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American Institute of Certified Public Accountants

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1985
Thirty-Ninth Edition

Accounting Trends & Techniques

Annual Survey of Accounting Practices
Followed in 600 Stockholders' Reports

AICPA
American Institute of Certified Public Accountants

1985
Thirty-Ninth Edition

Accounting Trends & Techniques

Thirty-ninth annual cumulative survey of the accounting aspects of the annual reports of 600 industrial and merchandising corporations to which are added excerpts from and comments upon unusual accounting treatments found in additional reports. The reports analyzed are those with fiscal years ended not later than February 2, 1985.

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PREFACE

Accounting Trends & Techniques—1985, Thirty-ninth Edition, is a compilation of data obtained by a survey of 600 annual reports to stockholders undertaken for the purpose of analyzing the accounting information disclosed in such reports. The annual reports surveyed were those of selected industrial and merchandising companies for fiscal periods ending between February 24, 1984 and February 2, 1985.

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. 293 of the companies were listed in the twenty-first (1967) edition and each retained the number assigned in that edition. The other 307 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 1006 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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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*. Many of the survey companies have securities traded on one of the major stock exchanges—80% on the New York and 8% 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

	1984	1983	1982	1981
Foods:				
Meat products	8	8	8	5
Dairy Products	4	5	4	4
Canning, etc.	4	5	6	6
Packaged and bulk	17	18	18	18
Baking	4	3	3	4
Sugar, confections, etc.	5	5	5	6
Beverages	5	6	6	6
Tobacco products	5	5	5	6
Textiles	24	25	26	29
Paper products	18	18	17	17
Printing, publishing	16	15	14	11
Chemicals	25	26	26	25
Drugs, cosmetics, etc.	29	27	27	28
Petroleum	30	31	29	29
Rubber products, etc.	10	8	9	9
Shoes—manufacturing, merchandising, etc.	8	7	7	7
Building:				
Cement	2	3	3	2
Roofing, wallboard	11	11	11	11
Heating, plumbing	3	4	4	4
Other	19	17	18	17
Steel and Iron	16	16	18	18
Metal—nonferrous	16	16	16	15
Metal fabricating	18	18	20	21
Machinery, equipment and supplies	39	39	37	38
Electrical equipment, appliances	19	19	18	19
Electrical, electronic equipment	30	29	30	28
Business equipment and supplies	17	18	16	15
Containers—metal, glass, etc.	9	9	9	9
Autos and trucks (including parts, accessories)	22	22	23	23
Aircraft and equipment, aerospace	13	13	14	13
Railway equipment, shipbuilding, etc.	6	6	5	5
Controls, instruments, medical equipment, watches and clocks, etc.	19	17	16	16
Merchandising:				
Department stores	8	8	8	9
Mail order stores, variety stores	2	2	2	2
Grocery stores	18	20	20	18
Other	5	6	6	6
Motion pictures, broadcasting	6	5	5	6
Widely diversified, or not otherwise classified	90	90	91	95
Total Companies	**600**	**600**	**600**	**600**

TABLE 1-2: REVENUE OF SURVEY COMPANIES

	1984	1983	1982	1981
Less than $100,000,000	63	69	68	66
Between $100,000,000 and $500,000,000	119	116	118	124
Between $500,000,000 and $1,000,000,000	88	98	89	77
Between $1,000,000,000 and $2,000,000,000	117	104	105	114
More than $2,000,000,000	213	213	220	219
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 18-30 and pages 84-98, respectively.

Quarterly Financial Data

JOY MANUFACTURING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 19: Quarterly Financial Data—Unaudited

Summarized quarterly financial data for 1984 and 1983 are as follows:

	Quarters			
1984	First	Second	Third	Fourth
	(In Thousands Except Per Share Data)			
Net sales	$128,689	$144,014	$200,481	$202,812
Gross profit	35,185	41,353	56,894	51,862
Income (loss):				
Continuing Operations	5,943	7,381	11,652	8,672
Discontinued operations	—	(764)	(393)	454
Net income	$ 5,943	$ 6,617	$ 11,259	$ 9,126
Income (loss) per share:				
Continuing operations	$ .31	$ .40	$ .64	$ .49
Discontinued operations	—	(.04)	(.02)	.02
Net income per share	$ .31	$ .36	$ .62	$ .51
1983				
Net sales	$181,744	$157,485	$142,310	$146,421
Gross profit	43,384	43,325	38,216	41,555
Income (loss):				
Continuing operations	6,091	5,178	(4,888)	10,554
Discontinued operations	(1,634)	(951)	(7,675)	(3,752)
Net income	$ 4,457	$ 4,227	$(12,563)	$ 6,802
Income (loss) per share:				
Continuing operations	$ .31	$ .26	$ (.25)	$ .43
Discontinued operations	(.08)	(.05)	(.39)	(.19)
Net income per share	$ .23	$ .21	$ (.64)	$ .35

Net income from continuing operations in the first quarter of 1984 was increased by $1,666,000 or $.09 per share due to LIFO inventory liquidations. LIFO inventory liquidations increased net income in the same period during 1983 by $1,120,000 or $.06 per share. Additionally, net income for the first quarter of 1983 included a $3,108,000 charge associated with an early retirement plan offered by the company.

During the second quarter of 1984, the company recorded a favorable pretax adjustment of $2,438,000 to its provision for plant closings and consolidations; however, this adjustment was more than offset by a $2,575,000 increase to the income tax provision due to a reduction in the estimated tax benefits associated with certain plant closings. LIFO inventory liquidations did not significantly impact the second quarter of 1984; however, net income for the second quarter of 1983 was favorably affected by $3,139,000. The second quarter of 1983 also included an aftertax provision of $1,959,000 for plant closings and consolidations.

In the third quarter of 1984, net income was favorably affected by a $2,580,000 or $.14 per share cumulative adjustment in pension expense resulting primarily from a revision in the actuarial rate of return assumption; LIFO inventory liquidation of $1,662,000 or $.09 per share; and a $737,000 gain on the sale of a small manufacturing facility in the General Products segment. This quarter was also adversely affected by a $1,501,000 or $.08 per share charge for expected losses on inventory disposals in the Petroleum Equipment and Products segment. The net loss in the third quarter of 1983 was primarily due to a $6,881,000 provision for estimated losses on the disposal of a discontinued business and a $11,150,000 provision for the estimated costs associated with plant closings and consolidations.

Net income in the fourth quarter of 1984 reflected the negative effects of a reduced level of interest income and a $1,533,000 or $.08 per share charge for losses on inventory disposals. These unfavorable effects were substantially offset by a favorable change in the estimated provision for income taxes. Net income in the fourth quarter of 1983 was increased by $8,809,000 or $.45 per share due to LIFO inventory liquidations.

BIRD INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Quarterly Financial Data (Unaudited)

Summarized quarterly financial data for 1984 and 1983 is shown below:

	Three Months Ended			
	March 31	June 30	Sept. 30	Dec. 31
	(Thousands of dollars, except per share amounts)			
1984				
Net sales	$59,278	$76,012	$87,520	$69,842
Gross profit	9,085	14,343	13,280	10,818
Earnings (loss) before extraordinary credit	(3,468)	870	62	(22,549)
Extraordinary credit	—	—	—	10,838
Net earnings (loss)	(3,468)	870	62	(11,711)
Per share data:				
Earnings (loss) before extraordinary credit	$ (.90)	$ .11	$ (.08)	$ (5.44)
Extraordinary credit	$ —	$ —	$ —	$ 2.57
Net earnings (loss)	$ (.90)	$ .11	$ (.08)	$ (2.87)
1983				
Net sales	$55,857	$71,186	$72,400	$61,332
Gross profit	9,141	14,167	11,623	10,301
Earnings (loss) before extraordinary credit or (charge)	(1,899)	2,125	674	184
Extraordinary credit (charge)	—	25	525	(417)
Net earnings (loss)	(1,899)	2,150	1,199	(233)
Per share data:				
Earnings (loss) before extraordinary credit or (charge)	$ (.45)	$ .44	$ .07	$ (.04)
Extraordinary credit (charge)	$ —	$ .01	$ .12	$ (.10)
Net earnings (loss)	$ (.45)	$ .45	$ .19	$ (.14)

DAYCO CORPORATION

UNAUDITED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note M–Quarterly Financial Data

The following presents financial data regarding the corporation's quarterly results of operations:

(Amounts in Thousands—Except Per Share Data)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year
1984					
Net sales	$203,510	$229,519	$226,491	$241,600	$901,120
Gross profit	46,201	52,319	49,382	58,488	206,390
Net earnings	3,020	4,220	3,306	5,519	16,065
Earnings per common share:					
Primary	$.48	$.64	$.45	$.78	$2.35
Fully diluted	$.35	$.46	$.37	$.57	$1.75
1983					
Net sales	$143,505	$173,303	$184,791	$217,081	$718,680
Gross profit	29,467	33,605	39,317	62,589	164,978
Earnings (loss) before extraordinary items	(3,149)	305	625	6,264	4,045
Net earnings (loss)	(3,149)	305	625	6,599	4,380
Earnings (loss) per common share:					
Primary:					
Earnings (loss) before extraordinary item	$(.54)	$.05	$.10	$1.04	$.65
Net earnings (loss)	$(.54)	$.05	$.10	$1.10	$.71
Fully diluted:					
Earnings (loss) before extraordinary item	$(.54)	$.05	$.10	$.67	$.64
Net earnings (loss)	$(.54)	$.05	$.10	$.70	$.67

Fully diluted earnings per common share are set equal to the primary earnings per share for the first, second and third quarters of 1983 as the fully diluted calculation yields an anti-dilutive amount.

Below is a table showing the effect of fourth quarter transactions and adjustments for 1984 and 1983.

Description	After tax amount	Impact on primary earnings per share
Payroll transaction	$ 234,000	$.03
Payroll adjustment	702,000	.10
Insurance adjustment	428,000	.06
Tax rate adjustment	(3,806,000)	(.56)
DISC forgiveness transaction	2,296,000	.34
Other transactions	246,000	.04
Other adjustments	737,000	.11
Net increase on 1984 earnings	$ 837,000	$.12
Plant closing transaction	$(1,545,000)	$(.26)
Sale of security transaction	697,000	.12
LIFO adjustment	769,000	.13
Net decrease on 1983 earnings	$ (79,000)	$(.01)

RAYMARK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note Q—Summarized Quarterly Financial Data (Unaudited)

(000's omitted except share and market data)

	13 Weeks Ended			
1984	April 1 (a)	July 1	September 30	December 30 (b)
Net sales	$35,599	$35,049	$30,914	$27,590
Gross profit	8,158	7,705	6,589	4,008
Net income (loss) from continuing operations	754	267	835	(5,222)
Net income (loss)	(1,966)	1,426	539	(41,930)
Income (loss) per share:				
Continuing operations	.26	.09	.29	(1.83)
Net income (loss)	(.69)	.50	.19	(14.66)
Dividends per share	—	—	—	—
Market range:				
—high	13¾	15¼	16¾	16⅝
—low	8⅞	9⅛	13½	12⅞

	13 Weeks Ended			
1983	April 3 (a)	July 3	October 2 (c)	January 1 (d)
Net sales	$27,733	$26,727	$25,678	$30,188
Gross profit	6,702	6,506	5,606	6,741
Net income (loss) from continuing operations	(3,106)	(1,670)	(4,640)	(2,032)
Net income (loss)	(3,438)	1,190	974	(9,853)
Income (loss) per share: (e)				
Continuing operations	(1.14)	(.61)	(1.68)	(.72)
Net income (loss)	(1.26)	.44	.35	(3.47)
Dividends per share	—	—	—	—
Market range:				
—high	12⅞	14	13⅞	14
—low	9⅜	10⅜	11	11⅜

(a) Discontinued operations of Brake Systems, Modulus and Milford Divisions are excluded from all periods presented (See Note F). The Company changed its method of accounting for inventories to FIFO from LIFO in the fourth quarter of 1984. Prior quarters have been restated accordingly (See Note B).

(b) Includes a $33,000 provision for the disposition of discontinued operations (See Note F).

(c) Includes a $3,600 reduction of the charge made in 1982 for the Modulus and Milford Divisions (See Note F) and a $1,300 provision for the disposition of Australian operations (See Note G).

(d) Includes a $4,000 provision for plant restructure reclassified in 1984 to discontinued operations (See Note G).

(e) The sum of the quarterly net income per share amounts does not equal the annual amount reported, as per share amounts are computed independently for each quarter and the full year based on respective weighted average common shares outstanding.

J.P. STEVENS & CO., INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note O: Quarterly Operating Results (Unaudited)

(Dollar amounts in thousands, except share data)	Net sales	Gross profit on sales	Net income (loss)	Net income (loss) per share Primary	Fully diluted
Quarter ended (1984)					
February 4	$ 520,721	$ 60,466	$ 3,784	$ .21	$ .21
May 5	550,137	56,579	4,607	.25	.24
August 4	507,315	48,493	2,695(a)	.15	.15
November 3	566,010	70,152	10,883(b)(d)	.62	.61
	$2,144,183	$235,690	$21,969	$1.23	$1.21
Quarter ended (1983)					
January 29	$ 403,871	$ 42,904	$ (765)(c)	$(.05)	$(.05)
April 30	488,246	50,264	1,461	.09	.09
July 30	477,063	53,987	5,484	.32	.32
October 29	556,957	69,846	12,721(d)	.73	.72
	$1,926,137	$217,001	$18,901	$1.09	$1.08

(a) Operating income and net income for the three months ended August 4, 1984 have been restated from the amounts previously reported and decreased by $1,700,000 ($.10 per share) to reflect the PAYSOP contribution.

Other income-net for the three months ended August 4, 1984 includes costs of $4,300,000 related to the phasing out of a large plant and income of $3,600,000 which resulted from the sale of the Company's chemical business.

Net income for the three months ended August 4, 1984 includes $1,700,000, or $.09 per share, resulting from the reduction of certain health insurance accruals provided earlier in the year. In addition, as a result of the downward revision of the 1984 estimated annual income taxes, the tax provision for the three months ended August 4, 1984 was reduced by $1,950,000, or $.11 per share.

(b) For the three months ended November 3, 1984, Cost of goods sold was reduced by $4,500,000 resulting from a favorable litigation ruling and interest on indebtedness includes $3,700,000 applicable to a Federal income tax examination.

For the three months ended November 3, 1984, net income was increased by $1,200,000 ($.07 per share) resulting from an increase in the assumed actuarial interest rate from 8% to 9% for the salaried and hourly retirement plans.

(c) Net loss for the three months ended January 29, 1983 includes income of $2,010,000, or $.14 per share, resulting from the redetermination of estimated liabilities for certain insurance costs.

(d) Substantially all of the Company's domestic inventories are valued using the LIFO method. Inventory determination under the LIFO method is based on an annual estimate of inventory levels and costs as of the fiscal year-end. The annual adjustment for the difference between actual and interim estimated year-end inventory levels and costs increased fourth quarter net income by $2,700,000 ($.15 per share) in 1984 and $2,200,000 ($.13 per share) in 1983.

On May 7, 1984 the Company purchased, in a negotiated transaction, 901,400 shares of common stock for $27 per share.

Selected Information For Five Years

AMERICAN STORES COMPANY

SELECTED FINANCIAL DATA

The following consolidated selected financial data of American Stores Company and subsidiaries for the five years ended February 2, 1985 should be read in conjunction with the consolidated financial statements and related notes of the Company appearing elsewhere herein:

(In thousands except per share data)	February 2,[1,2] 1985	January 28, 1984	January 29, 1983	January 30, 1982	January 31, 1981
Sales	$12,118,793	$7,983,677	$7,507,772	$7,096,590	$6,419,884
Net earnings	$ 185,525	$ 117,902	$ 90,371	$ 64,552	$ 51,553
Less preferred dividends declared:					
Series A $4.375 preferred stock	(4,306)	—	—	—	—
Series B $6.80 preferred stock	(1,942)	—	—	—	—
$5.51 preferred stock	(7,504)	(11,220)	(11,220)	(11,220)	(11,220)
Net earnings applicable to common stock	$ 171,773	$ 106,682	$ 79,151	$ 53,332	$ 40,333
Average common shares outstanding[3]	30,076	29,556	29,415	29,541	29,412
Net earnings per common share[3]	$ 5.71	$ 3.61	$ 2.69	$ 1.81	$ 1.37
Cash dividends declared per common share[3,4]	$ .64	$ .44	$ .33	$ .27	$ .27
Total assets at year-end	$ 3,535,737	$1,626,695	$1,444,367	$1,356,328	$1,292,992
Long-term obligations	$ 1,199,829	$ 366,856	$ 352,033	$ 380,470	$ 392,327
Redeemable preferred stock	$ 254,044	$ 118,110	$ 118,110	$ 118,110	$ 118,110

[1]Reflects the acquisition of Jewel Companies, Inc., effective June 29, 1984.
[2]53 weeks.
[3]Restated to reflect 3-for-1 common stock split effective July 8, 1983.
[4]For restriction on common dividends, see "Long-term Debt" in notes to consolidated financial statements.

GENCORP

SUMMARY OF SELECTED FINANCIAL DATA

(Dollar amounts in thousands; per-share amounts in dollars) Years ended November 30	1984	1983	1982	1981	1980
Net sales	$2,727,062	$2,517,272	$2,354,327	$2,457,349	$2,120,847
Operating income	$ 130,817	$ 138,001	$ 79,614	$ 71,430	$ 20,935
Income from continuing operations—aftertax	$ 7,210	$ 72,413	$ 26,606	$ 65,881	$ 28,210
Net income	$ 7,210	$ 65,288	$ 18,606	$ 110,854	$ 40,608
Per share of common stock:					
Income from continuing operations	$ .33	$ 3.13	$ 1.08	$ 2.56	$ 1.09
Net income	$ .33	$ 2.82	$ .75	$ 4.33	$ 1.57
Dividends declared	$ 1.50	$ 1.50	$ 1.50	$ 1.50	$ 1.50
Total assets	$2,037,104	$1,966,162	$1,823,960	$1,932,854	$1,897,439
Assets employed (total assets less current liabilities)	$1,489,316	$1,457,636	$1,378,119	$1,450,117	$1,427,180
Long-term debt	$ 312,147	$ 312,137	$ 185,974	$ 263,354	$ 261,688
Redeemable preferred stock	$ 3,624	$ 4,467	$ 5,302	$ 5,899	$ 6,432

OLIN CORPORATION

SELECTED FINANCIAL DATA

(Dollars in millions, except per share amounts)	1984	1983	1982	1981	1980
Operations					
Net sales	$2,065.3	$1,934.6	$1,823.1	$2,001.3	$1,864.9
Cost of Sales and Other Operating Charges	1,611.3	1,529.3	1,453.9	1,576.9	1,485.5
Selling, General and Administrative	275.7	262.5	238.1	249.7	237.4
Research and Development	53.9	50.8	46.9	38.8	30.9
Interest Expense	33.8	30.7	30.4	24.8	29.5
Interest and Other Income	41.2	33.8	20.1	24.6	19.7
Income Before Special Charges and Income Taxes	131.8	95.1	73.9	135.7	101.3
Special Charges	—	—	19.0	—	63.0
Income Before Income Taxes	131.8	95.1	54.9	135.7	38.3
Income Taxes	43.1	23.4	1.6	42.9	4.4
Net Income	88.7	71.7	53.3	92.8	33.9
Financial Position					
Cash and Equivalents	155.3	190.1	77.1	35.8	12.9
Receivables, Net	306.7	311.2	319.7	274.9	291.0
Inventories	290.9	267.7	265.3	309.7	286.8
Current Liabilities	406.9	413.4	382.9	376.3	377.8
Working Capital	398.8	405.1	323.6	293.3	261.5
Property, Plant and Equipment, Net	860.7	850.9	840.0	844.9	822.4
Total Assets	1,822.1	1,829.4	1,636.0	1,618.0	1,561.1
Capitalization:					
Long-Term Debt	369.3	387.3	293.3	298.9	298.0
Shareholders' Equity	867.3	848.4	805.2	793.2	738.1
Total Capitalization	1,236.6	1,235.7	1,098.5	1,092.1	1,036.1
Per Share Data					
Net Income	3.81	3.01	2.26	3.88	1.41
Net Income Assuming Full Dilution	3.54	2.91	2.23	3.81	1.39
Cash Dividends	1.36½	1.23	1.20	1.15	1.02½
Shareholders' Equity	37.88	35.37	34.06	33.57	30.71
Other					
Depreciation	144.9	133.3	131.1	122.0	103.9
Funds from Operations	249.6	213.4	209.6	225.0	192.0
Cash Dividends	31.8	29.3	28.3	27.6	24.6
Capital Expenditures	165.0	122.6	139.0	186.3	172.0
Current Ratio	2.0	2.0	1.8	1.8	1.7
Long-Term Debt to Total Capitalization	29.9%	31.3%	26.7%	27.4%	28.8%
Effective Tax Rate	32.7%	24.6%	2.9%	31.6%	11.5%
Shareholders	24,400	31,500	34,000	36,000	39,000
Employees	17,800	18,200	17,500	20,300	21,000

INTERNATIONAL BANKNOTE COMPANY, INC.

SELECTED FINANCIAL DATA

(In Thousands, Except Per Share Data)

	1984	1983	1982	1981(a)	1980
Net sales(b)	$109,664	$120,271	$147,524	$177,303	$168,292
Income taxes (credits)(c)	(4,973)	(5,907)	(7,034)	5,029	2,411
Income (loss) from continuing operations(d)	(20,313)	(19,396)	(8,791)	8,405	619
Income from discontinued operations(e)	1,512	1,383	4,122	1,398	1,068
Income (loss) before extraordinary credit	(18,801)	(18,013)	(4,669)	9,803	1,687
Extraordinary credit(f)	10,230				
Net income (loss)	(8,571)	(18,013)	(4,669)	9,803	1,687
Primary income (loss) per common share:					
Income (loss) from continuing operations	$ (1.22)	$ (1.16)	$ (.53)	$ .51	$ .03
Income from discontinued operations	.09	.08	.25	.09	.07
Extraordinary credit	.61				
Net income (loss)	$ (.52)	$ (1.08)	$ (.28)	$ .60	$ .10
Total assets	$128,538	$143,353	$148,423	$163,911	$166,445
Long-term debt and capital lease obligations	$ 60,911	$ 52,706	$ 49,151	$ 44,348	$ 48,731
Cash dividends declared per common share	$ .04	$ .06	$ .06	$ —	$ —

(a) As a result of changes in the method of accounting for foreign currency translations, net income for 1981 has been increased by approximately 2 million ($.12 per share).

(b) Net sales as previously reported have been restated to exclude sales of Globe from continuing operations as follows: 1983—$38.7 million; 1982—$44.5 million; 1981—$50.3 million; and 1980—$50.7 million.

(c) As a result of changes in the United Kingdom tax laws, the provision for income taxes in 1980 includes a credit of $.5 million ($.03 per share).

(d) Income (loss) from continuing operations includes provision for restructuring and consolidation as follows: 1984—$.4 million ($.02 per share after taxes); 1983—$6 million (.28 per share after taxes); and 1982—$4.4 million ($.15 per share after taxes). See Note D—Notes to Consolidated Financial Statements. The Company also received income of $2.7 million in 1984 from the recovery of fully-reserved notes receivable.

(e) Income from discontinued operations includes the gain on sale of Globe Ticket Company. See Note K—Notes to Consolidated Financial Statements.

(f) The extraordinary credit is the result of the termination of pension plans related to the Company's operations in the United Kingdom. See Note I—Notes to Consolidated Financial Statements.

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

AM INTERNATIONAL, INC.

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

Overall Comments/Unusual Events

Introduction

During fiscal years 1982 and 1981, there were highly significant and unusual events which culminated in the Company filing a petition for reorganization (Chapter 11) on April 14, 1982. Subsequent to the filing, the Company has continued in full operation. The Chapter 11 filing has protected the Company from various default remedies under its loan agreements and from paying interest on its pre-petition obligations.

On July 19, 1984, the U.S. Bankruptcy Court approved for distribution to the Company's creditors and shareholders a Disclosure Statement and Plan of Reorganization. The Plan provides that the Company will remain intact and that pre-petition obligations will be satisfied by payments of cash and issuance of the Company's new common stock. On September 11, 1984, the U.S. Bankruptcy Court entered an order confirming the Plan following earlier shareholder and creditor acceptance of the Plan. All of the significant conditions to the effectiveness of the Plan have been completed and the Company believes that the cash and stock distributions will commence on or about October 30, 1984. (See Note 2 to the Consolidated Financial Statements).

During fiscal years 1984 and 1983, the Company reported operating profits and significantly increased its cash position. These matters are discussed in more detail below.

Divestiture Program (See Note 3 to the Consolidated Financial Statements)

During fiscal years 1981, 1982, and 1983, the Company divested nine business units and discontinued activities of another. This divestiture program was substantially completed as of July 31, 1983. These units were treated as discontinued businesses in the Consolidated Financial Statements.

Results of Operations

Consolidated Results

Consolidated revenues for fiscal 1984 were $598.5 million, an increase of $40.5 million, or 7%, from fiscal 1983 primarily as a result of volume increases in the Image Systems segment, which more than offset the adverse effects of currency translation. Revenues reported for International operations, which account for approximately 32% of consolidated revenues, were significantly impacted by the continued strengthening of the U.S. dollar. Fiscal 1984 revenues would have been approximately $18 million higher if the U.S. dollar had remained at the average exchange rates from fiscal 1983. Revenues from the U.S. divisions increased by $34.8 million.

Operating income for fiscal 1984 increased 49% to $17.5 million. The increase occurred primarily from cost control programs that reduced selling, general and administrative expense as a percent of revenues from 35.0% in 1983 to 33.0% in 1984 and also from the higher revenues discussed above. The gross profit rate declined from 39.0% in fiscal 1983 to 38.2% in fiscal 1984 primarily from higher LIFO provisions in fiscal 1984. Since approximately 40% of the products sold by the International operations are manufactured by the Company's U.S. product divisions whose costs are not impacted by currency fluctuations, the inability to increase foreign selling prices, because of local competition, has a negative impact on foreign gross margins. This was somewhat offset by higher gross margins on locally procured products and services. Research, development and engineering expenses increased from 1.8% to 2.3% of revenues in 1984 as the Company increased its efforts to introduce new and enhanced products. On a geographic basis, the International Division accounted for substantially all of the increase in operating income.

Net income for fiscal 1984 of $67.0 million increased by $60.2 million as a result of the increase in operating income and the extraordinary items which are discussed below.

For fiscal 1983, consolidated revenues of $558.0 million represented a $44.0 million decrease, or 7%, from fiscal 1982. This decrease was primarily due to the adverse effects of currency translation and lower volumes resulting from the effects of the economic recession and the adverse effects of operating in Chapter 11.

Operating income increased by $22.9 to $11.7 million comparing fiscal 1983 to 1982. This increase was due to a number of factors including cost control programs (the closing of the manufacturing facility in Euclid, Ohio, a reduction in the number of field facilities and related costs and the termination of the Company's Comprehensive Pension Plan) and the partial liquidation of LIFO base inventory quantities in the Reprographics segment.

Net income of $6.8 million for fiscal 1983 represented an improvement of $89.9 million from the prior year's loss due to the increase in operating income, lower losses from discontinued operations and lower net interest expense.

Reprographics Segment

The Reprographics Segment is composed of products and services sold under the "Bruning" and "Multigraphics" names. Activities are conducted by the domestic Bruning and Multigraphics Divisions and the International Division.

Comparing Reprographics results, 1984 versus 1983, a 2.8% increase in revenues resulted primarily from higher machine placements in the U.S. and non-U.S. operations. Supply revenues increased slightly as the economy began to show improvement in the latter part of fiscal 1983. The Reprographics market is characterized by low growth and intense price competition from both U.S. and foreign competitors and accordingly selling price increases are not easily achieved.

The operating profit of the Reprographics Segment increased by $1.9 million in fiscal 1984 with the International operations showing substantially improved results from the prior year because of lower operating expenses on essentially level revenues. Domestic operations showed a drop in operating income due to lower gross profit rates.

Comparing Reprographics results, 1983 versus 1982, the 10.8% decline in revenues resulted from lower volume of machines and supplies in the U.S. and International operations and the adverse impact of foreign currency translations.

The operating profit increased by $17.7 million comparing 1983 to 1982. This increase was due to a series of cost reduction programs including a major benefit from closing the production operations in Euclid, Ohio in October 1982.

Image Systems Segment

The Image Systems segment is comprised of products and services sold under the "BruningCAD" and Varityper" names. Activities are conducted by the domestic Bruning and Varityper Divisions and the International Division.

Comparing Image Systems results, 1984 versus 1983, revenues increased 21.3% over the prior year. Domestic machine revenues showed a strong increase due in large part to the continued market acceptance of the new digital typesetter that was introduced in fiscal 1983 and additional placements of the CAD software and equipment. Supplies and service revenues increased significantly due to volume and price increases. Pricing of Image Systems machines generally follows the same pattern as other computer equipment (i.e. selling prices are reduced after an initial introduction period as hardware component prices are reduced and more competitors enter the market).

Segment operating profits achieved a 23% increase for fiscal 1984 over the prior year. The increase was due to higher gross profit offset by higher selling expenses and research, development and engineering expenses.

Comparing Image Systems results, 1983 versus 1982, revenues increased 6% over the prior year with most of the increase from higher machine placements. The percentage increase in operating profits was larger than the percentage increase in revenues because of various expense control programs implemented in fiscal 1983.

Interest Income

Since the Chapter 11 filing on April 14, 1982, the Company has not accrued interest on substantially all of the Parent Company's debt as such interest would not be included for the purpose of determining the amounts of creditors' claims. The $5.0 million increase in net interest income in 1984 over 1983 is the result of the large increase in the Parent Company's temporary investments due primarily to the termination of the Pension Plan. The interest income is net of the interest expense on foreign subsidiaries' debt not affected by the Chapter 11 filing.

Other Income (Expense) Net

Other income is comprised of changes in equity in the unconsolidated leasing subsidiary and certain non-operating items.

In 1984, the major items are expenses of attorneys, accountants and others who are involved in administering matters related to the Chapter 11 proceedings and foreign currency transaction losses. In 1983, the major items are expenses of attorneys, accountants and others who are involved in administering matters related to the Chapter 11 proceedings, gains on sales of certain excess real estate, and severance payments at certain foreign subsidiaries.

Income Taxes and Extraordinary Items

In accordance with generally accepted accounting principles, income taxes are provided on income reported for financial statement purposes. A substantial portion of the income taxes shown in the Consolidated Statement of Operations will be offset against the U.S. and certain foreign subsidiaries' tax loss carryforwards and this tax benefit is shown as an extraordinary credit. (See Note 7 to the Consolidated Financial Statements for a further discussion of income taxes).

As discussed in Note 2, Proposed Reorganization, and Note 11, Retirement Plans, the Company recorded extraordinary items for matters related to the settlement of prepetition liabilities and the termination of the Company's Comprehensive Retirement Plan, respectively.

Liquidity and Capital Resources

As noted earlier, during fiscal year 1982 the Company's limited capital resources and acute liquidity problems became so severe that the Company sought protection under Chapter 11 of the U.S. Bankruptcy Code.

This protection, combined with improved operating results, the termination of the Comprehensive Retirement Plan and the liquidation of AM Leasing's receivables, have enabled the Company to improve its liquidity and stabilize its relationships with suppliers. The Parent Company increased its cash and equivalents from $16.3 million at the time of filing to $174 million at July 31, 1984. Cash and equivalents on a consolidated basis have also increased during this period from $24.4 million at time of filing to $178 million at July 31, 1984.

At July 31, 1984, the foreign banking relationships are generally stable and the subsidiaries are able to pay for goods and services from the Parent on a cash-on-delivery basis.

The Company believes that its current cash balances plus loan commitments of up to $50 million will be adequate to fund its Plan of Reorganization. However, after discharge from Chapter 11, the Company will be required to generate funds from operations to repay the new borrowings and operate its business. For the short term, the Company most likely will not be able to borrow funds above the $50 million borrowed for the Plan or to obtain additional equity funds. Also, there are no significant non-operating assets that could be sold to generate cash. However, the Company does not expect it to be necessary to expend funds for major capital expansion as the current production facilities have excess capacity and should be adequate to meet foreseeable production requirements. The Company believes that it will be able to generate sufficient funds after reorganization to meet its obligations.

Inflation

The high rate of inflation, which has been experienced worldwide in recent years, and the effects of the stronger U.S. dollar versus other currencies have had a significant impact on the Company's reported operating results, shareholders' equity and other reported financial data. For an evaluation of the impact of inflation, see Note 16 to the Consolidated Financial Statements.

ALLIS-CHALMERS CORPORATION

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

This discussion should be read in conjunction with the Report to Our Shareholders, Review of Operations and the Notes to Consolidated Financial Statements.

Results of Operations

Sales in 1984 were $1.326 billion, slightly higher than 1983 and $284 million less than 1982. Sales outside the U.S. in relation to total sales were 35% in 1984, 36% in 1983 and 35% in 1982. The net loss for 1984 was $261 million, which includes provisions of $155 million relating to restructure of the Agricultural and Material Handling Equipment segment and $7 million for restructure of certain other operations. Net losses were $142.2 million in 1983 and $197.9 million in 1982. The 1983 and 1982 results have been restated for the change in method of determining cost for certain inventories to the FIFO method from the LIFO method, as more fully described in the Inventories note in the notes to consolidated financial statements.

Process equipment sales were $755 million in 1984, representing 57% of Company sales, compared with $788 million, 61% in 1983 and $1,007 million, 63%, in 1982. After adjustment for the sale of the Precision Components Division in 1983, process equipment sales for 1984 approximated those of 1983. New orders for process equipment products improved in 1984, showing a 13% increase over 1983 orders, as adjusted. The Solids Process Equipment and Fluid Products businesses attained the largest increases. Backlog at December 31, 1984 for the process businesses was $532 million, compared with $562 million in 1983. Since 1981 the backlog included $170 million for a hydro-turbine project located on the border of Argentina and Paraguay. In March 1985, a consortium led by the Company was awarded an order for this 20 hydraulic turbine project valued at approximately $260 million, of which the share for the Company was more than half. The process equipment businesses, worldwide, continue to be subject to the pressure of the strong U.S. dollar. Thus, price competition from non-U.S. manufacturers impacts competitive bidding for products manufactured by the Company in the U.S., and translated U.S. dollar sales and results of non-U.S. subsidiaries are reduced. Economic sourcing of products from the Company's worldwide process equipment businesses has helped alleviate the effect of the strong U.S. dollar. In addition, improved technology in the design of products and strict attention to cost control have generated encouraging results in the marketing of these products.

The process equipment businesses were profitable in 1984 after excluding development costs of the *KILnGAS* coal gasification system. Pretax income was $9 million in 1984 and $7 million in 1983 and 1982. In 1984, applicable restructure charges were $7 million. Costs for the *KILnGAS* system were $20 million in both 1984 and 1983 and $37 million in 1982. 1984 costs are net of income of $15 million from the sale of certain tax benefits related to a safe harbor lease agreement.

Sales of the agricultural and material handling equipment businesses were $571 million in 1984,accounting for 43% of total Company sales. Sales in 1983 and 1982, respectively, were $512 million, 39%, and $603 million, 37% While sales at the wholesale level in 1984 were somewhat higher than 1983, the retail market for agricultural equipment in the U.S. fell far short of industry expectations for recovery and this market was worse in 1984 than in prior years. Factors adversely impacting this market in 1984 were low farm commodity prices, a severe credit crisis which caused farmers to defer purchasing new equipment, the liquidation of many individual farm operations, and competitive price discounting due to excessive dealer inventories for both the Company and the industry. The strength of the U.S. dollar held down prices for farm products in export markets. Problems for the agricultural equipment industry in 1984 represented a continuation of adverse conditions prevalent in recent years. A division marketing lawn, grounds maintenance and snow removal equipment was sold in 1982.

The tractor and combine plants were shut down for various periods in 1984, with the shutdown in late 1984 expected to continue through April 1985. Startup will depend on retail market conditions. There were similar periods of shutdowns during 1983 and 1982. Production was halted in order to balance dealer inventories with the decline in customer demand. Dealer inventories throughout the industry remain excessive.

Lift truck and automated material handling systems sales for 1984 were higher than in 1983 as a result of an improved general economy and resumption of capital spending. 1984 government purchases of lift trucks remained flat compared with 1983. Lift truck price improvement lagged the recovery.

The Company has incurred significant losses in the Agricultural and Material Handling Equipment segment of its business during the last four years. Market conditions for this segment continue to be depressed, recovery is uncertain, and the industry is in a period of realignment. Under these conditions, the Company has decided to resize operations of this segment and its related capital requirements. As a result, certain products and components may be discontinued or sourced from more cost competitive producers and certain operations may be sold. Discussions are continuing with several parties in regard to these possible options. The 1984 financial statements include a provision, recorded as of December 31, 1984, in the amount of $155 million for the estimated cost of this restructure. The charge includes $60 million for price concessions relating to dealer inventories; $78 million for plant closings and asset sales including estimated losses on disposal and for consolidation, rearrangement and termination costs; and $17 million to eliminate net U.S. prepaid income taxes.

The 1984 financial statements assume that the Company will continue the operations of this business segment on a smaller scale. However, a preliminary agreement was reached on March 28, 1985 with Klockner-Humboldt-Deutz AG of West Germany to sell the agricultural equipment and financial services businesses to KHD. The transaction as presently contemplated would include on closing a cash payment from KHD of approximately $107 million and payments to the Company of $23 million from the Allis-Chalmers Credit Corporation. In addition, Allis-Chalmers would have an opportunity to participate in future profits of that new business. Included in the sale would be the marketing organization, combine manufacturing, parts distribution, tractor and engine designs and specialized product tooling, Allis-Chalmers Credit Corporation, and Allis-Chalmers Financial Corporation and its insurance subsidiaries. Unfunded vested pension benefits of approximately $80 million associated with agricultural equipment operations not sold to KHD continue as an obligation of the Company. No provision has been recorded for this amount. See the Postretirement Benefits note in the notes to consolidated financial statements. Completion of the proposed sale is subject to approval by the Board of Directors of Allis-Chalmers, the Supervisory Board of KHD, and U.S. governmental agencies, as well as the successful negotiation of financing plans between KHD and Allis-Chalmers Credit Corporation lenders and between the Company and its lenders (see also Financing note in the notes to consolidated financial statements).

If the proposed sale is completed on the timetable presently contemplated, it is estimated that an additional loss of approximately $70 million will be recorded in 1985. Such loss, if incurred, is not indicative of impairment of the value of the assets of this business as a continuing operation, but relates to the cash proceeds and other considerations for entering into that transaction. In addition, due to the extended plant shutdowns in this business, operating losses are expected in 1985 which are estimated at approximately $50 million to the estimated date of sale in early May 1985. Provision for these losses was not made in the 1984 financial statements because a number of future events are required, the transaction is not certain of completion and, if not completed, the Company's plan is to continue the business.

The gross profit margin for the Company, expressed as a percentage of sales, improved significantly from 11% in 1982 to 15% in 1983 and 17% in 1984. This improvement results from cost reduction programs, resizing of manufacturing operations, disposal of excess and inefficient capacity, reduction in the number of employees and changes in the Company's organizational structure during the period. Marketing and administrative expenses in 1984 decreased $11 million, or 4%, from 1983, with 1983 being $53 million, or 17%, less than 1982. The 1983 reduction was affected by nonrecurring 1982 expenses including promotion of a new tractor line, sale of a lawn and garden division and other divested operations.

Equity in income of unconsolidated subsidiaries and affiliates includes pretax income of the financial services subsidiaries of $36.6 million in 1984, $48.3 million in 1983 and $54.4 million in 1982. The 1984 income declined from the prior year due to a lower receivable base and higher borrowing costs. The decline in 1983 from 1982 is for the same reasons, however, to a lesser degree.

Interest earned, other income—net in 1984 was $10.7 million more than in 1983, principally from income of $15 million, net of expenses, related to sale of certain tax benefits from the *KILnGAS* Commercial Module and various nonrecurring gains on disposal of assets in 1983 of $3 million. The higher amount in 1982 included $6.7 million of interest earned principally from tax refunds and investments and increased net gains on disposition of properties and equipment of $4.2 million.

The 7.2 million increase in finance and waiver expense in 1984 over 1983 relates mainly to increased utilization of waiver of interest on retail contracts. Finance expenses on receivables sold to the Company's finance subsidiary remained constant. The reduction in 1983 from 1982 of $19.2 million recognizes lower levels of receivables sold, reduced waiver utilization and lower interest rates.

Interest expense remained relatively constant for 1983 and 1982. The 1984 increase recognizes higher interest on deferred principal under the Company's agreement with its private lenders.

The income tax provision in 1984 and 1983 is principally for state and non-U.S. taxes. The 1982 benefit resulted from the carryback of a portion of that year's net operating loss to prior years and has been restated recognizing the effect of the accounting change to FIFO from LIFO described in the notes to consolidated financial statements. At December 31, 1984, financial net operating loss carryforwards of approximately $425 million and investment, energy and foreign tax credit carryforwards of approximately $50 million are available for reduction of future financial federal income tax provisions. See the Income Taxes note in the notes to consolidated financial statements.

Supplemental information on financial reporting and changing prices is presented in the notes to consolidated financial statements.

Liquidity and Capital Resources

Cash and short-term investments were $94.1 million at December 31, 1984, compared with $91.5 million a year ago and $89 million at the end of 1982. Included were amounts for non-U.S. subsidiaries of $25.9 million, $38 million and $38.2 million in 1984, 1983 and 1982.

The Company has emphasized cash management and internal funding of operations during each of the three years in the period ended December 31, 1984 when operating losses, incurred as a result of unfavorable economic conditions in its businesses, significantly reduced liquidity and capital resources. Funding was accomplished through stringent control of working capital in relation to the volume of operations, management of cash flow within worldwide operations and subsidiaries, sale of certain tax benefits and divestment of nonstrategic assets and operations. Changes in funds during the three-year period were as follows:

	Provided (Used) 1984	1983 (millions)	1982
Operations			
Net Loss	$(261)	$(142)	$(198)
Working capital items	224	104	149
Depreciation	37	42	48
Other	(19)	(7)	(19)
	(19)	(3)	(20)
Financing and Investment			
Debt and current maturities	25	(13)	(73)
Net debenture exchange	(3)	—	—
Issuance of common stock	1	12	—
Dividends—preferred stock	—	—	(5)
Sale of Siemens-Allis stock	—	—	75
Other	(1)	7	(8)
	22	6	(11)
Cash and short-term investments	$ 3	$ 3	$ (31)

Working capital at December 31, 1984 is significantly impacted by the classification of debt and certain other liabilities as short-term due to the timing of the renegotiation of the A-C Override Agreement and the capital restructure discussed below. As shown in the previous table, the Company has historically been able to generate or obtain necessary cash. However, the financial drain of the agricultural equipment business has jeopardized liquidity and the Company's needs for cash during 1985 to finance operations are significantly dependent on the success of the Company's plans for restructuring its operations and capitalization.

Long-term debt was $26 million at December 31, 1984, compared with $243 million a year ago and $250 million at year-end 1982. The 1984 change of $217 million represents largely a reclassification from long-term debt to current liabilities based on terms of the A-C Override Agreement. Restructuring of this debt is discussed below. In March of 1984, the Company completed an exchange offer which resulted in $11.3 million of the outstanding publicly held debentures being exchanged for 677,640 shares of common stock. The debentureholders at that time approved certain amendments to the related Indenture in consideration for an increase in the interest rate on the remaining outstanding Debentures from 5.10% to 6.10% effective February 1, 1984.

Expenditures for property, plant and equipment have been held to a minimum and totaled $16 million in 1984, $14 million in 1983 and $29 million in 1982. Property, plant and equipment at December 31, 1984 was $231 million, representing a decrease of $32 million from a year ago and $80 million from 1982. Depreciation also declined from $48 million in 1982 to $42 million and $37 million in 1983 and 1984.

Shareholders' investment at December 31, 1984 was $71 million. See the Agricultural and Material Handling Equipment Segment and Financing notes to the consolidated financial statements for information concerning possible sale in 1985 of the Company's agricultural business which would result in a decrease in shareholders' investment of approximately $120 million (including operating losses of approximately $50 million to the estimated date of sale in early May 1985) and for information concerning a proposed restructure of the Company's indebtedness, which, if concluded, would include a conversion of a portion of the Company's private debt into equity. A three-year analysis of shareholders' investment follows:

	1984	1983	1982
		(millions)	
January 1	$328	$464	$689
Net loss	(261)	(142)	(198)
Currency translation	(6)	(6)	(22)
Common stock transactions	10	12	—
Dividends on preferred stock	—	—	(5)
December 31	$ 71	$328	$464

Common stock dividend payments were suspended December 18, 1981, and dividends on the cumulative preferred stocks were postponed on September 17, 1982. Current financing agreements prohibit payment of dividends and redemption of preferred stock.

The Company and its finance subsidiary, Allis-Chalmers Credit Corporation, entered into agreements in April 1983 with their principal lenders overriding provisions of most of their U.S. private debt agreements for a two-year period originally ending March 15, 1985. These agreements revised financial covenants to March 15, 1985 and deferred principal maturities originally due after September 20, 1982 through March 1, 1985 until March 15, 1985, in amounts of $61.9 million for the company's maturities of long-term debt, $76 million for the finance subsidiary's otherwise current maturities of long-term debt and their revolving credit facilities of $635.5 million. The Allis-Chalmers and Allis-Chalmers Credit Corporation Override Agreements have been extended, with certain amendments, to May 31, 1985. Additional information regarding the original Override Agreements and the extension is included in the Financing note in the notes to consolidated financial statements.

On May 31, 1985, the extension to the Override Agreements will again expire, at which time the debt covered by the Override Agreements will become due and payable and the provisions of each original loan agreement will again become effective. Neither the Company nor its finance subsidiary will be able to pay the maturities then due and, because of the large losses sustained in recent years, the Company will not be able to comply with its original loan agreement provisions. Various loan agreements of the Allis-Chalmers Credit Corporation include cross-default provisions.

The Company is negotiating a recapitalization plan with a view of having it in place by May 31, 1985. This plan assumes that the agricultural equipment business will be sold to KHD. As discussed in the Agricultural and Material Handling Equipment Segment note, completion of the KHD sale agreement is subject to future events and actions by others. Consequently, completion is not assured and the Company and Allis-Chalmers Credit Corporation are therefore considering other financing plans.

A critical aspect of any recapitalization plan and the Company's future profitability (with or without the successful completion of the KHD transaction) is the conversion of a portion of the Company's private debt to equity; the retirement of a portion of the Company's debt from some of the proceeds of divestitures such as under the KHD agreement; and the restructure of the remaining portion. The implementation of a recapitalization plan would result in a substantial increase in the number of outstanding shares of Allis-Chalmers equity securities.

The viability of the Company is dependent upon successful negotiation of a recapitalization plan and the ability of the Company to ultimately return to profitability.

INTERCO INCORPORATED

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

Results of Operations

This discussion supplements the detailed information presented in the consolidated financial statements and footnotes which began on page 28. In addition, reference should be made to the operations review and Fiscal 1984 in Review on pages 10 through 26.

Net Sales—Net sales for fiscal 1984 were $2.68 billion, an increase of 4.4% from the $2.57 billion reported in fiscal 1983. Each of INTERCO's four operating groups achieved sales gains led by the Furniture Group whose volume increased by 17.8%. Net sales for fiscal 1983 were $2.57 billion, down 4.0% from the $2.67 billion reported in 1982. In fiscal 1983, the economic downturn continued to have an impact on all segments of the company. The Furniture Group showed a decrease of 11.2% with most of the decrease coming in the case goods operation. The softness in the sales of men's shoes, both at wholesale and retail, along with the decline in the sales of safety shoes which depends on industrial employment resulted in a decrease of 7.0% in the sales of the Footwear Group. Net sales in fiscal 1982 improved 12.9% over the $2.37 billion reported in fiscal 1981. A substantial portion of this increase was the result of the acquisition of Broyhill which was accounted for as a purchase.

Other Income, Net—Other income for fiscal 1984 increased by $14.7 million, or 49.4% over the prior year. For fiscal 1983 and 1982, other income rose $1.0 million, or 3.4% and $1.4 million, or 5.0%, respectively. The increase for fiscal 1984 was due principally to increased interest income, gains on the sale of marketable equity securities, insurance settlements and net debt retirements.

Gross Margins—Gross margins for fiscal 1984 were $858.5 million, or 32.0% of net sales compared to $807.1 million, or 31.4% of the net sales and $853.4 million, or 31.9% of net sales in fiscal 1983 and 1982, respectively. The increase in the percentage and volume of gross margins in fiscal 1984 is primarily due to the improved sales volume and plant utilization and cost reduction programs.

Selling, General and Administrative Expenses—Selling, general and administrative expenses for fiscal 1984 were $650.3 million, or 24.3% of net sales compared to $635.9 million, or 24.8% of net sales and $621.7 million, or 23.3% of net sales in fiscal 1983 and 1982, respectively. The improvement in selling, general and administrative expenses as a percent of sales in fiscal 1984 was due to increased sales and the cost and expense reduction programs implemented over the past year.

Interest Expense—Interest expense in fiscal 1984 amounted to $31.7 million compared to $35.1 million and $37.2 million in fiscal 1983 and 1982, respectively. The decline of 9.7% in fiscal 1984 is attributable to a reduced level of long-term borrowing and the elimination of any short-term domestic borrowing during the year. The increase in fiscal 1982 was attributable to the assumed debts of a purchased company, increased interest rates on short-term borrowing to finance operational needs and the issuance of new debt.

Income Taxes—The effective tax rate for fiscal 1984 was 47.4% compared to 48.3% and 46.9% in fiscal 1983 and 1982, respectively. The increase in the effective rate for fiscal 1983 was the result of a slight increase in state tax rates and the effect of foreign currency revaluations in Mexico.

Earnings Per Share—Earnings per share for fiscal 1984 were $7.02, up 34.5% from the $5.22 reported in fiscal 1983 which reflected a 27.8% decrease from fiscal 1982. The increase in the earnings per share in fiscal 1984 reflects the strong showing of the Furniture Group, the effects of cost curtailment programs, and the reduced level of interest expense. The average shares outstanding for the last three years remained fairly constant.

Financial Condition

Faced with the prolonged economic slowdown in fiscal 1983, the company made a diligent effort to utilize its assets more effectively to maximize returns and maintain a strong working capital condition. The effects of this program had a substantial impact on the company's current financial condition.

Cash and short-term investments totaled $126.6 million at year end, an increase of $11.1 million over the prior year, after the repurchase of a portion of the company's 14¼% and 4⅝% promissory notes.

Accounts receivable rose by $37.9 million, or 13.0%. The increase was due to an increased level of sales in the manufacturing segments and short-term notes receivable which were covered by letters of credit.

Inventories decreased by $1.1 million from the prior year. Increases in manufacturing companies' inventories, to meet improved demand, were offset by lower retail inventories at February 19, 1984.

Accounts payable and accrued expenses increased $29.8 million, or 14.9%, and a substantial portion of the increase is attributed to the higher level of manufacturing inventories.

Financing Arrangements—During fiscal 1984, and at each fiscal year-end, the company had no domestic short-term borrowings. To meet short-term working capital requirements, the company maintains a credit agreement enabling it to borrow up to $100 million in domestic or Euro-Dollar loans through February 28, 1987. Borrowings outstanding as of February 28, 1987 are repayable from that date through February 28, 1991. This credit facility is primarily intended to support commercial paper borrowings as required. The company also maintains other bank lines of credit as credit availability and additional support for the sale of commercial paper.

Long-term debt decreased by $53.4 million during the year after a decrease of $4.7 million and an increase of $10.8 million in fiscal 1983 and 1982, respectively. The principal decreases in 1984 were the exchange of 100,000 common shares plus $5.6 million in cash for $15.9 million face value of the 4⅝% promissory notes and the repurchase of the $25.0 million of 14¼% promissory notes. The principal increase in fiscal 1982 was the remaining $19.7 million of the 14¼% promissory notes initiated in fiscal 1981.

Capital Expenditures—The company maintains formalized procedures for the review of capital expenditures. These include return on investment and project payback analyses.

Capital expenditures, for company-owned and capitalized leased property, aggregated $258.8 million during the last five years, of which $51.1 million occurred in fiscal 1984. Cash flow from operations provides the principal source of funds to support capital expenditures.

Inflation Accounting—In Note 15 of the Notes to Consolidated Financial Statements, the company reports on Inflation Accounting based on the Consumer Price Index for all Urban Consumers as required under Financial Accounting Standards Board Statement No. 33. In addition, the effect of inflation is also presented based on the Consumer Price Index as it relates to the respective segments of the company.

QUANEX CORPORATION

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

Liquidity and Capital Resources

The Company's financial position improved during 1984 in four principal ways. First, the Company refinanced its debt with the $125 million mortgage bond issue maturing in 1999, secured only by the two MacSteel plants. Secondly, financial flexibility improved when informal lines of credit replaced the secured revolving credit agreement. These lines of credit do not require asset collateral security. Thirdly, the decision to suspend oil country operations will prevent potentially significant future cash outflows. Management intends to resume operations only when such operations are anticipated to be profitable. Finally, construction recommenced at the Fort Smith plant and the Company anticipates that operations will begin in early 1985. Additional capital expenditures of approximately $10 million are anticipated to complete the project. Once the plant begins operations, management believes that working capital provided by operations will remain a contributor to the Company's cash requirements and that accelerated depreciation will provide significant income tax benefits.

During 1984 positive cash flow enabled the Company to reduce its borrowings by $27.5 million while decreasing its cash and cash equivalents by only $13.4 million. The Company had capital expenditures of $32.4 million in 1984, of which $29.7 million was for the MacSteel-Arkansas facility. Principal factors behind this generation of cash during 1984 were $20.9 million of working capital provided by operations, an income tax refund of $18.1 million and net inventory reductions of $21.1 million.

Programs to control costs and expenses have been effective and will be continued. Capital expenditures continue to be limited to only the most profitable or most needed projects. While necessary maintenance expenditures have been and will continue to be performed, the Company has instituted tight controls over its deployment of capital. Fort Smith capital expenditures are expected to represent a significant portion of the Company's capital spending in 1985. Management intends to fund capital expenditures with working capital provided by operations.

Results of Operations

As reflected in the accompanying financial statements, earnings (loss) from operations improved from a loss of $47.6 million in 1982 to a profit of $10.0 million in 1983 and a profit of $24.3 million in 1984. Improvements principally reflect management's programs to control costs and expenses together with strengthening in most of the Company's major markets except energy exploration and production.

Management believes decisions made in 1984 will favorably impact results of operations for 1985 and beyond. The decision to suspend Oil Country operations will prevent potentially sizable future losses. The decision to complete construction of the Fort Smith bar facility, although entailing start-up expenses in 1985, is expected to contribute to long-term profitability. Additionally, the Company anticipates recognizing in fiscal 1985 approximately $8 million of investment tax credit for the Fort Smith facility.

1984 Compared to 1983

Net sales in 1984 were $398.3 million, representing an increase of $100.9 million (33.9%) over 1983. The improvement over the prior year reflects increased volume in most of the Company's markets.

Gross profit margin was 14.4% of net sales in 1984 compared to 15.6% in 1983. Persistent weakness in the oil country tubular goods market more than offset gains in other areas.

Selling, general and administrative expenses in 1984 decreased $3.2 million (8.9%) to $33.3 million. Charges for doubtful accounts were approximately $800,000 in 1984 as compared to $2.8 million in 1983. Fiscal 1983 was also unfavorably affected by $1.9 million in charges related to the interim refinancing agreement that was consummated in that year.

Interest expense in 1984 decreased $2.9 million (13.4%) to $18.8 million, reflecting lower debt balances in 1984 than in 1983. Capitalized interest increased from $1.6 million in 1983 to $8.9 million in 1984 due to recommencement of construction of the MacSteel-Arkansas facility in February, 1984. Construction of that facility had been suspended for approximately one year.

During the fourth quarter of 1984, the Company decided to cease operations at its Oil Country Tubular Division in Houston and recognized a provision for business disposition of $16.7 million. This decision was the result of continued market deterioration and drastically increased imports of oil country tubular goods.

Other income was a net credit of $1.7 million in 1984, as compared to a net credit of $3.4 million in 1983. Interest income declined to $2.7 million in 1984 from $3.8 million in 1983 due to lower balances of cash and cash equivalents in 1984 than in 1983. Fiscal 1984 also included a charge of approximately $1.0 million in anticipation of costs to be incurred as a result of the Company's decision to temporarily suspend operations at its Bellville Tube Division. Fiscal 1983 earnings had been favorably affected by credits of $2.4 million resulting from settlements of oil country purchase commitments on terms more favorable than originally anticipated; these credits were partly offset by charges of $1.8 million in 1983 for costs incurred as a result of the decision to defer completion of the MacSteel-Arkansas facility.

The income tax benefit for 1984 was increased from the statutory amount primarily because of the recognition of a credit of $1.1 million related to undistributed Domestic International Sales Corporation (DISC) earnings. This credit arose because of recent changes in federal income tax treatments of DISCs.

1983 Compared to 1982

Net sales in 1983 were $297.4 million, representing a decrease of $50.9 million (14.6%) from 1982. The combined impact of a severe general recession in the United States and continued weakness in the oil exploration and production sector led to substantially weakened demand in most of the Company's markets, which resulted in significant decreases in unit volume and prices. The second half of the fiscal year showed significant improvement over the first half reflecting a general strengthening of the markets served by the Company.

Gross profit margin was 15.6% of net sales in 1983 compared to a negative 4.0% in 1982. This improvement is primarily a reflection of $49 million in unusual charges in 1982 related principally to the writedown of oil country inventory and the accrual for loss on related purchase commitments necessitated by a steep decline in the market value of oil country tubular goods. Additionally, 1983 maintenance and repair expense decreased approximately $5 million from 1982 levels.

Selling, general and administrative expenses in 1983 increased $2.9 million (8.7%) to $36.5 million. Charges for doubtful accounts were $2.8 million in 1983 as compared to $5.9 million in 1982. Reduced accruals for stock appreciation rights resulted in a $13,000 credit to compensation expense in 1983 as compared to a $3.5 million credit in 1982, while charges related to the interim refinancing agreement added another $1.9 million to 1983 expense.

Interest expense in 1983 increased $3.5 million (19.2%) to $21.8 million despite lower interest rates. This increase reflects the higher debt balances beginning primarily in the first quarter of 1983 that were necessary to finance construction of the MacSteel-Arkansas facility and the decision by management to retain substantial balances of cash and cash equivalents throughout 1983. Capitalized interest decreased $1.8 million (52.5%) from 1982 due to the suspension of construction of the MacSteel-Arkansas facility at the end of the first quarter of 1983.

Provision (credit) for income taxes included investment tax credits of $117,000 in 1983 as compared to $2.0 million in 1982.

Net losses declined to $3.5 million in 1983 as compared to $34.5 million in 1982. Major factors affecting 1983 results not discussed above were increased interest income of $3.5 million resulting from large balances of cash and cash equivalents maintained throughout fiscal year 1983; credits of $2.4 million resulting from settlements of oil country purchase commitments on terms more favorable than originally anticipated; and charges of $1.8 million for costs incurred as a result of the decision to defer completion of the MacSteel-Arkansas facility. Net losses were decreased approximately $1.1 million in 1983 and $825,000 in 1982 due to reductions in LIFO inventories. The major factor affecting 1982 results not discussed above was a writeoff of $4.3 million related to the Company's investment in Raines Tool Company, which filed for protection under Chapter 11 of the Federal Bankruptcy Code.

For discussion of the effects of general inflation and other price changes on results and other financial statement items, see "Supplementary Financial Data (Unaudited)."

WESTVACO CORPORATION

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

Liquidity and capital resources. The company continues in a strong financial condition. Working capital at the end of 1984 was $319 million, an increase of $39 million over the prior year and $83 million over 1982. At October 31, 1984, the ratio of current assets to current liabilities was 2.4, compared with 2.6 in 1983 and 2.4 in 1982. The company maintains close control over receivables and inventories. Funds provided from operations continue to be the company's major source of working capital requirements. In 1984, $260 million of working capital was provided by operations, $171 million in 1983, and $173 million in 1982. In January 1984, the company issued $75 million of 12.65% 30-year Sinking Fund Debentures and, in October 1984, issued $20.7 million of 10½–10⅝% long-term Pollution Control Revenue Bonds. Capital expenditures reached a record level of $298 million in 1984, compared with $187 million in 1983, and $169 million in 1982. At October 31, 1984, the estimated cost to complete all authorized capital projects was $340 million. Over the next four years, the company expects to make capital investments approximating $1.3 billion to complete its new corporate growth program. Internally generated funds will provide a major source of capital for this growth program.

The company's strong financial position provides a high degree of financing flexibility to support the company's growth program. At October 31, 1984, the ratio of debt to capitalization was 31%, as compared with 29% in 1983 and 27% in 1982. This low ratio, in addition to our strong financial position, permits the company to pursue financing opportunities when conditions are favorable. The company has filed a shelf registration statement covering $75 million of debt securities. In addition, the company maintains a $300 million revolving credit and term loan agreement with several banks and has access to an additional $50 million of bank credit lines. There were no borrowings under any of these arrangements.

Impact of inflation. Note O to the financial statements contains disclosures on the effects of inflation and changing prices on the company's operations determined by the current cost methodology.

Analysis of operations. Sales were at a record level of $1,766 million, an increase of $273 million, or 18%, over sales in 1983, and reflected approximately equal increases in the volume of shipments and improvements in price and product mix. Gross profit margin was 21%, compared with 17% for 1983. Cost of products sold increased 13% due primarily to a higher level of shipments as demand for company products strengthened. Depreciation and amortization increased 13% as a result of the company's rising capital investments over the past several years. The increase in interest expense resulted from the issuance of $75 million of debentures in January, partially offset by higher interest capitalization associated with the record level of capital expenditures. Other income reflected an increase in interest income and lower foreign currency conversion losses, offset by a $10 million charge in the third quarter to provide for the displacement of assets that do not form part of the future strength of the company. The income tax provision was reduced by $12 million as a result of recent tax legislation which no longer requires taxes on accumulated DISC income. This release, partially offset by higher pretax income combined with a consistent level of investment tax credits, resulted in a lower effective tax rate in 1984 compared to 1983. The net effect of the release of deferred taxes offset by the provision for displacement of assets added $.25 to earnings per share in 1984.

Fiscal year 1983. Sales for the year were $1.5 billion, an increase of 3% over last year, reflecting a higher volume of shipments resulting from improvements in the level of economic activity in the United States, partially offset by declines in price and product mix. Gross profit margin was 17%, compared with 16% for 1982. Increased product demand enabled the company to utilize its productive capacity more efficiently thereby reducing unit costs. The small increase in cost of products sold reflects higher volume of shipments offset by decreases in certain material and operating costs. Depreciation increased 11%, as additional capital projects became operational. Interest expense increased $5.2 million, as a result of issuing the $75 million of debentures in November 1982, partially offset by increased interest capitalization associated with the record level of capital expenditures. Other income decreased due to foreign currency conversion losses which included the effects of a maxi devaluation of the Brazilian currency in February 1983 and reduced gains from sales of timberlands, partially offset by higher interest income. Net income from foreign operations located in Brazil was adversely impacted by the severe economic and monetary pressures affecting the Brazilian economy.

Fiscal year 1982. Sales for the year were down 7%, reflecting lower volume of shipments due to the continued low level of economic activity in the United States. Gross profit margin was 16%, compared with 19% for 1981, reflecting the effect of a lower volume of production. Depreciation increased 13% as additional capital projects became operational. Interest expense declined, reflecting a somewhat higher level of interest capitalization due to the record level of capital expenditures. Selling, research, and administrative expenses increased 7%, reflecting increases in salaries and benefits and planned increases in research activities. Other income decreased as a result of lower interest income and foreign currency conversion losses. This was partially offset by gains from sales of timberlands no longer required. The income tax provision decreased $40 million due to lower pretax earnings and higher investment, energy, and research and development tax credits, resulting in a lower effective tax rate.

