowings	19,869	383	2,141
Book value of Brown Printing fixed assets sold			47,060
Reduction in goodwill on sale of Brown Printing			2,471
Common stock issued under stock option plan	125	806	949
Decrease (increase) in long-term receivables	42	(113)	379
Sundry, net	714	1,062	(146)
Total resources provided	71,342	46,391	106,791
Financial resources were used for:			
Additions to property and equipment—continuing operations	$59,727	$55,595	$31,777
Additions to property and equipment—discontinued operations		186	16,700
Cash dividends paid	6,126	5,797	6,752
Purchase of common stock for the treasury	710	2,970	37,789
Reduction in long-term borrowings	3,051	2,988	11,379
Reduction in deferred taxes on sale of Brown Printing			2,973
Reduction in long-term lease obligations	1,956	1,729	1,930
Purchase of debentures	2,483	516	1,872
Increase (decrease) in deferred charges and special deposits	555	(336)	499
Decrease (increase) in other liabilities and deferred credits	388	(1,564)	(3,111)
Acquisition of minority interest in a subsidiary company	21	25	710
Change in cumulative translation adjustment	1,704		
Total resources used	76,721	67,906	109,270
Decrease in working capital	$(5,379)	$(21,515)	$ (2,479)

CULBRO CORPORATION

Consolidated Statement of Changes in Financial Position

Fiscal year ended	Jan. 2, 1982	Dec. 27, 1980	Dec. 29, 1979
Financial resources were provided by—			
Continuing operations:			
Income (loss) from continuing operations	$ 7,515	$(1,690)	$(28,008)
Add (deduct) items not affecting working capital:			
Depreciation and amortization—			
Property and equipment	5,132	4,491	7,259
Debt discount and intangible assets	168	156	1,469
(Decrease) in provision for noncurrent deferred income taxes	—	—	(707)
(Gain) loss from disposal of property and equipment	(670)	(390)	467
Total provided by (used in) continuing operations	12,145	2,567	(19,520)
Discontinued operations:			
Income from discontinued operations, before depreciation and amortization	—	7,578	7,284
Net proceeds from sale of Proprietary Medicine business	86,318	—	—
Total provided by discontinued operations	86,318	7,578	7,284
Total financial resources provided by (used in) operations	98,463	10,145	(12,236)
Extraordinary credit—utilization of loss carryforwards	2,569	—	—
Proceeds from disposal of property and equipment	3,417	1,740	13,525
Increase in long-term debt	612	464	9,596
Total financial resources provided	105,061	12,349	10,885
Financial resources were used for—			
Continuing operations:			
Long-term debt paid or becoming current	66,556	10,634	8,816
Additions to property and equipment—			
Capital expenditures	6,110	3,310	3,605
Capital leases	2,255	1,785	1,820
Investment in and advances to real estate development subsidiary	3,620	1,870	608
Additions to (deductions from) other assets	212	1,530	(3,418)
Dividends	1,601	—	2,073
Additions to intangible assets	289	339	304
Other—net	327	103	452
Used for continuing operations	80,970	19,571	14,260
Used for discontinued operations	—	1,624	2,163
Total financial resources used	80,970	21,195	16,423
Increase (decrease) in working capital	$24,091	$(8,846)	$ (5,538)

DPF INCORPORATED

Consolidated Statement of Changes in Financial Position

	Years Ended May 31, 1981	1980	1979
Sources of Working Capital			
Income from continuing operations	$ 5,990	$ 6,202	$ 8,420
Items not affecting working capital:			
Depreciation	11,236	9,911	8,232
Deferred income taxes	875	1,281	506
Gain on sale of property and equipment	(853)	(882)	(347)
Other	400	390	589
Total from continuing operations	17,648	16,902	17,400
Income (loss) from discontinued operations	(30,405)	479	3,124
Items not affecting working capital:			
Depreciation	31,485	22,537	21,137
Earned finance lease income	(7,803)	(4,544)	(3,531)
Gain on sale of equipment	(389)	(252)	(695)
Allowance for loss	26,964	—	—
Total from discontinued operations	19,852	18,220	20,035
Total from operations	37,500	35,122	37,435
Extraordinary credit	51	719	2,127
Computer related borrowings	63,421	66,806	30,079
Other computer leasing sources	10,662	12,044	11,729
Additions to long-term debt	113	6,875	10,769
Proceeds from sale of property	3,093	2,272	2,224
Issue of common stock	154	167	1,537
Other	618	1,879	(5,717)
	115,612	125,884	90,183
Uses of Working Capital			
Purchase of computer equipment	44,750	48,606	33,521
Reduction of computer related borrowings	53,089	49,648	27,085
Additions to property and equipment	18,028	28,005	17,112
Reduction of long-term debt	5,150	5,706	5,444
	121,017	131,965	83,162
Increase (decrease) in working capital	$ (5,405)	$ (6,081)	$ 7,021

TRIANGLE INDUSTRIES, INC.

Consolidated Statement of Changes in Financial Position

Years Ended December 31	1981	1980	1979
Working capital provided from			
Income from continuing operations..	$ 2,908	$4,285	$3,780
Add items not requiring a current outlay of working capital			
Depreciation and amortization....	4,328	4,364	4,003
Other..............................	181	34	203
Working capital provided from continuing operations.................	7,417	8,683	7,986
Loss from discontinued operations ..	(1,537)	(297)	(548)
Add items not requiring a current outlay of working capital			
Provision for loss on disposal of machinery and equipment......	345	—	—
Depreciation and amortization....	117	95	83
Other..............................	24	—	7
Working capital used in discontinued operations.........................	(1,051)	(202)	(458)
Working capital provided from operations..................	6,366	8,481	7,528
Proceeds from sale of property, plant and equipment..............	2,176	568	421
Common shares issued upon conversion of convertible subordinated notes..............................	1,950	—	—
Obligations incurred under capital leases..............................	1,100	—	—
Proceeds from long-term borrowing	1,000	—	—
Net book value of property, plant and equipment held for sale less deposit.............................	650	—	—
Dividend from unconsolidated subsidiary in excess of equity in earnings...............................	522	—	256
Decrease in other noncurrent assets	254	482	892
Total working capital provided	14,018	9,531	9,097
Working capital used for			
Additions to property, plant and equipment			
Capital expenditures..............	3,717	4,132	3,709
Leased assets under capital leases	913	—	—
Other..............................	394	439	327
Repayments and current portion of long-term debt and capital lease obligations.........................	2,681	2,652	2,630
Conversion of convertible subordinated notes........................	1,950	—	—
Cash dividends.......................	887	871	744
Deferred gain on equipment sold in connection with plant close-down	703	—	—
Increase in other noncurrent assets.	309	446	412
Purchase of treasury shares.........	—	312	—
Total working capital used........	11,554	8,852	7,822
Increase in working capital............	$ 2,464	$ 679	$1,275

Income or Loss Before Extraordinary Item

THE BFGOODRICH COMPANY

Consolidated Statement of Changes in Financial Position

(Dollars in millions, except per share amounts)

Year ended December 31,		1981	1980	1979
Sources of Working Capital From Operations:				
Income before extraordinary gain		$ 91.5	$ 61.7	$ 82.6
Charges (credits) not affecting working capital:				
Depreciation and amortization of property		94.3	91.3	83.6
Deferred income taxes		38.9	7.9	14.8
Equity in earnings of foreign associate companies, net of dividends received		(12.5)	(8.9)	(4.0)
Financial accruals for other non-current liabilities		9.2	11.4	10.4
Other items—net		5.3	.6	3.5
Working Capital Provided from Operations Exclusive of Extraordinary Gain		226.7	164.0	190.9
Extraordinary gain on issuance of $3.125 Cumulative Convertible Preferred Stock, Series C in exchange for certain debentures:				
Extraordinary gain	$ 18.0			
Value of Series C issued	64.2			
Unamortized discount and issuance expense of debentures exchanged	3.7			
Reduction of principal amount of long-term debt	(86.8)	(.9)	—	—
Total From Operations		225.8	164.0	190.9
Consolidation of Convent Chemical Corporation:				
Property	$262.7			
Other assets—net	6.8			
Long-term debt	(160.0)			
Investment in Convent Chemical Corporation	(174.2)	64.7	—	—
Book value of net non-current assets of subsidiaries sold:				
Property—net	$(29.7)			
Non-current liabilities—net	4.0			
Minority interests	11.2	14.5	—	—
Merger of BFGoodrich Finance Company		16.6	—	—
Long-term debt		190.9	113.2	1.1
Capitalized lease obligations		47.1	.4	—
Issuance of preferred stock by subsidiary		6.7	—	—
Retirement or sale of property		26.3	17.2	10.0
Sale of investments		1.6	4.7	9.8
Current maturity or collection of long-term receivables		5.4	3.3	5.5
Common Stock transactions		13.3	13.1	.1
Total Sources of Working Capital		$612.9	$315.9	$217.4
Uses of Working Capital				
Acquisition of subsidiary companies (net of working capital acquired of $35.7 in 1981 and $35.0 in 1979):				
Property		$ 98.1	$ —	$ 46.6
Goodwill		—	—	39.3
Non-current liabilities		(8.8)	—	(3.2)
Effect of foreign currency exchange rate changes		2.6	—	—
Other investments		7.2	4.3	6.8
Additions to property		204.8	184.0	145.6
Current maturity or payment of long-term debt		107.7	14.3	36.5
Current maturity or payment of capitalized lease obligations		3.9	5.6	4.9
Funds held in trust for construction		(1.0)	9.5	—
Cash dividends paid		36.1	28.1	25.8
Investment transactions in Convent Chemical Corporation through date of consolidation		99.5	56.9	6.6
Preferred stock sinking fund—Series A		—	1.3	1.8
Other items—net		12.4	7.6	2.7
Total Uses of Working Capital		562.5	311.6	313.4
Increase (Decrease) in Working Capital		$ 50.4	$ 4.3	$(96.0)

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			
	1981	1980	1979	1978
Sources				
Issuance of long-term debt .	458	462	457	451
Sale, disposal, or retirement of property	426	421	419	438
Issuance of capital stock	404	371	371	362
Investments	102	107	100	110
Capitalized leases	65	83	80	89
Noncurrent receivables	47	53	59	62
Uses				
Property	598	599	597	595
Dividends	528	531	540	538
Long-term Debt	530	540	536	527
Investments	230	210	212	221
Purchase, redemption, or retirement of capital stock .	216	195	228	208
Decrease in capitalized leases	100	100	104	91
Noncurrent receivables	66	73	62	76
Intangibles	41	50	51	55

Property

BETHLEHEM STEEL CORPORATION

Consolidated Statements of Changes in Financial Position

(dollars in millions)

	Year ended December 31,		
	1981	1980	1979
Financial Resources Were Provided By:			
Net income	$210.9	$121.0	$275.7
Items not requiring working capital—			
Depreciation	377.3	375.5	351.3
Deferred income taxes	(8.0)	(53.0)	54.0
Working capital provided by operations	$580.2	$443.5	$681.0
Sale of property	16.6	54.5	22.8
Increase in liabilities payable after one year	12.7	23.5	4.2
Increase in long-term debt	23.2	13.5	25.5
Increase in deferred income taxes related to safe harbor tax leases	29.7	—	—
Recovery of investment in associated enterprises, net of advances	36.0	40.8	6.0
Other	8.0	(17.4)	16.1
Total	$706.4	$558.4	$755.6
Financial Resources Were Used For:			
Capital expenditures—			
Replacement and modernization	$401.4	$466.1	$340.6
Environmental quality control	45.3	36.3	59.0
Investments in associated enterprises	8.6	4.1	18.9
	$455.3	$506.5	$418.5
Reduction in long-term liability for closedown costs	20.7	22.5	43.6
Reduction in long-term debt	60.7	11.3	17.6
Payment of dividends	69.9	69.8	65.5
Total	$606.6	$610.1	$545.2
Increase (Decrease) in Working Capital	$ 99.8	$(51.7)	$210.4

FREEPORT-MCMORAN INC.

Statements of Changes in Financial Position

Years Ended December 31,	1981	1980	1979
Sources of working capital:			
Net income	$159,366	$176,355	$109,670
Items which did not require (provide) funds in the period:			
Depreciation and amortization	151,278	74,989	45,046
Future income taxes	75,182	39,594	18,244
Estimated liability for stock option and other deferred compensation	(7,033)	9,629	11,550
Equity in net income of Freeport Indonesia, Incorporated, in excess of dividends received of $11.1 million in 1981 and $18.4 million in 1980	(5,059)	(20,212)	(27,387)
Working capital provided from operations	373,734	280,355	157,123
Increase in notes payable	164,199	26,285	81,267
Recovery of unamortized costs from sales of oil and gas properties	—	5,878	6,349
Contribution to capital from exercise of stock options by employees	3,589	4,109	1,829
Other	5,840	11,125	3,727
	547,362	327,752	250,295
Uses of working capital:			
Investments in property, plant and equipment:			
Agricultural minerals	11,015	35,378	30,431
Oil and gas	426,547	246,031	150,624
Uranium oxide	19,494	14,276	1,712
Gold	38,607	36,719	312
Kaolin	17,706	15,694	6,420
Other activities	3,729	863	7,455
	517,098	348,961	196,954
Cash dividends on common stock	39,067	32,548	25,071
	556,165	381,509	222,025
Increase (decrease) in working capital	$ (8,803)	$(53,757)	$ 28,270

Debt

ANADITE, INC.

Consolidated Statements of Changes in Financial Position

	For The Years Ended October 31,		
	1981	1980	1979
Working Capital Was Provided By:			
Net income	$3,652	$3,347	$1,519
Income charges not affecting working capital:			
Depreciation of plant and equipment	1,699	1,463	1,474
Net change in deferred liabilities (including taxes)	2,117	524	675
Cost of vesting shares awarded under the Employee Stock Incentive Plan	131	46	33
Provided by operations	7,599	5,380	3,701
Additional long-term debt	—	250	4,000
Disposals of plant and equipment:			
Net book value of fixed assets sold to a former officer	—	815	883
Net book value of other disposals of plant and equipment	47	85	71
Other, principally exercise of employee stock options	238	26	83
Total	7,884	6,556	8,738
Working Capital Was Used For:			
Purchase of property, plant and equipment	2,393	3,724	4,778
Reduction in long-term debt:			
Repayments	878	819	746
Additional amounts reclassified as current	47	152	507
Dividends paid to shareholders	222	222	227
Purchase of treasury stock	128	—	827
Purchase and retirements of common stock	—	—	85
Notes receivable	(150)	(150)	2,150
Total	3,518	4,767	9,320
Increase (Decrease) In Working Capital	$4,366	$1,789	$ (582)

REEVES BROTHERS, INC.

Consolidated Statements of Changes in Financial Position

For the Years (52 weeks) Ended June 27, 1981, June 28, 1980, and June 30, 1979

	1981	1980	1979
Financial Resources Provided By:			
Operations:			
Net income	$18,936	$16,436	$19,521
Add—Items not requiring current outlay of working capital:			
Depreciation	7,010	6,353	5,854
Deferred income taxes deducted from income	345	444	56
Working capital provided from operations	26,292	23,234	25,431
Disposition of property, plant and equipment	1,164	679	3,215
Common Stock issued on exercise of stock options	1,761	285	289
Common Stock issued on conversion of debentures	356	168	676
Miscellaneous—net	56	241	(98)
	29,629	24,609	29,514
Financial Resources Used For:			
Additions to property, plant and equipment	9,334	14,535	8,055
Cash dividends	5,123	4,745	4,487
Reduction in long-term debt:			
Conversion of debentures into Common Stock	356	168	676
Purchase of debentures	450	2,005	
Other	604	633	648
Acquisition of Common Stock for the treasury	863	4,524	4,770
	16,731	26,611	18,637
Increase/(Decrease) in Working Capital	$12,898	$(2,002)	10,877

Capital Stock

GENERAL HOST CORPORATION

Consolidated Statement of Changes in Financial Position

Fiscal Years Ended December 26, 1981, December 27, 1980 and December 29, 1979

	1981	1980	1979
Working capital was provided by:			
Income from continuing operations	$11,638	$11,416	$ 9,672
Add items not affecting working capital:			
Depreciation and amortization	10,770	7,956	5,802
Non-cash provisions for income taxes	3,094	8,610	5,266
Amortization of intangibles	2,149	839	122
Amortization of original issue discount	145	307	616
Working capital provided by continuing operations	27,796	29,128	21,478
Working capital provided (used) by discontinued operations, including gains (losses) on disposals		(9,747)	18,281
Issuance of common stock, including exercises of stock options and 1979 conversion of debentures	178	655	16,842
Increase in long-term debt	21,554	83,718	3,051
Disposal of property, plant and equipment, including $7,311 in 1979 related to disposals of discontinued operations	3,258	2,217	10,076
Proceeds from sale of net assets of operations discontinued in 1980	22,727		
Other, net	1,785	(2,096)	1,623
Total working capital provided	77,298	103,875	71,351
Working capital was used for:			
Reduction of long-term debt, including $9,743 extinguishment of debt in 1980 and $16,859 conversion of debentures in 1979	25,234	42,908	26,448
Additions to property, plant and equipment	16,176	29,512	17,102
Purchase of acquired companies		46,928	
Increase in long-term receivables	6,491	450	290
Net current assets of discontinued operations and disposal costs, including employee terminations, operating losses during phase-out periods and other costs	19,915		
Retirement of common stock and purchase of treasury stock	338	18,856	317
Cash dividends paid on common stock	2,131	2,172	1,346
Total working capital used	70,285	140,826	45,503
Increase (decrease) in working capital	7,013	(36,951)	25,848
Working capital at beginning of year	48,251	85,202	59,354
Working capital at end of year	$55,264	$48,251	$85,202

HARNISCHFEGER CORPORATION

Statement of Changes in Financial Position

	Year Ended October 31, 1981	1980	1979
Source of Working Capital			
From Operations:			
Income (loss) before extraordinary charge	$ 29,060	$ 4,741	$ (1,099)
Add (deduct)—			
Gain, net of applicable income taxes, on sales of patents and know-how	(15,740)	—	—
Items not affecting working capital—			
Depreciation	15,051	13,439	12,576
Minority interest—income (loss)	524	70	(4,205)
Other—net	386	(3,220)	1,817
Total from operations before net gain on sales of patents and know-how and extraordinary charge	29,281	15,030	9,089
Net gain on sale of patents and know-how to Kobe Steel, Ltd.	14,882	—	—
Extraordinary charge	—	—	(893)
Issuance of Common Stock:			
Sale of 1,020,000 shares to Kobe Steel, Ltd.	25,809	—	—
Shares issued under stock option, stock purchase and dividend reinvestment plans	362	340	832
Shares to ASEA AB, in connection with the investment in ASEA Industrial Systems Inc.—			
Value of 118,000 shares	2,071	—	—
Net gain on sale of patents and know-how	858	—	—
Value of investment	(3,430)	—	—
Issuance of shares of Series A $7.00 Preferred Stock, in connection with the purchase of the Panama City Plant	—	10,000	—
Increase in long-term debt	—	30,600	9,488
Minority shareholders' subordinated loans	—	—	3,605
Other—net	421	575	(1,486)
Total source of working capital	70,254	56,545	20,635
Application of Working Capital			
Plant and equipment additions	11,052	31,558	17,683
Reduction in:			
Long-term debt	39,040	8,468	21,253
Capitalized lease obligations	1,212	1,379	5,565
Minority interest	—	—	2,867
Cash dividends paid	4,333	3,564	8,868
Total application of working capital	55,637	44,969	56,236
Increase (Decrease) in Working Capital	14,617	11,576	(35,601)
Working Capital at Beginning of Year	205,786	194,210	229,811
Working Capital at End of Year	$220,403	$205,786	$194,210

LOCKHEED CORPORATION

Consolidated Statement of Changes in Financial Position

Dollars in millions	Year ended Dec. 27, 1981	Dec. 28, 1980	Dec. 30, 1979
Source			
Continuing operations			
Earnings from continuing operations	$154.7	$135.3	$136.8
Add charges against earnings not involving working capital			
Depreciation and amortization of plant and equipment	77.1	58.1	43.5
Other	.8	1.6	2.2
Working capital from continuing operations	232.6	195.0	182.5
Discontinued operations			
Loss from discontinued operations	(466.3)	(107.7)	(100.3)
TriSar initial planning and tooling and unrecovered production start-up costs	280.2	55.6	54.2
Decrease in deferred income tax	(52.7)	(2.2)	(34.8)
Working capital applied to discontinued operations	(238.8)	(54.3)	(80.9)
Extraordinary items	22.8		20.0
Preferred stock issued in exchange for debentures	62.6		
Long-term borrowings and capital leases		187.4	236.9
Other	8.7	12.4	24.7
	87.9	340.5	383.2
Application			
Debentures retired on exchange for preferred stock	86.5		
Additions to property, plant, and equipment	209.1	155.1	136.1
Redemption of $9.50 Senior Preferred Stock	8.1	8.1	
Payment of preferred dividends	8.3	4.5	4.7
Other	16.0	21.0	24.7
	328.0	188.7	165.5
Increase (decrease) in working capital	$(240.1)	$151.8	$217.7

Dividends

MELVILLE CORPORATION

Consolidated Statements of Changes in Financial Position

Years ended December 31	1981	1980	1979
Source of Funds:			
Net earnings	$136,132	$113,824	$100,708
Expenses not requiring (providing) outlay of working capital:			
Depreciation and amortization:			
Property owned	32,771	25,447	21,268
Leased property under capital leases	3,197	2,311	2,027
Amortization of goodwill	1,359	756	767
Minority interests in net earnings	27,796	26,406	24,570
Increase (decrease) in deferred Federal income taxes	5,350	(439)	205
	70,476	54,482	48,839
Working capital provided from operations	206,608	168,307	149,548
Increase in long-term debt	38,575	8,500	14,110
Increase in obligations under capital leases	13,808	2,980	4,091
Proceeds from sale of subsidiaries' capital stock	1,624	1,972	1,857
Proceeds from common stock sold or issued under employee stock plans	3,779	4,306	1,333
Conversion of Subordinated Debentures	4,806	13,165	10
Increase (decrease) in lease obligations for closed stores	(3,120)	1,532	(1,379)
Dispositions of property, plant, equipment and leasehold improvements	4,879	1,403	2,010
Decrease (increase) in deferred charges and other assets	(1,656)	230	210
	269,304	202,398	171,793
Application of Funds:			
Acquistion of Kay-Bee Toy and Hobby Shops, Inc.			
Property, plant, equipment and leasehold improvements	15,997	—	—
Goodwill	45,552	—	—
Additions to property, plant, and equipment and leasehold improvements	98,222	76,533	53,105
Additions to leased property under capital leases	15,593	4,449	5,424
Reduction of long-term debt	12,095	21,114	6,058
Dividends paid	46,639	40,514	35,211
Dividends paid to minority interest	25,008	19,949	18,222
Purchase of preferred stock for treasury	277	423	388
	259,386	162,985	118,411
Net increase in working capital	$ 9,918	$ 39,413	$ 53,382

WHITTAKER CORPORATION

Consolidated Statements of Changes in Financial Position

For the Years Ended October 31	1981	1980	1979
Working Capital Provided by Operations			
Net income	$ 69,328	$ 57,504	$46,773
Items not affecting working capital—			
Depreciation and amortization	19,920	17,220	15,716
Deferred taxes	—	2,687	2,298
Working capital provided from operations	89,248	77,411	64,787
Disposals of property, plant and equipment	10,776	11,258	1,446
Decrease in noncurrent notes receivable	—	2,041	3,937
Issuance of long-term debt	31,251	1,487	13,481
Debt assumed in connection with purchased businesses	—	19,102	—
Issuance of common stock upon conversion of debt	6,398	6,308	522
Issuance of common stock upon exercise of warrants	—	14,550	—
Other items, net	—	2,299	5,246
	137,673	134,456	89,419
Working Capital Applied to			
Assets acquired in connection with purchased businesses—			
Property, plant and equipment	—	17,540	22,197
Goodwill	—	70	3,825
Capital expenditures	39,240	37,133	30,301
Reduction of long-term debt	29,639	18,191	24,131
Cash dividends on preferred stock	659	700	826
Cash dividends on common stock	21,490	14,093	5,729
Cost of company stock reacquired	54	9,249	231
Increase in noncurrent notes receivable	3,365	—	—
Other items, net	2,100	—	—
	96,547	96,976	87,240
Increase in Working Capital	$ 41,126	$ 37,480	$ 2,179

WINN-DIXIE STORES, INC.