Fourth quarter results. Sales in the fourth quarter of 1984 were $459 million, an increase of 9%, a new record, from sales of $421 million for the corresponding quarter a year ago. Fourth quarter earnings were $41.2 million, or $1.45 per share, also a new record, compared with earnings of $29.0 million, or $1.05 per share, in the fourth quarter of 1983.

Dividend reinvestment plan. At year-end, 7,290 shareholders, including members of the company's Savings and Investment Plan, representing 4,866,600 shares of Westvaco common stock, were participants in the company's Dividend Reinvestment Plan. Under the plan, established in 1973, all or a portion of the dividends accruing to the participants may be used to purchase additional Westvaco shares. The participants may also invest as much as $5,000 per quarter in cash for the purchase of additional Westvaco shares. Stock purchases made under this plan are free of commissions and other service charges to the shareholder.

Number of shareholders. At year-end, the number of individuals and institutions owning Westvaco common shares was about 16,480. This number includes 4,960 salaried employees who are shareholders by virtue of their participation in the company's Savings and Investment Plan. The plan, established in 1968, holds 4,020,142 shares of Westvaco common stock for the account of participating salaried employees. This represents 14.1% of the 28,527,832 shares of common stock outstanding.

Payroll and benefit costs. The total cost of payroll and benefits was $488 million, compared with $457 million in 1983. These amounts included $29.2 million provided in 1984 and $34.6 million provided in 1983 for company pension and retirement plans. The totals also include $26.0 million in Social Security taxes in 1984 and $23.1 million in 1983. Payroll costs were 28% of sales in 1984 and 31% in 1983. Sales per employee have increased 53% in the last five years. In 1979, they stood at $77,088, rising to $118,066 in 1984.

SEGMENT INFORMATION

Effective for fiscal years beginning after December 15, 1976, FASB *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. FASB *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 1984 financial statements of the survey companies.

TABLE 1-3: SEGMENT INFORMATION

	Number of Companies			
	1984	**1983**	**1982**	**1981**
Industry segments				
Revenue	451	457	456	457
Operating income or loss	398	408	406	400
Identifiable assets	444	453	452	450
Depreciation expense	438	448	451	448
Capital expenditures	434	441	444	441
Geographic areas				
Revenue	207	214	219	211
Operating income or loss	165	166	167	162
Identifiable assets	204	203	212	202
Depreciation expense	13	15	15	15
Capital expenditures	16	16	18	19
Export sales	117	133	126	123
Sales to major customers	134	127	119	113

Industry Segments

ARMADA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Business Segments

The Company considers its activities to comprise two segments: (1) manufacture of custom quality alloy products, and (2) manufacture, distribution and installation of automotive exhaust products. Summary data for 1984, 1983 and 1982 appears in the following tabulation:

	Specialty Alloys	Exhaust	Corporate	Consolidated
1984 ($000)				
Sales	$52,585	$16,808		$69,393
Operating income (loss)	6,075	(1,600)	$(1,057)	3,418
Identifiable assets	39,462	19,210	1,020	59,692
Capital expenditures	4,142	1,714	52	5,908
Depreciation and amortization	1,665	781	23	2,469
1983 ($000)				
Sales	$43,648	$14,701		$58,349
Operating income (loss)	4,090	(1,070)	$(1,201)	1,819
Identifiable assets	38,334	14,499	2,041	54,874
Capital expenditures	2,092	1,005	23	3,120
Depreciation and amortization	1,689	698	23	2,410
1982 ($000)				
Sales	$40,316	$12,280		$52,596
Operating income (loss)	3,578	(2,210)	$ (973)	395
Identifiable assets	36,009	11,348	3,656	51,013
Capital expenditures	2,601	5,124	4	7,729
Depreciation and amortization	1,683	654	36	2,373

In the specialty alloy group one customer accounted for approximately 12 percent, 15 percent and 12 percent of consolidated sales in 1984, 1983 and 1982, respectively.

ALLIED CORPORATION

NOTES TO FINANCIAL STATEMENTS

(Dollars in millions except per share amounts)

Note 11. Segment Financial Data

		Aerospace	Automotive	Chemical	Industrial and Technology	Oil and Gas	Corporate and Unallocated(1)	Total
Net sales	1984	$1,807	$2,630	$2,433	$1,768	$2,072	$ 24	$10,734(2)
	1983	1,603	2,370	2,337	1,585	1,989	15	9,899(2)
	1982	48	298	2,143	1,272	1,992	140	5,893
Research, development and engineering expense	1984	118	90	79	60	—	79	426(3)
	1983	114	82	67	49	—	71	383(3)
	1982	1	8	76	34	—	58	177
Depreciation, depletion and amortization	1984	33	59	124	55	180	11	462
	1983	22	45	137	54	189	8	455
	1982	1	13	117	45	176	10	362
Income from operations	1984	212	310	231	61	756	(228)	1,342
	1983	152	203	224	(48)	724	(154)	1,101
	1982	—	6	132	(7)	803	(127)	807
Income from continuing operations (4)	1984	103	129	116	9	210	(80)	487
	1983	81	80	107	(55)	179	56	448
	1982	(1)	2	66	(24)	213	25	281
Capital expenditures	1984	90	113	131	88	427	29	878
	1983	73	86	112	55	224	57	607
	1982	2	11	162	55	249	45	524
Identifiable assets	1984	1,126	1,623	1,345	1,580	1,916	599(5)	8,189
	1983	909	1,729	1,299	1,527	1,562	621(5)	7,647
	1982	22	163	1,439	1,154	1,626	1,868(5)	6,272

Intersegment sales approximate market and are not significant.

(1) The "Corporate and Unallocated" column includes amounts for businesses sold, nonrecurring and corporate items.

(2) Sales to the United States Government and its agencies, mainly for the aerospace segment, were $850 and $815 million in 1984 and 1983, respectively.

(3) Engineering activities totaled $131 and $114 million for 1984 and 1983, respectively.

(4) An interest charge is made by corporate to the segments on the basis of relative investment and taxes on income are generally included in the segments which gave rise to the tax effects.

(5) Includes investments in Bendix and Martin Marietta of $1,194 million for 1982, assets of discontinued operations of $87, $254 and $292 million, and Corporate assets of $584, $382 and $356 million for each of the respective years.

BAUSCH & LOMB INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Industry Segment and Geographic Information

The business segments of the company are defined as Professional Eye Care Products, Health Care & Consumer Products and Biomedical & Scientific Products.

The Professional Eye Care Products segment manufactures and sells contact lenses and materials, ophthalmic surgical and diagnostic products and computerized office management systems.

Operations within the Health Care & Consumer Products segment include the production and sale of contact lens care solutions and accessories, general eye care solutions, sunglasses, binoculars, riflescopes, telescopes and magnifiers.

Products manufactured and sold by the Biomedical & Scientific Products segment include laboratory animals, principally rats, mice and guinea pigs, specially bred for use in biomedical research; microscopes and photogrammetry products.

Products are transferred between geographic areas on a basis intended to reflect as nearly as possible the market value of the products.

Operating earnings by business segment and by geographic area are defined as sales less operating costs and expenses.

Identifiable assets are those assets used in the operations of each business segment or geographic area or which are allocated when used jointly. Corporate assets are principally cash, marketable securities and certain property, plant and equipment.

The following tables show sales, operating earnings and other financial information by industry segment and geographic area for the years 1984, 1983 and 1982.

Industry Segment

Dollar Amounts in Thousands	Professional Eye Care Products	Health Care & Consumer Products	Biomedical Scientific Products	Corporate and Other	Consolidated
1984					
Sales	$173,853	$267,208	$ 92,497	$ —	$533,558
Operating Earnings	51,614	47,985	17,505	—	117,104
Depreciation	4,272	6,506	5,195	801	16,775
Identifiable Assets	107,310	204,001	98,546	156,838*	566,695
Capital Expenditures	9,002	5,777	11,180	7,376*	33,335
1983					
Sales	$147,854	$244,845	$ 84,588	$ —	$477,287
Operating Earnings	46,083	38,080	13,035	—	97,198
Depreciation	3,765	4,543	4,137	879	13,324
Identifiable Assets	92,091	190,271	84,167	186,881*	553,410
Capital Expenditures	4,246	11,329	4,604	5,727*	25,906
1982					
Sales	$132,520	$214,391	$ 85,720	$ —	$432,631
Operating Earnings	49,204	38,910	7,293	—	95,407
Depreciation	3,200	4,511	4,443	635	12,789
Identifiable Assets	84,899	172,370	74,823	190,672*	522,764
Capital Expenditures	2,039	21,344	10,446	10,009*	43,838

*Includes items relating to the discontinuance of the industrial instruments business.

Geographic Area

Dollar Amounts in Thousands	United States	Europe	Other International	Consolidated
1984				
Sales to Unaffiliated Customers	$402,635	$ 61,616	$ 69,307	$533,558
Inter-Area Sales to Affiliates	35,758	35,895	871	72,524
Operating Earnings	73,174	35,743	8,187	117,104
Identifiable Assets	397,950	120,808	47,937	566,695
1983				
Sales to Unaffiliated Customers	$356,647	$ 56,078	$ 64,562	$477,287
Inter-Area Sales to Affiliates	38,686	30,171	400	69,257
Operating Earnings	60,202	32,257	4,739	97,198
Identifiable Assets	423,827	85,329	44,254	553,410
1982				
Sales to Unaffiliated Customers	$321,182	$ 52,511	$ 58,938	$432,631
Inter-Area Sales to Affiliates	29,496	22,375	269	52,140
Operating Earnings	62,455	27,136	5,816	95,407
Identifiable Assets	388,580	87,474	46,710	522,764

REXNORD INC.

BUSINESS SEGMENT INFORMATION

(Millions of Dollars)

The company operates in the production and sale of products in four major segments: Power Transmission Components, Specialty Fasteners, Process Controls and Instrumentation and Process Equipment. Additional information on these segments is contained on pages 6 to 10 of this Annual Report.

The composition of business segments has been revised in 1984 to reflect three acquisitions of product lines in the fields of process controls and instrumentation. Accordingly, a fourth business segment has been identified for these product lines and existing similar businesses. 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 $57.1, $56.5 and $70.9 in 1984, 1983 and 1982, respectively.

Operating Results by Business Segment

	1984	1983	1982
NET SALES			
Power Transmission Components	377	288	363
Specialty Fasteners	216	181	155
Process Controls and Instrumentation	60	36	36
Process Equipment	278	298	302
Divested Businesses	—	11	95
Eliminations	(10)	(9)	(14)
	921	805	937
OPERATING INCOME			
Power Transmission Components	59.5	19.2	42.4
Specialty Fasteners	19.9	14.9	13.5
Process Controls and Instrumentation	2.6	2.3	3.5
Process Equipment	6.3	8.6	12.1
Divested Businesses	(.5)	4.0	(5.1)
Operating Income	87.8	49.0	66.4
Interest Expense	(21.7)	(18.5)	(24.4)
General Corporate Expense	(19.1)	(21.2)	(23.0)
Foreign Currency Adjustments	(2.6)	(3.8)	(2.5)
Other	(1.6)	(.9)	(.3)
Income Before Taxes	42.8	4.6	16.2

	1984	1983	1982
ASSETS			
Power Transmission Components	323	258	279
Specialty Fasteners	135	120	110
Process Controls and Instrumentation	98	32	32
Process Equipment	161	161	185
Divested Business	15	10	74
Identifiable Assets	732	581	680
Investment in Affiliates	16	15	15
Other Corporate Assets	114	112	62
	862	708	757
CAPITAL EXPENDITURES			
Power Transmission Components	9.8	11.1	28.8
Specialty Fasteners	7.4	2.2	5.1
Process Controls and Instrumentation	3.9	1.1	1.7
Process Equipment	3.6	2.1	3.2
Divested Businesses	—	—	2.6
Corporate	2.9	1.3	3.5
	27.6	17.8	44.9
DEPRECIATION & AMORTIZATION			
Power Transmission Components	16.9	15.4	16.5
Specialty Fasteners	5.4	5.4	4.5
Process Controls and Instrumentation	4.8	2.8	1.4
Process Equipment	5.2	4.9	4.3
Divested Businesses	.7	.9	3.1
Corporate	2.1	1.9	1.8
	35.1	31.3	31.6

Geographic Segment Information

	1984	1983	1982
NET SALES			
United States	752	602	651
Western Europe	105	113	121
Other	83	90	87
Divested Businesses	—	11	95
Eliminations	(19)	(11)	(17)
	921	805	937
OPERATING INCOME			
United States	73.0	30.0	53.8
Western Europe	3.8	7.5	8.3
Other	11.5	7.5	9.4
Divested Businesses	(.5)	4.0	(5.1)
	87.8	49.0	66.4
ASSETS			
United States	583	444	465
Western Europe	72	75	81
Other	62	52	60
Divested Businesses	15	10	74
Identifiable Assets	732	581	680
Corporate Assets	130	127	77
	862	708	757

GEORGIA PACIFIC CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 4. Industry Segment Information

The Corporation's primary operations were historically in the building products, pulp, paper and chemical business which were reported in three segments: (1) Building products, which included the manufacture and distribution of plywood and specialties (particleboard, oriented strand board, etc.), lumber and gypsum products; (2) Pulp and paper, which included the manufacture and distribution of containers and packaging, printing and specialty products (labels, office products, etc.), tissue and market pulp; (3) Chemicals, which included various chemical products manufactured for internal use and external distribution.

As described in Note 3, the Corporation is disposing of certain lines of business. The chemical operations being sold are reported as discontinued operations in 1984. Those chemical operations being retained are included in building products, pulp and paper or other operations, as appropriate, for 1984. The effect in 1984 of the retained chemical operations was to increase operating profits for building products $32 million, pulp and paper $1 million and other operations $14 million.

The Corporation's industry segment information for 1983 and 1982 has been restated to conform with the 1984 presentation. Operating profits for 1983 and 1982, respectively, have been increased (decreased) by the following amounts: building products $30 million and $23 million, pulp and paper $(1) million and $(5) million, other operations $9 million and $15 million, unusual items $(17) million and $3 million and income taxes $13 million and $9 million.

The Corporation recorded write-downs of certain assets to net realizable value of $135 million in 1983 and $30 million in 1982 (Note 2). These amounts have not been included in segment operating profits but are reported as unusual items. If these write-downs had been included in the segment detail, operating profits in 1983 would have been reduced by $77 million in the building products segment and $58 million in the pulp and paper segment, while 1982 operating profits (losses) would have been reduced by the following amounts: building products $8 million, pulp and paper $3 million, other operations $7 million and general corporate $12 million.

(Millions)	Sales to Unaffiliated Customers	Inter-Segment Sales	Total Revenues	Operating Profits (Losses)	Depreciation and Depletion	Capital Expenditures	Assets
			Year ended December 31, 1984				
Building products	$4,452	$ 44	$4,496	$379	$144	$137	$1,535
Pulp and paper	2,111	52	2,163	202	123	402	1,982
Other operations	119	6	125	20	6	7	80
	6,682	102	6,784	601	273	546	3,597
Eliminations and adjustments							
Intersegment sales	—	(240)	(240)	—	—	—	—
Timber and timberlands	—	—	—	—	—	135	840
Unusual item (Note 2)	—	—	—	19	—	—	—
General corporate	—	—	—	(68)	9	29	190
Interest expense	—	—	—	(156)	—	—	—
Income taxes	—	—	—	(143)	—	—	—
Continuing operations	6,682	(138)	6,544	253	282	710	4,627
Discontinued operations, net	446	138	584	(134)	79	33	158
Total	$7,128	$ —	$7,128	$119	$361	$743	$4,785
			Year ended December 31, 1983				
Building products	$4,143	$ 37	$4,180	$354	$168	$ 60	$1,467
Pulp and paper	1,768	50	1,818	71	112	51	1,572
Other operations	129	7	136	13	3	5	90
	6,040	94	6,134	438	283	116	3,129
Eliminations and adjustments							
Intersegment sales	—	(165)	(165)	—	—	—	—
Timber and timberlands	—	—	—	—	—	62	753
Unusual items (Note 2)	—	—	—	(135)	—	—	—
General corporate	—	—	—	(39)	6	10	197
Interest expense	—	—	—	(157)	—	—	—
Income taxes	—	—	—	(32)	—	—	—
Continuing operations	6,040	(71)	5,969	75	289	188	4,079
Discontinued operations, net	429	71	500	30	82	83	653
Total	$6,469	$ —	$6,469	$105	$371	$271	$4,732
			Year ended December 31, 1982				
Building products	$3,186	$ 39	$3,225	$136	$142	$ 65	$1,560
Pulp and paper	1,687	42	1,729	44	110	64	1,596
Other operations	130	6	136	32	14	9	118
	5,003	87	5,090	212	266	138	3,274
Eliminations and adjustments							
Intersegment sales	—	(140)	(140)	—	—	—	—
Timber and timberlands	—	—	—	—	—	43	748
Unusual items (Note 2)	—	—	—	49	—	—	—
General corporate	—	—	—	(49)	9	26	246
Interest expense	—	—	—	(186)	—	—	—
Income taxes	—	—	—	(6)	—	—	—
Continuing operations	5,003	(53)	4,950	20	275	207	4,268
Discontinued operations, net	399	53	452	32	68	70	651
Total	$5,402	$ —	$5,402	$ 52	$343	$277	$4,919

Operating profits (losses) in 1982 are before extraordinary items and accounting change.

Intersegment sales are recorded at estimated fair market values and income on such sales is included in operating profits (losses).

Logs and residual fibers are included at cost in the operating profits of the various manufacturing facilities.

Intersegment sales and assets for timber and timberlands have not been allocated to industry segments because they are managed jointly to supply raw materials to both forest products segments.

Sales to foreign markets were less than 10% of total sales to unaffiliated customers in 1982 through 1984, and no single customer accounted for more than 10% of sales to unaffiliated customers.

Foreign Operations

THE BLACK AND DECKER MANUFACTURING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

($000)

Note 13: Business Segment and Geographic Areas

The Company operates in one business segment—the manufacture, sale and service of a wide range of power tools, household products and other labor-saving devices, including accessories and attachments for these products, generally used in homes and home workshops, for lawn care, in manufacturing and construction industries, in automotive servicing, in service and maintenance trades and on farms.

In the following table, the United States includes all domestic operations and the intercompany manufacturing facility in Singapore which manufactures products exclusively for sale in the United States. Europe includes subsidiaries located in Western Europe, the Middle East and Africa. Other includes subsidiaries located in Canada, Latin America, Australasia and the Far East

1984	United States	Europe	Other	Corporate & Eliminations	Consolidated
Sales to unaffiliated customers	$870,233	$477,463	$185,187	$ —	$1,532,883
Sales and transfers between geographic areas	54,357	21,559	39,204	(115,120)	—
Total sales	$924,590	$499,022	$224,391	$(115,120)	$1,532,883
Earnings from continuing operations before restructuring costs and income taxes	$ 87,827	$ 47,966	$ 9,557	$ (4,546)	$ 140,804
Earnings from continuing operations	$ 51,780	$ 30,282	$ 6,728	$ 6,614	$ 95,404
Identifiable assets	$888,489	$325,522	$255,207	$ 4,230	$1,473,448
1983					
Sales to unaffiliated customers	$536,931	$509,169	$121,652	$ —	$1,167,752
Sales and transfers between geographic areas	33,896	11,204	17,624	(62,724)	—
Total sales	$570,827	$520,373	$139,276	$ (62,724)	$1,167,752
Earnings from continuing operations before restructuring costs and income taxes	$ 50,868	$ 54,815	$ (3,068)	$ (16,477)	$ 86,138
Earnings from continuing operations	$ 24,685	$ 12,339	$ (5,028)	$ (3,845)	$ 28,151
Identifiable assets	$399,341	$381,159	$110,717	$ 94,141	$ 985,358
1982					
Sales to unaffiliated customers	$454,040	$536,189	$170,004	$ —	$1,160,233
Sales and transfers between geographic areas	46,428	6,528	14,877	(67,833)	—
Total sales	$500,468	$542,717	$184,881	$ (67,833)	$1,160,233
Earnings from continuing operations before restructuring costs and income taxes	$ 31,675	$ 53,035	$ (1,094)	$ (17,851)	$ 65,765
Earnings from continuing operations	$ 15,719	$ 30,645	$ (4,283)	$ (1,400)	$ 40,681
Identifiable assets	$363,031	$404,527	$125,342	$ 102,429	$ 995,329

Transfers between geographic areas are accounted for at cost plus a reasonable profit. Identifiable assets for the geographic areas are those assets identified with the operations in each area. Corporate assets consist principally of cash and marketable securities, prepaid and sundry items, intangible assets, and, additionally for 1982, assets of discontinued operations.

Eliminations include amounts for inter-area sales, accounts receivable, income and goods in transit. Net equity of subsidiaries located outside the United States was $415,797 at September 30, 1984, $334,932 at September 25, 1983 and $338,903 at September 26, 1982. Undistributed retained earnings of these subsidiaries amounted to $295,341 at September 30, 1984.

BURNDY CORPORATION

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 conductors 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, 1984, 1983 and 1982 are as follows:

	Sales		
	To outside customers	To affiliates	Total
1984			
United States	$146,639	$ 10,039	$156,678
Europe	53,759	4,100	57,859
Canada and Australia	19,805	—	19,805
Central and South America	11,613	—	11,613
Eliminations	—	(13,575)	(13,575)
Consolidated	$231,816	$ 564	$232,380
1983			
United States	$130,120	$ 6,146	$136,266
Europe	51,962	1,647	53,609
Canada and Australia	19,444	—	19,444
Central and South America	9,269	—	9,269
Eliminations	—	(7,079)	(7,079)
Consolidated	$210,795	$ 714	$211,509
1982			
United States	$130,914	$ 6,507	$137,421
Europe	51,273	565	51,838
Canada and Australia	22,530	—	22,530
Central and South America	21,134	—	21,134
Eliminations	—	(6,514)	(6,514)
Consolidated	$225,851	$ 558	$226,409

Identifiable assets by geographic area are as follows:

	December 31,		
	1984	1983	1982
United States	$148,774	$127,890	$134,924
Europe	68,765	63,396	70,647
Canada and Australia	14,029	13,110	13,996
Central and South America	12,448	11,503	15,166
Eliminations	(23,280)	(22,990)	(40,723)
	220,736	192,909	194,010
Investment in and advances to an unconsolidated affiliate	6,111	5,310	3,865
Corporate assets	1,390	2,482	1,457
Consolidated	$228,237	$200,701	$199,332

Operating earnings by geographic area are as follows:

	Year ended December 31,		
	1984	1983	1982
United States	$25,239	$18,202	$19,384
Europe	6,139	4,546	5,808
Canada and Australia	1,701	1,374	2,191
Central and South America	2,262	110	3,787
	35,341	24,232	31,170
Less:			
General corporate expenses	6,615	4,084	5,302
Consolidated	$28,726	$20,148	$25,868

In accordance with Statement of Financial Accounting. Standards No. 52 for certain 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 shareowners' equity. Certain other adjustments continue to be reported in earnings which resulted in losses of $1,033 in 1984, $2,327 in 1983 and $3,761 in 1982.

NCR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11–Industry and Geographic Area Information

Industry Segment Data

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

Geographic Area Data

Corporate assets are principally cash and short-term investments. Transfers between geographic areas are at competitively driven market-based prices. The method followed in developing this information 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.

	1984	1983	1982
		(In thousands)	
Revenue			
United States—customer.	$2,255,573	$2,013,212	$1,789,077
Intercompany	322,567	262,071	256,039
	2,578,140	2,275,283	2,045,116
Europe—customer	854,105	841,582	864,665
Intercompany	57,397	56,333	27,635
	911,502	897,915	892,300
Pacific (Australasia, Far East and Canada)—customer	622,725	552,496	542,403
Intercompany	93,492	100,597	64,017
	716,217	653,093	606,420
Other—customer	341,924	323,661	330,072
Intercompany	3,077	4,320	18,546
	345,001	327,981	348,618
Intercompany eliminations	(476,533)	(423,321)	(366,237)
Consolidated revenue..	$4,074,327	$3,730,951	$3,526,217
Operating Income			
United States	$ 316,464	$ 329,577	$ 215,880
Europe	97,655	107,774	130,259
Pacific	127,871	90,304	80,424
Other	46,442	37,355	20,735
Intercompany adjustments	10,365	(10,007)	16,882
Consolidated operating income	598,797	555,003	464,180
Non-allocable interest and general corporate expenses	37,357	31,938	34,369
Consolidated income before taxes	$ 561,440	$ 523,065	$ 429,811
Identifiable Assets			
United States	$1,868,462	$1,690,097	$1,593,247
Europe	584,481	629,674	613,107
Pacific	347,014	425,898	416,144
Other	247,424	274,530	309,451
Intercompany adjustments	(242,351)	(219,592)	(194,760)
Consolidated identifiable assets	2,805,030	2,800,607	2,737,189
Corporate assets	784,102	759,695	635,857
Consolidated total assets	$3,589,132	$3,560,302	$3,373,046

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, while 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 $819,400,000 at December 31, 1984, $846,500,000 at December 31, 1983 and $820,600,000 at December 31, 1982.

Major Customers

CBI INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19 (In Part): Operations by Business Segment and Geographic Area

CBI has three major business segments:

Contracting Services; Industrial Gases and Investments. These business segments are more fully described on the inside front cover of this Annual Report.

CBI operates in the following geographic areas:

United States; Western Hemisphere (outside of United States); and Eastern Hemisphere. Transactions between companies in the same or different geographic areas are recorded on the same basis as transactions with unrelated customers.

One customer accounted for 15% of revenues in 1984 and two customers individually accounted for 13% and 11% in 1982. No customer accounted for more than 10% of revenues in 1983. Export sales, to unrelated customers outside of the United States, were less than 10% of revenues in each period reported.

* * *

MACRODYNE INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 13—Business Segment Information

The Company's operations are in one industry, the manufacture of precision forged, machined, and assembled parts principally for the aerospace industry.

Customers which accounted for 10% or more of the Company's sales and total export sales were:

	Fiscal Years Ended in		
	1984	1983	1982
General Electric Company	$9,251,000	$12,682,000	$17,471,000
Rockwell International Corporation	$4,931,000	$ 6,795,000	$ 4,922,000
Bendix Corporation	$2,600,000	$ 3,426,000	$ 4,410,000
Ex-Cell-O Corporation	$1,057,000	$ 8,192,000	$ 2,881,000
SNECMA	$2,117,000	$ 1,454,000	$ 2,677,000
Export sales	$2,529,000	$ 1,683,000	$ 3,986,000

At the end of fiscal 1984, the amount of Ex-Cell-O orders in the backlog was minimal. While the Company continues to respond to their requests for quotation, there is no assurance that the Company will receive additional orders.

The sales to Rockwell International Corporation were primarily made by PFC and are expected to be minimal in the near future.

ARVIN INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 17—Business Segments:

The Company is engaged in the manufacture and sale of a broad range of products and services. Representative products and services by major market category are described on pages 16 and 17 of this report.

Selected Financial Information by Business Segments:

	1984	1983	1982
Net Sales:			
Automotive	$408,269	$338,276	$281,178
Consumer appliances	225,983	136,397	119,716
Government and utilities	94,512	84,069	77,800
Commercial and industrial	53,222	41,863	35,211
Total net sales	$781,986	$600,605	$513,905
Income From Operations:			
Automotive	$ 41,392	$ 29,869	$ 17,602
Consumer appliances	15,984	5,606	6,599
Government and utilities	4,986	3,245	1,476
Commercial and industrial	4,014	3,181	2,594
Total income from operations	$ 66,376	$ 41,901	$ 28,271
Less:			
General corporate expenses	4,887	3,260	1,403
Interest expense	7,801	7,960	8,356
Total earnings before income taxes	$ 53,688	$ 30,681	$ 18,512
Identifiable Assets:			
Automotive	$173,063	$162,243	$147,048
Consumer appliances	98,272	77,755	79,479
Government and utilities	22,375	18,724	18,225
Commercial and industrial	32,438	28,101	26,830
Total identifiable assets	326,148	286,823	271,582
General corporate*	28,307	41,232	38,629
Total assets	$354,455	$328,055	$310,211
Depreciation and Amortization:			
Automotive	$ 9,169	$ 8,816	$ 8,903
Consumer appliances	5,450	4,579	3,243
Government and utilities	949	761	950
Commercial and industrial	1,487	1,254	976
General corporate	13	52	34
Total depreciation and amortization	$ 17,068	$ 15,462	$ 14,106
Additions to Property, Plant and Equipment:			
Automotive	$ 18,375	$ 8,143	$ 4,460
Consumer appliances	6,670	7,435	24,392
Government and utilities	1,363	1,376	1,002
Commercial and industrial	1,122	878	2,379
General corporate	43	241	5
Total capital additions	$ 27,573	$ 18,073	$ 32,238

*Consists primarily of cash, temporary investments and prepaid expenses.

Sales between business segments (affiliated customers) were insignificant and are thus not separately reported. Foreign operations of the Company were not material and are not separately set forth.

Sales to four customers in 1984 and three in both 1983 and 1982 exceeded 10% of the total net sales and are included in the business segments as follows:

Business Segment	1984 Amount	1984 Per Cent of Sales	1983 Amount	1983 Per Cent of Sales	1982 Amount	1982 Per Cent of Sales
Automotive	$115,718	14.8%	$111,268	18.5%	$ 89,201	17.3%
Automotive	138,786	17.7	95,851	16.0	75,960	14.8
Consumer appliances	94,325	12.1				
Government and utilities	86,503	11.1	78,481	13.1	70,421	13.7
	$435,332	55.7%	$285,600	47.6%	$235,582	45.8%

COLLINS & AIKMAN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands)

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 30% in 1984, 24% in 1983 and 21% in 1982 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 Fabricated	Textiles Non-Fabricated	Wallcoverings	Eliminations*	Consolidated
1984					
Operations:					
Net sales	$340,570	$452,815	$164,827	$(27,677)	$930,535
Operating income	37,889	34,526	30,150	(174)	102,391
General corporate expenses					10,433
Interest, net					6,209
Income before taxes					85,749
Assets employed at year-end	$149,054	$218,661	$108,048		$475,763
Capital expenditures	$ 15,581	$ 26,922	$ 4,297		$ 46,800
Depreciation	$ 5,155	$ 10,704	$ 3,080		$ 18,939
1983					
Operations:					
Net sales	$244,220	$335,681	$123,164	$(20,118)	$682,947
Operating income	25,986	10,860	12,503	31	49,380
General corporate expenses					6,421
Interest, net					4,746
Income before taxes					38,213
Assets employed at year-end	$120,221	$183,196	$ 83,143		$386,560
Capital expenditures	$ 15,236	$ 22,337	$ 2,447		$ 40,020
Depreciation	$ 4,465	$ 8,912	$ 2,810		$ 16,187
1982					
Operations:					
Net sales	$241,688	$321,184	$121,035	$(14,785)	$669,122
Operating income	20,715	9,511	12,766	92	43,084
General corporate expenses					4,656
Interest, net					4,791
Income before taxes					33,637
Assets employed at year-end	$ 97,059	$154,786	$ 88,393		$340,238
Capital expenditures	$ 6,895	$ 7,566	$ 2,455		$ 16,916
Depreciation	$ 5,074	$ 8,943	$ 2,707		$ 16,724

*Intersegment sales of non-fabricated textile products.

Export Sales

AMETEK, INC.

NOTES TO FINANCIAL STATEMENTS

8 (In Part): Other Information

Information as to the Company's business segments is shown on pages 26 and 27.

FINANCIAL INFORMATION BY SEGMENTS AND EXPORT SALES

(in thousands)

Net sales	1984	1983	1982
Electro-mechanical	$175,889	$160,015	$150,241
Process Equipment	48,929	55,719	72,115
Precision Instruments	133,252	112,004	108,146
Industrial Materials	145,856	120,414	93,149
Total consolidated(1)	$503,926	$448,152	$423,651
Operating profit			
Electro-mechanical	$ 30,757	$ 33,178	$ 25,660
Process Equipment	6,942	4,936	7,965
Precision Instruments	22,842	17,692	16,366
Industrial Materials	26,194	16,930	13,459
Segment operating profit(2)	86,735	72,736	63,450
Corporate, administrative, research and net interest expenses	(17,059)	(14,539)	(12,633)
Income before taxes	$ 69,676	$ 58,197	$ 50,817
Export sales by geographic area (included above):			
Europe	$ 21,382	$ 24,239	$ 31,143
Canada	15,205	10,214	9,218
Other	8,997	10,075	12,901
Total export sales	$ 45,584	$ 44,528	$ 53,262
Identifiable assets (Used by each segment at December 31):			
Electro-mechanical	$ 63,172	$ 54,860	$ 56,895
Process Equipment	29,930	28,592	31,814
Precision Instruments	63,133	59,411	58,528
Industrial Materials	69,242	70,739	54,657
Total segments	225,477	213,602	201,894
Corporate (Principally cash and equivalents and investments)	111,585	95,634	89,660
Total consolidated	$337,062	$309,236	$291,554
Additions to property, plant and equipment(3):			
Electro-mechanical	$ 4,545	$ 3,966	$ 6,955
Process Equipment	2,173	1,791	5,278
Precision Instruments	3,159	1,671	2,804
Industrial Materials	8,543	7,823	2,735
Total segments	18,420	15,251	17,772
Corporate	116	41	27
Total consolidated	$ 18,536	$ 15,292	$ 17,799
Depreciation and amortization:			
Electro-mechanical	$ 3,672	$ 3,130	$ 2,835
Process Equipment	1,263	1,446	1,398
Precision Instruments	3,529	3,309	3,078
Industrial Materials	7,474	6,753	5,798
Total segments	15,938	14,638	13,109
Corporate	61	46	111
Total consolidated	$ 15,999	$ 14,684	$ 13,220

(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.

(3) Includes $794, $4,308 and $590 in connection with businesses acquired in 1984, 1983 and 1982.

BAIRD CORPORATION

NOTES TO FINANCIAL STATEMENTS

12 (In Part): Segment Information

* * *

B. Geographical Distribution

1984	Domestic	Export	Foreign Based	Total
Sales	$26,459	$10,103	$9,769	$46,331
Operating profit	4,645	1,927	1,538	8,110
Identifiable assets	23,837	5,691	5,372	34,900
1983				
Sales	$28,675	$ 8,238	$7,348	$44,261
Operating profit	4,907	1,336	1,123	7,366
Identifiable assets	21,063	5,949	6,629	33,641
1982				
Sales	$25,591	$ 9,306	$7,186	$42,083
Operating profit	3,935	1,199	401	5,535
Identifiable assets	18,610	8,611	5,422	32,643

C. Major Customers

Direct sales to the U.S. Government, principally from the optical segment, were $9.9 million in 1984 ($11.7 million in 1983 and $8.5 million in 1982). Sales to foreign governments in 1984 were $7.9 million in the aggregate ($5.5 million in 1983 and $5.8 million in 1982).

TABLE 1-4: MONTH OF FISCAL YEAR END

	1984	1983	1982	1981
January	25	25	25	26
February	12	12	15	13
March	13	13	12	14
April	6	6	7	6
May	13	13	13	11
June	40	37	38	40
July	16	17	17	12
August	20	23	22	21
September	39	39	38	41
October	28	25	24	24
November	14	13	11	9
Subtotal	**226**	**223**	**222**	**217**
December	374	377	378	383
Total Companies	**600**	**600**	**600**	**600**

NATURAL BUSINESS YEAR

For years, the accounting and legal professions, printers, the Securities and Exchange Commission, and others interested in various aspects of the year-end bottleneck have advocated that companies adopt a natural business year. A natural business year is the period of 12 consecutive months which ends when a business's activities have reached the lowest point in its annual cycle. In many instances, the natural business year of a company is December 31.

Table 1-4 summarizes, by the month in which a fiscal year ends, the fiscal year endings of the survey companies. For tabulation purposes, if a fiscal year ended in the first week of a month, the fiscal year was considered to have ended in the preceding month.

One hundred twenty survey companies use a 52–53 week fiscal year.

During 1984, seven companies changed the date of their fiscal year end. Examples of such changes and examples of fiscal year definitions follow.

Change in Date of Fiscal Year Ending

DART & KRAFT, INC.

Consolidated Balance Sheet

Dec. 29, 1984 Dec. 31, 1983

Consolidated Statement of Income

Years Ended Dec. 29, 1984 Dec. 31, 1983 Dec. 31, 1982

Consolidated Statement of Changes in Financial Position

Years Ended Dec. 29, 1984 Dec. 31, 1983 Dec. 31, 1982

Consolidated Statement of Shareholders' Equity

For the Three Years Ended December 29, 1984

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Change in Fiscal Year. Effective January 1, 1984, the company changed its annual accounting period from a calendar year to a fiscal year ending on the last Saturday of December. The fiscal year 1984 ended December 29, 1984, and was comprised of 52 weeks.

Auditors' Report

To the Board of Directors and Shareholders of Dart & Kraft, Inc.:

We have examined the consolidated balance sheet of Dart & Kraft, Inc. (a Delaware corporation) and subsidiaries as of December 29, 1984, and December 31, 1983, 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 29, 1984. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of certain wholly owned subsidiaries, whose net sales and total assets represent approximately 30% and 40%, respectively, of the related consolidated totals, were examined by other auditors and we were furnished with their reports thereon.

In our opinion, based on our examinations and the reports of other auditors, the consolidated financial statements referred to above present fairly the financial position of Dart & Kraft, Inc. and subsidiaries as of December 29, 1984, and December 31, 1983, and the results of their operations and changes in their financial position for each of the three years in the period ended December 29, 1984, in conformity with generally accepted accounting principles applied on a consistent basis.

COMPUGRAPHIC CORPORATION

Consolidated Balance Sheet

December 29, 1984 and December 31, 1983

Consolidated Statement of Income

For the three years ended December 29, 1984	1984	1983	1982

Consolidated Statement of Changes in Financial Position

For the three years ended December 29, 1984	1984	1983	1982

Consolidated Statement of Stockholders' Investment

For the three years ended December 29, 1984

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. (In Part): Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Compugraphic Corporation (the "Company") and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

The Company changed its fiscal year from the Saturday closest to September 30 in each year to the Saturday closest to December 31. Therefore, the fiscal years 1983 and 1982 previously reported have been restated to conform to the new fiscal year. In addition, the consolidated financial statements for 1983 and 1982 have been restated to reflect reclassifications of certain costs and expenses. These changes have no effect on previously reported earnings. The financial statements included herein each contain 52 weeks.

Auditors' Report

To the Stockholders and Board of Directors of Compugraphic Corporation:

We have examined the consolidated balance sheet of Compugraphic Corporation (a Massachusetts corporation) and subsidiaries as of December 29, 1984 and December 31, 1983, and the consolidated statements of income, stockholders' investment, and changes in financial position for each of the three years in the period ended December 29, 1984. 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 Compugraphic Corporation and subsidiaries as of December 29, 1984 and December 31, 1983 and the results of their operations and changes in their financial position for each of the three years in the period ended December 29, 1984, in conformity with generally accepted accounting principles consistently applied during the period subsequent to the change (with which we concur) made as of October 3, 1982, in the method of accounting for foreign currency translation as explained in Note 1 to the consolidated financial statements.

GENERAL HOST CORPORATION

Consolidated Balance Sheet

January 27, 1985 and December 31, 1983

Consolidated Statement of Income

Fiscal Years Ended January 27, 1985, December 31, 1983 and December 25, 1982

Consolidated Statement of Changes in Financial Position

Fiscal Years Ended January 27, 1985, December 31, 1983 and December 25, 1982

Consolidated Statement of Changes in Shareholders' Equity

Fiscal Years Ended January 27, 1985, December 31, 1983 and December 25, 1982

NOTES TO FINANCIAL STATEMENTS

Note 2: Fiscal Year

In 1984 the Company changed its fiscal year-end to the last Sunday in January from the last Saturday in December. Accordingly, the 1984 year began Monday, January 30, 1984 and ended Sunday, January 27, 1985. During the four week period ended January 29, 1984, sales of continuing operations amounted to $25,165,000 and there was a loss from continuing operations of $3,852,000, or $.20 per share (as compared with sales of continuing operations of $16,965,000 and a loss from continuing operations of $729,000, or $.04 per share, in the corresponding four week period of 1983).

The net loss for the 1984 period of $3,721,000 (including income from discontinued operations of $131,000) was charged directly to retained earnings. Working capital declined $9,683,000 during the four week period ended January 29, 1984, primarily due to seasonal losses and capital additions.

Report of Independent Accountants

To the Directors and Shareholders of
General Host Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of changes in shareholders' equity and of changes in financial position present fairly the financial position of General Host Corporation and its subsidiaries at January 27, 1985 and December 31, 1983, and the results of their operations and the changes in their financial position for the fiscal years ended January 27, 1985, December 31, 1983 and December 25, 1982 in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

MATTEL, INC.

Consolidated Balance Sheets

	December 29, 1984	January 28, 1984

Consolidated Results of Operations

	For the Year Ended	
Dec 29, 1984	Jan 28, 1984	Jan 29, 1983

Consolidated Statements of Changes in Financial Position

	For the Year Ended	
Dec 29, 1984	Jan 28, 1984	Jan 29, 1983

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Change in Fiscal Year—The Company has changed its financial reporting year effective December 29, 1984 to a year ending on the last Saturday of December from a year ending on the Saturday nearest January 31. The accompanying financial statements present the results for the twelve months ended December 29, 1984 with comparisons to prior years' results as originally reported. Because the month of January 1984, previously included in the prior year ended January 28, 1984, will also be reported as part of the new year ended December 29, 1984, an adjustment has been made to January 28, 1984 retained earnings in the amount of January 1984's results. In January 1984, the Company had a loss from continuing operations of $18.8 million.

Report of Independent Accountants

To the Board of Directors and
Shareholders of Mattel, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, shareholders' equity (deficit) and changes in financial position present fairly the financial position of Mattel, Inc. and its subsidiaries at December 29, 1984 and January 28, 1984, and the results of their operations and the changes in their financial position for each of the three years in the period ended December 29, 1984, in conformity with generally accepted accounting principles consistently applied, except for the change, with which we concur, in the method of accounting for foreign currency translation as described in Note 1. 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.

TALLEY INDUSTRIES, INC.

Consolidated Balance Sheet

December 31, 1984	1983

Consolidated Statement of Earnings

Year Ended December 31, 1984	Nine Months Ended December 31, 1983	Year Ended March 31, 1983

Consolidated Statement of Changes in Financial Position

Year Ended December 31, 1984	Nine Months Ended December 31, 1983	Year Ended March 31, 1983

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies (In Part)

Year-End Change:

Effective April 1, 1983, the Company changed its financial reporting year-end from March 31 to December 31. This change results in a better matching of financial reporting with the natural business year of most of the Company's operations.

Accountants' Report

The Board of Directors
of Talley Industries, Inc.:

We have examined the consolidated balance sheet of Talley Industries, Inc. and subsidiaries as of December 31, 1984 and 1983, and the related consolidated statements of earnings, changes in stockholders' equity and changes in financial position for the year ended December 31, 1984, nine months ended December 31, 1983 and the year ended

March 31, 1983. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of Talley Industries, Inc. and subsidiaries as of December 31, 1984 and 1983, and the consolidated results of their operations and changes in financial position for the year ended December 31, 1984, nine months ended December 31, 1983 and the year ended March 31, 1983, in conformity with generally accepted accounting principles applied on a consistent basis.

VARIAN ASSOCIATES, INC.

Consolidated Balance Sheets

	September 28, 1984	September 30, 1983

Consolidated Statements of Income

	Years Ended	
September 28, 1984	September 30, 1983	September 30, 1982

Consolidated Statements of Changes in Financial Position

	Years Ended	
Sept. 28, 1984	Sept. 30, 1983	Sept. 30, 1982

Consolidated Statements of Shareholders' Equity

Years Ended September 28, 1984 and September 30, 1983 and 1982

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Fiscal Year

In 1983, the Company changed from a fiscal year ending on September 30 to one ending on the Friday closest to September 30. The last day of fiscal 1984, 1983 and 1982 was September 28, September 30 and September 30, respectively.

Report of Independent Certified Public Accountants

To the Board of Directors and Shareholders
of Varian Associates, Inc.

We have examined the consolidated balance sheets of Varian Associates, Inc. and subsidiary companies at September 28, 1984 and September 30, 1983, and the related consolidated statements of income, shareholders' equity and changes in financial position for each of the three fiscal years in the period ended September 28, 1984. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of Varian Associates, Inc. and subsidiary companies at September 28, 1984 and September 30, 1983, and the consolidated results of their operations and changes in their financial position for each of the three fiscal years in the period ended September 28, 1984, in conformity with generally accepted accounting principles applied on a consistent basis.

Definition of Fiscal Year

ALLEGHENY INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Fiscal Year. Allegheny's fiscal year ends on the Sunday nearest December 31.

H.J. HEINZ COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Fiscal Year: The company operates on a fiscal year ending the Wednesday nearest April 30. Fiscal years for the financial statements included herein ended on May 2, 1984, April 27, 1983 and April 28, 1982.

JOY MANUFACTURING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Statement of Accounting Policies

Basis of Presentation

The company's fiscal year ends on the last Friday in September. The three most recent fiscal years ended at September 28, 1984, September 30, 1983 and September 24, 1982. The 1983 fiscal year was a fifty-three week period rather than the normal fifty-two weeks. Unless otherwise specified, all references to a year in these notes are to the fiscal year ending in the year stated.

The consolidated financial statements generally include the accounts of the company and all wholly-owned subsidiaries. Joy Finance Company is a wholly-owned unconsolidated subsidiary and is accounted for using the equity method.

HERMAN MILLER, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting and Reporting Policies (In Part)

Fiscal Year

The company's fiscal year ends on the Saturday closest to May 31. Fiscal year 1984 includes 53 weeks. All other years presented include 52 weeks.

THE RYMER COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Beginning in 1983, the Company changed its year-end from December 31 to the last Saturday in October. The accompanying financial statements present the year ended October 27, 1984, the ten month period ended October 29, 1983, and the year ended December 31, 1982. On November 30, 1983, the Company changed its name from Kroehler Mfg. Co. to The Rymer Company.

All share and per share data included in the consolidated financial statements and notes to the consolidated financial statements reflect the four-for-three stock split distributed to shareholders on April 27, 1984.

SAFEWAY STORES, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Fiscal Year:

The fiscal year for Safeway Stores, Incorporated (the company) and its Canadian subsidiary ends on the Saturday nearest December 31. Fiscal years of overseas subsidiaries follow a similar pattern but generally end on the Saturday nearest September 30, to allow sufficient time to gather information from overseas for U.S. reporting purposes.

SCOTT PAPER COMPANY

ACCOUNTING POLICIES

Fiscal Year End: The Company's fiscal year ends on the last Saturday in December. Fiscal years 1984 and 1982 consisted of 52 weeks, while fiscal year 1983 consisted of 53 weeks. To facilitate prompt reporting of Scott's financial results, the financial statements of the consolidated subsidiaries in Europe and Taiwan and the unconsolidated international affiliates are based on the twelve months ending November 30, except BCFP which is reported on a calendar year basis.

ROUNDING OF AMOUNTS

Table 1-5 shows a continuing increase in the number of survey companies stating financial statement amounts in millions of dollars.

TABLE 1-5: ROUNDING OF AMOUNTS

	1984	1983	1982	1981
To nearest dollar	72	75	81	89
To nearest thousand dollars:				
Omitting 000	357	363	351	335
Presenting 000	50	54	66	79
To nearest million dollars	121	108	102	97
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 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.

The order of financial statement presentation seen frequently in the annual reports of the survey companies is one of the following: income statement followed by balance sheet (221 companies); balance sheet followed by income statement (186 companies); or income statement followed by statement of retained earnings (114 companies).

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

	1984	1983	1982	1981
General reference only......	335	333	317	300
General and direct references	258	259	274	292
Direct reference only........	4	4	5	5
No reference to notes.......	3	4	4	3
Total Companies........	**600**	**600**	**600**	**600**

TABLE 1-7: DISCLOSURE OF ACCOUNTING POLICIES

	Number of Companies			
	1984	1983	1982	1981
Consolidation basis	581	580	578	582
Depreciation methods	580	582	585	587
Inventory pricing............	556	560	557	557
Interperiod tax allocation ...	530	533	528	525
Property	497	481	476	477
Earnings per share calculation........................	375	376	367	364
Amortization of intangibles .	294	292	289	287
Employee benefits	281	308	323	327
Translation of foreign currency.......................	261	268	243	200
Research and development costs	145	142	137	147
Capitalization of interest	86	93	101	106

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.

AMERICAN STANDARD INC.

NOTES TO FINANCIAL STATEMENTS

Note 1: Accounting Policies

Consolidation

The financial statements include on a consolidated basis the results of all majority-owned operating subsidiaries. All material intercompany transactions are eliminated. Investments in associated companies are included at cost plus the Company's equity in their net income.

Translation of Foreign Financial Statements

Assets and liabilities of most foreign operations are translated at year-end rates of exchange, and the income statements are translated at the average rates of exchange for the year. Gains or losses resulting from translating foreign currency financial statements are accumulated in a separate component of stockholders' equity until the entity is sold or substantially liquidated.

Gains or losses resulting from foreign currency transactions (transactions denominated in a currency other than the entity's local currency) are generally included in net income. In addition, for operations in countries that are considered to have highly inflationary economies (Brazil and Mexico), gains and losses from translating assets and liabilities at year-end rates of exchange, except for inventories and facilities, which are translated at historical rates, are included in net income.

Inventories

Inventory costs are determined by the use of the last-in, first-out (LIFO) method on a worldwide basis. LIFO accounting is a conservative method of accounting that, compared with other inventory accounting methods, provides a better matching of current costs with current revenues and eliminates most "inventory profits" from reported results. However, in each of the past three years earnings were approximately the same as they would have been if the Company had followed the first-in, first-out (FIFO) inventory method because of lower worldwide inflation and sizable reductions of lower-cost LIFO inventories which benefited income by approximately $5 million in each year. The LIFO carrying value of inventories on the balance sheet is substantially below current cost.

Facilities

The Company capitalizes in the facilities accounts costs, including interest during construction, of fixed asset additions, improvements, and betterments that add to productive capacity or extend the asset life. Maintenance and repair expenditures are charged against income. The benefits from investment tax credits are taken as a reduction of taxes on income in the year they arise. Significant foreign investment grants are amortized into income over the period of benefit.

Warranties

The Company provides for estimated warranty costs at the time of sale. Accrued costs applicable to warranty obligations beyond one year are classified as other long-term liabilities.

Leases

The asset values of capitalized leases are included with facilities, and the associated liabilities are included with long-term debt.

Depreciation

Depreciation and amortization are computed on the straight-line method based on the estimated useful life of the asset or asset group.

Retirement Costs

Retirement benefits are provided for substantially all employees of the Company, both in the United States and abroad. The Company's policy in the United States is to fund its retirement costs currently and to amortize past service costs at a level percentage of projected payroll over a 20-year period. Retirement plan expense of foreign operations is determined on substantially the same basis as for U.S. plans. In certain foreign countries pension obligations are assumed directly by the Company, and the resulting actuarial liabilities appear under "reserve for foreign pensions and termination indemnities."

Income Taxes

The Company provides for United States taxes on foreign earnings expected to be repatriated. Future income tax benefits represent tax effects of expense items, such as foreign LIFO inventory adjustments, deducted in the determination of pretax income for financial statement purposes that will be deducted for tax purposes in later years. Deferred taxes on income are primarily due to tax depreciation deductions in excess of depreciation reported in the financial statements.

Goodwill

Goodwill, principally from the acquisition of The Mosler Safe Company in 1967 and The Trane Company in 1984, represents the excess of the purchase price over the fair market value of the net assets acquired. In accordance with Accounting Principles Board Opinion No. 17, goodwill arising after 1970 of approximately $54 million is being amortized over 40 years.

DIGITAL EQUIPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A–Significant Accounting Policies

Principles of Consolidation—The consolidated financial statements of the Company include the financial statements of the parent and its domestic and foreign subsidiaries, all of which are wholly-owned. All significant intercompany accounts and profits have been eliminated.

Translation of Foreign Currencies—Assets and liabilities of foreign subsidiaries are translated into U.S. dollars at current exchange rates, except that inventories and property, plant and equipment are translated at historical rates. Income and expense items are translated at average rates of exchange prevailing during the year, except that cost of sales and depreciation are translated at historical rates. Exchange gains and losses arising from translation are included in income currently.

In fiscal 1984, the Company adopted the Financial Accounting Standard No. 52, "Foreign Currency Translation." For foreign operations, the U.S. dollar continues to be the functional currency under the new standard. Adoption of FAS No. 52 in 1984 had no significant impact on the Company's operating results. Retained earnings have been increased by $6,907,000 for the difference in translation of net deferred income tax charges and credits between FAS No. 52 and FAS No. 8.

The Company enters into forward exchange contracts to reduce the impact of foreign currency fluctuations on certain sales transactions and the asset and liability positions of foreign subsidiaries. The gains or losses on these contracts are included in income when the revenue from the sales is recognized and for assets and liabilities in the period in which the exchange rates change.

Revenue Recognition—Revenues from equipment sales are recognized at the time the equipment is shipped. Service and other revenues are recognized ratably over the contractual period or as the services are performed.

Research and Engineering and Warranty Costs—Research and engineering and warranty costs are expensed as incurred. The Company's accounting policies with respect to warranty costs result in approximately the same charge to expense as would accrual of such warranty costs at the time fo sale.

Taxes—In general, the Company's practice is to reinvest the earnings of its foreign subsidiaries in those operations and repatriation of retained earnings is done only when it is advantageous to do so. Applicable taxes are provided only on amounts planned to be remitted. Management believes that sufficient deferred taxes have been provided for the undistributed earnings of the Company's Domestic International

Sales Corporation ("DISC"). Accordingly, the Company discontinued the provision of deferred taxes on the undistributed DISC earnings in the fiscal year ending June 30, 1984. Investment tax credits are treated as reductions of income taxes in the year in which the credits arise.

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

Property, Plant and Equipment—Depreciation expense is computed principally on the following basis:

Classification	Depreciation Lives and Methods
Buildings	33 years (straight-line)
Leasehold improvements	Life of assets or term of lease, whichever is shorter (straight-line)
Machinery and equipment	8 and 10 years (sum-of-years), 4 and 5 years (double declining-balance)

WALT DISNEY PRODUCTIONS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its domestic and foreign subsidiaries, all wholly owned.

The Consolidated Balance Sheet for fiscal 1983 has been restated to conform to a nonclassified presentation adopted in fiscal 1984, which does not distinguish between current and noncurrent assets and liabilities. The Company believes that a nonclassified balance sheet provides a more meaningful presentation for real estate inventories, film production costs and entertainment attractions consistent with the business cycles of the Company's operations. In addition, this conforms with the Company's presentation of changes in cash rather than working capital as shown in the Consolidated Statement of Changes in Financial Position.

Revenue Recognition

Generally, revenues are recorded when the earnings process is substantially complete and goods have been delivered or services performed. Revenues from participant/sponsors at the theme parks and Epcot Center are recorded over the period of the applicable agreements commencing with the opening of the attraction. Revenues from the theatrical distribution of motion pictures are recognized when motion pictures are exhibited domestically and when revenues are reported from foreign distributors; revenues from television licensing agreements are generally recorded when the film is available to the licensee and certain other conditions are met. Profit is recognized in full on sales of real estate when collectibility of the sales price is reasonably assured and the earnings process is virtually complete; if the sale does not meet requirements for recognition, profit is deferred until such requirements are met. Profit is recognized on residential unit sales at the time of closing.

Merchandise Inventories

Costs of merchandise, materials and supplies inventories are generally determined on the moving average basis and the retail method and are stated at the lower of cost or market.

Film Production Costs and Amortization

Costs of completed theatrical and commercial television film productions (negative costs), together with applicable capitalized exploitation costs, are amortized by charges to income in the proportion that gross revenues recognized by the Company during the year for each production bears to the estimated total gross revenues to be received. Estimates of total gross revenues are reviewed periodically and amortization is adjusted accordingly. If unamortized cost exceeds the estimated producers share of film rentals to be received, the carrying value of the film is adjusted to expected net realizable value. Programming costs for The Disney Channel are amortized on a straight-line basis over the estimated useful lives of the programs.

Real Estate Inventories

Real estate inventories are carried at cost not to exceed estimates of net realizable value determined on an individual project basis. Land and land development is apportioned among the projects on the basis of acreage. Marketing and other capitalized predevelopment costs relating to residential and commercial projects are charged to cost of real estate sales as related units are closed.

Entertainment Attractions and Other Property

The Company, at any one point in time, will have a number of projects in the concept, design, or construction phases related to entertainment and recreation attractions, buildings and equipment. All projects in progress are evaluated on a continuing basis and, upon completion, costs of major replacements and improvements are capitalized. If it is determined that a project in progress has no future use, the costs of such project are charged to income under the caption "Design Projects Abandoned."

Depreciation is provided principally on the straight line method using estimated service lives ranging from four to fifty years.

Other Assets

Deferred preopening and start-up costs relating to Epcot Center and The Disney Channel are being amortized over five years.

Rights to the name, likeness and portrait of Walt Disney are being amortized over forty years.

Taxes on Income

Taxes are provided on all revenue and expense items included in the Consolidated Statement of Income, regardless of the period in which such items are recognized for income tax purposes, except for items representing a permanent difference between pretax accounting income and taxable income. In fiscal 1984, the method of accounting for investment tax credits was changed from the deferral method, which amortizes the credits over the estimated useful lives of the related assets, to the flow-through method, which reduces the provision for taxes on income in the year the related assets are placed into service (Note 4).

Stock Options

Proceeds from the sale of common stock issued under stock option plans are accounted for as capital transactions. If stock appreciation rights are granted in connection with options granted, income is charged or credited over the vesting period for the difference between the market price of the Company's stock and the option price of the appreciation rights outstanding.

Earnings per Share

Earnings per common and common equivalent share are computed on the basis of the average number of shares outstanding during each year, retroactively adjusted to give effect to all stock splits and stock dividends. It is assumed that all dilutive stock options are exercised at the beginning of each year and that the proceeds are used to purchase shares of the Company's common stock at the average market price during the year.

HARRIS CORPORATION

NOTES TO FINANCIAL STATEMENTS

Significant Accounting Policies

Principles of Consolidation—The consolidated financial statements include the accounts of the Corporation and its subsidiaries, except Lanier Financial Services, Inc., a wholly-owned finance subsidiary which is accounted for on the equity method. Gains and losses from currency transactions included in earnings are not significant in years presented.

Marketable Securities—Short-term securities, including accrued interest, are carried at the lower of cost or market.

Inventories—Inventories are priced at the lower of cost (determined by average and first-in, first-out methods) or market.

Rental Equipment—Rental equipment is carried on the basis of cost. Depreciation is computed by straight-line and accelerated methods using estimated useful lives up to 5 years.

Plant and Equipment—Plant and equipment is carried on the basis of cost. Depreciation is computed by straight-line and accelerated methods using estimated useful lives of the assets.

Intangibles—Intangibles resulting from acquisitions are being amortized by the straight-line method over periods ranging from 5 to 40 years except for intangibles arising from the acquisition of certain companies prior to October 31, 1970, which are not being amortized because, in the opinion of management, there has been no decrease in value.

Revenue Recognition—Revenue is recognized from sales other than on long-term contracts when a product is shipped, from rentals as they accrue, and from services when performed. Revenue on long-term contracts is accounted for principally by the percentage-of-completion method whereby income is recognized based on the estimated stage of completion of individual contracts. Unearned income on service contracts is amortized by the straight-line method over the life of the contracts.

Retirement Benefits—The Corporation and its subsidiaries provide retirement benefits to substantially all employees primarily through a retirement plan having profit-sharing and savings elements. Contributions by the Corporation to the retirement plan are based on profits and employees' savings with no other funding requirements. The Corporation may make additional contributions to the fund at its discretion. The Corporation also has a non-contributory defined benefit pension plan which is fully funded.

Income Taxes—Investment tax credits are accounted for by the flow-through method. Deferred taxes are provided for timing differences arising primarily from completed-contract accounting for long-term contracts, depreciation, leases and installment sales.

Earnings Per Share—Net income per share is based upon the weighted average of common shares and common share equivalents outstanding during each year.

NABISCO BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies

Consolidation—The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. Investments in 20%-to 50%-owned affiliates in which management has the ability to exercise significant influence are included using the equity method of accounting. The Company's share of results of operations from these affiliates is recorded in Miscellaneous (income) expense, net. Other investments in affiliates are carried at cost. All significant intercompany accounts and transactions have been eliminated. The financial statements of international subsidiaries, except Canada, are included on the basis of a November 30 fiscal year, to facilitate prompt reporting of year-end consolidated results.

Inventories are valued principally at the lower of average cost or market.

Commodity futures—The Company, in the normal course of business, regularly projects its raw materials requirements. Due to wide fluctuations in the market prices for various agricultural commodities, the Company frequently enters into futures contracts to hedge the price risk associated with anticipated purchases. The Company accounts for changes in the market value of futures contracts as an addition to or reduction from the raw material inventory cost. Market value changes are recorded in Cost of sales when the related finished products are sold.

Property, plant and equipment are recorded at cost. For financial reporting purposes, depreciation expense is generally provided on a straight-line basis, using estimated useful lives of 20 to 40 years for Buildings and 3 to 20 years for Machinery and equipment.

Expenditures that result in the enhancement of the assets involved are capitalized. Maintenance and repair costs are expensed when incurred. Upon sale or other disposition, any gain or loss is included in income.

Facilities leased under capital leases are recorded in Property, plant and equipment, with corresponding obligations carried in Short- and Long-term debt. The amount capitalized is the lower of the present value of minimum lease payments or the fair value of the leased property. Depreciation on capital leases is recorded on a straight-line basis, generally over the lease term.

Goodwill and other intangibles, net of amortization—Intangible assets acquired after October 31, 1970, are amortized on a straight-line basis over periods not exceeding 40 years. Most intangibles acquired prior to October 31, 1970, are not being amortized since the Company believes there has been no diminution in the value of these assets. As of

December 31, 1984 and 1983, $303 million and $270 million, respectively, of intangibles were being amortized.

Income taxes—Deferred income taxes, principally U.S. Federal taxes, are provided for timing differences between financial and taxable income. Such differences result primarily from the use of accelerated cost recovery methods for tax purposes, which provide more depreciation expense in the early years than in the later years of the lives of the assets being depreciated. The U.S. investment tax credit, earned on qualified capital additions, is accounted for by the flow-through method, which reduces income tax expense in the year the additions are placed in service.

U.S. Federal taxes are provided on undistributed earnings of foreign subsidiaries that are not considered indefinitely reinvested. If the reinvested foreign earnings were remitted, it is expected that the amount of U.S. Federal taxes required would not be significant because of the availability of foreign tax credits.

Foreign currency translation—At the beginning of 1982, the Company adopted SFAS No. 52, "Foreign Currency Translation," for translating its foreign currency financial statements. Under the provisions of SFAS No. 52, assets and liabilities of foreign operations are generally translated at the current exchange rate at the balance sheet date, rather than at current and historical rates. The related translation adjustments are reported as a separate component of Shareholders' equity and are not included in net income until an operation is sold or liquidated. For operations in highly inflationary countries, the related foreign translation adjustments are included in net income.

PANTRY PRIDE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies

FISCAL YEAR

The Company's fiscal year ends on the Saturday nearest to July 31.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All material intercompany accounts and transactions have been eliminated.

ACCOUNTS RECEIVABLE

Accounts receivable installments are generally due from six to eighteen months. In accordance with trade practice, installments maturing in more than one year have been included in current assets. Interest on installment accounts receivable is recognized over the terms of the receivables based on an interest method.

INVENTORIES

Inventories are stated at the lower of cost or market, with cost being determined as follows: inventories in supermarkets, principally the retail inventory method; inventories in warehouses and all Devon locations, principally average cost.

PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost or, in the case of capitalized leases, at the present value of the future lease payments. Depreciation and amortization are computed by the straight-line method over the estimated useful lives of the assets, and in the case of leasehold improvements, the shorter of the term of the lease or the estimated useful life of the improvements.

GOODWILL

Goodwill is the excess of cost over the fair value of net assets acquired and is being amortized by the straight-line method over 40 years.

DEFERRED INCOME

Deferred income represents the unrecognized gains resulting from the renegotiation of certain lease obligations which are amortized over the terms of the renegotiated leases.

STORE CLOSING AND OPENING EXPENSE

Losses resulting from store closings are provided for in the period when the decision is made to close the store, along with estimated losses on related asset dispositions. Non-capitalizable expenses incurred in connection with new, remodeled, or enlarged stores are expensed during the period the store is opened.

INSURANCE

The Company is self-insured for health and dental costs and was self-insured for worker's compensation, automobile and general liability prior to October 1983. Subsequent to that period, the coverage was changed to a prefunded insured program with both specific and aggregate excess coverages established. The remaining estimated self-insurance liability is based upon a review by the Company and an independent insurance broker of claims filed and claims incurred but not reported.

RETIREMENT PLANS

Pension expense charged to operations includes normal cost and amortization of prior service costs over a 40-year period. Pension costs are funded as accrued except that a waiver from the Internal Revenue Service had been obtained whereby 1978 costs of certain pension plans will be funded over a 15-year period.

BUSINESS SEGMENTS

Substantially all of the Company's assets, sales and operating earnings are employed or derived from a combination of retail supermarket and consumer merchandise operations in the United States.

RECLASSIFICATION

Certain reclassifications have been made to conform to the 1984 presentation.

ACCOUNTING CHANGES

Table 1-8 lists the accounting changes disclosed in the 1984 annual reports of the survey companies. *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. Examples of changes in actuarial assumptions or cost methods are presented in connection with Table 3-8. 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			
	1984	1983	1982	1981
Actuarial assumptions or cost methods	135	96	158	129
Foreign currency translation	12	64	167	142
Reporting entity	9	9	4	8
LIFO method adopted or extended	4	6	14	25
Other inventory changes	7	4	7	7
Depreciable lives	3	6	6	—
Depreciation method	4	5	9	13
Investment credit	3	2	7	8
Taxes on undistributed earnings	—	2	6	6
Compensated absences	1	—	50	136
Interest capitalization	—	—	2	28
Other—described	15	11	26	22

CHANGE IN ACCOUNTING ESTIMATES

MURPHY OIL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note I (In Part): Property, Plant and Equipment—Details of property, plant and equipment appear on page 29. The estimated useful life of offshore drilling barges was extended, based on experience, from 12 to 16 years effective January 1, 1984. Extending the useful life reduced depreciation in 1984 by $42,721,000 and increased net income $13,696,000, $.37 a share.

CHANGE IN ACCOUNTING PRINCIPLES

AUXTON COMPUTER ENTERPRISES, INCORPORATED

Statements of Earnings

Years Ended December 31, 1984, 1983, and 1982

	1984	1983	1982
Earnings Before Cumulative Effect of Change in Accounting Principle	$1,588,283	$1,532,870	$790,425
Cumulative Effect on Prior Years (to December 31, 1983) of Changing the Method of Recognizing License Fees	(69,000)		
Net Earnings	$1,519,283	$1,532,870	$790,425
Earnings Per Share:			
Earnings Before Cumulative Effect of Change in Accounting Principle	$ .31	$ .30	$ .16
Cumulative Effect on Prior Years (to December 31, 1983) of Changing the Method of Recognizing License Fees	(.01)		
Net Earnings	$ .30	$ .30	$ .16
Pro Forma Amounts Assuming the New Method of Recognizing License Fees is Applied Retroactively:			
Net Earnings	$1,588,283	$1,546,489	$704,070
Net Earnings Per Share	$ .31	$ .30	$ .14

NOTES TO FINANCIAL STATEMENTS

Note A (In Part): Proprietary Software Sales

In 1984, the Company changed its method of accounting for the recognition of license fees pertaining to proprietary software sales. Prior to 1984, such license fees were recognized in full as revenues upon contract signing. Under the new method, a portion of the license fee, based on the relationship of costs incurred to achieve a signed contract to the total estimated costs associated with the license fee, is recognized as revenue upon contract signing. The balance is recognized on a straight-line basis over the term of the installation as provided within the contract. The Company believes that the new method is preferable since the recognition of revenue more closely correlates to the associated costs and the term of the installation.

As a result of this change, earnings in 1984 before the cumulative effect of the change on prior years, was decreased by approximately $73,000 ($.01 per share) and net earnings was decreased by approximately $142,000 ($.03 per share). The pro forma amounts reflect the effect of retroactive application on licensing fee revenues and the related income taxes.

Consulting fees for modification and installation of the software are recognized on the percentage-of-completion method based on costs.

FLUOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Foreign Currency Translation

In 1984 the company adopted Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation." Under the provisions of Statement No. 52, the effects of translating foreign subsidiaries' financial statements are recorded in a separate component of shareholders' equity. Previously, these translation effects were included in the determination of earnings in the period in which they occurred. The financial statements for prior periods have not been restated as the effects of this change are immaterial.

Net foreign currency exchange gains included in the determination of earnings approximated $1,000,000 in 1984, $24,000,000 in 1983 and $7,000,000 in 1982.

The changes in the cumulative translation adjustments for 1984 were as follows:

$ in thousands	
Balance at November 1, 1983	$(3,285)
Translation adjustments	(7,294)
Deferred income taxes on translation adjustments	3,355
Balance at October 31, 1984	$(7,224)

THE MURRAY OHIO MANUFACTURING COMPANY

Statement of Income

	YEAR ENDED DECEMBER 31,		
	1984	1983	1982
Income before cumulative effect of change in accounting principle	$6,421,558	$12,374,621	$5,092,651
Cumulative effect of change in accounting principle for investment tax credit	1,404,000	—	—
Net income	7,825,558	12,374,621	5,092,651
Earnings per common share:			
Before cumulative effect of change in accounting principle	$ 1.65	$ 3.53	$ 1.63
Cumulative effect of change in accounting principle for investment tax credit	.36	—	—
Earnings per common share	$ 2.01	$ 3.53	$ 1.63
Pro forma based on revised method of accounting for investment tax credit, applied retroactively:			
Net income	$6,421,558	$12,520,798	$5,184,024
Earnings per common share	$ 1.65	$ 3.57	$ 1.66

NOTES TO FINANCIAL STATEMENTS

Note C–Accounting Change (Investment Tax Credit)

Effective January 1, 1984, the company changed to the flow-through method of accounting for investment tax credits. The deferred method had been used in prior years. The change was made to conform to predominant U.S. industry practice. The flow-through method includes these credits in income in the year earned, while the deferred method amortized the credits over a ten-year period. This change in accounting method (after deductions of expenses relating to fringe benefits and related tax effects) increased 1984 net income by approximately $103,000 for credits earned during the year, and by $1,404,000 for the cumulative effect of the change; earnings per common share was increased by $.03 and $.36, respectively. Pro forma net income and earnings per common share amounts reflecting retroactive application of this change are shown on the Statement of Income.

SPECTRUM CONTROL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note B–Accounting Change

In 1984, the Company changed its method of accounting for employee vacation pay in compliance with Financial Accounting Standards Board Statement No. 43 since the obligation and related expense became subject to reasonable estimation. Accordingly, the Company began recording this compensation as it is earned, whereas in prior years, such compensation was recorded in the period of payment.

Since it is not practical to restate the year ended November 30, 1982, the cumulative effect of this accounting change on retained earnings at November 30, 1982 of $139,379 has been included in net income for 1983. The effect of this change in 1983 was to decrease net income by $154,989 or $.03 per share, consisting of $139,379 from the cumulative effect on prior years and $15,610 from the effect on 1983 compensation.

The pro forma effects of retroactive application of this accounting change to 1982 are not determinable since the obligation and related expense during the period cannot be reasonably estimated.

UNITED STATES SURGICAL CORPORATION

Consolidated Statements of Operations

Dollars and shares in thousands, except per share data	Year Ended December 31, 1984	1983	1982
Income (Loss) From Operations Before Extraordinary Items and Cumulative Effect on Prior Years of a Change in Accounting Principle	$13,610	$(4,588)	$686
Extraordinary Items (net of applicable income taxes):			
Costs of stockholder litigation	(4,025)		
Tax benefit resulting from utilization of loss carryforwards	785		
Income (Loss) Before Cumulative Effect on Prior Years of a Change in Accounting Principle	10,370	(4,588)	686
Cumulative Effect on Prior Years of a Change in Accounting Principle—Change in allocation of overhead costs to inventories	(2,768)		
Net Income (Loss)	$ 7,602	$(4,588)	$686

Note B—Securities and Exchange Commission Settlement and Accounting Change

In connection with a previously reported settlement with the Securities and Exchange Commission, the Company completed in 1984 the remaining undertakings with respect to a physical inventory of plant and equipment and a more specific determination of costs applied to inventories. The completion of the latter undertaking resulted in the adoption of a refinement in the Company's method of overhead allocation to inventories.

The new method, which was accounted for as a change in accounting principle, was adopted to reflect more accurately actual costs to the manufacturing process to the related inventories on hand at the end of an accounting period. The effect of this change in 1984 was to increase income before cumulative effect by approximately $1,000,000 ($.09 per share). The effect on prior years ($2,768,000—$.24 per share) is included as a charge to 1984 net income as a cumulative effect adjustment. The following proforma amounts show the effect on net income (loss) of 1983 and 1982 assuming the new method was applied retroactively:

Dollars in thousands, except per share data	Net income (loss) Year ended December 31, 1983	1982
As reported	$(4,588)	$ 686
Adjustment assuming new method was applied retroactively	679	(4,747)
	$(3,909)	$(4,061)
Per common share	$ (.36)	$ (.38)
Net income (loss) per common share, as reported	$ (.42)	$ .06

REPORTING ENTITY

CHROMALLOY AMERICAN CORPORATION

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Chromalloy American Corporation (the Company) and all subsidiaries, except those subsidiaries included in the Financial Services Group, which are accounted for by the equity method (see Note 3). The Financial Services Group consists of property-Casualty insurance subsidiaries included in the Chromalloy American Insurance Group, a real-estate subsidiary, The Center Company, and Chromalloy Leasing, Inc., a leasing subsidiary sold as of January 1, 1984. Intercompany transactions and accounts with subsidiaries have been eliminated.

To recognize the changing nature of the Company's business and to more clearly reflect the Company's consolidated financial position, results of operations and changes in financial position, the Company consolidated its previously non-consolidated finance subsidiary, Chromalloy Finance Corporation (CFC), in the fourth quarter of 1984. Accordingly, the consolidated financial statements for 1983 and 1982 have been restated to include CFC as a consolidated subsidiary. This restatement had no effect on the previously reported net loss for 1983 and 1982.

SCOTT PAPER COMPANY

Accounting Policies (In Part)

Principles of Consolidation: The consolidated financial statements include the accounts of all majority-owned domestic and international subsidiaries which are listed as consolidated operations on page 50. All significant intercompany transactions have been eliminated.

In 1984 Scott changed its consolidation policy to include in the consolidated financial statements its majority-owned subsidiaries in Europe and Taiwan, which were previously accounted for by the equity method. The newly consolidated companies are Scott Continental including its Scott Graphics International Division; Bouton Brochard Scott, S.A.; Gureola-Scott, S.A.; Scott S.p.A.; and Taiwan Scott Paper Corporation. The change in consolidation policy was made because majority ownership of these subsidiaries is no longer considered temporary. Financial data presented for previous periods as well as Quarterly Highlights have been restated for the change in policy. The restatement of prior periods did not change net income, earnings per common share, or shareholders' equity.

Scott primarily uses the equity method of accounting for its investments in unconsolidated international and supplier affiliates. Scott's share of the earnings of its supplier affiliates (excluding its share of the earnings of British Columbia Forest Products Limited (BCFP)) is reflected by applying its share of the pretax income of such affiliates as a reduction of product costs, and by including in taxes on income its share of the affiliates' income taxes. Scott's share of the earnings of BCFP is included as part of its share of the earnings of international equity affiliates. The international and supplier affiliates, including the percentage of ownership by Scott or its wholly-owned subsidiary, Scott Paper International, Inc., are listed on page 50.

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.

TABLE 1-9: CONSOLIDATION POLICIES

	1984	1983	1982	1981
Nature of Subsidiaries Not Consolidated				
Finance related				
Credit	104	97	102	94
Insurance	54	60	60	53
Leasing	15	18	21	24
Banks	5	5	4	6
Real Estate	26	31	33	29
Foreign	15	17	20	19
Number of Companies				
Consolidating all significant subsidiaries	420	419	414	423
Consolidating certain significant subsidiaries	174	172	180	168
Not presenting consolidated financial statements	6	9	6	9
Total Companies	**600**	**600**	**600**	**600**

All Subsidiaries Consolidated

CHOCK FULL O'NUTS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. Significant intercompany accounts and transactions have been eliminated in consolidation.

THE FIRESTONE TIRE & RUBBER COMPANY

NOTES TO FINANCIAL STATEMENTS

Significant Accounting Policies (In Part)

Principles of consolidation: The financial statements include the accounts of all subsidiaries in which the Company owns 50 percent or more of the voting stock. Investments in companies in which ownership interests range from 20 percent to 50 percent and the Company exercises significant influence over operating and financial policies are accounted for on the equity method. Other investments are accounted for on the cost method. Intercompany accounts and transactions between consolidated subsidiaries have been eliminated in consolidation.

THE PILLSBURY COMPANY

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of the parent company and all of its majority-owned domestic and foreign subsidiaries after elimination of intercompany balances and transactions. The fiscal year of foreign subsidiaries generally ends April 30 to facilitate timely reporting.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Foreign operations:

The consolidated financial statements include amounts for foreign subsidiaries (substantially all are wholly owned) as of and for the years ended May 31, as follows:

	1984	1983	1982
	(In millions)		
Net sales	$355.5	$360.1	$357.9
Net earnings	3.9	8.2	10.4
Total assets	251.1	220.5	250.4
Net tangible assets	103.0	114.0	133.3
Excess of investments over equity in net tangible assets	7.8	6.0	8.0

VARIAN ASSOCIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Principles of Consolidation

The consolidated financial statements include those of Varian Associates, Inc. and its subsidiaries. Significant intercompany balances, transactions, and stock holdings have been eliminated in consolidation. Investments in unconsolidated affiliated companies are stated at equity in the net assets of these companies.

Subsidiaries Outside the United States

Information as to these subsidiaries is presented below:

(Dollars in millions)	1984	1983	1982
Sales	$174.5	$146.3	$154.7
Net Earnings	$ 8.1	$ 2.3	$ 2.3
Current assets	$ 98.7	$ 66.1	$ 82.2
Property, plant and equipment, net of depreciation	18.8	17.4	18.1
Other assets	5.8	4.8	6.0
Total assets	123.3	88.3	106.3
Current liabilities	64.5	39.0	42.1
Other liabilities	.8	.2	.7
Net Assets	$ 58.0	$ 49.1	$ 63.5

All Significant Subsidiaries Consolidated

MEREDITH CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Policies

a. Principles of Consolidation

The financial statements include the accounts of the Company and its subsidiaries except Meredith Relocation Corporation and Meredith Mortgage Corporation (both insignificant subsidiaries), which are engaged in financing operations. Inter-division and inter-company transactions have been eliminated. The Company's investments in Meredith Relocation Corporation, Meredith Mortgage Corporation and companies 20–50 percent-owned are accounted for under the equity method.

OLIN CORPORATION

STATEMENT OF ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include all significant subsidiaries. Investments in 20–50% owned companies are carried at equity.

Finance-Related Subsidiaries Not Consolidated

ANDERSON, CLAYTON & CO.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): A summary of significant accounting policies follows:

Principles of consolidation. The consolidated financial statements include the accounts of the Company and all subsidiaries engaged in activities other than insurance. Investments in insurance subsidiaries are carried at equity determined under general accepted accounting principles.

All material transactions between companies included in the consolidated financial statements have been eliminated.

THE COCA-COLA COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Accounting Policies.

The major accounting policies and practices followed by the Company and its consolidated subsidiaries are as follows:

Consolidation: The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries except for Coca-Cola Financial Corporation (CCFC). All significant intercompany accounts and transactions are eliminated in consolidation. CCFC, a wholly owned finance subsidiary, initiated operations in 1984 and is accounted for under the equity method. CCFC's operations for 1984 were not significant to the consolidated financial statements.

Consolidated statements of changes in financial position for the years ended December 31, 1983 and 1982, have been restated to a cash basis format.

COMMERCIAL METALS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Summary of Significant Accounting Policies:

Consolidation

The consolidated financial statements include the accounts of the Company and all subsidiaries except those of a finance subsidiary, the investment in which is accounted for by the equity method. All material intercompany transactions and balances have been eliminated in consolidation.

D. Investment in Unconsolidated Subsidiary:

During 1984, the Company formed a foreign financing subsidiary through which financing is made available to its trading customers and to others. Condensed financial data for the unconsolidated subsidiary as of August 31, 1984, were as follows (in thousands):

Loans	$15,261
Cash and other assets	4,650
Total assets	$19,911
Short-term borrowings	$ 4,800
Other liabilities	1,521
Stockholder's equity	13,590
Total liabilities and stockholder's equity	$19,911
Operations for the period June 1, 1984, (date operations commenced) to August 31, 1984, were as follows:	
Total revenues	$ 551
Net earnings	$ 292

The carrying value of the Company's investment at August 31, 1984, was equal to its equity in the net assets. No dividends were paid by the subsidiary.

CONAGRA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Columnar dollar amounts in thousands except per share amounts

1 (In Part): Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of ConAgra, Inc. and all majority-owned subsidiaries, except those excluded because of the different nature of their operations. All significant intercompany investments, accounts, and transactions have been eliminated.

The accounts of a wholly owned subsidiary, United Agri Products, Inc., have been consolidated on the basis of a year ended February 28. Such fiscal period corresponds with that company's business year.

The investment in and the operating results of Geldermann-Peavey, Inc., a commodity brokerage business, and United Agri Products Financial Services, Inc., a finance company, and 50% or less owned companies are included in the financial statements on the basis of the equity method of accounting. Operations of foreign companies are not material to the Company.

4. Investments in and Advances to Unconsolidated Subsidiaries

The Company has 50% equity interests in Country Poultry, Inc., a domestic processor of poultry products, and Bioter-Biona, S.A., a food company in Spain, and a 49% equity interest in Glendon Corporation, an international trading company. Summary financial information of these companies is set forth below:

	1984	1983
Current assets	$ 236,640	$126,528
Noncurrent assets	63,914	55,603
Total assets	300,554	182,131
Current liabilities	158,416	76,871
Noncurrent liabilities	30,904	49,412
Total liabilities	189,320	126,283
Net assets	$ 111,234	$ 55,848
ConAgra's investment	$ 55,460	$ 27,924
Net sales	$1,229,900	$925,547
Net income	$ 36,928	$ 9,836
ConAgra's equity in earnings	$ 18,116	$ 4,918

The Company charged these companies management fees of $4,800,000 and $4,000,000, administrative fees of $3,576,000 and $2,075,000, and rent of $2,355,000 and $1,004,000, in 1984 and 1983, respectively. The Company also, in the ordinary course of business, sells feed to the Country Poultry, Inc. operations. Such sales amounted to $60,288,000 in 1984 and $19,338,000 in 1983 and were transacted at terms comparable to those obtainable from other parties.

The Company formed two wholly owned subsidiaries during 1984 and accounts for the investments in these subsidiaries (Geldermann-Peavey, Inc. and United Agri Products Financial Services, Inc.) on the equity basis because of the different nature of their operations. Summary financial information as of May 27, 1984 of these companies, which in accordance with industry standards do not classify assets and liabilities as current or noncurrent, is set forth below:

Cash and temporary investments	$ 26,686
Segregated customer funds	92,039
Receivables and margin deposits	88,966
Other assets	6,126
Total assets	213,817
Notes payable	29,860
Payable to customers	147,711
Other liabilities	6,821
Total liabilities	184,292
Net assets—ConAgra's investment	$ 29,425

GENERAL MILLS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note One (In Part): Summary of Significant Accounting Policies

A. Principles of Consolidation—The consolidated financial statements include the following domestic and foreign operations: (1) parent company and 100% owned subsidiaries other than General Mills Finance, Inc.; (2) majority-owned subsidiaries; and (3) General Mills' investment in and share of net earnings or losses of 20–50% owned companies. General Mills Finance, Inc. is accounted for by the equity method because of the different nature of its operations.

The fiscal years of foreign operations generally end in April.

Certain 1983 and 1982 amounts have been reclassified to conform to 1984's presentation.

LEAR SIEGLER, INC.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its consolidated subsidiaries. Three wholly-owned finance companies are accounted for using the equity method of accounting; summarized financial information for these companies is included in the Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Investments

At June 30, 1984, other assets include an investment in Lone Star Industries, Inc., a marketable equity security, of $24,721,000 and investments in unconsolidated finance companies of $23,079,000. Both of these investments were acquired in the purchase of Bangor Punta.

The marketable equity security is carried at the lower of cost or market. To reduce the carrying value to market value at June 30, 1984, a valuation allowance was established in the amount of $6,955,000. The valuation allowance represents an unrealized decline in market value net of related taxes and is included in shareholders' equity since the decline is not considered to be permanent.

Investments in unconsolidated finance companies are accounted for on the equity method. These finance companies provide financing to dealers and customers of the Company's general aviation and marine products operations and to growers who use services provided by Producers Cotton Oil Company, a producer, processor and merchandiser of cotton and related by-products. Condensed combined financial statements of these companies follow:

Balance Sheet	June 30, 1984
Assets:	
Cash	$ 859,000
Receivables	
Finance receivables—net	140,062,000
Accrued interest and other	3,080,000
Repossessed aircraft	3,895,000
Other	3,269,000
	$151,165,000
Liabilities:	
Notes payable to banks	$117,847,000
Due to affiliates	3,791,000
Other	6,448,000
	128,086,000
Shareholders' equity	23,079,000
	$151,165,000

Statement of Earnings	Five Months Ended June 30, 1984
Revenues:	
Interest and other income	$ 13,147,000
Expenses:	
Interest expense	5,716,000
Provision for credit losses	5,027,000
Selling, general and administrative expenses	1,146,000
	11,889,000
Earnings before income taxes	1,258,000
Income taxes	563,000
Net earnings	$ 695,000

WANG LABORATORIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Principles of Consolidation—The consolidated financial statements include the accounts of the Company and all significant subsidiaries, except the accounts of the Company's wholly-owned customer lease financing subsidiaries, which are accounted for by use of the equity method (Note C). Upon consolidation, all significant intercompany accounts, transactions and profits have been eliminated.

Note C (In Part): Investments

Investments at June 30, 1984 and 1983 consisted of the following (in millions):

	1984	1983
Investment in and advances to unconsolidated customer lease financing subsidiaries	$ 96.2	$43.7
Less than 50% owned businesses:		
Investment in InteCom Inc.—equity method (market value of $68.7 at June 30, 1984)	82.4	
Investment in VLSI Technology, Inc.—cost method (market value of $41.3 at June 30, 1984)	33.9	
Other	7.8	.3
	$220.3	$44.0

Lease Financing Subsidiaries

The Company's wholly-owned unconsolidated customer lease financing subsidiaries provide financing for long-term lease and certain operating rental contracts with domestic and foreign customers. The subsidiaries' operations are financed principally by bank borrowings of which $95 million are subject to certain guarantees by the Company at June 30, 1984. The investments are accounted for by use of the equity method and earnings are included with rental income in the Company's statement of consolidated earnings. Provisions for income taxes on these earnings are included in consolidated provision for income taxes. Summarized condensed financial information at June 30, 1984 and 1983 is as follows (in millions):

	1984	1983
Assets:		
Cash and marketable securities	$ 19.4	$47.5
Accounts receivable	49.4	.5
Net investment in financing leases	143.6	35.5
Other assets	29.1	8.6
	$241.5	$92.1
Liabilities and Stockholders' Equity:		
Notes payable to banks	$138.2	$46.9
Other liabilities	7.1	1.5
Due to Wang Laboratories, Inc. and subsidiaries	62.6	23.7
Stockholders' equity	33.6	20.0
Results of Operations:		
Lease financing income	$ 13.6	$ 2.9
Rental and other income	2.9	1.3
Costs and expenses	(4.5)	(.7)
Earnings before income taxes	$ 12.0	$ 3.5
Net investment in financing leases consisted of the following:		
Minimum lease payments receivable	$169.1	$38.8
Less unearned financing income	(34.5)	(5.5)
Estimated residual value	9.0	2.2
Net lease installments receivable	$143.6	$35.5

At June 30, 1983, the parent Company's net investment in financing leases amounted to $54.2 million, which was transferred to its financing subsidiary during Fiscal 1984. The Company's sales and transfers of lease installment and other rental receivables to its finance subsidiaries approximated (in millions) $204.9, $35.7, and $10.1 in 1984, 1983, and 1982 respectively.

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 1984 the survey companies reported 23 business combinations accounted for as a pooling of interests of which 11 such business combinations did not result in a restatement of prior year financial statements. Those companies not restating prior year 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.

TABLE 1-10: BUSINESS COMBINATIONS

	1984	1983	1982	1981
Poolings of Interests				
Prior year financial statements restated	12	11	11	17
Prior year financial statements not restated..	11	15	13	13
Total	**23**	**26**	**24**	**30**
Purchase Method	**194**	**154**	**145**	**156**

POOLINGS OF INTERESTS

DIGITAL SWITCH CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Business Combinations

As of June 27, 1984, the Company issued approximately 14,442,000 shares of common stock to the shareholders of Granger based on an exchange ratio of 1.08 shares of the Company's common stock for each outstanding share of Granger common stock.

Granger designs, manufacturers and markets telecommunications transmission equipment. The combination with Granger was accounted for by the pooling-of-interests method whereby all financial statements of the Company prior to the combination were restated to combine with the historical financial statements of Granger. Granger was on an August 31 fiscal year, whereas the Company is on a December 31 calendar year. The restated December 31, 1983 consolidated balance sheet was combined with Granger's August 31, 1983 balance sheet. The restated consolidated statements of operations for the years ended December 31, 1983 and 1982 were combined with the statements of operations of Granger for the years ended August 31, 1983 and 1982, respectively.

The results of operations of Granger for the four month period ended December 31, 1983 reflected revenue of $26,406,000 and net earnings of $160,000 which have been reported as an increase in retained earnings. All 1984 financial information reflects the Company's calendar year ending December 31, 1984.

The following table shows the effect on results of operations for the periods prior to the combination (in thousands):

	Revenue	Earnings Before Benefit of Net Operating Loss Carryforward	Net Earnings
Six months ended June 30, 1984: (unaudited)			
The Company..................	$ 95,201	$14,040	$14,040
Granger.........................	61,290	8,372	8,372
Combined...................	$156,491	$22,412	$22,412
Year ended December 31, 1983:			
The Company (as previously reported)	$127,052	$24,802	$25,473
Granger (year ended August 31, 1983)..................	70,298	8,911	9,259
Combined...................	$197,350	$33,713	$34,732
Year ended December 31, 1982:			
The Company (as previously reported)	$ 27,360	$ 3,121	$ 5,780
Granger (year ended August 31, 1982)..................	41,019	3,616	5,167
Combined...................	$ 68,379	$ 6,737	$10,947

There were no transactions between the Company and Granger during the periods prior to the combination.

EMULEX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(2) Acquisition

On February 15, 1984, the businesses of the Company and Personal Systems Technology, Inc. (Persyst), a California-based manufacturer of enhancement and communications hardware for personal computers, were merged upon the exchange of the Company's common stock for all of the outstanding common and preferred shares of Persyst.

This transaction was accounted for as a pooling of interests and, accordingly, the consolidated financial statements and notes thereto for all years presented have been restated to include the accounts and operations of Persyst. Separate results of operations of the combined entities for the years ended June 26, 1983 and June 27, 1982 are as follows:

	1983	1982
Net sales:		
Emulex (as previously reported)	$31,012,089	$16,084,199
Persyst	3,352,135	191,308
Combined	$34,364,224	$16,275,507
Net earnings (loss):		
Emulex (as previously reported)	$ 5,618,530	$ 2,200,933
Persyst	(23,177)	(112,340)
Combined	$ 5,595,353	$ 2,088,593
Net earnings per common and common equivalent share:		
As previously reported	$ .49	$ .24
As restated	$ .45	$ .22

Separate results of operations of the combined entities for the period June 27, 1983 to consummation of the combination included in the 1984 consolidated statement of earnings are as follows:

	Net Sales	Net Earnings
Emulex	$33,011,567	$ 7,033,929
Persyst	6,564,881	265,220
Combined	$39,576,488	$ 7,299,149

JOSTENS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Acquisition of Business (In Part)

In December, 1983, the Company acquired Metridata Education Systems, Inc., which operated over 20 proprietary schools throughout the mid-central and Atlantic states. The transaction was effected through the exchange of 724,000 common shares of the Company for all of the issued and outstanding shares of Metridata. This merger has been accounted for as a pooling of interests, and accordingly, all financial data for periods prior to the merger have been restated to include the results of Metridata. Net sales, net income and earnings per share as combined for the two fiscal years preceding the acquisition are as follows:

	(In thousands) Net Sales	Net Income	Earnings Per Share
1983:			
Jostens	$391,475	$28,602	$2.25
Metridata	20,260	1,931	
Combined	$411,735	$30,533	$2.27
1982:			
Jostens	$383,507	$26,803	$2.12
Metridata	15,904	848	
Combined	$399,411	$27,651	$2.07

HECLA MINING COMPANY

NOTES TO FINANCIAL STATEMENTS

2 (In Part): Business Combinations:

On July 26, 1984, Hecla completed its merger with Ranchers Exploration and Development Corporation (Ranchers) (whose business is substantially the same as Hecla's). Pursuant to this business combination, each Ranchers shareholder received 1.55 shares of Hecla common stock (8,176,844 total shares) in exchange for each outstanding Ranchers share.

The merger was accounted for as a pooling of interests and, accordingly, the financial statements of Ranchers are consolidated for all periods presented herein. The net revenues, extraordinary credits, and net income of Hecla and Ranchers for periods prior to the merger date (assumed to be July 31, 1984 for financial statement purposes) were as follows:

	Seven Months Ended July 31, 1984	Year Ended December 31, 1983	1982
Revenues			
Hecla	$ 67,603,941	$ 84,983,041	$ 54,325,579
Ranchers	33,236,520	64,685,877	42,445,694
	$100,840,461	$149,668,918	$ 96,771,273
Extraordinary Credits			
Hecla	$ 530,600	$ 7,075,000	$ —
Ranchers	—	—	—
	$ 530,600	7,075,000	$ —
Net Income (Loss)			
Hecla	$ 18,863,238	$ 26,701,696	$ 5,073,604
Ranchers	3,478,367	10,867,535	(394,527)
	$ 22,341,605	$ 37,569,231	$ 4,679,077

Dividends that have been paid by Hecla and Ranchers are as follows:

	1984	1983	1982
Total amount			
Hecla	$ 4,586,427	$ 2,808,776	$ —
Ranchers	690,663	1,595,464	837,699
Total	$ 5,277,090	$ 4,404,240	$ 837,699
Per Share			
Hecla	$ 0.20	$ 0.15	$ —
Ranchers	0.12	0.28	0.18
Total	$ 0.20	$ 0.17	$ 0.03

Total per share dividends represent the total dollar value of dividends paid by both companies divided by the number of common shares outstanding after reflecting stock splits and the completion of the merger.

MAXWELL LABORATORIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note B—Merger

On January 31, 1984, the company issued 496,204 shares of its Common Stock in connection with the acquisition of S-Cubed, a San Diego-based research and development company, which has been accounted for as a pooling of interests. The consolidated financial statements have been restated for all periods prior to the pooling. Sales and net income of Maxwell and S-Cubed prior to the restatement are as follows:

	Six Months Ended January 31, 1984	Year Ended July 31 1983	1982
Sales:			
Maxwell	$ 9,407,000	$22,221,000	$18,488,000
S-Cubed	7,432,000	15,305,000	13,654,000
Combined	$16,839,000	$37,526,000	$32,142,000
Net income:			
Maxwell	$ 246,000	$ 1,223,000	$ 730,000
S-Cubed	204,000	480,000	361,000
Combined	$ 450,000	$ 1,703,000	$ 1,091,000

The foregoing net income attributed to S-Cubed was increased by $10,000 in 1982 to reflect the consistent application by both companies of the flow-through method of accounting for investment tax credits. Similarly, retained earnings as of August 1, 1981 has been increased by $146,000 to reflect that method of accounting for investment tax credits.

S-Cubed previously used the fiscal year ended August 31 for its financial reporting. To conform to Maxwell's July 31 fiscal year-end, S-Cubed's operating results for the month of August 1983 have been included in the operating results of fiscal year 1984 in the accompanying financial statements, as well as fiscal year 1983. This duplication of August 1983 operating results has been adjusted by a $46,000 charge to retained earnings.

PURCHASES

AMPCO-PITTSBURGH CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Acquisitions and Dispositions

In April, 1984 the Corporation acquired Vulcan, Inc. ("Vulcan") which was accounted for as a purchase transaction. Vulcan, which is comprised principally of the Vulcan Mold & Iron Company and Shepard Niles Crane & Hoist Corporation ("SN"), is engaged in the ingot mold foundary (steel products segment) and engineered equipment industries. The net tangible assets acquired from Vulcan are included in the consolidated financial statements at cost in the amount of $30,688,000 allocated on the basis of estimated fair value and include: working capital $18,278,000; property, plant and equipment $27,905,000; other assets $1,119,000; long-term obligations $15,676,000; and other liabilities $938,000. Subsequent to acquisition, certain Vulcan assets were liquidated for approximately $6,644,000, thereby reducing the cost of the Vulcan assets retained by the Corporation.

The results of operations of Vulcan from April 1, 1984 have been included in the consolidated financial statements.

In July, 1984 the Corporation acquired certain assets of a European producer of material handling systems for approximately $2,170,000, incorporating same as Cleveland Tramrail International, S.A. ("CTI"), to complement SN's engineered equipment business.

In July, 1984 the Corporation acquired Union Electric Steel Corporation ("UES") which was accounted for as a purchase transaction. UES and its wholly owned subsidiaries are engaged principally in the manufacture of steel rolls and metal finishing. Principal industries served are steel, aluminum, glass, plastic and rubber. The net tangible assets acquired from UES are included in the consolidated financial statements at cost in the amount of $61,270,000 allocated on the basis of estimated fair value and include: working capital $30,903,000; property, plant and equipment $40,745,000; other assets $3,993,000; long-term obligations $12,433,000; and other liabilities $1,938,000.

The results of operations of UES from July 1, 1984 have been included in the consolidated financial statements.

The consolidated results of operations on a pro forma basis as though Vulcan, UES and CTI had been acquired on January 1, 1983 are as follows:

	1984	1983
Net sales	$474,457,000	$361,806,000
Net income	$ 9,438,000	$ 3,216,000
Net income per share	$ .99	$ .39
Weighted average number of shares outstanding*	9,545,000	8,221,000

*Adjusted for the shares issued to facilitate the acquisitions as if issued on January 1, 1983.

The pro forma financial information is not necessarily indicative either of results of operations that would have occurred had the purchases been made at January 1, 1983, or of future results of operations of the combined companies.

ANDERSON, CLAYTON & CO.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 18.

On June 5, 1984 the Company purchased all of the common stock of Gains Foods, Inc. for approximately $158 million cash. Gains manufactures and sells nationally a broad line of pet food. The acquisition has been accounted for as a purchase and the accounts of Gains have been included in the accompanying financial statements for the period June 2, 1984 through June 30, 1984. The excess of the total acquisition cost over the fair value of net assets acquired of $60,266,000 is being amortized on a straight-line basis over forty years.

The following unaudited pro forma consolidated results of operations assume that the purchase occurred on July 1, 1982:

(In thousands except per share)	Year Ended June 30, 1984	1983
Revenues	$1,795,706	$1,714,021
Net income	41,772	23,809
Net income per share	3.37	1.92

THE BLACK AND DECKER MANUFACTURING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

($000)

Note 2: Acquisition of Housewares Operations

On April 27, 1984, the Company acquired substantially all of the assets and businesses of General Electric Company's Housewares operations. This acquisition includes operations in the United States, Canada, Mexico, Brazil and Singapore and brings to the Company a wide range of products which generally could be termed small household appliances, including food processing, beverage making, ovening, garment care and personal care products. The acquisition has been accounted for as a purchase transaction, and the consolidated statement of earnings for the year ended September 30, 1984, includes the results of the Housewares operations from the purchase date.

The cost of the acquisition was financed by the payment of $108,800 in cash, long-term promissory notes with a discounted value of $42,153, and the issuance of three million shares of the Company's common stock with a fair value of $61,125, estimated in accordance with Accounting Principles Board Opinion No. 16. The excess of the total acquisition cost over the fair value of net assets acquired (goodwill) was $91,303 and is being amortized on a straight-line basis over twenty years.

The promissory notes and goodwill may be subsequently reduced if a minimum level of earnings of one of the foreign subsidiaries acquired is not maintained for the year ended December 31, 1984. The notes will be further adjusted for certain termination costs borne by the Company but chargeable to General Electric Company, as outlined in the purchase agreement. (See Note 12 of Notes to Consolidated Financial Statements.)

The fair value assigned to assets acquired and liabilities assumed, excluding cash and marketable securities of $7,698, were as follows:

Accounts receivable	$ 8,048
Inventories	99,463
Property, plant and equipment	119,361
Goodwill	91,303
Other assets	52,160
Current liabilities	(116,358)
Other long-term liabilities	(49,597)
	$204,380

Other assets consist primarily of patents and trademarks. Included in current liabilities and other long-term liabilities are amounts of $24,000 and $48,600, respectively, which represent brand transition, redundancy, relocation and plant closing costs incident to the acquisition.

Pro forma results of operations, assuming the acquisition occurred at the beginning of each period presented, are displayed in the following table. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations which actually would have resulted had the combination been in effect on the dates indicated, or which may result in the future.

	1984	1983
Net Sales	$1,780,231	$1,634,044
Earnings From Continuing Operations	87,153	30,558
Net Earnings	87,153	46,558
Earnings Per Share:		
Continuing Operations	$ 1.72	$ .66
Discontinued Operations	—	.35
Total	$ 1.72	$ 1.01
Average Shares Outstanding	50,700	46,200

CABOT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

B (In Part): Acquisitions

On September 29, 1984, the Company purchased the Westar Unit of Pioneer Corporation ("Pioneer") comprising the natural gas pipeline transmission business and most of the natural gas liquid processing business of Pioneer in exchange for a combination of cash and petroleum products to be tendered to Pioneer within the ensuing five-year period.

The acquired business includes a natural gas system with approximately 3,400 miles of transmission lines, 800 miles of gathering lines and five gas processing plants. The system and plants are located primarily in West Texas. The business also includes a gas marketing subsidiary, a subsidiary which owns and operates a gas storage and delivery system serving industrial customers, a subsidiary owning a 25% interest in a 360-mile intrastate pipeline, and three other small subsidiaries that purchase, gather, transport and sell natural gas. The purchase price consisted of $150,000,000 in cash paid at the closing and a commitment to tender to Pioneer 2.516 million barrels of crude oil, 17.746 billion cubic feet of natural gas and 200 million gallons of natural gas liquids pursuant to deferred payment agreements. The estimated value of the obligations under the deferred payment agreements is $200,000,000. These agreements obligate Cabot to tender to Pioneer specific minimum annual volumes of each type of hydrocarbon over a five-year period. Crude oil and natural gas are expected to be delivered from the Company's production of existing oil and gas reserves, and natural gas liquids are expected to be produced from the existing gas processing facilities of the Company and the Westar Unit. The foregoing deferred payment of hydrocarbons has been recorded on the Company's balance sheet at September 30, 1984, as current and non-current deferred revenue (see Notes F and H). Deferred revenue will be recognized as income along with related costs and expenses as delivery of the hydrocarbons occurs. The aggregate purchase price is approximately $350,000,000 plus $10,000,000 of capitalized acquisition costs.

The acquisition was accounted for as a purchase and, accordingly, the purchase price was allocated to the acquired assets and assumed liabilities based on their respective fair values. Allocation of the purchase price is summarized as follows:

Dollars in thousands	
Accounts receivable	$ 61,973
Inventories	17,123
Investments	2,403
Prepayments and deferred charges	219
Property, plant and equipment	346,630
Accounts payable	(68,348)
Total purchase price	$360,000

The following unaudited consolidated pro forma information shows the results of the Company's operations for the years ended September 30, 1984 and 1983 as though the purchase of the Westar Unit had been made at the beginning of each period presented.

Years ended September 30 Dollars in Thousands	1984	1983
Net sales	$2,289,979	$2,169,378
Net income	$ 92,061	$ 70,669
Net income per common share	$ 2.86	$ 2.20

The pro forma results of operations are not necessarily indicative of the actual results of operations that would have occurred had the purchase been made at the beginning of the respective periods, or of results which may occur in the future.

DBA SYSTEMS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Acquisition

On April 27, 1984, DBA acquired all of the outstanding common shares of LogEtronics, Inc. (LogE), a multi-national manufacturer and distributor of photographic and computer imaging technology products and systems. The purchase price consists of two components, an initial issuance of 786,696 shares of DBA common stock with an estimated fair market value at the acquisition date of $6,907,000 (exclusive of acquisition costs of approximately $311,000) and an Escrow Agreement, which may result in the issuance of up to 120,000 additional shares of DBA's common stock if a specified earnings level is met by LogE or if future contingencies, as set forth in the Merger Agreement, do not materialize. The amount of contingent consideration was not reasonably determinable as of the acquisition date, and thus was not included in determining the cost of acquiring LogE at such date. Additional shares issued under the Merger and Escrow Agreement will be recorded as additional goodwill.

The acquisition has been accounted for using the purchase method of accounting. LogE's assets and liabilities have been recorded in DBA's financial statements at their estimated fair values at the acquisition date. The excess cost of the acquisition over the estimated fair value of the net assets is amortized on a straight-line basis over 40 years. LogE has operating loss carryforwards amounting to approximately $8,057,000, as of the date of acquisition. The tax benefit resulting from the utilization of the operating loss carryforwards will be recorded when realized as a retroactive adjustment of the purchase transaction. The Consolidated Statement of Income for the year ended June 30, 1984, includes the operations of LogE from April 27, 1984 through June 30, 1984, with the exception of the results for certain foreign subsidiaries which are only included for the period April 27, 1984, through May 31, 1984, in order to provide for a timely consolidation with the Corporation.

Following are pro forma combined results of operations for the years ended June 30, 1984 and 1983, assuming the acquisition of LogE had occurred on July 1, 1982. The results are not necessarily indicative of what would have occurred had the acquisition been consummated as of July 1, 1982, or of future operations of the combined companies.

The results are based on certain purchase accounting adjustments recognized on consolidating LogE:

	Pro Forma (unaudited) Year Ended June 30, 1984	 1983
Net sales	$65,477,000	$60,474,000
Net income	1,409,000	273,000
Earnings per common and common equivalent share	$ .38	$ .08

MET-PRO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Acquisition

On July 19, 1984, the Company acquired Dean Brothers Pumps Inc., a privately-held company, which name was subsequently changed to Dean Pumps, Inc. This acquisition has been treated as a purchase, the purchase price being $4,608,800, made up of cash of $3,010,122 and 172,830 shares of Met-Pro Corporation common stock. In accordance with Accounting Principles Board Opinion No. 16, the excess amount of fair market value of net assets acquired over the purchase price served to reduce the amount assigned to non-current assets. The allocation of the purchase price, recorded net of tax benefits as applicable, is summarized as follows:

Working capital	$3,662,400
Property, plant and equipment	1,457,540
Other assets	42,575
Long-term debt	(553,715)
	$4,608,800

The Company's consolidated financial statements for the year ended January 31, 1985 reflect the acquisition and the operating results of Dean Pumps, Inc. since July 19, 1984.

On a pro-forma basis, the unaudited consolidated results of operations would have been as follows if this acquisition had occurred on February 1, 1983:

	YEAR ENDED JANUARY 31, 1985	 1984
Net sales	$26,744,410	$21,120,953
Income before taxes on income	$ 3,094,060	$ 2,249,886
Net income	$ 1,574,719	$ 1,214,690
Net income per share	$ .82	$ .63

Dean Pumps, Inc. was merged into Met-Pro Corporation on February 1, 1985 as the Dean Pump Division.

SCHLUMBERGER LIMITED

NOTES TO FINANCIAL STATEMENTS

Acquisitions

In April 1984, a subsidiary of the Company acquired 50% of the Dowell business and assets in the United States from The Dow Chemical Company and in July 1984, a subsidiary of the Company acquired 50% of the Canadian operation of Dowell at a combined cost of $439 million. Dowell Schlumberger provides cementing, stimulation and other oilfield services. The acquisitions have been accounted for as purchases and are carried in investments in affiliated companies, including cost in excess of the fair values of the net assets acquired amounting to $196 million which is being amortized on a straight-line basis over 40 years. The pro rata share of revenue and expenses, from the dates of acquisition, is included in the individual captions in the Consolidated Statement of Income.

On December 24, 1984, a subsidiary of the Company acquired SEDCO, Inc., an offshore drilling contractor operating mainly outside the United States, at a total cost of $968 million ($482 million in cash and approximately 13 million shares of Schlumberger Common Stock valued at $486 million). The acquisition has been accounted for as a purchase and the accounts of SEDCO have been consolidated with those of Schlumberger effective December 31, 1984 after assigning estimated fair values to the individual assets acquired and liabilities assumed. Cost in excess of net assets acquired is currently estimated at $372 million which will be amortized on a straight-line basis over 40 years.

If these acquisitions had taken place on January 1, 1983, the consolidated pro forma unaudited results of Schlumberger would have been:

YEAR ENDED DECEMBER 31,	1984	1983
	(Stated in millions)	
Revenue	$7,035	6,727
Net income	$1,236	$1,117
Net income per share (dollars)	$ 4.10	$ 3.68
Average shares outstanding (thousands)	301,577	303,930

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*, 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.

FASB *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 1984 annual reports of the survey companies. The balance sheets of 188 survey companies showed a caption, without an amount, for contingencies and/or commitments. Examples of contingency and commitment disclosures follow. Additional examples of disclosures concerning sales 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			
	1984	**1983**	**1982**	**1981**
Loss Contingencies				
Litigation	339	340	341	342
Guarantee of indebtedness	118	121	125	127
Other guarantees	42	42	54	62
Sale of receivables with recourse	85	75	83	76
Possible tax assessment	65	74	69	73
Government regulations	40	39	43	35
Letters of credit	17	24	N/C	N/C
Renegotiation of government contracts	7	6	7	13
Other—described	24	30	22	32
Gain Contingencies				
Operating loss carryforward	135	131	127	86
Investment credit carryforward	121	123	115	84
Plaintiff litigation	19	28	24	22
Commitments				
Dividend restrictions	413	418	434	430
Plant expansion	89	97	103	103
Purchase agreements	66	63	57	67
Employment contracts	29	22	19	13
Sale agreements	7	11	16	11
Additional payments in connection with an acquisition	10	14	10	10
Other—described	27	24	12	19

N/C—Not Compiled.

LOSS CONTINGENCIES

Litigation

ALPHA INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (In Part): Commitments and Contingencies

A subsidiary is defendant in an action filed by two former employees. These former employees have alleged a breach of their employment contracts and the deprivation of certain specified rights for which they are seeking $1,400,000 compensating and $6,000,000 punitive damages. Management believes the case is without merit and is vigorously defending the case.

AMCAST INDUSTRIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contingencies

The company was a defendant in a class action suit which was filed in June 1980 in the United States District Court for the Southern District of Ohio on behalf of the union-represented employees of the company's Columbus, Ohio, iron foundry. The action stemmed from the closing of that facility and named the United Steelworkers of America as co-defendant with the company. The plaintiffs sought recovery of wages, benefits, and punitive damages. In March 1983, the District Court Judge for the Southern District of Ohio dismissed the case in its entirety. The plaintiffs appealed this decision to the United States Court of Appeals for the Sixth Circuit (Cincinnati) in May 1983. Judgement was granted in favor of the company in June 1984. Plaintiffs did not appeal this decision and the case has been closed.

In May 1983, the National Labor Relations Board issued a complaint against the company alleging that the company ceased operations at its GHR foundry in Dayton, Ohio, and relocated its production work in violation of the National Labor Relations Act. Hearings before an administrative law judge were held in July and September 1983. On January 9, 1984, the judge rendered his opinion that the company pay laid-off employees backpay, plus interest, from their date of layoff until expiration of the collective bargaining agreement on June 4, 1983. This amount would be reduced by any earnings through June 4, 1983, from subsequent employment. Management disagreed with these findings and appealed the decision to the National Labor Relations Board. The Board remanded the case back to the administrative law judge for further consideration based on subsequent NLRB decisions. Although it is not possible to estimate the amount of loss involved, if any, management believes the outcome of this situation will not materially affect the company's financial position.

The company is subject to other legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position of the company.

AMERICAN HOSPITAL SUPPLY CORPORATION

NOTES TO FINANCIAL STATEMENTS

I. Patent Litigation:

In October 1984, a jury awarded $17.5 million to the plaintiff in a patent infringement case against American. The judge has not entered final judgment in the case. He has the authority to treble the damages, reduce the damages or set aside the verdict. American strongly disputes the verdict and intends to appeal if the judge affirms. A provision of $21.5 million ($11.1 million after tax) was charged to earnings in 1984.

EVEREST & JENNINGS INTERNATIONAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Legal Proceedings:

In 1982 a competing wheelchair manufacturer filed complaints against the Company and a subsidiary. The complaints allege that the Company has monopolized the manufacture of wheelchairs, that the Company has conspired with others in restraint of trade, that the Company has violated antitrust laws, that the Company has engaged in price discrimination and in unfair competition and that it has interfered intentionally in the plaintiff's business. The complaint seeks damages in excess of $13,500,000. The Company denies all charges and has filed a counterclaim charging the competing manufacturer with price and other discriminations in violation of the Robinson-Patman Act. The Company seeks damages in excess of $19,500,000.

In addition, this competing manufacturer filed lawsuits against a domestic subsidiary and a foreign subsidiary, alleging patent infringements with no specific amounts claimed. The subsidiaries have answered denying all substantive charges.

A complaint was filed in the United States District Court for the Central District of California against a subsidiary of the Company claiming damages of $4,500,000 for nuisance and trespass arising out of violations allegedly caused by operations at the subsidiary's neighboring plant. The complaint is presently awaiting trial.

On March 4, 1985, the Attorney General for the State of Missouri filed a Petition For Injunction And Other Court Orders against a subsidiary of the Company seeking, among other reliefs, a permanent injunction requiring the subsidiary to recall its Model 3P motorized wheelchairs sold to Missouri consumers for inspection and repair of an alleged defect in the motor. The subsidiary is currently working with the Attorney General, and is investigating the claims and allegations that have led the Attorney General to file his action.

The Company and the subsidiaries involved intend to vigorously defend themselves in the pending actions, but the Company is unable to predict their eventual outcome.

FIRST NATIONAL SUPERMARKETS, INC.

NOTES TO FINANCIAL STATEMENTS

8. (In Part): Litigation.

Antitrust Litigation

The Company is one of 20 defendants in an antitrust case filed by the May Department Stores Company in Federal District Court in Cleveland, Ohio in which the plaintiff claims that the Company and the other defendants conspired to cause wrongful termination of the plaintiff's trading stamp program in the Cleveland market and that the termination was part of a price-fixing arrangement in which the defendants conspired to restrain trade in the Cleveland area market for trading stamp programs. The plaintiff seeks damages of $60,000,000 before trebling plus punitive damages of $60,000,000. The plaintiff further alleges that the defendants fraudulently misrepresented their intentions to the plaintiff and seeks an additional $4,000,000 in compensatory damages and $4,000,000 in punitive damages.

The case is in the discovery phase and has not been assigned for trial. The Company believes it has meritorious defenses and will vigorously defend itself in the action.

HARSCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Commitments and Contingent Liabilities:

As security for performance and advances on long-term contracts, the Company is contingently liable, in the amount of $163,497,000, under standby letters of credit and bonds.

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

HOLLY SUGAR CORPORATION

NOTES TO FINANCIAL STATEMENTS

9. Litigation:

In January 1984, the Company was named as a defendant in a lawsuit filed in the Federal District Court in Cheyenne, Wyoming, by six individual plaintiffs on behalf of themselves and five purported classes of plaintiffs. The complaint alleges, among other claims, that the Company (i) breached its 1982 contract and earlier contracts with certain sugarbeet growers; (ii) was unjustly enriched with monies belonging to certain growers; (iii) tortiously interfered with claimed contractual rights of the growers; (iv) violated certain Federal and state agricultural marketing statutes; and (v) violated certain Federal antitrust laws. The plaintiffs seek single and treble damages in an aggregate amount of $55,711,164.

The Company has filed an answer denying the material allegations of the complaint and has alleged a number of counterclaims against certain members of the alleged classes of plaintiffs. The lawsuit is currently in the discovery phase. Plaintiffs' request to conduct this lawsuit as a class action was granted temporarily on February 6, 1984. Briefing and oral argument on the issue of class certification are scheduled to be completed during June 1984. Although it is impossible at this time to predict with certainty the ultimate outcome of this litigation, the Company believes it has meritorious defenses, is vigorously defending the lawsuit and believes that the ultimate outcome of this litigation will not have a material adverse effect on the Company's financial condition.

The Company is also involved in other claims and lawsuits but does not believe that the outcome of any of those matters will have a material adverse effect on the Company's financial condition.

INTERSTATE BAKERIES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Contingent Liability

The Company is contingently liable for the payment of computer related debt (approximately $37,000,000 at May 31, 1984) assumed by the Purchaser of its discontinued operations. (See Note 2.)

On January 31, 1984, the Purchaser and its affiliated entities instituted suit against the Company. The plaintiffs alleged principally that, by virtue of claimed oral assurances and an alleged joint venture between the plaintiffs and the Company, the Company is obligated to provide financial assistance to the plaintiffs beyond that expressly provided for in the written agreements between them. The plaintiffs seek damages in excess of $44,000,000 including $3,000,000 of punitive damages. Based upon the opinion of counsel, the Company believes this action is without merit.

LAMAUR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

J. Litigation

The Company is involved in litigation with distributors who allege Lamaur engaged in illegal restraints of trade and commerce. This type of litigation often arises in the distributor/manufacturer relationship and occurs most frequently subsequent to the termination of a distributor. The Company is currently involved in three such actions. In the opinion of management, these actions can be successfully defended or resolved without material adverse effect on the financial position of the Company.

NORTH AMERICAN PHILIPS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. Commitments and Contingencies

A subsidiary of NAPC and several major chemical manufacturers were named as defendants in a number of widely publicized suits beginning in 1979 brought on behalf of veterans of the Vietnam conflict and their families, alleging that chemicals known as Agent Orange supplied to the government for use in defoliating jungles to expose snipers and enemy installations caused cancer and other illnesses in exposed servicemen and birth defects in their offspring. Most of these suits were transferred to the United States District Court, Eastern District of New York, where they were certified as a class action. In May 1984, the Court announced a tentative settlement, subsequently approved by the District Court on January 7, 1985, calling for a cash payment by all defendant manufacturers (without admitting any wrongdoing or that the products caused the injuries complained of) totaling $180.0 million, to be deposited with and administered by the Court for the benefit of the plaintiffs. The share of the settlement agreed to by NAPC's subsidiary was almost entirely covered by insurance and has been paid by its carriers. A number of plaintiffs chose to withdraw from the class and thus are not covered by the settlement and other persons not included in the class may make similar claims in the future, but management believes that these issues will similarly be resolved without adverse impact on the financial position or results of operations of NAPC.

Several of NAPC's subsidiaries are parties to proceedings before federal and state regulatory agencies in connection with the clean up of environmental problems, primarily related to closure of plants of discontinued chemical operations. Management believes that adequate provision has been made to cover the cost of compliance with all applicable regulations in connection with these closures. Also, several of NAPC's subsidiaries, along with hundreds of other companies, have been named as potentially responsible parties in state and federal proceedings for the clean up of various dump sites. While the waste disposal was carried out by these subsidiaries in accordance with all appropriate procedures called for at the time of disposal, subsequent changes in the law make all contributors to the waste at a site responsible for the cost of clean up. However, the quantity and nature of the waste disposed of by NAPC's subsidiaries is so minimal that management expects these procedings to be resolved without significant cost.

NAPC and its subsidiaries have claims pending against them, generally incidental to their business. In the opinion of management, such claims will not result in any liability which would materially adjust the financial statements at December 31, 1984.

PIONEER HI-BRED INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

Note 7 (In Part): Contingent Liabilities

Migrant workers in Texas have filed suits against the Company and certain farm labor contractors alleging violations of the Farm Labor Contractor Registration Act (FLCRA). The court has certified one of these cases as a class action. In each case the plaintiffs allege they were employed by the Company, or in the alternative by the Company and the farm labor contractor jointly, and therefore the Company was subject to the requirements of FLCRA. The Company denies these allegations. The maximum civil penalty set forth in FLCRA for all of the alleged violations, if established, could exceed $5,000,000. Trial counsel for the Company, based on their present knowledge of the case has advised the Company that, while the outcome of any litigation is uncertain, they are of the opinion that it is unlikely the above-described litigation will result in any recovery which will materially affect the financial position or operating results of the Company.

Other litigation is pending against the Company asserting product liability and other claims, which in the opinion of counsel for the Company arose in the ordinary course of business and will not result in any material liability to the Company.

ROCKCOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Amounts in thousands except per share data.

Note L—Contingencies and Litigation

In the normal course of business, the Corporation has various claims and other contingent matters, including questions raised by Government contracting officers and auditors, regarding the accounting treatment of some of its contracts. Although the final outcome of these matters cannot be predicted, the Corporation believes it has meritorious positions and adequate provision has been made for all reasonbly estimable costs.

The Corporation is a guarantor to the General Insurance Company, a surety company, which issued a $1,230 surety bond on work performed in 1971 by the Explosive Corporation of America ("Explo"), a former subsidiary, pursuant to a construction contract in Puerto Rico. Explo is party to a suit alleging failure of performance under this contract. On November 16, 1982, a court in Puerto Rico entered a judgment against Explo for approximately $2,400 and against the surety company for $1,230 under the bond. A motion naming the Corporation as successor-in-interest to Explo is still pending. Management has been advised by lead litigation counsel that the probable maximum liability of the Corporation is $1,230.

Management has also been advised that substantial grounds exist for reversing the finding of liability or damages on appeal and management intends to continue to strongly contest this matter through appeal, if necessary, to obtain a satisfactory conclusion of this proceeding. Management believes that, based upon this advice, the ultimate resolution of the lawsuit will not have a materially adverse effect on the business or financial condition of the Corporation.

On January 4, 1985, an investor group filed a Form 13D with the Securities and Exchange Commission, indicating their intent to seek control of the Corporation and obtain a change in the Corporation's management by means of a proxy solicitation or otherwise. The financial effects, if any, on the Corporation, which may result from this group taking the action referred to, have not been identified at this time.

WITCO CHEMICAL CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 12. Litigation

A civil action was commenced against the Company by the state of New Jersey, filed in the Superior Court of New Jersey, Chancery Division, Middlesex County, alleging that the soil at one of its plants is contaminated with polychlorinated biphenyls (PCBs) and that PCBs have been discharged into the local sewer system and waterways. The state is seeking various forms of relief and payments including having the Company clean up and remove PCBs from the sewer system and waterways, reimburse the state for monies expended in clean-up activities and payment of statutory penalties. The complaint does not set forth a precise amount of damages. The contamination resulted from the use, discontinued in 1973, of purchased industrial supplies that were incidental to a manufacturing process. Management is contesting the civil action because it does not believe that off-site contamination was a direct result of the Company's activities.

There are various other lawsuits pending against the Company arising out of the conduct of its business.

Independent counsel to the Company has advised that it does not consider that the outcome of the above lawsuits will have a material adverse effect on the Company's business or financial position.

XEROX CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Litigation

In 1983 an action was brought against the Company in the United States District Court for the District of New Jersey which alleges age discrimination in violation of the Federal Age Discrimination in Employment Act (Act) on behalf of named plaintiffs and a purported class of all persons between the ages of forty and seventy who, since May 1, 1980, had unsuccessfully applied for employment in a salaried position with the Company, or who were employees of the Company in such a position and were denied promotion or were terminated.

At the court's direction, notice of the action and an opportunity to join in the suit was given to all salaried employees within the forty to seventy age group who left the employ of the Company during the period from May 1, 1980 through March 31, 1983, or who were employed by the Company on March 31, 1983. The notice provided that such persons were entitled to join in the suit only if they claim that during the relevant period they were terminated, required to retire or denied equal opportunities for promotion as a result of age discrimination. Approximately 1,300 individuals have indicated they wish to join in the suit. The judge has reserved decision with respect to whether job applicants should be permitted to join in the suit.

The named plaintiffs seek reinstatement for themselves, and they seek for themselves and for members of the class compensatory damages consisting of back pay including fringe benefits, and liquidated damages doubling the amount of compensatory damages if the conduct was wilful. The named plaintiffs also seek compensatory, punitive, exemplary and special damages under state law claims. Plaintiffs also seek injunctive relief.

In 1984, the Company received a letter from the Equal Employment Opportunity Commission (EEOC) alleging that the Commission has determined that the Company has violated the Act by following policies and practices which discriminate against salaried employees and former employees in the forty to seventy age group. The EEOC letter, which is in standard form prescribed by EEOC operating procedures, was issued under a general delegation of authority to the EEOC staff without any hearings or formal determinations by the Commission itself. The purpose of the letter is to stop the statute of limitations from running and to commence a conciliation procedure with respect to terminated employees. The Company is engaged in such conciliation and discussions about the merits of the Company's position with the EEOC.

An action has been brought against the Company in the United States District Court for the Northern District of Texas in which a former employee of the Company alleges that he was responsible for the development of certain small Xerox computers, including the Xerox 820, and that various promises to him by the Company were not fulfilled, including bonuses, incentive compensation and royalties for his efforts.

Plaintiff also claims that proprietary information he owned was fraudulently obtained by the Company from him, the Company was unjustly enriched from his proprietary information and he has been slandered by the Company which has interfered with his prospective business opportunities. Plaintiff claims an aggregate of at least $375 million in compensatory and punitive damages on his various claims.

The Company denies any wrongdoing and intends to vigorously defend the foregoing proceedings.

Guarantee of Indebtedness of Others

AIR PRODUCTS AND CHEMICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Other Commitments and Contingencies

At the end of fiscal 1984, the company had purchase commitments to spend approximately $42 million for additional plant and equipment.

The company has guaranteed repayment of borrowings of two unconsolidated affiliated companies accounted for on the equity method. At year-end, these guarantees totalled $6.9 million.

In the normal course of business the company has commitments, lawsuits, claims and contingent liabilities. However, the company does not expect that any sum it may have to pay in connection with any of these matters would have a materially adverse effect on its consolidated financial position.

ASHLAND OIL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Other commitments (In Part)

Ashland Coal has a contingent liability of $27,000,000 for its share of the indebtedness of a 20% owned joint venture operating a coal loading terminal on the Atlantic coast. Venture partners are required to pay their share of operating and debt service costs to this joint venture in exchange for the right to use their share of the terminal's loading capacity. Such payments amounted to $1,644,000 in 1984 and will approximate $4,000,000 annually through 2012 for fixed operating and debt service costs under current economic conditions.