Consolidated Statements of Changes in Financial Position

Years Ended June 24, 1981, June 25, 1980 and June 27, 1979	1981	1980	1979
WORKING CAPITAL PROVIDED BY:			
Operations:			
Net earnings	$ 95,395	91,950	94,462
Charges (credits) not affecting working capital:			
Depreciation and amortization	84,849	76,233	64,380
Decrease (increase) in prepaid income taxes	(218)	3,642	1,155
Increase in accrual for insurance claims and self-insurance	5,230	2,857	3,940
Total working capital provided by operations	185,256	174,682	163,937
Decrease in leased property under capital leases	3,281	1,401	—
Increase in obligations under capital leases	—	2,163	1,939
Net proceeds of sale under employees' stock purchase plan	7,293	15,096	—
Increase in other long-term debt	3,500	—	5,000
Decrease in other assets	—	—	1,355
Decrease in investments in and advances to foreign subsidiary not consolidated	—	—	98
Total working capital provided	199,330	193,342	172,329
WORKING CAPITAL APPLIED TO:			
Cash dividends	40,906	29,507	26,990
Additions to:			
Property, plant and equipment, net	105,981	106,998	89,499
Leased property under capital leases	—	2,163	4,010
Cost of shares purchased in tender offers and related expenses	52,036	30,690	—
Purchase of common stock	16,423	43,152	29,617
Reduction of other long-term debt	5,691	1,180	1,940
Reduction of obligations under capital leases	5,565	3,539	—
Increase in other assets	975	705	—
Increase in investments in and advances to foreign subsidiary not consolidated	14	130	—
Payments for fractional shares and expenses in connection with 4-for-3 stock split	—	—	513
Total working capital applied	227,591	218,064	152,569
Increase (decrease) in working capital	$(28,261)	(24,722)	19,760

Purchase Method Business Combination

HARSCO CORPORATION

Consolidated Statements of Changes in Financial Position

For the years 1981, 1980 and 1979

	1981	1980	1979
Working capital provided from:			
Net income	$ 61,534	$ 49,712	$ 51,962
Items not involving working capital:			
Depreciation	42,570	39,012	33,669
Deferred income taxes and investment credits, net	10,359	3,481	3,824
Other	(4,372)	(3,538)	2,863
Total from operations	110,091	88,667	92,318
Increase in long-term debt	1,023	58,185	599
Disposals of property, plant and equipment	4,293	2,433	4,698
Fair value of common stock issued in acquisition of businesses	7,732	—	14,574
Stock options exercised	260	245	566
	123,399	149,530	112,755
Working capital applied to:			
Expenditures for property, plant and equipment	81,704	66,309	71,362
Net assets other than working capital of companies acquired:			
Property, plant and equipment	3,391	7,012	9,441
Long-term debt	—	(90)	(2,773)
Other	2,598	93	147
Cash dividends	21,754	20,373	18,428
Decrease in long-term debt	2,234	9,654	2,098
Acquisition of common stock for treasury	14,299	2,728	4,294
Effect of exchange rate changes on working capital	2,528	—	—
Other, net	(481)	3,367	1,955
	128,027	109,446	104,952
(Decrease) increase in working capital	$ (4,628)	$ 40,084	$ 7,803

HUGHES TOOL COMPANY

Statements of Changes in Consolidated Financial Position

For the Three Years Ended December 31, 1981

	1981	1980	1979
Working Capital Provided			
Operations:			
Net income	$255,208	$132,189	$ 84,552
Add items not requiring current use of working capital:			
Depreciation and amortization	76,149	52,264	35,575
Deferred income taxes	17,779	14,535	11,346
Other	8,878	5,136	1,550
Working capital provided by operations	358,014	204,124	133,023
Proceeds from long-term debt	311,820	117,985	117,917
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	5,050	6,051	4,115
Value assigned to common stock issued in connection with the acquisition of businesses	3,650	45,565	
Other	7,009	6,188	3,958
Total working capital provided	685,543	596,131	327,587
Working Capital Applied			
Property additions	360,168	175,728	109,850
Acquisitions of businesses (net of working capital acquired of $713 in 1981; $25,934 in 1980; and $13,236 in 1979):			
Property	2,459	16,548	39,233
Excess of cost over values assigned	812	12,206	61,225
Other assets	529	3,449	3,888
Long-term debt		(1,886)	(10,370)
Other long-term liabilities		(1,948)	(2,585)
Cash dividends	35,700	23,983	16,185
Reduction of long-term debt	35,219	207,772	9,220
Other	27,824	15,554	6,871
Total working capital applied	462,711	451,406	233,517
Increase in Working Capital	$222,832	$144,725	$ 94,070

INTERCO INCORPORATED

Consolidated Statement of Changes in Financial Position

Years Ended	Feb. 28, 1981	Feb. 29, 1980	Feb. 28, 1979
Working capital provided by:			
Net earnings	$124,330	$106,706	$ 92,576
Items not affecting working capital:			
Depreciation	32,845	24,390	21,850
Other, net	2,406	1,973	1,014
Operations	159,581	133,069	115,440
Disposal of property, plant and equipment	3,038	4,873	3,677
Issuance of preferred stock	3,666	88,762	—
Issuance of common stock	1,473	298	6,288
Additions to long-term debt	136,992	320	2,970
Additions to capital lease obligations	5,509	4,759	16,427
Reduction of marketable investment securities	28,416	7,846	4,153
Other, net	—	1,751	181
	338,675	241,678	149,136
Working capital used for:			
Cash dividends	44,553	33,563	30,425
Additions to property, plant and equipment:			
Company owned property	62,857	41,849	30,173
Leased property	5,860	4,759	16,427
Reduction of long-term debt	16,571	9,227	4,625
Reduction of capital lease obligations	6,302	5,402	7,379
Purchase of common treasury shares	6,896	9,474	5,787
Conversion of preferred stock	159	—	—
Marketable investment securities	3,993	7,677	39,938
Additional payment—purchased companies	—	—	2,887
Other, net	1,316	—	—
	148,507	111,951	137,641
Acquisitions (less working capital of $69,276 in 1981, $90,664 in 1980 and $18,025 in 1979):			
Properties	69,637	84,650	5,977
Long-term debt and capital lease obligations	(6,562)	(41,112)	(839)
Excess of cost over fair value of net assets acquired	19,314	13,098	(966)
Other, net non-current assets	(66)	4,136	1,806
Net non-current assets	82,323	60,772	5,978
	230,830	172,723	143,619
Increase in working capital	$107,845	$ 68,955	$ 5,517

Investments

THE CONTINENTAL GROUP, INC.

Statement of Changes in Consolidated Financial Position

Years ended December 31

(in millions)	1981	1980	1979
Sources of Cash			
Net earnings	$242.2	$200.2	$184.6
Items not affecting cash			
Depreciation, depletion and amortization	234.4	220.1	185.9
Undistributed equity earnings	(45.6)	(25.9)	(36.9)
Increase in retirement benefits, deferred income taxes, etc.	66.5	46.1	29.8
Funds from Operations	497.5	440.5	363.4
Disposals of investments and property, plant and equipment	143.4	58.3	53.0
Long-term debt borrowings	159.1	111.3	332.1
Issuances of stock	10.9	7.2	142.6
Other	(16.6)	25.4	(10.4)
Total sources of cash	794.3	642.7	880.7
Uses of Cash			
Expenditures			
Property, plant and equipment	212.2	254.0	250.8
Oil and gas properties	184.6	125.4	57.1
Timberlands	9.5	4.9	10.8
Long-term debt reductions	157.0	141.8	31.8
Dividends	107.2	103.6	91.0
Purchases of stock	22.3	3.2	10.2
Investments and advances			
Insurance Operations	.8	3.1	18.6
Other	10.1	1.9	15.6
Acquisition of Florida Gas Company, exclusive of working capital	—	—	352.1
Increase in working capital, exclusive of cash	4.4	2.1	25.7
Impact of foreign currency translation on working capital	15.4	24.7	(7.5)
Total uses of cash	723.5	664.7	856.2
Increase (Decrease) in Cash	70.8	(22.0)	24.5
Cash, Beginning of Year	150.0	172.0	147.5
Cash, End of Year	$220.8	$150.0	$172.0

CURTISS-WRIGHT CORPORATION

Consolidated Statements of Changes in Financial Position

For the years ended December 31	1981	1980	1979
Sources of Working Capital:			
Earnings from continuing operations	$ 51,177	$32,228	$29,646
Items which reduced (increased) earnings but did not affect working capital:			
Depreciation	5,087	4,750	4,185
Minority interest	208	162	199
Deferred federal and foreign income taxes	(1,222)	384	(710)
Equity in net earnings of associated companies, net of dividends:			
Kennecott Corporation		(10,227)	(14,970)
Other	(1,732)	(1,859)	(739)
Working capital provided from continuing operations	53,518	25,438	17,611
Gain on disposal of discontinued segment (Dorr-Oliver Incorporated)	34,131		
Dividends from discontinued segment		1,500	12,746
Book value of investment in associated companies sold:			
Kennecott Corporation	131,273		
Dorr-Oliver Incorporated	77,819		
Cenco Incorporated	11,556		
Book value of property, plant and equipment sold or retired	284	2,156	263
Additions to long-term debt	5,347	17,130	21,809
Decrease (increase) in long-term receivables	3,028	(3,347)	(404)
Other changes, net	929	(594)	526
Total sources of working capital	317,885	42,283	52,551
Uses of Working Capital:			
Purchase of minority interest of Dorr-Oliver Incorporated			22,068
Investment in Kennecott Corporation			27,623
Reduction to long-term debt	35,120	19,284	5,461
Acquisition of treasury shares—common	157,921	2	218
Redemption of Class A shares	1,346		
Increase in restricted cash and investments (included in other assets)	23,862		
Dividends	4,834	8,319	7,058
Additions to property, plant and equipment	11,398	11,665	13,315
Total uses of working capital	234,481	39,270	75,743
Increase (decrease) in working capital	$ 83,404	$ 3,013	($23,192)

Leases

AMERICAN SEATING COMPANY

Consolidated Statement of Changes in Financial Position

Year Ended December 31	1981	1980	1979
Sources of Working Capital:			
Net income (loss)	$2,830	$ 2,587	$(2,769)
Add items not requiring outlay of working capital:			
Depreciation	2,577	2,182	1,975
Deferred income taxes (excluding portion in current liabilities)	276	552	153
Total derived from (absorbed by) operations	5,683	5,321	(641)
Book value of properties of discontinued operations disposed of	—	3,712	—
Decrease in other assets	265	575	185
Stock options exercised	15	96	—
Decrease in non-current assets and liabilities of discontinued operations	—	—	249
Increase in obligations under capitalized leases	137	156	630
Increase in long-term borrowing	1,000	15,000	—
Total	7,100	24,860	423
Uses of Working Capital:			
Reacquisition and retirement of preferred stock	—	3,978	—
Investments and advances to finance subsidiary	(493)	1,379	—
Cash dividends	268	88	592
Reduction of long-term debt	1,100	2,100	1,100
Reduction of obligations under capitalized leases	369	457	552
Obligations under capitalized lease assumed by finance subsidiary	—	3,650	—
Expended for property and equipment	2,947	4,179	3,887
Total	4,191	15,831	6,131
Increase (Decrease) in Working Capital	$2,909	$ 9,029	$(5,708)

THE SOUTHLAND CORPORATION

Consolidated Statements of Changes in Financial Position

	Year ended December 31		
	1981	1980	1979
Sources of Working Capital:			
From operations:			
Net earnings	$ 94,191	$ 76,052	$ 81,251
Expenses charged to earnings which did not require outlay of working capital:			
Depreciation and amortization	80,144	67,529	56,501
Amortization of capital leases	20,951	22,565	22,610
Deferred income taxes and other credits	9,236	7,884	(14,559)
Working capital provided from operations	204,522	174,030	145,803
Long-term debt	17,810	2,306	78,859
Retirements and sales of property, plant and equipment	15,916	29,870	16,032
Capital lease obligations	9,446	24,011	30,276
Retirements and sales of capital leases	6,773	2,046	3,526
Issuance of common stock:			
Sale of stock	—	—	55,928
Other	984	517	1,564
	255,451	232,780	332,188
Uses of Working Capital:			
Property, plant, and equipment	206,864	114,510	217,087
Cash dividends	24,859	21,511	17,382
Reduction of capital lease obligations	20,614	25,515	22,261
Net noncurrent assets of businesses purchased	17,027	—	6,132
Capital leases	9,446	24,011	30,476
Payment of long-term debt	9,354	16,664	13,268
Investments in affiliates	5,006	2,930	1,483
Other	1,548	(344)	1,971
Retirement of long-term debt upon conversion of notes	73	—	270
Cash paid in lieu of fractional shares on stock dividend	—	74	114
	294,791	204,871	310,444
Increase (decrease) in working capital	$(39,340)	$ 27,909	$ 21,744

GENERAL REFRACTORIES COMPANY

Consolidated Statements of Changes in Financial Position

	Year Ended December 31, 1981	1980	1979
Working Capital Provided By Operations			
Income (loss) from continuing operations before extraordinary credit	$(18,951)	$ 121	$ 9,357
Add (deduct) items not involving working capital			
Depreciation	12,524	12,351	12,856
Deferred income taxes	(2,314)	(12)	945
Equity in earnings of associated companies, net of dividends received	13	(932)	(690)
Translation (gains) losses principally applicable to non-current liabilities and reserves	—	(5,757)	3,662
Provision for loss on foreign subsidiaries, excluding working capital	5,735	5,136	2,700
Net provision for foreign pension and separation pay	2,267	1,156	1,146
Other	—	(190)	—
Working capital provided from (used for) continuing operations before extraordinary credit	(726)	11,873	29,976
Loss from discontinued operations	—	—	(2,740)
Add (deduct) items not involving working capital			
Depreciation	—	—	1,223
Deferred income taxes	—	—	(300)
Working capital used for discontinued operations	—	—	(1,817)
Working capital provided from (used for) operations before extraordinary credit	(726)	11,873	28,159
Extraordinary credit	—	2,100	—
Net proceeds from sale and leaseback transactions	1,888	—	2,070
Net non-current assets of companies sold, net of $610,000 received in long-term notes	—	—	1,158
Decrease in long-term receivables	1,251	1,708	—
Proceeds from disposal of assets, net of gains included above and $1,585,000 (1980) received in long-term notes	1,298	1,552	3,188
Additions to long-term debt	22,189	13,112	3,959
Total working capital provided	25,900	30,345	38,534
Working Capital Applied To			
Acquisition of property, plant and equipment	22,090	14,892	15,628
Long-term debt paid or maturing currently	33,571	10,345	10,942
Increase in investments	3,057	411	3,512
Foreign currency translation adjustment affecting working capital	4,667	—	—
Net non-current assets of discontinued operations	—	—	330
Cash dividends	63	94	126
Preferred shares reacquired	660	661	661
Other	303	(880)	1,397
Total working capital applied	64,411	25,613	32,596
Increase (decrease) in working capital	$(38,511)	$ 4,732	$ 5,938

Conversion of Preferred Stock

ETHYL CORPORATION

Consolidated Statements of Changes in Financial Position

Years ended December 31	1981	1980	1979
Sources of Funds:			
Operations:			
Net income	$ 90,891	$ 89,682	$ 97,515
Expenses not requiring outlay of working capital:			
Depreciation and depletion	76,364	64,354	58,999
Amortization of debt discount and intangibles	3,093	2,752	2,825
Deferred income taxes	8,829	15,322	11,413
Non-current portion of estimated charge for shutdown of antiknock facility at Houston		4,413	
Working capital provided from operations	179,177	176,523	170,752
Book value of property disposals	11,712	7,579	5,561
Debt assumed on purchase of equipment	3,409		
Long-term receivables	3,073	(5,852)	850
Issuance of Common Stock upon conversion of $2.40 Second Preferred Stock	340	437	1,409
Working capital of consolidated subsidiary at date of acquisition		1,892	
Total sources of funds	197,711	180,579	178,572
Application of Funds:			
Additions to property, plant and equipment	140,520	156,388	122,878
Capital stock reacquired	10,037	5,025	177
Cash dividends	31,840	32,240	29,580
Acquisition of consolidated subsidiaries, net of long-term debt assumed of $421,000 in 1979		8,241	8,585
Reduction of long-term debt	35,363	19,034	18,821
Conversion of $2.40 Second Preferred Stock	340	437	1,409
Other items—net	365	2,688	(1,401)
Total applications of funds	218,465	224,053	180,049
(Decrease) in working capital	$(20,754)	$(43,474)	$ (1,477)

CONAGRA, INC.

Consolidated Statements of Changes in Financial Position

	Fiscal years ended: May 31, 1981	May 25, 1980	May 27, 1979
Funds provided			
Net income	$ 27,071	$18,515	$21,034
Items which do not use working capital			
Depreciation and amortization	12,323	7,672	5,928
Increase in noncurrent deferred income taxes	161	983	522
Working capital provided from operations	39,555	27,170	27,484
Proceeds from issuance and assumption of long-term debt	46,164	26,171	7,530
Issuance of preferred stock	7,000		
Proceeds from sale of property, plant and equipment	3,216	2,148	895
Fair market value of common stock issued in connection with the acquisition of Bow Wow Company, Incorporated			196
Issuance of common stock in connection with the senior management incentive plan		641	
Contracts to sell common shares under executive stock purchase plan	6	111	
Proceeds from exercise of employee stock options	517	104	112
Issuance of common stock for conversion of preferred stock—contra below	4,038	33	307
Total working capital provided	100,496	56,378	36,524
Funds used			
Additions to property, plant and equipment	15,891	22,818	17,589
Increase (decrease) in investment in unconsolidated 50% or less owned foreign companies	4,582	(8,140)	7,975
Cash dividends	9,237	7,730	6,237
Repayment and current maturities of long-term debt	26,050	4,885	3,660
Redemption of preferred stock	100	26	776
Conversion of preferred stock—contra above	4,038	33	307
Purchase of common stock held in treasury		22	858
Acquisition of businesses, less net current assets acquired: 1981, $45,348; 1980, $7,334; 1979, $4,086			
Property, plant and equipment	20,002	7,526	715
Goodwill	835		1,955
Long-term liabilities assumed	(4,207)		
Other, net	2,153	711	2,372
Other items, net	370	724	1,285
Total working capital used	79,051	36,335	43,729
Net increase (decrease) in working capital	$ 21,445	$20,043	$(7,205)

Foreign Currency Translation Effect

THE GOODYEAR TIRE & RUBBER COMPANY

Statement of Changes in Financial Position

	Year Ended December 31,		
	1981	1980	1979
Source of Working Capital:			
Income before extraordinary credit	$243,895	$206,711	$146,184
Items not affecting working capital:			
Depreciation	233,025	230,352	227,350
Deferred taxes	7,402	10,824	24,394
Plant closures	(1,260)	(5,312)	39,601
Other items	(6,251)	(6,921)	(10,263)
	232,916	228,943	281,082
Total from operations before extraordinary credit	476,811	435,654	427,266
Extraordinary credit—tax benefit of loss carryovers	16,400	23,978	—
Total from operations	493,211	459,632	427,266
Long term debt additions	332,790	197,684	236,298
Long term capital lease obligation additions	—	1,432	3,879
Dividends received from non-consolidated subsidiaries and affiliates	17,131	1,166	1,534
Property and plant dispositions	17,044	24,300	29,452
Common stock issued	5,821	1,737	2,136
Other items	47,183	18,563	—
	913,180	704,514	700,565
Application of Working Capital:			
Property and plant expenditures	302,541	248,602	360,063
Long term debt reductions	369,311	406,536	182,475
Long term capital lease obligation reductions	12,128	14,076	13,988
Translation effect on working capital included in foreign currency translation adjustment	85,162	—	—
Cash dividends paid to shareholders	93,414	93,276	93,129
Other items	—	—	12,291
	862,556	762,490	661,946
Increase (Decrease) in Working Capital	$ 50,624	$(57,976)	$ 38,619

VF CORPORATION

Statements of Changes in Consolidated Financial Position

Fiscal Year Ended	Jan. 2, 1982	Jan. 3, 1981	Dec. 29, 1979
Sources of Working Capital			
Net earnings	$52,205	$44,557	$37,692
Items recognized in net earnings which did not affect working capital in the current period:			
Depreciation and amortization	13,438	11,012	8,801
Deferred income taxes and other changes	460	1,579	(920)
Total from Operations	66,103	57,148	45,573
Capitalized lease obligation and long-term debt	8,066	927	1,995
Proceeds from sale of Common Stock under stock option plan	254	564	927
Net carrying amount of property disposals	3,015	875	1,483
Effect of exchange rate changes on working capital	—	724	1,246
Other changes, net	—	5,094	—
	77,438	65,332	51,224
Applications of Working Capital			
Expenditures for property, plant and equipment	14,605	27,289	23,011
Increase (decrease) in funds held by Trustees	4,302	(293)	(565)
Increase in property, plant and equipment	18,907	26,996	22,446
Reduction in capitalized leases and long-term debt	2,405	2,872	2,233
Cost of Common Stock purchased under tender offers	—	38,316	15,635
Cash dividends	16,973	14,912	14,470
Effect of exchange rate changes on working capital	3,803	—	—
Other changes, net	3,156	—	238
	45,244	83,096	55,022
Increase (Decrease) in Working Capital	$32,194	($17,764)	($ 3,798)

Funds Placed In Escrow

THE NARDA MICROWAVE CORPORATION

Consolidated Statements of Changes in Financial Position

For the years ended June 30,	1981	1980	1979
Sources of Working Capital:			
From operations:			
Net income	$ 1,950	$1,201	$ 803
Items not requiring outlay of working capital in the year:			
Depreciation	593	538	435
Deferred income taxes	35		
Working capital provided from operations	2,579	1,739	1,238
Issuance of long-term debt	5,450	2,525	307
Issuance of treasury stock		120	61
Issuance of common stock	8,227	98	
Tax benefits related to stock option plans	167		
Other	108	30	20
Total	16,532	4,513	1,626
Uses of Working Capital:			
Purchases of property, plant and equipment	3,796	838	509
Reduction of long-term debt	3,011	695	462
Cash dividends	279	174	139
Funds placed in escrow for construction in progress	693		
Other	198	52	27
Total	7,980	1,761	1,137
Increase in Working Capital	$ 8,552	$2,752	$ 489

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 reporting financial results.