Ashland or certain consolidated subsidiaries are contingently liable under guarantees of certain indebtedness issued principally by unconsolidated subsidiaries and affiliates amounting to approximately $57,000,000 at September 30, 1984. Repayment of this indebtedness is expected to come from funds provided from operations of the borrowing companies.

ATLANTIC RICHFIELD COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13 (In Part): Other Commitments and Contingencies

The Company has commitments, including those related to the acquisition, construction and development of facilities, all made in the normal course of business.

At December 31, 1984 and 1983, there were contingent liabilities with respect to guarantees of securities of other issuers of approximately $120 million. Included in this amount is a guarantee of approximately $70 million. Under an agreement reached in 1982, a third party is committed to reimburse the Company for any payment under this guarantee. Also at December 31, 1984 and 1983, there were indirect guarantees of approximately $85 million and $90 million, respectively, of which $60 million is indemnified.

COMPUGRAPHIC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Commitments and Contingent Liabilities

Contingent Liabilities

The Company owns a 49 percent interest in Compugraphic de Mexico S.A., an unconsolidated subsidiary, which is accounted for under the equity method. The Company has guaranteed $2,379,000 of bank borrowings of this Mexican subsidiary. As of December 29, 1984, the Company, in accordance with generally accepted accounting principles, has reduced its investment by its share of operating losses to a net liability position of $575,000.

THE GILLETTE COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Contingencies

Gillette is subject to lawsuits and claims arising out of its business. Management, after review and consultation with counsel, considers that any liability from these lawsuits would not materially affect the consolidated financial position of the Company.

The Company has guaranteed borrowings of certain companies in which it holds minority interests. Such guaranteed borrowings amounted to approximately $11 million at December 31, 1984.

K MART CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Q) 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 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.

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 its guarantees. As of January 30, 1985, the amount guaranteed was $30.0 million.

MILLER TECHNOLOGY & COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (In Part): Notes Payable

The Company is a guarantor of a $10,000,000 bank line of credit of American Student Loan, Inc., which had an outstanding balance at September 30, 1984 of $4,258,114. This agreement imposes no restrictions or covenants materially affecting the operations of American Student Loan, Inc. or the Company. The date specified in the line of credit agreement through which American Student Loan, Inc. could borrow against the line was July 31, 1984. The bank has not renegotiated a new agreement and is continuing to fund American Student Loan, Inc.'s borrowings under the terms and conditions of the old agreement. Borrowings from August 1, 1984 through November 16, 1984 amounted to approximately $573,000. The bank has not expressed any intention to demand payment or to deny future funding, and management believes that funding will continue as long as collateral is adequate and satisfactory progress is made by the Company in achieving profitable results of operations.

PHELPS DODGE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19 (In Part): Contingencies

The Corporation and its wholly owned subsidiary, Phelps Dodge Industries, Inc., have guaranteed borrowings, totaling approximately $13.9 million, by other companies, and the Corporation has guaranteed an obligation of Consolidated Aluminum Corporation to purchase 10,000 tons of aluminum a year through 1986.

SUNDSTRAND CORPORATION

FINANCIAL SUMMARY

Long-Term Debt (In Part)

During 1981, Sundstrand Finance International N.V., a subsidiary of Sundstrand Corporation, entered into an agreement whereby a third party assumed the repayment of the principal of $12,637,000 and interest on 8¾% sinking fund bonds due serially to 1987. Sundstrand is contingently liable until the third party discharges the assumed obligations.

SUPER VALU STORES, INC.

NOTES TO FINANCIAL STATEMENTS

G. Commitments and contingent liabilities:

The Company has guaranteed mortgage loan obligations of $1,998,000. The Company has also guaranteed the leases and fixture financing loans of various affiliated retailers ($5,582,000 and $702,000 respectively). In addition, the Company is contingently liable for bonds ($14,638,000) that are comprised of an assignment to the purchasers of its Harrison House Food Service Division ($2,190,000), various affiliated locations ($10,598,000) and a tax increment bond ($1,850,000).

UNIVERSAL LEAF TOBACCO COMPANY, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (In Part): Commitments and Other Matters

Contingent obligations resulting from guarantees of lines of credit for foreign and domestic affiliates approximated $48 million at June 30, 1984. The maximum exposure related to any one affiliate approximated $11 million.

Guarantees Other Than Guarantees of Indebtedness

BIRD INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Additional Financial Information

The Company warrants under certain circumstances that its building materials group products meet certain manufacturing and material specifications. In addition, for marketing considerations, the Company makes elective settlements in response to customer complaints. The Company records the liability for warranty claims and elective customer settlements when it determines that a specific liability exists or a payment will be made. During 1984, 1983 and 1982, the Company recorded approximately $4,734,000, $4,800,000 and $4,100,000 in warranty expenses and elective customer settlements. The Company has not recorded any liability for future unasserted claims or complaints because it does not believe that the aggregate potential liability that may result from future warranty claims can be meaningfully quantified with a reasonable degree of accuracy. Under the terms of an Asset Purchase and Sale Agreement (see Note 2) Genstar has assumed certain Company liabilities arising out of warranty claims related to the businesses sold.

CHICAGO PNEUMATIC TOOL COMPANY

NOTES TO FINANCIAL STATEMENTS

Investments in Companies Not Consolidated (In Part)

Finance Subsidiary: The Chicago Pneumatic Credit Corporation is a wholly-owned domestic finance subsidiary. The finance subsidiary purchases 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 the end-user mechanics. Purchases of receivables amounted to $12,960,000 in 1984, $20,794,000 in 1983 and $29,819,000 in 1982. In accordance with an agreement between the Company and Chicago Pneumatic Credit Corporation, the finance subsidiary must realize quarterly earnings before interest charges and taxes of at least one and one-half times its interest charges payable to third parties. Any deficiencies must be charged to the Company. In connection therewith, the Company was charged $1,608,000 in 1984, $1,018,000 in 1983 and $2,390,000 in 1982. Amounts due from the Company were $1,911,000 at December 28, 1984 and $2,297,000 at December 30, 1983. The Company was contingently liable for $19,545,000 and $26,231,000 of the finance subsidiary's receivables at December 28, 1984 and December 30, 1983, respectively. Amounts due from the Company are currently settled on a monthly basis.

CHRYSLER CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 13 (In Part): Relationship with Chrysler Financial Corporation (CFC)

CFC is a wholly-owned unconsolidated subsidiary of Chrysler Corporation. CFC's primary function is to provide wholesale, retail and lease financing to Chrysler-franchised dealers. Chrysler Corporation and CFC are parties to an Income Maintenance Agreement, expiring December 31, 2000, requiring Chrysler Corporation to pay a fee to maintain CFC's ratio of income before taxes available for fixed charges at no less than 125% of fixed charges on an annual basis. No payments were required from Chrysler Corporation during 1984 or 1983 under the Income Maintenance Agreement. Payments of $63.1 million were made pursuant to the agreement in 1982. The effect of this fee was eliminated in the consolidated statement of earnings.

PETTIBONE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note J—Contingencies

At March 31, 1984, the Company was contingently liable for discounted accounts receivable and guarantees in connection with leases to third parties in the amount of approximately $4,400,000.

ROCKWELL INTERNATIONAL CORPORATION

NOTES TO FINANCIAL STATEMENTS

5 (In Part): Finance Subsidiary

The company guarantees commercial paper borrowings of the finance subsidiary or advances cash to meet its financial requirements. Borrowings averaged $89 million during 1984 and $111 million during 1983 at average interest rates of 10.2% and 8.9%, respectively.

Under an agreement with the finance subsidiary, the company is obligated to make annual payments, if necessary, to maintain the revenues of the finance subsidiary at 150% of its interest costs. Payments were not required in 1984 and 1983. A payment of $3.1 million required in 1982 has been eliminated from the company's consolidated financial statements.

SUN COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Commitments and Contingent Liabilities

Sun is contingently liable under throughput agreements and take-or-pay contracts which guarantee certain debt of associated companies and others aggregating a maximum of approximately $59 million at December 31, 1984 and maturing at various dates through 2002. Sun is also contingently liable as guarantor of annual rental payments of other companies of $17 million at December 31, 1984. Management considers that losses, if any, from these guarantees would not be significant.

Receivables Sold With Recourse

CPC INTERNATIONAL INC.

NOTES TO FINANCIAL STATEMENTS

Financing arrangements—Short-term (In Part)

In several countries outside the United States, notes and accounts receivable are discounted with banks. The contingent liability under such arrangements amounted to $25.3 million in 1984, $44.5 million in 1983, and $36.8 million in 1982, at the respective year ends.

DIAMOND SHAMROCK CORPORATION

FINANCIAL SUMMARY

Commitments and Contingencies (In Part)

At December 31, 1984, loan guarantees associated with the indebtedness of associated companies and other entities amounted to $.4 million and the Company was contingently liable in the amount of $18.0 million for Chemnor Group notes receivable sold with recourse. In addition, the Company has guaranteed $9.0 million of debt and is contingently liable for $47.1 million of notes receivable sold with recourse of The 1600 Corporation, the successor to the pipe business of Sigmor. Although The 1600 Corporation is current in payment of both the principal and interest on such debt and notes, it did not operate at a profit in 1984 and there can be no assurance that it will operate at a profit in 1985.

MONSANTO COMPANY

NOTES TO FINANCIAL STATEMENTS

Commitments and Contingencies

Commitments in connection with uncompleted additions to property and investments in affiliates were approximately $178 million at December 31, 1984. Monsanto was contingently liable as guarantor of bank loans and for discounted customers' receivables totaling approximately $60 million at December 31, 1984.

Monsanto is a party to a number of lawsuits, which it is vigorously defending, arising in the normal course of business. Certain of these actions seek damages in very large amounts. While the results of litigation cannot be predicted with certainty, management believes, based upon the advice of Company counsel, that the final outcome of such litigation will not have a material adverse effect on Monsanto's consolidated financial position.

QUIXOTE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11 (In Part): Commitments and Contingencies:

A subsidiary of the Company sells customer receivables to financial institutions with limited recourse. The proceeds of such sales were $5.8 million in fiscal 1984. The aggregate amount of transferred receivables which remain uncollected at June 30, 1984 is approximately $18,000,000. The aggregate loss under these arrangements, for which the Company is contingently liable, net of tax effect, is limited to $1,872,000.

Possible Tax Assessments

CAESARS WORLD, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Income Taxes

The Internal Revenue Service (IRS) has examined the Company's Federal consolidated income tax returns through fiscal 1980 and has issued notices of deficiencies with regard to the Company's tax returns for fiscal 1967 through 1980. The Company and the IRS have reached a tentative agreement with regard to the underlying issues resulting in unpaid taxes as of July 31, 1984, of approximately $17 million plus accrued interest. These liabilities are reflected in the Company's financial statements at July 31, 1984. These notices include the assessments relating to recognition of revenue from casino credit transactions in Nevada prior to June 1, 1983, based on a 1982 court decision against the Company. The IRS is currently examining the Company's consolidated income tax returns for fiscal 1981 through 1983.

G. D. SEARLE & CO.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Income Taxes

The company is contesting proposed deficiencies of income taxes received from the Internal Revenue Service for the years 1974 through 1979 relating to a proposed reallocation of income from its Puerto Rican subsidiary. The proposed deficiencies for the years 1974 and 1975 were contested in the U.S. Tax Court in June 1982. No decision has been rendered. If the courts were ultimately to rule in the government's favor and such ruling was applied to the years 1974 through 1982, the maximum additional U.S. federal tax liability as of December 31, 1984, would be approximately $499 million. This amount reflects the utilization of available net operating losses and foreign and investment tax credits, assumes disqualification under Internal Revenue Code Section 936(h) for the years 1983 and 1984, and includes interest net of related tax benefits. It is the opinion of management and its tax consultants that the ultimate resolution of this matter will not result in a material adverse charge to earnings.

STEIGER TRACTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Income Taxes

In 1984, the Internal Revenue Service (IRS) completed an examination and issued a report on the Company's income tax returns for 1980 through 1982. The Company has agreed to certain issues raised by the IRS and recorded the appropriate taxes and interest. The Company strongly disagrees with certain other issues raised by the IRS which claim additional taxes due of approximately $1,800,000, a portion of which could be offset by existing investment tax credit carryforwards. The disputed issues relate primarily to the value placed on the early termination of a manufacturing agreement concluded in 1982 and to Steiger's calculation of

DISC income. Steiger is appealing these issues and although management believes that the disputes will ultimately be resolved in favor of the Company, in the event of an unfavorable outcome, the additional taxes payable and the reduction of investment tax credit carryforwards (previously utilized for financial reporting purposes) would result in a charge to operations at the time the issues are settled.

MORTON THIOKOL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income Taxes (In Part)

The Internal Revenue Service has completed its examination of federal income tax returns through fiscal year 1982 for Morton Thiokol, Inc. and through fiscal year 1978 for Thiokol Corporation and has issued notices of deficiency on certain issues. The two principal issues relate to the treatment of gain on the sale of a discontinued business and the use of the completed contract method of accounting for tax purposes for certain contracts. The Company does not agree with these adjustments and is taking appropriate action to contest such deficiency notices. Management believes that the ultimate resolution of these matters will not have a substantial effect upon the Company's financial condition or results of operations.

During June, 1984 the Company settled a claim by the Internal Revenue Service on a proposed income tax deficiency for the years 1977 through 1982. The claim related to a proposed reallocation of income of a former subsidiary operating in Puerto Rico under a tax incentive grant. Amounts provided for this issue in prior years were adequate to cover the settlement.

The investment tax credit is recognized as a reduction of the income tax provision during the year in which the assets qualifying for credit are placed into service.

PALL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11—Contingencies and Commitments

The consolidated Federal income tax return of the Company for the year ended August 1, 1981 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 the results of operations of the Company.

Minimum rental commitments under all noncancelable leases for periods subsequent to July 28, 1984 are not material.

Since fiscal 1972, the Company has had employment agreements with its principal officers. 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 July 28, 1984, excluding bonuses, was approximately $7,400,000.

Government Regulations

DIAMOND SHAMROCK CORPORATION

FINANCIAL SUMMARY

Commitments and Contingencies (In Part)

Early in 1984, the Company, working with the New Jersey Department of Environmental Affairs, signed an order to clean up its former Newark plant. A feasibility study is now being conducted to develop a detailed engineering plan. This cleanup, including the costs of settling claims by adjoining property owners and purchasing certain adjoining property needed to carry out the cleanup, is expected to cost approximately $12.0 million. In December 1984, a second order was signed covering the neighborhood around the plant. The cost of this cleanup, including settling claims of adjoining property owners, is expected to be approximately $10.0 million.

IROQUOIS BRANDS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10: Contingencies

The nutritional food industry, of which the Company is a member, has sought judicial relief from certain regulations of the Federal Food & Drug Administration with respect to establishment of maximum potencies, labeling and advertising of vitamins and dietary supplements. If such regulations are put into effect in their present proposed form, they could have an adverse effect on the future operations of the nutritional products group. The impact, if any, of such proposed regulations upon the Company's future operations cannot be determined at this time.

THE LOUISIANA LAND AND EXPLORATION COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14 (In Part): Contingencies and Commitments

Until President Reagan's January 28, 1981 order removing all remaining price and allocation controls on crude oil and refined petroleum products, certain operations of the Company were governed by regulatory provisions of the Emergency Petroleum Allocation Act of 1973, as amended. Past compliance with those regulations continues to be investigated by the Department of Energy (DOE).

As reported in prior years, the DOE has issued Proposed Remedial Orders (PRO) to Texaco Inc. and Marathon Oil Company, operators of certain properties in which the Company has interests, alleging violations of the DOE's crude oil pricing regulations. The estimated alleged violations which may be attributable to the Company's interests now total, before tax effect and including interest, approximately $1.1 million in the Marathon proceeding and $100.3 million in the Texaco proceeding.

The Texaco PRO proceeding is in the latter stages of briefing before the DOE and no final determination has been made by the DOE. In an unrelated proceeding involving similar issues, however, the DOE issued rulings which appear adverse to certain positions taken by Texaco in its PRO proceeding. On June 22, 1984, the DOE issued a decision in the Marathon proceeding which reduced the potential liability of the Company reported in prior years. Marathon has appealed the decision to the Federal Energy Regulatory Commission, but such appeal will not increase the Company's potential liability. Both Marathon and Texaco continue to contest vigorously the DOE's allegations.

Based on the opinion of Management and the advice of counsel as to the status of these matters, the Company has not provided in the financial statements for the contingency that the alleged overcharges may be required to be refunded. Furthermore, with respect to the DOE compliance proceedings described above, the removal of price and allocation controls on January 28, 1981 eliminates the potential overcharge refund liability of the Company for sales of crude oil occurring after that date. As noted above, however, interest on the alleged pre-January 28, 1981 overcharges continues to accrue.

RIVAL MANUFACTURING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Contingencies:

During 1984 the Company was listed by the Environmental Protection Agency as one of the potentially responsible parties that may be liable for the costs to investigate and clean up a site which may include a Company facility in Flowood, Mississippi. The Agency has authorized an investigation and feasibility study of the site, but that study will not begin until sometime later in 1985. Based on the current status of this matter, management believes the likelihood is remote that this action will result in a material adverse effect on the Company's future financial condition.

TESORO PETROLEUM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note I—Commitments and Contingencies

A substantial portion of the Company's domestic petroleum operations was subjected to controls administered by the Department of Energy (DOE). These controls included the mandatory allocation of crude oil and various petroleum products, and restrictions on the sales prices for most domestic crude oil and various petroleum products. On January 28, 1981, all remaining Federal controls on the allocation and pricing of crude oil and petroleum products were terminated.

During the price control program, the DOE attempted to equalize the cost of crude oil among all domestic refineries through its Entitlements Program. The termination of price controls on crude oil brought an end to this program. The DOE initially stated its intent to issue a January 1981 entitlements notice and a cleanup notice to terminate the program, and on August 2, 1982, the DOE published drafts of these entitlement notices. The Company has made appropriate accounting entities based upon the draft entitlements notices. On October 28, 1983, the DOE issued a Notice of Public Proceeding and Public Hearing concerning the January 1981 and cleanup entitlements notices. In this notice the DOE changed its position, stating that it had the discretion not to issue the January 1981 and cleanup entitlements notices and announced its proposal not to issue the final entitlements notices. The DOE's proposal not to issue the final entitlements notices became final on July 3, 1984. The validity of the DOE's decision is the subject of pending litigation. While the Company cannot predict the ultimate disposition of this program, the Company's management believes that it will not have a material adverse effect on the Company's consolidated financial position.

The DOE has been involved in a continuing audit and special investigations of the Company for a number of years. During the course of the DOE's audit and investigation of the Company, various issues concerning application of DOE's regulations have been discussed with the DOE, some of which involved significant amounts. Although no final remedial orders have been issued by the DOE to the Company, the DOE has issued a notice of probable violation and two proposed remedial orders alleging regulatory violations by the Company and seeking refunds of alleged overcharges, including interest, of approximately $11 million.

Further, the DOE may issue additional proposed remedial orders alleging overcharges by the Company of material amounts. Based on recent litigation involving other companies, it appears that the DOE may prevail on certain allegations which would adversely affect the Company. At this time the Company cannot predict the total of all claims the DOE may assert or when such claims will be resolved, but such matters are likely to continue for a number of years. The Company has denied all claims thus far made by the DOE and intends to contest vigorously all claims asserted by the DOE. The Company is unable to predict the eventual outcome of these matters or to estimate the range of possible loss.

Letter of Credit

CENTRAL SOYA COMPANY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All tabular dollar amounts are in thousands except as otherwise indicated)

Short-Term Borrowings and Compensating Balances

Short-term borrowings consist of the following:

	1984	1983
Commercial paper	—	$21,200
Foreign borrowings	17,283	17,653
	$17,283	$38,853

At August 31, 1984, the Company had unused domestic lines of credit totaling $125 million and foreign subsidiaries had unused lines of credit totaling $26.8 million. There are no compensating balance requirements under the domestic lines of credit and compensating balance arrangements under the foreign lines of credit were not significant.

At August 31, 1984, the Company was contingently liable for $6.5 million under outstanding letters of credit issued under separate credit arrangements.

COLECO INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Commitments and Contingencies:

At December 31, 1984 and 1983, the Company was contingently liable for outstanding letters of credit in the amounts of $1,400,000 and $4,400,000, respectively.

ELCOR CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Commitments and Contingencies (In Part)

The Company is contingently liable for approximately $6.8 million in irrevocable letters of credit issued to clients of the Engineering and Construction Group in lieu of the normal contract provisions for retainages on construction contracts and to the Company's insurance carrier as part of its self-insurance program.

EMERSON RADIO CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note G (In Part): Commitments and Contingencies:

(2) Letters of Credit:

Outstanding letters of credit, not reflected in the accompanying financial statements, aggregated approximately $19,940,000 at March 31, 1984.

Exchange Controls

OWENS-ILLINOIS, INC.

FINANCIAL REVIEW

Contingencies. Owens-Illinois was contingently liable at December 31, 1984, under guarantees of loans and other obligations in the principal amount of $23.1 million.

Exchange controls were implemented in Venezuela in 1983, including Decrees 1928 and 1930, under which the Venezuelan Government has stated it will provide U.S. dollars at certain preferential rates to pay registered foreign debt and payables. On February 24, 1984, the new Government announced their economic package which included a continuation of the preferential rate system. Based on the above, the Company's Venezuelan subsidiaries have continued to translate their registered dollar denominated obligations aggregating approximately $30 million at the applicable preferential rates (principally 4.3 bolivars per U.S. dollar).

Unfunded Vested Benefits of Multiemployer Plans

THE PITTSTON COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. (In Part): Employee Benefit Plans

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 $16,262,000 in 1984, $13,719,000 in 1983 and $18,839,000 in 1982. 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 $55,747,000 at July 1, 1984. 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.

Insurance Claims

PENTRON INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Litigation and Contingencies:

N.E. Isaacson of Michigan, Inc. Lawsuit

In December, 1977, N.E. Isaacson of Michigan, Inc. (Isaacson) filed suit naming the Company as a co-defendant alleging Isaacson was damaged by an improperly constructed sewer system. The suit includes a formal demand of $500,000 from the certifying engineer, the bonding company and the general contractor, Ranney Water Systems, a former division of the Company.

During fiscal 1983, the matter was ordered to arbitration. Management estimates the loss from this matter will ultimately range from $40,000 to $125,000. Accordingly, $40,000 was accrued and is included in accrued liabilities in the accompanying June 30, 1984 and 1983 balance sheets.

Self-Insurance Programs

The Company maintains self-insurance programs for hospitalization, medical coverage and workmen's compensation. The hospitalization and medical program is limited to losses of $25,000 per claim and the workmen's compensation is limited to an aggregate loss of $175,000 through the use of stop-loss policies. The Company switched from self-insurance to the State of Ohio workmen's compensation program on July 1, 1983. Although claims incurred after July 1, 1983 will be paid through state insurance, the Company is still liable for unpaid claims incurred before that date. Provisions for such claims, under each program, are accrued based upon the Company's estimate of the aggregate liability for claims made and potential claims. At June 30, 1984, $75,000 and $63,000 have been accrued for workmen's compensation and hospitalization and medical claims, respectively.

FTC Consent Order

FLOWERS INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (In Part): Legal Matters and Contingencies

In 1980, the Federal Trade Commission ("FTC") filed a complaint alleging that seven acquisitions by the Company were in violation of the Clayton Act. In July 1983, the FTC provisionally accepted a proposed consent order on the matter. On November 3, 1983, the FTC issued its final order which contained precisely the same provisions as the provisional order and terminated the litigation. The order requires, among other things, divestiture of two operating facilities, located in Gadsden, Alabama and High Point, North Carolina; transfer or licensing of certain labels associated with these facilities under certain circumstances; and, that for a period of ten years the Company obtain prior FTC approval to acquire bakeries with sales greater than certain specified amounts or which are located less than 200 miles from plants owned by the Company. Because of the indefinite timing of the events required by the order, the Company is unable to accurately assess the effects, if any, of the order on the Company's financial position or results of operations. Management believes, however, that the order is in the best interest of the Company.

GAIN CONTINGENCIES

Operating Loss or Investment Credit Carryforwards

AMAX INC.

NOTES TO FINANCIAL STATEMENTS

6 (In Part): Income Taxes

At December 31, 1984, an operating loss carryforward of approximately $716 million expiring in 1998 and 1999 is available to offset future taxable income for financial reporting purposes. Investment tax credits of 116 million expiring in 1993 through 1999 are available for financial reporting purposes. Federal income taxes have not been provided on $339 million of undistributed earnings at December 31, 1984 indefinitely invested in foreign subsidiaries and in equity affiliates.

BOBBIE BROOKS, INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8—Income Taxes

At April 28, 1984, the Company had a net operating loss carryforward of approximately $25,100,000 available to offset future taxable income. Such carryforward expires $4,900,000 in 1995, $1,600,000 in 1996, $17,500,000 in 1997, $100,000 in 1998 and $1,000,000 in 1999. Similarly, investment tax credit carryforwards amounting to approximately $500,000 were available at April 28, 1984, expiring 1989 through 1999.

In addition to its tax loss carryforward, the Company has an additional loss carryforward for financial statement purposes of approximately $2,600,000. This amount represents the net effect of those timing differences which have reduced income for financial reporting purposes and for which the related tax benefit has not been recognized in the financial statements because of the existence of net operating loss carryforwards when such timing differences arose.

CMI CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(9) Income Taxes

In 1982, for financial statement purposes, the tax effect of the operating loss has been recognized by eliminating the deferred tax credit of $4,430,544 which arose in prior years and by carryback of available loss to prior years which result in a current tax benefit of $1,269,456. To the extent the tax loss carryforward is realized in the future, such deferred taxes will be reinstated on a cumulative basis at the then current tax rates.

At December 31, 1984, the Company had a tax loss carryforward of approximately $47,000,000 which expires as follows: $15,000,000 in 1997, $26,000,000 in 1998 and $6,000,000 in 1999. For financial reporting purposes, the loss carryforward approximates $42,000,000 (the difference of $5,000,000 is principally due to depreciation). The tax benefit from such carryforward will be recorded as extraordinary income when realized. In addition, there are investment tax credits amounting to $1,376,000 which expire as follows: $648,000 in 1996, $507,000 in 1997, $40,000 in 1998, and $181,000 in 1999 which may be carried forward to offset future taxes. Investment tax credits amounted to $181,000 in 1984, $70,000 in 1983 and $586,000 in 1982. Also, the Company has a percentage depletion carryforward of approximately $1,850,000 which is available indefinitely to offset future taxable earnings.

AMERICAN BILTRITE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note N (In Part): Income Taxes

ABI has net operating loss, investment tax credit, and foreign tax credit carryforwards at December 31, 1984, as follows:

Expiration Date	Net Operating Loss	Investment Tax Credit	Foreign Tax Credit
	(In thousands of dollars)		
1986			$229
1987			125
1988			119
1989			115
1992		$ 18	
1993		51	
1994		74	
1995		177	
1996 and thereafter	$9,100	581	
	$9,100	$901	$588

UNITED MERCHANTS AND MANUFACTURERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Income Taxes

At June 30, 1984, the Company had unused Federal net operating loss carryforwards of approximately $199,000,000, of which $72,000,000 expires in 1992; $80,000,000 in 1993; $1,000,000 in 1995; $33,000,000 in 1997 and $13,000,000 in 1998. In addition, the Company has available investment tax credit carryforwards of approximately $10,000,000 expiring in various amounts each year from 1989 through 1999. At June 30, 1984 the foreign net operating loss carryforward approximated $4,900,000, expiring in 1988.

WEST CHEMICAL PRODUCTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14 (In Part): Income Taxes

At November 30, 1984, for financial reporting purposes, the Company has a net operating loss carryforward approximating $4,500,000. Due to timing differences, the Company has available for federal income tax purposes unused investment credit and operating loss carryforwards, which may provide future tax benefits, expiring as follows:

Year of Expiration	Operating Loss Carryforwards	Investment Credit Carryforwards
1994	—	$167,000
1995	—	16,000
1996	—	11,000
1997	$1,470,000	11,000
1998	680,000	18,000
1999	1,150,000	18,000
	$3,300,000	$241,000

Plaintiff Litigation

DYNAMICS CORPORATION OF AMERICA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12—Contingencies

On June 8, 1984, the United States Claims Court awarded the Company the sum of $11,529,195 as compensation for the Government's taking of the Company's patent property and for its delay in paying therefor. From June 1, 1984 to and including the date of payment of the award by the Government, the Company is also entitled to receive delay damages of $1,403 per day. The Government has appealed and the Company has cross-appealed. The Company believes its award will not be reduced by the appellate court and that it may be augmented. No portion of said award is included in 1984 income.

The Company is the plaintiff in an action against a bank for substantial damages arising out of the Company's Bankruptcy Proceedings which were concluded by a Plan of Arrangement in 1974; the bank has entered a counterclaim. Management's opinion is that the Company has a good cause of action although it it too early to predict the outcome, and that the bank's counterclaim is without substance.

The Company is the plaintiff in an action against the United States in the U.S. Claims Court under the Contract Disputes Act of 1978, seeking to set aside a determination by the Government that the Company owes it $1,644,000 under an economic adjustment clause of a contract for the sale of generator sets, and for certain other related relief. The Government has denied the essential allegations of the complaint. Management believes the Company is entitled to the relief demanded in the complaint but is not able to predict the outcome at this early stage of the proceeding. An unfavorable outcome, although not expected, would not have a materially adverse effect on the financial position of the Company.

With respect to other claims and actions against the Company, including a U.S. District Court suit filed by CTS Corporation charging the Company with violations of the Federal Securities laws, it is the opinion of Management that they will have no material effect on the financial position of the Company.

INLAND STEEL COMPANY

NOTES TO FINANCIAL STATEMENTS

Note 13 (In Part): Commitments and Contingencies

On February 21, 1984, a jury verdict awarded the Company approximately $74 million in a lawsuit against Koppers Company for breach of contract in connection with the construction of a coke oven battery and a blast furnace at the Company's Indiana Harbor Works. In the same case, the jury awarded Koppers approximately $10 million against the Company on its counterclaims. Both awards have been appealed.

SUN CHEMICAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10: Request for Equitable Adjustment

In July 1984 the Kollsman Instrument Division filed a $35,300,000 administrative claim for equitable adjustment with the U.S. Government. It is management's contention that the Company received defective technical data for the manufacturing and testing of themal night sights.

The claim includes the direct cost of solving and implementing solutions to the technical data deficiencies identified. It also includes all costs associated with the delay of the program and the disruption and rework associated with both changing design and revisions to acceptance test procedures. In addition, the Company seeks a recovery of lost profit due to diminished cash flows.

The filing of the claim has not resulted in a significant change in the contract revenue estimates, which already include cost recovery assumptions for contract evaluation purposes. Accordingly, 1984 net income does not reflect any increased benefits stemming from this claim. The Company anticipates resolution of this matter in 1985.

COMMITMENTS

Obligations to Maintain Working Capital or Restrict Dividends

AMCAST INDUSTRIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Long-Term Debt and Credit Arrangements (In Part)

The company has a credit agreement with three banks which provides for maximum borrowings of $40 million. Borrowings through July 1986 are revolving credit notes. Any borrowings outstanding in July 1986 convert to a term loan and are payable in sixteen equal quarterly payments. Interest on the borrowings is based, at the company's option, on the prime rate, the CD rate plus ¾%, or the Eurodollar rate plus ½% for the first three years, and at scheduled rate increases thereafter. In connection with this agreement, the company must maintain compensating balances totaling $750,000. In addition, a commitment fee of ⅜% or ¼% is charged on certain unused portions of the credit line. This agreement limits total debt plus unfunded pension liabilities in excess of $7 million to 70% of tangible net worth, as defined in the agreement, through August 31, 1984. This limitation becomes more restrictive each year through September 1, 1986, at which time such limitation becomes 55% for the duration of the agreement. With several exceptions, the company is prohibited from incurring additional debt, must maintain working capital at a minimum of $10 million, and is not permitted to make acquisitions for an aggregate amount in excess of $30 million without prior approval. The agreement requires the maintenance of a certain level of tangible net worth and, at August 31, 1984, $16,011,000 of retained earnings was available for the payment of future dividends.

CONSOLIDATED FOODS CORPORATION

NOTES TO FINANCIAL STATEMENTS

(dollars in thousands except per share data)

Long-Term Debt (In Part)

Under the most restrictive covenants of the various debt agreements, $476,353 of retained earnings at June 30, 1984, is available for payment of dividends and purchase of the corporation's stock. In addition, working capital of $150,000 must be maintained; working capital at June 30, 1984, was $568,826.

COURIER CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

D (In Part): Notes Payable and Long-Term Debt

The long-term debt agreements contain various restrictive covenants including provisions relating to the maintenance of working capital, additional indebtedness and limitations on dividends and certain investments. In addition, proceeds from the sale of substantial assets are required to be reinvested in operating assets or used to repay debt. Each of the industrial revenue bond arrangements provides for a security interest in the assets acquired with bond proceeds. At September 29, 1984, retained earnings of $3,806,000 could be used for dividends and the repurchase of Company common stock without obtaining approval from the Company's lenders.

EASCO CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (In Part): Debt and Lines of Credit

Restrictive covenants. Certain of the company's loan agreements require the company to maintain minimum working capital levels and ratios, and contain other provisions the more important of which restrict expenditures for the purchase of the company's stock and payment of cash dividends, the creation of liens on certain property, the creation, incurrence or assumption of current or funded debt, and the acquisition or sales of investments. At December 31, 1984, the company's working capital exceeded the amount required by approximately $40,391,000 and the current ratio of 2.3 to 1 at December 31, 1984 exceeded the required ratio of 1.8 to 1. Retained earnings of approximately $2,707,000 were unrestricted as to the payment of dividends and purchase of capital stock at December 31, 1984.

The maximum amount of short-term indebtedness permitted to be outstanding at any one time under certain of the senior loan agreements is limited to an amount equal to 30% of total shareholder's equity, and the company is periodically required to limit its outstanding short-term indebtedness for a period of at least 60 consecutive days.

MAGIC CHEF, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Notes Payable and Long-term Debt

The loan agreements with the insurance companies require, among other things, that the Company maintain consolidated current assets of at least 200% of consolidated current liabilities. The agreements also contain certain other restrictions related to the payment of cash dividends and the assumption of additional debt. Consolidated retained earnings not restricted under the provisions of the agreements were approximately $53,717,000 at June 30, 1984.

PENNWALT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4 (In Part): Long-Term Debt and Dividend Restrictions

Long-term debt maturities, net of amounts held in Treasury, during the four years 1986 through 1989 amount to $7,964,000, $5,901,000, $20,621,000 and $19,780,000, respectively. Terms of the long-term debt and preference stock agreements contain certain provisions as to the issuance of additional long-term debt, maintenance of net working capital and payment of dividends. In addition, under Pennsylvania law no dividend may be paid that would reduce the Company's net assets below the liquidation value of its outstanding preference stock. Under the most restrictive of these limitations, at December 31, 1984, approximately $217,284,000 of earnings retained for use in the business was not restricted as to the payment of dividends. Restrictions that limit the payment of dividends by consolidated and nonconsolidated subsidiaries to the Company are not significant and do not materially restrict the intercompany flow of funds. Included in retained earnings at December 31, 1984, are undistributed earnings of nonconsolidated companies of $18,659,000. Dividends received from nonconsolidated companies amounted to $3,057,000 in 1984, $817,000 in 1983 and $936,000 in 1982.

THE TIMKEN COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note D (In Part): Long-Term Debt

The Revolving Credit and Term Loan Agreement contains certain restrictions relating to investments held by the Company and its subsidiaries, liens on assets other than accounts receivable and other borrowings. Additionally, the Company is required to maintain consolidated working capital of not less than $150,000,000 (exclusive of any borrowings under the Revolving Credit portion of the Agreement and any commercial paper borrowings not in excess of the unborrowed amount under the Revolving Credit portion of the Agreement) and consolidated net worth (as defined in the Agreement) of not less than $700,000,000.

Capital Expenditures

CATERPILLAR TRACTOR CO.

NOTES TO FINANCIAL STATEMENTS

(Dollar amounts in millions)

9. Buildings, machinery, and equipment

Buildings, machinery, and equipment—net at December 31, by major classification, were as follows:

	1984	1983	1982
Buildings	$2,056	$1,961	$1,875
Machinery and equipment	3,296	3,212	3,011
Patterns, dies, jigs, etc.	433	398	383
Furniture and fixtures	152	149	142
Transportation equipment	15	18	17
Construction-in-process	177	334	437
	6,129	6,072	5,865
Deduct: Accumulated depreciation	3,288	2,915	2,526
	$2,841	$3,157	$3,339

The company had commitments for the purchase or construction of capital assets amounting to approximately $190 at December 31, 1984. Capital expenditure plans are subject to continuous monitoring and changes in such plans could reduce the amount committed.

Maintenance and repair expense for 1984, 1983, and 1982 was $331, $237, and $336, respectively.

HEWLETT-PACKARD COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Commitments (In Part)

Unused foreign lines of credit at October 31 amounted to $273 million in 1984, $251 million in 1983 and $232 million in 1982.

At October 31, 1984, the company was committed for plant site acquisition, facility construction and related machinery and equipment purchases aggregating $315 million.

GEO. A. HORMEL & COMPANY

NOTES TO FINANCIAL STATEMENTS

Note I—Construction in Progress

The estimated costs to complete construction in progress at various locations at October 27, 1984 are approximately $11,469,000.

INTERNATIONAL HARVESTER COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20 (In Part): Commitments, Contingent Liabilities, and Restrictions on Assets

At October 31, 1984, commitments on appropriations for capital expenditures in progress were approximately $23 million, of which $10 million related to agricultural equipment operations.

KINDER-CARE LEARNING CENTERS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Commitments and Contingencies

Capital Expenditures

At August 31, 1984, the Company has various outstanding contracts for the construction of its centers. The amount of these contracts less construction draws paid is approximately $11,000,000. In addition the Company has purchased real estate for 25 centers for which there was no construction contract at August 31, 1984.

R.J. REYNOLDS INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (In Part): Commitments and Contingencies

The Company is engaged in the expansion and modernization of cigarette manufacturing facilities in the Winston-Salem, N.C., area which is expected to be substantially completed by 1987. At December 31, 1984, the estimated cost to complete this project was $1.4 billion.

STAUFFER CHEMICAL COMPANY

NOTES TO FINANCIAL STATEMENTS

Commitments

Unexpended appropriations for the construction of additional facilities approximated $72,000,000 at September 30, 1984. Portions of these appropriations are covered by firm commitments.

Unconditional Purchase Contracts

AMERICAN MAIZE-PRODUCTS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10 (In Part): Commitments

The Company has contracted for guaranteed handling and storage of the corn used by its Dimmitt plant under the terms of an agreement which expires on December 31, 1996. Under the terms of the agreement, the Company is committed to pay for guaranteed minimum storage of 450,000 bushels of corn at a specified rate. The following is a schedule by year of the future minimum fees under this agreement at December 31, 1984:

Dollars in thousands	
Year ending December 31,	
1985	$ 117
1986	117
1987	117
1988	117
1989	117
Later years	815
Total minimum payments required	$1,400

The agreement also provides for an additional annual payment to the extent net profits of the Dimmitt plant before federal income taxes (as defined) exceed certain levels. Total expenses under this agreement for the period subsequent to the acquisition were $91,000.

THE DOW CHEMICAL COMPANY

NOTES TO FINANCIAL STATEMENTS

Q (In Part) Commitments and Contingent Liabilities

A Canadian subsidiary has entered into two 20-year agreements to purchase substantially all the output of an ethylene plant (Plant No. 1) and 40% of the output of a second ethylene plant (Plant No. 2). The purchase price of the output is determined on a cost-of-service basis which, in addition to covering all operating expenses and debt service costs, provides the owner of the plants with a specified return on capital. Total purchases under the agreements were (in millions) $159, $146 and $119 in 1984, 1983 and 1982, respectively.

Fixed and determinable portion of obligations under such purchase commitments (at December 31, 1984 exchange rates) net of noncancellable sales commitments, were:

(in millions)	
1985	$ 82
1986	82
1987	80
1988	77
1989	75
1990—expiration of contracts	872
	1,268
Less—Amounts estimated to represent interest	173
Total	$1,095

SCOTT PAPER COMPANY

FINANCIAL SUMMARY

Leases and Other Commitments (In Part)

In 1982 the Company entered into agreements, which expire in 2007, to operate a biomass cogeneration facility adjacent to its Westbrook, Maine mill and to purchase its steam and electricity output on a take-or-pay basis. Under these agreements the Company paid $7,950,000 in 1984 and 1983, and $7,221,000 in 1982.

The future minimum obligations under leases and other commitments having an initial or remaining noncancelable term in excess of one year as of December 29, 1984 are as follows:

(Thousands)	Capital Leases	Operating Leases	Other Commitments
1985	$ 4,728	$ 7,696	$ 7,950
1986	3,936	6,726	7,950
1987	2,625	6,132	7,950
1988	1,520	5,439	7,950
1989	1,315	5,227	7,950
Later years	13,294	86,510	158,425
Future minimum obligations.	27,418	$117,730	$198,175
Interest portion	(8,751)		
Capital lease obligations	$18,667		

THE BF GOODRICH COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share amounts)

Note S (In Part): Commitments and Contingencies

Convent Chemical Corporation entered into a purchase obligation agreement for purchases of brine at cost (as defined) plus a fee. Under this agreement, CCC is funding the acquisition and construction of brine facilities, including wells, production equipment and pipeline necessary for the production and delivery of brine to CCC. The funding is provided by the greater of purchases of brine or minimum payments which are based on construction costs of the facilities of approximately $22.0 and related financing costs. Minimum annual payments through 1999 will be approximately $1.4 plus financing costs. Payments for brine under this agreement were $5.2, $3.4 and $3.0 in 1984, 1983 and 1982, respectively.

STANDARD OIL COMPANY (INDIANA)

NOTES TO FINANCIAL STATEMENTS

21 (In Part): Other Contingencies

The company has contracted on a take-or-pay basis to purchase certain quantities of materials used in oil and gas producing activities. The contracted quantities are not in excess of anticipated requirements and will be acquired at prevailing market prices at the time of shipment. Minimun semiannual payments of $6.3 million are required through June 1993. The company made purchases of $12.6 million in 1984 under this minimum obligation. The present value of future payments at December 31, 1984, was $62 million.

Other Purchase Contracts

ACTION INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note I (In Part): Commitments and Contingencies

Other commitments and guarantees as of June 30, 1984 arising out of normal business operations include outstanding letters of credit ($17,200,000), outstanding steamship guarantees ($991,500), contracts to purchase Italian Lira ($3,825,000) and West German Deutsche Marks ($2,521,400) and contracts to sell Canadian Dollars ($1,623,400).

CONCORD FABRICS INC.

NOTES TO FINANCIAL STATEMENTS

Note L—Purchase Commitments:

At September 2, 1984, the Company had outstanding purchase commitments to purchase greige goods aggregating approximately $26,500,000.

JLG INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

R: Capital Stock

Stock redemption agreements between the Company and two of its executive officers provide for the purchase of a portion of the common stock from their estates at market value, upon death. The commitment under such arrangements, aggregating $1,590,000 at July 31, 1984, is funded by life insurance policies owned by the Company.

ROHM AND HAAS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 20 (In Part): Contingent Liabilities, Guarantees and Commitments

On October 1, 1984, the company entered into an agreement to purchase 1,330,000 shares of the company's stock from The William Penn Foundation, a charitable foundation which holds about 19% of the company's outstanding shares. The company's board of directors also authorized market purchases of up to an additional 1,500,000 shares. As of December 31, 1984, approximately 1,000,000 shares at a total cost of about $60 million had been purchased under the market purchase authorization. At the current market price of the company's shares, the purchase from the foundation and the remaining purchases on the market would require an additional expenditure of approximately $120 million over the next five-year period. It is expected that, following the purchase of shares from the foundation and assuming purchases of an additional 500,000 shares on the market, the number of outstanding shares will be reduced by about 11%. The aggregate holdings of the Haas family, Haas charitable trusts and the foundation would remain at the present level of approximately 47% of all outstanding shares.

The price to be paid for the shares being purchased from the foundation will be the average market price of the company's shares over the next five years. Payment for these shares, including interest on the unpaid balance, will be made in five installments with half the payment (based on the average market prices to that date) due upon the purchase, which will be no later than April 1, 1986. No changes in balance sheet classifications will be made until the purchase date.

The agreement gives both the foundation and the company the right to extend the contract to cover the purchase of an additional 1,330,000 shares on similar terms at the end of the initial five-year period. It also gives the company a right of first refusal on the remaining shares held by the foundation. If the contract is extended and the open market purchases are repeated, the number of outstanding shares would be reduced over several years by about 21% and the aggregate holdings of the Haas family, Haas charitable trusts and the foundation would remain at 47%.

As they are completed, the stock repurchases will have the effect of increasing the company's earnings per share due to the reduction in the number of shares outstanding. Effects of the stock repurchases on the company's other per share calculations and financial ratios are not expected to be material and will depend, in part, on future earnings, stock prices and other factors which will occur over an extended period. For this reason it is not possible to estimate the future effect of the stock repurchases on all of the company's calculations and ratios.

WEYERHAEUSER COMPANY

NOTES TO FINANCIAL STATEMENTS

Dollar amounts in thousands except per share figures

Note 10 (In Part): Commitments

The Company has a commitment to Weyerhaeuser Mortgage Company to purchase up to $200,000 of U.S. government insured or guaranteed mortgage notes and other mortgage notes which meet all eligibility requirements for delivery to the Federal National Mortgage Association.

Within that limitation an amount not exceeding $6,000 of Federal National Association common stock may be purchased. The commitment expires in July 1986. At December 30, 1984 the Company had not purchased mortgage notes or securities under this standby commitment.

Employment Contracts

ARDEN GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

14 (In Part): Commitments and Contingent Liabilities:

The Company has an employment agreement with a key executive officer which expires at the end of the Company's 1990 fiscal year on December 29, 1990. In addition to a base salary, the agreement provides for a bonus based on pre-tax earnings. The maximum compensation payable annually under the agreement is $525,000 in 1984 and $350,000 in 1983 and 1982. The compensation accrued in 1984, 1983 and 1982 was $420,000, $329,000 and $350,000, respectively.

A key employee of a wholly-owned subsidiary of Arden has an employment agreement with the subsidiary. The agreement provides for a base salary and a bonus based on net income of the subsidiary before income taxes (as defined) each year through January 3, 1987. The compensation accrued for the individual during 1984, 1983 and 1982 amounted to approximately $1,012,000, $806,000 and $748,000, respectively.

The Company is contingently liable as a guarantor of certain leases it has subleased or assigned. Any liability arising as a result of these guarantees would have no significant effect on the consolidated financial position of the Company.

CAESARS WORLD, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15 (In Part): Commitments and Contingencies

Employment and change in control agreements—The Company has employment agreements with 19 officers and key employees which expire at various dates through December 31, 1988. The aggregate commitment for future salaries at July 31, 1984, excluding bonuses, was approximately $7,400,000. The Company has also entered into Change in Control Agreements with 14 officers providing that they would be entitled to receive up to two times their annual salary and bonus, plus continuation of certain benefits, if there is a change in control in the Company (as defined) and a termination (as defined) of such officers. The maximum contingent liability, as of July 31, 1984, under these agreements is approximately $4,565,000.

RUSS TOGS, INC.

NOTES TO FINANCIAL STATEMENTS

Note H—Employment Agreements:

The Company's current management agreements (which expire on February 1, 1986) with three senior executives provide for an annual base salary of $275,000 each and require the executives to continue their employment as consultants to the Company at an annual compensation of $200,000 for the five year period following termination of their status as principal executives. During the term of employment as a principal executive, each executive will also receive incentive compensation equal to 3% of the Company's pre-tax earnings (as defined) in excess of increasing amounts ranging from $7,000,000 in the fiscal year ended in 1983 to $8,103,000 in the fiscal year ending in 1986. Such incentive compensation aggregated $435,000, $521,000 and $396,000, respectively, for each executive for the three years ended February 2, 1985.

Pursuant to a deferred compensation agreement, each of the three senior executives will also receive $80,000 a year for the ten years commencing in fiscal 1992.

The Company also has a management agreement (which began August 1, 1983 and expires January 28, 1989) with another senior executive providing for an annual base salary of $250,000 and requiring the executive to continue employment as a consultant to the Company at an annual compensation of $100,000 for the five year period following termination of employment as a senior executive. During the term of employment as a senior executive, the executive will also receive incentive compensation equal to 2% of the Company's pre-tax earnings (as defined) in excess of increasing amounts ranging from $3,675,000 for the twenty-six weeks ended January 28, 1984 to $9,381,000 in the fiscal year ending in 1989. Such incentive compensation aggregated $290,000 and $200,000, respectively, for the two years ended February 2, 1985.

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

SPENCER COMPANIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Deferred Compensation

The Company has employment agreements with certain officers through May 29, 1985. Following expiration of the contracts, the officers have agreed to provide part-time consulting services to the Company, upon request, for a consulting fee of $90,000 per year. In addition, the employment agreements provide, among other things, that during each of the ten years from and after the termination of employment or consulting services because of retirement, death or disability, each officer is to be paid deferred compensation equal to fifty percent of the average annual cash compensation paid to them during the last three full fiscal years of the Company in which they performed services as employees. Payments under the Company's retirement plan are to be deducted from such payments.

The deferred compensation is being accrued over the remaining term of the employment contracts on a present value basis. The annual accruals are being made to insure that the anticipated accrued amount of $520,000 at the end of the term of the employment agreements is not less than the present value of the estimated payments to be made to the officers subsequent to May 29, 1985. Deferred compensation expense was $73,888 in 1984 and $124,171 in 1983 and 1982, respectively. Since the deferred compensation is tax deductible only when the benefits are paid, deferred taxes have been provided in the amounts of $33,988 in 1984 and $57,118 in 1983 and 1982, respectively.

Sales Agreements

TOSCO CORPORATION

NOTES TO FINANCIAL STATEMENTS

15 (In Part): Commitments and Contingencies

Tosco has a call on the crude oil produced from projects in which Tosco had made loans or investments. Some of Tosco's product sales are made pursuant to long-term contracts. Until 1991, Tosco has undertaken to deliver and sell to a utility company a total of approximately 7,000 barrels per day of low sulfer fuel oil. Such sales are to be made at prices subject to cost escalations.

Additional Payments Related to Acquisitions

ELI LILLY AND COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions)

Acquisition

On May 31, 1984, the company acquired all the outstanding shares of Advanced Cardiovascular Systems, Inc. (ACS), which designs, manufacturers, and markets coronary angioplasty catheter systems. This transaction has been accounted for as a purchase and the financial statements include the results of operations of ACS from the date of acquisition. Pro forma results of operations are not shown since the effect would not be material. The purchase price, including a subsequent contingent payment, consisted of 1,342,391 shares of Lilly common stock with a market value of approximately $79.4 million. Depending upon the annual performance of ACS over the next four years, up to 604,200 additional shares of Lilly common stock may be issued in connection with the acquisition. The excess of cost over the fair value of the assets acquired (goodwill) is being amortized over forty years on the straight-line method.

Futures Contracts

VULCAN MATERIALS COMPANY

NOTES TO FINANCIAL STATEMENTS

7. Other Commitments and Contingent Liabilities

Royalty expense, related principally to leases of mineral-bearing properties, amounted to $7,863,000 in 1984, $6,162,000 in 1983 and $5,579,000 in 1982. Commitments under agreements which require minimum annual royalties are: $1,474,000 in 1985; $1,292,000 in 1986; $954,000 in 1987; $869,000 in 1988; $775,000 in 1989; and $11,929,000 in all remaining years for a total of $17,293,000.

Commitments for the purchase of property, plant and equipment approximated $35,000,000 at December 31, 1984.

The company's Metals segment has entered into futures contracts that have been designated as hedges against firm fixed-price secondary aluminum sales commitments. Changes in the market value of the futures contracts are recognized in income in the accounting period in which firm commitment sales are recorded. An exception to this practice occurs when a change in market value of a futures contract creates a loss that exceeds the anticipated profitability associated with the fixed-price sales commitment that was hedged. When this occurs, the amount of the excess is charged to income in the current accounting period.

There are various lawsuits against the company incident to the ordinary course of business. There is no way of determining with precision the general outcome or the amount of liability, if any, under the lawsuits. However, in the opinion of the company and its counsel, the disposition of these lawsuits will not adversely affect the consolidated financial statements of the company to a material extent.

Construction and Lease Agreement

UNITED STATES STEEL CORPORATION

9 (In Part): Lease Commitments

Agreements have been concluded to construct the new continuous slab caster at Gary Works at an estimated cost of $255 million. The agreements provide for construction and lease of the caster and related facilities to the Corporation, with lease payments generally based on production. In the unlikely event that construction is not completed, or certain performance tests are not met, the Corporation is committeded to satisfy all obligations associated to construction. At December 31, 1984, $59 million had been expended under these agreements.

Video Contracts

TIME INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Commitments

As part of its Video operations the Company routinely enters into commitments relating to (1) contracts for rights to feature films and sports events which extend for various periods, and (2) contracts to develop cable TV systems under franchise agreements. As of December 31, 1984, aggregate future commitments for these operations were estimated to be $1.5 billion to $2.0 billion.

VEBA Funding Agreement

JOHNSON CONTROLS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14—Contingencies and Commitments

The Company is involved in a number of product liability and various other suits incident to the operation of its businesses. Insurance coverages and accruals are maintained for claims and suits of this nature.

The Company is a guarantor for lease obligations and foreign lines of credit of affiliated companies up to an aggregate of $13.6 million at September 30, 1984.

It is management's opinion that none of the above will have a materially adverse effect on the Company's financial position.

Voluntary Employees' Beneficiary Association trusts have been established by the Company for the purpose of funding certain employee benefits. The funding agreements require Company contributions to the trusts through September 30, 1985. At September 30, 1984, a total remaining commitments included in the funding agreements amounted to $16.6 million.

Research and Development Arrangement

BECTON, DICKINSON AND COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note L—Research and Development Limited Partnership

On December 30, 1983, Becton Dickinson Diagnostic Partners, a New Jersey limited partnership (Partnership), closed on the sale of $33,050,000 of research and development limited partnership interests. Becton Dickinson Development Corporation (BDDC), a wholly owned subsidiary of Becton, Dickinson and Company (Company), has a 1% interest in the Partnership and serves as its general partner. The Company has entered into various contracts with the Partnership relating to research and development work to be performed by the Company.

Approximately $4,200,000 of external funds received by the Company from the Partnership have been included in the 1984 consolidated statement of income as an offset to research and development expense incurred on behalf of the Partnership. An additional $9,370,000 has been received by the Company and is recorded as an advance from the Partnership (included in accounts payable and accrued expenses in the accompanying Consolidated Balance Sheet) for 1985 research and development work to be performed by the Company.

BDDC has agreed to loan the Partnership from time to time, over a period of several years a maximum of approximately $10,000,000, which in effect represents the difference between the Partnership's research and development budget, including overhead, and the aggregate amount of limited partnership interests sold, less selling commissions and expenses and investment banking fees. In accordance with Financial Accounting Standards Board Statement No. 68, "Research and Development Arrangements," BDDC will be amortizing these loans to expense on a pro rata basis as the Company expends research and development payments from the Partnership on Partnership research and development projects. BDDC has expensed approximately $2,032,000 in fiscal 1984.

On December 30, 1983, the Company paid the Partnership $5,000 in consideration for the Partnership granting the Company an option to enter into a joint venture with the Partnership to manufacture and market the Partnership products. On October 15, 1984 the Company notified the Partnership that the Partnership's first product, an advanced analyzer, was ready for commercial manufacture and sale and that the Company had exercised its joint venture option. The Company has an additional option to purchase the limited partnership interests, exercisable after certain specified conditions exist. If the purchase option is exercised, each limited partner will receive an immediate payment of $5,721 per unit (an aggregate amount of $3,781,581) and quarterly payments thereafter, based on a percentage of revenues from Partnership products through September 30, 1998.

Directors and officers of the Company and of BDDC own less than one percent of the limited partnership interests.

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 financial 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 1984 annual reports of the survey companies.

Examples of subsequent event disclosures follow.

Debt Incurred, Reduced or Refinanced

CASTLE & COOKE, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Event

On August 16, 1984, the Company completed the sale of $100 million 12% Subordinated Notes due 1991. The net proceeds of $82.3 million (after underwriting discounts and commissions) will be used to repay borrowings by the Company under its existing credit agreements. Of these borrowings, approximately $71 million was incurred in April 1984 to repurchase common stock from certain investors.

CLEVEPAK CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (In Part): Short and Long-Term Debt

At December 31, 1984, the company had a revolving credit agreement with a group of four banks to borrow up to $85,000,000 under the agreement through November 22, 1988. On January 31, 1985, the revolving credit commitment was reduced to $77,500,000. The company pays a commitment fee of ½% on the unused portion of the revolver. The agreement contains certain financial covenants which, among other things, limit the company's aggregate indebtedness, require the company to maintain a minimum defined working capital, tangible net worth, ratio of earnings to fixed charges and ratio of total liabilities as defined to total tangible net worth and limit payment of dividends, share repurchases and capital expenditures. In anticipation of the company's planned divestitures, the banks agreed to waive all affected financial covenants, including covenants concerning payment of dividends through March 28, 1985. Before that date, the company expects to resolve with the banks appropriate changes to the revolving credit agreement which reflect the major changes in financial structure as a result of the divestitures.

GENERAL REFRACTORIES COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (In Part): Debt

On March 21, 1985, the Company entered into a combined term loan and revolving credit agreement with a group of five banks. This agreement replaced the Company's previous Second Consolidated and Restated Bank Credit and Security Agreement with domestic banks, which was to mature on December 31, 1985, and another $3,330,000 agreement with a domestic bank which was to mature on February 1, 1986.

Under the new agreement, interest is payable monthly at the prime commercial rate plus 1%. The Company has pledged its investment in and note receivable from a domestic subsidiary (Grefco, Inc.) whose net assets plus the amount payable under the note aggregated $23,500,000 at December 31, 1984. In addition, the Company has pledged substantially all of its domestic property, plant and equipment having an aggregate net book value of $22,200,000, and accounts receivable and inventories aggregating $22,600,000. Additionally, the Company's domestic cash accounts are restricted and are part of the collateral. The agreement requires, among other things, that the Company maintain certain levels of operating profits and tangible net worth; limits total liabilities and capital expenditures; restricts disposals of assets without prior approval; prohibits acquisition of treasury stock; and prohibits payment of dividends.

The term loan is a maximum credit of $14,600,000, which is fully borrowed. The Company is required to make quarterly principal payments of $250,000 during 1986 and $500,000 during 1987 and 1988, with the balance due at maturity on January 1, 1989. Additional payments are required in the event the Company sells certain of its investments and other assets.

The revolving credit, which provides for a maximum borrowing of $6,000,000, also matures on January 1, 1989. Although there is no compensating balance requirement, a facility fee of ½ of 1 percent is payable quarterly. Principal payments are not required under the agreement except in the event that the collateral falls below certain specified levels.

In recognition of the new agreement, $14,600,000 has been classified as noncurrent in the 1984 Consolidated Balance Sheet and the balance is classified as a current maturity of long term debt, of which $2,700,000 was paid to certain of the banks on March 21, 1985.

Under the previous credit agreement, interest for the year 1983, which was accrued at 11%, was deferred and evidenced by secured non-interest bearing notes. One-third of the deferred interest notes was paid in 1984 and the balance of $1,350,000 is payable in equal quarterly installments in 1985. Interest for the year 1984 was paid monthly at the prime commercial rate plus 1%. Under the agreement, the Company had pledged all of the assets pledged under the new agreement. Additionally, the agreement contained essentially the same requirements and restrictions as the new agreement.

MGM/UA ENTERTAINMENT CO. (AUG)

NOTES TO FINANCIAL STATEMENTS

Revolving Credit Agreement

As of August 31, 1984, borrowings of $39,000,000 were outstanding under the Company's credit facility. The credit facility provides for a $175,000,000 unsecured revolving line of credit until September 1, 1986, at which time the unpaid principal amount will become term loans repayable in 16 equal quarterly installments. The facility bears interest during the initial three-year revolving credit period at the prime rate or, at the option of the Company, at rates based on certificates of deposit or Eurodollar rates. Certain minimum requirements or restrictions are placed on the Company, including maintenance of net worth of at least $214,000,000 and maintenance of a specific ratio of bank debt to receivables. The Company is also required to maintain compensating balances equal to 5% of the available commitments under the agreement, as defined, or to pay additional fees to the extent such compensating balances are not maintained. Under the credit line, the Company may incur additional indebtedness of up to $50,000,000, in addition to other specified indebtedness, and MGM/UA Home Entertainment Group, Inc. is permitted to incur indebtedness of up to $25,000,000.

Subsequent to August 31, 1984, the Company negotiated an amendment to the credit facility which extended the unsecured revolving line of credit to September 1, 1987, reduced required compensating balances from 5% to 2% and increased the amount of additional indebtedness the Company may incur from $50,000,000 to $60,000,000.

SUPREME EQUIPMENT & SYSTEMS CORP. (JUL)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Long-Term Debt:

A) In October 1984, the Company amended its bank loan agreement with two banks. Significant provisions of the amended agreement are as follows:

1. Revolving credit of $6,000,000 ($3,000,000 each bank). The principal balance on July 16, 1985 is convertible into a four year term loan, payable in equal quarterly installments.
2. Interest is payable quarterly on loan principal at ¼% and ½% above each respective bank's prime rate through July 15, 1986; thereafter at ½% above the prime rate.
3. The loans are unsecured. The Company is required to maintain specified levels of working capital, tangible net worth and certain financial ratios. There are restrictions on cash dividends, additional debt, equipment purchases and business acquisitions.
4. At July 31, 1984 short-term borrowings of $1,980,456 under previous bank lines were reclassified as long-term debt to give effect to the amended credit agreement.

TABLE 1-12: SUBSEQUENT EVENTS

	Number of Companies			
	1984	1983	1982	1981
Business combinations pending or effected	51	40	42	46
Debt incurred, reduced or refinanced	39	42	42	47
Capital stock issued or retired	9	17	22	20
Stock splits or dividends	6	12	17	5
Discontinued operations	37	24	32	28
Litigation	15	25	29	18
Other—described	38	43	41	57

THE STANDARD OIL COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note G (In Part): Long-Term Debt—Excluding Current Maturities

In January 1985 the Company sold $150 million of 10½% Eurobonds due 1989 and warrants which entitle the holders to purchase up to $150 million of 10% Eurobonds due 1992 at a price that will result in a yield of 11½% per year. The warrants may be exercised at any time prior to January 1989.

Business Combinations

ACME-CLEVELAND CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note B—Acquisitions and Subsequent Events

During 1984 and 1982, the Corporation purchased four small manufacturing companies whose results of operations (which were not material) have been included in the financial statements from the respective dates of acquisition.

On October 2, 1984, the Corporation acquired all of the outstanding common shares of Communications Technology Corporation and subsidiaries (CTC) for $33,000,000 in cash. The price will be increased to $36,000,000 if CTC achieves a specified net income amount for the year ended February 28, 1985; the price will be further increased to a maximum of $37,500,000 ($40,000,000 if the increase is paid by notes) depending on incremental net income in excess of the specified amount for the same period. The purchase price could also be changed under certain other circumstances. Of the $33,000,000 paid at the time of closing, $20,000,000 was provided by the new four-year revolving credit agreement (see Note F), and the balance was paid with proceeds from the Corporation's equity issue of January, 1984 (see Note H).

CTC, which is located in Los Angeles, California, is engaged in the business of developing, manufacturing and selling telecommunications equipment. The acquisition will be accounted for as a purchase and, accordingly, the Corporation will include CTC's results of operations in its financial statements effective October 2, 1984.

AMERICAN BAKERIES COMPANY (DEC)

NOTES TO THE FINANCIAL STATEMENTS

14. Subsequent Events:

In January 1985, the Company acquired Cotton Brothers, Inc. and Coast-to-Coast Resorts. Cotton Brothers, Inc. was purchased for $13 million (which includes $2.4 million for the capital stock of Cotton and the assumption and refinancing of $10.6 million of Cotton's debt) and consists of three bakery operations in Louisiana with sales in 1984 of approximately $52 million. Coast-to-Coast Resorts was purchased for $15.5 million (which includes $2.5 million in promissory notes payable in two equal installments on January 25, 1986 and January 25, 1987) plus a contingent payment of up to $4.5 million depending on the number of members in excess of 400,000 by 1987. Coast-to-Coast services the membership campground resorts segment of the travel and leisure industry and had sales of $5.1 million in 1984.

In connection with the above acquisitions, the Company amended its revolving bank credit agreements increasing the credit available to $32.5 million from $20 million. The amendment will preclude payment of all but preferred dividends.

BAXTER TRAVENOL LABORATORIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent event

On March 1, 1985, the company signed a definitive merger agreement to acquire all of the outstanding shares of Compucare, Inc. ("Compucare"), a supplier of information processing services and software products to hospitals, hospital associations, physicians and other health care institutions. The merger is subject to the applicable waiting period under the Hart-Scott-Rudino Act and the approval of the stockholders of Compucare, and is expected to be completed during the second quarter of 1985. The merger will be accounted for as a pooling of interests.

Under the terms of the agreement, the company will exchange $13 worth of its common stock for each share of Compucare common. The actual number of the company's shares to be exchanged will be based upon the average market price for 20 trading days ending three days prior to closing. The exchange ratio will be limited to not more than approximately 1.18 and not less than approximately 0.74 shares of the company's common stock for each share of Compucare common. As of December 31, 1984, Compucare had approximately 5,600,000 shares outstanding.

CENTRONICS DATA COMPUTER CORP. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

21. Subsequent events:

Acquisition:

On January 17, 1985, the Company executed an Assets Purchase Agreement pursuant to which the company will acquire certain assets of Trilog, Inc. in exchange for shares of common stock having a market value equal to the sum of the net book value (approximately $1.3 million on December 30,

1984) of inventory and machinery and equipment acquired on the closing date plus $177,000. The Agreement further provides for additional consideration equal to the amount by which the sum of 3.5% of the net sales by the Company of Trilog products and 50% of the royalties received by the Company related to Trilog products exceeds $200,000 during the four year period subsequent to the closing date; except that any additional consideration payable in excess of $700,000 shall equal the sum of 2.25% of the net sales of Trilog products plus 50% of the royalties. The maximum consideration payable to Trilog, Inc. is $5,000,000. The additional consideration, if any, shall be payable at the Company's option in cash or shares of the Company's common stock. This acquisition will be accounted for under the purchase method. Additional consideration, if any, will be recorded as an increase to intangible assets and goodwill.

The following tabulation presents the unaudited pro forma results of the combined operations of the Company and Trilog as though the combination had occurred on January 2, 1984, giving effect for amortization of the excess of the purchase price over the fair value of the net assets acquired, cost savings as a result of consolidation of operations and elimination of interest expense related to assets and liabilities not being acquired.

Revenues	$173,956,000
Net loss	(10,749,000)
Net loss per share	(.94)

An unaudited pro forma combined balance sheet as of December 30, 1984 follows:

	(Amounts in thousands)
Assets	
Current assets	$114,648
Property and equipment, net	28,815
Other assets	3,080
	$146,543
Liabilities and Stockholder's Equity	
Current liabilities	$ 83,310
Long-term obligations, less current portion	8,656
Stockholders' equity	54,577
	$146,543

The unaudited pro forma financial information is not necessarily indicative either of results of operations that would have occurred had the transaction been effected on January 2, 1984 or of future results of operations of the combined companies.

Public offering:

In March 1985, the Company's Board of Directors approved the filing of a registration statement under the Securities Act of 1933 for a public offering of up to $34.5 million of adjustable convertible subordinated debentures. The Company will use approximately $23 million of the proceeds to repay a portion of its obligation under its bank credit agreement. The remainder of the proceeds will be used for general corporate purposes.

DANA CORPORATION (DEC)

Subsequent Event

Effective January 25, 1985 Warner Electric Brake and Clutch Company was merged with a newly formed wholly-owned subsidiary of Dana. The stockholders of Warner exchanged their shares for $157,540,000 in cash. This acquisition will be accounted for by the purchase method and accordingly, the results of operations of Warner will be included with that of Dana for periods subsequent to the date of acquisition. Warner had consolidated net sales of $189,653,000 and net income of $9,612,000 for the year ended December 31, 1984.

The pro forma combined condensed balance sheet of Dana and Warner as of December 31, 1984 after giving effect to certain pro forma adjustments is as follows:

	(in thousands)
Assets	
Current assets	$1,305,912
Investments and other assets	384,692
Property, plant and equipment, net	644,694
	$2,335,298
Liabilities and Stockholders' Equity	
Current liabilities	$ 619,379
Deferred income taxes	88,423
Deferred compensation	6,922
Long-term debt	331,070
Minority interest in consolidated subsidiaries	66,236
Stockholders' equity	1,223,268
	$2,335,298

The pro forma combined results of operations of Dana and Warner after giving effect to certain pro forma adjustments, none of which were material, is as follows:

Net sales and other income	$3,763,944
Net income	$ 196,302
Net income per common share	$ 3.49

CRANE CO. (DEC)

Subsequent Event

On February 13, 1985 pursuant to an agreement the company acquired 91% of the common shares of UniDynamics Corporation in a tender offer at $29 per share. UniDynamics is a diversified manufacturer of engineered materials and defense, automation and merchandising systems. To complete the acquisition of 100% of UniDynamics, it will be merged with a wholly owned subsidiary of the company during 1985. The total purchase price will be approximately $196,000,000.

Summary financial data on UniDynamics is set forth below.

	1984 (in thousands)
Total Assets	$232,581
Shareholders' Equity	$119,596
Sales	$381,049
Operating Profit	20,252
Net Income	12,372

The company is unable at this time with any certainty to determine the allocation of the excess of the purchase price over the equity of UniDynamics. Accordingly, pro forma information has not been provided.

To finance the acquisition, the company entered into a $170,000,000 bank term loan at floating lending rates. Under terms of this loan the company must repay $45,000,000 on June 30, 1985 and commence making equal quarterly principal payments on the balance of the loan of $125,000,000 starting December, 1985 and running through March, 1990. Convenants contained in the loan agreement require the company to (i) maintain working capital, including UniDynamics, of at least $150,000,000 and a minimum consolidated net worth, (ii) restrict payments of cash dividends so that they do not exceed $7,000,000 plus 60% of earnings subsequent to December 31, 1984, and (iii) restrict issuance of additional funded debt.

INSILCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Acquisitions

On January 6, 1984, the company acquired all of the outstanding common stock of Thermal Components, Inc. (TCI) of Montgomery, Alabama, for $27,288,000. TCI designs and manufacturers heat transfer equipment for the transportation, industrial equipment and solar energy industries. The acquisition was accounted for as a purchase. The excess of cost over the fair value of the net assets acquired was $15,269,000 and is being amortized over 40 years on a straight-line basis.

TCI's results of operations have been consolidated with those of the company from the date of the acquisition. If TCI had been acquired at the beginning of 1983, pro forma consolidated sales, net earnings and earnings per share for 1983 would have been $697,265,000, $33,861,000 and $1.88, respectively.

On January 31, 1985 Insilco acquired all of the outstanding common stock of Valentec International Corporation (Valentec) for $42,409,000. Valentec, located in Costa Mesa, California, is primarily a manufacturer of munition components used in defense work. Valentec has annual sales of approximately $40,000,000 and total assets of approximately $26,000,000. If Valentec had been acquired at the beginning of 1984, pro forma consolidated sales, net earnings and earnings per share for 1984 would have been $824,148,000, $32,551,000 and $1.80, respectively.

KUHLMAN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6: Acquisition

On January 16, 1985, the Company entered into a definitive agreement to acquire Borse Plastic Products Corp. for cash, notes and common stock totaling $10,000,000. Borse, located in Willowbrook, Illinois, manufactures custom blow molded plastic products. In 1984, Borse had sales of approximately $11,000,000. It is anticipated that the acquisition will be completed in March, 1985 and that it will be accounted for as a purchase at that time.

NORTEK, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

16 (In Part): Subsequent Events

In December 1984, the Company agreed to purchase 490,700 shares (approximately 47%) of the outstanding shares of common stock of Jensen Industries ("Jensen") from Harold Aisley, Chairman of the Board and President of Jensen, and members of his family ("Aisley shares") at a cash price of $15.36 per share plus interest from January 4, 1985 to the date of purchase. The Company subsequently commenced a cash tender offer for all outstanding shares of Jensen common stock at a price of $15.36 per share. On February 12, 1985, the Company had acquired more than 91% of the outstanding Jensen shares, including the Aisley shares. The Company expects to complete the acquisition of Jensen at $15.36 per share in early 1985. The following summarizes the unaudited pro forma operating results for the twelve months ended December 31, 1983 and 1984, respectively, as if the operations of Jensen had been consolidated with those of the Company effective January 1, 1983:

	Twelve Months Ended December 31, 1984	1983
	(Amounts in Thousands except per share amounts)	
Net sales	$537,000	$357,000
Earnings from continuing operations	$ 18,400	$ 8,500
Fully diluted earnings per share of common stock from continuing operations	$ 2.46	$ 1.53

The pro forma results for the twelve months ended December 31, 1984 include the results of operations of Jensen for the twelve months ended September 30, 1984 combined with those of the Company for the year ended December 31, 1984. Jensen's results were obtained from publicly available information.

In computing the pro forma results, earnings from continuing operations have been reduced by net interest on $16,186,000 (representing the assumed purchase price of Jensen) at a rate of 12% and 11% for the twelve months ended December 31, 1983 and 1984, respectively. Earnings have also been reduced to adjust depreciation expense to reflect adjustment of Jensen's book value of property and equipment. The pro forma data does not purport to be indicative of the results which would actually have been reported if the acquisition had occurred on January 1, 1983 or which may be reported in the future.

RALSTON PURINA COMPANY (SEP)

NOTES TO FINANCIAL STATEMENTS

(Dollars in millions except per share data)

Subsequent Events (In Part)

On October 9, 1984 the Company acquired from ITT Corporation its ITT Continental Baking Company subsidiary ("Continental"), together with Continental's subsidiaries, for approximately $475.0 in cash. The acquisition will be accounted for using the purchase method of accounting.

Pro forma combined summary financial information of the Company and Continental follows:

	Year Ended September 30, 1984 (Unaudited)
Operating Results	
Net sales	$6,523.4
Earnings for the year	246.8
Primary earnings per common share	2.72
Balance Sheet (at period end)	
Assets	
Current assets	$ 931.1
Property, net	1,526.8
Other assets	213.3
	$2,671.2
Liabilities and Shareholders Equity	
Current liabilities	$ 788.3
Long-term debt	739.8
Other liabilities	145.6
Shareholders equity	997.5
	$2,671.2

The pro forma financial information set forth above assumes that the acquisition of Continental and subsidiaries was consummated as of October 1, 1983 with respect to operating results and as of September 30, 1984 with respect to financial position and, in addition, has been adjusted to reflect the following assumptions: an increase in depreciation and amortization relative to the write-up of asset values; a 13% composite interest rate on $475.0 debt incurred to finance the acquisition cost; the elimination of interest expense allocated to Continental by ITT Corporation; and a reduction in net income taxes associated with the additional interest expense. These adjustments are based upon certain estimates and assumptions and may therefore differ from actual adjustments.

Funds for the acquisition of Continental were provided initially from short-term borrowings. Such borrowings were or will be repaid from proceeds of the issuance on October 16, 1984 of $250.0 principal amount of 12⅞% Sinking Fund Debentures due 2014; the issuance on October 18, 1984 of $100.0 principal amount of 12¾% Notes due 1989; the issuance on November 8, 1984 of $50.0 equivalent principal amount of Swiss Franc Bonds due 1994 which with related arrangements will result in an effective interest rate of approximately 12⅞%; and the issuance on November 28, 1984 of 12% Notes due 1994 in principal amount of $100.0 (with 80% of issue price to be paid to the Company on May 28, 1985), together with warrants which if exercised, would result in the issuance of an additional $100.0 principal amount of 12% Notes due 1996.

SUNSHINE MINING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

15. Subsequent Events:

MERGER WITH TEXAS ENERGIES, INC.

Effective January 17, 1985, the Company exchanged 1,377,268 shares (.4227 share for each common share acquired and .68027 share for each preferred share acquired) of its common stock for all of the outstanding shares of Texas Energies, Inc. ("TEI"), a company engaged in oil and gas exploration, oil field services and natural gas gathering in the mid-continent region of the United States, in a transaction accounted for as a pooling-of-interests.

Pro forma consolidated operating revenues, income (loss) before extraordinary credit, net income (loss) and earnings (loss) per common share of the Company and TEI for 1984, 1983 and 1982, as if the merger had been consummated January 1, 1982, are as follows (in thousands, except per share amounts):

	1984	1983	1982
Operating revenues	$83,334	$89,290	$31,087
Income (loss) before extraordinary credit	2,115	4,692	(23,299)
Net income (loss)	7,315	4,692	(23,299)
Earnings (loss) per common share:			
Income (loss) before extraordinary credit	$ .06	$ .16	$ (.88)
Extraordinary credit	.17		
Net income (loss)	$ .23	$ .16	$ (.88)

The pro forma information for 1984 has been prepared by combining TEI's results of operations for the eight months ended December 31, 1984, with the Company's results for the results for the year then ended. The pro forma information for 1983 and 1982 has been prepared by combining TEI's fiscal years ended April 30, 1984 and 1983, with the Company's years ended December 31, 1983 and 1982.

MERGER WITH WOODS PETROLEUM CORPORATION

In March, 1985, the Company and Woods Petroleum Corporation ("Woods") entered into a definitive merger agreement providing for a merger of a wholly owned subsidiary of the Company into Woods, a company engaged principally in oil and gas exploration and production. The Company has entered into stock purchase agreements with certain stockholders of Woods whereby the Company agreed to purchase 2,902,888 shares of Woods common stock for $25.00 cash per share. Woods also granted the Company an option to purchase an additional 2,150,000 shares of Woods common stock for $25.00 cash per share, upon the occurrence of certain events. The Company also purchased 644,700 shares of Woods common stock in open market transactions.

Under the terms of the merger agreement, the remaining 8,085,019 shares of Woods common stock will be exchanged for $5.00 in cash, 1.5 shares of the Company's common stock and one share of a newly established preferred stock of the Company. The merger is subject to various conditions, including approval by the stockholders of both Woods and the Company at meetings to be held in the spring of 1985.

Capital Stock Transactions Other Than Business Combinations

ASARCO INCORPORATED (DEC)

NOTES TO FINANCIAL STATEMENTS

18. Subsequent Event

A registration statement covering an underwritten public offering by Asarco of 3,000,000 newly issued shares of common stock for a price, prior to underwriters' commissions, of $22⅞ per share, was declared effective by the Securities and Exchange Commission on February 28, 1985. The cash proceeds from the offering will be used to reduce Asarco's outstanding borrowings under its revolving credit agreements.

BROWNING-FERRIS INDUSTRIES, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Preferred Stock

On December 4, 1984, the Board of Directors declared a special redemption of all remaining Series 7 stock, effective January 7, 1985. Holders of Subseries A shares will be entitled to redeem their shares for $50 each, plus accrued dividends, or may elect to convert their shares to 1.39 shares of common stock for each share of Subseries A stock held provided this election is made no later than January 4, 1985. Holders of Subseries B stock may continue to convert each share held into five shares of common stock until January 4, 1985, or have it redeemed in the same manner as Subseries A. Assuming that all holders elect to redeem their preferred stock for cash, the cash requirements would amount to $418,000.

In addition to the Series 7 redeemable preferred stock, the Company is authorized by its Certificate of Incorporation to issue 520,884 additional shares of serial preferred stock, the terms and conditions to be determined by the Board of Directors in creating any particular series.

CHICAGO PNEUMATIC TOOL COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Subsequent Event

On February 15, 1985, the Company purchased 754,100 shares of its outstanding common stock for $18,853,000 with borrowed funds. Earnings per share of $3.33 and net income of $16,572,000 would have approximated $3.69 and $15,586,000, respectively, if the shares had been purchased on the first day of fiscal 1984. The shares purchased will be held as treasury stock and will be available for various corporate purposes including issuance under the Company's employee benefit plans.

JAMES RIVER CORPORATION OF VIRGINIA (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. Subsequent Event:

On June 26, 1984, certain institutional holders of the 17¼% convertible subordinated notes converted $26.5 million aggregate principal amount of such notes into 1,984,730 common shares at $13.33 per share. Such shares were included in a secondary public offering for which registration became effective on June 26, 1984. The transaction will decrease interest expense by $4.6 million annually and will have no effect on fully diluted earnings per common share. Primary earnings per common share for fiscal 1984, assuming the conversion had occurred at the beginning of the fiscal year, would have been $3.25.

Stock Splits

DELUXE CHECK PRINTERS INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Stock Split

In February 1985, the Company declared a two-for-one stock split effected in the form of a 100% stock dividend. Retained earnings have been charged and common shares have been credited for the par value of the 21,477,000 shares issued in connection with the split based upon those outstanding at December 31, 1984. All share and pershare amounts in the accompanying financial statements have been adjusted to give effect to the split.

THE LEHIGH PRESS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9: Subsequent Events

On February 12, 1985, the Company's Board of Directors declared a two-for-one split of its common stock effected in the form of a 100% stock dividend on outstanding stock to be distributed on March 15, 1985, to holders of record on February 25, 1985. Accordingly, the balance sheet and statement of stockholders' equity present the stock split as of December 31, 1984. All common share and per share data included in the financial statements and footnotes have been restated to reflect the stock split. The stated value of $.10 per share has been assigned to additional shares of common stock issued in connection with the stock split and the aggregate value of these shares was credited to common stock and a like amount charged to additional paid-in capital.

In connection with the stock split, the Board of Directors on the above same date recommended an increase in the number of authorized shares of common stock from 2,000,000 shares to 8,000,000 shares, subject to shareholder approval. No effect has been given in the financial statements to the above recommendation as it requires shareholder approval.

Discontinued Operations

BIRD INCORPORATED (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Disposition of Certain Operations

As of December 21, 1984, the Company entered into an Amended and Restated Asset Purchase and Sale Agreement with certain indirect wholly-owned subsidiaries of Genstar Corporation, a Canadian corporation ("Genstar"). The agreement, which was consummated on February 20, 1985, provides for the purchase by Genstar of the Company's asphalt roofing operations located in Arkansas, California, Louisiana, Oregon and South Carolina and the assets and businesses related thereto.

In consideration of the asset purchase Genstar has (a) paid to the Company on the date of closing $12,036,000 in cash, (b) discharged an industrial revenue bond obligation of the Company in the principal amount of $5,813,000, (c) assumed certain Company liabilities arising out of certain warranty and other claims, and (d) assumed certain other Company obligations in connection with the assets and assigned contracts relating to the business acquired. In addition, Genstar is obliged to make payments to the Company for accounts receivable, inventory and prepaid expenses in an aggregate amount estimated at $28,662,000 of which $21,000,000 has been received as of March 25, 1985. The proceeds of the sale have been or will be used to reduce current liabilities and bank borrowings. The Company and Genstar have also entered into (a) a Supply and Distribution Agreement pursuant to which Genstar will supply to the Company and the Company will market certain roofing products, (b) a Glass Mat Supply Agreement pursuant to which Genstar will supply to the Company fiberglass mat for use in manufacturing roofing products at the Company's Massachusetts plant, and (c) a Technology Exchange Agreement pursuant to which the Company and Genstar will exchange certain present and future technology relating to the roofing industry.

Losses on disposal of assets, estimated costs associated with the sale, including severance costs, and estimated operating costs until disposition resulted in a provision for loss before income taxes of $15,900,000 which is reflected in the statement of operations. The assets subject to the sale net of liabilities to be assumed by Genstar are shown on the balance sheet under the caption "Assets held for sale at estimated realizable value." The estimated liabilities associated with the sale are shown on the balance sheet under the caption "Estimated liabilities from disposition of certain operations."

Net sales and costs and expenses associated with these operations are included in the consolidated statement of operations and it is estimated that their effect on net sales and earnings (loss) before income taxes and extraordinary credits were as follows for each of the years ended December 31.

	1984	1983	1982
	(Thousands of dollars)		
Net sales	$132,016	$126,119	$103,202
Earnings (loss) before income taxes and extraordinary credits	$ (3,863)	$ 3,244	$ (11,298)

THE FLUOROCARBON COMPANY (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Subsequent Event

In February 1985, the Company signed a letter of intent to divest substantially all of its semiconductor segment. The letter of intent provides for the sale of assets (primarily fixed assets, inventory and receivables) for cash and subordinated debt at a price of book value plus the lesser of 25% of the book value or $2,100,000. The group covered by the proposed divestiture accounted for approximately $22,000,000 of net sales and $747,000 of operating profit for the fiscal year ended January 31, 1985, and $11,150,000 of identifiable assets at January 31, 1985.

CHOCK FULL O'NUTS CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Other Comments

(g) In August 1984, the Company ceased its Bakery operations which consisted of the processing and sale of fresh and frozen cakes under its own and various private labels. The results of operations for fiscal 1984, 1983 and 1982 of the former bakery product line is included in continuing operations in the accompanying consolidated statement of income. Financial data relative to this product line is summarized as follows:

	1984	1983	1982
Sales	$ 3,987,000	$3,579,000	$3,714,000
Operating Loss	$(2,196,000)	$ (106,000)	$ (188,000)

Property, plant and equipment applicable to the Bakery operations has been segregated in the accompanying Consolidated Balance Sheet and shown as "Property, Plant and Equipment Held for Sale".

MELVILLE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Subsequent Event

On February 11, 1985, the Company signed a definitive agreement for the sale of the Foxmoor division to BR Investors, Inc., a privately held corporation, for consideration of approximately book value to be determined as of March 29, 1985. The sale is expected to be consummated during the first quarter of 1985.

NORTHWEST INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Discontinued Operations (In Part)

In February 1985, the board of directors approved in principle the distribution to the company's stockholders of Lone Star Steel Company (Lone Star), a wholly-owned subsidiary.

The planned distribution of all of the common stock of Lone Star will be made on the basis of one share of Lone Star for each share of common stock of the company outstanding on the record date for the transaction. The record date and the distribution date will be set after Lone Star's registration statement has become effective with the Securities and Exchange Commission and after appropriate tax opinions have been obtained. Barring unforeseen events, the distribution is expected to occur in April 1985.

Lone Star will be an independent, publicly-owned company and is expected to have essentially no indebtedness at the time of distribution as the result of a net capital contribution by the company, primarily in the form of forgiveness of intercompany indebtedness. As part of the net capital contribution, the company will have forgiven the intercompany indebtedness of Lone Star, and Lone Star will forgive any right to receive the amount due Lone Star in 1985 under the company's intercompany federal income tax billing practice. The net capital contribution will be $83,000,000 at the distribution date.

The company's retained earnings at the distribution date will be allocated between the company and Lone Star on the basis of their respective accumulated earnings. If the distribution of Lone Star had occurred as of December 31, 1984, the pro forma effect on common stockholders' equity of the company would have been as follows (in millions of dollars):

	As Reported	Distribution of Net Assets	Pro Forma
Common stock	$216.5	$(189.3)	$ 27.2
Retained earnings	409.7	(241.0)	168.7
Other	(56.0)	—	(56.0)
Total	$570.2	$(430.3)	$139.9

The results of Lone Star's operations for 1984 and the combined results of discontinued operations for 1983 and 1982 were as follows (in millions of dollars):

	1984	1983	1982
Net sales	$450.2	$638.0	$1,024.1
Gross profit (loss) on sale	15.8	(17.6)	321.9
Operating earnings (loss) before special charges	(7.8)	(82.9)	257.6
Aftertax earnings (loss) before interest allocation	(10.4)	(65.9)	169.4
Allocated interest, net of income taxes	5.8	(.8)	(7.2)
Net earnings (loss)	$ (4.6)	$ (66.7)	$ 162.2

OLIN CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Subsequent Events

In January 1985 the company agreed in principle to sell its Ecusta paper business for approximately $130,000,000. In 1984, the paper business' net income was approximately $12,000,000 on sales of $185,000,000. The transaction is expected to be completed during the first half of 1985.

RIVAL MANUFACTURING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Discontinued Operations:

On March 4, 1985, the Board of Directors of GLO International Corporation, a majority-owned subsidiary engaged in the importation and distribution of kerosene heaters and humidifiers, agreed that the Company would no longer market kerosene heaters. This decision was based upon Management's conclusion that the potential profit to be derived from the kerosene heater business is not commensurate with the potential risk. As a result of this decision, operating results of the kerosene heater segment are shown as discontinued operations in the accompanying consolidated statements of operations.

The operating results of this segment are presented below for each of the three years in the period ended December 31, 1984.

	Year Ended December 31		
	1984	1983	1982
Net sales	$16,292,794	$ 8,422,678	$41,669,418
Earnings (loss) before income taxes and minority interest	$ 1,602,936	($22,860,236)	$ 5,264,872
Income tax expense (benefit)	766,000	(10,589,000)	2,570,000
Earnings (loss) before minority interest	836,936	(12,271,236)	2,694,872
Minority interest	—	(622,899)	269,487
Earnings (loss) from discontinued segment	$ 836,936	($11,648,337)	$ 2,425,385

In segregating the results of operations of the discontinued segment, no attempt was made to allocate any amount representing general corporate overhead to the segment as there is no reasonable basis to allocate such costs; and further, it is not anticipated that such costs will be significantly reduced upon discontinuance of the operations.

The assets and liabilities of the segment are not significant and Management anticipates their disposition and realization at no loss to the Company.

SCHOLASTIC INC. (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands except shares and per share data)

12. Subsequent Event

In connection with its decision to centralize distribution and relocate its New Jersey information/processing center, the Company sold its Englewood Cliffs, New Jersey, facility in July, 1984. The Company realized a gain from this sale of approximately $7,668 before tax and net of closedown costs, which will be recorded in the first quarter of fiscal 1985. Litigation has been instituted against the Company in connection with the cancellation by the Company of a prior contract for the sale of this facility. Although the Company cannot predict the outcome of this litigation, it believes that the claim is without merit.

STANDARD OIL COMPANY (INDIANA)

NOTES TO FINANCIAL STATEMENTS

22: Subsequent Event

In January 1985, the company announced its intention to spin off the shares of its minerals subsidiary to shareholders in a tax-free distribution by mid-1985. The distribution is contingent upon, among other things, the receipt of a favorable ruling from the Internal Revenue Service.

The spun-off entity would own and operate all of the company's majority owned metals, coal, and industrial minerals assets. Investments in two joint ventures accounted for by the equity method (Ok Tedi gold-copper project in Papua New Guinea—$68 million; and Detour Lake gold mine in Ontario, Canada—$56 million) will be retained by the company. Financial information relating to the company's minerals operations is included in the Statement of Information by Industry Segment and Geographic Area.

The spinoff will result in a reduction of earnings retained and invested in the business in the amount of the net assets of the spun-off operations at the date of distribution. As of December 31, 1984, the net assets of such operations amounted to $1.1 billion.

Sale of Assets

HURCO MANUFACTURING COMPANY, INC. (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Subsequent Event:

In 1984, the Company determined that land held for future plant site would be sold, reclassified the account to current assets, and revalued the account at estimated market value. Related debt was reclassified as a current liability. Sale of the property was completed in December 1984 for $1,631,000, and related debt of $496,000 was retired.

Litigation

BECTON, DICKINSON AND COMPANY (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note K—Litigation

During 1983, a verdict was rendered against the Company in the amount of $23,000,000 as a result of a suit involving royalties on various products manufactured by the Company.

On November 8, 1984, the United States Court of Appeals reduced the amount of the judgment to $5,125,000. Further appeals may be taken. 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 Company's financial condition.

CROWN CENTRAL PETROLEUM CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note H (In Part): Contingencies

In October 1984, a favorable jury decision resulted in an award of more than $7.2 million on Crown's insurance claim related to losses resulting from interruptions in refinery operations due to a fire at the facility in 1981. On January 11, 1985 a final judgement was entered under which Crown will receive 100% of the jury award plus attorneys' fees and prejudgement interest at the rate of 6% from June 1982 to the date of judgement. Although the award is subject to appeal, the Management and legal counsel for the Company believe that the appeal is not likely to succeed, and believe that Crown's position will prevail. Any proceeds from this action will be reflected in the results of operations in the period in which they are received.

GEARHART INDUSTRIES, INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14 (In Part): Contingencies and Subsequent Events

The Company has been engaged in litigation with Smith International, Inc. ("Smith") resulting from the unsolicited tender offer by Smith for a controlling interest in the Common Stock of the Company.

In March 1985, the Company entered into a settlement agreement with Smith providing for the dismissal of all litigation between Smith and the Company and guaranteeing Smith $80,000,000 from a public offering of the Company's securities including the 5,310,014 shares of the Company's Common Stock held by a Smith subsidiary. In connection with this obligation, the Company has filed a registration statement with the Securities and Exchange Commission, which has not yet become effective, presently covering 6,000,000 shares of Common Stock (including the 5,310,014 shares held by the Smith subsidiary) and 6,000,000 rights. The settlement agreement may be terminated by Smith or the Company if the registration statement is not effective by June 10, 1985.

NATIONAL DISTILLERS AND CHEMICAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 21 (In Part): Contingencies

In February 1985, the purchaser of the Company's former subsidiary, Elkhorn Re Insurance Company ("Elkhorn") informed the Company that it is considering legal action for damages or a rescission of the sale by the Company. The purchaser has asserted, among other things, that it was fraudulently induced to purchase Elkhorn and that the liability for estimated insurance claims was understated in the Elkhorn balance sheet on which the purchase price was determined. Should the purchaser prevail on either its rescission or damage theory, the result would not, in the opinion of the Company's management after consultation with outside counsel, have a materially adverse effect on the Company's financial position.

THE PERKIN-ELMER CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 10: Subsequent Event

In 1977, the Corporation commenced an action against Computervision Corporation in the United States District Court for the District of Northern California charging patent infringement relating to semiconductor production equipment sold by Computervision's former Cobilt division. In March 1983, the U.S. District Court entered judgment for the corporation, which judgement was upheld by the U.S. Court of Appeals for the Federal Circuit. In March 1984, the U.S. District Court held a trial on damages. On September 20, 1984 the Corporation and the Computervision Corporation mutually agreed to settle the damages claim for $18.0 million. This amount was received and recorded in September 1984.

SAN/BAR CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Subsequent event—settlement of lawsuit

On July 6, 1984, the Company entered into an agreement with AT&T and seven regional Bell operating companies and their affiliates in settlement of a lawsuit filed by the Company against those parties in August 1983. The Company had sought damages in the order of $100,000,000.

The settlement agreement provides for the dismissal of the lawsuit and the following payments to the Company:

August 1984	$ 5,000,000
July 1985	2,000,000
July 1986	2,000,000
July 1987	2,000,000
July 1988	2,000,000
July 1989	2,000,000
July 1990	14,250,000
	$29,250,000

As a result of the settlement, the Company has recorded an extraordinary item of income of $17,530,000 before income taxes and $8,590,000 after income taxes in July 1984. The extraordinary item represents the present value of the payments to be received, discounted at 15%, less related estimated expenses amounting to $250,000. Of these expenses, $132,000 is included in prepaid expenses in the accompanying consolidated balance sheet at June 30, 1984. The Company will recognize additional interest income totaling $11,470,000 through July 1990 as the discount is amortized.

Employee Benefits

BROWN & SHARPE MANUFACTURING COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Subsequent Event

In January, 1985, the Company established the second Employee Stock Ownership Plan (Supplemental ESOP) which purchased 350,364 common shares from the Company with the proceeds from a $6,000,000 bank borrowing. The Company guaranteed the loan and is obligated to make annual contributions sufficient to enable the ESOP to repay the loan with interest. The loan is repayable in annual installments of $1,200,000 commencing January 31, 1986 through January 31, 1990, with 9¼% interest payable quarterly commencing April 30, 1985.

DYNAMICS CORPORATION OF AMERICA (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 11 (In Part) Employee Benefit Plans

Effective January 1, 1985, the Company implemented a Savings and Investment Plan for all employees not covered by collective bargaining agreements which is expected to qualify as a profit sharing plan under Section 401(k) of the Internal Revenue Code. The Company's contributions under the Plan are based on specified percentages of employee contributions and, at current contribution levels, are expected to approximate $725,000 for the year ending December 31, 1985.

Joint Venture

CLARK EQUIPMENT COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Subsequent Event:

Clark Michigan/Volvo BM Joint Venture

Clark Equipment Company and AB Volvo of Sweden have agreed to form a new company which will merge the construction machinery operations of their subsidiaries, Clark Michigan Company and Volvo BM respectively, into a single worldwide business. The Boards of Directors of the companies approved a letter of intent on January 23, 1985 and a definitive agreement is being prepared. Clark Equipment Company and AB Volvo will each contribute approximately $100 million of equity in net assets of their respective construction machinery business in return for a 50 percent ownership in the new entity. The firms plan to utilize the manufacturing, marketing, distribution, research and development and financial strengths of the two subsidiaries to form a world class competitor in the construction machinery industry. The new company is expected to achieve sales revenues of approximately $800 million in 1985 and to employ approximately 7,500 people, making it a leading producer of off-highway trucks, front-end loaders and wheel dozers worldwide.

Computer Service Agreement

CYCLOPS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (In Part): Leases and Special Agreement

Early in 1985, the Silo Division entered into an agreement with a service company that will provide computer services to the division. The agreement requires an approximate annual payment of $3,700,000 for the next seven years. This service replaces existing in-house computer services.

Lease

THE MURRAY OHIO MANUFACTURING COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Note D (In Part) Long-Term Debt

In early 1985, the company entered into a lease obligation with the Industrial Development Board of the City of Lawrenceburg, Tennessee, for the lease of environmental control facilities at its factory. This lease obligation, in an original amount of $2,500,000, will be repaid over a fifteen year term ending in 2000. The bondholder has the option to redeem the bonds after the tenth year. The company will own the facility upon the redemption of the bonds. This lease obligation is not included in the above maturity schedule.

Contract Termination

OWENS-CORNING FIBERGLAS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. Subsequent Event—Contract Termination

During the first quarter of 1985, a subsidiary's contract for sale of specialty glass fiber reinforcements used in high strength applications was cancelled. This cancellation will result in a termination payment to the Company of approximately $35 million, increasing the Company's net income in the first quarter of 1985 by approximately $19 million or 65 cents per share. Net income resulting from the contract was $5.9 million or 20 cents per share in 1984, $5.6 million or 20 cents per share in 1983 and $7.3 million or 24 cents per share in 1982.

RELATED PARTY TRANSACTIONS

Effective for financial statements for fiscal years ending after June 15, 1982, FASB *Statement of Financial Accounting Standards No. 57* specifies the nature of information which should be disclosed in financial statements about related party transactions. *SFAS No. 57* restates "without significant change" the disclosure requirements previously stated in *Statement on Auditing Standards No. 6.* In 1984, 166 survey companies disclosed related party transactions. Examples of related party disclosures follow.

Transactions Between Affiliated Companies

ANDERSON, CLAYTON & CO.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (In Part):

The accompanying consolidated financial statements include transactions of Anderson, Clayton & Co. and consolidated subsidiaries with the wholly-owned nonconsolidated insurance subsidiaries as follows:

(In thousands of dollars)	Year Ended June 30		
	1984	1983	1982
Interest received (paid)	$ 8	$ (24)	$ 176
Insurance premiums paid to:			
Combined property/casualty insurance subsidiaries	2,445	3,007	699
Life insurance subsidiary	6,777	6,694	6,206

NORTH AMERICAN PHILIPS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Majority Stockholder

At December 31, 1984 and 1983 The Connecticut National Bank, Trustee under indenture dated December 19, 1956 (United States Philips Trust), owned approximately 58% and 59%, respectively, of the outstanding Common Stock of NAPC. Under such indenture, shareholders of N.V. Gemeenschappelijk Bezit van Aandeelen Philips' Gloeilampenfabrieken (Bezit) are beneficiaries of the United States Philips Trust. Bezit is a holding company for substantially all of the shares of N.V. Philips' Gloeilampenfabrieken (N.V. Philips). Both Bezit and N.V. Philips are organized under the laws of The Netherlands.

Certain subsidiaries of NAPC sold equipment and equipment leases, notes and accounts receivable and other financing contracts to a finance subsidiary of the United States Philips Trust. The approximate aggregate amounts of such transactions for the years ending December 31, 1984, 1983 and 1982 were $51.8, $47.2 and $46.1 million, respectively. NAPC had the following transactions with N.V. Philips and its affiliated companies:

	Years Ended December 31,		
	1984	1983	1982
	(Millions)		
Product purchases	$442.1	$337.9	$304.3
Product sales	71.3	67.5	66.8
Amounts paid by N.V. Philips, principally for engineering, marketing and other costs	10.3	6.9	12.5
Amounts paid to N.V. Philips relating to technical assistance and other items	13.6	5.7	1.6

See Notes 3 and 11 for other transactions with the United States Philips Trust, and Note 3 for other transactions with N.V. Philips.

HERCULES INCORPORATED

NOTES TO FINANCIAL STATEMENTS

(Dollars in thousands)

7 (In Part): Himont Incorporated

On November 1, 1983 Hercules and Montedison S.p.A. consummated the formation of a joint venture (HIMONT), 50% owned by each, to engage in the worldwide manufacture and sale of polypropylene resins. Both Hercules and Montedison contributed their respective polypropylene resin assets, technology and businesses while Montedison also contributed its polypropylene fiber, aluminum alkyls and catalyst assets and businesses. To equalize the respective contributions, Hercules received $80 million, in cash, long-term notes and an additional interest in Erbamont, N.V., a Montedison subsidiary (see note 12). Hercules also contributed $70 million of working capital to the joint venture in exchange for a note payable in five years. As a result of the transaction, Hercules realized a before-tax gain of $43 million, or $.35 per share.

Hercules' equity in the net assets of HIMONT at date of formation exceeded its investment cost by $45 million. This excess of equity over cost of investment is being amortized to income on a straight-line basis over a 10-year period.

The businesses contributed by Hercules generated sales and profit (loss) from operations in 1983 (10 months) of $363 million and $21 million and in 1982 of $416 million and $(11) million.

During 1984, purchases by Hercules from HIMONT, used principally in the Engineered and Fabricated Products segment, were $120,676 and the accounts payable balance at December 31, 1984 was $4,854. In addition, Hercules and HIMONT have entered into service agreements covering operating, accounting and administrative services as well as the lease of office facilities, with costs determined on a direct or incremental basis. The financial statement impact of these agreements, individually and in the aggregate, was not significant to the results of Hercules.

JOHNSON CONTROLS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Related Party Transactions

Sales to partially-owned equity affiliates aggregated $102.9 million in 1984, $93.4 million in 1983 and $92.0 million in 1982. Amounts due from such sales at September 30, 1984 and 1983 were $14.4 million and $12.8 million, respectively. Sales were consummated on terms similar to those prevailing with unrelated customers.

Transactions Between Company and Management or Stockholders

ARMADA CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Transactions with Related Parties

Jerry D. Luptak, a director and officer of the Company, is the senior partner in the law firm of Evans & Luptak. During 1984, 1983 and 1982 the Company and its subsidiaries incurred legal fees of $299,000, $227,000 and $262,000, respectively.

Mr. Luptak, Mr. Chambers, a director, and Mr. Beznos, a director, control a partnership which leases corporate offices to the Company. During 1984, 1983 and 1982 the Company and its subsidiaries incurred rentals of $127,000, $122,000 and $112,000, respectively, to this partnership.

COLECO INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Leases

The Company leases its corporate headquarters from a partnership of which Arnold C. Greenberg and Leonard E. Greenberg together own a 50% interest. The lease, entered into on August 3, 1982, is for an initial period of ten years at an annual rent of $180,900 for the first five years and $189,945 for the remaining five years plus the annual debt service of $837,528 payable by the partnership on its first mortgage. The Company has the right to extend the lease for four additional terms of five years and the right to purchase the leased premises at any time after the fifth year. Based on two independent appraisals it received, the Company believes that the annual rent under the lease is less than the rent which would be paid for similar property in the Greater Hartford area.

PRATT & LAMBERT, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

L. Treasury Stock Acquired from Related Parties:

On December 10, 1984, the company purchased all 471,618 shares of its common stock then owned by Unicorp Canada Corporation (Unicorp) for $13,000,000 or $27.56 per share. Under a 1981 agreement between the company, Unicorp and George S. Mann, Unicorp's chairman and controlling shareholder, Mr. Mann was nominated and subsequently elected as a director of the company. Concurrent with the company's purchase of its shares from Unicorp, Mr. Mann resigned his directorship and signed an agreement which prohibits Unicorp Canada Corporation and Mr. Mann from acquiring Pratt & Lambert, Inc. capital stock for a period of twenty years.

PANTASOTE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. 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 $2,879,000 in 1984, $2,737,000 in 1983 and $2,675,000 in 1982. At December 31, 1984 and 1983, the Company owed this corporation $770,000 and $514,000, respectively.

SPARTON CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Related Party Transactions

During fiscal 1984, certain oil and gas participations were sold by the Company's oil and gas subsidiary to a corporation and a partnership in which John J. Smith and Lawson K. Smith, Directors of the Company, have personal interest. The sales were made at prices and terms comparable to those charged to other investors in the Company's oil and gas drilling prospects. The amount of the sales aggregated $662,000 for which a related receivable from the entities of $89,000 existed at June 30, 1984. The receivable was current and has since been paid.

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. FASB *Statement of Financial Accounting Standards No. 82*, effective for fiscal years ending on or after December 15, 1984 amends *SFAS No. 33* by eliminating the requirement for disclosure of constant dollar information for those companies presenting current cost information. In 1984, 455 survey companies presented inflation information of which 364 did not present constant dollar information.

FASB *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 current cost and mineral reserve information follow.

Current Cost Information

BAKER INTERNATIONAL CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Financial Data Adjusted For Effects of Changing Prices (Unaudited):

As required by standards established by the Financial Accounting Standards Board, the following data have been prepared and presented to reflect the restatement of certain historical financial data for changes in specific prices (current cost). The Company believes that this information should be used with extreme care because inflation accounting is still in the early experimental stage, and therefore, such data do not necessarily portray, completely or accurately, the effects of inflation on the Company's operations over and above the effects reflected in the Company's historical basis financial statements.

Current cost information is based on estimates of today's costs to acquire or produce assets identical to or with the same service potential as those presently owned; that is, the ability to produce the same quantity of the same goods or services at the same operating costs. These estimates were determined by the use of various specific price indices for property, plant and equipment and depreciation and through estimates of cost increases for inventory and cost of sales, services and rentals. Such data are stated in year-end dollars for inventories and property, plant and equipment; whereas, cost of sales, services and rentals and depreciation expense are stated in average dollars.

Year ended September 30, 1984 (in thousands of dollars except per share amounts)	As Reported in The Historical Statements	Adjusted for Changes in Specific Prices (Current Cost)
Revenues	$1,833,693	$1,833,693
Cost of sales, services and rentals, excluding depreciation expense	926,809	929,427
Depreciation expense	111,834	143,281
Unusual charges	24,000	28,005
Other operating expenses, excluding depreciation expense and unusual charges	610,593	610,593
Interest expense—net	73,500	73,500
Provision for income taxes	16,332	16,332
Total costs and expenses	1,763,068	1,801,138
Net income	$ 70,625	$ 32,555
Purchasing power gain from holding net monetary liabilities		$ 21,786
Effect of increase in general price level on inventories and property, plant and equipment held during the year		$ 65,148
Increase in specific prices (current cost) of inventories and property, plant and equipment held during the year		36,065
Excess of increase in the general price level over increase in specific prices		$ 29,083

The effects of general inflation and specific price changes are measured only on inventories; property, plant and equipment; cost of sales, services and rentals and depreciation expense. Current cost depreciation expense is computed using the same depreciation methods and depreciable lives as are used for historical financial statements. At September 30, 1984, the current cost of inventories was $535,338,000 and the current cost of property, plant and equipment, net of accumulated depreciation, was $1,019,257,000.

The excess of the increase in the general price level over the increase in the specific prices for inventories and fixed assets indicates the extent to which the increase in the general price level exceeded the increase in specific price levels experienced by the Company during the year.

Following is a comparison of selected historical financial data and financial data adjusted for inflation (stated in average 1984 dollars):

Years Ended September 30,	1984	1983	1982	1981	1980
	(Dollars in thousands, except per share amounts)				
Revenues:					
Historical dollars	$1,833,693	$1,837,587	$2,535,102	$2,140,016	$1,547,444
Constant dollars	$1,833,693	$1,911,090	$2,737,910	$2,482,419	$1,966,203
Net income (loss):					
Historical dollars	$ 70,625	$ (63,518)	$ 248,642	$ 224,989	$ 138,627
Current cost	32,555	(143,539)	189,055	158,072	116,344
Net income (loss) per share:					
Historical dollars	$ 1.00	$ (.91)	$ 3.60	$ 3.36	$ 2.11
Current cost	.46	(2.06)	2.74	2.37	1.77
Net assets at year end:					
Historical dollars	$1,014,620	$1,044,095	$1,182,070	$ 945,782	$ 732,041
Current cost	1,270,631	1,375,088	1,675,985	1,292,267	1,145,830
Purchasing power gain from holding net monetary liabilities:					
Current cost	$ 21,786	$ 18,559	$ 33,444	$ 39,706	$ 44,840
Excess of increase in the general price level over increases in specific prices	$ 29,083	$ 55,413	$ 4,438	$ 20,703	$ 34,742
Cash dividends paid per common share:*					
Historical dollars	$ .92	$ .92	$ .76	$ .50	$ .35
Current cost	.92	.96	.82	.58	.45
Market price per common share at year end:					
Historical dollars	$ 18.00	$ 21.50	$ 18.75	$ 33.75	$ 39.50
Current cost	17.65	21.93	19.69	37.13	48.19
Average Consumer Price Index (1967 equals 100)	308.10	296.00	285.90	266.20	239.70

*Adjusted to reflect two-for-one stock split in May 1980.

BURLINGTON INDUSTRIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note L—Effects of Changing Prices (Unaudited)

Burlington's financial statements have been prepared in accordance with generally accepted accounting principles and are expressed in historical dollars which measure amounts of dollars used at the dates the related transactions occurred. As a result, reported amounts reflect a combination of dollars representing varying purchasing power.

FASB Statement No. 33 prescribes standards for the experimental reporting of the effects of changing prices. In the table presented below, historical cost financial data have been adjusted for the effects of changes in specific prices of goods and services used by the company. Only inventories, cost of sales, fixed assets and depreciation are adjusted. No other elements of income and expense are restated. The current cost of inventories was estimated using standard costs adjusted for year-end variances. Current cost of fixed assets was determined by a combination of direct pricing and indexing which reflects both price changes and productivity improvement stemming from Burlington's modernization program. Foreign operations have been included in the inflation-adjusted results by determining current costs in functional currencies, then translating into U.S. dollars at appropriate exchange rates and restating to average 1984 dollars by the Consumer Price Index for All Urban Consumers (CPI-U).

Monetary assets such as cash and receivables lose purchasing power if held during periods of inflation. Conversely, monetary liabilities such as payables and debt can be paid with dollars of lesser value. Burlington's monetary liabilities exceeded its monetary assets during the year resulting in a purchasing power gain.

The effect of inflation-adjusted accounting on Burlington's financial results is significant in several areas. First, had Burlington not consistently applied the LIFO method in valuing its inventories, the differences between historical and adjusted results would have been greater. Second, depreciation charges adjusted for inflation are higher than historical costs. Third, because inflation-adjusted charges are not permitted for tax purposes, no changes in the tax provision were made, causing the effective tax rates to increase from 35.5% under historical cost to 44.3%. It is evident that income taxes are being paid currently on earnings which have been partially increased by inflation leaving less earnings available for reinvestment and dividends.

The inflation-adjusted data presented have been developed by experimental techniques and by use of subjective estimates and assumptions. Therefore, readers are cautioned that the results do not reflect a precise representation of inflation's impact on Burlington's operations or financial position.

Statement of Earnings Adjusted for Changing Prices for the Year Ended September 29, 1984

(In thousands)

	As reported	Adjusted for changes in specific prices (current cost) (in average 1984 dollars)
Net sales	$3,168,760	$3,168,760
Cost of sales (excluding depreciation and amortization)	2,701,121	2,709,880
Selling, administrative and general expenses (excluding depreciation and amortization)	222,177	222,177
Depreciation and amortization	134,932	145,476
Interest expense	52,083	52,083
Other income-net	(38,230)	(38,230)
	3,072,083	3,091,386
Earnings before income taxes	96,677	77,374
Income taxes	34,278	34,278
Net earnings	$ 62,399	$ 43,096
Gain from decline in purchasing power of net amounts owed		$ 13,879
Loss from currency translation adjustments		$ 21,363
Increase in general price level of inventories and fixed assets held during the year		$ 82,279
Effect of decrease in specific prices*		111,948
Excess of increase in general price level over decrease in specific prices		$ 194,227

*At September 29, 1984, the current cost of inventory was $657,713 and the current cost of fixed assets net of accumulated depreciation was $1,268,754.

Five Year Comparison of Selected Supplementary Data Adjusted for the Effects of Changing Prices

(In thousands, except per share data):

In average 1984 dollars	1984	1983	1982	1981	1980
Net sales	$3,168,760	$3,112,603	$3,098,458	$3,776,234	$3,728,368
Current cost information:					
Net earnings	43,096	52,041	1,818	88,738	70,828
Net earnings per share	1.50	1.82	.06	3.15	2.52
Excess of increase in general price level over change in specific prices	194,227	145,603	105,484	200,183	133,767
Net assets at year end	1,575,159	1,809,471	1,970,339	2,151,648	2,273,592
Gain from decline in purchasing power of net amounts owed	13,879	8,724	16,985	43,847	53,086
Loss from currency translation adjustments	21,363	15,560	18,253		
Cash dividends paid per share	1.61	1.58	1.63	1.73	1.81
Market price per share at year end	24.37	39.81	24.43	26.89	24.63
Average consumer price index	308.1	296.0	286.0	266.2	239.7

BEATRICE FOODS CO.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Inflation Accounting (Unaudited)

INTRODUCTION Financial statements prepared in accordance with generally accepted accounting principles present historical costs stated in dollars of varying purchasing power, which may not adequately measure the impact of inflation. The following supplemental schedules, prepared in accordance with the Financial Accounting Standards Board requirements, attempt to reflect the effects of changing prices on Beatrice's operations.

The objective of reporting inflation-adjusted data is to reflect the current costs of the resources actually used in the operations, rather than the historical costs expended to acquire them. Because the development of inflation-adjusted data requires the use of estimation techniques and assumptions, which may also vary among companies, caution should be exercised when using the inflation-adjusted financial data presented herein. The inflation-adjusted data reflect the estimated current costs of fixed assets in their present condition, and do not indicate actual amounts for which those assets could be sold nor reflect how Beatrice would actually replace existing assets. Technological changes, which significantly influence decisions regarding fixed asset replacement, are not considered in calculating the current cost of fixed assets. Also, financial information adjusted for general inflation in the United States based on the U.S. Consumer Price Index for all Urban Consumers (CPI-U) can result in distortion of data for a company such as Beatrice with operations in foreign countries which may have different rates of inflation.

In preparing these schedules, historical amounts were translated into U.S. dollars and then restated to reflect changes in specific prices during the periods being measured. Under the current cost method, property, plant and equipment, depreciation expense, inventories and costs of sales are required to be adjusted for specific price changes. The effect of general inflation on the resulting current cost and net monetary liabilities is based on the CPI-U. Other revenues and expenses are assumed to have occurred proportionately throughout the year in relation to changing prices and are considered to be stated in average 1984 dollars.

Current cost disclosures in this note for property, plant and equipment, depreciation expense, inventories and cost of sales were derived as follows:

Property, plant and equipment and depreciation expense—The current costs of property, plant and equipment were determined by the use of indices issued by the United States and foreign governments for the class of assets being measured. The adjusted values of plant and equipment were then used to compute the related depreciation expense.

Inventories and cost of sales—The current cost of inventories was determined by valuing year-end inventories on a first-in, first-out (FIFO) basis and applying specific indices to these amounts on the basis of inventory turnover. Because substantially all domestic inventories are valued on a last-in, first-out (LIFO) basis on the historical balance sheet, most of the increase from historical to current cost relates to domestic inventories. Under the LIFO method, the effects of current cost changes are already reflected in cost of sales on the historical statement of earnings. Therefore, current cost adjustments to historical cost of sales result primarilly from adjusting the inventories of international operations.

At February 29, 1984, the current cost values of net property, plant and equipment and inventories were $2.1 billion and $878 million, respectively.

1984 HISTORICAL AND CURRENT COST STATEMENT OF CONSOLIDATED EARNINGS Following is a comparison of the historical and current cost 1984 Statement of Consolidated Earnings. Current cost amounts represent historical values after current cost adjustments have been applied to cost of sales and depreciation expense. Since the provision for income taxes is not adjusted for current cost, the effective tax rate is increased from the historical financial statements.

(Dollars in Millions Except Per Share Data)	Historical	Current Cost
Net sales	$9,327	$9,327
Operating expenses:		
Cost of sales, excluding depreciation	6,664	6,670
Selling and administrative expenses, excluding depreciation	1,766	1,766
Depreciation	194	293
Total operating expenses	8,624	8,729
Gross operating margin	703	598
Other income, net	100	100
Earnings before income taxes and minority interests	803	698
Provision for income taxes	360	360
Earnings before minority interests	443	338
Minority interests	(10)	(10)
Net earnings	$ 433	$ 328
Primary earnings per share	$ 4.23	$ 3.17

COMPARISON OF SELECTED SUPPLEMENTARY FINANCIAL DATA ADJUSTED FOR EFFECTS OF CHANGING PRICES In the following chart, the current cost information is presented in the current cost of each year adjusted to average fiscal 1984 dollars for comparability, measured by the CPI-U. Explanations of selected captions are as follows:

Net assets at year-end (stockholders' equity)—The value of net assets (stockholders' equity) stated at current cost was determined by adding to historical stockholders' equity the difference between historical and inflation-adjusted values for inventories, net property, plant and equipment and net monetary liabilities.

Increase in specific prices over (under) the increase in the general price level—This compares the change in specific prices of inventories and property to the change in general price levels. The effects of foreign currency translation are included for years prior to fiscal 1983.

Foreign currency translation adjustment—This reflects the effect of exchange rate changes on net assets, adjusted to current cost. Translation adjustment amounts prior to 1983 have not been separately disclosed.

Unrealized gain from decline in purchasing power of net amounts owed—This represents the unrealized gain in purchasing power that holders of monetary liabilities derive in periods of inflation because liabilities are repaid in dollars of diminished purchasing power.

(Dollars in Millions Except Per Share Data)	1984	1983	1982	1981	1980
Net sales	$9,327	$9,445	$9,826	$10,492	$11,215
Historical cost information adjusted to estimated current costs:					
Net earnings	$ 328	$ (55)	$ 247*	$ 258	$ 266
Primary earnings per share	$ 3.17	$ (.73)	$ 2.35*	$ 2.46	$ 2.54
Net assets at year-end (stockholders' equity)	$2,598	$3,017	$ 3,373	$ 3,324	$ 3,513
Increase in specific prices over (under) increase in general price level	$ (1)	$ 173	$ (17)	$ (205)	$ (230)
Foreign currency translation adjustment	$ (127)	$ (61)	$ —	$ —	$ —
Unrealized gain from decline in purchasing power of net amounts owed	$ 49	$ 34	$ 55	$ 85	$ 125
Cash dividends declared per common share	$ 1.60	$ 1.55	$ 1.53	$ 1.56	$ 1.62
Market price per common share at year-end	$33.75	$24.68	$20.02	$ 21.67	$ 25.69
Average consumer price index	300.5	290.8	275.9	251.3	222.2

*Before the effect of special items which include the net gain on the sale of the Dannon business and the cumulative effect of change in accounting principle for investment tax credit.

MEDTRONIC, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13—Effects of Changing Prices (unaudited)

Medtronic's financial statements present financial position and results of operations in historical dollars and generally do not reflect the effects of any change in the purchasing power of the dollar due to inflation. The following schedules are presented in accordance with experimental and computational guidelines of the Financial Accounting Standards Board (FASB) which attempt to quantify the impact of inflation on Medtronic's earnings.

In the table presented below, historical cost financial data have been adjusted for the effects of changes in prices of specific goods and services provided to the company (also referred to as current costs). Since the company measures a significant portion of its operations in functional currencies other than US dollars, certain general inflation (constant dollar) information is no longer required.

Only those items most affected by inflation have been adjusted, that is: inventories and property, plant and equipment, and the related expenses of costs of products sold and depreciation. Revenues and all other operating expenses are considered representative of the specific price levels for the year and, accordingly, have not been adjusted. Since inflation adjusted changes are not permitted for tax purposes, no changes in the tax provision were made.

The current cost approach requires estimates of what it would cost currently to replace inventories and fixed assets in their current condition. Estimates for inventories were primarily based on internally developed indexes and current manufacturing costs. Cost of products sold was then adjusted based on these estimates. Depreciation of current cost amounts was calculated using an average current cost for the year, then applying the same useful lives and depreciation methods as were used for historical cost purposes. Foreign operations have been included in the inflation adjusted results by determining current costs in functional currencies, then translating into US dollars at appropriate exchange rates and restating to average 1984 dollars by the Consumer Price Index for All Urban Consumers (CPI-U).

This method only approximates the actual effects of increasing prices since numerous assumptions and estimates are involved in the calculations. Furthermore, it assumes the replacement of assets with like technology. In reality, plant and equipment would be replaced with the most advanced technology available and the associated benefits would result in lower costs of production. Accordingly, the adjusted data should not be viewed as precise indicators of the effects of inflation on Medtronic, and may not be comparable with that of other companies, including those within the industry.

Monetary assets such as cash and receivables lose purchasing power if held during periods of inflation. Conversely, monetary liabilities such as payables and debt can be paid with dollars of lesser value. Medtronic's monetary assets exceeded its monetary liabilities during the year resulting in a purchasing power loss.

Statement of Consolidated Earnings Adjusted for Changing Prices for the Year Ended April 30, 1984

(In millions of dollars, except per share data)

Net earnings as reported	$59.1
Adjustments to reflect changes in specific prices (current cost)	
Cost of products sold	(5.0)
Depreciation	(5.2)
Net earnings adjusted for changes in specific prices	$48.9
Loss from decline in purchasing power of net monetary assets	$ 4.2
Net translation adjustment	$(10.6)
Increase in specific price level of inventories and property, plant and equipment held during the year*	$ 6.0
Effect of increase in general inflation (constant dollar)	10.2
Excess of increase in specific price level over increase in general prices	$ (4.2)

*At April 30, 1984, the current cost of inventory was $90.9 and the current cost of property, plant and equipment, net of accumulated depreciation, was $139.0.

The following summary shows selected financial information adjusted for general inflation in average 1984 dollars, as measured by the CPI-U. Certain data for years prior to 1981 is omitted as the information was not required.

Five-Year Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices

(In millions of dollars, except per share data)

Years ended April 30,	1984	1983	1982	1981	1980
Net sales					
As reported	$422.7	$396.4	$347.3	$323.3	$279.0
Constant dollars	422.7	410.4	376.9	383.0	371.3
Net earnings					
As reported	59.1	54.1	47.9	41.9	39.3
Current cost	48.9	46.1	42.2	47.3	
Earnings per share					
As reported	3.64	3.34	2.97	2.63	2.49
Current cost	3.01	2.87	2.66	2.98	
Net assets at year-end					
As reported	335.4	291.8	245.5	204.5	170.2
Current cost	366.4	333.8	302.1	272.2	
Excess of increase in specific price over increase in general price level	(4.2)	(6.3)	9.4	(9.9)	
Loss from decline in purchasing power of net monetary assets	4.2	2.1	3.9	5.4	
Net translation adjustment	(10.6)	(.6)			
Cash dividends per share					
As reported	.72	.64	.56	.48	.30
Constant dollars	.72	.66	.61	.57	.40
Market price per share					
Nominal dollars	31.00	43.00	42.13	39.88	30.44
Constant dollars	31.00	44.51	45.73	47.25	40.52
Average consumer price index	302.8	292.5	279.0	255.6	227.5

OUTBOARD MARINE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(19) Financial Reporting and Changing Prices (Unaudited)

The following supplemental information is prepared in accordance with the requirements of Financial Accounting Standards No. 33 as amended. The current cost method of reporting earnings measures the impact of specific price changes based on wholesale price level indexes or specific cost estimates, whichever is appropriate. This method of estimation results in decreased earnings, because cost of sales, depreciation of plant and equipment and amortization of product tooling are adjusted upward due to general or specific rates of inflation. Net sales and all other operating expenses are assumed to reflect average price levels throughout the year and are not adjusted. The provision for income taxes is not restated because such restatement is not allowed by FAS 33. Current U.S. income tax law does not allow tax relief for the loss of purchasing power due to inflation.

The effects of general inflation on the current cost information are measured after translation and based on the U.S. Consumer Price Index for all Urban Consumers (CPI-U). The Company considers this method to be most practical due to the complexity and expense of using general price indexes associated with each functional currency.

Because this method of restatement inherently requires the use of assumptions, approximations and estimates, the resulting data is not a precise indicator of the effects of changing prices. This data supplements the conventional financial statements which are prepared on the historical cost basis in accordance with generally accepted accounting principles.

A Condensed Consolidated Statement of Earnings for the year ended September 30, 1984 as reported in the conventional statements, and restated to current cost, is shown below:

	As Reported	Current Cost
	(Dollars in millions except amounts per share)	
Net sales	$921.6	$921.6
Cost of goods sold and operating expenses	822.3	838.0
Earnings from operations	99.3	83.6
Other income, net	2.8	2.8
Earnings before provision for income taxes	102.1	86.4
Provision for income taxes	49.4	49.4
Net earnings	$ 52.7	$ 37.0
Net earnings per share of common stock	$ 3.02	$ 2.12

The current cost of inventory and property, plant and equipment (net) is $235.6 million and $253.2 million, respectively.

The following is a five-year summary of selected supplementary financial information adjusted to average 1984 dollars utilizing the U.S. CPI-U:

	Year Ended September 30				
	1984	1983	1982	1981	1980
	(Dollars in millions except amounts per share)				
Net sales:					
As reported	$921.6	$788.5	$778.0	$795.6	$687.4
Constant dollars	$921.6	$820.7	$838.1	$920.8	$883.6
Net earnings:					
As reported	$ 52.7	$ 39.3	$ 34.0	$ 26.9	$ 2.3
Current cost	$ 37.0	$ 21.5	$ 11.5	$ (3.2)	$(52.3)
Net assets at year end:					
As reported	$366.7	$345.9	$315.0	$294.3	$273.3
Current cost	$504.0	$494.5	$483.7	$483.6	$519.8
Increase (Decrease) in specific prices over increase in general price levels of property, plant, equipment and inventory:					
At specific price levels	$ 38.1	$ 20.8	$ 22.3	$ 26.4	$115.0
At general price levels	20.3	14.2	25.1	59.3	63.9
Increase (Decrease)	$ 17.8	$ 6.6	$ (2.8)	$(32.9)	$ 51.1
Aggregate foreign currency translation loss on the current cost basis	$ 8.6	$ 3.7	$ 15.7	$ —	$ —
Per common share:					
Net earnings—					
As reported	$ 3.02	$ 2.26	$ 2.01	$ 1.61	$ .14
Current cost	$ 2.12	$ 1.24	$ .69	$ (.19)	$(3.13)
Cash dividends—					
As reported	$ .58	$ .46¾	$ .41¼	$ .36¼	$ .35
Constant dollars	$ .58	$ .48¾	$ .44½	$ .42	$ .45
Market price at year end—					
As reported	$24.63	$23.00	$12.75	$ 7.00	$ 6.50
Constant dollars	$24.13	$23.48	$13.40	$ 7.72	$ 7.96
Average consumer price index	308.1	296.0	286.0	266.2	239.7

THE PENN CENTRAL CORPORATION

SUPPLEMENTARY INFORMATION ON THE EFFECTS OF CHANGING PRICES

The current year's changing prices disclosure is different from the experimental disclosure which began in 1979. In that year, the Financial Accounting Standards Board (the "Board") began a five year experiment on the usefulness of two principal methods of measuring the effects of changing prices on an enterprise, historical cost/constant dollar method and current cost/constant purchasing power method. The purpose of the experiment was to find a single, generally accepted method of reporting the effects of inflation on a business enterprise. In 1984, the Board issued a Statement that eliminates the requirement for supplementary disclosure of historical cost/constant dollar information which the Board believes to be less useful than the current cost/constant purchasing power information.