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.

TABLE 5-5: ANALYSIS OF CHANGES IN WORKING CAPITAL ELEMENTS—PRESENTATION

	1981	1980	1979	1978
Analysis included as part of statement of changes in financial position	122	56	50	48
Analysis presented in a tabulation at bottom of statement of changes in financial position	460	526	528	530
Analysis presented in a tabulation apart from statement of changes in financial position	17	18	22	22
Total Companies	**599**	**600**	**600**	**600**

TABLE 5-6: TITLES IDENTIFYING ANALYSIS OF WORKING CAPITAL ELEMENTS

	1981	1980	1979	1978
Change in working capital	254	280	261	249
Increase (decrease) in working capital	155	198	205	227
Analysis of changes in working capital	38	46	49	37
Summary of changes in working capital	10	9	18	18
Other titles	20	11	17	21
Subtotal	**477**	**544**	**550**	**552**
Analysis included within statement of changes in financial position	122	56	50	48
Total Companies	**599**	**600**	**600**	**600**

Analysis Included as Part of Statement

CONE MILLS CORPORATION

Consolidated Statements of Changes in Financial Position

Years ended January 3, 1982 (52 weeks), December 28, 1980 (52 weeks) and December 30, 1979 (52 weeks)

	1981	1980	1979
Funds Provided:			
From Operations:			
Net income	$33,721	$50,892	$43,465
Items not using (providing) funds:			
Depreciation and amortization	23,779	21,686	18,683
Deferred income taxes	6,757	2,556	2,155
Loss (gain) on property retirements	947	(2,159)	(98)
Other—net	185	72	185
Total From Operations	65,389	73,047	64,390
Proceeds from property retirements	1,326	4,148	1,557
Sales of common stock	65	—	208
	66,780	77,195	66,155
Use of Funds:			
Gross property additions	49,356	49,881	38,688
Increase (decrease) in receivables	(34,261)	30,482	(15,515)
Increase (decrease) in inventories	3,093	14,099	(1,369)
Decrease (increase) in accounts payable and accrued expenses	4,503	(5,244)	(9,082)
Decrease (increase) in income taxes	7,335	(6,798)	(871)
Long-term debt payments	4,071	4,071	4,511
Dividends paid	12,652	11,546	10,442
Purchases of common stock	1,824	676	1,002
Other—net	(366)	(637)	2,642
	48,207	98,077	30,448
Increase (Decrease) in Net Cash and Short-Term Investments	18,573	(20,882)	35,707
Cash and Short-Term Investments Less Notes Payable:			
Beginning of year	4,608	25,490	(10,217)
End of year	$23,181	$ 4,608	$25,490

COMMERCIAL METALS COMPANY

Consolidated Statements of Changes in Financial Position

	Year ended August 31		
	1981	1980	1979
SOURCES OF FUNDS:			
Net earnings	$11,244	$18,368	$15,117
Expenses not requiring outlay of funds in the current period:			
Depreciation	6,270	6,008	5,505
Writedown to market of investments in affiliates	318	—	—
Deferred income taxes	158	4,445	1,219
Amortization of capitalized leases	94	115	134
Amortization of intangible assets	47	47	225
Equity in earnings of affiliates	(132)	(306)	(382)
Funds provided by operations	17,999	28,677	21,820
Increase in trade accounts payable, other payables, and accrued expenses	20,268	—	34,890
Decrease in temporary investments	9,000	—	—
Decrease in notes and accounts receivable	7,218	9,522	—
Decrease in inventories, salvage jobs in process, and advances for materials	—	10,248	—
Increase in income taxes payable	—	—	4,854
Common stock issued under stock option and purchase plans	1,622	941	637
Sales or retirements of property, plant, and equipment	718	291	511
Decrease in other assets, net	104	511	—
Decrease in prepaid expenses	2	—	405
Increase in notes due bank	—	—	374
	$56,936	$50,192	$63,495
USES OF FUNDS:			
Additions to property, plant, and equipment	$20,007	$ 9,715	$ 7,052
Increase in inventories, salvage jobs in process, and advances for materials	19,801	—	5,310
Increase in notes and accounts receivable	—	—	40,845
Decrease in income taxes payable	6,304	3,441	—
Increase in cash	5,156	1,360	4,548
Increase in temporary investments	—	9,000	—
Payments on long-term debt	3,050	3,175	3,166
Cash dividends	1,890	1,679	1,502
Treasury stock acquired	726	489	—
Decrease in notes due banks	—	18,524	—
Decrease in trade accounts payable, other payables, and accrued expenses	—	1,557	—
Additional investment in affiliate	—	894	—
Increase in prepaid expenses	—	354	—
Purchase of affiliates	—	—	714
Other	—	—	354
	$56,936	$50,192	$63,495

DEERE & COMPANY

Statement of Changes in Consolidated Financial Position

	Year Ended October 31 1981	1980	1979
Source of Funds:			
From operations:			
Net income	$ 250,994	$ 228,271	$ 310,637
Non-fund transactions:			
Provision for depreciation	185,427	147,735	119,467
Increase in deferred income taxes	42,471	53,372	17,262
Undistributed earnings of unconsolidated subsidiaries and affiliates	(89,374)	(40,785)	(34,497)
Other	975	890	737
Total from operations	390,493	389,483	413,606
Amount received from public sale of four million shares of common stock	165,791		
Proceeds from issuance of 10½% notes due 1985		149,625	
Deferred income taxes:			
Reclassified to noncurrent		25,018	
Related to losses on investments in unconsolidated subsidiaries and affiliates		35,784	
Proceeds on exercise of stock options:			
New shares issued	2,082	3,222	3,545
Tax benefit relating to stock options	837	658	912
Conversion of convertible debentures:			
New shares issued	29,577	50,829	1,727
Treasury shares issued, including gain			185
	588,780	654,619	419,975

	1981	1980	1979
Use of Funds:			
Additions to property and equipment, less net retirements	344,929	407,730	269,867
Cash dividends declared	133,055	116,004	98,709
Decrease in long-term debt and capital lease obligations	28,030	65,565	21,805
Increase (decrease) in investments in unconsolidated retail finance subsidiaries	(17,045)	40,494	26,934
Increase in investments in other unconsolidated subsidiaries and affiliates	21,958	44,851	27,580
Other	1,231	4,546	3,449
	512,158	679,190	448,344
Increase (Decrease) in Working Capital:			
Cash and short-term investments	(1,390)	16,242	3,313
Refundable income taxes	(57,612)	71,049	
Receivables from unconsolidated subsidiaries and affiliates	9,457	(105,471)	(156,030)
Trade receivables—net	281,121	691,657	25
Inventories	(5,420)	(8,138)	192,274
Notes payable	45,413	(543,968)	(58,118)
Accounts payable	(127,757)	(115,279)	(96,053)
Accrued taxes	(66,056)	(32,505)	97,322
Other changes—net	(1,134)	1,842	(11,102)
Net increase (decrease) in working capital	76,622	(24,571)	(28,369)
Working Capital at Beginning of Year	1,249,317	1,273,888	1,302,257
Working Capital at End of Year	$1,325,939	$1,249,317	$1,273,888

COPPERWELD CORPORATION

Consolidated Statements of Changes in Financial Position

For the Years Ended December 31

	1981	1980	1979
FUNDS PROVIDED BY:			
Net income	$37,221	$18,981	$23,078
Items not involving working capital:			
Depreciation and amortization	13,762	11,133	9,243
Deferred income taxes	9,493	4,847	3,353
Gain on retirement of debt		(1,026)	
Equivalent interest on unfunded pensions	979	1,040	1,122
Other	1,690	1,122	263
FUNDS PROVIDED FROM OPERATIONS	63,145	36,097	37,059
Changes in components of working capital			
Accounts receivable	(11,539)	(7,535)	(3,142)
Inventories	(24,586)	5,850	3,847
Prepaid expenses	(546)	(1,238)	3,835
Accounts payable	632	19,119	2,065
Notes payable	13,863	3,116	
Current maturities of long-term debt	1,466	1,636	14
Accrued liabilities	10,733	(2,870)	(2,157)
FUNDS PROVIDED (USED) BY CHANGES IN WORKING CAPITAL	(9,977)	18,078	4,462
	53,168	54,175	41,521
Issuance of common stock	469	87	83
Additions to long-term debt	5,700	2,525	
Net book value of property sold or retired	721	474	692
Other	111	1,660	303
TOTAL FUNDS PROVIDED	60,169	58,921	42,599
FUNDS USED FOR:			
Additions to property, plant and equipment	40,674	41,123	27,649
Reduction in unfunded pensions	1,889	1,841	2,486
Investment in subsidiaries	3,037	5,018	4,147
Cash dividends	9,143	8,448	7,650
Reduction in long-term debt	5,080	4,569	1,353
Other	3,711	2,046	(61)
TOTAL FUNDS USED	63,534	63,045	43,224
Decrease in cash and marketable securities	$(3,365)	$(4,124)	$ (625)

Analysis Presented in a Tabulation at Bottom of Statement

EMPIRE INCORPORATED

Consolidated Statements of Changes in Financial Position

Years Ended June 30	1981	1980	1979
Source of Working Capital			
Net income (loss)	(357)	$ 7,103	$ 6,004
Items not affecting working capital			
Depreciation, depletion, and amortization	6,048	4,907	4,683
Gain on sale of property and equipment	(424)	(88)	(1,318)
Deferred income taxes	5,050	1,100	77
Working capital provided by operations	10,316	13,021	9,446
Proceeds from long-term debt	26,034	8,899	5,085
Proceeds from stock options and stock purchase agreement	792	162	679
Proceeds from sale of property and equipment	512	220	2,025
Reclassification of investment in marketable equity securities		2,917	
Other			627
	37,655	25,221	17,864
Application of Working Capital			
Additions to property and equipment	20,388	17,428	6,754
Reduction of long-term debt	11,487	1,486	4,657
Purchase of treasury stock		1,045	3,170
Cash dividends declared	1,307	1,045	804
Investment in marketable equity securities			2,917
Repurchase of mortgage		1,289	
Other	570	714	
	33,755	23,010	18,304
Increase (Decrease) in Working Capital	$ 3,900	$ 2,211	$ (440)
Increase (Decrease) in Working Capital Components			
Current Assets	$	$	$
Cash	(946)	2,966	(3,187)
Marketable equity securities	7,117	6,531	
Trade receivables	3,241	538	5,581
Inventories	1,702	(69)	6,527
Prepaid expenses	(134)	298	(202)
Refundable income taxes	9,021		
	20,002	10,264	8,719
Current Liabilities			
Notes payable	19,884	4,000	
Current maturities of long-term debt	92	623	(135)
Accounts payable	(2,633)	2,601	6,417
Accrued expenses	(47)	1,441	967
Income taxes payable	(1,194)	(614)	1,909
	16,102	8,053	9,159
Increase (Decrease) in Working Capital	3,900	2,211	(440)
Working Capital, Beginning of Year	13,084	10,873	11,313
Working Capital, End of Year	$16,984	$13,084	$10,873

EMERSON RADIO CORP.

Consolidated Statement of Changes in Financial Position

	Year Ended March 31, 1981	1980	1979
Sources of working capital:			
Operations:			
Net earnings (loss)	$ (251)	$1,619	$3,151
Items not requiring use of working capital:			
Depreciation and amortization	830	625	447
Abandonment of leasehold improvements		123	
Gain on repurchase of debentures		(61)	
Nonqualified options and stock grants which became exercisable	190	53	21
Other	15	(5)	123
Working capital provided by operations	784	2,354	3,742
Sale of common shares		3,834	
Sale of property and equipment	61	11	
Exercise of stock options (including tax benefit of $103,000, $32,000, and $55,000 resulting from exercise by employees of nonqualified options in 1981, 1980, and 1979 respectively)	251	54	145
Increase in long-term debt	908		
Other		31	34
TOTAL	2,004	6,284	3,921
Applications of working capital:			
Additions to property and equipment	1,368	1,218	628
Repurchase of debentures		496	
Current maturities of long-term debt	221	62	48
Investment in and advances to CRC	54	358	
Increase in other assets	484		201
TOTAL	2,127	2,134	877
Increase (decrease) in working capital	$ (123)	$4,150	$3,044
Changes in working capital components:			
Increase (decrease) in current assets:			
Cash	$ 20	$ (833)	$1,195
Accounts receivable	(710)	460	5,895
Inventories	(1,236)	5,468	35
Income taxes receivable	1,154		
Prepaid expenses and other current assets	545	1,261	224
	(227)	6,306	7,349
Increase (decrease) in current liabilities:			
Notes and acceptances payable	383	3,767	3,774
Accounts payable and accrued expenses	(422)	191	(1,010)
Income taxes payable	(65)	(1,802)	1,541
	(104)	2,156	4,305
Increase (decrease) in working capital	$ (123)	$4,150	$3,044

TYSON FOODS, INC.

Consolidated Statement of Changes in Financial Position

For the three years ended October 3, 1981

	1981	1980	1979
Working Capital Provided			
Net Income	$ 2,104	$ 1,165	$ 8,865
Items not affecting working capital:			
Depreciation and amortization	9,550	9,794	10,061
Loss (Gain) on sale of property, plant and equipment	296	(3,566)	114
Working Capital Provided from Operations	11,950	7,394	19,040
Long-term borrowings	23,411	21,063	37,375
Exchange of treasury stock	1,600		
Sale of property, plant and equipment	607	10,647	769
Release of restricted cash funds	774	1,250	
Other	492	53	113
Total Working Capital Provided	38,837	40,408	57,299
Working Capital Used			
Additions to property, plant and equipment	25,321	8,937	24,896
Repayments and current maturities of long-term debt	16,459	29,684	21,852
Purchases of the Company's common stock	1,600		
Deposit of restricted cash funds			2,155
Cash dividend on common stock	616	616	610
Purchase of Production Credit Association and Federal Land Bank Stock	352	506	918
Other	417	457	568
Total Working Capital Used	44,767	40,203	51,001
Increase (Decrease) in Working Capital	(5,930)	205	6,297
Working Capital—Beginning of Year	22,256	22,051	15,754
Working Capital—End of Year	$16,326	$22,256	$22,051
Changes in Working Capital			
Increase (Decrease) in Current Assets:			
Cash	$ 4,106	$(1,634)	$(3,750)
Short-term investments	(12,215)	12,215	
Accounts and notes receivable—trade	2,314	6,645	6,725
Inventories	17,395	475	20,890
Other current assets	527	436	84
Decrease (Increase) in Current Liabilities:			
Notes payable	(29,662)	(5,119)	(5,353)
Current portion of long-term debt	14,487	(13,430)	1,662
Trade accounts payable	(3,246)	2,453	(9,667)
Other current liabilities	(125)	(1,058)	(1)
Deferred income taxes	487	(777)	(4,291)
Net Change in Working Capital	$(5,930)	$ 205	$ 6,297

Analysis Presented in a Tabulation Apart From Statement

SAFEWAY STORES, INCORPORATED

Consolidated Statement of Changes in Financial Position

For the 52 Weeks Ended January 2, 1982, the 52 Weeks Ended January 3, 1981, and the 52 Weeks Ended December 29, 1979

	1981	1980	1979
Funds provided:			
Net income	$114,556	$119,368	$143,323
Add charges (credits) to income not requiring funds:			
Depreciation and amortization	228,592	206,374	183,955
Increase in accrued claims and other liabilities	12,916	16,745	9,018
Increase (decrease) in deferred income taxes	10,443	(518)	(7,788)
Total funds provided from operations	366,507	341,969	328,508
Additions to long-term debt	173,781	160,432	124,708
Retirements or sales of property	155,416	115,051	14,082
	695,704	617,452	467,298
Funds used:			
Additions to property	518,330	493,005	435,928
Payments on long-term debt	87,394	64,859	49,786
Cash dividends on common stock	67,900	67,900	67,900
Addition to excess cost of investment in subsidiaries over net assets at date of acquisition	14,221	1,073	—
Other uses, net	9,161	4,460	283
	697,006	631,297	553,897
Decrease in working capital (Note O)	$ (1,302)	$(13,845)	$(86,599)

Note O—Changes in Working Capital

	1981	1980	1979
Increase (decrease):			
Cash	$(71,683)	$ 17,886	$(38,659)
Receivables	15,547	(3,461)	7,990
Merchandise inventories	206,901	30,758	56,826
Prepaid expenses and other current assets	45,207	15,234	(1,733)
Notes and obligations payable	(30,584)	20,874	(83,069)
Payables and accruals	(174,886)	(84,627)	(65,263)
Income taxes payable	8,196	(10,509)	37,309
Decrease in working capital	$ (1,302)	$(13,845)	$(86,599)

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 Board 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, forty-three Statements on Auditing Standards have been issued; some of which superseded sections of Statement No. 1. In 1982, the Auditing Standards Board issued *Codification of Statements on Auditing Standards* which is a codification of Statements on Auditing Standards Nos. 1-39.

TITLE OF AUDITORS' REPORT

Table 6-1 shows the descriptive titles used to identify the Auditors' Report.

TABLE 6-1: TITLE OF AUDITORS' REPORT

	1981	1980	1979	1978
Independent accountants' report	129	121	119	126
Auditors' report	122	127	123	120
Accountants' report	88	94	104	106
Independent certified public accountants' report	66	58	42	43
Independent auditors' report	65	69	70	66
Certified public accountants' report	57	54	53	48
Auditors' opinion	32	31	29	28
Accountants' opinion	7	4	5	7
Independent accountants' opinion	3	4	5	7
Independent certified public accountants' opinion	4	5	6	5
Other titles	5	3	6	5
No title	22	30	38	39
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.

TABLE 6-2: ADDRESSEE OF AUDITORS' REPORT

	1981	1980	1979	1978
The Directors (Board of Directors) and Shareholders	459	457	454	454
The Stockholders	80	79	82	80
The Directors	48	53	56	55
The Company	9	10	8	11
Other, or no addressee	4	1	—	—
Total Companies	**600**	**600**	**600**	**600**

AUDITORS' STANDARD REPORT

The auditors' standard report outlines in general terms the scope of the auditors' examination and states concisely the auditors' opinion as to whether the financial statements fairly present, in conformity with generally accepted accounting principles, the information included therein. Table 6-3, which summarizes the format of auditors' reports included in 1981 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

	1981	1980	1979	1978
Standard report	403	392	395	378
Variations to standard report	111	122	121	133
Modified report	86	86	84	89
Total Companies	**600**	**600**	**600**	**600**
Variations to Standard Report				
Sentence in scope paragraph referring to:				
Examination by other accountants	44	52	46	47
Prior year examination	13	8	4	11
Other	5	8	3	3
Middle paragraph between scope and opinion paragraphs referring to:				
Matter for which opinion qualified	32	43	42	52
Prior year qualification removed	11	15	20	19
Other	5	3	5	8
Sentence or paragraph following opinion paragraph	19	14	21	14
Total Variations	***129**	***143**	***141**	***154**

*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 and f 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 provides guidance 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 Board of Directors and Shareholders
Consolidated Foods Corporation:

We have examined the consolidated balance sheets of Consolidated Foods Corporation (a Maryland corporation) and Subsidiaries as of June 27, 1981, June 28, 1980, and June 30, 1979, and the related consolidated statements of income, stockholders' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Douwe Egberts, N.V., which statements reflect total assets and net sales constituting 25% and 19%, respectively, of the related consolidated totals for 1981, 28% and 22%, respectively, for 1980 and 22% and 19%, respectively, for 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 Douwe Egberts, N.V., is based solely upon the reports of other auditors.