Therefore, the following tables only present the Company's financial information adjusted for the effects of changes in specific prices (current cost method). 1984 net income is $28.1 million (or 19.8%) higher than net income adjusted for specific prices.

Most of the impact of inflation comes from the capital intensive nature of most of the Company's businesses. Although most of these fixed assets have been purchased since 1979, the double-digit inflation of the early 1980's has caused a substantial cumulative effect on current cost-depreciation expense. As a result, current cost depreciation is 24.6% higher than historical cost depreciation. It will take many years of low inflation before the historical cost financial statements and financial statements adjusted for changing prices are essentially the same. This gap will continue because of the long lives of the assets, specifically plant and equipment, which are stated at original price levels instead of current costs. When these assets are restated for changes in specific prices, the depreciation expense associated with these assets increases significantly.

However, the Company's relatively high inventory turnover results in a minimal inflationary effect on cost of sales because the time between purchase of the inventory and its use is short (.1% increase for current cost).

Effect of Disinflation

Since 1982, major gains against inflation have been achieved. The inflation rate for 1984 was approximately 4%, down from the double-digit levels of the late 1970's and early 1980's. The slowing of inflation, or disinflation, seems to be the result of six separate, but interrelated developments: tight monetary policy; stable employment costs; strong U.S. dollar; inexpensive foreign imports; decreasing commodity prices; and excess capacity.

However, disinflation, like inflation, affects companies and individuals unevenly. Stable wages help keep labor and other costs down which help businesses realize productivity gains. However, individual incomes will not increase as quickly in nominal dollars because they will no longer be tied to double-digit inflationary boosts. A strong U.S. dollar makes foreign imports relatively inexpensive. Therefore, businesses cannot increase profits by raising prices and must instead look to productivity gains and cost-cutting measures. The consumer, on the other hand, will benefit from stable prices.

The decrease in commodity prices, brought on by back-to-back recessions and weaknesses in other major world economies, also can have conflicting effects on the business environment. Lower commodity prices are a significant factor in keeping business costs down. However, those industries with investments in tangible assets, such as oil, have seen the value of those assets dwindle as commodity prices drop. For example, OPEC oil prices have dropped from approximately $34 a barrel in 1981 to approximately $28.50 a barrel at December 31, 1984.

During 1984, the Company continued to meet the challenges of a disinflationary environment by continuing its program to reduce fixed costs. For example, the Company reduced corporate overhead costs through relocation of corporate headquarters to Greenwich, Connecticut, on April 1. In 1985, more savings measures will be implemented at the operating company level. These cost containment programs will benefit earnings in 1985 and future years.

During the years 1982 to 1984, the effects on the Company of slowing inflation have been mixed due to the lower costs of energy and high effective interest rates. The weakened demand for offshore oil and gas drilling rigs and onshore drilling services can be attributable, in part, to lower prices of oil and energy related products. Certain of the Company's other businesses follow trends in industrial production and continue to recover from the recession. For example, the Company's electronics operations showed strong performance in 1984 in response to the continuing market demand for electronic end equipment.

During 1981, a different effect of changing prices was experienced. In some of the Company's businesses, market factors permitted cost pass-throughs and in other businesses, profit margins deteriorated because of increasing cost. For example, the Company's Energy and Natural Resources businesses experienced strong demand for certain of their products and services which, in part, was attributable to the high cost of energy products.

The information displayed in the following tables shows the Company's financial information adjusted for the effects of changes in specific prices. These changes in the cost of property, plant and equipment and inventory were determined by using specific price indices from various sources such as outside appraisers, the Federal Energy Regulatory Commission and other governmental agencies. The costs as shown are not necessarily the same as costs that would actually be incurred if existing assets were, in fact, to be replaced currently. They do not represent money spent or obligations incurred by the Company, but rather they represent hypothetical transactions based on highly subjective and imprecise estimates of what the Company would have to spend currently. The resulting measurements, while believed reasonable, should be viewed with these limitations in mind and not as precise indicators of the effects of inflation.

Five Year Comparison of Selected Financial Data in Average 1984 Dollars (1)

(Dollars in Millions, Except Per Share Amounts)	1984	1983	1982	1981	1980
Historical cost information adjusted for changes in specific prices:					
Net sales	$2,569.1	$2,646.1	$3,401.6	$3,830.2	$2,536.3
Net income (loss)	141.9	(13.5)	98.0	139.6	46.8
Net income (loss) per share of Common Stock assuming full dilution	3.19	(.28)	2.03	2.90	.96
Purchasing power gain on net monetary liabilities held during the year	7.2	13.3	29.6	65.9	87.3
Decrease in current cost of inventory and property, plant and equipment held during the year, net of changes in the general price level	28.3	323.2	114.3	99.5	42.5
Net assets at year-end	1,979.0	2,168.6	2,483.5	2,405.3	1,874.0
Other information:					
Market price per Common share at year-end	47.000	39.083	28.343	30.231	30.630
Average consumer price index	311	299	290	272	247
Dividends: During the periods shown above the Company paid no dividends on its Common Stock.					

(1) See Notes 3 and 5 of Notes to Financial Statements for information with respect to acquisitions and divestitures.

Supplementary Financial Information Adjusted for the Effects of Changing Prices

(Dollars in Millions)	
Adjustments to the Consolidated Statement of Income—for the year ended December 31, 1984:	
Net income as reported in the historical cost financial statements	$ 170.0
Increase in costs from changes in specific prices:	
Cost of Sales	(2.3)
Depreciation	(25.8)
Net income adjusted for changes in specific prices	$ 141.9
Net income per share of Common Stock assuming full dilution.	$ 3.19
Purchasing power gain on net monetary liabilities held during the year	$ 7.2
Current cost of inventory and property, plant and equipment at December 31, 1984 (in year-end dollars):	
Inventory	$ 467.9
Property, plant and equipment	$1,505.7
Change in current cost of inventory and property, plant and equipment held during the year:	
Increase in current cost of inventory and property, plant and equipment attributable to changes in specific prices.	$ 46.5
Less increase attributable to general inflation	74.8
Decrease, net of general inflation, in current cost of inventory and property, plant and equipment held during the year	$ 28.3

THE QUAKER OATS COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 17: Financial Reporting and Changing Prices (Unaudited)

Financial statements prepared using historical cost accounting principles do not reflect the impact of inflation on a company's financial position and results of operations. In an attempt to measure this impact, the Financial Accounting Standards Board issued Statement No. 33, Financial Reporting and Changing Prices. Accordingly, page 57 presents selected financial information using current cost calculations.

The current cost method adjusts financial data for the effects of specific price changes for goods and services, in order to reflect the current cost of these items. In developing the current cost data for properties, specific industry indices from sources such as the Construction Cost Index, Producer Price Index, Factory Mutual Building Cost Index, or other appropriate indices, were used. Current cost amounts for inventories are based on year-end market values of raw materials and current production costs. These adjusted values were then used to compute the related depreciation expense and cost of goods sold. The Company uses the translat-restate method to compute inflation-adjusted data for foreign subsidiaries. Current cost is measured first in each subsidiary's functional currency, translated into U.S. dollars at current exchange rates, and then restated into average U.S. dollars using the Consumer Price Index for all Urban Consumers (CPI-U).

Because the development of inflation-adjusted data requires the use of estimation techniques and assumptions, caution should be exercised in comparing the financial data presented herein with that of other companies. Also, since the Statement requires that the inflation-adjusted data be developed using the hypothetical assumption that all fixed assets would be replaced in exactly the same state as they currently exist, it does not reflect how the Company would actually replace existing assets. Technological changes, which significantly influence a company's decision regarding fixed assets replacement, are not considered.

As a result of adjusting pretax earnings for the effects of inflation without adjusting the provision for income taxes (in accordance with Statement No. 33), the effective tax rate for fiscal 1984 is 64 percent. This compares with a 47 percent rate in the historical financial statements. We believe that the data will provide a better understanding of how, in an inflationary environment, the current tax laws reduce the amount of cash available for expansion or replacement of existing assets.

Monetary assets, such as cash and receivables, lose purchasing power during inflationary periods because the same dollars will purchase fewer goods or services, while monetary liabilities such as accounts payable are satisified with "cheaper" dollars. Since the Company's monetary liabilities exceeded the monetary assets during the period covered in this report, the Company realized a purchasing power gain. In accordance with the provisions of Statement No. 33, this "gain" in purchasing power is not included in income from continuing operations, but is shown separately. It is, however, a significant factor and should be considered when evaluating the inflation-adjusted data presented herein.

Consolidated Statement of Income from Continuing Operations Adjusted for Changing Prices

	Millions of Dollars	
Year Ended June 30, 1984	As Reported in the Primary Statements	Adjusted For Changes in Specific Prices (Current Costs)
Net Sales	$3,344.1	$3,344.1
Cost of goods sold (excluding depreciation expense)	$2,017.0	$2,044.5
Depreciation expense	70.0	112.5
Selling, general and administrative expenses (excluding depreciation expense)	939.0	939.0
Interest expense—net	59.9	59.9
Other (income)	(1.9)	(1.9)
Provision for income taxes	121.4	121.4
Income from Continuing Operations	138.7	68.7
Gain from decline in purchasing power of net amounts owed		17.1
Total	$ 138.7	$ 85.8
Increase in current cost of inventories and property, plant and equipment held during the year*		$ 74.0
Effect of increase in general price level**		62.1
Excess of increase in specific prices over the general price level		$ 11.9

*At June 30, 1984, current cost of inventory was $387.4 million and current cost of property, plant and equipment, net of accumulated depreciation, was $1,125.5 million.

**Based on the U.S. Consumer Price Index for all Urban Consumers.

Five-Year Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices (a)

					Millions of Dollars Except Share Data
Year Ended June 30	1984	1983	1982(b)	1981(b)	1980(b)
Net sales					
—constant dollar	$3,344.1	$2,708.1	$2,787.3	$2,803.4	$2,876.6
—historical	3,344.1	2,611.3	2,576.2	2,385.1	2,193.6
Income from continuing operations					
—current cost	$ 68.7	$ 69.0	$ 71.7	$ 65.5	$ 48.5
—historical	138.7	119.3	117.3	104.3	95.6
Income from continuing operations per common share					
—current cost	$ 3.22	$ 3.28	$ 3.44	$ 3.00	$ 2.09
—historical	6.71	5.83	5.81	4.96	4.51
Gain from decline in purchasing power of net amounts owed	$ 17.1	$ 10.3	$ 29.2	$ 40.9	$ 51.5
Net assets at year-end					
—current cost	$1,448.5	$1,108.0	$1,159.4	$1,244.6	$1,296.3
—historical	758.6	680.7	675.9	659.3	632.9
Increase in the general price level over/(under) increase in specific prices of inventories and property, plant and equipment	$ (11.9)	$ (30.1)	$ (25.6)	$ 68.8	$ 17.8
Exchange adjustment					
—current cost	$ 34.2	$ 25.5	$ 50.3		
—historical	22.1	20.7	27.9		
Dividends declared per common share					
—constant dollar	$ 2.20	$ 2.07	$ 1.95	$ 1.88	$ 1.84
—historical	2.20	2.00	1.80	1.60	1.40
Market price per common share at year-end					
—constant dollar	$ 63.75	$ 52.77	$ 41.01	$ 38.34	$ 39.55
—historical	63.75	50.88	38.88	34.13	32.12
Average U.S. consumer price index (1967 equals 100)	304.9	294.0	281.8	259.4	232.5

(a) All constant dollar and current cost amounts are stated in average fiscal 1984 dollars.

(b) Data has been restated, where appropriate, to exclude the results of discontinued operations, to reflect certain method refinements, and to comply with recent amendments to FAS No. 33.

J.P. STEVENS & CO., INC.

SUPPLEMENTARY FINANCIAL INFORMATION REGARDING INFLATION AND CHANGING PRICES (UNAUDITED)

The Financial Accounting Standards Board issued FASB Statement No. 82, which amended FASB Statement No. 33 as to the requirement for constant dollar disclosures. Therefore, the Company has eliminated all constant dollar information. As an experimental requirement, certain disclosures of the effects of specific price changes (current cost) are presented. The supplementary financial information was prepared using certain assumptions and estimates, and therefore should not be viewed as a precise indication of the effects of inflation.

Current Cost Information: This method attempts to measure the effect of changing prices on specific resources used by the Company.

Inventories have been valued at current replacement values while Cost of goods sold has been stated at LIFO values adjusted for LIFO liquidations. Property, plant and equipment values were determined by indexation. This indexation does not reflect any cost efficiencies associated with new and improved technology. Depreciation expense was adjusted based on the higher current values for property, plant and equipment.

The current cost on November 3, 1984, of inventories was $379,126,000 and the current cost of property, plant and equipment, net of accumulated depreciation and amortization was $626,671,000.

General: The amounts listed under "Primary Statements" or "as reported" refer to information taken from the consolidated financial statements as presented.

The Company's normal accounting policies (as outlined in the Notes to the Consolidated Financial Statements) were followed as to lives of assets, depreciation methods and method of valuation of inventories.

Current year sales, other operating expenses and interest expense were not adjusted since it is assumed that they approximate current cost.

Income tax expense was not adjusted since the restatement to current cost is not allowable for tax purposes under existing laws and regulations.

The unrealized gain from decline in purchasing power of net amounts owed is the result of monetary liabilities exceeding monetary assets adjusted to average 1984 constant dollars. The presumption is that the liabilities will be repaid with lower general purchasing power dollars and therefore will result in a gain.

Discussion and analysis: The decrease in earnings under the current cost method was the result of higher depreciation expense. Inflation has decreased over the last five years and the Company has increased its capital expenditure program, which has closed the gap between historical depreciation expense and current cost depreciation expense.

Tax laws have not allowed deductions for adjustments for the impact of inflation. Thus, taxes have been levied on the Company at rates which, in real terms, exceeded established statutory rates. In general, during periods of inflation, this tax policy resulted in a tax on shareowners' investment in the Company.

Consolidated Statement of Income Adjusted For Changing Prices

For the year ended November 3, 1984 (Unaudited)

(Dollar amount in thousands, except share data)	As reported in the primary statements	Adjusted for changes in specific prices (current cost)
Net sales	$2,144,183	$2,144,183
Cost of goods sold (excluding depreciation)	1,854,314	1,855,714
Depreciation and amortization	54,179	74,295
Other operating expenses	165,750	165,750
Interest on indebtedness	42,871	42,871
	2,117,114	2,138,630
Income before taxes	27,069	5,553
Income taxes	5,100	5,100
Net income	$ 21,969	$ 453
Net income per share—primary	$ 1.23	$ .03
Unrealized gain from decline in purchasing power of net amounts owed		$ 8,715
Inventories and net property, plant and equipment:		
Increase in general price level		$ 41,240
Increase in specific prices (current cost)		24,874
Amount by which increase in general price level exceeds increase in specific prices		$ 16,366

Five Year Comparison of Selected Supplementary Financial Information

Adjusted for effects of changing prices (Unaudited)
(Current cost amounts in average 1984 dollars)
(Dollar amounts in thousands, except share data)

Fiscal year ended	1984	1983	1982	1981	1980
Net sales—as reported	$2,144,183	$1,926,137	$1,814,315	$2,031,335	$1,915,959
—average 1984 dollars	2,144,183	2,006,636	1,953,343	2,338,494	2,447,202
Net income/(loss)—as reported	21,969	18,901	22,284	(22,874)	20,317
—current cost	453	(8,378)	(2,902)	(59,478)	(13,576)
Income/(loss) per share—as reported	1.23	1.09	1.54	(1.59)	1.43
—current cost	.03	(.48)	(.20)	(4.12)	(.95)
Net assets at year-end—as reported	539,107	560,982	487,241	482,174(a)	521,361(a)
—current cost	776,661	830,332	783,632	826,059	931,839
Excess of increase in general price level over increase in specific prices	16,366	6,588	37,109	29,224	11,829
Unrealized gain from decline in purchasing power of net amounts owed	8,715	6,029	9,598	20,247	21,959
Effective tax rate—as reported	18.8%	14.1%	32.0%	(62.4)%	24.5%
—current cost	91.8%	—	134.5%	(42.4)%	—
Cash dividends declared per share—as reported	1.20	1.20	1.20	1.20	1.17
—average 1984 dollars	1.20	1.25	1.29	1.38	1.49
Market price per share at year-end—as reported	16.63	18.50	21.88	15.50	17.38
—average 1984 dollars	16.29	18.90	22.99	17.06	21.22
Average consumer price index	309.10	296.70	287.10	268.50	242.00

(a) Restated for Statement of Financial Accounting Standards No. 43.

Mineral Reserve Information

FOOTE MINERAL COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 (In Part): Supplemental Information–Accounting for Inflation (Unaudited)

Five Year Summary of Lithium Ore Reserves and Other Selected Data

Financial Accounting Standard No. 39 (FAS No. 39), issued in 1980, applied the current cost provisions of FAS No. 33 to mineral resource assets for the first time. FAS No. 39 also set forth additional disclosure requirements for quantities, production and market prices of mineral resources. The accompanying schedule presents data for each of the past five years on (a) proven and probable ore reserves for lithium, the Corporation's major mineral product; expressed in tons of lithium, (b) annual tons of ore milled and pounds of lithium carbonate produced and (c) annual average market prices. Proven mineral reserves are the estimated quantities of reserves that, with a reasonably high degree of confidence, can be recovered in the future at a profit. Probable mineral reserves are the estimated quantities that are less well defined in geologic terms than proven reserves.

	1984	1983	1982	1981	1980
Parent Company					
Proven and Probable Lithium Ore Reserves at December 31 (Net Tons Lithium)*	225,000	229,500	246,600	251,900	245,200
Tons of Lithium Ore Milled (Net Tons Lithium)	4,556	4,762	5,255	5,768	5,849
Lithium Carbonate Produced (Thousands of Pounds)	26,251	23,720	19,250	28,841	27,781
Average Published Price Per Pound of Lithium Carbonate	$ 1.51	$ 1.45	$ 1.41	$ 1.35	$ 1.21
Equity Interest in Unconsolidated Joint Venture (Company's 55% Share)					
Proven and Probable Lithium Ore Reserves at December 31 (Net Tons Lithium)	121,100	121,200	121,200	121,200	121,200
Tons of Lithium Pumped (Net Tons Lithium)	2,039	—	—	—	—
Lithium Carbonate Produced** (Thousands of Pounds)	3,101	—	—	—	—
Average Published Price Per Pound of Lithium Carbonate	$ 1.51	—	—	—	—

*Included in the Proven and Probable Reserves are those reserves which the Company operates under placer mining claims located pursuant to the 1872 Mining Law. Approximately 17% of the Company's reserves were held by these placer mining claims at December 31, 1984. The balance of the Company's reserves were held under long-term leases.

**Commercial production of Lithium Carbonate at this facility will begin in 1985.

STAUFFER CHEMICAL COMPANY

SUPPLEMENTARY DATA ADJUSTED FOR CHANGING PRICES (UNAUDITED)

Mining Operations

The current value of mineral deposits, and the related depletion, are included in the current cost information; comparable historical cost and constant dollar amounts are significantly less. The Company's mining operations consist principally of trona in Wyoming and phosphate rock in Tennessee, Idaho, and Florida (also Utah in 1980). Summary information for the Company's mining operations is as follows:

	Twelve Months ended Sept. 30 1984	Nine Months ended Sept. 30 1983	Twelve Months ended December 31 1982	1981	1980
		(Tons in millions)			
Proved and probable reserves, beginning of year					
Trona	466.5	468.5	470.3	472.8	418.9
Phosphate rock	86.2	92.2	92.6	106.8	702.3
Ore mined					
Trona	2.5	2.5	2.3	2.8	2.8
Phosphate rock	.9	.6	.8	1.0	3.0
Production					
Trona/soda ash	1.5	1.4	1.3	1.5	1.6
Phosphate rock/concentrate	.3	.3	.5	.6	1.1
Purchases of phosphate rock—in place	.5	.4		5.0	
Sales of phosphate rock—in place					598.7
Average selling price (dollars per ton)					
Soda ash	$61	$74	$88	$90	$84
Phosphate rock concentrate	$20	$20		$38	$34

Proved reserves—Estimated quantities of commercially recoverable reserves that, on the basis of geological, geophysical, and engineering data can be demonstrated with a reasonably high degree of certainty to be recoverable in the future from known mineral deposits by either primary or improved recovery methods.

Probable reserves—Estimated quantities of commercially recoverable reserves that are less well defined than proved reserves that may be estimated or indicated to exist on the basis of geological, geophysical, and engineering data.

SUNSHINE MINING COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17 (In Part): Mineral Resources:

ORE RESERVES AND PRODUCTION (UNAUDITED)

The table below presents data on proved and probable ore reserves, and production and average prices for each of the years in the five-year period ended December 31, 1984 (in thousands, except average prices):

	1984	1983	1982	1981	1980
Reserves at December 31:					
Ounces of silver	41,201	36,868	39,193	42,478	36,225
Ounces of gold	32	37	33	37	26
Pounds of copper	16,577	14,719	13,113	12,659	12,669
Production:					
Tons of ore	446	353	217	110	29
Ounces of silver	5,384	4,311	2,229	2,312	510
Ounces of gold	9	7	3		
Pounds of copper	1,951	1,128	618	951	251
Average prices:					
Ounce of silver	$ 8.14	$ 11.44	$ 7.95	$ 10.52	$ 20.63
Ounce of gold	$360.29	$423.82	$375.94		
Pound of copper	$ .68	$ .79	$ .75	$ .86	$ 1.02

The ore reserves and production information relates to mines in operation or development (the Sunshine Mine, the Sixteen-to-One Mine and the Trixie Mine).

The Company's acquisition of Helca's interest in the Unit Area of the Sunshine Mine in 1984 resulted in the addition of approximately 9,895,500 ounces of proved and probable silver reserves. The Company increased its ownership of the Sunshine Mine on December 30, 1981, with the acquisition of four mining companies which resulted in the addition of approximately 8,058,300 ounces of proved and probable silver reserves.

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

	1984	1983	1982	1981
Balance Sheet	553	549	546	545
Statement of Financial Position	35	39	42	43
Statement of Financial Condition	12	12	12	12
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

	1984	1983	1982	1981
Report form	306	294	276	263
Account form	291	302	320	333
Financial position form	3	4	4	4
Total Companies	**600**	**600**	**600**	**600**

TABLE 2-3: CASH—BALANCE SHEET CAPTIONS

	1984	1983	1982	1981
Cash	266	293	321	359
Cash and Equivalents	89	86	75	60
Cash includes certificates of deposit or time deposits	60	59	62	63
Cash combined with marketable securities	185	162	142	118
Total Companies	**600**	**600**	**600**	**600**

CASH

As shown in Table 2-3, many survey companies present the balance sheet caption *Cash* but, in recent years, the number of survey companies presenting such a balance sheet caption has decreased materially. Of the 185 companies showing a balance sheet caption combining cash and marketable securities, 64 disclosed separate amounts either parenthetically on the balance sheet or in a note to the financial statements. Examples of captions for cash and cash items follow.

ANALOGIC CORPORATION (JUL)

	1984	1983
Current assets:		
Cash (including time deposits of approximately $31,775,000 in 1984, and $30,475,000 in 1983)	$ 35,430,463	$ 28,942,044
Marketable securities, at cost which approximates market	1,978,672	9,932,365
Accounts and notes receivable, less allowance for doubtful accounts (1984, $1,541,689; 1983, $1,538,649)	32,070,651	31,983,442
Inventories	45,798,389	34,389,430
Prepaid expenses	619,871	589,807
Deferred income taxes	875,868	908,739
Total current assets	116,773,914	106,745,827

BAXTER TRAVENOL LABORATORIES, INC. (DEC)

	1984	1983
	($000)	
Current assets		
Cash	$ 6,085	$ 11,908
Certificates of deposit	130,926	252,934
Marketable securities, at cost, which approximates market	45,617	24,899
Accounts receivable, less allowance for doubtful accounts of $14,584 in 1984 and $8,651 in 1983	357,219	412,047
Inventories		
Finished products	245,830	213,070
Work in process	69,157	78,596
Raw materials	90,495	94,671
Total inventories	405,482	386,337
Prepaid expenses and other current assets	79,553	61,968
Total current assets	1,024,882	1,150,093

BOWNE & CO., INC. (OCT)

	1984	1983
Current assets:		
Cash and temporary cash investments	$ 9,629,000	$26,239,000
Marketable securities	5,948,000	6,932,000
Trade accounts receivable, less allowance for doubtful accounts $1,601,000 (1984) and $1,403,000 (1983)	28,830,000	28,600,000
Inventories	8,944,000	9,659,000
Prepaid expenses and sundry receivables	1,446,000	1,662,000
Refundable federal income tax	1,525,000	
Total current assets	56,322,000	73,092,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3—Cash and Temporary Cash Investments

The Company's policy is to invest cash in excess of operating requirements in income producing investments. Temporary cash investments of $6,730,000 in 1984 and $23,495,000 in 1983 include certificates of deposit, commercial paper, and money market accounts stated at cost which approximates market.

CERTAINTEED CORPORATION (DEC)

	1984	1983
Current Assets:	($000)	
Cash (including interest-bearing deposits of $120,300 and $99,955)	$121,128	$102,466
Accounts and notes receivable	178,970	164,983
Less: Allowances for doubtful receivables ($5,912 and $4,627) and discounts and allowances	(11,827)	(11,409)
	167,143	153,574

MANVILLE CORPORATION (DEC)

	1984	1983
Current Assets	($000)	
Cash (including time deposits of $5,742 in 1984, $14,621 in 1983)	$ 9,309	$ 19,180
Marketable securities, at cost (approximates market)	276,061	240,094
Receivables (net of allowances of $8,026 in 1984, $8,998 in 1983)		
Trade	254,302	233,303
Other	30,939	44,343
Inventories	164,398	140,886
Prepaid expenses	17,288	21,902
Total Current Assets	752,297	699,708

NETWORK SYSTEMS CORPORATION (DEC)

	1984	1983
	(in thousands)	
Current Assets:		
Cash and cash equivalents (Note 2)	$ 27,531	$38,138
Marketable securities (Note 2)	25,461	21,113
Accounts receivable, less allowance of $175,000 for doubtful accounts in 1984 and 1983	38,328	22,451
Notes receivable from officers	1,046	498
Inventories	15,509	6,816
Prepaid expenses	906	300
Deferred income taxes	1,135	610
Total current assets	109,916	89,926

Note 2. Cash, cash equivalents and marketable securities

Cash and cash equivalents consist of:

	1984		1983
	Market	Cost	Cost
	(In thousands)		
Cash	$ 794	$ 794	$ 1,672
U.S. government securities	26,999	26,737	36,466
	$27,793	$27,531	$38,138

Marketable securities consist of:

	1984		1983
	Market	Cost	Cost
	(In thousands)		
Redeemable preferred securities	$ 6,922	$ 7,080	$ 7,107
Municipal bonds	3,600	3,599	3,100
Corporate bonds	14,858	14,782	10,906
	$25,380	$25,461	$21,113

OCCIDENTAL PETROLEUM CORPORATION (DEC)

	1984	1983
	(in thousands)	
Current Assets:		
Cash, including short-term money market instruments of $645,288 in 1984 and $236,877 in 1983	$ 796,017	$ 242,042
Marketable securities, at cost that approximates market	398,712	49,268
	1,194,729	291,210
Receivables—		
Trade, net of allowances of $14,457 in 1984 and $14,687 in 1983	1,384,007	1,434,440
Other	140,347	139,355
Inventories	582,344	704,267
Prepaid expenses and other	50,447	75,633
Total current assets	3,351,874	2,645,005

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Marketable securities

Marketable securities are carried at cost and consist primarily of floating rate notes issued by domestic and foreign banks and foreign governments.

SQUARE D COMPANY (DEC)

	1984	1983
	($000)	
Current Assets:		
Cash and cash equivalents (Note C)	$ 35,768	$ 49,166
Short-term investments	33,650	30,528
Receivables, less allowances (1984—$8,352; 1983—$7,872)	202,341	183,722
Inventories	202,077	156,503
Insurance and other prepaid expenses	6,937	6,699
Total Current Assets	480,773	426,618

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share)

C. Cash and Cash Equivalents

Cash and cash equivalents include:

	1984	1983
Cash in banks	$16,068	$16,524
Time deposits	19,700	32,642
	$35,768	$49,166

THE STANDARD OIL COMPANY (DEC)

	1984	1983
	(Millions of Dollars)	
Current Assets		
Cash and short-term investments	$ 337	91
Accounts receivable, less allowances of $15 and $14	911	1,169
Inventories (current cost—$2,073 and $2,080)	1,224	1,154
Prepaid expenses and deferred charges	77	72
	2,549	2,486

NOTES TO FINANCIAL STATEMENTS

Note E (In Part): Cash and Investments

Millions of Dollars—December 31	1984	1983
Cash and short-term investments		
Cash	$ 56	6
Time deposits	27	26
Marketable securities (at cost, which approximates market value)	254	59
	$337	91

VULCAN MATERIALS COMPANY (DEC)

	1984	1983
	($000)	
Current assets		
Cash, including certificates of deposit: 1984, $6,136; 1983, $4,018 (Note 2).	$ 12,444	$ 10,639
Marketable securities at cost (approximates market)	80,952	11,954
Accounts and notes receivable:		
Customers, less allowance for doubtful accounts: 1984, $4,451; 1983, $4,589	125,390	124,789
Other	8,064	7,347
Inventories (below estimated current cost by $32,507 for 1984 and $41,692 for 1983)	114,723	97,753
Prepaid expenses	4,695	3,137
Total current assets	346,268	255,619

Note 2. Cash

At December 31, 1984, domestic bank lines of credit totaled $21,000,000 as compared with $32,000,000 at year-end 1983. None of these lines were in use at the end of either year. A 2,500,000 pound overdraft facility extended to the company's United Kingdom subsidiary by a bank in the U. K. was available at December 31, 1984, as compared with 2,000,000 pounds at year-end 1983. Usage under this facility amounted to 1,666,000 pounds at the end of 1984 and none at the end of 1983.

All of the domestic lines of credit extended to the company in 1984 were based on a commitment fee arrangement. In 1983, $25,500,000 of the credit lines was on a commitment fee basis and the remaining $6,500,000 was based on a compensating balance arrangement. The company also maintained balances to compensate its banks for certain services. The company was in substantial compliance with all these informal compensating balance arrangements during

1983 and 1984. Because the arrangements are evaluated on a twelve-month average basis, the company does not consider any of its cash balances to be restricted as of any specific date.

The U. K. credit facility did not require compensating balances in either 1983 or 1984; a commitment fee was payable for only a portion of 1984.

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. Examples of marketable security presentations follow.

TABLE 2-4: MARKETABLE SECURITIES—VALUATION

	Number of Companies			
	1984	1983	1982	1981
Cost				
Approximates market	252	255	254	251
No reference to market	17	21	20	23
Market value disclosed	6	3	5	4
Lower of cost or market	40	34	35	36
Market value	5	3	4	—

Cost Which Approximates Market

AMERICAN MAIZE-PRODUCTS COMPANY (DEC)

	1984	1983
	($000)	
Current assets:		
Cash	$ 2,791	$ 207
Short-term investments, at cost plus accrued interest (approximates market)	12,835	11,267
Accounts receivable, trade, less allowance for doubtful accounts of $1,025 in 1984 and $1,151 in 1983	35,898	32,528
Federal income tax refund receivable	2,567	2,521
Inventories	51,675	44,836
Other current assets	7,471	5,764
Net assets of subsidiary held for sale-current	—	1,626
Total current assets	113,237	98,749

BRUNSWICK CORPORATION (DEC)

	1984	1983
	($000)	
Current assets		
Cash, including bank time deposits of $91,863 and $56,246	$101,764	$ 76,513
Marketable securities, at cost, which approximates market	2,600	35,584
Accounts and notes receivable, less allowances of $15,896 and $12,567	133,042	116,021
Inventories	253,335	201,325
Prepaid income taxes	27,100	41,300
Prepaid expenses	39,843	6,778
Current assets	557,684	477,521

DATA CARD CORPORATION (MAR)

	1984	1983
Current assets:		
Cash	$ 1,426,891	$ 999,297
Short-term investments, at cost which approximates market (Note 2)	10,765,270	4,722,169
Accounts receivable, less allowance of $308,189 for doubtful accounts (1983—$301,331)	16,415,273	12,200,992
Net current investment in equipment leases	3,323,287	3,261,369
Inventories	14,540,375	14,386,194
Prepaid expenses	602,482	555,459
Total current assets	47,073,578	36,125,480

Note 2 (In Part): Other Financial Statement Data

	1984	1983
Short-term investments consist of the following:		
Bank certificates of deposit	$ 5,713,786	$1,804,900
Commercial paper	2,000,000	1,000,000
Corporate preferred stock	—	1,917,269
Investment company fund	970,264	—
Municipal bonds	2,081,220	—
	$10,765,270	$4,722,169

R.R. DONNELLEY & SONS COMPANY (DEC)

	1984	1983
	($000)	
Current Assets		
Cash and equivalents	$ 13,170	$ 13,131
U.S. government and other marketable securities, at cost approximating market	167,437	133,218
Receivables, less allowances of $11,626 in 1984 and $10,488 in 1983 for doubtful accounts	277,040	242,333
Inventories, principally at LIFO cost	120,524	85,335
Less—Progress billings	(51,692)	(37,677)
Prepaid expenses	74,093	4,511
Total Current Assets	600,572	440,851

DOW JONES & COMPANY, INC. (DEC)

	1984	1983
	(in thousands)	
Current Assets:		
Cash and marketable securities, principally U.S. Government securities at amortized cost (approximates market)	$ 69,571	$ 98,984
Accounts receivable—trade, net of allowance for doubtful accounts and book returns of $7,838,000 in 1984 and $7,706,000 in 1983	94,851	84,304
Accounts receivable—other	8,703	4,920
Inventories	24,681	19,766
Prepaid expenses	5,950	5,414
Deferred income taxes	10,138	12,568
Total current assets	213,894	225,956

GREIF BROS. CORPORATION (OCT)

	1984	1983
Current Assets		
Cash	$ 4,237,040	6,670,423
U.S. and Canadian government securities and other short term investments—at cost which approximates market	67,228,265	70,872,580
Trade accounts receivable—less allowance of $550,000 for doubtful items	32,341,426	28,404,400
Inventories	30,865,466	22,837,714
Prepaid expenses and other	1,204,271	1,796,953
Total current assets	135,876,468	130,618,070

JOHNSON CONTROLS, INC. (SEP)

	1984	1983
	(dollars in thousands)	
Current assets		
Cash and marketable securities	$ 86,034	$114,610
Accounts receivable, less allowance for doubtful accounts of $9,259 and $6,857, respectively	290,971	246,895
Inventories	158,811	139,284
Costs of uncompleted contracts in excess of related billings	23,457	20,401
Other current assets	40,634	32,857
	599,907	554,047

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and Marketable Securities

	September 30, 1984	1983
(dollars in thousands)		
Cash, including time deposits	$ 8,475	$ 9,024
Marketable securities:		
Certificates of deposit	2,210	14,974
Commercial paper	14,446	12,842
Government securities	46,263	43,967
Preferred stocks	5,787	21,985
Other marketable securities	8,853	11,818
	$86,034	$114,610

Marketable securities are stated at cost, which approximates market value.

SPARTON CORPORATION (JUN)

	1984	1983
Current assets:		
Cash	$ 1,464,153	$ 2,201,341
Short-term investments at cost, which approximates market	2,339,360	4,385,767
Accounts receivable:		
Trade, less allowance of $145,000 ($63,000 in 1983) for doubtful accounts	10,000,401	9,469,734
U.S. and Canadian governments	5,152,437	5,404,313
Inventories	32,026,944	21,839,285
Prepaid expenses, including deferred income taxes of $1,131,500 ($690,500 in 1983)	1,416,235	940,366
Total current assets	52,399,530	44,240,806

THE STANDARD REGISTER COMPANY (DEC)

	1984	1983
	($000)	
Current Assets		
Cash	$ 3,289	$ 1,151
Temporary cash investments, at cost which approximates market	18,451	18,307
Accounts receivable, less allowance for losses of $1,607 and $1,324, respectively	80,946	71,731
Inventories	44,332	40,006
Deferred federal income tax	2,634	1,895
Prepaid expense	1,270	1,246
Total current assets	$150,922	$134,336

Lower of Cost or Market

MICRODYNE CORPORATION (OCT)

	1984	1983
Current assets:		
Cash	$ 907,778	$ 218,881
Short-term cash investments	35,152	3,914,681
Marketable securities (Note 2)	160,891	508,275
Accounts receivable, including unbilled receivables of $4,628,001 in 1984 and $2,209,187 in 1983, less allowance for doubtful accounts of $191,500 in 1984 and $316,021 in 1983	11,623,830	8,664,760
Inventories	12,853,889	12,829,870
Prepaid expenses	76,362	71,612
Income taxes receivable	1,131,706	605,063
Total current assets	26,789,608	26,813,142

Note 2. Marketable Securities

The current and noncurrent portfolios of marketable equity securities are each carried at their lower of aggregate cost or market at the balance sheet date.

To reduce the carrying amount of the current marketable equity securities portfolio to aggregate market, which was lower than aggregate cost at October 28, 1984 and October 30, 1983, valuation allowances in the amounts of $57,557 and $14,753 were established with a corresponding charge to income at those dates. To reduce the carrying amount of the noncurrent marketable equity securities to aggregate market, which was lower than aggregate cost at October 28, 1984 and October 30, 1983, valuation allowances in the amount of $150,000 and $83,795 respectively, were established by a charge to stockholders' equity representing the net unrealized loss.

The following is a summary of marketable securities:

		Current	
	1984	1983	1982
Aggregate cost	$218,448	$523,028	$265,000
Aggregate market	160,891	508,275	275,000
Unrealized gain (loss)	(57,557)	(14,753)	10,000
Valuation allowance, beginning	14,753	—	43,500
Charge (credit) to operations	42,804	14,753	(43,500)
Valuation allowance, ending	57,557	14,753	—
		Non-current	
	1984	1983	1982
Aggregate cost	$500,000	$996,010	—
Aggregate market	350,000	912,215	—
Unrealized (loss)	(150,000)	(83,795)	—
Valuation allowance, beginning	83,795	—	—
Charge to stockholders' equity	66,205	83,795	—
Valuation allowance, ending	150,000	83,795	—

At October 28, 1984, gross unrealized gains and gross unrealized losses pertaining to marketable equity securities in the portfolios were as follows:

	Gains	Losses
Current	—	$ 57,557
Non-current	—	$150,000

Net realized gains of $45,648 and $65,153 and a net realized loss of $7,000 on the sale of marketable equity securities was included in the determination of net income for 1984, 1983 and 1982, respectively. The cost of the securities sold was based on the first-in, first-out method.

WEDCO TECHNOLOGY, INC. (MAR)

	1984	1983
Current Assets:		
Cash and temporary cash investments	$ 509,180	$ 614,740
Investments:		
Common stocks (Note 3)	135,147	1,143,799
Commodity futures contracts		287,145
Certificates of deposit and other	109,163	318,577
Accounts receivable, less allowance for doubtful accounts of $95,400 in 1984 and $23,300 in 1983	3,068,366	1,978,023
Inventories	4,140,497	682,813
Refundable income taxes	51,488	265,464
Prepaid expenses and other current assets	227,686	410,720
Total current assets	8,241,527	5,701,281

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

C. Investments—Investments in common stocks, commodity futures contracts, treasury bills and certificates of deposit are carried at the lower of cost or market. Investments in limited partnerships, where ownership interest in each such partnership is not significant, are carried at cost ($704,333 at March 31, 1984); where ownership interest is significant, it is carried at equity ($93,943 at March 31, 1984). Gain or loss on the sale of investments is determined by using cost under the first-in, first-out method.

3: Marketable Equity Securities

The carrying value (cost) and market value of marketable equity securities held at March 31, 1984 and 1983 are summarized as follows:

	1984	1983
In current assets:		
Carrying value	$ 135,147	$1,143,799
Market value	150,202	1,522,260
Net unrealized gains	$ 15,055	$ 378,461
In other assets:		
Carrying value	$ 889,515	
Market value	1,308,332	
Net unrealized gains	$ 418,817	

Gross unrealized gains and losses of marketable equity securities as of March 31, 1984 are summarized as follows:

	Gains	Losses
Current assets	$ 22,380	$(7,325)
Other assets	$420,622	$(1,805)

Net realized gains of $178,624, $166,288 and $45,870 on the sale of marketable equity securities are included in the determination of net income for the years ended March 31, 1984, 1983 and 1982, respectively.

WINNEBAGO INDUSTRIES, INC. (AUG)

	1984	1983
	($000)	
Current Assets		
Cash and marketable securities	$29,155	$45,463

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Marketable Securities

The majority of the marketable securities holdings of the Company are equity securities which are carried at the lower of cost or market. Marketable non-equity securities are carried at cost. Included in marketable securities, at August 25, 1984, were equity securities having an aggregate cost of $16,195,000 and an aggregate market value of $14,678,000. Unrealized gains approximated $113,000 and unrealized losses approximated $1,630,000. At August 27, 1983, the marketable equity securities were valued at cost as unrealized losses were not material. Net realized gains for fiscal 1983 and fiscal 1984, determined on a specific identification cost basis, amounted to $116,000 and $1,750,000, respectively.

TABLE 2-5: CURRENT RECEIVABLES

	1984	1983	1982	1981
Trade Receivable Captions				
Accounts receivable	210	207	199	199
Receivables	171	162	152	155
Accounts and notes receivable	115	118	112	121
Trade accounts receivable	104	113	137	125
Total Companies	**600**	**600**	**600**	**600**
Receivables Other Than Trade Receivables	**Number of Companies**			
Tax refund claims	73	91	112	71
Contracts	44	44	47	48
Investees	38	35	36	35
Installment notes or accounts	21	20	20	18
Sale of Assets	16	9	6	5
Employees	9	10	7	5

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

INTERNATIONAL PAPER COMPANY (DEC)

	1984	1983
	(In millions of dollars)	
Current Assets		
Cash and temporary investments, at cost, which approximates market	$ 299.6	$ 225.7
Accounts and notes receivable, less allowances of $24.7 million in 1984 and $24.1 million in 1983	453.8	517.8
Refundable federal income taxes (Note 2)	16.7	53.4
Inventories	428.5	360.2
Deferred income taxes	23.5	27.8
Other current assets	9.1	16.3
Total Current Assets	1,231.2	1,201.2

Note 2 (In Part): Income Taxes

The components of earnings before extraordinary item and the provision (benefit) for income taxes are:

In millions	1984	1983	1982
Earnings:			
U.S.	$118.5	$237.7	$148.9
Outside U.S.	25.3	14.7	31.9
Earnings before income taxes and extraordinary item	$143.8	$252.4	$180.8
Current Tax Provision (Benefit):			
U.S.			
Federal	$ 6.8	$ (78.8)	$120.4
State	10.6	3.6	1.9
Outside U.S.	19.9	10.9	9.9
	37.3	(64.3)	132.2
Deferred Tax Provision (Benefit):			
U.S. Federal	(13.2)	62.4	(110.0)
Outside U.S.	(.4)	(.6)	(2.2)
	(13.6)	61.8	(112.2)
Provision (Benefit) for Income Taxes	$ 23.7	$ (2.5)	$ 20.0

At December 31, 1984 and 1983, the Company was eligible for income tax refunds of $16.7 million and $53.4 million, respectively, of taxes paid in prior years, primarily resulting from the investment tax credit carryback provisions of the Internal Revenue Code. Accordingly, these amounts appear on the consolidated balance sheet as Refundable federal income taxes.

JOHNSON PRODUCTS CO., INC. (AUG)

	1984	1983
Current assets:		
Cash and certificates of deposit	$ 1,264,000	$ 1,418,000
Receivables:		
Trade less allowance for doubtful accounts of $500,000 in 1984 and $500,000 in 1983	10,044,000	11,120,000
Other	706,000	183,000
Refundable income taxes	630,000	—
Inventories	6,229,000	6,579,000
Prepaid expenses	821,000	594,000
Total current assets	19,694,000	19,894,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13 (In Part): Income Taxes:

Provision (benefit) for income taxes consists of the following components:

	1984	1983	1982
Current:			
Federal	$(1,676,000)	$832,000	$(870,000)
State	157,000	148,000	(107,000)
	(1,519,000)	980,000	(977,000)
Deferred:			
Federal	—	378,000	51,000
Total taxes on income	$(1,519,000)	$1,358,000	$(926,000)

The loss incurred by the Company in 1984 gave rise to a $630,000 refund claim and $82,000 in investment credit carryforwards. These credits, if not utilized, will expire in 1999. The Company also has available at August 31, 1984, an unused operating loss carryforward of $1,972,000, which expires in 1999, that may be applied against future taxable income.

Contracts

DRAVO CORPORATION (DEC)

	1984	1983
	(In thousands)	
Current assets:		
Cash	$ 12,079	$ 19,651
Marketable securities—at cost (approximates market)	23,711	22,291
Accounts and notes receivable	183,240	195,044
Inventories and costs on contracts in progress, net of billings of $3.5 million in 1984 and $12 million in 1983	43,403	48,821
Advances to and equity in joint ventures	1,783	2,086
Net deferred income tax benefit	15,084	5,814
Other current assets	6,484	20,077
Total current assets	285,784	313,784

NOTES TO FINANCIAL STATEMENTS

Note 6: Accounts and Notes Receivable

Receivables at December 31 include:

(In thousands)	1984	1983
Trade receivables, net of allowance for uncollectibles of $7.6 million in 1984 and $7.9 million in 1983	$ 99,664	$ 98,458
Engineering and construction contract receivables, net of allowance for uncollectibles of $1.9 million in 1984 and $920 thousand in 1983	58,629	68,321
Receivables, unconsolidated affiliates	17,930	14,767
Retainage:		
Due after contract completion	12,955	20,276
Deduct: Billings on contracts in progress	5,938	6,778
Net retainage	7,017	13,498
Total	$183,240	$195,044

Net retainage includes $3.8 million in 1984 and $4.9 million in 1983 estimated to be collectible after one year.

McDOWELL ENTERPRISES, INC. (DEC)

	1984	1983
Current assets		
Cash	$ 274,266	196,278
Marketable securities, at cost which approximates market	—	550,000
Receivables, net of allowance for doubtful accounts (Note 3)	18,192,108	18,590,781
Prepaid parts and supplies	1,950,069	2,032,354
Assets held for sale	2,393,601	—
Prepaid expenses	353,259	201,109
Total current assets	23,163,303	21,570,522

Note 3—Receivables

Receivables consist of the following:

	1984	1983
Accounts	$ 2,487,595	1,685,838
Contracts:		
Billed:		
Contracts completed and in progress	4,816,950	5,372,062
Retainage	5,259,232	5,717,389
Unbilled	5,123,826	5,893,631
Other	1,017,013	525,500
Total	18,704,616	19,194,420
Less allowance for doubtful receivables	(512,508)	(603,639)
Net receivables	$18,192,108	18,590,781

Retainage is due upon acceptable completion of the contracts.

All contracts receivable at December 31, 1984, are scheduled to be collected during 1985, except for approximately $134,000, which will be collected during 1986.

DRESSER INDUSTRIES, INC. (DEC)

	1984	1983	1982
	(In millions of dollars)		
Current Assets			
Cash	$ 59.3	$ 59.7	$ 47.4
Short-term investments—at cost (approximates market)	295.6	215.5	52.8
Notes and accounts receivable—Note D	858.6	735.8	842.8
Less allowance for doubtful receivables	68.5	77.8	64.2
	790.1	658.0	778.6
Inventories			
Finished products and work in process	618.6	637.3	722.0
Raw materials and supplies	224.5	216.8	234.5
	843.1	854.1	956.5
Refundable and deferred income taxes	92.0	105.6	58.8
Prepaid expenses	14.4	16.1	21.2
Total Current Assets	2,094.5	1,909.0	1,915.3

Note D—Long-Term Contracts

Accounts receivable include $13.8, $13.5 and $12.8 million at October 31, 1984, 1983 and 1982, respectively, of excess of costs and related profits over amounts billed. Substantially all of the 1983 and 1982 amounts were billed in 1984 and 1983, respectively, and substantially all of the 1984 amount is expected to be billed in 1985. The accounts receivable do not include any significant amounts billed but not paid by customers under retainage provisions.

At October 31, 1984, 1983 and 1982, advances from customers on contracts include $21.3, $18.0 and $17.0 million, respectively, received from customers in excess of costs and related profits on long-term contracts.

FOSTER WHEELER CORPORATION

	1984	1983
	(000)	
Current Assets		
Cash	$112,498	$140,356
Short-term investments, at cost (which approximates market value)	69,664	101,048
Accounts and notes receivable:		
Trade	291,467	278,481
Other	20,759	26,715
Contracts in process	72,783	97,341
Inventories	41,247	28,126
Deferred income taxes	6,217	—
Total Current Assets	614,635	672,067

NOTES TO FINANCIAL STATEMENTS

(In Thousands of Dollars, Except per Share Amounts)

1. (In Part): Summary of Significant Accounting Policies

Trade Accounts Receivable—In accordance with terms of long-term contracts, certain percentages of billings are withheld by customers until completion and acceptance of the contracts. Final payments of all such amounts withheld which might not be received within a one-year period are indicated in Note 3. In conformity with trade practice, however, the full amount of accounts receivable, including such amounts withheld, has been included in current assets.

3. The following tabulation shows the components of trade accounts and notes receivable:

	1984	1983
From long-term contracts:		
Amounts billed due in one year	$173,356	$182,866
Retentions:		
Billed:		
Estimated to be due in:		
1984	—	27,689
1985	32,084	1,422
1986	3,618	39
1987	112	719
1988	22	—
Total billed	35,836	29,869
Unbilled:		
Estimated to be due in:		
1984	—	48,328
1985	50,489	7,183
1986	17,099	4,794
1987	9,714	—
1988	3,834	—
Total unbilled	81,136	60,305
Total retentions	116,972	90,174
Total receivables from long-term contracts	290,328	273,040
Other trade and notes receivable	4,298	6,840
	294,626	279,880
Less allowance for doubtful accounts	3,159	1,399
	$291,467	$278,481

Receivables from Investees

DEERE & COMPANY (OCT)

	1984	1983
	($000)	
Current Assets		
Cash	$ 35,943	$ 56,574
Short-term investments—at cost which approximates market value	5,380	158,310
Refundable income taxes	4,232	62,736
Receivables from unconsolidated subsidiaries and affiliates	242,082	167,883
Trade receivables:		
Dealer accounts and notes	2,812,079	2,717,419
Retail notes (less deferred finance income of $23,324 in 1984 and $16,352 in 1983)	91,864	64,777
Total	2,903,943	2,782,196
Less allowances	56,983	58,563
Trade receivables—net	2,846,960	2,723,633
Inventories	539,897	632,497
Total current assets	3,674,494	3,801,633

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Receivables From Unconsolidated Subsidiaries and Affiliates

Receivables from unconsolidated subsidiaries and affiliates totaled $242 million at October 31, 1984 compared with $168 million at October 31, 1983. Approximately two-thirds of these receivables in 1984 and one-half in 1983 represent short-term loans to the retail finance subsidiaries, while the remaining balances represent 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.

PITNEY BOWES INC. (DEC)

	1984	1983
	($000)	
Current assets:		
Cash	$ 13,956	$ 13,704
Short-term investments, at cost which approximates market	72,949	121,268
Accounts receivable, less allowance: 1984, $14,337; 1983, $12,699	292,563	263,964
Receivables from finance subsidiaries	41,563	54,931
Inventories	310,628	254,403
Other current assets and prepayments	11,374	12,120
Total current assets	743,033	720,390

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14 (In Part): Finance Operations

The company has three wholly owned, unconsolidated finance subsidiaries which are engaged primarily in lease financing of the company's business equipment products in the U.S., the U.K., and Germany. The company's consolidated subsidiary, Pitney Bowes of Canada Ltd., also has 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 (in thousands)	1984	1983
Cash and short-term investments	$ 1,915	$ 1,268
Receivables, net, including amounts due beyond one year	932,135	731,370
Other assets	5,527	4,451
Total assets	$939,577	$737,089
Accounts payable to affiliated companies	$ 41,563	$ 54,931
Accrued expenses and other liabilities	66,588	61,995
Deferred taxes	76,848	56,891
Senior notes payable	595,977	425,843
Subordinated debt due Pitney Bowes	11,956	26,000
Subordinated debt	15,000	—
Stockholders' equity	131,645	111,429
Total liabilities and stockholders' equity	$939,577	$737,089

SPERRY CORPORATION (MAR)

	1984	1983
	(In millions of dollars)	
Current Assets		
Cash, including interest-bearing deposits: 1984, $155.1; 1983, $31.3	$ 166.8	$ 65.2
Accounts and notes receivable:		
United States Government contracts, direct and indirect	103.3	74.4
Sales-type leases, less allowance for unearned income: 1984, $173.8; 1983, $193.9	438.3	440.2
Commercial, less allowance for doubtful accounts: 1984, $26.3; 1983, $31.5	415.0	441.9
Due from wholly-owned finance company	243.6	131.5
	1,200.2	1,088.0
Inventories	1,180.2	1,007.9
Prepaid expenses	91.9	84.6
Net assets of discontinued operations	—	235.1
Total Current Assets	2,639.1	2,480.8

Installment Receivables

THE SINGER COMPANY (DEC)

	1984	1983
	(Amounts in Millions)	
Current assets:		
Cash and cash equivalents (including time deposits and short-term investments: 1984—$19.1 million; 1983—$3.1 million)	$ 57.6	$ 36.2
Accounts receivable:		
Trade:		
Instalment	109.0	184.0
Other	298.7	309.0
Miscellaneous	73.5	27.5
	481.2	520.5
Less:		
Unearned carrying charges	28.8	48.0
Allowances for doubtful accounts	11.1	13.3
	441.3	459.2
Inventories	405.3	358.4
Prepaid expenses	11.5	10.2
Total current assets	915.7	864.0

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Policies

Accounts Receivable

In accordance with trade practice, all installment accounts receivable are classified as current assets irrespective of when payments are due.

Receivables discounted without recourse are excluded from the balance sheet, and earned carrying charges and discount expenses are recognized at the time the receivables are discounted. The liability for receivables discounted with recourse and considered a financing arrangement is included in notes and loans payable. Earned carrying charges and discount and related financing expenses are recognized as the receivables are collected.

5. Accounts Receivable

Instalment accounts not due within one year amounted to $31.1 million in 1984 and $55.7 million in 1983.

Included in accounts receivable at December 31, 1984 and 1983, respectively, are $4 million and $6.2 million of trade receivables with varying maturities discounted on a recourse basis principally with foreign unaffiliated financial institutions.

Trade receivables include unbilled amounts under long-term contracts of $122.4 million and $128.6 million at December 31, 1984 and 1983, respectively. Such amounts, representing recoverable costs and accrued profits, are billable upon completion of testing and acceptance under terms of the contracts. It is anticipated that approximately $46 million of the unbilled amounts at December 31, 1984, will not be collected within one year compared with $40.6 million at December 31, 1983. Amounts pertaining to claims or retainage pursuant to long-term contracts are insignificant.

Included in accounts receivable—miscellaneous at December 31, 1984, are construction costs totaling $36.2 million associated with simulators for SimuFlite Training International, Inc. These costs are recoverable under commitments which will result in the sale and lease-back of the simulators upon their completion, as more fully described in Note 12 of Notes to Financial Statements.

Sale of Assets

CROWN CENTRAL PETROLEUM CORPORATION (DEC)

	1984	1983
	(thousands of dollars)	
Current assets		
Cash and short-term investments	$ 20,221	$ 37,476
Accounts receivable, less allowance for doubtful accounts (1984—$1,422,000; 1983—$1,673,000)	69,568	119,801
Receivable from sale of wholly-owned insurance company—Note J	44,000	
Recoverable income taxes	2,805	11,753
Inventories	48,983	75,758
Other current assets	1,286	991
Total current assets	186,863	245,779

Note J (In Part): Sale of Major Properties and Investments

In November 1984, the Company entered into an agreement with Provident Mutual Life Insurance Company of Philadelphia (Provident) whereby Provident acquired all the outstanding stock of CALICO. The sale was contingent upon receiving proper Delaware Insurance Commissioner approval which was obtained during December 1984. The sales price of $44,000,000 has resulted in a net gain of $2,794,000. The sale of CALICO and that company's results of operations have been reflected as part of discontinued operations in these financial statements.

MAPCO INC. (DEC)

	1984	1983
	($000)	
Current Assets:		
Cash and short-term investments	$ 92,927	$ 22,882
Receivables:		
Trade, less allowance for doubtful accounts (1984—$1,336; 1983—$4,354)	221,159	207,397
Proceeds from disposals of discontinued operations (Note 8)	297,562	—
Inventories, at lower of cost or market	132,570	138,989
Prepaid and other current assets	36,023	45,613
Total current assets	780,241	414,881

Note 8 (In Part): Discontinued Operations

In 1984, MAPCO sold a major portion of its Oil & Gas segment assets and substantially all of its Minerals segment, with the results of these operations and the gain from the disposals being reported as discontinued operations. The retained oil and gas operations that were previously reported in the Oil & Gas segment consist of Indonesia crude oil production which is now reported in the Petroleum segment and natural gas liquids production in the West Panhandle field in Texas which is now reported in the Gas Products segment.

Prior years have been restated to reflect the discontinued operations and revised segment structure.

Receivables representing the proceeds from disposals of discontinued operations amounted to $297,562,000 at December 31, 1984, the major portion of which was collected in January 1985. Certain gains from disposals of discontinued operations will be reported in subsequent years for Federal income tax purposes and accordingly $71,937,000 of deferred income taxes are reported as a current liability at December 31, 1984.

WALGREEN CO. (AUG)

Current Assets:	1984	1983
	($000)	
Cash	$ 20,053	$ 14,767
Marketable securities, at cost which approximates market	36,540	53,063
Receivable from sale of Mexican operations	29,000	—
Accounts receivable, less allowances of $3,052 in 1984 and $3,687 in 1983 for doubtful accounts	21,485	15,480
Inventories	406,190	326,816
Other current assets	18,570	15,937
Total Current Assets	531,838	426,063

STATEMENT OF MAJOR ACCOUNTING POLICIES

Principles of Consolidation:

The consolidated statements include the accounts of the Company and all majority-owned subsidiaries. All significant intercompany transactions have been eliminated.

In August, 1984, the Company sold its equity investments in Mexican operations, primarily a 46.9% ownership of Sanborn Hermanos, S.A., for $30,000,000. The sale resulted in a gain of $3,598,000 ($.12 per share), net of income taxes of $6,355,000. A $29,000,000 receivable from the sale was collected in September, 1984.

Pension Plan Termination

BIRD INCORPORATED (DEC)

	1984	1983
Current Assets:		
Cash and equivalents	$ 1,613,000	$ 4,431,000
Accounts and notes receivable, less allowances—$1,028,000 in 1984 and $1,035,000 in 1983	27,320,000	34,416,000
Receivable from pension plan—Note 7	5,256,000	—
Recoverable federal and state income taxes	1,028,000	1,123,000
Assets held for sale at estimated realizable value	40,698,000	—
Inventories	32,206,000	45,689,000
Prepaid expenses	1,075,000	1,982,000
Total current assets	109,196,000	87,641,000

Note 7 (In Part): Retirement Plans

In November 1984, the Board of Directors authorized the termination of the Company's defined benefit retirement plans covering substantially all domestic salaried and certain hourly employees, effective December 31, 1984, and the creation of a new defined contribution plan for eligible salaried and hourly employees, effective January 1, 1985. An annuity contract representing the present value of the accumulated benefits of all plan participants was purchased from a major insurance company by the plans' trust fund in December 1984.

After receipt of the required approvals from the Internal Revenue Service and Pension Benefit Guaranty Corporation, the residual assets, which consist of 289,293 shares of the Company's common stock and approximately $5,256,000 in cash, will revert to the Company. This estimated pension refund of $7,607,000, along with the reversal of accrued pension liabilities, has been recognized as an extraordinary credit of $10,838,000, as to which no tax effect is required because of the availability of net operating loss carryforwards. The shares of the Company's common stock held by the plan trustee have been recorded on the balance sheet at December 31, 1984 as treasury stock at their quoted market value ($8⅛ per share) on the date the Board of Directors authorized the termination of the plans. The cash held by the plan trustee is shown on the balance sheet under the caption "Receivable from pension plan."

Employee

ERB LUMBER CO. (DEC)

	1984	1983
Current assets:		
Cash	$ 2,102,194	$ 1,662,766
Trade accounts and notes receivable, net of allowances for discounts of $1,125,916 and $713,072 and doubtful accounts of $1,080,071 and $949,311 in 1984 and 1983, respectively	17,495,823	14,971,305
Current portion of note receivable, officer (Note 4)	391,800	391,800
Inventories:		
Lumber and other building materials	16,917,399	17,660,422
Real estate under development	4,032,688	4,384,308
Costs and estimated earnings on contracts in process, net of related progress billings of $2,142,673 and $13,076,067 in 1984 and 1983, respectively	170,104	966,821
Other current assets	275,241	291,794
Total current assets	41,385,249	40,329,216

Note 4 (In Part): Investment in Corporate Joint Ventures

On January 31, 1983, the Company sold its 50 percent interest in Amurcon Corporation ("Amurcon") to Mr. Fred A. Erb, Chairman, President and principal stockholder of the Company and Chairman of Amurcon.

The selling price aggregated $1,375,400. Payment consisted of cash of $200,000 and a note for the balance ($1,175,400), payable in three equal annual installments of principal plus interest at 7 percent per annum. The selling price was computed as the Company's portion of 100 percent of Amurcon's book value at November 30, 1982, Amurcon's fiscal year-end, less subsequent dividends paid through January 31, 1983. As a result of this transaction, the Company realized a gain in 1983 of $192,154, before income taxes, which is included in other income. The gain represents the excess of 50 percent of the book value of Amurcon over the net carrying amount of the Company's investment.

Insurance Claim

THE FLUOROCARBON COMPANY (JAN)

	1985	1984
Current assets:		
Cash	$ 1,666,630	$ 1,047,548
Accounts receivable, less allowance for doubtful accounts of $499,453 in 1985 and $488,715 in 1984	18,505,542	14,146,991
Casualty insurance receivable (Note 2)	1,276,538	—
Inventories	18,124,861	13,455,318
Prepaid expenses	820,848	1,375,425
	40,394,419	30,025,282

Note 2. Extraordinary Item

In August, 1984, a fire destroyed the Company's fluid sealing plant in Birmingham, Alabama. All assets destroyed were insured and the Company has settled its claim with the carrier. The excess of $965,746 (less related income tax of $358,000) of the insurance claim over the net book value of the Company's assets has been reflected as an extraordinary gain in the statement of income. Additionally, proceeds of $686,945 were included in operating income to offset fire-related business interruption costs. At January 31, 1985, the Company had received $5,387,160 of the total insurance claim of $6,663,698 resulting in a receivable of $1,276,538 which has been included in current assets. The Company has accrued costs included in current liabilities of $1,736,376, which represented the estimated cost to replace a Company insured building and fixed assets and for future anticipated costs as a result of the fire.

Mortgage Receivable

HYDE ATHLETIC INDUSTRIES, INC. (DEC)

	1984	1983
Current Assets		
Cash	$ 1,201,474	$ 232,247
Receivables:		
Trade (Net of allowance for doubtful accounts and discounts of $913,114 in 1984 and $413,416 in 1983)	12,559,366	12,327,530
Other	174,342	307,571
Due from officers	2,162	46,958
Mortgage receivable	4,338	3,774
Inventories	18,819,765	12,130,375
Deferred income taxes	143,407	63,466
Prepaid expenses and other current assets	1,126,691	72,851
Total Current Assets	34,031,545	25,184,772

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2—Mortgage Receivable

On September 7, 1982, the company sold land in Somerville, Massachusetts. The company has taken a mortgage in the amount of $150,000 payable in 60 monthly installments of $1,998 including principal and interest, at an annual interest rate of 14%. A balloon payment is due at the end of five years.

	1984	1983
Current portion	$ 4,338	$ 3,774
Long-term portion	137,853	142,191
	$142,191	$145,965

The principal reduction for the next three years is as follows:

1985	$ 4,338
1986	4,986
1987	132,867
	$142,191

RECEIVABLES USED FOR FINANCING

Table 2-6 shows that the 1984 annual reports of 118 survey companies disclosed either the sale of receivables or the pledging of receivables as collateral. The reporting and disclosure requirements of FASB *Statement of Financial Accounting Standards No. 77* apply to receivables sold with recourse after December 31, 1983.

Examples of disclosures made in the reports of the survey companies financing receivables follow. Examples of receivables sold with recourse are also presented in connection with Table 1-11.

TABLE 2-6: RECEIVABLES USED FOR FINANCING

	1984	**1983**	**1982**	**1981**
Receivables sold to finance subsidiary	59	57	63	53
Receivables sold to independent entity	38	39	33	39
Receivables used as collateral	29	34	26	22
Total References	**126**	**130**	**122**	**114**
Reference to receivable financing	118	121	112	108
No reference to receivable financing	482	479	488	492
Total Companies	**600**	**600**	**600**	**600**

Receivables Sold to Independent Entities

AMERICAN CAN COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

(In millions of dollars except per share amounts)

4. Receivables

Receivables have been reduced by allowances for unearned finance income, claims and sales returns, principally relating to specialty retailing operations, of $43.9 and $60.4 at December 31, 1984 and 1983, respectively. Receivables have also been reduced by an allowance for doubtful accounts of $53.6 and $66.8 at December 31, 1984 and 1983.

During 1984, under a non-recourse sales agreement, the Company sold approximately $100 of net receivables of its specialty retailing sector.

CHAMPION INTERNATIONAL CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 4. Accounts Receivable:

In December 1984, the company entered into an agreement whereby the company has the right to sell certain receivables, with limited recourse, to a financial institution from time to time until December 1, 1989. The maximum amount of receivables that the company may sell at any one time is $100 million, and the maximum amount of outstanding receivables owned by the financial institution at any one time is $150 million. In late December 1984, the company received $99,198,000 from the sale of receivables. These receivables were substantially uncollected at year-end.

THE SOUTHLAND CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Accounts and Notes Receivable:

	December 31	
(000s omitted)	1984	1983
Trade accounts and notes receivable	$145,093	$444,801
Franchisee accounts receivable	34,936	42,014
	180,029	486,815
Allowance for doubtful accounts	(11,962)	(10,422)
	$168,067	$476,393

On December 28, 1984, the Company sold $250 million of trade accounts receivable. The purchaser will reinvest the proceeds from the collected receivables in new receivables for a period of five years. The Company is contingently liable for the collection of $25 million of these receivables; however, management believes that the allowance for doubtful accounts will be adequate, and no additional liabilities will accrue.

BETHLEHEM STEEL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

J (In Part): Commitments and Contingent Liabilities

During 1984, Bethlehem entered into an agreement to sell certain accounts receivable subject to limited recourse provisions. Proceeds from the sale of such receivables for the year 1984 were $76 million. At December 31, 1984, $53 million of the receivables sold remained outstanding. In 1983, Bethlehem sold a $21 million long-term note receivable at face value subject to certain recourse provisions. This note was outstanding at December 31, 1984.

Receivables Sold to Finance Subsidiary

GENESCO INC. (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Receivables

Genesco sells most of its accounts receivable to Genesco Financial Corporation (GFC), a wholly-owned consolidated subsidiary. The receivable amounts below include amounts sold to GFC as follows: 1984—$66,616,000; 1985—$61,841,000.

In Thousands	July 31, 1984	January 31, 1985
Trade accounts receivable	$76,748	$68,517
Miscellaneous receivables	925	362
Total receivables	77,673	68,879
Allowance for bad debts and cash discounts	(2,839)	(2,847)
Net Receivables	$74,834	$66,032

R.H. MACY & CO., INC. (JUL)

NOTES TO FINANCIAL STATEMENTS

2. Customers' Accounts Receivable—Net

	1984	1983
Total customers' receivables—principally deferred payment accounts*	$1,148,254,000	$974,279,000
Deduct:		
Estimated uncollectible amounts	(37,922,000)	(34,105,000)
Accounts sold to Macy Credit Corp. (net of Corporation's equity)	(1,051,985,000)	(880,414,000)
	$ 58,347,000	$ 59,760,000

*Includes purchases and payments made by customers subsequent to the latest sale of accounts to Macy Credit Corp.

NETWORK SECURITY CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

4. Lease Receivables Sold with Recourse:

During 1983, the company entered into an agreement with its finance subsidiary for the sale of all sales-type lease contracts. Under this agreement, the sales price is based on the present value of lease payments generally discounted at current market interest rates and is received in full when the receivable is sold. The company is required to repurchase any receivables sold which are in arrears more than ninety days, at the remaining receivable amount net of unearned interest. At the end of the lease period, title to equipment leased reverts to the company.

Lease receivables entered into by the company are for terms ranging from 5 to 15 year periods. The amount of these receivables sold in 1984 and 1983 was approximately $15,700,000 and $3,800,000, respectively. No gain or loss is recorded on the sale as the leases have been sold at the inception of the lease term and have been discounted by both parties using the same current market interest rates. The dollar value of receivables sold with recourse outstanding at December 31, 1984 and 1983 was approximately $16,000,000 and $4,000,000, respectively.

SUN COMPANY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Long-Term Receivables and Investments

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 Sun. Sun has agreed to repurchase 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, 1984, 1983 and 1982 and for the years then ended is set forth below:

	1984	1983	1982
	(Millions of Dollars)		
Assets, principally accounts receivable purchased with recourse from Sun..	$256	$228	$349
Liabilities, principally commercial paper	$104	$ 77	$198
Net assets	$152	$151	$151
Revenues	$ 34	$ 31	$ 80
Net income	$ 13	$ 11	$ 24

TEXTRON INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 (In Part): Other Assets

The unconsolidated financial company, Textron Financial Corporation (TFC), provides financing principally to customers purchasing Textron products. (In 1984, 1983 and 1982, TFC paid Textron $300.7 million, $316.5 million and $321.2 million, respectively, for the purchase of receivables.) Under an operating agreement, TFC has recourse to Textron with respect to finance receivables arising from sales of Textron products and Textron has agreed to cause TFC's pre-tax income available for fixed charges to be not less than 135% of fixed charges. Summarized financial information regarding TFC is as follows:

Condensed balance sheet

(In millions)	December 29, 1984	December 31, 1983
Assets:		
Finance receivables (a)	$511.1	$416.0
Other assets	.7	.7
Total assets	$511.8	$416.7
Liabilities and shareholder's equity:		
Short-term debt	$159.5	$ 93.7
Other liabilities	84.5	42.0
Long-term debt	204.0	229.3
Total liabilities	448.0	365.0
Shareholder's equity	63.8	51.7
Total liabilities and shareholder's equity	$511.8	$416.7

(a) Includes an aggregate of $372 million and $371 million at each respective year end due from Textron or as to which TFC has full recourse to Textron.

Condensed statement of income

(In millions)	1984	1983	1982
Revenues (b)	$60.8	$50.6	$50.3
Expenses	39.6	33.3	33.4
Income before income taxes	21.2	17.3	16.9
Income taxes	9.1	7.6	7.8
Net income	$12.1	$ 9.7	$ 9.1

(b) Includes interest from Textron of $9.1 million, $11.8 million and $9.5 million in 1984, 1983 and 1982, respectively.

Receivables Used as Collateral

AM INTERNATIONAL, INC. (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Bank Loans and Long-Term Debt

As of July 31, 1984, the following foreign subsidiaries' assets included in the Consolidated Balance Sheet were pledged as collateral under their loan agreements with an aggregate indebtedness of approximately $12.9 million:

(Dollars in thousands)	
Accounts receivable	$18,618
Inventories	18,417
Property, plant and equipment	7,801
Other assets	5,895
Total assets pledged	$50,731

LABARGE, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Long-Term Obligations

Long-term obligations are summarized as follows:

	1984	1983
Revolving credit agreement	$ 8,000,000	$ 4,000,000
Industrial revenue bond, $54,240 due quarterly through April 1992, interest at 65% of prime (6.99% at December 31, 1984)	1,681,750	1,898,750
Industrial revenue bonds, due semiannually through 1997, interest at 6% to 8%	1,415,000	1,610,000
Note secured by equipment, due monthly through 1990, interest at 12.5% through June 1984 and 1.5% over prime thereafter	—	1,545,653
Bank term loan of Duralite, $833,333 due annually through August 1985, interest at .5% over prime (11.25% at December 31, 1984)	833,333	1,666,666
14.5% subordinated debentures, due October 1993, subject to redemption by the Company	20,000,000	20,000,000
9% subordinated notes to former Duralite stockholders, $125,000 due January 1985, balance due in semiannual installments of $125,000 to $175,000 through 1991	2,125,000	2,250,000
7.25% subordinated convertible debentures, due annually through May 1984, convertible into common stock at $7.50 per share, subject to redemption by the Company	—	298,000
Other	1,122,315	1,171,731
	35,177,398	34,440,800
Less current maturities	1,952,942	2,274,581
	$33,224,456	$32,166,219

At December 31, 1984, property and equipment with a net carrying value of $7,103,821 is pledged as collateral to secure short-term borrowings and long-term obligations. Accounts receivable and inventories of Duralite of $5,146,793 and $21,076,312, respectively, are also pledged.

Factored

BOBBIE BROOKS, INCORPORATED (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3—Financing Agreement

The Company has an agreement with a commercial finance company which provides for the factoring of trade accounts receivable. The commercial finance company also guarantees the Company's letters of credit and issues letters of guarantee to Company suppliers. The commercial finance company has a first lien on all of the Company's inventories as collateral for all of its obligations under the financing agreement.

The aggregate amounts of such guarantees and advances are limited by formula based upon the uncollected balance of factored receivables and inventory collateral. At April 28, 1984, the factor's obligations and advances were approximately $1,200,000 under the maximum amount permitted by such formula.

Advances and loans under the agreement bear interest at 1¾ percent above the prime bank interest rate.

The receivables are factored without recourse as to credit risk but with recourse for any claims by the customer for adjustments in the normal course of business relating to price errors, shortages, etc. The proceeds to the Company from the transfer of receivables approximated $63,000,000 and $80,000,000 in fiscal 1984 and 1983, respectively, and $46,500,000 in fiscal 1982 during which the agreement was in effect for approximately three months. The uncollected balance of such receivables held by the commercial finance company amounted to approximately $10,400,000 at April 28, 1984.

SPENCER COMPANIES, INC. (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Due (to) From Without Recourse

	1984	1983
Due (to) from factor without recourse	$ (653,866)	$1,412,873
Allowance for returns, allowances and discounts	(383,255)	(291,894)
	$(1,037,121)	$1,120,979

Two of the Company's subsidiaries sell substantially all of their accounts receivables to a factor to avoid the cost of administering and collecting the receivables and to shift the credit risk associated with the collection of receivables to the factor. The factor's payment for the accounts sold is based on the monthly amounts of invoices sold, net of any discounts. The factor charges a commission of a fraction of a percent and assumes the credit risk on the accounts sold to it. The factor makes immediately available to the Company the net amounts of the accounts sold, less a reserve for credits which may be allowed for returned merchandise, warranty claims and similar items. If the Company draws against the available amount before the average due date of the supporting invoices, the factor charges a commission based at 1½% above prime from the date of the draw to the average due date.

The amounts due from the factor averaged $6,005,926, $5,094,726 and $4,704,910 in 1984, 1983, and 1982, respectively. The average interest rate during those years were 13.5%, 12.75% and 18.25%, respectively.

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 2-7: DOUBTFUL ACCOUNT CAPTIONS

	1984	1983	1982	1981
Allowance for doubtful accounts	279	285	286	288
Allowance	151	145	144	136
Allowance for losses	30	30	31	32
Allowance for uncollectible accounts	11	11	9	10
Reserve	21	21	23	23
Reserve for doubtful accounts	7	8	9	9
Other caption titles	15	14	17	15
	514	514	519	513
Receivables shown net	10	11	10	12
No reference to doubtful accounts	76	75	71	75
Total Companies	**600**	**600**	**600**	**600**

INVENTORIES

Chapter 4 of *ARB No. 43* states that "the primary basis of accounting for inventories is cost . . ." and "a departure from the cost basis of pricing the inventory is required when the utility of the goods is no longer as great as its cost . . ." Approximately 90% of the survey companies use lower of cost or market, an acceptable basis for pricing inventories when circumstances require a departure from cost, to price all or a portion of their inventories.

Table 2-8 summarizes the 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.

Ninety-six 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. Thirty-two 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

ARMSTRONG WORLD INDUSTRIES, INC (DEC)

	1984 (000)	1983 (000)
Current assets:		
Cash	$ 2,904	$ 2,885
Short-term securities *at cost or less, generally approximating market value*	33,256	48,287
Accounts and notes receivable (less allowance for discounts and losses: 1984—$14,251,000; 1983—$15,078,000)	213,124	180,429
Inventories	202,215	200,967
Other current assets	20,386	27,356
Total current assets	471,885	459,924

FINANCIAL REVIEW

Inventories are valued at the lower of cost or market. The materials portion of substantially all domestic inventories is valued using the last-in, first-out (LIFO) method. In addition, labor and overhead included in furniture inventories are valued on a LIFO basis. Other inventories are generally determined on a first-in, first-out (FIFO) method.

Inventories	1984 (000)	1983 (000)
Finished goods	$119,078	$117,044
Goods in process	31,156	30,766
Row materials and supplies	51,981	53,157
Total	$202,215	$200,967

Inventories were $1.2 million higher at the end of 1984, because year-end inventory levels had been increased to meet the higher requirements of sales activity. Utilization of lower-cost LIFO inventories improved net earnings by about $.7 million in 1984, by $.4 million in 1983, and by $2.0 million in 1982. The ratio of inventories to net sales decreased from 14.0% in 1983 to 12.9% at December 31, 1984.

Approximately 60% of the company's total inventory is valued on a LIFO basis. Such inventory values at December 31, 1984 and 1983, were lower than would have been reported on a total FIFO basis by $96.3 million and $97.6 million, respectively.

TABLE 2-8: INVENTORY COST DETERMINATION

	Number of Companies			
	1984	**1983**	**1982**	**1981**
Methods				
Last-in first-out (lifo)	400	408	407	408
First-in first-out (fifo)	377	366	373	371
Average cost	223	235	238	241
Other	54	52	53	52
Use of LIFO				
All inventories	26	31	28	26
50% or more of inventories	215	204	206	210
Less than 50% of inventories	82	93	88	89
Not determinable	77	80	85	83
Companies Using LIFO	**400**	**408**	**407**	**408**

THE BLACK AND DECKER MANUFACTURING COMPANY (SEP)

	1984	1983	1982
	(thousands of dollars)		
Cash including time deposits	$ 31,635	$147,127	$ 58,762
Marketable securities at cost, which approximates market	37,004	10,797	11,883
Accounts receivable, less allowances $10,776 (1983—$9,888; 1982—$7,713)	403,272	260,385	269,374
Inventories	358,345	234,165	285,340
Prepaid expenses	13,977	10,003	11,793
Total Current Assets	844,233	662,477	637,152

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 3: Inventories

	1984	1983	1982
FIFO cost			
Finished products	$280,386	$180,773	$225,332
Work-in-process	40,956	30,289	29,769
Raw materials	67,000	48,098	57,290
	388,342	259,160	312,391
Excess of FIFO cost over LIFO inventory value	(29,997)	(24,995)	(27,051)
	$358,345	$234,165	$285,340

The cost of United States inventories stated under the LIFO method is approximately 59% of the value of total inventories. The LIFO method had the effect of decreasing earnings from continuing operations in 1984 by $2,701 ($.06 per share), increasing earnings in 1983 by $1,289 ($.03 per share) and decreasing earnings in 1982 by $202.

TABLE 2-9: INDUSTRY CLASSIFICATION OF COMPANIES USING LIFO

	1984		1983	
	No.	**%***	**No.**	**%***
Foods:				
Meat products	4	50	4	50
Dairy products	2	50	2	40
Canning, etc.	2	50	3	60
Packaged and bulk	9	53	10	56
Baking	—	—	—	—
Sugar, confections, etc.	5	100	5	100
Beverages	5	100	4	67
Tobacco products	4	80	4	80
Textiles	17	71	17	68
Paper products	16	89	16	89
Printing, publishing	9	56	8	53
Chemicals	25	100	26	100
Drugs, cosmetics, etc.	16	55	14	52
Petroleum	28	93	28	91
Rubber products	7	70	7	88
Shoes—manufacturing, merchandising, etc.	5	63	4	57
Building:				
Cement	1	50	1	33
Roofing, wallboard	9	82	10	91
Heating, plumbing	1	33	3	75
Other	15	79	14	82
Steel and iron	15	94	15	94
Metal—nonferrous	12	75	12	75
Metal fabricating	18	100	18	100
Machinery, equipment and supplies	26	67	28	72
Electrical equipment, appliances	11	58	11	58
Electronic equipment	12	40	12	41
Business equipment and supplies	6	35	6	33
Containers	9	100	9	100
Autos and trucks (including parts, accessories)	14	64	15	68
Aircraft and equipment, aerospace	5	39	6	46
Railway equipment, shipbuilding, etc.	3	50	3	50
Controls, instruments, medical equipment, watches and clocks, etc.	12	63	12	71
Merchandising:				
Department stores	8	100	8	100
Mail order stores, variety stores	2	100	2	100
Grocery stores	15	83	17	85
Other	3	60	4	67
Motion pictures, broadcasting	—	—	—	—
Widely diversified, or not otherwise classified	49	54	50	56
Total Companies	**400**	**67**	**408**	**68**

*Percent of total number of companies for each industrial classification included in the survey.

HARSCO CORPORATION (DEC)

	1984	1983
	($000)	
Current assets:		
Cash	$ 4,292	$ 5,185
Short-term investments, at cost (approximates market)	65,215	99,070
Notes and accounts receivable, less allowance for uncollectible accounts ($5,659 and $4,849)	193,571	125,698
Inventories	220,140	163,376
Other current assets	21,954	9,224
Total current assets	505,172	402,553

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part) Summary of Significant Accounting Policies:

Inventory Valuation:

Inventories are stated at the lower of cost or market, cost being determined using the last-in, first-out (LIFO), first-in, first-out (FIFO) and average cost methods.

2. Inventories:

Inventories are classified and valued as indicated in the following summary:

(In thousands)	1984	1983
Classification:		
Finished goods	$ 28,283	$ 29,408
Work in process	138,336	77,702
Raw materials and purchased parts	50,464	55,059
Stores and supplies	3,057	1,207
	$220,140	$163,376
Valued at lower of cost or market:		
LIFO basis	$ 91,591	$ 99,923
FIFO basis	126,239	61,276
Average cost basis	2,310	2,177
	$220,140	$163,376

Work in process inventories include U.S. Government long-term contract costs of $14,300,000 and $38,999,000, net of progress payments of $26,107,000 and $29,234,000, as of December 31, 1984 and 1983, respectively. The U.S. Government has a lien on inventories to the extent of any progress payments relating thereto.

Inventories valued on the LIFO basis at December 31, 1984 and 1983 were approximately $47,966,000 and $53,122,000, respectively, less than the amounts of such inventories valued at current costs.

As a result of reducing certain inventory quantities valued on the LIFO basis, profits from liquidation of inventories were recorded which increased net income by $386,000, $1,666,000 and $3,691,000 in 1984, 1983 and 1982, respectively. The fourth quarter of 1984, 1983 and 1982 reflect net income of $2,359,000, $5,278,000 and $4,740,000, respectively, representing final determination of price changes and liquidation of inventories during the year.

MAGIC CHEF, INC. (JUN)

	1984	1983	1982
	(Amounts are in thousands)		
Current Assets:			
Cash and Certificates of Deposit	$ 5,533	$ 46,772	$ 27,155
Trade Receivables and Other Receivables—Less allowance for discounts and uncollectible accounts: $5,402 in 1984; $3,078 in 1983 and $2,409 in 1982	172,307	126,315	103,540
Inventories (Note 5)	207,313	124,555	133,245
Deferred Income Taxes	17,995	16,560	12,626
Other Current Assets	572	849	1,739
Total Current Assets	403,720	315,051	278,305

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Inventories:

Inventories are generally stated at last-in, first-out cost (LIFO) which is not in excess of market. (See Note 5 to the consolidated financial statements.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Inventories and Cost of Sales

The components of inventories are as follows:

	1984	1983	1982
	(000 Omitted)		
Finished goods	$140,832	$ 78,049	$ 87,014
Work-in-process	13,517	7,462	8,220
Raw materials and supplies	52,964	39,044	38,011
Total	$207,313	$124,555	$133,245

Inventories are generally computed using the LIFO inventory method, which the Company believes more realistically matches current costs and current revenues. Had the Company's inventories been valued on the FIFO method, inventories would have been $29,247,000, $27,491,000 and $29,130,000 higher at June 30, 1984, July 2, 1983 and July 3, 1982, respectively. Net income would have been higher by approximately $948,000 ($.10 per share) and $2,558,000 ($.33 per share) in 1984 and 1982, respectively, and lower by $886,000 ($.11 per share) in 1983.

When using the LIFO method, reductions in inventory quantities will generally result in an increase in net income. This occurs because quantities being reduced flow through cost of goods sold at costs from prior years rather than at current costs. The increase in net income as a result of LIFO inventory liquidations was $635,000 ($.07 per share), $699,000 ($.09 per share) and $1,785,000 ($.23 per share) for fiscal years 1984, 1983 and 1982, respectively. During 1984, the Company began using the practical capacity method as the basis for fixed cost application. The effect of the change was to reduce net income by $1,581,000 ($.16 per share). These amounts were considered in determining the effect on net income above.

THE PARKER PEN COMPANY (FEB)

	1984	1983
	($000)	
Current Assets:		
Cash	$ 8,586	$ 6,610
Certificates of deposit	18,084	16,293
Marketable securities, at cost which approximates market	3,273	1,718
Accounts receivable, less allowances of $4,827 in 1984 and $4,392 in 1983	131,055	110,301
Refundable income taxes	5,702	7,395
Inventories	44,927	34,510
Future income tax benefits	—	4,388
Prepaid expenses	8,720	10,127
Total current assets	220,347	191,342

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Inventories

Inventories consisted of the following:

(In thousands)	1984	1983
At lower of cost (FIFO) or market		
Finished products	$20,590	$16,134
Work in process	7,930	7,894
Raw materials and supplies	20,787	17,963
	49,307	41,991
Excess of FIFO over LIFO cost of certain domestic inventories	(4,380)	(7,481)
	$44,927	$34,510

Inventories are valued at the lower of cost or market and include the cost of material, labor and manufacturing overhead. Domestic writing instrument and packaging inventories (19 percent of total inventories in 1984 and 37 percent in 1983) are valued on the last-in, first-out (LIFO) basis, and all other inventories are on a first-in, first-out (FIFO) basis. Reductions of certain inventory quantities in 1984 resulted in a liquidation of LIFO inventory quantities carried at costs prevailing in prior years which are lower than current costs. The effect of this reduction was to increase net earnings by approximately $1,200,000 in 1984. This was a planned reduction in inventory and management believes the reduced levels are appropriate for operating purposes.

OXFORD INDUSTRIES, INC. (MAY)

	1984	1983
	($ in thousands)	
Current Assets:		
Cash and cash equivalents	$ 3,266	$ 8,297
Receivables, less allowance for doubtful accounts of $2,355 (1984) and $1,812 (1983)	71,727	54,435
Inventories (Notes A and B)	113,206	84,160
Prepaid expenses	1,673	2,148
Total Current Assets	189,872	149,040

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. (In Part): Summary of Significant Accounting Policies:

4) Inventories—Inventories are stated at the lower of cost (last-in, first-out method) or market.

B. Inventories:

$ in thousands	June 1, 1984	June 3, 1983
Finished goods	$ 73,031	$57,334
Work in process	15,086	9,508
Fabric	19,088	13,125
Trim and supplies	6,001	4,193
	$113,206	84,160

The excess of replacement cost over the value of inventories based upon the last-in, first-out method was $24,200,000 at June 1, 1984 and $21,500,000 at June 3, 1983.

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

	1984	1983
	($000)	
Current assets		
Cash	$ 10,460	$ 11,860
Receivables:		
Trade	354,893	338,119
Other	16,668	13,253
	371,561	351,372
Less: Allowance for doubtful accounts	5,284	6,298
	366,377	345,074
Inventories	321,413	334,913
Other current assets	10,352	18,705
Total current assets	708,502	710,552

NOTES TO FINANCIAL STATEMENTS

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

Inventories: The inventories are stated at the lower of cost, determined principally by the LIFO method, or market.

Note D: Inventories

The inventories are summarized as follows:

(Dollar amounts in thousands)	1984	1983
Raw materials	$ 70,476	$ 69,377
Work in process	78,688	76,855
Goods in process	82,681	98,674
Finished goods	138,702	126,674
Supplies and waste	5,510	5,826
	376,057	377,406
Less: Allowance to reduce carrying value to LIFO basis	54,644	42,493
	$321,413	$334,913

Reductions in inventory quantities in 1984 and 1982 resulted in a liquidation of LIFO inventory quantities carried at costs prevailing in prior years which are lower than current costs. The effect of these reductions was to increase net income by approximately $756,000 ($.04 per share) in 1984 and by $1,751,000 ($.12 per share) in 1982.

UNITED FOODS, INC. (FEB)

	1984	1983
Current Assets:		
Cash	$ 392,091	$ 584,672
Bond retirement funds held by trustee	186,332	147,576
Notes and accounts receivable, less allowance of $106,130 and $141,286 for possible losses	18,455,842	19,601,572
Recovery of excess funding on terminated pension plan	—	5,119,080
Inventories	34,298,231	53,019,678
Prepaid expenses	2,130,192	2,279,076
Refundable income taxes	1,253,000	—
Deferred income taxes	624,463	—
Total current assets	57,340,151	80,751,654

SUMMARY OF ACCOUNTING POLICIES

Inventory Valuation

Finished product and raw material inventories are valued at cost (last-in, first-out), not in excess of market. Maintenance, operating and other sundry supplies are valued at the lower of cost (first-in, first-out) or market.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Inventories

Inventories are summarized as follows:

	February 29 or 28, 1984	1983
Finished products	$28,320,801	$48,204,416
Raw materials	5,117,548	3,541,176
Merchandise and supplies	859,882	1,274,086
Inventories	$34,298,231	$53,019,678

Finished product and raw material inventories are valued at cost (last-in, first-out), not in excess of market. If current costs had been used, inventories would have been approximately $6,300,000, $6,600,000 and $5,100,000 higher than reported at February 29 or 28, 1984, 1983 and 1982, respectively, and net income would have decreased approximately $162,000 or $.01 per share for fiscal 1984 and $256,000 or $.02 per share for fiscal 1982, and net income would have increased approximately $810,000 or $.06 per share for fiscal 1983.

During the three years ended February 29, 1984, the Company reduced certain inventory quantities, primarily finished products. This reduction resulted in a liquidation of LIFO inventory layers carried at lower costs prevailing in prior years as compared with the average unit cost of current year procurements and production. The effect of this inventory liquidation was to reduce cost of sales by approximately $1,462,000, $532,000 and $1,210,000 in fiscal 1984, 1983 and 1982, respectively, and to increase net income by approximately $917,000 or $.07 per share in fiscal 1984, $287,000 or $.02 per share in fiscal 1983, and $620,000 or $.04 per share in fiscal 1982.

Substantially all of the inventories are pledged to collateralize long-term debt (see Note 3).

WHIRLPOOL CORPORATION (DEC)

	1984	1983
	($000)	
Current Assets		
Cash	$ 22,535	$ 32,673
Short-term investments	288,086	385,737
Receivables, less allowances for doubtful accounts (1984—$1,480,000; 1983—$1,760,000)	199,476	182,777
Inventories—Note B	359,726	264,480
Prepaid expenses	34,719	9,481
Deferred income taxes	7,890	29,901
Total Current Assets	912,432	905,049

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Summary of Principal Accounting Policies

Inventories: Substantially all inventories are stated at the lower of last-in, first-out (LIFO) cost or market.

Note B: Inventories

Inventories at December 31, 1984 and 1983 consisted of:

	1984	1983
thousands of dollars		
Finished products	$234,260	$168,761
Work in process	31,515	33,753
Raw materials	93,951	61,966
Total	$359,726	$264,480

Replacement cost of the LIFO inventories exceeded the carrying amount by approximately $200,400,000 at December 31, 1984 and $194,100,000 at December 31, 1983.

FIFO

AMP INCORPORATED AND PAMCOR, INC. (DEC)

	1984	1983
	($000)	
Current Assets:		
Cash and time deposits	$ 52,038	$ 21,299
Marketable securities, at cost, which approximates market	110,495	127,643
Receivables, less allowances of $7,958 and $9,274	264,332	279,371
Inventories—		
Finished goods and work in process	159,951	131,359
Purchased and manufactured parts	152,453	111,234
Raw materials	75,249	65,166
Total inventories	387,653	307,759
Other current assets	29,780	29,707
Total current assets	844,298	765,779

NOTES TO COMBINED FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Principles

Inventories—Inventories, consisting of material, labor and overhead, are stated at the lower of first-in, first-out (FIFO) cost or market. During 1984 the Company implemented the

FIFO method of valuing inventories. As the average cost method previously employed approximated FIFO, the effect of this change was not significant.

EMERSON RADIO CORP. (MAR)

	1984	1983
Current Assets:		
Cash and cash equivalents	$ 2,878,000	$ 3,533,000
Accounts receivable (less allowances for doubtful accounts of $182,000 and $339,000 and for sales returns of $336,000 and $362,000)	27,339,000	18,248,000
Inventories	21,721,000	15,691,000
Income taxes receivable		650,000
Prepaid expenses and other current assets	5,509,000	2,650,000
Total current assets	57,447,000	40,772,000

Note A (In Part): The Company and its Significant Accounting Policies:

(2) Inventories:

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

Note B—Inventories:

Inventories are summarized as follows:

	March 31,	
	1984	1983
Finished goods	$16,387,000	$12,063,000
Work in process	2,657,000	1,547,000
Raw materials	2,677,000	2,081,000
	$21,721,000	$15,691,000

Work in process includes CRC units currently used in clinical testing and for demonstrations which will require certain modification prior to sale. The carrying value of such units, adjusted for estimated future modifications, amounted to $1,098,000 and $566,000 at March 31, 1984, and March 31, 1983, respectively.

Inventories are partially pledged as collateral for bank debt.

At March 31, 1983, other assets include $1,600,000 of inventory subsequently disposed of under terms of a long-term barter arrangement.

KNAPE & VOGT MANUFACTURING COMPANY (JUN)

	1984	1983
Current Assets:		
Cash, including investments of $1,328,775 and $1,845,382	$ 1,850,569	$ 2,415,774
Accounts receivable, less allowance of $174,000, and $154,000 for doubtful accounts and cash discounts	9,170,005	7,610,233
Inventories (Note 1)	11,863,739	10,056,497
Prepaid expenses	794,133	733,582
Total Current Assets	23,678,446	20,816,086

SUMMARY OF ACCOUNTING POLICIES

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. Maintenance and office supplies are expensed as purchased.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Inventories

Inventories are summarized as follows:

	June 30,	
	1984	1983
Finished products	$ 6,168,817	$ 5,100,544
Work in process	1,148,712	969,718
Raw materials and supplies	4,546,210	3,986,235
Total	$11,863,739	$10,056,497

PIONEER HI-BRED INTERNATIONAL, INC.

	1984	1983
Current Assets		
Cash	$ 5,754,402	$ 1,724,827
Marketable securities	18,684,951	6,489,833
Receivables:		
Trade	44,701,282	40,525,360
Other	2,000,090	4,390,434
Inventories	213,685,893	271,543,088
Prepaid expenses	8,499,573	9,146,510
Deferred income tax charges, net	16,280,133	—
Total current assets	$309,606,324	$333,820,052

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Receivables:

Receivables are stated net of an allowance for doubtful accounts of $2,138,081 and $1,651,217 at August 31, 1984 and 1983, respectively.

Inventories:

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

Note 2. Inventories

The composition of inventories is as follows:

	August 31,	
	1984	1983
Finished seed	$ 76,666,373	$181,914,018
Unfinished seed	104,918,537	69,075,449
Retail computer systems	27,374,165	15,804,103
Supplies and others	4,726,818	4,749,518
	$213,685,893	$271,543,088

Unfavorable growing conditions encountered in the 1983 growing season resulted in the production cost of seed corn exceeding its market value as determined under the lower of cost or market inventory valuation method. As a result, at August 31, 1984, finished seed corn inventory has been adjusted downward from its cost by approximately $42,000,000 with a corresponding charge to cost of goods sold for the year then ended.

REVLON, INC. (DEC)

	1984	1983
	($000)	
Current assets:		
Cash and time deposits	$ 304,585	$ 254,150
Short-term investments at cost, plus accrued interest, which approximates market	114,451	62,238
Accounts receivable—trade, less allowances of $17,645 and $20,391	463,784	429,979
Inventories	420,386	446,635
Prepayments	98,111	78,445
Other	23,312	21,272
Total current assets	1,424,629	1,292,719

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part):

Inventories: Inventories are stated at the lower of cost (substantially on a first-in, first-out basis) or market.

Inventories

Inventories consist of the following (in thousands of dollars):

	December 31	
	1984	1983
Finished goods	$208,049	$221,947
Work-in-process	81,983	89,375
Raw materials and supplies	130,354	135,313
	$420,386	$446,635

ZENITH ELECTRONICS CORPORATION (DEC)

	1984	1983
	(Dollars in millions)	
Current assets		
Cash	$ 1.8	$ 13.8
Marketable securities (at cost, which approximates market)	10.5	57.7
Receivables, less allowances of $5.5 and $5.7, respectively	264.4	168.4
Inventories	347.3	254.4
Prepaid expenses and other, principally income taxes	62.4	51.9
Total current assets	686.4	546.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Inventories: Inventories are stated at the lower of cost or market. Costs are determined for the major portion of the inventories using the first-in, first-out (FIFO) method. The remaining inventories are valued by the last-in, first-out (LIFO) method.

Note 3—Inventories

Inventories consisted of the following:

	December 31	
In millions	1984	1983
Raw materials and work-in-process	$236.9	$174.8
Finished goods	134.5	98.1
	371.4	272.9
Excess of FIFO cost over LIFO cost	(24.1)	(18.5)
Total	$347.3	$254.4

At December 31, 1984 and 1983, $99.4 million and $96.2 million of inventories were valued using the LIFO method.

Average Cost

CBS INC. (DEC)

	1984	1983	1982
		($000)	
Current assets:			
Cash and cash equivalents:			
Cash and cash items	$ 13,976	$ 24,150	$ 12,643
Short-term marketable securities, at cost plus accrued interest (approximates market)	265,661	18,698	15,292
	279,637	42,848	27,935
Notes and accounts receivable, less allowances for doubtful accounts, returns and discounts: 1984, $153,297; 1983, $146,887; 1982, $153,663	849,787	829,604	733,521
Inventories (Note 8)	290,503	295,338	306,955
Program rights and feature film productions	461,998	490,861	439,004
Prepaid expenses and other	143,979	150,885	172,084
Total current assets	2,025,904	1,809,536	1,679,499

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

8. Inventories

Inventories are summarized as follows:

December 31	1984	1983	1982
		(Dollars in thousands)	
Finished goods	$175,543	$175,839	$193,864
Work in process	35,920	40,295	43,517
Raw materials	73,764	75,429	64,413
Supplies	5,276	3,775	5,161
	$290,503	$295,338	$306,955

BAKER INTERNATIONAL CORPORATION (SEP)

	1984	1983
	($000)	
Current assets:		
Cash and time deposits	$ 46,590	$ 8,143
Receivables—less allowance for doubtful accounts: 1984, $24,614; 1983, $28,959	404,721	356,745
Refundable income taxes	43,719	79,559
Inventories:		
Finished goods	382,390	401,778
Work in process	72,564	82,032
Raw materials	74,601	95,495
Total inventories	529,555	579,305
Deferred income taxes and other current assets	73,151	75,786
Total current assets	1,097,736	1,099,538

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies:

Inventories. Inventories are stated primarily at the lower of average cost or market.

CROWN ZELLERBACH

	1984	1983
	(In millions of dollars)	
Current Assets		
Cash and short-term investments, at cost (approximates market)	$ 37.3	$112.2
Trade accounts receivable, net of allowances for losses (1984: $6.1; 1983: $7.0)	320.5	284.3
Other receivables	55.8	44.1
Inventories	346.4	341.2
Prepaid expenses	57.6	50.3
Total current assets	817.6	832.1

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Inventories

Inventories are valued at the lower of cost or market. Cost elements included in inventories are materials, transportation, direct labor and manufacturing overhead. Cost is generally determined by standard cost, which approximates a moving average cost, for all items except the cost of distribution inventories, which is determined by the last-in, first-out method.

Inventories

Inventories are as follows:

December 31, (In millions of dollars)	1984	1983
Finished products	$228.9	$223.9
In process	31.7	26.8
Raw materials	57.9	63.9
Supplies	27.9	26.6
	$346.4	$341.2

The current cost of inventories accounted for by the last-in, first-out method exceeds carrying value by $36.5 million and $32.6 million at December 31, 1984 and 1983, respectively.

GEARHART INDUSTRIES, INC. (JAN)

	1985	1984
	(In thousands)	
Current assets		
Cash	$ 27,503	$ 12,209
Accounts receivable, net of allowance for doubtful accounts (1985—$13,978; 1984—$4,113)	136,274	61,663
Other receivables	11,556	7,574
Inventories (Note 3)	136,886	73,559
Prepaid expenses	20,601	6,567
Total current assets	332,820	161,572

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Inventories—Inventories are stated at the lower of cost or market. The first-in, first-out (FIFO) or average cost method is used to determine the cost of all inventories.

Note 3. Inventories

Inventories consist of the following:

	January 31, 1985	1984
	(In thousands)	
Raw materials and supplies	$ 50,835	$20,929
Work-in-progress	46,351	26,610
Finished goods	39,700	26,020
	$136,886	$73,559

Production Cost

GRUMMAN CORPORATION (DEC)

	1984	1983
	($000)	
Current Assets		
Cash	$ 29,021	$ 17,731
Marketable securities (at cost, approximating market)	245,773	62,453
Accounts receivable	271,403	236,959
Inventories, less progress payments	447,000	453,460
Prepaid expenses	10,105	6,926
Total Current Assets	1,003,302	777,529

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Inventories

Inventoried costs relating to both long-term government and commercial contracts and programs are stated at the actual production cost. General and administrative expenses applicable to aerospace fixed-price type contracts are included in inventory, whereas such expenses for non-aerospace activities are expensed as incurred. The costs attributed to units delivered under both long-term government and commercial contracts and programs are based on the estimated average costs of all units expected to be produced in a lot or contract. In accordance with industry practice, inventories include amounts relating to contracts and programs having longer production cycles, portions of which are not expected to be realized within one year.

Inventories of raw materials, purchased parts and supplies are carried at the lower of cost or realizable values. Most inventories are based on average cost and/or first-in, first-out methods, while certain other inventories are based upon the last-in, first-out method.

Note 3: Inventories

Inventories at December 31 consist of the following:

	(In Thousands) 1984	1983
Work in process—long-term contracts:		
Production costs	$1,497,539	$1,316,100
General and Administrative expenses	155,000	128,000
Work in process—other	43,571	28,144
Raw materials, purchased parts and supplies	270,573	230,459
	1,966,683	1,702,703
Less progress payments	1,519,683	1,249,243
	$ 447,000	$ 453,460

Under the contractual arrangements by which progress payments are received, the government has a security interest in the inventories identified with related contracts.

The aggregate amounts of selling, general and administrative expenses incurred during 1984, 1983 and 1982 were $320,820,000, $266,104,000 and $233,208,000, respectively.

STRUTHERS WELLS CORPORATION (NOV)

	1984	1983
Current Assets:		
Cash	$ 1,023,142	$ 2,511,534
Accounts receivable	11,705,333	8,123,738
Costs and estimated earnings in excess of billings	5,325,475	4,282,587
Inventories	6,394,547	5,684,177
Prepaid expenses and other current assets	449,477	381,400
Total Current Assets	24,897,974	20,983,436

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Inventories

Inventories are stated at the lower of cost or market. Cost is primarily determined on the first-in, first-out basis for raw materials and on the basis of accumulated production costs for work-in-process.

2. Receivables

Accounts receivable are stated net of an allowance for doubtful accounts of $67,492 and $34,000 at November 30, 1984 and 1983, respectively.

Accounts receivable include retainages of approximately $276,000 and $644,000 at November 30, 1984 and 1983, respectively. Noncurrent receivables include retainages of approximately $16,000 and $170,000 at November 30, 1984 and 1983, respectively.

3. Inventories

Inventories are summarized as follows:

	1984	1983
Raw materials	$3,483,117	$3,393,903
Work-in-process	4,164,673	3,670,278
	7,647,790	7,064,181
Less advance payments from customers	1,253,243	1,380,004
	$6,394,547	$5,684,177

SUNDSTRAND CORPORATION (DEC)

	1984	1983
	($000)	
Current Assets		
Cash and cash equivalents	$ 6,749	$ 15,990
Accounts receivable, less allowance for doubtful accounts of $1,091,000 in 1984 and $974,000 in 1983	165,059	161,541
Inventories, net of progress payments	345,122	293,589
Other current assets	18,991	19,540
Total current assets	535,921	490,660

FINANCIAL SUMMARY

Summary of Significant Accounting Policies (In Part)

Inventories are valued at the lower of actual cost (principally first-in, first-out method) or market. Abnormal idle capacity costs are recorded as period costs and excluded from inventory values.

Inventories

The classification of inventories at December 31, 1984 and 1983, was as follows:

	(Amounts in thousands) 1984	1983
Raw materials	$ 78,921	$ 57,491
Work in process	213,474	178,427
Finished goods and parts	139,554	123,801
	431,949	359,719
Less progress payments	86,827	66,130
	$345,122	$293,589

Certain inventories were valued on subsidiary books and for income tax purposes using the last-in, first-out (LIFO) method. For consolidated financial reporting, the Company valued such inventories using the first-in, first-out (FIFO) method. The difference in methods of valuing inventories was a timing difference for which deferred income taxes were provided.

Inventoried costs relating to long-term contracts are stated at the actual production cost incurred to date reduced by amounts identified with progress payments received. The costs attributed to units delivered under such contracts are based on actual costs incurred. Marketing and administrative costs are expensed as incurred. Long-term contracts are aggregated because of similarities in technologies used, development and application engineering, and manufacturing processes employed. When the current estimate of the long-term contract commitments indicates a loss will be incurred, such loss is accrued.

Specific Cost

INTERSTATE BAKERIES CORPORATION (MAY)

	1984	1983
Current assets:		
Cash and short-term investments ...	$ 4,017,000	$ 6,226,000
Accounts and notes receivable, less allowance for doubtful accounts of $1,418,000 ($1,317,000 in 1983)	43,837,000	42,210,000
Inventories	16,658,000	16,523,000
Prepaid expenses	1,251,000	1,455,000
Recoverable pension assets	37,000,000	—
Total current assets	102,763,000	66,414,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

The components of inventories are as follows:

	June 2, 1984	May 28, 1983
Ingredients and packaging	$13,138,000	$12,869,000
Finished goods	2,073,000	1,883,000
Other	1,447,000	1,771,000
	$16,658,000	$16,523,000

LSB INDUSTRIES, INC. (DEC)

	1984	1983
Current Assets:		
Cash	$2,492,861	$1,978,997
Accounts and notes receivable:		
Trade, less allowance for doubtful accounts of $2,979,706 in 1984 and $3,325,050 in 1983	19,704,213	9,692,224
Other, less allowance for doubtful accounts of $20,000 in 1984 and $545,203 in 1983	917,028	397,764
Inventories	43,319,967	34,966,186
Prepaid expenses and supplies	2,512,974	1,089,298
Total current assets	68,947,043	48,124,469

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Accounting Policies

Inventories—Purchased machinery and oil field equipment are carried at specific cost plus duty, freight and other charges, not in excess of net realizable value (Note 5). All other inventory is priced at the lower of cost (first-in, first-out basis) or market.

5. Inventories

Inventories at December 31, 1984 and 1983 consist of:

	Finished (or purchased) goods	Work-in-process	Raw materials	Total
1984:				
Air handling units	$ 1,116,659	$1,731,915	$3,128,126	$ 5,976,700
Machinery & industrial supplies	18,024,521	—	—	18,024,521
Bearings	8,237,800	3,794,647	1,246,159	13,278,606
Oil field equipment	9,869,428	—	—	9,869,428
Chemical products	1,491,600	3,758,404	220,708	5,470,712
Total	$38,740,008	$9,284,966	$4,594,993	$52,619,967
1983 Total	$44,972,274	$4,886,280	$3,607,629	$53,466,186

At December 31, 1984, $3,400,000 of oil field equipment and $5,900,000 of machinery have been classified as non-current assets as compared to $10,000,000 and $8,500,000, respectively, at December 31, 1983. These amounts represent inventory in excess of that required to fill anticipated sales orders for 1985 and 1984, respectively. The noncurrent classification is a result of the reduced demand for these products.

As a result of a decline in selling prices during 1982 and 1984, the oil field equipment inventory was written down by $4,728,640 in 1982 and $1,028,000 in 1984, representing the excess of cost over estimated net realizable value.

Market

CONAGRA, INC. (MAY)

	1984	1983
	($000)	
Current assets		
Cash and temporary investments	$ 82,245	$ 42,868
Receivables, less allowance for doubtful accounts of $14,413 and $11,910, respectively	330,317	213,307
Recoverable income taxes	9,455	2,415
Inventories (Note 3)		
Hedged commodities	137,667	79,366
Other	267,133	231,584
	404,800	310,950
Prepaid expenses	14,104	23,749
Total current assets	840,921	593,289

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Columnar dollar amounts in thousands except per share amounts

1 (In Part): Summary of Significant Accounting Policies

Inventories

Grain, flour, and major feed ingredient inventories are hedged to the extent practicable and are generally stated at market including adjustments to market of open contracts for purchases and sales. Short-term interest expense incurred to finance hedged inventories is included in cost of sales in order to properly reflect gross margins on hedged transactions. Inventories not hedged are priced at the lower of average cost or market.

3. Inventories

The major classes of inventory at year end are as follows:

	1984	1983
Hedged commodities	$137,667	$ 79,366
Food products	118,991	69,329
Agricultural chemicals, fertilizer, and feed	38,987	57,720
Retail merchandise	65,762	69,140
Other, principally ingredients and supplies	43,393	35,395
	$404,800	$310,950

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.

TABLE 2-10: PREPAID ITEMS

	Number of Companies			
	1984	**1983**	**1982**	**1981**
Prepaid expenses	226	245	258	272
Prepaid expenses and other current assets	103	91	92	90
Prepaid expenses and deferred taxes	21	23	18	23
Prepaid expenses and advances	9	8	8	10
Prepaid expenses and other receivables	7	8	9	9
Prepaid expenses and supplies	8	8	8	8
Other captions indicating prepaid expenses	30	20	27	28

CHRYSLER CORPORATION (DEC)

	1984	1983
	(In millions of dollars)	
Current Assets:		
Cash and time deposits	$ 75.2	$ 111.6
Marketable securities—at lower of cost or market	1,624.9	957.8
Accounts receivable (less allowance for doubtful accounts: 1984—$13.8 million; 1983—$25.5 million)	332.2	291.2
Inventories	1,625.9	1,301.4
Prepaid pension expense (Note 11)	243.0	—
Prepaid insurance, taxes and other expenses	78.7	91.8
Total Current Assets	3,979.9	2,753.8

Note 11 (In Part): Employee Benefit Plans

Pension Plans

Chrysler Corporation and certain of its consolidated subsidiaries have pension plans covering substantially all of their employees. The actuarial cost method used in the determination of funding and pension expense for the major pension plans, which are non-contributory, is Entry Age Normal with Frozen Initial Liability. The actuarial assumptions involved in the computation include: an annual total investment return of 9% for each of the years presented; mortality from group annuity tables; and turnover and election of retirement options consistent with company experience.

Annual payments to the pension trust fund are determined in compliance with the Employee Retirement Income Security Act (ERISA). All pension trust fund assets and income accruing thereon are used solely to administer and pay pension benefits. Generally, accrued costs are funded in the following year. However, certain costs accrued in 1979 were not funded in 1979 but are being funded over a future period of up to 30 years. Additionally, in December 1984, Chrysler contributed $243 million towards a prepayment of the estimated 1985 pension cost. The actuarial assumptions are regularly reviewed by Chrysler and its independent actuaries to assure that funding will be sufficient to cover pension benefits payable.

HAMMERMILL PAPER COMPANY (DEC)

	1984	1983
	($000)	
Current assets		
Cash	$ 8,277	$ 10,152
Short-term investments, at cost, which approximates market	—	934
Accounts receivable, less allowances of $4,710 and $5,402, respectively	179,165	180,074
Inventories	178,923	157,476
Prepaid insurance and other expenses	4,024	4,243
Total current assets	370,389	352,879

LAMAUR INC. (DEC)

	1984	1983
	($000)	
Current Assets		
Cash and short-term investments	$ 4,073	$ 3,696
Marketable securities	—	3,296
Receivables (less allowances of $275 and $265)	17,416	13,919
Inventories	5,481	5,419
Prepaid sampling	1,622	—
Other current assets	244	193
Total Current Assets	28,836	26,523

COLECO INDUSTRIES, INC. (DEC)

	1984	1983
	($000)	
Current Assets:		
Cash	$ 1,506	$ 5,931
Accounts receivable, less allowances of $53,696 and $42,549	206,712	158,022
Inventories	86,474	164,664
Income tax refund		40,200
Other current assets	30,716	38,273
Total current assets	325,408	407,090

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part) Summary of Significant Accounting Policies:

Prepaid Advertising—The Company enters into agreements under which it exchanges products and cash primarily for media advertising. Prepaid advertising is recorded based on the fair value of the Company's products and the cash exchanged and is charged to expense at such time as the advertising is utilized.

Note 9 (In Part) Supplementary Financial Information:

(Amounts in thousands)	1984	1983
Other current assets consist of the following:		
Prepaid advertising, less non-current portion of $10,000 and $7,000	$20,039	$20,295
Other	10,677	17,978
	$30,716	$38,273

TIME INCORPORATED (DEC)

	1984	1983
	(in thousands)	
Current Assets		
Cash	$ 17,167	$ 14,959
Short-term securities—at cost (approximately market)	462,777	314,857
Receivables, less allowances of $98,895,000 in 1984 and $79,653,000 in 1983	355,521	331,282
Inventories—at lower of cost or market:		
Work in process and finished goods	61,280	64,817
Paper and other materials	23,981	22,757
Total Inventories	85,261	87,574
Prepaid programming, promotion and other	198,228	225,803
Total Current Assets	1,118,954	974,475

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part):

Promotion. Promotion costs related to sales of book and record series and book clubs are amortized over a 12-month period. Other promotion costs are primarily expensed within the year incurred.

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

BRENCO INCORPORATED (DEC)

	1984	1983
Current Assets:		
Cash and cash equivalents	$ 1,512,848	$ 1,297,217
Short-term investments, at cost which approximates market	6,036,199	8,205,892
Accounts receivable—net of allowance for doubtful accounts of $76,376 (1983—$195,480)	2,777,412	2,000,010
Income taxes recoverable	1,986,238	3,354,489
Inventories:		
Finished goods	2,882,825	2,108,750
Work in process	4,296,114	2,497,504
Raw material and supplies	1,483,797	1,155,189
Prepaid expenses	485,653	153,911
Deferred income tax charges	37,607	606,890
Total Current Assets	21,498,693	21,379,852

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (In Part): Income Taxes

Deferred income taxes result from timing differences in the recognition of expense for tax and financial statement purposes. The source of these differences and the tax effect of each is shown below.

	1984	1983	1982
Accelerated depreciation	$758,923	$ 917,972	$854,605
Portion of loss on disposal of Washburn Wire Company	487,782	67,736	4,982
Allowance for doubtful accounts	58,667	88,389	(184,663)
Tax carryforwards	(418,750)		
Other	22,834	(22,834)	
	$909,456	$1,051,263	$674,924

TECUMSEH PRODUCTS COMPANY (DEC)

	1984	1983
Current Assets:		
Cash and short-term investments, at cost which approximates market	$160,105,000	$135,544,000
Accounts receivable, trade, less allowance for doubtful accounts of $2,500,000 in 1984 and $2,700,000 in 1983	116,514,000	101,558,000
Inventories	95,078,000	98,941,000
Deferred income taxes	10,522,000	10,065,000
Total Current Assets	382,219,000	346,108,000

TABLE 2-11: OTHER CURRENT ASSET CAPTIONS

	Number of Companies			
	1984	1983	1982	1981
Nature of Asset				
Deferred income taxes	126	120	122	114
Property held for sale	50	46	34	35
Unbilled costs	28	27	28	26
Advances or deposits	10	10	14	12
Other—identified	32	33	36	31
Other current assets	149	142	131	116

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Income Taxes—Taxes are provided for all material items included in the statements of income. Deferred income taxes result from differences between pre-tax earnings reported in the financial statements and taxable income. Investment tax credits of approximately $1,000,000 in 1984, $1,400,000 in 1983 and $2,600,000 in 1982 have been applied as a reduction of current federal income taxes on the flow-through method.

COLT INDUSTRIES INC (DEC)

	1984	1983
	($000)	
Current Assets		
Cash, including certificates of deposit of $2,141 and $21,494	$ 3,859	$ 23,079
Marketable securities, at cost (approximates market)	2,656	141,802
Accounts and notes receivable—		
Trade	218,423	199,452
Other	8,783	11,281
	227,206	210,733
Less allowance for doubtful accounts	5,329	5,195
	221,877	205,538
Inventories		
Finished goods	91,510	81,822
Work in process and finished parts	173,031	185,685
Raw materials and supplies	65,932	59,822
	330,473	327,329
Deferred income taxes (Note 3)	18,676	24,619
Other current assets	8,143	8,569
Total current assets	585,684	730,936

Note 3 (In Part): Income Taxes

Deferred income taxes result principally from timing differences in the recognition of revenue and expense for tax and financial reporting. Significant items were as follows:

(In thousands)	1984	1983	1982
Depreciation	$5,047	$10,881	$ 6,233
Employee benefits	(7,838)	13,588	(5,667)
Long-term program contracts	(4,212)	(16,733)	11,934
Inventory valuation	2,816	(176)	2,443
Other (not individually significant)	(252)	4,040	(9,668)
Total	$(4,439)	$11,060	$ 5,275

WALBRO CORPORATION (DEC)

	1984	1983	1982
	(In Thousands)		
Current Assets:			
Cash	$ 1,615	$ 1,656	$ 1,288
Accounts receivable, less allowance for doubtful accounts: 1984—$133,000; 1983—$164,000; 1982—$111,000	10,016	8,958	5,775
Income tax refund receivable	0	0	710
Inventories	10,116	6,924	5,480
Prepaid expenses	167	131	163
Deferred income taxes (Note 8)	223	84	96
Total Current Assets	22,137	17,753	13,512

Note 8 (In Part): Income Taxes

Deferred income taxes resulted from recognizing certain items differently for tax purposes than for financial reporting purposes. The Federal (U.S.) deferred tax results from accelerated tax depreciation in excess of financial statement depreciation and inventory valuations. The Foreign deferred tax results from certain accruals and inventory valuations.

Property Held for Sale

MOHASCO CORPORATION (DEC)

	1984	1983
	(In thousands)	
Current assets:		
Cash and cash equivalents	$ 7,513	$ 512
Accounts and notes receivable:		
Trade	115,348	105,637
Other	3,681	2,935
	119,029	108,572
Less allowance for discounts and accounts	8,153	8,349
	110,876	100,223
Inventories	99,300	108,174
Rental furniture, current portion	8,237	7,083
Prepaid expenses and other current assets	14,707	12,214
Total current assets	240,633	228,206

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Property, Plant and Equipment and Rental Furniture Depreciation of property, plant and equipment is provided principally on a straight-line basis over the estimated useful lives as follows: buildings from 10 to 50 years; buildings capitalized under long-term leases from 33 to 45 years; machinery and equipment from 3 to 14 years; and leasehold improvements over the lives of related leases. Rental furniture is depreciated on a declining-balance method over an estimated useful life of 5 years. A portion of rental furniture, representing the amount expected to be sold in one year, has been classified as a current asset.

The Company has entered into several long-term leases for manufacturing and warehousing facilities constructed by various local governmental bodies using proceeds from sales of industrial revenue bonds. Inasmuch as the leases provide for annual rentals over the initial terms in amounts sufficient to cover bond principal and interest, and for renewals at substantially reduced annual rentals, the Company capitalizes such leases.

UNIVERSAL VOLTRONICS CORP. (JUN)

	1984	1983
Current Assets:		
Cash	$ 26,357	$ 8,799
U.S. Treasury Bills, at cost which approximates market	—	1,457,639
Account's receivable—trade, less allowance of $59,000 in 1984; $33,000 in 1983	1,424,804	1,767,810
Cost and estimated earnings in excess of billings on uncompleted contracts	121,235	56,861
Inventories:		
Raw Materials	1,358,539	1,467,194
Work in process and manufactured parts	1,487,822	1,561,448
Finished goods	108,886	292,012
	2,955,247	3,320,654
Equipment held for resale	133,000	—
Other current assets	111,831	47,863
Total Current Assets	4,772,474	6,659,626

NOTES TO FINANCIAL STATEMENTS

2 (In Part): Provision for Unusual Losses

In fiscal 1984, management decided not to renew its warehouse lease which expires in November 1984 and accordingly has written off the related leasehold improvements with a net book value of $14,534. In addition, certain equipment previously used in this facility is being held for sale at what management believes to be its net realizable value ($133,000). Management expects to sell this equipment before June 30, 1985. The $50,000 excess of net book value over the anticipated net realizable value of such equipment was charged to operations during the year ended June 30, 1984.

BROWN & SHARPE MANUFACTURING COMPANY (DEC)

	1984	1983
Current Assets:		
Cash and cash equivalents	$ 8,563,000	$ 7,760,000
Accounts receivable, net of allowances for doubtful accounts of $565,000 and $954,000	28,517,000	32,728,000
Inventories:		
Parts, raw materials and supplies	9,504,000	14,817,000
Work in progress	5,917,000	11,753,000
Finished goods	7,251,000	14,820,000
	22,672,000	41,390,000
Net assets of business held for sale	25,548,000	—
Prepaid expenses and other current assets	885,000	2,326,000
Total current assets	86,185,000	84,204,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Discontinued Operations and Extraordinary Credit

During December, 1984, the Company adopted a plan to sell its fluid power business. A definitive sales agreement was signed on January 29, 1985, and the transaction was closed subject to adjustment of the purchase price based upon availability of an audited fluid power combined balance sheet as at January 26, 1985. Results of the fluid power business are shown separately as discontinued operations in the accompanying statements of income (loss), and the net assets of the business as of December 29, 1984 have been classified on the balance sheet as "Net assets of business held for sale." Net sales of the fluid power business were $39,774,000, $35,881,000 and $44,324,000 in 1984, 1983 and 1982, respectively.

The loss on sale of $1,175,000 includes a $4,240,000 loss on the transfer of foreign currency translation adjustments from the separate shareowners' equity account. Capital gains taxes of $1,000,000 resulting from the sale are completely offset by an extraordinary credit for the utilization of net operating loss carryforward. Net assets of the fluid power business at December 29, 1984 which have been separately classified on the balance sheet consisted of the following:

Cash	$ 1,222,000
Accounts receivable, net	7,309,000
Inventories	8,689,000
Prepaid expenses and other current assets	696,000
Property, plant and equipment, net	16,234,000
Investments and other assets	996,000
Notes payable and current installments of long-term debt	(1,610,000)
Accounts payable and accrued expenses	(5,214,000)
Long-term debt	(6,779,000)
Deferred income taxes	(60,000)
Cumulative foreign currency translation adjustment	4,240,000
Accrual for estimated loss on disposal	(175,000)
Net assets of business held for sale	$25,548,000

KAISER ALUMINUM & CHEMICAL CORPORATION (DEC)

	1984	1983
	(Millions of dollars)	
Current Assets:		
Cash	$ 36.7	$ 25.0
Receivables:		
Trade (less allowance for doubtful receivables: $7.0 in 1984 and 1983)	358.2	415.5
Other	106.0	158.3
Inventories	568.6	422.6
Prepaid expenses	16.2	12.5
Current assets of discontinued operations—net	163.1	119.7
Total current assets	1,248.8	1,153.6

NOTES TO FINANCIAL STATEMENTS

(Millions of dollars, except share amounts)

Note 2—Discontinued Operations

On July 1, 1984, the corporation implemented a plan to sell both the Agricultural Chemicals and Refractories divisions. Subsequently, the corporation has entered agreements to sell the accounts receivable, inventories, and substantially all the fixed assets of the discontinued operations net of certain liabilities. At December 31, 1984, identifiable assets of the discontinued operations amounted to $191.3, net of $31.0 of liabilities. An estimated before-tax loss of $100.9 ($60.7 after-tax) was recorded to reflect the anticipated loss on sale and included the estimated losses from operations until disposition of $26.6. Losses realized from operations for the period July 1 through December 31, 1984 amounted to $24.3.

Results of these operations for the first six months of 1984, and for the two preceding years, follow:

	1984	1983	1982
Revenues	$285.5	$396.2	$429.8
Costs and expenses	287.3	452.4	464.5
Loss before tax	(1.8)	(56.2)	(34.7)
Credit for income taxes	(.7)	(26.5)	(18.2)
Net loss from discontinued operations	$ (1.1)	$ (29.7)	$ (16.5)

The net current and noncurrent 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 following is the composition:

	1984	1983
Current assets, net:		
Trade receivables, net	$ 35.4	$ 53.4
Other receivables	14.4	4.5
Inventories	90.4	93.8
Other, net	22.9	(32.0)
Total	$163.1	$119.7
Noncurrent property, plant, and equipment, net	$ 28.2	$163.7

McGRAW-EDISON COMPANY (DEC)

	1984	1983
	(In millions)	
Current assets:		
Cash	$ 16.2	$ 2.3
Marketable securities, at cost, which approximates market	14.6	41.2
Receivables, less allowances ($16.6 million in 1984 and $15.5 million in 1983)	305.2	280.6
Inventories:		
Raw materials and work in process	193.5	156.8
Finished goods	141.8	111.8
Total inventories	335.3	268.6
Net assets of discontinued operations—current	177.7	42.6
Prepaid taxes and other expenses	36.1	47.0
Total current assets	885.1	682.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Discontinued Operations

During 1984, the Company adopted a program to divest the major portion of its Process Equipment Segment and the Battery Products operation of its Power Systems Segment. As part of this program, substantially all assets and liabilities of the Turbodyne Division (a manufacturer of steam turbines and electrical motors and generators) were sold for cash during the fourth quarter of 1984. Also during the fourth quarter of 1984, the Company signed an agreement to sell substantially all of the assets and liabilities of the Worthington Division (a manufacturer of pumps and compressors) and the Masoneilan Division (a manufacturer of control valves). The sale of these operations was completed on February 22, 1985. The proceeds from the sale were received partly in cash and partly through accounts receivable which were retained by the Company. The assets and liabilities of the Masoneilan Division's Controls operation were not sold and have become part of the Industrial Segment. The Company has reached an agreement in principle to sell the Battery Products Operation of the Power Systems Segment.