In our opinion, based upon our examinations and the reports of other auditors referred to above, the consolidated financial statements referred to above present fairly the financial position of Consolidated Foods Corporation and Subsidiaries as of June 27, 1981, June 28, 1980, and June 30, 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.*

TABLE 6-4: REFERENCES TO OTHER AUDITORS

	1981	1980	1979	1978
Examination by Other Auditors Covers:				
Statements for branch or consolidated subsidiary...	27	28	28	38
Statements of investee only	14	16	14	12
Statements for prior years only	8	15	8	2
Total Companies	**49**	**59**	**50**	**52**

Reports of Independent Auditors

Shareholders and Board of Directors
The Standard Oil Company

We have examined the consolidated balance sheet of The Standard Oil Company, an Ohio corporation, and subsidiaries as of December 31, 1981 and 1980, and the related consolidated statements of income, changes in shareholders' equity and changes in financial position for each of the three years in the period ended December 31, 1981. 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 Kennecott Corporation, a consolidated subsidiary, which statements reflect total assets constituting 23% of consolidated total assets at December 31, 1981. These statements were examined by other auditors (Coopers & Lybrand) whose report thereon has been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for Kennecott Corporation, is based solely on the report of the other auditors.

In our opinion, based upon our examination and the report of other auditors, the financial statements referred to above present fairly the consolidated financial position of The Standard Oil Company and subsidiaries at December 31, 1981 and 1980, and the consolidated results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1981, in conformity with generally accepted accounting principles applied on a consistent basis.

Board of Directors
Kennecott Corporation

We have examined the consolidated balance sheet of Kennecott Corporation and subsidiaries as of December 31, 1981 and the related consolidated statements of income, shareholder's equity and changes in financial position for the seven months then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Effective June 4, 1981, The Standard Oil Company acquired all of the outstanding shares of Kennecott Corporation. The acquisition was accounted for as a purchase and a new basis of accounting was established for Kennecott by allocating the purchase price of $1.77 billion to the assets and liabilities acquired. The financial statements referred to above are presented on the new basis and, accordingly, are not comparable to any financial statements issued by Kennecott prior to the acquisition.

In our opinion, the financial statements referred to above, which are not included separately herein, present fairly the consolidated financial position of Kennecott Corporation and subsidiaries at December 31, 1981 and the consolidated results of their operations and changes in financial position for the seven months then ended, in conformity with generally accepted accounting principles.

Investees

The Shareholders and Board of Directors
Chromalloy American Corporation:

We have examined the consolidated balance sheet of Chromalloy American Corporation and subsidiaries as of December 31, 1981 and 1980 and the related consolidated statements of earnings, shareholders' equity and changes in financial position for each of the years in the three year period ended December 31, 1981. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of The Saval Group, Inc., a nonconsolidated subsidiary, for the years ended December 31, 1980 and 1979. The Company's investment in and advances to The Saval Group, Inc. at December 31, 1980 was $32,082,000 and its equity in net earnings of The Saval Group, Inc. was $5,995,000 and $5,445,000 for the years ended December 31, 1980 and 1979, respectively. These financial statements were examined by other auditors whose report thereon has been furnished to us and our opinion expressed herein, insofar as it relates to the 1980 and 1979 amounts included for The Saval Group, Inc., is based solely on the report of the other auditors.

In our opinion, based upon our examinations and, for 1980 and 1979, the reports of the other auditors, the aforementioned consolidated financial statements present fairly the financial position of Chromalloy American Corporation and subsidiaries as of December 31, 1981 and 1980 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, 1981, in conformity with generally accepted accounting principles consistently applied during the period except for the changes, with which we concur, in the methods of accounting for foreign currency translation and compensated absences as described in Note 3 to the consolidated financial statements.—*Accountants' Report.*

Prior Year Statements

The Board of Directors and Shareholders
Giddings & Lewis, Inc.

We have examined the consolidated balance sheet of Giddings & Lewis, Inc., at December 31, 1981 and 1980, 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, 1981. 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 Snyder Corporation, a consolidated subsidiary, included in the consolidated financial statements for 1979 (see Note 1), have been examined by other independent auditors; insofar as our opinion on the consolidated financial statements for 1979 relates to data included for Snyder Corporation for that year, it is based solely on their report. The statements of Snyder Corporation show net sales and net income constituting 14% and 9%, respectively, of the consolidated totals for 1979.

In our opinion, based on our examinations and the report of the other independent auditors, the statements mentioned above present fairly the consolidated financial position of Giddings & Lewis, Inc., at December 31, 1981 and 1980, and the consolidated results of operations and changes in financial position for each of the three years in the period ended December 31, 1981, in conformity with generally accepted accounting principles applied on a consistent basis during the period.—*Report of Independent Auditor.*

MAPCO Inc., its Directors and Shareholders:

We have examined the Consolidated Balance Sheet of MAPCO Inc. and subsidiaries as of December 31, 1981 and 1980 and the related Consolidated Statements of Income, Changes in Shareholders' Equity and Changes in Financial Position for each of the three years in the period ended December 31, 1981. 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 give retroactive effect to the 1980 merger of Earth Resources Company into MAPCO Inc. which has been accounted for as a pooling of interests as described in Note 2. We did not examine the 1979 Consolidated Statements of Income, Changes in Stockholders' Equity and Changes in Financial Position of Earth Resources Company and subsidiaries which statements reflect total sales constituting 32% of consolidated sales in 1979. Such financial statements were examined by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Earth Resources Company and subsidiaries for 1979, is based solely on the report of such other auditors.

In our opinion, based upon our examinations and in 1979 the report of other auditors referred to above, the consolidated financial statements referred to above present fairly the financial position of MAPCO Inc. and subsidiaries at December 31, 1981 and 1980 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, 1981, in conformity with generally accepted accounting principles applied on a consistent basis.—*Accountants' 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 sufficient uncertainties affecting the financial statements,

and he has decided not to express an adverse opinion or to disclaim an opinion.

32. When the auditors 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.

TABLE 6-5: QUALIFIED OPINIONS

	1981	1980	1979	1978
Uncertainties				
Litigation	15	18	18	27
Going concern	6	6	5	3
Discontinued operations	3	2	3	4
Valuation or realization of assets	2	2	4	14
Other	5	3	5	8
Total Uncertainties	**31**	**31**	**35**	**56**
Total Companies	**28**	**29**	**30**	**41**
Accounting Principle Changes				
Foreign currency translation	98	—	—	—
LIFO adoption	54	63	38	13
Interest capitalization	50	55	12	—
Compensated absences	46	17	—	—
Investment tax credit	13	8	7	3
Depreciation method	12	4	N/C	N/C
Lease capitalization	—	3	21	54
Consolidation policy	2	3	6	3
Other	29	15	31	19
Total Changes	**304**	**168**	**115**	**92**
Total Companies	**222**	**136**	**97**	**80**

N/C—Not Compiled.

UNCERTAINTIES

Statement on Auditing Standards No. 2 states in part:

22. In certain instances, the outcome of matters that may affect the financial statements or the disclosures required therein is not susceptible of reasonable estimation; such matters are to be regarded as uncertainties for purposes of this Statement. When such uncertainties exist, it cannot be determined whether the financial statements should be adjusted, or in what amount.

23. There may be uncertainties with respect to specific matters whose possible effects on the financial statements can be isolated and therefore readily understood. Examples are the recoverability of a deferred cost or the likelihood that a material amount will become collectible or payable because of income tax adjustments or litigation. Also, there may be multiple uncertainties or uncertainties whose possible effects are complex and whose impact on the financial statements consequently is difficult for a reader to assess. Examples of conditions indicating the existence of uncertainties of the latter kind are recurring operating losses, serious deficiencies in working capital, an inability to obtain financing sufficient for continued business operations, and failure to comply with the terms of loan agreements. In some situations an adverse outcome of matters in either category could imperil the continued existence of the entity. In any event, if the effects of the matters on the financial statements could be material, their nature and their possible effects should be disclosed in the statements.

25. In cases involving uncertainties, the auditor should be able to form an opinion whether the financial statement items affected have been stated in conformity with generally accepted accounting principles in all respects other than those contingent on the outcome of the uncertainties. If he is satisfied that they have been so stated, he may appropriately express an opinion qualified by reason of the uncertainties (see paragraphs 35 and 39). If the auditor believes that the financial statement items affected by uncertainties reflect the application of accounting principles that are not generally accepted, he also should modify his report to state his reservations regarding departures from generally accepted accounting principles.

Examples of auditors opinions qualified because of uncertainties follow.

Litigation

To the 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, 1981 and 1980, and the related statements of consolidated operations, consolidated stockholders' equity, and changes in consolidated financial position for the years ended December 31, 1981, 1980 and 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. We did not examine the 1981, 1980 and 1979 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 3% and 2%, respectively, of the 1981 consolidated totals, 2% and 4%, respectively, of the 1980 consolidated totals and 1% of the 1979 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 consolidated 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 consolidated financial statements.

As discussed in Note 10 to the consolidated financial statements, the Company is in non-compliance with certain provisions of its long-term debt agreements for which the lenders have granted waivers to June 30, 1982. Upon expiration of the waivers, the lenders may either grant additional waivers, cause the debt to become immediately due and payable or take no action. The classification of $15,800,000 of such debt as non-current is based on an expectation of the lenders' continued forebearance.

As discussed in Note 13 to the consolidated financial statements, the Company continues to actively consider the possible disposition of any or all of its remaining operations. Although the Company believes that, in the aggregate, it will recover the carrying values of such assets, including the excess cost of net assets acquired, the ultimate proceeds from any such dispositions can not presently be determined.

In our opinion, subject to the effects on the consolidated financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainties referred to in the second, third and fourth paragraphs been known (second paragraph only with respect to the 1980 and 1979 financial statements), based upon our examinations and the reports of other auditors, the consolidated financial statements referred to above present fairly the consolidated financial position of Alpha Portland Industries, Inc. and subsidiaries at December 31, 1981 and 1980 and the results of their operations and the changes in their financial position for the years ended December 31, 1981, 1980 and 1979, 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 14 to the consolidated financial statements.—*Auditors' Report.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (in part): Contingent Liabilities

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 includes 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 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.

Note 10: Long-Term Debt

At December 31, 1981, none of the long-term debt was held by or for the account of the issuer thereof. No portion of the long-term debt at December 31, 1981 was included in any fund of or pledged by the issuer thereof.

The Company is expected to maintain a compensating balance of 10% of the unpaid principal amount ($1,150,000 at December 31, 1981) under one of its long-term debt agreements relating to the 1975 acquisition of pollution control facilities.

The Company has received waivers, until June 30, 1982, relating to non-compliance with covenants concerning the maintenance of a working capital ratio and covenants which relate to the period in which the Company shall be free of current debt, all of which covenants are contained in agreements covering long-term debt in the amount of $19,200,000 (of which $3,400,000 was current at December 31, 1981). Upon expiration of the waivers the lenders may either grant additional waivers, cause the debt to become immediately due and payable or take no action. The classification of $15,800,000 of such debt as non-current is based on an expectation of the lenders' continued forebearance. At December 31, 1981, under the covenants of the long-term debt agreements relating to amounts available for cash dividends, purchase of treasury shares and other restricted expenditures, no amounts were available for such purposes.

Note 13: Properties and Construction Division

The Company continues to actively consider the possible disposition of any or all of its remaining operations. At December 31, 1981, such operations consisted of the construction division, two cement plants, two aggregate plants, an abandoned quarry (non-operating land), a headquarters building and various other parcels of land. Negotiations for the sale of one cement plant are continuing and, subject to the receipt of required approval from the Federal Trade Commission, such sale is anticipated to occur by mid-1982. A municipality has expressed an interest in acquiring the abandoned quarry at a price which is below the Company's carrying value. Although the Company has rejected the municipality's bid, discussions between the Company and the municipality with respect to the sale of such quarry are continuing.

At March 12, 1982, no substantive negotiations were taking place with respect to the disposition of any other remaining operations. Although the Company believes that, in the aggregate, it will recover the carrying values of these assets, including the excess cost of net assets acquired, the ultimate proceeds from any such dispositions cannot presently be determined.

The Board of Directors and Stockholders
Chock Full o' Nuts Corporation:

We have examined the consolidated balance sheets of Chock Full o'Nuts Corporation and subsidiaries as of July 31, 1981 and 1980, and the related consolidated statements of income, stockholders' equity, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of Chock Full o' Nuts Corporation and subsidiaries for the year ended July 31, 1979, were examined by other auditors whose opinion, dated October 19, 1979 except for the second paragraph of Note 6, which is dated October 17, 1980, on those statements are qualified as being subject to the effects on the 1979 financial statements of such adjustments, if any, as might have been required had the outcome of the action discussed in the second paragraph of Note 6 to the financial statements been known.

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 has asserted counterclaims with respect to the insurance matter. In addition, with respect to another pension plan applicable to discontinued brewery operations, pension assets in excess of the value of such plan's pension liabilities for vested benefits may be obtained.

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 1981 and 1980 consolidated financial statements referred to above present fairly the consolidated financial position of Chock Full o' Nuts Corporation and subsidiaries at July 31, 1981 and 1980, 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 CONSOLIDATED FINANCIAL STATEMENTS

Note 6: Contingencies with Respect to Discontinued Brewery Operations

Pension Plans

By an agreement dated March 7, 1974, the Company purchased substantially all of the assets (consisting of brewery operations) of a wholly-owned subsidiary of PepsiCo, Inc. Pursuant to such agreement the Company transferred such assets to a subsidiary which established a new tax-qualified pension plan and granted service credit under such new pension plan to certain salaried employees for their prior periods of service with the PepsiCo, Inc. subsidiary. As a result, the new pension plan became liable to provide retirement benefits for substantially all of the former employees of the acquired operations, including benefits earned while employed by the PepsiCo, Inc. subsidiary. To defray such liabilities, the agreement provided that PepsiCo, Inc. was to cause a transfer of funds from the prior pension plan maintained by the PepsiCo, Inc. subsidiary for these employees to the new pension plan. Despite diligent efforts on behalf of the new plan, no such transfer has ever been made. On March 16, 1981, a complaint was filed on behalf of the new pension plan in the United States District Court for the Southern District of New York against PepsiCo, Inc. and certain of its directors, officers and employees, seeking damages and other relief for the failure to effect the aforesaid transfer. Based upon the latest available data, actuarial studies show that the amount now held under a contract issued to the prior pension plan by the Prudential Insurance Company of America, which amount is required to be transferred to the new pension plan, should exceed the value of vested benefits. The lawsuit is being actively prosecuted and Management believes that a result in favor of the new pension plan will be obtained. However, it is not now possible to determine the amount and timing of any recovery or the possible effect thereof on the accompanying financial statements.

The Company is a third-party defendant in an action brought in March 1980 by the Pension Benefit Guaranty Corporation ("PBGC"). The PBGC has asserted that under the Employee Retirement Income Security Act of 1974, the Company is liable to the PBGC on the basis that a subsidiary participated in the operation of a pension plan which was underfunded at the time of its termination as of December 1977. Management has engaged special counsel and is vigorously contesting this action. At the present stage of this action special counsel is not in a position to assess the magnitude of any potential liability or the ultimate outcome of this action.

The Company and a subsidiary are parties to an action involving the merger of two pension funds. Assertions have been made that these companies are liable for any damages one fund will incur as a result of the merger. Numerous lawsuits have resulted from the proposed merger and appeals are currently pending. The Company has engaged special counsel and intends to vigorously contest this action. At the present stage of this action, special counsel is not in a position to assess the extent of any potential liability or the ultimate outcome of the action.

Liability Insurance

During the period January 1, 1975 through March 31, 1977, the Company was responsible with respect to claims of less than $1,000,000 arising in connection with employees on-the-job injuries. Company-operated vehicles (property damage and personal injury) and other business-related injuries to third parties. Claims incurred during such period were administered by the Company's excess insurance carrier ("Carrier"), and the liability for oustanding claims of $4,183,000 included in the consolidated balance sheet as of July 31, 1981, was based upon the Carrier's estimate of damages or injuries incurred.

During 1979, the Company engaged insurance investigators and legal counsel who specialize in insurance matters to investigate the propriety of the Carrier's estimates of losses incurred by the Company, primarily with respect to claims presented by employees of the Company's discontinued brewery operations. As the result of investigating 176 cases, the Company's investigators concluded that the Carrier's estimate of the Company's liability, as it related to these 176 cases, was-overstated by an amount that was not less than $2,400,000. Accordingly, the liabilities accrued at July 31, 1978 were reduced by such amount and recorded as income from the discontinued brewery operations in fiscal 1979. The Company's investigators and legal counsel continued to evaluate the liability for outstanding claims, as estimated by the Carrier, including investigation of additional cases beyond those discussed above.

After reviewing such additional cases, which cases together with those mentioned above gave rise to the major portion of the liability claimed by the Carrier, it appears that the Carrier has mishandled the claims filed against the Company and in so doing breached its fiduciary obligation to use and exercise reasonable care in the handling, investigating and processing of claims. Accordingly, the Company has refused to make any further payments to the Carrier and the balance of the liability at July 31, 1979 ($1,783,000) was eliminated in fiscal 1980; $1,447,000 was recorded as income from discontinued brewery operations and $336,000 was recorded as other income—continuing operations.

On August 5, 1980, the Carrier commenced an action against the Company seeking payment of approximately $3,300,000 (plus interest and costs). The Company has asserted counterclaims in that action for an amount well in excess of the Carrier's claim. Special counsel has been retained to defend the action instituted by the Carrier. It has advised that in its opinion the Company has meritorious defenses to the action, although it is not in a position to express a judgment as to the ultimate outcome. Management believes that the resolution of the action will not result in any material payment by the Company.

To the Shareholders and Board of Directors of
Georgia-Pacific Corporation:

We have examined the balance sheets of Georgia-Pacific Corporation (a Georgia corporation) and subsidiaries as of December 31, 1981 and 1980, and the related statements of income, common shareholders' equity and changes in financial position for each of the three years in the period ended December 31, 1981. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As more fully explained in Note 8 of the Notes to Financial Statements, in September 1981, the Fifth Circuit Court of Appeals upheld an unfavorable District Court decision in the plywood antitrust litigation. We have been informed that the corporation intends to continue defending this action, however, if the decision is permitted to stand, management has concluded that the corporation's ultimate liability, if any, cannot be accurately determined at this time. Although the management believes it is unlikely that the ultimate outcome of this matter will have a material adverse effect on the corporation's financial position, such a consequence is possible. In our report dated February 12, 1981, our opinion on the 1980 and 1979 financial statements was unqualified; however, in view of the uncertainty involving the litigation referred to above, our present opinion on the 1980 and 1979 financial statements, as presented herein, is different from that expressed in our previous report.

In our opinion, subject to the effect of any adjustments that might have been required had the outcome of the litigation mentioned in the preceding paragraph been known, the financial statements referred to above present fairly the financial position of Georgia-Pacific Corporation and subsidiaries as of December 31, 1981 and 1980, 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, 1981, in conformity with generally accepted accounting principles applied on a consistent basis.—*Independent Auditors' Report*.

NOTES TO FINANCIAL STATEMENTS

Note 8 (in part): Litigation

The corporation intends to petition the United States Supreme Court for review of an unfavorable opinion by the United States Court of Appeals for the Fifth Circuit in a civil class action antitrust suit involving the sale and distribution of softwood plywood. The decision of the Court of Appeals affirmed the opinion of the District Court which has entered summary judgment for four selected plaintiffs. Management of the corporation believes that the decision of the Court of Appeals should be reversed or modified in whole or in part on review. However, if the decision is permitted to stand, management of the corporation, after reviewing the aforementioned court decisions and after a thorough study of the factors involved, has concluded that the corporation's ultimate liability, if any, cannot be accurately determined at this time. Based upon these present factors, management believes the previous estimate of the total liability of $1.5 to $2 billion for all remaining defendants is significantly excessive and that the ultimate liability, if any, will be substantially lower. Although the corporation's management believes it is unlikely that the ultimate outcome of this matter will have a material adverse effect on the corporation's financial position, such a consequence is possible. The corporation intends, through its counsel, Furth, Fahrner, Bluemle & Mason, to continue the vigorous defense of these actions.

Going Concern

To the Shareholders of
General Refractories Company:

We have examined the consolidated balance sheets of General Refractories Company and subsidiaries as of December 31, 1981, and 1980, and the related consolidated statements of operations and retained earnings and changes in financial position for the years ended December 31, 1981, 1980 and 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.

As of December 31, 1981, the Company was in default under certain covenants of its revolving credit agreement as discussed in Note 11 to the consolidated financial statements. On April 15, 1982, the Company entered into a new consolidated and restated bank credit agreement maturing on January 1, 1983 which contains substantially the same restrictive covenants included in the previous revolving credit agreement. All defaults existing at April 15, 1982 were waived by the lenders through June 30, 1982. The Company's business plan for 1982 contemplates reduced operating losses, obtaining additional working capital and the refinancing or restructuring of its restated bank credit agreement. The Company's ability to achieve the foregoing elements of its business plan, which may be necessary to permit the realization of assets and satisfaction of liabilities in the ordinary course of business, is uncertain.

In our opinion, subject to the effects on the 1981 consolidated 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 consolidated financial statements referred to above present fairly the consolidated financial position of General Refractories Company and subsidiaries as of December 31, 1981 and 1980, and the consolidated results of their operations and the changes in their financial position for the years ended December 31, 1981, 1980 and 1979, 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 and except for the change (with which we concur) in the method of accounting for foreign currency translation, both of which are described in Note 2 to the consolidated financial statements.—*Report of Independent Certified Public Accountants*.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (in part): Debt and Liquidity

During 1981, significant operating losses incurred by the Company's domestic and European operations resulted in reductions of working capital and tangible net worth below the requirements of the revolving credit agreement with domestic banks. These and other violations were waived by the banks during 1981.

The Company is negotiating with the banks and other lenders to obtain both interim and long term financing arrangements to provide additional working capital and to replace or restructure domestic bank debt so as to permit the realization of assets and the liquidation of liabilities in the ordinary course of business. The Company is also considering the disposition of certain operating assets as an alternative or supplement to any new financing agreements.

As an interim step, on April 15, 1982 the Company entered into a Consolidated and Restated Bank Credit and Security Agreement, dated as of April 1, 1982, with the domestic banks. The agreement consolidates the $22,000,000 amount outstanding at December 31, 1981 under the former revolving credit agreement and the $5,000,000 outstanding under the line of credit into a reducing credit agreement maturing January 1, 1983. No additional funds are available to the Company under the new agreement. Interest under the agreement accrues at the prime commercial rate plus 2¾%, but is payable monthly at prime plus 1%. The accrued but unpaid interest will be evidenced by secured notes due December 31, 1984 with interest at prime plus 2¾% payable monthly. The Company is not required to maintain compensating balances. The revised agreement limits total liabilities, capital expenditures and foreign investments; restricts disposal of assets without prior approval; prohibits acquisition of treasury stock, except to redeem the remaining preferred shares outstanding at December 31, 1981; and prohibits payment of dividends except on presently outstanding preferred shares. Under this revised agreement, the Company is required to maintain the same levels of working capital and tangible net worth stated in the prior agreements. All defaults existing at April 15, 1982 have been waived through June 30, 1982. It is unlikely that the Company will be able to satisfy certain of its covenants on July 1, 1982 and that it will be in default on such date unless new waivers are obtained; no assurance can be given that additional waivers will be obtained, and in the absence of such waivers, like banks could demand full payment of the outstanding balance.

Under the new agreement, all of the collateral under the prior agreements is pledged and in addition the accounts receivable and inventories of Grefco, Inc. aggregating approximately $17,000,000 at December 31, 1981 have also been pledged. Additionally, effective April 15, 1982, the Company's domestic cash accounts are restricted and become part of the collateral. If a new financing arrangement to replace the revised credit agreement is not reached by June 15, 1982, the Company will be required to pledge additional collateral consisting of property, plant and equipment of the entire U.S. Division having a net book value of $29,000,000 at December 31, 1981.

The amount outstanding under the restated credit agreement of $27,000,000 has been classified as a current maturity of long term debt at December 31, 1981.

The 1982 business plan contemplates a reduced operating loss, the attainment of which is subject to various uncertainties, including some recovery in the second half of 1982 by the steel and construction industries, the major users of the Company's products. The Company's plan includes a cost reduction program, principally the consolidation of certain operations and personnel reductions. The plan also includes generation of additional operating funds by reduction of inventories and receivables, and the sale of domestic real estate no longer required in its operations (certain proceeds of such sales must be used to reduce the loan and may not be reborrowed).

Board of Directors
Cleveland Calendering & Coating Corp.
West New York, New Jersey:

We have examined the consolidated balance sheets of Cleveland Calendering & Coating Corp. and subsidiaries as of April 30, 1981 and 1980, and the related consolidated statements of operations and deficit and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As shown in the consolidated financial statements, the Company has incurred net losses in each of the three years ended April 30, 1981 and as of that date, the Company's total liabilities exceeded its total assets. As discussed in Note H to the consolidated financial statements, the Company has received substantial financial assistance from certain of the Company's principal stockholders and their affiliated corporations. Further, at April 30, 1981, the Company was not in compliance with the equity requirement and financial ratios as described in the principal loan agreement; however, the Company has obtained agreement from the bank to waive such requirements and ratios until at least May 1, 1982 so long as the Company maintains combined stockholders' equity and convertible subordinated debentures of at least $60,000 as discussed in Notes A and E to the consolidated financial statements. Continuation of the Company as a going concern is dependent upon continuing to receive financial support from the affiliated corporations or to obtain additional capital, and its ability to attain satisfactory levels of profitable operations in order to meet its obligations. The consolidated financial statements have been prepared on a going concern basis and do not include any adjustments relating to the realization of assets and liquidation of liabilities that might be necessary should the Company be unable to continue as a going concern.

In our opinion, subject to the effects on the consolidated financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainty about the realization of assets and the liquidation of liabilities referred to in the preceding paragraph been known, the financial statements referred to above present fairly the consolidated financial position of Cleveland Calendering & Coating Corp. and subsidiaries at April 30, 1981 and 1980, and the consolidated results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (in part): Basis of Financial Statements and Summary of Significant Accounting Principles

(1) *Basis of Financial Statements:* The Company's financial statements have been prepared on a going concern basis which contemplates the realization of assets and liquidation of liabilities in the ordinary course of business. Substantial operating losses have been incurred in each of the past several years. At April 30, 1981, the Company was not in compliance with the equity requirement and financial ratios of the principal loan agreement; however, the Compny has obtained an agreement from the bank to waive such requirements and ratios until at least May 1, 1982 so long as the Company maintains combined stockholders' equity and convertible subordinated debentures of at least $60,000. If the Company fails to maintain combined stockholders' equity and convertible subordinated debentures of at least $60,000, the bank may accelerate payment of the bank debt (Note E). Additionally, the Company has received substantial financial assistance from certain of the Company's principal stockholders and their affiliated corporations (Note H).

Continuation of the Company as a going concern is dependent upon continuing to receive financial support from the affiliated corporations or to obtain additional capital, and its ability to attain satisfactory levels of profitable operations in order to meet its obligations. The Company's financial statements do not include any adjustments relating to the realization of assets and liquidation of liabilities that might be necessary should the Company be unable to continue as a going concern.

Note E (in part): Long-Term Debt

The notes payable to bank are collateralized by all present and future machinery and equipment rights under capital leases (Note F) and patents and trademarks. Five stockholders have each guaranteed payment of approximately 13% of the outstanding balance of the notes payable to the bank. The long-term debt agreements relating to the notes payable to bank provide for, among other things, minimum requirements as to consolidated equity (for purposes of this requirement, convertible subordinated debentures are included) and certain financial ratios and places restrictions on the disposal and acquisition of capital assets and payment of dividends. At April 30, 1981, the Company was not in compliance with the equity requirement and the financial ratios but has obtained agreement from the bank to waive such requirements and ratios until at least May 1, 1982 so long as the Company maintains combined stockholders' equity and convertible subordinated debentures of at least $60,000. If the Company fails to maintain combined stockholders' equity and convertible subordinated debentures of at least $60,000, the bank may accelerate payment of the bank debt.

To the Stockholders and the Board of Directors
RPS Products, Inc.
Baltimore, Maryland:

We have examined the consolidated balance sheets of RPS Products, Inc. and subsidiaries as of June 30, 1981 and 1980, and the related consolidated statements of operations, stockholders' equity and changes in financial position for each of the three years in the period ended June 30, 1981. 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 shown in the financial statements, the Company incurred a net loss of $4,201,091 during the year ended June 30, 1981 and, as of that date, the Company had a working capital deficiency of $818,912 and consolidated net worth of $138,482. As described more fully in Notes B and D to the consolidated financial statements, the Company is in default on its loan agreements with two banks and in arrears on accounts with certain vendor creditors which, among other things, causes the balances to become due on demand. The Company is not aware of any alternate sources of capital to meet such demands if made. Accordingly, the Company's ability to continue in existence is dependent upon its ability to develop working capital, to meet creditors' and lenders' demands for payment and to attain future profitable operations. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

In our opinion, subject to the effects on the 1981 financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainty about the recoverability and classification of recorded asset amounts and the amounts and classification of liabilities referred to in the preceding paragraph been known, the financial statements referred to above present fairly the consolidated financial position of RPS Products, Inc. and subsidiaries at June 30, 1981 and 1980, and the consolidated results of their operations and changes in their financial position for each of the three years in the period ended June 30, 1981, in conformity with generally accepted accounting principles applied on a consistent basis.—*Report of Independent Accountants*.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note B—Continuing Operations

Losses incurred during fiscal 1981 have had a significant adverse impact on availability of working capital. As indicated in Note D the Company is current as to interest and principal on its two major bank loans, but is not in compliance with retained earnings and general solvency requirements under the default clause of these loans. While neither bank has indicated an intention to act, certain rights exist, which could at any time be enforced against the Company. If these loans were called, the Company is aware of no alternate source of new capital to meet the demands.

The Company is negotiating with several of its supplier creditors with a view towards the development of a Plan of Credit Extension. Creditors representing over 60% of the Company's supplier debt have indicated that provided sufficient additional participation is achieved (a minimum of 80% participation of aggregate supplier creditor debt made up of accounts with balances in excess of $10,000 will be required) they would join in the Plan of Credit Extension. No assurance, however, can be given that the 80% required can be obtained and that the Plan will be implemented. In addition the Company's two banks have indicated that they would consent to the Proposed Plan of Credit Extension. The Plan of Credit Extension would provide from each participating supplier, among other things, a deferment of all their present debt for one year and the exchange of excess inventory with each participating supplier for merchandise currently required by the Company. The extension agreement, if consummated, will contain certain requirements and restrictions as to payments on existing indebtedness, dividends, changes in capital structure and limitations on total executive salaries.

A number of the Company's supplier creditors hold notes and balances due on open account, some of which are in arrears, which if demanded could not be satisfied by the Company. These payments have not at this point been demanded and the Plan of Credit Extension if consummated would reduce the probability of a significant demand for payment arising.

Despite the above situations presently existing, management believes that its plans, if realized, will allow the Company to continue its operations.

Note D (in part): Short Term and Long-Term Debt

The Company has an inventory and accounts receivable revolving loan agreement (notes payable) with a bank that provides for a maximum of $5,400,000 subject to availability of collateral, due on demand. This loan has an effective annual weighted interest rate during 1981 of approximately 16.2% and a requirement for compensating balance of $125,000. As of June 30, 1981 the Company's loan exceeded the loan availability based on the collateral formula as defined in the agreement. A supplier is responsible for the first $2,000,000 of any loss the bank may incur under this agreement. As of June 30, 1981 the Company was current as to payments but not in compliance with certain provisions under the default clause.

A long-term bank loan exists which is secured by a first lien on certain equipment (book value $530,000) and a second lien on inventory and receivables.

These agreements contain restrictions as to mergers and acquisitions, dividends, secured borrowings and, relative to the long-term agreement, provide for specific net worth requirements and for contingent prepayment of principal based on a portion of earnings.

During 1981 and at June 30, 1981 the Company's net worth as defined in the long-term loan agreement was less than the required amount and the Company was not in compliance with the default provision of the loan. In accordance with the provisions of the agreement, payment of the entire indebtedness could be accelerated to be payable on demand. Accordingly, the total debt outstanding in the amount of $326,000 at June 30, 1981 (of which $126,000 was payable in fiscal year 1983) has been included in the current portion of long-term debt.

As of June 30, 1981 the banks had not given any indication of intention to exercise their rights under the loan agreements, and payments of principal and interest were current.

Grand Jury Investigation

The Shareholders and Board of Directors
Purolator, Inc.:

We have examined the consolidated balance sheets of Purolator, Inc. and subsidiaries as of December 31, 1981 and 1980 and the related consolidated statements of earnings, shareholders' equity and changes in financial position for each of the years in the three year period ended December 31, 1981. Our examinations were made in accordance with generally accepted auditing standards and, accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As more fully described in the first paragraph of note 13, the ultimate outcome of a Federal Grand Jury investigation of a segment of the courier services industry is not known; accordingly, the financial effect thereof, if any, cannot currently be determined.

In our opinion, subject to the effects of such adjustments, if any, as might have been required had the ultimate outcome of the matter referred to in the preceding paragraph been known, the aforementioned consolidated financial statements present fairly the financial position of Purolator, Inc. and subsidiaries at December 31, 1981 and 1980 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, 1981, in conformity with generally accepted accounting principles applied on a consistent basis.—*Accountants' Report*.

NOTES TO FINANCIAL STATEMENTS

Note 13: Contingencies

In November 1981, a wholly-owned subsidiary of Purolator was served with a subpoena to appear before a Grand Jury impanelled by the U.S. District Court for the Northern District of Georgia and to produce certain documents and records in connection with the investigation of possible violations of the antitrust laws in a segment of the courier services industry. Purolator's subsidiary is currently complying with this subpoena. Purolator is unable to predict when the Grand Jury's investigation will be concluded or the outcome.

In addition, Purolator is involved in litigation in several jurisdictions. Purolator's liability, if any, with respect to such litigation is not determinable at December 31, 1981, but it is the opinion of management, based upon advice of outside counsel, that any resulting liability will not have a material adverse effect on the consolidated financial statements of Purolator.

Contingent Liability for Receivables Sold With Recourse

To the Stockholders and Board of Directors
Roberts & Porter, Inc.:

We have examined the balance sheets of Roberts & Porter, Inc. as of December 31, 1981 and 1980, and the related statements of income, changes in stockholders' equity and changes in financial position for each of the three years in the period ended December 31, 1981. 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 F to the financial statements, the Company is contingently liable under agreements to repurchase contracts sold with recourse. The possible loss contingency under a contract of a customer subject to reorganization proceedings cannot presently be estimated.

In our opinion, subject to the effects on the 1981 financial statements of such adjustment, if any, as might have been required had the outcome of the matter discussed in the preceding paragraph been known, the financial statements referred to above present fairly the financial position of Roberts & Porter, Inc. as of December 31, 1981 and 1980, and the results of its operations and changes in its financial position for each of the three years in the period ended December 31, 1981, in conformity with generally accepted accounting principles applied on a consistent basis.—*Auditor's Report*.

NOTES TO THE FINANCIAL STATEMENTS

Note F: Provision for Loss on Contract Repurchase with Recourse and Contingencies

The Company has entered into agreements with financial institutions for the sale of installment sales contracts and leases ("contracts") covering printing presses and other equipment sold or leased by the Company to its customers. At December 31, 1981, the Company was contingently liable to repurchase such contracts in the approximate amount of $35,000,000.

Among the provisions of the agreements and terms that allow the financial institutions to require repurchase upon the event of "Obligor Default" as defined in the agreements and upon written notice requesting repurchase of such defaulted contract, and terms setting limitations as to the losses incurred by the Company upon repurchase and ultimate resale of the equipment collateralizing the contracts.

Two of the Company's major customers with contracts covered by one of the repurchase agreements totaling approximately $12,000,000 are delinquent in contract payments.

One customer is experiencing severe financial difficulties. The Company, upon review of the customer's current financial status and business operations and evaluation of the market value of the equipment collateralizing the contract, has recorded a provision for loss on the contract repurchase in the amount of $2,715,000.

Another customer, with a contract of approximately $5,000,000, has filed for Chapter 11 reorganization under the Bankruptcy Act. To March 18, 1982 the Amended Plan of Reorganization has not been confirmed. The Company has been notified by the financial institution holding the contract that the customer is in Obligor Default pending confirmation of the plan. If repurchase of the contract should be required, the Company could repossess the equipment collateralizing the contract and pursue guaranties of individual partners of the customer obtained at the time of sale. The aggregate value of the security interest in equipment and the personal guaranties cannot reasonably be estimated to determine whether a provision for possible loss is necessary.

The Company has received a written representation from the financial institution holding the above two contracts that it will not request repurchase of said contracts prior to September 1, 1982 regarding the contract on which a provision for loss has been recorded, and six months from date of equipment repossession with respect to the contract of the customer who has filed for Chapter 11 reorganization, in the event such Amended Plan of Reorganization is not confirmed.

Of the remaining contracts, which are in excess of 300, the Company believes that adequate provision has been made in the financial statements for any potential losses.

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. However, the auditor should make reference to the change having been made in such year when a cumulative effect adjustment is included in the income statement for the year of the change.

Table 6-5 shows that in 1981 there was a significant increase in the number of reasons for consistency qualifications. This increase was caused by factors shown in Table 6-5, principally compliance with FASB statements requiring a changes in accounting principles, and by an SEC requirement, effective for fiscal years ending after December 15, 1980, that annual reports to stockholders include audited statements of income and changes in financial position for 3 years. Of the 303 reasons for consistency qualifications, 104 are for changes made in years prior to 1971. Examples of auditors' opinions qualified as to consistency follow.

Foreign Currency Translation

The Shareholders and the Board of Directors
Allegheny International, Inc.:

We have examined the consolidated balance sheets of Allegheny International, Inc. and consolidated subsidiaries as of January 3, 1982 and December 28, 1980 and the related consolidated statements of earnings, additional paid-in capital, retained earnings and cumulative adjustment from foreign currency translation, and changes in financial position for each of the years in the three-year period ended January 3, 1982. 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 consider necessary in the circumstances. We did not examine the financial statements of Liquid Air Corporation for 1981, 1980 and 1979, and Wilkinson Sword Group Limited for 1980, the earnings of which have been recorded under the equity method of accounting (see Note 3). Allegheny's equity in earnings of these companies aggregated $9,448,000 for Liquid Air in 1981, $14,642,000 for Liquid Air and Wilkinson in 1980 and $5,882,000 for Liquid Air in 1979. Allegheny's investment in Liquid Air at January 3, 1982 and December 28, 1980 was $82,838,000 and $78,101,000, respectively, and the total assets of Wilkinson were $449,341,000 at December 28, 1980. The financial statements of Liquid Air Corporation and Wilkinson Sword Group Limited were examined by other auditors, whose 1981, 1980 and 1979 report for Liquid Air and 1980 report for Wilkinson have been furnished to us, and our opinion expressed herein, insofar as it relates to such amounts included for these companies, is based solely upon these reports of the other auditors.

In our opinion, based on our examinations and the reports of other auditors, the aforementioned consolidated financial statements present fairly the financial position of Allegheny International, Inc. and consolidated subsidiaries at January 3, 1982 and December 28, 1980 and the results of their operations and changes in their financial position for each of the years in the three-year period ended January 3, 1982, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in the method of accounting for foreign currency translation as described in Note 2 to the financial statements.—*Accountants' Report*.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Changes in accounting principles

In 1982 Allegheny adopted the provisions of Statement No. 52, "Foreign Currency Translation", of the Financial Accounting Standards Board. Under Statement No. 52, the assets and liabilities of an entity whose functional currency is other than the U.S. dollar are translated at current rates of exchange and revenues and expenses are translated at average rates of exchange during the year with the resulting translation adjustments included as a separate component of shareholders' equity. Statement No. 52 further provides that for entities operating within countries which have experienced significant rates of inflation (as defined) the functional currency is deemed to be the U.S. dollar, and the financial statements of such entities are remeasured into U.S. dollars using current, average or historical exchange rates, as appropriate. This remeasurement into U.S. dollars can result in a gain or loss which is included in the determination of net earnings. Also included in the determination of net earnings is any transaction gain or loss resulting from the measurement into the functional currency of transactions denominated in a currency other than an entity's functional currency.

Statement No. 52 replaced Statement No. 8 of the Financial Accounting Standards Board which required that balance sheets of foreign entities be translated at current exchange rates for current assets (excluding inventories), current liabilities and long-term debt and at appropriate historical rates for all other balance sheet accounts. Revenues and expenses were translated at average exchange rates during the year, except for amounts related to balance sheet accounts translated at historical rates. The resulting translation gains or losses were included in the determination of net earnings.

The adoption of Statement No. 52 retroactive to the beginning of fiscal year 1980 decreased previously reported 1980 net earnings by $992,000 and previously reported 1980 fully diluted and primary net earnings per share by $.10 and $.13, respectively. Net earnings in 1981 were $7,385,000 higher ($.75 per share fully diluted and $.81 per share primary) than would have been reported under the provisions of Statement No. 8.

During 1981 Allegheny also changed to the accrual method of accounting for compensated absences to fully comply with Statement No. 43 of the Financial Accounting Standards Board, since certain subsidiaries previously followed the policy of expensing costs relating to compensated absences when paid. In accordance with Statement No. 43, Allegheny restated its prior year financial statements to reflect the accrual of such costs as earned by employees, which restatement had an immaterial effect on 1980 and 1979 net earnings.

The Stockholders and Board of Directors
The Gillette Company:

We have examined the consolidated balance sheet of The Gillette Company and subsidiary companies as of December 31, 1981 and 1980 and the related consolidated statements of income and earnings reinvested in the business and changes in financial position for each of the years in the three-year period ended December 31, 1981. 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 The Gillette Company and subsidiary companies at December 31, 1981 and 1980 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, 1981, in conformity with generally accepted accounting principles consistently applied during the period except for the change in 1981, with which we concur, in the method of accounting for foreign currency translation as described in the notes to the consolidated financial statements.—*Auditors' Report*.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Change

In December 1981, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 52, the new standard for foreign currency translation, and encouraged its early adoption. Accordingly, as of January 1, 1981, the Company revised its method of translating inventories, property, plant and equipment and certain deferred income taxes from historical to current exchange rates, and depreciation from historical rates to weighted average rates in effect during the year. In addition, gains and losses from translation and certain transactions with their tax effects have been accumulated in a separate section of equity, rather than affecting net income. These changes apply to all foreign entities except those in highly inflationary economies, for which translation rules remain essentially unchanged.

As a result of this accounting change net income for 1981 has been increased by $43,056,000, or $1.42 per share. Results for 1980 and 1979 have not been restated as the effect would not be material.

An analysis of the equity adjustment from foreign currency translation at December 31, 1981, follows.

		(Thousands of dollars)
Adjustment as of January 1, 1981, to reflect assets and liabilities at current exchange rates		$ 2,976
Effect of accounting change on income before income taxes	$(45,974)	
Related income tax effect	2,918	
		(43,056)
Exchange adjustment to assets and liabilities, primarily property, plant and equipment		(20,671)
Balance at end of year		$(60,751)

Net exchange losses for 1981, calculated according to the new standard and included in other charges, were $17,129,000. Net exchange losses for 1980 and 1979, which are not restated, were $10,708,000 and $11,159,000, respectively. These amounts include charges of $26,500,000 and $10,000,000 in 1981 and 1980, respectively, and a credit of $4,300,000 in 1979, representing the difference between translating costs of sales of foreign operations at weighted average rates and at historical rates.

To the Shareholders and the Board of Directors of
Hercules Incorporated
Wilmington, Delaware

We have examined the consolidated balance sheets of Hercules Incorporated and subsidiary companies as of December 31, 1981 and 1980, and the related consolidated statements of income, stockholders' equity and changes in financial position for the years ended December 31, 1981, 1980 and 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 (pages 30 to 45) present fairly the consolidated financial position of Hercules Incorporated and subsidiary companies as of December 31, 1981 and 1980, and the consolidated results of their operations and changes in their financial position for the years ended December 31, 1981, 1980 and 1979, in conformity with generally accepted accounting principles consistently applied during the period except for the change, with which we concur, in the method of accounting for foreign currency translation, as described in Note 1 to the consolidated financial statements.—*Auditors' Report*.

NOTES TO FINANCIAL STATEMENTS

(Dollars in thousands, except per share)

Note 1: Foreign Currency Accounting Change:

During 1981 Hercules adopted Statement of Financial Accounting Standard No. 52, Foreign Currency Translation, which generally provides for use of current exchange rates in translating financial statements, and inclusion of translation adjustments in stockholders' equity. Hercules previously translated nonmonetary accounts such as inventories and property, plant and equipment at historical exchange rates and included translation adjustments in income. The effect of adopting the new standard was to increase net income for 1981 by $25,600 ($.56 per share). Results of operations for 1980 and 1979 have not been restated.

Foreign currency gains, net of taxes, were $6,418 in 1981. These results are included in nonoperating expenses for consolidated companies and equity in net income for affiliated companies.

The translation adjustment included in stockholders' equity for 1981 includes an allocation for income taxes of $1,298.

To the Stockholders
The Stanley Works
New Britain, Connecticut

We have examined the consolidated balance sheets of The Stanley Works and subsidiaries as of January 3, 1982 and December 28, 1980, and the related consolidated statements of earnings, changes in stockholders' equity and changes in financial position for each of the three fiscal years in the period ended Janaury 3, 1982. Our examinations were made in accordance with generally accepted accounting standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of The Stanley Works and subsidiaries at January 3, 1982 and December 28, 1980, and the consolidated results of their operations and changes in their financial position for each of the three fiscal years in the period ended January 3, 1982, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the changes, with which we concur, in the methods of accounting for foreign currency translation and compensated absences as described in Note A to the consolidated financial statements.—*Report of Independent Auditors*.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A—Accounting Changes

Change in Accounting for Foreign Currency Translation

In 1981, the Company retroactively adopted FASB Statement No. 52, "Foreign Currency Translation" and restated stockholders' equity as of the beginning of 1976 and restated previously reported results of operations for each of the five fiscal years ended December 28, 1980. Under that Statement, for most foreign operations, all balance sheet accounts are translated at the current exchange rate and earnings statement items are translated at the average exchange rate for the year. Resulting translation adjustments are made directly to a separate component of stockholders' equity. Certain other transaction adjustments continue to be reported in the earnings. Previously, certain balance sheet accounts (principally inventory and property, plant and equipment) and related earnings statement items were translated at historical exchange rates, and all translation adjustments were made directly to earnings.

The new method of accounting increased net earnings for 1981 by $10,260,000 ($.39 per share). Also as a result of applying the new method retroactively, 1980 net earnings have been reduced by $1,613,000 ($.06 per share) and 1979 net earnings have been reduced by $2,095,000 ($.08 per share). Adoption of Statement No. 52 resulted in a net decrease of $1,556,000 in stockholders' equity at the beginning of 1979.

Change in Accounting for Compensated Absences

Prior to 1981, the Company followed the common practice of accounting for the cost of employees' compensated absences in the period they were paid. Effective as of the beginning of 1981, as a result of Financial Accounting Standards Board Statement No. 43, the Company began accruing such benefits as they are earned. Financial statements for years prior to 1981 have been restated as required by Statement No. 43, resulting in a decrease in retained earnings at the beginning of 1979 of $1,369,000. The effect on net earnings for 1980 and 1979 was not material.

Board of Directors and Shareholders
VF Corporation
Wyomissing, Pennsylvania:

We have examined the consolidated balance sheets of VF Corporation and wholly-owned subsidiaries as of January 2, 1982 and January 3, 1981, and the related statements of consolidated earnings and retained earnings and changes in financial position for each of the three fiscal years in the period ended January 2, 1982. 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 VF Corporation and wholly-owned subsidiaries at January 2, 1982 and January 3, 1981, and the consolidated results of their operations and changes in their financial position for each of the three fiscal years in the period ended January 2, 1982, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in the method of accounting for foreign currency translation as described in Note K to the consolidated financial statements.—*Report of Independent Auditors*.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note K—Change in Accounting for Foreign Currency Translation

In 1981, the Company retroactively adopted the Financial Accounting Standards Board Statement No. 52, "Foreign Currency Translation". Under that Statement all balance sheet accounts of foreign subsidiaries are translated into U.S. dollar amounts at the exchange rate existing at the balance sheet date and income statement items are translated at the average exchange rate for the year. Resulting differences, or translation adjustments, are made directly to a separate component of shareholders' equity. Previously, certain balance sheet accounts (principally inventory and property and equipment) and related income statement items were translated at historical exchange rates, and all translation adjustments were made directly to income.

The new method of accounting increased net income for 1981 by $5,356,000 ($.66 per share). As a result of applying the new method retroactively, 1980 net income has been decreased by $1,330,000 ($.15 per share) and 1979 net income was decreased by $1,130,000 ($.11 per share). Adoption of Statement No. 52 also resulted in establishing a cumulative translation adjustments account that increased shareholders' equity by $397,000 at December 31, 1978. Aggregate changes to the translation component of shareholders' equity resulting from translation adjustments for the fiscal years ended December 29, 1979, January 3, 1981 and January 2, 1982 were $1,898,000, ($389,000) and ($5,934,000), respectively.

LIFO Adoption

Board of Directors
Allegheny Beverage Corporation
Baltimore Maryland

We have examined the consolidated balance sheets of Allegheny Beverage Corporation and Subsidiaries as of December 31, 1981 and 1980 and the related consolidated statements of earnings, stockholders' equity and changes in financial position for each of the three years in the period ended December 31, 1981. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, include 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 Allegheny Beverage Corporation and Subsidiaries at December 31, 1981 and 1980 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, 1981, in conformity with generally accepted accounting principles applied on a consistent basis except for the change in 1980, with which we concur, in the method of valuing inventories as described in Note C of Notes to Consolidated Financial Statements.—*Auditors' Report*.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note C—Inventories

The Company adopted the last-in, first-out (LIFO) method of valuing substantially all of its carbonated beverage inventories in 1980 because the Company believes the LIFO method of valuing these inventories will more clearly match current cost with current revenue. The change to LIFO had the effect of reducing 1980 net earnings by approximately $327,000 or $.08 per common share on both a primary and fully diluted basis. Inventories valued using the LIFO method amounted to $15,361,000 and $4,294,000 at December 31, 1981 and 1980, respectively. The excess of current cost over the LIFO value of these inventories was approximately $1,284,000 and $605,000 at December 31, 1981 and 1980, respectively.

Shareholders and Board of Directors
Midland-Ross Corporation
Cleveland, Ohio:

We have examined the consolidated balance sheet of Midland-Ross Corporation and subsidiaries as of December 31, 1981 and 1980, 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, 1981. 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 Midland-Ross Corporation and subsidiaries at December 31, 1981 and 1980, 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, 1981, in conformity with generally accepted accounting principles consistently applied during the periods, except for the change, with which we concur, made as of January 1, 1981, in the method of valuing inventories as described in Note A to the financial statements.—*Report of Independent Auditors*.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (in part):

Inventories: Inventories are stated at the lower of cost or market. Effective January 1, 1981, the LIFO method of valuing inventories was extended to substantially all of the electrical and mechanical controls inventories. The LIFO method had previously been used for substantially all of the company's foundry inventories. Approximately 72% of total inventories at December 31, 1981 (21% of total inventories at December 31, 1980) are valued using the LIFO method. The change to LIFO provides a better matching of current costs with current revenues. The effect of the change was to reduce net income for 1981 by $4,638,000 or $.39 per share. There is no cumulative effect of this change on prior years' reported earnings. Costs for all other inventories are determined by the FIFO and average cost methods.

To the Shareholders and
Board of Directors
of Pratt-Read Corporation:

We have examined the consolidated balance sheet of Pratt-Read Corporation and Subsidiaries at June 30, 1981 and 1980, and the related consolidated statements of income, retained earnings and changes in financial position for each of the three years in the period ended June 30, 1981. 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 Pratt-Read Corporation and Subsidiaries at June 30, 1981 and 1980, and the consolidated results of their operations and changes in their financial position for each of the three years in the period ended June 30, 1981, 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 Note C to the financial statements.—*Auditors' Report*.

NOTES TO FINANCIAL STATEMENTS

Note C—Inventories

Inventories at June 30 were:

	1981	1980	1979
Raw materials	$4,858,393	$4,981,316	$4,889,085
Work in process	3,620,570	3,599,491	3,499,476
Finished goods	1,495,696	1,403,794	1,062,351
	9,974,659	9,984,601	9,450,912
Less, reduction to LIFO cost	661,180	—	—
Total inventories	$9,313,479	$9,984,601	$9,450,912

Effective with the year ended June 30, 1981, the Corporation changed its method of accounting for inventory costs from the first-in, first-out (FIFO) method to the last-in, first-out (LIFO) method. The Corporation made this change to achieve a better matching of costs and revenues under current inflationary conditions. The change had the effect of reducing income from continuing operations by $291,716 ($.19 per share). For this type of accounting change, there is no cumulative effect on retained earnings as of June 30, 1980.

Interest Capitalization

To the Shareholders and Board of Directors of
Cummins Engine Company, Inc.:

We have examined the consolidated statement of financial position of Cummins Engine Company, Inc. (an Indiana corporation) and subsidiaries as of December 31, 1981 and 1980, and the related consolidated statements of earnings and changes in financial position for each of the three years in the period ended December 31, 1981, included on pages 27 through 41. 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 Cummins Engine Company, Inc. and subsidiaries as of December 31, 1981 and 1980, 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, 1981, in conformity with generally accepted accounting principles, which, except for the change in 1980 (with which we concur) in the method of accounting for interest cost as explained in Note 1 to the consolidated financial statements, have been applied on a consistent basis.—*Report of the Independent Public Accountants*.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (in part):

Interest Capitalization: On January 1, 1980, the company adopted the provisions of Statement of Financial Accounting Standards No. 34. Accordingly, interest costs related to certain fixed-asset projects are capitalized during their construction period and amortized over the depreciable life of the related assets. For the years ended December 31, 1981, and 1980, the company incurred interest costs of $38.1 million and $33.0 million, respectively, of which $6.0 million and $3.7 million, respectively, were capitalized.

To the Board of Directors and Shareholders
of Olin Corporation:

We have examined the consolidated balance sheets of Olin Corporation and consolidated subsidiaries as of December 31, 1981 and 1980 and the related consolidated statements of income, shareholders' equity and changes in financial position for each of the years in the three-year period ended December 31, 1981. 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 Olin Corporation and consolidated subsidiaries at December 31, 1981 and 1980 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, 1981, in conformity with generally accepted accounting principles consistently applied during the period except for the change in 1980, with which we concur, in the method of accounting for interest as described in the notes to financial statements.—*Report of Independent Public Accountants*.

NOTES TO FINANCIAL STATEMENTS

Interest Expense

Beginning in 1980, as required by new standards of financial reporting, the company began capitalizing interest as a cost of its major capital additions while they were under construction. Interest incurred totaled $26,008,000 in 1981 and $34,028,000 in 1980, of which $1,236,000 and $4,554,000 was capitalized in 1981 and 1980, respectively.

To the Board of Directors and Stockholders
Kaiser Steel Corporation
Oakland, California

We have examined the consolidated balance sheets of Kaiser Steel Corporation and Subsidiaries as of December 31, 1981 and 1980, and the related statements of net earnings (loss), stockholders' equity and changes in financial position for each of the three years in the period ended December 31, 1981. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Kaiser Steel Corporation and Subsidiaries at December 31, 1981 and 1980, 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, 1981, in conformity with generally accepted accounting principles consistently applied except for the change in 1980, with which we concur, in the method of accounting for interest costs as described in Note C to the consolidated financial statements.—*Independent Accountants' Report.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note C: Accounting Changes

In 1980, the company changed its method of accounting for interest costs in accordance with Financial Accounting Standard No. 34 (Capitalization of Interest Costs). In accordance with this Standard, Kaiser Steel, effective January 1, 1980, adopted a policy of capitalizing interest on significant construction projects. For the years ended December 31, 1981 and 1980, interest totaled $26,346,000 and $30,135,000 of which $2,000,000 and $3,818,000 was capitalized. The change increased 1980 net earnings $3,818,000 ($.54 per share).

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 28, 1981 and February 29, 1980, and the related consolidated statements of operations, retained earnings and changes in financial position for each of the three years in the period ended February 28, 1981. 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 U and I Incorporated and subsidiaries at February 28, 1981 and February 29, 1980, and the consolidated results of their operations and the changes in their financial position for each of the three years in the period ended February 28, 1981, in conformity with generally accepted accounting principles consistently applied during the period except for the change, with which we concur, in the method of accounting for interest costs as described in Note C to the consolidated financial statements.—*Report of Independent Accountants.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note C—Change in Accounting Method

Effective March 1, 1980, the company complied with the provisions of Statement No. 34 issued by the Financial Accounting Standards Board and changed its method of accounting for interest costs incurred in connection with construction of new properties. The effect of this change is to increase net earnings by $356,000 or $.16 per share. Statement No. 34 does not allow the retroactive application of this change and no pro forma amounts are presented.

Interest for the year ended February 28, 1981 is summarized as follows:

Total incurred	$4,071,000
Capitalized	(672,000)
Interest expense	$3,399,000

Compensated Absences

Board of Directors and Shareholders of
Cluett, Peabody & Co., Inc.:

We have examined the consolidated balance sheets of Cluett, Peabody & Co., Inc. and subsidiaries as of December 31, 1981 and 1980 and the related statements of income, shareholders' equity and changes in financial position for each of the three years in the period ended December 31, 1981. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of the companies at December 31, 1981 and 1980 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, 1981, in conformity with generally accepted accounting principles applied on a consistent basis, after restatement for the changes, with which we concur, in the method of accounting for vacation pay and sales returns as described in Note 15 to the financial statements.—*Auditors' Opinion.*

NOTES TO FINANCIAL STATEMENTS

Note 15: Accounting Changes

In 1981 the Company retroactively adopted new requirements issued by the Financial Accounting Standards Board concerning the recognition of vacation pay and sales returns.

Vacation pay is recorded in the period earned, whereas in prior years vacation pay was recorded in the period paid. Sales returns are recognized in the period in which related sales are made. In prior years, sales returns were recognized in the period in which returned merchandise was received from the customer.

The effect of the foregoing accounting changes was to reduce 1981 earnings and previously reported 1980 and 1979 earnings by $179,000, $7,000 and $290,000, respectively. Primary and fully diluted earnings per share were reduced by $.02 and $.03 in 1981 and 1979, respectively. Retained earnings at January 1, 1979 reflect the cumulative prior year's effect (net of taxes of $2,062,000) of such changes.

To the Board of Directors and Shareholders of
First National Supermarkets, Inc.:

We have examined the balance sheets of First National Supermarkets, Inc. (a Massachusetts corporation) as of March 28, 1981, and March 29, 1980, and the related statements of income, shareholders' investment and changes in financial position for each of the three years in the period ended March 28, 1981. 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 First National Supermarkets, Inc. as of March 28, 1981, and March 29, 1980, and the results of its operations and the changes in its financial position each of three years in the period ended March 28, 1981, 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, in accordance with the provisions of Statement of Financial Accounting Standards No. 43 and as explained in Note 7 to financial statements.—*Independent Auditors' Report*.

NOTES TO FINANCIAL STATEMENTS

Note 7. Compensated Absences:

The Company adopted the provisions of Financial Accounting Standards Board Statement No. 43 relating to compensated absences (vacations, illness and personal absences) during the fourth quarter of fiscal 1981, to the extent these provisions were not being specifically applied previously.

The effects of this accounting change were to reduce income before extraordinary credits and net income for fiscal 1981, 1980 and 1979 by $324,000 ($.08 per share), $692,000 ($.16 per share) and $667,000 ($.16 per share), respectively. The cumulative effect of the change on years ending prior to fiscal 1979 was a reduction of net income of $1,463,000 (net of tax effect of $1,351,000). The accompanying financial statements have been retroactively restated to reflect this accounting change.

To the Board of Directors
and Shareholders
Melville Corporation:

We have examined the consolidated balance sheets of Melville Corporation and subsidiary companies as of December 31, 1981 and 1980 and the related consolidated statements of earnings, common stock and other shareholders' equity, and changes in financial position for each of the years in the three year period ended December 31, 1981. 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 Melville Corporation and subsidiary companies at December 31, 1981 and 1980 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, 1981, 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 and sick pay benefits as discussed in the notes to the consolidated financial statements.—*Accountants' Report*.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Change in Accounting for Vacation and Sick Pay Benefits

In 1981, the Company changed its policy of accounting for earned vacation and sick pay benefits to comply with the provisions of the Financial Accounting Standards Board Statement No. 43 "Accounting for Compensated Absences". The change resulted in a decrease in 1981 net earnings of $717,464 or $.03 per share. The retroactive application of the accounting change decreased previously reported net income by $881,986 or $.04 per share in 1980 and $465,207 or $.02 per share in 1979. For years prior to 1979, the effect of the retroactive application of the change decreased retained earnings at December 31, 1978 by $2,701,509.

To the Shareholders and
Board of Directors of
Pentron Industries, Inc.:

We have examined the consolidated balance sheets of Pentron Industries, Inc. and Subsidiaries as of June 30, 1981 and 1980, and the related statements of income, stockholders' equity and retained earnings and changes in financial position for each of the three years in the period ended June 30, 1981. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the consolidated financial position of Pentron Industries, Inc. and Subsidiaries as of June 30, 1981 and 1980, and the results of their operations and the changes in their financial position for each of the three years in the period ended June 30, 1981, 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 benefits as described in Note 2 to the consolidated financial statements.—*Auditors' Report*.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Accounting Change for Vacation Pay:

Prior to 1981, the Company followed the common practice of accounting for the costs of certain employees' vacation pay benefits in the period in which they were paid. Effective as of July 1, 1980, as a result of the Financial Accounting Standards Board Statement No. 43, the Company began accruing such benefits as they are earned. Financial statements for years prior to 1981 have been restated as required by the Statement, resulting in a charge to retained earnings as of July 1, 1978 of $71,500 (after $61,400 income tax effect). The accounting change decreased previously reported net income by $2,705 for 1980 and $17,069 for 1979. This did not change the earnings per share as previously reported.

Investment Tax Credit

Auditors' Report to the Shareholders of
Bell & Howell Company

We have examined the consolidated balance sheet of Bell & Howell Company (a Delaware corporation) and Consolidated Subsidiaries as of January 2, 1982 and January 3, 1981, and the related consolidated statements of earnings, earnings invested in the business and changes in financial position for each of the fiscal years in the three-year period ended January 2, 1982. 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 Bell & Howell Company and Consolidated Subsidiaries as of January 2, 1982, and January 3, 1981, and the results of their operations and the changes in their financial position for each of the fiscal years in the three-year period ended January 2, 1982, in conformity with generally accepted accounting principles. Except for the changes (with which we concur) in the method of accounting for certain domestic inventories, foreign currency translation and investment tax credit as described in Note B and after restatement for the change (with which we also concur) in the method of accounting for vacation pay, in our opinion, the accounting principles have been applied on a consistent basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note B—Accounting Changes:

Inventories. In 1981, the Company changed the method of valuing the domestic inventories of the Specialized Business Equipment line of business, and in 1980, 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. The change was 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 effects of the changes reduced net earnings by $1,225,000 or $.22 per share in 1981, and $613,000 or $.11 per share in 1980.

Foreign Currency Translation. In 1981 the Company began translating the financial statements of its foreign operations in accordance with Financial Accounting Standards Board Statement No. 52. The effect of this change was to increase earnings from operations and net earnings for the year by $2,703,000 or $.48 per share. The financial statements for prior years have not been restated. Had 1980 been restated, net earnings would have been decreased by $976,000 or $.17 per share. The cumulative translation adjustments resulting from this change were $618,000 and $5,517,000 at the beginning and end of 1981, and the aggregate adjustment for the year was $4,899,000.

Investment Tax Credit. In 1981, the Company changed its method of accounting for the investment tax credit. These tax credits are now included in earnings as a reduction of the provision for federal income taxes in the year the related assets are placed into service (flow-through method) rather than amortized over the approximate useful lives of the related assets (deferral method). This change was made to achieve greater comparability with the accounting practices of most other companies. The effect of this change increased earnings from operations by $498,000 or $.08 per share. The cumulative effect of this change as of the beginning of the year was $2,129,000 or $.38 per share.

Vacation Pay. In 1981 the Company began accruing the estimated vacation pay for employees in accordance with Financial Accounting Standards Board Statement No. 43. The financial statements for prior years have been restated, resulting in a decrease in earnings invested in the business as of the beginning of 1979 of $4,003,000, and a reduction in earnings from operations and net earnings for 1980 and 1979 of $301,000 and $229,000 or $.05 and $.04 per share, respectively.

The Board of Directors and Stockholders
Celanese Corporation:

We have examined the consolidated balance sheets of Celanese Corporation as of December 31 for each of the years 1977 through 1981, and the related consolidated statements of income, changes in financial position and changes in retained income for each of the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Celanese Corporation as of December 31 for each of the years 1977 through 1981, and the results of operations and the changes in financial position for each of the years then ended, in conformity with generally accepted accounting principles. Such accounting principles have been applied on a consistent basis, except for the changes in 1980, with which we concur, in accounting for inventories and interest as described in notes H and I, and the changes in 1978, with which we concur, in accounting for investment tax credits and depreciation method, as described in notes C and I.—*Independent Accountants' Report*.

NOTES

(millions, except per share)

Note C (in part): Income taxes

In 1978, Celanese changed from the deferral to the flow-through method of accounting for investment tax credits (ITC). This change increased 1978 net income for credits earned during 1978 by $.56 per share, or $8 million, which is reflected as a reduction in the provision for income taxes in the Consolidated Statement of Income. In addition, the change increased reported net income for 1978 for credits earned but not reflected in income in prior years by $3.01 per share, or $43 million (after minority share of $4 million). This amount is shown in the 1978 income statement as "Cumulative effect of change in accounting principle."

U.S. investment tax credits were $21 million in 1978, $23 million in 1978, $13 million in 1980, and $25 million in 1981.

Depreciation Method

The Board of Directors and Stockholders
Brenco, Incorporated
Petersburg, Virginia

We have examined the consolidated balance sheets of Brenco, Incorporated and subsidiaries as of December 31, 1981 and 1980, 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, 1981. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Brenco, Incorporated and subsidiaries at December 31, 1981 and 1980, and the results of their operations and changes in their financial position for each of the three years in the period ended December 31, 1981, in conformity with generally accepted accounting principles applied on a consistent basis during the period except for the changes in 1981, with which we concur, in the method of determining inventory costs and in the method of computing depreciation, as described in Note 3 of Notes to Financial Statements.—*Report of Independent Certified Public Accountants*.

NOTES TO FINANCIAL STATEMENTS

Note 3. Accounting Changes

For the year 1981, the method of determining the cost of substantially all inventories was changed from the FIFO method to the LIFO method because the Company believes LIFO more clearly reflects income by providing a better matching of current cost and current revenue. The change reduced inventories at December 31, 1981 by $490,000, and reduced income from continuing operations and net income by $249,000, or $.025 per share. The change had no effect on prior years since the December 31, 1980 inventories were the opening inventories under the LIFO method.

Also in 1981, the method of computing depreciation on newly acquired assets was changed to the straight-line method to more closely match depreciation with estimated consumption. The change increased income from continuing operations and net income by $235,000 or $.024 per share.

Board of Directors and Stockholders
Commercial Metals Company
Dallas, Texas

We have examined the consolidated balance sheets of Commercial Metals Company and subsidiaries at August 31, 1981 and 1980, and the related consolidated statements of earnings, stockholders' equity, and changes in financial position for each of the three years in the period ended August 31, 1981. 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 Commercial Metals Company and subsidiaries at August 31, 1981 and 1980, and the results of their operations and the changes in their financial position for each of the three years in the period ended August 31, 1981, in conformity with generally accepted accounting principles consistently applied during the period except for the change, with which we concur, in the method of computing depreciation as described in Note D of notes to the consolidated financial statements.—*Auditors Report*.

NOTES TO FINANCIAL STATEMENTS

Note D: Change in Accounting Principle:

Effective September 1, 1980, the Company changed its method of depreciation for new assets from accelerated methods to the straight-line method. The new method conforms with that prevalent in the industry. The effect of the change for the year ended August 31, 1981, was to increase net earnings by $560,000 ($.13 a share).

Stockholders and Board of Directors
Dayton Malleable Inc.
Kettering, Ohio

We have examined the statements of financial condition of Dayton Malleable Inc. as of August 31, 1981 and 1980, and the related statements of operations, stockholders' equity and changes in financial position for each of the three years in the period ended August 31, 1981. 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 Dayton Malleable Inc. at August 31, 1981 and 1980, and the results of their operations and changes in their financial position for each of the three years in the period ended August 31, 1981, in conformity with generally accepted accounting principles consistently applied during the period except for the change in 1980, with which we concur, in the method of computing depreciation as described in the notes to the financial statements.—*Accountants' Report*.

NOTES TO FINANCIAL STATEMENTS

Depreciation

The Company changed from accelerated methods to the straight-line method of depreciation for assets placed into service after August 31, 1979. Depreciation on assets placed into service before that date as well as tax depreciation on all assets will continue to be computed on primarily accelerated methods. This change was made to conform to the prevailing depreciation method used by competitors and to provide a more accurate allocation of the cost of fixed assets over their useful lives.

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 Years Financial Statements Removed

To the Board of Directors
and Shareholders of
Armada Corporation:

We have examined the consolidated balance sheet of Armada Corporation and Subsidiaries as of December 31, 1981 and 1980, and the related consolidated statements of income, shareholders' equity and changes in financial position for the years ended December 31, 1981, 1980 and 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 16, 1981, our opinion on the 1980 and 1979 financial statements was qualified as being subject to the effects on these financial statements of such adjustments, if any, as might have been required had the outcome of certain litigation been known. In 1981, as explained in Note 16, a judgment was entered in this litigation. The amount of the ultimate liability is not expected to materially affect the financial position of the Company. Accordingly, our present opinion on the 1980 and 1979 financial statements, as presented herein, is no longer qualified with respect to this matter.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Armada Corporation and Subsidiaries at December 31, 1981 and 1980, and the consolidated results of operations and changes in financial position for the years ended December 31, 1981, 1980 and 1979 in conformity with generally accepted accounting principles applied on a consistent basis.—*Auditors' Report.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16: Contingent Liability—Shareholders Law Suit

A judgment has been entered against the Company and certain individuals who were directors of Hoskins Manufacturing Company in an action instituted against them on behalf of a class consisting of all the former minority shareholders of Hoskins Manufacturing Company. The suit alleged breach of fiduciary duties in connection with the acquisition by the Company in June 1974 of the minority interest in Hoskins. The judgment awarded damages to each member of the class in the amount of $4.38 for each share of Hoskins owned on December 18, 1973 plus interest on such amount from June 3, 1974. Based upon the number of shares estimated to be in the class, the amount of the damages plus interest to date would be $2,300,000. The Company has appealed the judgment and in the opinion of the Company's counsel the decision awarding the judgment is erroneous and should be reversed on appeal.

The individuals against whom the judgment was awarded were insured and it is expected that a significant portion of any final judgment will be covered by insurance. Damages not covered by insurance will be accounted for as an additional cost of the Hoskins acquisition and allocated to intangible assets. Such amounts would be amortized over a 33 year period. In the opinion of management, the amount, if any, of the final judgment which is not covered by insurance is not expected to materially affect the financial position of the Company.

The Company and its subsidiaries are parties to a number of other lawsuits, none of which in the opinion of management and the Company's counsel will result in any material liability.

Board of Directors and Stockholders
Danker Laboratories, Inc.
Parsippany, New Jersey

We have examined the consolidated balance sheets of Danker Laboratories, Inc. and subsidiaries as of August 31, 1981 and 1980, and the related consolidated statements of operations, stockholders' equity and changes in financial position for each of the three years in the period ended August 31, 1981. 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 October 17, 1980 (March 12, 1981 as to Notes E, F and I), our opinion on the August 31, 1980 financial statements was qualified as being subject to the effects on the financial statements of the Company's ability to continue as a going concern due to continued operating losses and the need to obtain adequate financing. Our opinion was also qualified with respect to the ability of the Company to realize certain deferred expenses incurred in connection with the preparation of an equity financing arrangement which was in process.

In April, 1981, the Company completed its equity financing arrangement and realized the deferred expenses referred to above. It has not attained profitable operations, which will be necessary to continue as a going concern, however, the additional working capital provided by the equity financing gives the Company additional time to attain profitable operations. Accordingly, our present opinion on the 1980 financial statements, as presented herein, is different from that expressed in our previous report.

In our opinion, the financial statements referred to above present fairly the financial position of Danker Laboratories, Inc. and subsidiaries at August 31, 1981 and 1980 and the results of their operations and changes in their financial position for each of the three years in the period ended August 31, 1981 in conformity with generally accepted accounting principles applied on a consistent basis.—*Accountants' Opinion.*

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, 1981 and 1980 and the related statements of income, stockholders' equity and changes in financial position for each of the three years in the period ended October 31, 1981. 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 we considered necessary in the circumstances.

In our report dated December 15, 1980, our opinion on the 1980 and 1979 financial statements of the Company was qualified as being subject to the effects on those financial statements of adjustments that might have been required had the outcome of various legal and other actions been known. As a result of developments in and current assessments of the status of litigation, as discussed in the note to the financial statements entitled "Contingent Liabilities" on page 35, the Company is now of the opinion that any liability resulting from these matters should not materially affect the Company's financial position. Accordingly our opinion on the 1980 and 1979 financial statements presented herein is different from our previous opinion in that it is no longer qualified.

In our opinion, the financial statements referred to above present fairly the financial position of The Firestone Tire & Rubber Company and consolidated subsidiaries at October 31, 1981 and 1980 and the results of their operations and changes in their financial position for each of the three years in the period ended October 31, 1981, 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)

Contingent Liabilities

A number of class actions are presently pending against the Company in various state and federal courts. The plaintiffs in 11 of these actions are requesting, on behalf of alleged classes of consumers, some national in scope, various forms of injunctive and monetary relief as a result of the Company having manufactured and sold allegedly defective Steel Belted Radial 500 ("SBR 500") type passenger tires. The complaints request very large compensatory and punitive damages and equitable relief. In two additional cases, the plaintiffs seek to recover, for an alleged class of stockholders who purchased the Company's common stock between December 1975 and July 1978, losses alleged to have resulted from the Company's purported failure to make proper disclosure of, among other things, alleged SBR 500 and multipiece rim product problems.

There are several hundred individual actions pending against the Company for wrongful death, personal injuries or property damage allegedly due to the malfunction or failure of SBR 500 tires or multi-piece truck wheel components and rims. Punitive damages are sought in many of these cases. There are other product liability cases also pending against the Company.

In July 1981, the Internal Revenue Service ("IRS") proposed an assessment against the Company of approximately $34 in additional taxes and penalties allegedly due for the years 1966 through 1973. The Company has filed an appeal with the Appellate Division of the IRS.

Also in July 1981, the United States District Court for the Northern District of Ohio dismissed the suit that had been brought by the United States seeking recovery against the Company of approximately $62 by reason of alleged illegal gold trading activity in Switzerland. In addition, during the year the Securities & Exchange Commission investigation of the SBR 500 related disclosures in earlier years was terminated and the plaintiffs' request for class certification in a SBR 500 related commercial class action in California was denied by the trial court. There has also been a significant reduction in the number of outstanding claims pending against the Company.

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 Company's business.

Since the minimum potential liability for a substantial portion of the matters described in this note cannot be reasonably estimated, no liability for them has been recorded in the financial statements. However, the Company believes that any resulting liability from these matters should not materially affect the Company's financial position.

Board of Directors
Southwest Factories, Inc.:

We have examined the consolidated balance sheets of Southwest Factories, Inc. and Subsidiaries as of September 30, 1981 and 1980 and the related consolidated statements of earnings and retained earnings and changes in financial position for each of the three years in the period ended September 30, 1981. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our report dated December 5, 1980, our opinion on the 1980 and 1979 financial statements was qualified subject to the effects of such adjustments, if any, as might have been required had the ultimate resolution of a proposed adjustment by the Internal Revenue Service to the Company's income tax return for 1973 been known. As explained in note 5, the matter was resolved in 1981 and the resulting adjustment has been charged to operations in the current year as required by generally accepted accounting principles. Accordingly, our present opinion on the 1980 and 1979 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 Southwest Factories, Inc. and Subsidiaries at September 30, 1981 and 1980 and the results of their operations and the changes in their financial position for each of the years in the three-year period ended September 30, 1981, in conformity wtih generally accepted accounting principles applied on a consistent basis.—*Accountants' Report*.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 1981, 1980 and 1979

Note 5 (in part): Income Taxes

The Company's Federal income tax for the years ended September 30, 1973, 1975 and 1976 were examined by the Internal Revenue Service and additional Federal taxes of approximately $450,000 (plus interest thereon) were proposed. In 1981, a settlement offer of $211,450 (plus interest thereon) was accepted by the Internal Revenue Service relating to the 1973, 1975 and 1976 Federal income tax returns.

New Uncertainty Affecting Both Current and Prior Period Financial Statements

The Board of Directors
Eagle-Picher Industries, Inc.:

We have examined the balance sheet of Eagle-Picher Industries, Inc. and subsidiaries as of November 30, 1981 and 1980 and the related statements of income, shareholders' equity, and changes in financial position for each of the years in the three year period ended November 30, 1981. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed in the notes to financial statements, the Company's liability resulting from asbestos litigation cannot presently be reasonably estimated. Our opinion dated January 20, 1981 on the 1980 and 1979 financial statements was unqualified. However, because of the increased uncertainties that developed during 1981 with respect to these matters, our present opinion on the 1980 and 1979 financial statements, as presented herein, is different from that expressed in our previous report.

In our opinion, subject to the effects of adjustments that might have been required had the outcome of the uncertainties discussed in the preceding paragraph been known, the aforementioned financial statements present fairly the financial position of Eagle-Picher Industries, Inc. and subsidiaries at November 30, 1981 and 1980 and the results of their operations and the changes in their financial position for each of the years in the three year period ended November 30, 1981, in conformity with generally accepted accounting principles consistently applied during the period except for the change in 1980, with which we concur, in the method of valuing inventories as described in the notes to the financial statements.—*Accountants' Report*.

NOTES TO FINANCIAL STATEMENTS

Litigation

The Company is a co-defendant in a substantial number of lawsuits brought by present or former insulation and shipyard workers and other persons alleging damage to their health from exposure to dust from asbestos-containing industrial insulation products manufactured by various defendants.

As of November 30, 1981 there were approximately 10,300 such claims outstanding compared to 6,100 and 3,400 at November 30, 1980 and 1979 respectively. During fiscal 1981, approximately 4,900 new claims were filed, compared to 3,200 and 2,300 in fiscal years 1980 and 1979 respectively. While the number of claims filed increased substantially in 1981, there is evidence that many of the recent claims may have little or no substance. Through fiscal 1981 approximately 1,400 claims have been disposed of; the Company's average cost per settled claim during that period was approximately $7,000, including legal fees. A portion of these expenses was covered by insurance.

In 1978, the Company sued its insurance carriers in the U.S. District Court in Massachusetts to determine the correct theory for the application of insurance coverage to asbestos-related claims. In 1981, that Court ruled that the "manifestation" theory applied by the Company was correct. That decision is being appealed. Other courts have adopted other theories for the application of insurance coverage of other defendants in asbestos litigation. In a case decided after the opinion in the Company's suit in Massachusetts was issued, the U.S. Court of Appeals for the District of Columbia adopted a new theory which gave another co-defendant extremely broad insurance coverage. The Company seeks to have that theory applied to its insurance coverage.

The Company's aggregate unused insurance coverage is approximately $160,000,000 which covers the eleven year period from 1968 through 1978. The amount of protection this affords against present and future claims will vary widely depending upon which theory of liability is finally applied by the courts to the Company's policies.

Substantially more than half of the asbestos-related claims against the Company have been made by individuals who worked during World War II and thereafter in shipyards either owned by the U.S. Navy or under contract with it. Many co-defendants, including the Company, supplied high temperature insulation to U.S. Government specifications which required asbestos fiber. Additionally, the U.S. Government controlled the work place environment in many of those shipyards. So far the U.S. Government has successfully resisted all claims requiring it to share responsibility for injury to the health of shipyard workers. The Company intends to continue to vigorously seek—both through the judicial and the legislative processes—to require the U.S. Government to bear its share of responsibility.

To economize the handling of asbestos-related claims, the Company has agreed with several other co-defendants to divide defense responsibilities among them. Early results are most encouraging and the Company hopes to realize substantial economies in the future.

Because of the uncertainties associated with this litigation, the eventual outcome cannot be predicted at this time, nor can an estimate of the Company's ultimate liability, after insurance recoveries, be made with any degree of certainty. For that reason no liability has been recorded in the financial statements. Costs are expensed as incurred. While the impact of the litigation on earnings per share is clearly significant, the Company does not feel that it will materially affect the conduct of its affairs or its financial stability.

Unqualified Opinion on Current Year Financial Statements; Qualified Opinion on Prior Years Financial Statements

To the Board of Directors
Kroehler Mfg. Co.
Elk Grove Village, Illinois

We have examined the consolidated balance sheet of Kroehler Mfg. Co. and subsidiaries as of December 31, 1981 and the related consolidated statements of operations, stockholders' equity and changes in financial position for the year when 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 Kroehler Mfg. Co. for the years ended December 31, 1980 and 1979 were examined by other auditors, whose report dated March 28, 1981 on those statements was based in part upon the reports of other auditors and was qualified as being subject to the effects on the 1980 and 1979 financial statements of such adjustments, if any, as might have been required had the outcome of uncertainties referred to in the following paragraph been known.

As of December 31, 1980 and 1979, there were uncertainties as to the continuation of the business as a going concern, the realization of the carrying amounts of the assets, the amount and classification of the liabilities, the ability of the Company to maintain adequate working capital or the ability to obtain additional financing.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of Kroehler Mfg. Co. and subsidiaries as of December 31, 1981, 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.—*Independent Auditors' Report*.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Basis of Presentation

The accompanying financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The net losses incurred in the past five years have significantly reduced the Company's equity and working capital. The continuation of the business as a going concern, the realization of the carrying amounts of the assets and amount and classification of liabilities, are dependent upon the Company's ability to maintain adequate working capital or to obtain additional financing, as may be required.

The significance of the aforementioned uncertainties has been mitigated by certain 1981 and 1982 events. The Company disposed of or negotiated the disposition of a number of non-interdependent operating facilities, some of where were producing negative operating cash flows. (See Notes 6 and 8). In addition, the program to reduce overhead and administrative expenditures was continued. In the continuing effort to redeploy resources in profitable operations, the Company acquired QONAAR Corporation. (See Note 3). During 1981 and subsequent to year-end, the Company was able to obtain additional financing, a portion of which has the personal guarantee of a principal shareholder. (See Notes 8, 9 and 10). The Company is continuing in 1982 a program designed to eliminate operating losses and generate additional working capital.

Change in Auditors

The Board of Directors
Elco Industries, Inc.:

We have examined the consolidated balance sheet of Elco Industries, Inc. and Subsidiaries as of June 30, 1981, 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.

The financial statements of Elco Industries, Inc. and Subsidiaries for the years ended June 30, 1980 and 1979, were examined by other auditors whose report dated August 20, 1980, was qualified as being subject to the effects on the financial statements of such adjustments as might have been required had the outcome of certain litigation been known. As discussed in Note 11 to the Consolidated Financial Statements, the outcome of certain litigation existing at June 30, 1980 and 1979 is more certain at this time. Accordingly, their present opinion on the 1980 and 1979 financial statements is unqualified.

In our opinion, the 1981 financial statements referred to above present fairly the consolidated financial position of Elco Industries, Inc. and Subsidiaries as of June 30, 1981, and 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.—*Auditors' Opinion*.

The Shareholders
H.J. Heinz Company:

We have examined the consolidated balance sheet of H. J. Heinz Company and consolidated subsidiaries as of April 29, 1981 and the related statements of consolidated income and retained earnings, additional capital and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of H. J. Heinz Company Limited, which are included in the consolidated statements. The net assets and sales of such subsidiary constitute 18% and 20%, respectively, of the related consolidated totals for 1981. These statements were examined by other auditors whose report thereon has been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for such subsidiary, is based solely upon the report of the other auditors. The financial statements of H. J. Heinz Company and consolidated subsidiaries for the years ended April 30, 1980 and May 2, 1979 were examined by other auditors whose report dated June 24, 1980 expressed an unqualified opinion on those statements.

In our opinion, based upon our examination and the aforementioned report of other auditors, the abovementioned consolidated financial statements present fairly the financial position of H. J. Heinz Company and consolidated subsidiaries as of April 29, 1981 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.—*Independent Accountants' Report.*

To the Shareholders and Board of Directors,
Whittaker Corporation:

We have examined the consolidated balance sheet of Whittaker Corporation and consolidated subsidiaries as of October 31, 1981, 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 consider necessary in the circumstances. The financial statements of Whittaker Corporation and consolidated subsidiaries for the years ended October 31, 1980 and 1979, were examined by other auditors whose report dated December 19, 1980, expressed an unqualified opinion on those statements.

In our opinion, the 1981 consolidated financial statements referred to above present fairly the consolidated financial position of Whittaker Corporation and consolidated subsidiaries at October 31, 1981, 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.—*Auditor's Report.*

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 financial statements or schedules other than the basic financial statements follow.

Financial Statements of Subsidiary

To the Board of Directors and the Shareholders
Winnebago Industries, Inc.
Forest City, Iowa

We have examined the consolidated balance sheets of Winnebago Industries, Inc., and its consolidated subsidiaries and the balance sheets of Winnebago Acceptance Corporation as of August 29, 1981 and August 30, 1980, and the related statements of operations, changes in stockholders' equity, reinvested earnings and changes in financial position for each of the three years in the period ended August 29, 1981. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such test 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 respective financial positions of Winnebago Industries, Inc., and its consolidated subsidiaries and Winnebago Acceptance Corporation as of August 29, 1981 and August 30, 1980, and the results of their operations and changes in their financial positions for each of the three years in the period ended August 29, 1981, in conformity with generally accepted accounting principles applied on a consistent basis.—*Report of Independent Accountants.*

SEC Supplemental Schedules

To the Board of Directors and Stockholders of
Flanigan's Enterprises, Inc.:

We have examined the consolidated balance sheets of Flanigan's Enterprises, Inc. (a Florida corporation) and subsidiaries as of September 27, 1980 and October 3, 1981, and the related consolidated statements of income (loss), stockholders' investment and changes in financial position for each of the three years in the period ended October 3, 1981. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

TABLE 6-6: OPINION EXPRESSED ON SUPPLEMENTARY STATEMENTS OR SCHEDULES

	Number of Companies			
	1981	1980	1979	1978
Financial statements of subsidiaries	13	15	20	20
Financial statements other than those of subsidiaries (pension trust fund, price level)	—	—	3	3
Historical summaries or five year summaries of operations	5	7	9	7
Other—financial highlights, pro forma data, etc.	3	4	4	5

As discussed further in Note 9, a suit relating to a 1978 accident was brought against the Company under a California liquor liability law that existed prior to January 1, 1979. The plaintiff in this suit is asking for damages totalling $5,000,000. The Company's management feels it has numerous valid defenses, but the outcome of this suit is uncertain at this time.

In our opinion, subject to the effect of any adjustments that might have been required had the outcome of the litigation mentioned in the preceding paragraph been known, the financial statements referred to above present fairly the financial position of Flanigan's Enterprises, Inc. and subsidiaries as of September 27, 1980 and October 3, 1981, and the results of their operations and changes in their financial position for each of the three years in the period ended October 3, 1981, all in conformity with generally accepted accounting principles applied on a consistent basis.

Our examinations were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules listed in the index of financial statements are presented for purposes of complying with the Securities and Exchange Commission's rules and regulations under the Securities Exchange Act of 1934 and are not otherwise a required part of the basic financial statements. The supplemental schedules have been subjected to the auditing procedures applied in the examinations of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.—*Report of Independent Certified Public Accountants*.

REPORT OF MANAGEMENT

In 1981, 295 survey companies—as compared to 260 in 1980, 191 in 1979, 110 in 1978 and 19 in 1977—include a Report of Management in their annual report to stockholders. Usually (71% in 1981) the companies present the Report of Management and Auditors' Report on the same or adjoining pages. Examples of management reports follow.

MANAGEMENT REPORT ON FINANCIAL STATEMENTS

Management has prepared and is responsible for the Company's financial statements, including the notes thereto. They have been prepared in accordance with generally accepted accounting principles and necessarily include amounts based on judgments and estimates by management. All financial information in this annual report is consistent with that in the financial statements.

The Company maintains internal accounting control systems and related policies and procedures designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with management's authorization and properly recorded, and that accounting records may be relied upon for the preparation of financial statements and other financial information. The design, monitoring, and revision of internal accounting control systems involve, among other things, management's judgment with respect to the relative cost and expected benefits of specific control measures. The Company also maintains an internal auditing function which evaluates and formally reports on the adequacy and effectiveness of internal accounting controls, policies, and procedures.

The Company's financial statements have been audited by independent public accountants who, in the report above, express their opinion with respect to the fairness of the presentation of the statements.

The Audit Committee of the Board of Directors, composed solely of non-employee directors, meets periodically with the independent public accountants and internal auditors to evaluate the effectiveness of the work performed by them in discharging their respective responsibilities and to assure their independent and free access to the Committee.

Executive Vice President, Finance

Vice President and Controller

REPORT OF MANAGEMENT

We have prepared the accompanying consolidated financial statements and related information included herein for each of the three years in the period ended December 31, 1981. The opinion of the Company's independent auditors on those financial statements is included herein. The primary responsibility for the integrity of the financial information included in this annual report rests with management. Such information was prepared in accordance with generally accepted accounting principles appropriate in the circumstances, based on our best estimates and judgments and giving due consideration to materiality.

Eaton maintains internal accounting control systems which are adequate to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and which produce records adequate for preparation of financial information. There are limits inherent in all systems of internal accounting control based on the recognition that the cost of such system should not exceed the benefits to be derived. We believe the Company's system provides this appropriate balance.

The system and controls and compliance therewith are reviewed by an extensive program of internal audits and by our independent auditors. Their activities are coordinated to obtain maximum audit coverage with a minimum of duplicate effort and cost. The independent auditors receive copies of all reports issued by the internal auditors at the same time they are released to management and have access to all internal audit work papers.

In an attempt to assure objectivity and remove bias, the financial data contained in this report is subject to review by the Audit Committee of the Board of Directors. The Audit Committee is composed of outside directors who meet regularly with management, internal auditors and independent auditors to review the audit scope, timing and fee arrangements.

The Company maintains high standards when selecting, training and developing personnel, to insure that management's objectives of maintaining strong, effective internal accounting controls and unbiased, uniform reporting standards are attained. We believe our policies and procedures provide reasonable assurance that operations are conducted in conformity with law and with our Company commitment to a high standard of business conduct.

Executive Vice President-
Finance and Administration

Vice President-Accounting

RESPONSIBILITY FOR FINANCIAL STATEMENTS OF OWENS-ILLINOIS, INC.

The consolidated financial statements of Owens-Illinois, Inc. have been prepared by the Company in conformity with generally accepted accounting principles appropriate in the circumstances. Management is responsible for all information and representations contained in the financial statements and other sections of the annual report. In preparing the financial statements, management makes estimates, as necessary, based upon currently available information and management's judgment of current conditions and circumstances.

Management maintains and relies on a system of internal controls in fulfilling its financial reporting responsibilities. The system is designed to provide reasonable assurance at a reasonable cost that assets are safeguarded and transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. In designing control procedures, management recognizes that errors or irregularities may nevertheless occur. The internal control systems are augmented by written policies and procedures, an organizational structure which provides for division of responsibilities, careful selection, training and development of qualified managers in financial and other functional areas, and a program of internal audits. In addition, management continually monitors and improves its internal control systems in response to changes in business conditions and operations.

The independent certified public accountants, recommended by the Audit Committee of the Board of Directors, selected by the Board of Directors and approved by the shareholders at the annual meeting, are engaged to express an opinion on our financial statements. Their opinion is based on procedures performed in accordance with generally accepted auditing standards, including tests of the accounting records and such other auditing procedures as they considered necessary in the circumstances.

The Audit Committee of the Board of Directors, composed solely of directors who are not officers or employees of Owens-Illinois, meets with corporate financial management, the independent certified public accountants, and the internal auditors to review the activity of each and to satisfy itself that each is properly discharging its responsibility. Both the independent certified public accountants and the internal auditors have met periodically with the Committee, without presence of management, to discuss the results of their audit work, the adequacy of internal financial controls, and the quality of financial reporting.

Chairman of the Board,
President and Chief
Executive Officer

Vice President, Finance

MANAGEMENT'S STATEMENT ON RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Rexnord is responsible for the preparation and presentation of its financial statements. These statements have been prepared in accordance with generally accepted accounting principles based on best estimates and judgments and giving due consideration to materiality.

To accomplish this reporting, the company has communicated the requirements for accurate records and accounting to all appropriate employees. In addition, management believes the company's system of internal accounting controls is designed to provide reasonable assurance for the safeguarding of assets and the reliability of financial records. This system includes selection and training of qualified personnel, organizational arrangements to provide for an appropriate division of responsibility, communication of standard accounting and internal control policies, and regular meetings on accounting matters. Rexnord also has a program of internal audits and appropriate follow-up by management.

The independent auditors are responsible for expressing their opinion as to whether the financial statements present fairly the financial position, operating results and changes in financial position of the company. In this process, they evaluate internal accounting control systems to establish the audit scope, review selected transactions and carry out other audit procedures.

The Audit Committee of the Board of Directors is composed of four nonemployee directors who meet periodically with the independent auditors, internal auditors and management. This Committee considers the audit scope, discusses financial and reporting subjects and reviews management actions on these matters. Both the independent auditors and internal auditors have full and free access to the Audit Committee.

Management believes that its established policies, internal accounting controls and review procedures provide reasonable assurance that Rexnord financial statements are prepared in accordance with generally accepted accounting principles.

Chairman and
Chief Executive Officer

Controller

REPORT OF MANAGEMENT

The Corporation has prepared the consolidated financial statements and related financial information included in this Annual Report. Management has the primary responsibility for the financial statements and other financial information and for ascertaining that the data fairly reflect the financial position and results of operations of the Corporation. The financial statements were prepared in accordance with generally accepted accounting principles appropriate in the circumstances, and necessarily include amounts that are based on best estimates and judgments with appropriate consideration given to materiality. Financial information included elsewhere in this Annual Report was prepared on a basis consistent with the financial statements.

The Corporation maintains a system of internal accounting controls, supported by documentation, to provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Corporation. Limitations exist in any system of internal accounting controls based upon the recognition that the cost of the system should not exceed the benefits derived. Westinghouse believes its system of internal accounting controls, augmented by its internal auditing function, appropriately balances the cost/benefit relationship.

The independent accountants provide an objective assessment of the degree to which management meets its responsibility for fairness of financial reporting. They regularly evaluate the system of internal accounting controls and perform such tests and other procedures as they deem necessary to express an opinion on the fairness of the financial statements.

The Board of Directors pursues its responsibility for the Corporation's financial statements through its Audit Review Committee which is composed solely of directors who are not officers or employes of the Corporation. The Audit Review Committee meets regularly with the independent accountants, management and the internal auditors. The independent accountants have direct access to the Audit Review Committee, with or without the presence of management representatives, to discuss the scope and results of their audit work and their comments on the adequacy of internal accounting controls and the quality of financial reporting.

We believe that the Corporation's policies and procedures, including its system of internal accounting controls, provide reasonable assurance that the financial statements are prepared in accordance with the applicable securities laws and with a corresponding standard of business conduct.

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-fifth (1981) edition. Twenty-six companies in the 1981 edition have been eliminated and their numbers left unused. The companies selected as replacements have been assigned numbers 906 to 929, 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*	
	AMAX, Inc.—see *35*	
	AMETEK, Inc.—see *47*	
	AMF Incorporated—see *33*	
	AMP Incorporated and Pamcor, Inc.—see *49*	
	AMSTED Industries Incorporated—see *51*	
	ASARCO Incorporated—see *43*	
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*	
8	Air Products and Chemicals, Inc.	9
	Akzona Incorporated—see *30*	
	Albertson's, Inc.—see *603*	
	Alco Standard Corporation—see *771*	
	Allegheny Beverage Corporation—see *906*	
11	Allegheny International, Inc.	12
13	Allied 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*	9
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*	
49	*AMP Incorporated and Pamcor, Inc.*	12
	Amstar Corporation—see *44*	
51	*AMSTED Industries Incorporated*	9
	Anadite, Inc.—see *890*	
	Analogic Corporation—see *89*	
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*	

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
72	Avon Products, Inc.	12
	Badger Meter, Inc.—see *907*	
	Baird Corporation—see *793*	
74	Baker International Corporation	9
	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*	
133	Champion Spark Plug Company	12
	The Charter Company—see *834*	
	Chemineer, Inc.—see *835*	
	Chemplast, Inc.—see *908*	
	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
	The Coastal Corporation—see *909*	
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*	
	Conroy, Inc.—see *815*	
157	*North American Philips Corporation*	12
158	Consolidated Foods Corporation	6
160	Consolidated Packaging Corporation	12
163	The Continental Group, 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*	
187	Dayco Corporation	10
	Dayton Malleable Inc.—see *837*	

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
188	Deere & Company	10
189	Dennison Manufacturing Company	12
	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
	R. R. Donnelley & Sons Company—*see 864*	
	Dover Corporation—*see 910*	
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 and 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 Incorporated—*see 721*	
	Engelhard 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-McMoRan Inc.	12
236	Fruehauf Corporation	12
	GAF Corporation—*see 240*	
	GATX Corporation—*see 239*	
	GTI Corporation—*see 911*	
	Gannett Co., Inc.—*see 912*	

Co. No.		*Month in which fiscal year ends
239	*GATX Corporation*	12
240	*GAF Corporation*	12
	Gearhart Industries, Inc.—*see 758*	
241	*General Host Corporation*	12
245	*Culbro Corporation*	12
246	General Dynamics Corporation	12
247	General Electric Company	12
248	General Foods Corporation	3
	General Host Corporation—*see 241*	
249	General Mills, Inc.	5
250	General Motors Corporation	12
252	General Refractories Company	12
253	General Signal Corporation	12
254	The General Tire & Rubber Company	11
255	Genesco Inc.	7
256	Georgia-Pacific Corporation	12
257	Gerber Products Company	3
	Getty Oil Company—*see 620*	
	Giant Food Inc.—*see 621*	
258	Giddings & Lewis, Inc.	12
259	The Gillette Company	12
	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*	
	Hampton Industries, Inc.—*see 703*	
	Handy & Harman—*see 913*	
278	Harnischfeger Corporation	10
279	Harris Corporation	6
280	Harsco Corporation	12
282	Hart Schaffner & Marx	11
284	Hazeltine Corporation	12
	Hecla Mining Company—*see 914*	
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

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
295	The Hoover Company	12
296	Geo. A. Hormel & Company	10
	Hughes Supply, Inc.—see 915	
	Hughes Tool Company—see 869	
	Humana Inc.—see 702	
	Hurco Manufacturing Company, Inc.—see 916	
	Philip A. Hunt Chemical Corporation—see 736	
300	*Norton Simon, Inc.*	6
	IC Industries, Inc.—see 761	
	ICOT Corporation—see 821	
	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
	JWT Group, Inc.—see 791	
	Jewel Companies, Inc.—see 671	
316	*Jim Walter Corporation*	8
317	*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 Aluminum & Chemical Corporation	12
	Kaiser Steel Corporation—see 917	
323	Kellogg Company	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	
	Knight-Ridder Newspapers, Inc.—see 918	
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	
	Leggett & Platt, Incorporated—see 919	

Co. No.		*Month in which fiscal year ends
	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	
	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	
	MAPCO Inc.—see 920	
	MCA Inc.—see 364	
	Macmillan, Inc.—see 872	
352	R. H. Macy & Co., Inc.	7
	Malone & Hyde, Inc.—see 675	
	Manville Corporation—see 317	
355	Marathon Oil Company	12
	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
363	The Maytag Company	12
364	*MCA Inc.*	12
366	McCormick & Company, Incorporated	11
	McDermott Incorporated—see 632	
	McDonald's Corporation—see 820	
367	McDonnell Douglas Corporation	12
368	McGraw-Edison Company	12
369	McGraw-Hill, Inc.	12
372	The Mead Corporation	12
374	Melville Corporation	12
375	Merck & Co., Inc.	12
376	Meredith Corporation	6
	Met-Pro Corporation—see 921	
	MetPath Inc.—see 845	
377	Metro-Goldwyn-Mayer Film Co.	8
378	Midland-Ross Corporation	12
	Herman Miller, Inc.—see 766	
	Miller Technology & Communications Corporation—see 922	
	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

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
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 Brands, Inc.	12
	The Narda Microwave Corporation—see *768*	
	National Can Corporation—see *637*	
395	*NCR Corporation*	12
398	National Distillers and Chemical Corporation	12
399	National Gypsum Company	12
400	*NL Industries, Inc.*	12
401	National Presto Industries, Inc.	12
	National Semiconductor Corporation—see *923*	
	National Service Industries, Inc.—see *875*	
403	National Steel Corporation	12
406	*ConAgra, Inc.*	5
	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
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*	
	Pantry Pride, Inc.—see *618*	
423	Parker-Hannifin Corporation	6
424	The Parker Pen Company	2
	Paxall, Inc.—see *135*	
	The Penn Central Corporation—see *924*	
	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*	

Co. No.		*Month in which fiscal year ends
441	Pitney-Bowes, Inc.	12
443	*PPG Industries, Inc.*	12
445	The Pittston Company	12
	Pneumo Corporation—see *824*	
447	Polaroid Corporation	12
448	Portec, Inc.	12
	Potlatch Corporation—see *685*	
450	Pratt & Lambert, Inc.	12
	Pratt-Read Corporation—see *713*	
	Premier Industrial Corporation—see *825*	
451	The Procter & Gamble Company	6
	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
460	Raybestos-Manhattan, Inc.	12
462	Raytheon Company	12
	Reeves Brothers, Inc.—see *710*	
	Reichhold Chemicals, Inc.—see *879*	
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-Vicks 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
481	St. Regis Paper Company	12
	Sav-A-Stop Incorporated—see *711*	
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
489	Sears, Roebuck and Co.	1
	Seligman & Latz, Inc.—see *808*	
	Service Corporation International—see *828*	
	Seton Company—see *688*	

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
494	Shell Oil Company	12
	Sheller-Globe Corporation—*see 925*	
495	The Sherwin-Williams Company	12
496	*SCOA Industries Inc.*	1
497	The Signal Companies, Inc.	12
498	Signode Corporation	12
	Simkins Industries, Inc.—*see 689*	
500	Simplicity Pattern Co. Inc.	1
502	The Singer Company	12
504	A. O. Smith Corporation	12
	SmithKline Corporation—*see 884*	
505	Snap-on Tools Corporation	12
	The Southland Corporation—*see 850*	
509	Sparton Corporation	6
	Spencer Companies, Inc.—*see 691*	
510	Sperry Corporation	3
512	Square D Company	12
	Squibb Corporation—*see 84*	
513	A. E. Staley Manufacturing Company	9
	Stanadyne, Inc.—*see 522*	
	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*	
	Standun Inc.—*see 926*	
524	The L. S. Starrett Company	6
	Stauffer Chemical Company—*see 851*	
	Sterling Drug Inc.—*see 693*	
525	J. P. Stevens & Co. Inc.	10
526	Stewart-Warner Corporation	12
527	Stokely-Van Camp, Inc.	5
528	Stone Container Corporation	12
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
540	Texas Instruments Incorporated	12

Co. No.		*Month in which fiscal year ends
541	Textron Inc.	12
543	Time Incorporated	12
	The Times Mirror Company—*see 852*	
544	The Timken Company	12
	Tosco Corporation—*see 927*	
547	Triangle Industries, Inc.	12
	Triangle Pacific Corp.—*see 648*	
548	*TRW Inc.*	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
	Union Pacific Corporation—*see 928*	
	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	1
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*	
	VF Corporation—*see 929*	
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*	

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
594	F. W. Woolworth Co.	1
596	Wm. Wrigley Jr. Company	12
597	The Wurlitzer Company	3
598	Xerox Corporation	12
600	Zenith Radio Corporation	12

ADDED FOR 1968 EDITION

601	*United Brands Company*	6
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
618	*Pantry Pride, Inc.*	7
620	*Getty Oil Company*	12
621	*Giant Food Inc.*	2
622	*W. R. Grace & Co.*	12
623	*Granger Associates*	8
624	*Gulf & Western Industries, Inc.*	7
627	*IPCO Corporation*	6
628	*The LTV Corporation*	12
630	*Louisville Cement Company*	12
632	*McDermott Incorporated*	3
637	*National Can Corporation*	12
639	*Ogden Corporation*	12
640	*Oxford Industries, Inc.*	5
641	*Pantasote Inc.*	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*	12
658	*Diamond Shamrock Corporation*	12
659	*Engelhard 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
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
680	*A. C. Nielsen Company*	8
681	*Occidental Petroleum Corporation*	12
682	*Ohio Ferro-Alloys Corporation*	12
683	*The Penn Traffic Company*	1

Co. No.		*Month in which fiscal year ends
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
695	*Teledyne, Inc.*	12
698	*White Consolidated Industries, Inc.*	12
699	*Whittaker Corporation*	10

ADDED FOR 1970 EDITION

701	*AEL Industries, Inc.*	2
702	*Humana Inc.*	8
703	*Hampton Industries, Inc.*	12
704	*LaBarge, Inc.*	12
706	*Lowe's Companies, Inc.*	1
709	*Pall Corporation*	7
710	*Reeves Brothers, Inc.*	6
711	*Sav-A-Stop Incorporated*	8
712	*The Standard Register Company*	12
713	*Pratt-Read Corporation*	6
714	*Winn-Dixie Stores, Inc.*	6
715	*Winnebago Industries, Inc.*	8

ADDED FOR 1971 EDITION

718	*Bowne & Co., Inc.*	10
721	*Empire Incorporated*	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

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
766	Herman Miller, Inc.	5
768	The Narda MIcrowave Corporation	6
769	Rowe Furniture Corporatlon	11
770	Unifi, Inc.	6

ADDED FOR 1975 EDITION

771	Alco Standard Corporation	9
775	Pennzoil Company	12
776	Schlumberger Limited	12

ADDED FOR 1976 EDITION

779	Caesars World, Inc.	7
780	Castle & Cooke, Inc.	6
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.	12

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
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
820	McDonald's Corporation	12
821	ICOT Corporation	7
822	Paccar Inc.	12
823	Pioneer Hi-Bred International, Inc.	8
824	Pneumo Corporation	11
825	Premier Industrial Corporation	5
827	Rival Manufacturing Company	12
828	Service Corporation International	4

Co. No.		*Month in which fiscal year ends
830	Supreme Equipment & Systems Corp.	7
831	Temtex Industries, Inc.	8
832	Waste Management, Inc.	12
833	The Williams Companies	12

ADDED FOR 1979 EDITION

834	The Charter Company	12
835	Chemineer, Inc.	9
836	Chromalloy American Corporation	12
837	Dayton Malleable Inc.	8
838	Digital Equipment Corporation	6
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
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
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
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
	ADDED FOR 1982 EDITION	
906	*Allegheny Beverage Corporation*	12
907	*Badger Meter, Inc.*	12
908	*Chemplast, Inc.*	8
909	*The Coastal Corporation*	12
910	*Dover Corporation*	12
911	*GTI Corporation*	12
912	*Gannett Co., Inc.*	12
913	*Handy & Harman*	12
914	*Hecla Mining Company*	12
915	*Hughes Supply, Inc.*	1
916	*Hurco Manufacturing Company, Inc.*	10
917	*Kaiser Steel Corporation*	12
918	*Knight-Ridder Newspapers, Inc.*	12
919	*Leggett & Platt, Incorporated*	12
920	*MAPCO Inc.*	12
921	*Met-Pro Corporation*	1
922	*Miller Technology & Communications Corporation*	9
923	*National Semiconductor Corporation*	5
924	*The Penn Central Corporation*	12
925	*Sheller-Globe Corporation*	9
926	*Standun Inc.*	11
927	*Tosco Corporation*	12
928	*Union Pacific Corporation*	12
929	*VF Corporation*	12

Companies Included in Thirty-fifth Edition Not Included in this Edition of the Survey

6 AM International, Inc.
48 Ampex Corporation
159 Sears Industries Inc.
165 Conoco Inc.
326 Kennecott Corporation
362 Oscar Mayer & Co. Inc.
405 National Tea Co.
459 The Rath Packing Company
480 St. Joe Minerals Corporation
514 Standard Brands Incorporated
539 Texasgulf Inc.
549 Twentieth Century-Fox Film Corporation
602 ATI, Inc.
644 The Sperry and Hutchinson Company
670 Iowa Beef Processors, Inc.
679 New England Nuclear Corporation
694 Struthers Wells Corporation
777 Sterndent Corporation
782 Day Mines, Inc.
807 Opelika Manufacturing Corporation
819 The Marley Company
826 Reliance Universal Inc.
839 Doe Spun Inc.
874 McLouth Steel Corporation
881 Saxon Industries, Inc.
896 General Portland Inc.

*Months numbered in sequence, January through December

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