The businesses noted above have been treated as discontinued operations by the Company at December 31, 1984. Accordingly, the consolidated financial statements have been restated to reflect continuing operations for all years presented. The net operating results of discontinued operations and the estimated net gain on disposal of these businesses are included in the consolidated statements of income under the caption "Discontinued operations." Net assets of discontinued operations are separately presented in current and non-current categories in the consolidated balance sheets at estimated net realizable value. Net assets of discontinued operations at December 31, 1984 include $96.5 million of net accounts receivable that were retained by the Company.

PENNWALT CORPORATION (DEC)

	1984	1983
	(Thousands of Dollars)	
Current assets		
Cash, including certificates of deposit of $76,581,000 and $88,787,000	$ 79,819	$ 96,213
Receivables, net of allowance for doubtful accounts of $4,405,000 and $4,365,000:		
Trade	162,846	154,915
Other	15,359	48,254
Inventories	141,204	131,824
Prepaid pension costs and other expenses	14,601	6,709
Net current assets of discontinued operations	15,999	22,001
Total current assets	429,828	459,916

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Discontinued Operations

In 1981, the Company decided to sell its S.S. White dental operations. As of December 31, 1981, these operations were considered discontinued and offered for sale. The Company made a provision of $2,784,000 or $.27 per share in 1982 (net of related income taxes of $1,900,000) for the estimated loss on disposal.

At December 31, 1984 and 1983, the estimated net realizable value of the remaining assets of discontinued operations is shown in the Consolidated Balance Sheet captions "Net current assets of discontinued operations" and "Net noncurrent assets of discontinued operations."

Unbilled Costs

CURTISS-WRIGHT CORPORATION (DEC)

	1984	1983
	(In thousands)	
Cash and cash items	$ 11,461	$ 757
Short-term investments, at cost, which approximates market	46,036	24,204
Accounts receivable (includes U.S. Government receivables: 1984, $2,514; 1983, $4,247)	21,451	28,273
Unbilled charges on long-term contracts	8,039	11,904
Inventories	22,811	28,299
Other current assets	4,520	5,932
Total current assets	114,318	99,369

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies.

C. Accounting for Long-Term Contracts. The Corporation records sales on its long-term contracts generally on a percentage of completion basis, based upon current estimates of manufacturing and engineering costs to complete such contracts. General and administrative expenses are accounted for as period charges and, therefore, are not included in the calculation of the estimates to complete. Projected losses are provided for in their entirety without reference to the percentage of completion. Unbilled charges on long-term contracts consists of amounts recognized but not billed at December 31. Such billings are generally made and collected in the subsequent year.

EMERSON ELECTRIC CO. (SEP)

	1984	1983
	($000)	
Current assets		
Cash	$ 15,762	$ 5,898
Short-term investments, at cost which approximates market	87,224	250,195
Receivables, less allowances of $11,961,000 in 1984 and $11,764,000 in 1983	661,726	532,810
Costs and estimated earnings on long-term contracts, less progress billings of $75,200,000 in 1984 and $42,087,000 in 1983	10,388	10,899
Inventories:		
Finished products	379,380	326,274
Raw materials and work in process	700,822	590,042
Total inventories	1,080,202	916,316
Other current assets	65,904	43,822
Total current assets	1,921,206	1,759,940

WASTE MANAGEMENT, INC. (DEC)

	1983	1984
	($000)	
Current Assets		
Cash and short-term investments	$ 52,030	$ 8,452
Accounts receivable, less allowance of $4,967 in 1983 and $8,685 in 1984	190,156	310,448
Employee receivables	4,950	3,704
Contract costs incurred in excess of unrecognized revenue billed	90,800	64,330
Parts and supplies	28,951	29,765
Prepaid expenses	19,644	28,408
Total Current Assets	$386,531	$445,107

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

	1984	**1983**	**1982**	**1981**
Land	402	399	400	396
Land and improvements	107	106	101	98
Land and buildings	28	25	28	29
Land combined with other identified assets	10	14	15	16
No caption with term *land*	14	13	15	17
	561	557	559	556
Line of business classification	39	43	41	44
Total Companies	**600**	**600**	**600**	**600**

TABLE 2-13: DEPRECIABLE ASSET CAPTIONS

	1984	1983	1982	1981
Buildings				
Buildings	270	271	274	275
Buildings and improvements	196	192	186	180
Buildings and land or equipment	63	62	62	68
Buildings combined with other identified assets	11	12	12	9
No caption with term *buildings*	18	17	18	23
	558	554	552	555
Line of business classification	42	46	48	45
Total Companies	**600**	**600**	**600**	**600**
Other Depreciable Asset Captions	**Number of Companies**			
Machinery and/or equipment	447	443	440	446
Machinery and/or equipment combined with other assets	84	86	82	91
Construction in progress	242	244	244	243
Leasehold improvements	109	114	120	120
Leased assets	108	111	116	118
Automobiles, marine equipment, etc.	77	77	74	76
Furniture, fixtures, etc.	52	50	52	49
Assets leased to others	15	16	18	23

BREAKDOWN BY NATURE OF PROPERTY

AFG INDUSTRIES INC.

Consolidated Balance Sheet

	December 31, 1984	1983
Property, plant, and equipment:		
Land	$ 2,367,000	$ 2,245,000
Buildings	45,930,000	39,988,000
Machinery and equipment	185,590,000	144,809,000
Construction in progress	3,071,000	5,257,000
Idle facilities	1,496,000	1,496,000
	238,454,000	193,795,000
Less accumulated depreciation	75,024,000	50,870,000
	163,430,000	142,925,000

Consolidated Statement of Income

	Years Ended December 31, 1984	1983	1982
Cost and expenses:			
Cost of sales	$200,706,000	$156,461,000	$135,342,000
Selling and administrative	21,168,000	15,806,000	12,702,000
Interest expense	8,447,000	6,365,000	6,357,000
Depreciation	23,605,000	15,497,000	13,688,000
	253,926,000	194,129,000	168,089,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. (In Part): Summary of Significant Accounting Policies

Property, Plant, and Equipment—Property, plant, and equipment are valued at cost less accumulated depreciation. Depreciation is computed generally on a straight-line basis over the estimated useful lives of the related assets.

Expenditures for maintenance, repairs, and renewals of minor items are charged to earnings as incurred. Major renewals and improvements are capitalized. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in income for the period.

5. Property, Plant, and Equipment

The estimated useful lives used in computing depreciation expense are as follows:

Asset Description	Asset Life
Building and improvements	20 to 45 years
Furnaces, machinery, and equipment	3 to 20 years
Furniture, office, and other equipment	5 to 10 years

TABLE 2-14: ACCUMULATED DEPRECIATION

	1984	1983	1982	1981
Accumulated depreciation	301	293	292	296
Accumulated depreciation and amortization	160	162	161	165
Accumulated depreciation, amortization and depletion	40	35	35	32
Accumulated depreciation and depletion	18	18	22	21
Allowance for depreciation	29	30	25	24
Allowance for depreciation and amortization	22	28	31	24
Allowance for depreciation and depletion	3	9	10	6
Other captions	27	25	24	32
Total Companies	**600**	**600**	**600**	**600**

GERBER PRODUCTS COMPANY

Consolidated Statements of Financial Position

	March 31 1984	1983
	(Thousands of Dollars)	
Land, Buildings and Equipment		
Land	$ 9,829	$ 8,651
Buildings	84,549	77,462
Machinery and equipment	168,556	151,149
Construction in progress	6,310	4,920
Allowances for depreciation (deduct)	(112,722)	(102,561)
	156,522	139,621

Consolidated Statements of Changes in Financial Position

	Year Ended March 31 1984	1983	1982
	(Thousands of Dollars)		
Cash From Operations			
Earnings before extraordinary item	$50,133	$39,045	$39,178
Items not currently affecting cash:			
Depreciation and amortization	18,440	18,844	17,624
Noncurrent deferred income taxes	1,627	(451)	(919)
Share of (earnings) loss of unconsolidated companies	(1,440)	641	(706)
Other	1,351	1,166	1,341
Total From Operations Before Extraordinary Item	70,111	59,245	56,518

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Land, Buildings and Equipment: Land, buildings and equipment are stated on the basis of cost. Depreciation, including amortization of capitalized leases, is computed by the straight-line method at rates expected to amortize the cost of buildings and equipment over their estimated useful lives.

Note F (In Part): Leases

The Company's capitalized leases arose in connection with the issuance of industrial revenue bonds to finance certain manufacturing facilities. The Company may purchase the leased facilities at any time upon payment of the outstanding principal balance. The consolidated statements of financial position at March 31 include the following amounts relating to these obligations:

	1984	1983
	(Thousands of Dollars)	
Land	$ 58	$ 267
Buildings	2,651	3,468
Machinery and equipment	385	4,303
Construction in progress		209
Less allowances for amortization	(628)	(2,016)
	$2,466	$6,231

ICOT CORPORATION

Balance Sheets

	July 28, 1984	July 30, 1983
	(In thousands)	
Equipment and Leasehold Improvements, at cost:		
Machinery and equipment	$5,424	$4,459
Jigs, tooling and patterns	505	505
Furniture and fixtures	360	378
Leasehold improvements	420	413
	6,709	5,755
Less-Accumulated depreciation and amortization	3,916	3,161
	2,793	2,594

Statements of Changes in Financial Position

For the Three Years Ended	July 28, 1984	July 30, 1983	July 30, 1982
	(In thousands)		
Source (Application) of Funds:			
Income (loss) before extraordinary credit	$(2,341)	$(6,430)	$ 519
Items not requiring working capital in the current period			
Depreciation and amortization	819	786	722
Total from operations before extraordinary credit	(1,522)	(5,644)	1,241

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Summary of significant accounting policies

DEPRECIATION AND AMORTIZATION

Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the related assets as follows:

Machinery and equipment	5–8 years
Jigs, tooling, and patterns	5–8 years
Furniture and fixtures	3–8 years
Leasehold improvements	Length of lease

ROHM AND HAAS COMPANY

Consolidated Balance Sheets

	1984	1983
	(Thousands of dollars)	
Total investments and advances	$ 81,859	$ 74,044
Land, buildings and equipment, net (Note 13)	555,945	518,360
Other assets	167,088	66,164

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Land, Buildings and Equipment and Related Depreciation—

Land, buildings and equipment are carried at cost. In the United States buildings and equipment are depreciated principally by accelerated methods over their estimated useful lives. Major asset additions outside the United States are depreciated by accelerated methods. Other assets outside the United States are depreciated by the straight-line method. Maintenance and repairs are charged to earnings; replacements and betterments are capitalized.

The cost and related accumulated depreciation of buildings and equipment are removed from the accounts upon retirement or other disposition; any resulting profit or loss is reflected in earnings.

Note 13: Land, Buildings and Equipment, Net

(Thousands of dollars)	1984	1983
Land	$ 22,708	$ 16,768
Buildings and improvements	273,003	256,884
Machinery and equipment	1,082,963	1,010,456
Oil and natural gas properties	—	13,576
Capitalized interest cost	27,542	22,791
Construction	40,131	23,379
	1,446,347	1,343,854
Less accumulated depreciation	890,402	825,494
Total	$ 555,945	$ 518,360

The principal lives (in years) used in determining depreciation rates of various assets are: buildings and improvements (10–50); machinery and equipment (5–20); automobiles, trucks and tank cars (3–10); furniture and fixtures, laboratory equipment and other assets (5–10).

At December 31, 1984, the gross book values of assets depreciated by accelerated methods totaled $999.4 million and assets depreciated by the straight-line method totaled $384.1 million.

For the years ended December 31, 1984, 1983 and 1982 respectively, interest costs of $4.8 million, $3.0 million and $10.2 million were capitalized and included in the gross book values of land, buildings and equipment. Depreciation expense for these years includes $4.1 million, $3.3 million and $1.2 million of amortization of such capitalized costs.

SYNTEX CORPORATION

Consolidated Balance Sheets

(dollars in thousands)	July 31, 1984	1983
Total current assets	$661,287	$594,659
Property, Plant and Equipment—net	374,484	348,724

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Property, plant and equipment and related depreciation and amortization—Property, plant and equipment is stated at cost. Depreciation of property, plant and equipment is computed generally using the straight-line method based on estimated useful lives as follows:

Land improvements	12 to 40 years
Buildings and improvements	4 to 40 years
Machinery, equipment and furniture	3 to 20 years

Leasehold improvements are amortized over the lives of the related leases or their estimated useful lives, whichever is shorter, using the straight-line method.

6. Property, Plant and Equipment

Property, plant and equipment consists of the following:

(dollars in thousands)	1984	1983
Land and improvements	$ 24,111	$ 25,527
Buildings and improvements	229,318	184,134
Machinery, equipment and furniture	238,723	221,962
Leasehold improvements	28,232	27,473
Construction in progress	25,600	47,728
Total	545,984	506,824
Less accumulated depreciation and amortization	(171,500)	(158,100)
Property, plant and equipment—net	$374,484	$348,724

The provision for depreciation and amortization was $37,691,000 in 1984, $30,080,000 in 1983 and $25,720,000 in 1982.

UNION CAMP CORPORATION

Consolidated Balance Sheets

	1984	1983
	($ in thousands)	
Property—Net		
Plant property and equipment	$1,714,212	$1,552,410
Timberlands and equipment	231,685	214,291
Funds set aside for plant additions held by trustee	12,913	37,844
	1,958,810	1,804,545

Consolidated Income

For the Years Ended December 31,	1984	1983	1982
	($ in thousands, except per share)		
Net sales	$1,973,781	$1,688,254	$1,436,051
Costs and other charges:			
Cost of products sold	1,278,666	1,140,690	966,500
Delivery, selling and administrative expenses	284,677	259,545	209,360
Depreciation and cost of company timber	125,909	117,875	104,230
Income from Operations	284,529	170,144	155,961

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Property and Depreciation

Plant property, machinery and equipment are stated at cost, less accumulated depreciation. Upon disposition, the asset cost and related depreciation are removed from the accounts and the resulting gain or loss is included in income.

Depreciation is principally calculated on a straight-line basis with lives for buildings from 15 to 33 years and for machinery and equipment from 3 to 16 years. In 1984, the Company adopted a policy of depreciating machinery and equipment on major expansion projects using the units-of-production method until design level production is reasonably sustained. Accelerated depreciation methods are generally used for tax purposes, with deferred taxes provided to reflect the effect of resulting tax timing differences.

5. Property

				($ in thousands)
December 31,		1984		1983
	Asset Cost	Accumulated Depreciation and Cost of Company Timber	Net Book Value	Net Book Value
Plant Property and Equipment:				
Land	$ 26,363	—	$ 26,363	$ 12,600
Buildings	251,077	$ 87,996	163,081	117,964
Machinery and equipment	2,371,564	897,897	1,473,667	1,023,234
Construction-in-progress	51,101	—	51,101	398,612
Total	$2,700,105	$985,893	$1,714,212	$1,552,410
Timberlands and Equipment:				
Timberlands	$ 257,076	$ 69,593	$ 187,483	$ 173,830
Buildings and equipment	83,105	38,903	44,202	40,461
Total	$ 340,181	$108,496	$ 231,685	$ 214,291

At December 31, 1984, property (principally machinery and equipment) having an original cost of approximately $322,000,000 and a net book value of $170,000,000 is pledged against lease obligations and notes payable to industrial development authorities (see Note 6) which have outstanding long-term balances totaling approximately $247,000,000.

UNITED BRANDS COMPANY

Consolidated Balance Sheet

(In thousands)	March 31, 1984	March 31, 1983
Total current assets	$ 592,739	$ 686,358
Investments and long-term receivables	50,415	29,565
Property, plant and equipment, net	339,101	332,617
Intangibles	41,925	43,000
Total assets	$1,024,180	$1,091,540

Consolidated Statement of Income

(In thousands except per share amounts)	Year Ended March 31, 1984	Nine Months Ended March 31, 1983	Year Ended June 30, 1982
Net sales	$3,360,443	$2,406,238	$3,972,506
Operating costs and expenses			
Cost of sales	2,963,408	2,237,605	3,650,541
Selling, general and administrative expenses	239,982	180,476	244,470
Depreciation	33,856	28,015	38,442
	3,237,246	2,446,096	3,933,453
Operating income (loss)	123,197	(39,768)	39,053

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Property, Plant and Equipment, Net

Property, plant and equipment are stated at cost and, except for land and certain improvements, are depreciated on a straight-line basis over estimated useful lives.

(In thousands)	March 31, 1984	1983
Land	$ 23,165	$ 23,425
Buildings and improvements	121,743	120,298
Machinery and equipment	321,511	310,833
Ships	71,664	75,995
Cultivations	95,889	87,863
Other	38,964	38,333
	672,936	656,747
Less: Accumulated depreciation	(333,835)	(324,130)
Property, plant and equipment, net	$339,101	$332,617

Interest cost of $2,600,000 in 1984, $800,000 in 1983 and $2,600,000 in 1982 was capitalized.

FUNCTIONAL CLASSIFICATION

AMERICAN PETROFINA, INCORPORATED

Consolidated Balance Sheets

December 31, 1984 and 1983	1984	1983
	(Thousands of dollars)	
Total current assets	$ 586,684	$ 536,910
Investments in and advances to affiliates	69,122	68,210
Net property, plant and equipment, at cost, based on successful efforts method (notes 2 and 7)	1,027,599	770,212
Deferred charges and other assets, at cost less applicable amortization	22,220	23,936
	$1,705,625	$1,399,268

Consolidated Statements of Earnings

Three years ended December 31, 1984	1984	1983	1982
	(Thousands of dollars)		
Costs and expenses:			
Cost of raw materials and products purchased	$1,603,607	$1,566,161	$1,739,849
Direct operating expenses	247,578	224,685	227,225
Selling, general and administrative expenses	70,129	61,270	57,000
Taxes, other than on income	31,553	28,457	31,119
Dry holes, delay rentals and abandonments	21,261	18,862	39,343
Depreciation, depletion, amortization and lease impairment	98,018	84,343	66,203
Interest expense	31,470	23,309	12,188
	2,103,616	2,007,087	2,172,927

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

(e) Property, Plant and Equipment

The Company accounts for oil and gas properties in accordance with Statement of Financial Accounting Standards No. 19. Costs to acquire mineral interests in oil and gas properties, to drill exploratory wells which find proved reserves and to drill and equip development wells, are capitalized and geological and geophysical costs and costs to drill exploratory wells which do not find proved reserves are expensed.

Unproved oil and gas properties which are individually significant are periodically assessed for impairment of value and a loss is recognized at the time of impairment by providing an impairment allowance. The remaining unproved oil and gas properties are aggregated and an overall impairment allowance is provided based on the Company's prior experience. Capitalized costs of proved oil and gas properties are depreciated and depleted by the unit-of-production method based on proved oil and gas reserves as estimated by the Company's engineers.

Substantially all other property, plant and equipment is depreciated by the straight-line method at rates based on the estimated useful lives of the classes of property. Depreciation rates are used as follows:

Manufacturing facilities	5% to 7%
Marine transportation	6%
Marketing and other facilities	5% to 33⅓%
Pipelines and other	4% to 7%

Repairs and maintenance are charged to earnings as incurred. Renewals and betterments are capitalized. When assets are sold, retired or otherwise disposed of, the applicable costs and accumulated depreciation are removed from the accounts and the resulting gain or loss is recognized.

Note 2: Property, Plant and Equipment

A summary of property, plant and equipment follows:

	December 31 1984	1983
	(Thousands of dollars)	
Proved oil and gas properties	$ 553,225	472,965
Unproved oil and gas properties	91,819	89,071
Manufacturing facilities	730,901	524,814
Marine transportation	105,142	105,142
Marketing and other facilities	111,030	70,456
Pipelines and other	42,511	42,227
	1,634,628	1,304,675
Less accumulated depreciation, depletion, amortization and lease impairment	607,029	534,463
	$1,027,599	770,212

Property, plant and equipment includes capitalized lease obligations of $188,927,000 and $180,876,000 and related accumulated depreciation of $122,410,000 and $114,089,000 at December 31, 1984 and 1983, respectively.

Marine transportation consists of two U.S. flag very large crude carriers (VLCCs) which have been capitalized pursuant to Statement of Financial Accounting Standards No.

13. For several years, the worldwide oversupply of tanker capacity for the transportation of crude oil has depressed charter rates for such tankers, particularly VLCCs. Because of construction subsidies received from the U.S. government, the tankers are restricted to a maximum of six months' annual use in the U.S. domestic trade. The U.S. trade offers a better return than the depressed world tanker market. The company is attempting to have these restrictions removed but cannot estimate if its efforts will be successful. The Company's operation of the tankers has resulted in losses and losses are anticipated for the immediate future.

E.I. DU PONT DE NEMOURS AND COMPANY

Consolidated Balance Sheet

	December 31 1984	1983
	(Dollars in millions)	
Total Current Assets	$ 8,651	$ 9,062
Property, Plant and Equipment	27,410	25,983
Less: Accumulated Depreciation, Depletion and Amortization	13,001	11,722
	14,409	14,261
Investment in Affiliates	399	439
Other Assets	639	670
Total Assets	$24,098	$24,432

Consolidated Income Statement

	1984	1983	1982
	(Dollars in millions)		
Cost of Goods Sold and Other Operating Charges	$23,983	$24,309	$22,444
Selling, General and Administrative Expenses	2,024	1,985	2,065
Depreciation, Depletion and Amortization	1,736	1,719	1,625
Exploration Expenses, Including Dry Hole Costs and Impairment of Unproved Properties	524	478	465
Research and Development Expense	1,097	966	879
Interest and Debt Expense	565	583	739
Taxes Other Than on Income	2,345	2,311	2,581
Total	32,274	32,351	30,798

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 other facilities; in some instances appropriately higher or lower 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 PP&E (including petroleum and coal) surrendered, retired, sold or otherwise disposed of is charged to accumulated depreciation, depletion and amorization; 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, and impairment of those properties, which are individually insignificant, is provided for by amortizing the cost thereof based on past experience or the estimated holding period. Geological, geophysical and delay rental costs are expensed as incurred. Costs of exploratory dry holes are expensed as the wells are determined to be dry. Costs of productive properties, production and support equipment, and development costs are capitalized and amortized 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)

9—Property, Plant and Equipment

	December 31 1984	1983
Biomedical Products	$ 692	$ 619
Industrial and Consumer Products	1,772	1,618
Fibers	6,174	5,961
Polymer Products	3,468	3,343
Agricultural and Industrial Chemicals	3,541	3,629
Petroleum Exploration and Production	6,533	5,931
Petroleum Refining, Marketing and Transportation	1,809	1,660
Coal	2,463	2,398
Corporate	958	824
	$27,410	$25,983

Property, Plant and Equipment includes gross assets acquired under capital leases of $222 and $242 at December 31, 1984 and 1983; related amounts included in accumulated depreciation, depletion and amortization were $53 and $48 at December 31, 1984 and 1983.

Maintenance and repairs expense was $1,504 in 1984, $1,340 in 1983 and $1,433 in 1982.

POTLATCH CORPORATION

Balance Sheets

At December 31
(Dollars in thousands except per-share amounts)

	1984	1983
Total current assets	$ 214,845	$ 207,901
Land, other than timberlands	8,268	8,339
Buildings and equipment, at cost less accumulated depreciation of $448,745 ($405,001 in 1983) (Note 2)	647,458	674,942
Timber, timberlands and related logging facilities, net (Note 3)	250,882	243,942
Other assets	22,908	20,899
	$1,144,361	$1,156,023

SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

Properties

Land, buildings and equipment are valued at cost less accumulated depreciation. Depreciation of buildings, equipment and other depreciable assets is determined by using the straight-line method based on estimated useful lives.

Timber, timberlands and related logging facilities are valued at cost net of the cost of fee timber harvested and depreciation or amortization. Logging roads and related facilities are depreciated over their useful lives or amortized as related timber is removed. Cost of fee timber harvested and amortization of logging roads are determined annually on the basis of timber removals at rates based on the estimated existing volumes of recoverable timber.

Major improvements and replacements of property are capitalized. Maintenance, repairs, and minor improvements and replacements are expensed. Amounts expensed in 1984, 1983 and 1982 were $83.6 million, $79.8 million and $70.2 million, respectively. Upon retirement or other disposition of property, applicable cost and accumulated depreciation or amortization are removed from the accounts. Any gains or losses are included in earnings.

NOTES TO FINANCIAL STATEMENTS

Note 2. Buildings and Equipment

Buildings and equipment are summarized as follows:

(Dollars in thousands)	1984	1983
Lumber, plywood and other wood products facilities	$ 235,981	$ 239,055
Paper products manufacturing and converting facilities	781,305	772,208
Other properties, including logging equipment and railroad facilities	65,729	61,874
Construction in progress	13,188	6,806
	$1,096,203	$1,079,943

Depreciation on buildings and equipment charged against income amounted to $52.8 million in 1984 ($51.7 million in 1983 and $49.2 million in 1982).

Note 3. Timber, Timberlands and Related Logging Facilities

Timber, timberlands and related logging facilities are stated at cost less cost of fee timber harvested and amortization or depreciation:

(Dollars in thousands)	1984	1983
Timber and timberlands	$234,922	$228,696
Related logging facilities	15,960	15,246
	$250,882	$243,942

Amortization or depreciation of logging facilities amounted to $.9 million in 1984 ($1.3 million in 1983 and $1.1 million in 1982). Cost of fee timber harvested amounted to $3.3 million in 1984 ($5.2 million in 1983 and $4.1 million in 1982).

INVESTMENTS

Although there is a presumption that consolidated financial statements are usually necessary for a fair presentation when one company has a controlling interest in another company, there are instances when consolidation of a subsidiary is not appropriate. *APB Opinion No. 18* stipulates that the equity method should be used to account for investments in subsidiaries, corporate joint ventures, and minority owned companies when an investor has "the ability to exercise significant influence over operating and financial policies of an investee even though the investor holds 50% or less of the voting stock." *Opinion No. 18* considers an investor to have the ability to exercise significant influence when it owns 20% or more of the voting stock of an investee. *Opinion No. 18* also sets forth procedures to be followed and disclosures to be made by an investor in applying the equity method.

FASB Interpretation No. 35 was issued in May 1981 to clarify the criteria for applying the equity method of accounting to minority owned companies. The provisions of *FASB Interpretation No. 35* 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.

TABLE 2-15: INVESTMENTS—VALUATION BASES

	Number of Companies			
	1984	**1983**	**1982**	**1981**
Equity	330	345	340	332
Cost	127	127	123	100
Cost less allowance for losses	11	12	12	17
Lower of cost or market	33	23	30	27

Examples of investment presentations and disclosures follow.

Equity Method

CELANESE CORPORATION

Balance Sheets

	1983	1984
	(millions)	
Total current assets	$1,096	$1,435
Investments in affiliates (note A)	174	200
Net property, plant and equipment	1,445	1,349
Other assets	154	120
Total assets	$2,869	$3,104

Statements of Income

	1982	1983	1984
		(millions)	
Operating income	$39	$214	$272
Equity in net income/(loss) of affiliates (note A)	(73) (b)	34	28
Interest expense	(59)	(77)	(74)
Interest income and other, net	17	17	36
Income/(loss) before taxes	(76)	188	262

NOTES

(millions, except per share)

A. Investments and equity in net income of affiliates

	Celanese Mexicana, S.A.			All affiliates		
	1982	1983	1984	1982	1983	1984
Total: Sales	$402	$396	$550	$666	$694	$898
Operating income	4	87	101	29	134	149
Income/(loss) before taxes	(129) (a)	70	59	(100)	115	101
Net income/(loss)	(97)	63 (b)	44 (b)	(85)	84	49
Celanese share:						
Net income/(loss)	$ (39) (c)	$ 25	$ 18	$ (34)	$ 34	$ 28
Special provision	(39) (d)	—	—	(39)	—	—
Dividends	2	1	—	5	6	6
Undistributed income	35	59	77	67	95	117
Current assets	$128	$163	$216	$258	$292	$393
Net property, plant and equipment	523	473	432	761	855	829
Other assets	52	110 (b)	164 (b)	59	121	188
Total assets	703	746	812	1,078	1,268	1,410
Current liabilities	(85)	(62)	(84)	(221)	(175)	(195)
Long-term debt	(336)	(336)	(331)	(411)	(510)	(566)
Other liabilities	(38)	(42)	(47)	(36)	(41)	(59)
Interests of others	(146)	(183)	(210)	(242)	(329)	(351)
Celanese equity	98	123	140	168	213	239
Special provision (d)	(39)	(39)	(39)	(39)	(39)	(39)
Celanese investment	$ 59	$ 84	$101	$129	$174	$200
Number of affiliates				13	12	13

(a) After capitalizing interest costs of $14 million.
(b) Includes the effect of participation in the FICORCA program.
(c) After a loss of $2.31 per share, or $36 million, owing to devaluation of peso net monetary assets.
(d) The special provision was made because the Corporation believes that its investment in Mexico has been impaired by local economic conditions, and that it will be unable to recover fully its equity after absorbing fixed charges.

The Celanese share of income or loss of companies in which the Corporation owns at least 20% and not more than 50% of the voting stock is included in the consolidated statements of income as "Equity in net income/(loss) of affiliates."

Debt instruments of 40%-owned Celanese Mexicana, S.A. (Celmex), due principally in U.S. dollars, include various covenants that require maintenance of working capital and limit creation of funded debt and payment of dividends. Covenants under certain of these debt instruments precluded, without applicable lender consents, additional funded debt and dividend declarations at December 31, 1984.

In 1983, Celmex entered substantially all of its U.S. dollar debt in the Mexican government sponsored Program for Coverage of Foreign Exchange Risks. Under the program, known by its Spanish acronym, FICORCA, Celmex has contracted to make peso payments to the Bank of Mexico in order to obtain dollars. As a result, Celmex recorded a dollar receivable equivalent to the dollar debt entered into the program and a peso liability based upon the contracted exchange rates for repayment of such debt. The net effect of this transaction results in a foreign exchange gain.

Results for 1983 include the Corporation's share of the foreign exchange gain, $1.61 per share, or $25 million. Equity in net income for Celmex in 1984 includes a similar foreign exchange gain of $1.61 per share, or $23 million. At year-end 1984, Celmex was current on all its peso and U.S. dollar principal and interest obligations.

ASHLAND OIL, INC.

Consolidated Balance Sheets

September 30 (In thousands)	1984	1983
Investments and other assets		
Noncurrent net assets of operations held for sale (principally Integon)	$262,217	$ —
Investments in and advances to unconsolidated subsidiaries and affiliates—Note C	167,020	458,781
Cost in excess of net assets of companies acquired (less accumulated amortization of $3,176,000 in 1984 and $10,790,000 in 1983)	48,190	131,727
Advance coal royalties	55,157	48,926
Other noncurrent assets	80,643	93,662
	613,227	733,096

Statements of Consolidated Income

Years Ended September 30 (In thousands except per share data)	1984	1983	1982
Operating income	$252,023	$196,028	$329,050
Other income (expense)			
Interest income	19,723	31,821	56,810
Interest expense	(80,814)	(78,501)	(78,569)
Equity income—Note C	20,387	27,517	13,157
Other—net (including corporate administrative)	(67,446)	(72,807)	(108,167)
Divestitures and asset write-offs	(286,641)	—	28,189
Income (loss) before income taxes and extraordinary gain	(142,768)	104,058	240,470

Note C—Unconsolidated subsidiaries and affiliates

Investments accounted for on the equity method as of September 30, 1984 are: Arch Mineral Corporation, a 50% owned coal company; LOOP INC. and LOCAP INC., 18.6% and 21.4% owned joint ventures operating a deepwater offshore port and related pipeline facilities in the Gulf of Mexico; and various petroleum, chemical and engineering companies. Prior to September 30, 1984, Integon Corporation was also accounted for on the equity method (see Note B). Summarized financial information reported by these investments and a summary of the amounts recorded in Ashland's consolidated financial statements follow.

(In thousands)	Arch Mineral Corporation	LOOP INC. and LOCAP INC.	Engineering joint ventures (1)	Other	Total
September 30, 1984					
Financial position					
Current assets	$ 94,764	$ 12,549	$ 51,232	$131,967	
Current liabilities	(78,770)	(113,593)	(33,609)	(119,225)	
Working capital	15,994	(101,044)	17,623	12,742	
Noncurrent assets	417,416	937,595	10,102	323,019	
Noncurrent liabilities	(267,195)	(764,054)	(8,402)	(235,237)	
Stockholders' equity	$166,215	$ 72,497	$ 19,323	$100,524	
Results of operations					
Sales and operating revenues	$280,581	$102,040	$ —	$240,503	
Gross profit (loss)	34,014	(21,206)	—	24,451	
Net income (loss)	27,739	(19,824)	—	(5,463)	
Amounts recorded by Ashland					
Investments and advances	91,169	6,780	8,614	60,457	$167,020
Equity income (loss)	13,903 (2)	(3,689)	—	673	10,887 (3)
Dividends received	2,000	—	—	1,602	3,602
September 30, 1983					
Financial position					
Current assets	$105,785	$ 14,726	$ 64,302	$157,828	
Current liabilities	(70,591)	(172,170)	(47,367)	(93,458)	
Working capital	35,194	(157,444)	16,935	64,370	
Noncurrent assets	250,196	956,939	8,263	262,094	
Noncurrent liabilities	(142,914)	(707,175)	(7,589)	(243,383)	
Stockholders' equity	$142,476	$ 92,320	$ 17,609	$ 83,081	
Results of operations					
Sales and operating revenues	$260,526	$ 44,420	$269,575	$312,950	
Gross profit	25,991	355	18,238	45,418	
Net income (loss)	20,063	3,262	13,803	(4,748)	
Amounts recorded by Ashland					
Investments and advances	79,266	10,469	6,342	46,159	$142,236 (3)
Equity income (loss)	10,082 (2)	(317)	5,368	(914)	14,219 (3)
Dividends received	—	—	4,655	1,830	6,485
September 30, 1982					
Results of operations					
Sales and operating revenues	$254,073	$ 6,373	$275,647	$284,316	
Gross profit (loss)	4,049	(12,295)	21,454	52,858	
Net income (loss)	464	65,429 (4)	15,654	(3,459)	
Amounts recorded by Ashland					
Equity income (loss)	232 (2)	6,289 (4)	4,912	(3,636)	$ 7,797 (3)
Dividends received	—	—	4,371	1,424	5,795 (3)

(1) Results of operations of engineering joint ventures are accounted for on the proportionate consolidation method in Ashland's income statement, effective October 1, 1983.

(2) In addition, Ashland received royalty income from Arch of $8,712,000 in 1984, $9,075,000 in 1983 and $9,020,000 in 1982.

(3) Exclude investments in and advances to Integon ($316,545,000 at September 30, 1983), equity income from Integon (9,500,000 in 1984, $13,298,000 in 1983 and $5,360,000 in 1982) and dividends received from Integon ($1,320,000 in 1982).

(4) Includes $71,379,000 from the sale of tax benefits which increased Ashland's equity income by $6,977,000.

HERCULES INCORPORATED

Consolidated Balance Sheet

(Dollars in thousands)

	December 31 1984	1983
Investments and Advances		
Affiliated companies		
Investments, at equity	$313,832	$296,176
Advances	78,361	79,108
Other, at cost or less	89,635	128,671
Total Investments and Advances	481,828	503,955
Other Assets	58,107	51,443

Consolidated Statement of Income

(Dollars in thousands, except per share)

	Year Ended December 31 1984	1983	1982
Income before equity earnings	124,730	149,273	74,756
Equity in net income of affiliated companies	72,455	24,949	23,517
Income before extraordinary gain	197,185	174,222	98,273

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 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.

Investments in affiliated companies, owned 20% or more, are accounted for on the equity method, as are wholly owned finance and insurance subsidiaries due to their dissimilar business activities. Accordingly, consolidated net income includes Hercules' share of their net income. Investments of less than 20% are carried at cost and, in the case of marketable equity securities, at the lower of cost or market.

NOTES TO FINANCIAL STATEMENTS

(Dollars in thousands, except per share)

11. Investments, at Equity

Consolidated retained earnings include undistributed earnings of affiliated companies owned 50% or less of $116,512 at December 31, 1984 and $74,370 at December 31, 1983.

Dividends received from affiliated companies amounted to $22,497 in 1984, $6,127 in 1983 and $10,545 in 1982.

A summary of assets, liabilities, and results of operations for all affiliated companies and nonconsolidated subsidiaries accounted for on the equity method is as follows (dollars in millions):

	1984	1983	1982
Affiliates (20–50% owned):			
Net sales	$1,672	$ 767	$872
Profit from operations	245	55	61
Net income	130	58	40
Hercules equity	67	20	14
Current assets	588	380	328
Other assets	736	699	403
Total assets	1,324	1,079	731
Current liabilities	(318)	(235)	(198)
Other liabilities	(309)	(219)	(190)
Interest of others	(382)	(324)	(189)
Hercules equity	315	301	154
Nonconsolidated Subsidiaries:			
Net sales	$ 152	$ 121	$123
Profit from operations	12	7	10
Net income	6	6	11
Hercules equity	5	5	29
Current assets	101	81	103
Other assets	46	57	19
Total assets	147	138	122
Current liabilities	(52)	(47)	(43)
Other liabilities	(49)	(25)	(4)
Minority interest	(12)	(26)	(15)
Hercules equity	34	40	60

THE GREYHOUND CORPORATION

Statement of Consolidated Financial Condition

(000 omitted)

	December 31 1984	1983
Investments and Other Assets:		
Investments in and long-term receivables due from:		
Financial Group subsidiaries	$527,783	$437,941
ConAgra	99,283	121,941
Other investments and assets	91,214	111,260
	718,280	671,142

Consolidated Income Statement

(000 omitted)

	Year Ended December 31, 1984	1983	1982
Income Before Income Taxes	$140,664	$89,800	$ 99,788
Income taxes	58,377	39,976	38,509
Income of Greyhound and consolidated subsidiaries	82,288	49,824	61,279
Net income of Financial Group	33,756	20,461	40,311
Equity in net income of ConAgra	8,983		
Income From Continuing Operations	125,027	70,285	101,590

SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation:

The consolidated financial statements include the accounts of Greyhound and its subsidiaries, except for its Financial Group subsidiaries. All material intercompany transactions and accounts are eliminated in consolidation.

Investments in Financial Group subsidiaries and in affiliates 20 to 50 percent owned are reflected in the accounts on the equity method. In addition, the investment in ConAgra, Inc. ("ConAgra") (15% owned) is included in the accounts on the equity method. Greyhound's membership both on the Board of Directors and on the Executive Committee of the Board of Directors of ConAgra and its substantial voting rights provide the ability to significantly influence the operating and financial affairs of ConAgra. Equity in net income of ConAgra is recognized after provisions for amortization of intangibles and for income taxes.

Summary financial information for the Financial Group, including significant accounting policies and footnotes, is presented elsewhere in these financial statements. This Group includes subsidiaries engaged in leasing and financing of industrial and commercial computers and related equipment and insurance operations, principally residential mortgage insurance.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note L—Other Matters:

During 1983 changes were made in estimated salvage values and useful lives of certain buses and other property. The effect of these changes was to increase 1983 net income by $6,806,000 or $.15 per share.

Summarized unaudited financial information of ConAgra (giving effect to its acquisition of Armour Food Company assets in 1983) and of other affiliates is as follows:

Summarized Financial Condition:

	ConAgra		Other Affiliates	
	1984	1983 (Pro Forma)	1984	1983
		(000 omitted)		
Financial Condition:				
Assets:				
Receivables	$ 464,287	$ 403,134	$37,085	$35,603
Inventory	811,702	691,490	1,786	3,106
Investments	50,910	34,307	695	3,645
Property and equipment	348,826	340,092	29,908	34,630
Other	94,499	61,589	12,720	11,530
	$1,770,224	$1,530,612	$82,194	$88,514
Liabilities:				
Current liabilities	$1,029,379	$ 831,925	$23,943	$26,774
Long-term debt	241,558	279,271	6,867	5,421
Other liabilities	32,354	9,407	4,273	3,505
Stockholders' equity	466,933	410,009	47,111	52,814
	$1,770,224	$1,530,612	$82,194	$88,514

The carrying amounts of the investment in ConAgra at December 31, 1984 and 1983 were $99,283,000 and $92,000,000, respectively, including unamortized goodwill of $31,496,000 and $32,296,000.

Greyhound's carrying amount of investments in other affiliates was $20,137,000 and $18,893,000 at December 31, 1984 and 1983 respectively.

Income Summary:

	ConAgra 1984	Other Affiliates 1984	Other Affiliates 1983	Other Affiliates 1982
		(000 omitted)		
Revenues	$4,787,839	$101,681	$127,258	$137,343
Cost and expenses:				
Cost of sales and operating expenses	4,625,681	77,457	92,987	101,012
Other	39,847	1,093	5,141	6,292
Income before income taxes	122,311	23,131	29,130	30,039
Outside stockholders' equity in net income	68,874	12,782	16,679	16,892
Greyhound equity in net income	8,983	4,574	6,543	6,734
Transportation Services		2,578	2,730	2,996
Services and Food Service		1,996	3,813	3,738
		$ 4,574	$ 6,543	$ 6,734

Greyhound's equity in net income is after applicable provisions for amortization of intangibles and for income taxes.

Of the amounts above, all of Services and Food Service net income, and $1,841,000 in 1984, $1,510,000 in 1983 and $1,483,000 in 1982 of Transportation Services net income was from foreign operations.

CORNING GLASS WORKS

Consolidated Balance Sheets

	1984	1983
	($ millions)	
Total current assets	$704.0	$701.9
Investments		
Associated companies, at equity	389.6	340.6
Other, at cost	37.0	33.5
	426.6	374.1

Consolidated Statements of Income

Years Ended December 30, 1984, January 1, 1984, and January 2, 1983

	1984	1983	1982
	($ millions)		
Income before taxes on income	$53.5	$70.9	$13.9
Taxes on income	18.2	13.7	(32.8)
Income before minority interest and equity earnings	35.3	57.2	46.7
Minority interest in losses of subsidiaries	.2	.6	2.1
Equity in earnings of associated companies	53.4	34.4	25.7
Income before Extraordinary Credit	88.9	92.2	74.5

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

Corning operates on a fiscal year ending on the Sunday nearest December 31. The three most recent fiscal years ended on December 30, 1984, January 1, 1984, and January 2, 1983.

The consolidated financial statements include the accounts of all significant subsidiary companies. Major subsidiaries are consolidated at varying dates up to one month earlier than the consolidated balance sheet dates.

The equity method of accounting is used for investments in associated companies in which Corning's interest is 20 percent or more, except for certain investments of a temporary nature which are carried at cost.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 (In Part): Investments

Investments in net assets of associated companies accounted for under the equity method amounted to $389.6 million at December 30, 1984, and $340.6 million at January 1, 1984. Of these amounts, Dow Corning Corporation, a 50%-owned manufacturer of silicones, with operations substantially in the United States and Europe, represented $254.7 million and $231.6 million respectively.

The financial position and results of operations of Dow Corning, the major international glass manufacturing equity-basis companies (comprised of Borosil Glass Works Limited; Crown Corning Limited; Iwaki Glass Company, Ltd.; and Samsung-Corning Company, Ltd.), and the combined total of all of Corning's equity-basis companies are summarized below, and compared to Corning's consolidated financial position and results of operations.

	1984 Corning Glass Works and Consolidated Subsidiaries	Dow Corning Corporation	Major Gloss Manufacturing Equity-Basis Companies	Combined Total of All Equity-Basis Companies
Net sales	$1,732.7	$855.1	$231.2	$1,554.4
Cost of sales	1,173.2	550.6	166.4	1,074.1
Gross margin	559.5	304.5	64.8	480.3
Operating expense	470.1	177.3	33.8	277.9
Income from operations	89.4	127.2	31.0	202.4
Other income (expense), net	(35.9)	16.4	(13.4)	(29.7)
Income before taxes on income	53.5	143.6	17.6	172.7
Equity in earnings and minority interest	53.6	(2.1)		(1.9)
Taxes on income	18.2	50.2††	7.2	64.4
Tax benefit of loss carryforwards	11.4			4.2
Net income	$ 100.3	$ 91.3	$ 10.4	$ 110.6
Corning's equity in net income†		$ 45.6	$ 5.1	$ 52.5
Current assets	$ 704.0	$376.1	$125.6	$675.3
Plant and equipment, net	641.8	480.9	149.6	800.3
Other assets	511.0	27.8	7.6	46.8
	1,856.8	884.8	282.8	1,522.4
Current liabilities	377.1	164.0	114.0	381.2
Loans payable beyond one year	309.1	96.3	61.4	260.3
Other liabilities and deferred credits	103.5	115.1	10.1	134.3
Net assets	$1,067.1	$509.4	$ 97.3	$ 746.6

†Equity in earnings of associated companies as shown in the Statements of Income are net of amounts provided for taxes (see Note 7). Amounts shown in the above tables are before the application of net tax provisions, which were a $0.9 million tax benefit in 1984, $1.0 million tax benefit in 1983, and $0.2 million tax provision in 1982.

Amounts due from affiliated companies, included in receivables in the Consolidated Balance Sheets were approximately $19 million and $13 million at December 30, 1984, and January 1, 1984, respectively.

The ability of certain subsidiaries to transfer funds to the parent company is limited by provisions of loan agreements and foreign government regulations. At December 30, 1984, the amount subject to such restrictions for consolidated subsidiaries approximated $63 million. While this amount represents legal restrictions, it does not represent an operational difficulty since, generally, Corning has permitted subsidiaries to retain a majority of generated funds to support their growth programs.

††Net of $10.2 million benefit on reversal of deferred taxes provided on DISC undistributed earnings forgiven under the Tax Reform Act of 1984, Corning's share of this benefit was $5.1 million.

The following information is presented for all equity-basis companies and for investments carried at cost:

	1984	1983	1982
Equity in undistributed earnings of equity-basis companies included in retained earnings	$295.0	$256.4	$243.2
Dividends received from equity-basis companies	20.7	19.8	21.2
Excess of quoted market value over cost-basis investments	107.7	126.3	146.2

NATIONAL DISTILLERS AND CHEMICAL CORPORATION

Consolidated Balance Sheet

(dollar amounts in millions)

December 31	1984	1983
Total current assets	$ 798.3	$ 866.1
Investments		
Insurance subsidiaries	87.6	98.2
Associated companies (Note 7)	123.9	121.9
Other marketable securities	21.8	5.4
Property, plant and equipment, at cost (includes gas and oil producing properties—successful efforts method) less accumulated depreciation and depletion	747.7	780.9
Deferred charges and other assets	49.5	34.8
Goodwill—net of amortization	61.4	65.7
	$1,890.2	$1,973.0

Consolidated Statement of Income

(dollar amounts in millions except for per share data)

Year Ended December 31	1984	1983	1982
Operating income	$181.7	$151.0	$105.1
Corporate and general expenses	(24.7)	(24.3)	(21.6)
Interest on borrowings	(47.4)	(44.6)	(22.2)
Unusual credit—Gain (net) on sales of investments			8.1
Other income—net	3.1	3.8	16.6
	112.7	85.9	86.0
Provision for taxes on income	(44.5)	(37.7)	(36.3)
Earnings (loss) of insurance subsidiaries	(4,0)	8.1	7.6
Share of earnings of associated companies (Note 7)	5.7	6.7	17.0
Income from continuing operations	69.9	63.0	74.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollar amounts in millions except for per share data)

Note 1 (In Part): Summary of Accounting Policies

Principles of Consolidation

The financial statements include the accounts of all majority-owned companies except those subsidiaries engaged in insurance operations. Unconsolidated insurance subsidiaries and associated companies are accounted for under the equity method, i.e., at cost, increased or decreased by the Company's share of earnings or losses, less dividends. Associated companies include significant companies in which National has at least a 20%, but not more than a 50%, interest.

Note 7: Associated Companies

Investments in associated companies at December 31, 1984 and 1983 consist of interest in:

	%Owned
Domestic:*	
National Helium Corporation	50
RMI Company, a partnership	50
Syngas Company, a partnership	33.6
Foreign:	
Quimic S.A. de C.V., Mexico	49
Poliolefinas, S.A., Brazil	28

*On December 20, 1983, the Company acquired 100 percent ownership of National Petro Chemicals Corporation ("Petro") by purchasing the 50 percent interest in Petro held by Owens-Illinois, Inc. Petro's assets and liabilities are included in the consolidated balance sheet at December 31, 1983; the Company's share of the results of Petro's operations for the entire year 1983 are included in share of earnings of associated companies.

Since Syngas Company sells its production to the partner owners, the Company's share of the results of operations of Syngas is included with costs and expenses in determining profits of the petrochemical business.

The Company includes its share of the income or loss and investment tax credits of the domestic partnerships in computing its taxable income. The resultant tax expense or benefit is included in the computation of share of earnings of associated companies if the partnership income is classified as such.

The Company is contingently liable in respect to indebtedness of certain of the associated companies for moneys borrowed. At December 31, 1984, the maximum amount of such contingent liability was $16.7 million.

In November 1982 the Company sold its investment in U.S.I. Far East Corporation for cash.

Summary financial information for associated companies as a group is as follows:

	December 31	
Balance sheet data	1984	1983
Current assets	$190.3	$159.2
Other assets	309.7	333.6
	$500.0	$492.8
Current liabilities	$102.8	$ 85.4
Other liabilities	74.2	88.1
Equity	323.0	319.3
	$500.0	$492.8
National's share of equity	$123.9	$121.9
National's share of undistributed earnings	$ 11.2	$ 9.9

	Year ended December 31		
Income statement data	1984	1983	1982
Revenues	$401.0	$504.9	$524.5
Net earnings	$ 16.5	$ 12.3	$ 54.5
National's share	$ 6.0	$ 3.7	$ 25.4
Tax recovery (expense)	(.3)	3.0	(8.4)
	$ 5.7	$ 6.7	$ 17.0
Distributions paid to National	$ 3.5	$ 7.9	$ 12.1

PENNWALT CORPORATION

Consolidated Balance Sheet

	1984	1983
	(Thousands of Dollars)	
Total current assets	$429,828	$459,916
Investments and other receivables		
Investments, at cost plus equity in undistributed net earnings since acquisition:		
Nonconsolidated subsidiaries	11,749	13,348
Affiliates	14,357	11,845
Long-term receivables, etc.	6,092	4,934
	32,198	30,127

Statement of Consolidated Earnings

	1984	1983	1982
	(Thousands of Dollars)		
Net sales	$1,047,214	$976,741	$952,400
Other net, including equity in net earnings of nonconsolidated companies (income of $3,806,000 and $1,181,000 in 1984 and 1983 and loss of $1,390,000 in 1982)	3,502	9,099	2,560
	1,050,716	985,840	954,960

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Principles of Consolidation

The consolidated financial statements include all significant subsidiaries. The equity of the Company and its consolidated subsidiaries in the net assets of nonconsolidated subsidiaries and affiliates approximates the carrying value of these investments.

The excess of the Company's cost over the net assets of businesses acquired since November 1, 1970, is being amortized over periods up to forty years. Such amortization amounts to approximately $225,000 annually.

Following are summaries of financial information at December 31, 1984, 1983 and 1982 of companies accounted for by the equity method:

	1984	1983	1982
	(Thousands of Dollars)		
Subsidiaries not consolidated			
Net sales	$44,612	$39,288	$40,217
Gross profit	$11,514	$ 8,467	$11,325
Net income (loss)	$(1,486)	$(1,682)	$(2,617)
Pennwalt equity in net income (loss)	$(1,029)	$(1,219)	$(2,182)
Current assets	$28,731	$27,415	$29,981
Noncurrent assets	11,989	13,320	13,769
Total assets	40,720	40,735	43,750
Current liabilities	20,669	20,296	25,327
Noncurrent liabilities	10,639	6,871	4,519
Net assets	$ 9,412	$13,568	$13,904
Pennwalt equity in net assets	$ 9,386	$11,747	$11,115
50% or less owned companies			
Net sales	$67,530	$52,417	$63,061
Gross profit	$24,332	$18,502	$18,436
Net income	$ 9,721	$ 4,526	$ 1,568
Pennwalt equity in net income	$ 4,835	$ 2,400	$ 792
Current assets	$35,260	$27,189	$18,659
Noncurrent assets	19,220	20,991	24,569
Total assets	54,480	48,180	43,228
Current liabilities	20,743	11,085	15,014
Noncurrent liabilities	4,695	2,844	5,755
Net assets	$29,042	$34,251	$22,459
Pennwalt equity in net assets	$13,711	$11,522	$ 9,546

Foreign currency exchange losses of non-consolidated companies included above were $2,288,000 in 1984, $804,000 in 1983 and $1,812,000 in 1982. Total foreign currency exchange losses of $2,853,000 in 1984, $1,818,000 in 1983 and $4,240,000 in 1982 were reflected in earnings.

A.E. STALEY MANUFACTURING COMPANY

Consolidated Balance Sheets

September 30

	1984	1983
Total current assets	290,904,000	309,211,000
Investments in and advances to equity companies	30,675,000	28,181,000

Statements of Consolidated Earnings

Years Ended September 30

	1984	1983	1982
Earnings before share of equity companies' net earnings and extraordinary item	32,699,000	6,024,000	56,152,000
Share of equity companies' net earnings	3,950,000	3,928,000	6,460,000
Earnings before extraordinary item	36,649,000	9,952,000	62,612,000

SUMMARY OF ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all subsidiaries which are more than 50% owned, except for the Company's wholly-owned financial services and commodity futures trading subsidiary. All material intercompany transactions have been eliminated.

Investments in the financial services and commodity futures trading subsidiary and in affiliates 50% or less owned are accounted for by the equity method and are referred to as equity companies. The consolidated financial statements include the Company's share of the net earnings of equity companies, and the Company's investments in such companies are stated at cost plus equity in undistributed net earnings.

NOTES TO FINANCIAL STATEMENTS

Equity Companies

Summarized financial information, in thousands of dollars, for equity companies is as follows:

	1984		1983	
	Staley Financial Services, Inc.	All Other	Staley Financial Services, Inc.	All Other
Current assets	$149,114	$150,539	$71,235	$123,102
Noncurrent assets	2,311	79,606	1,970	122,622
Current liabilities	125,669	125,421	70,055	109,484
Long-term debt	—	29,712	—	65,889
Other noncurrent liabilities	—	10,453	—	13,452
Shareholders' equity	$ 25,756	$ 64,559	$ 3,150	$56,899
Staley's share of shareholders' equity	$ 25,756	$ 24,501	$ 3,150	$ 21,553
Intercompany	(22,000)	2,418	—	3,478
Investments in and advances to equity companies	$ 3,756	$ 26,919	$ 3,150	$ 25,031
Revenues	$ 23,847	$528,695	$17,146	$358,485
Net earnings	606	10,668	768	9,771
Staley's share of net earnings	606	3,344	768	3,160

Cost Method

AMERICAN BILTRITE INC. (DEC)

	1984	1983
	($000)	
Total Current Assets	$31,011	$29,156
Other Assets		
Restricted bond proceeds	3,746	
Investments in affiliated companies—Note G	1,932	1,932
Mortgage receivable	898	960
Other assets	321	221
	6,897	3,113

Note G—Investments in Affiliated Companies

Investments in affiliated companies consist of the following:

	1984	1983
(In thousands of dollars)		
Compania Hulera Sula, S.A., Honduras; a 50% owned affiliate	$1,382	$1,382
50% interest in K&M Associates	550	550
	$1,932	$1,932

The investment in Compania Hulera Sula, S.A., had been accounted for on the equity method until October 1, 1983 (equity in earnings was $140,000 in 1983 and $147,000 in 1982). Equity in earnings subsequent to this date have not been recognized due to the uncertainty of the political climate in Honduras. ABI expects to ultimately realize at least the carrying value ($1,382,000) of this investment.

On June 30, 1983, ABI acquired for $550,000 a 50% interest in K&M Associates ("K&M"), a national jewelry supplier. K&M is a partnership consisting of three general partners, each having an equal vote. Partnership earnings are distributed annually to the partners based upon a predetermined formula. Under the terms of the partnership agreement, the partnership will terminate in 1988 at which time any partner can acquire the business or the business will be liquidated.

Because of the temporary nature of the K&M investment, the inability of ABI to exercise significant influence over the partnership's operations or financial policies, and the fact that ABI's share of profits cannot be determined accurately on an interim basis, the investment in K&M is carried at cost and income is recognized when profit distributions are received. During 1984, the Company received a profit distribution of $151,000 (included in other income), based on K&M's results of operations for its fiscal year ended March 31, 1984. ABI's equity in the net assets of the K&M Partnership, based on K&M's unaudited interim financial statements, was $2,750,000 at December 31, 1984 ($770,000 at December 31, 1983). Based on K&M's expected results of operations for their year ending March 31, 1985, ABI could receive a 1985 profit distribution in the range of $1,400,000 to $1,700,000.

ARCHER DANIELS MIDLAND COMPANY (JUN)

	June 30	
	1984	1983
	(In thousands)	
Total Current Assets	$1,233,393	$1,246,153
Investments and Other Assets		
Investments in and advances to affiliates	33,378	56,669
Long-term marketable securities	215,026	182,799
Other assets	24,586	16,764
	272,990	256,232

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1—Marketable Securities

Marketable securities are carried at cost, which approximates market, and consist of:

	1984	1983
	(In thousands)	
Current:		
Certificates of deposit	$ 691	$ 24,277
United States Government obligations	304,317	221,201
Other	38,876	18,598
	$343,884	$264,076
Long-term:		
United States Government obligations	$203,395	$171,681
Other	11,631	11,118
	$215,026	$182,799

DYNAMICS CORPORATION OF AMERICA (DEC)

	1984	1983
	($000)	
Total Current Assets	$ 69,993	$ 65,490
Property, Plant and Equipment, at cost, less accumulated depreciation and amortization	8,762	9,045
Investment in CTS Corporation, at cost (market $17,470 and $15,635)—Note 4	14,129	12,637
Marketable Securities, at cost (market $14,168 and $16,099)	12,890	14,470
Deposit	6,450	
Deferred Income Taxes	384	271
Total Assets	$112,608	$101,913

Note 4—Investment in CTS Corporation

At December 31, 1984 the Company's holdings aggregated 527,400 shares or approximately 9.2% of the outstanding common stock of CTS which included 50,000 shares purchased during the year. The market value of the Company's investment in CTS at March 1, 1985 amounted to $20,832,000.

During the quarter ended June 30, 1983, CTS issued common stock in connection with an acquisition which resulted in the Company's equity interest declining below 20%. Accordingly, the Company discontinued the use of the equity method of accounting as of April 1, 1983.

On July 22, 1983, the Company sold 500,000 shares of CTS common stock which resulted in an after-tax gain, calculated on the basis of specific cost identification, of $6,514,000 ($1.47 per share). The sale reduced the Company's holdings to 477,400 shares or 8.3% of the outstanding common stock of CTS at December 31, 1983.

The carrying amount of the Company's investment in CTS includes undistributed net income of CTS amounting to $1,084,000 at December 31, 1984 and 1983.

CBS INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18 (In Part): Investments

(Dollars in millions)

Summarized financial information for 50 percent or less owned companies accounted for by the equity method and for unconsolidated subsidiaries is as follows:

	Unconsolidated Subsidiaries (b)		
	1984	1983	1982
Current Assets	$11.9	$10.9	$15.9
Non-Current Assets	8.7	6.8	5.5
Current Liabilities	(8.0)	(9.0)	(7.8)
Non-Current Liabilities	(.1)		(.1)
Net Assets	12.5	8.7	13.5
Company's Share of Net Assets	12.5	8.7	13.5
Investment Balance on Company's Consolidated Balance Sheet	9.2	2.9	2.2
Revenues	19.6	17.2	20.9
Expenses	18.3	15.1	18.9
Pretax Income:			
Partnerships			
Corporations	1.3	2.1	2.0
Total	1.3	2.1	2.0
Net Income:			
Corporations	.5	.9	1.3
Net Income Recognized by CBS	$ —	$ .1	$ .1

(b) The Company believes that restrictions on the repatriation of funds warrant accounting for these subsidiaries on a cost basis and recognizing income on a cash basis. Income is recognized as it is received in the form of dividends.

McDERMOTT INTERNATIONAL, INC. (MAR)

	1984	1983
	(In thousands)	
Investments in Government Obligations, at Amortized Cost	$896,462	$688,585
Excess of Cost Over Fair Value of Net Assets of Purchased Businesses Less Accumulated Amortization of $58,670,000 at March 31, 1984 and $49,434,000 at March 31, 1983	320,310	329,546
Other Assets	75,466	117,324

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Investments in Government Obligations

At March 31, 1984 McDermott International held $896,462,000 (amortized cost) of government securities as a long-term investment, as compared to $688,585,000 (amortized cost) at March 31, 1983. These securities are carried at amortized cost, as in management's opinion there is no permanent loss in value of the portfolio, and there is no present intention to liquidate the securities at less than cost. The market value of these securities was $846,799,000 and $790,227,000 at March 31, 1984 and March 31, 1983, respectively. The face amount at March 31, 1984, was $1,067,337,000.

THE STANDARD OIL COMPANY (DEC)

	1984	1983
	($ Millions)	
Other Assets		
Investments	$ 758	$ 781
Receivables	372	407
Prepaid expenses and deferred charges	156	131
	1,286	1,319

NOTES TO FINANCIAL STATEMENTS

Note E: Cash and Investments

Millions of Dollars—December 31	1984	1983
Cash and short-term investments		
Cash	$ 56	6
Time deposits	27	26
Marketable securities (at cost, which approximates market value)	254	59
	$337	91
Investments		
Investments in unconsolidated affiliates (primarily equity method)	$286	303
Long-term marketable securities (market value $455 and $447)	472	478
	$758	781

Long-term marketable securities are primarily securities of the United States government and its agencies and are carried at cost plus amortized discount of $8 million in 1984 and 1983. The carrying value of these securities does not exceed amounts expected to be realized.

At December 31, 1984 long-term marketable securities with a carrying value of $146 million were pledged as collateral against borrowings under reverse repurchase agreements, which are included in notes payable.

TESORO PETROLEUM CORPORATION (SEP)

	1984	1983
	($000)	
Total Current Assets	$430,400	$375,949
Investments (Note C):		
Trinidad-Tesoro Petroleum Company Limited	140,760	140,760
Tesoro Bolivia Petroleum Company	45,271	43,076
Other	—	3,827
Total Investments	186,031	187,663

Note C (In Part): Investments

Tesoro Bolivia Petroleum Company

As set forth in Accounting Policies and Note A, the Company discontinued consolidating the financial position and results of operations of Tesoro Bolivia, a wholly-owned subsidiary, in its consolidated financial statements effective January 1, 1984, and commenced accounting for its investment in Tesoro Bolivia on the cost method. In addition, Tesoro Bolivia adopted the cost recovery method of accounting, effective January 1, 1984, wherein no revenue is recognized until all receivables recorded under the prior accounting method are satisfied and then equal amounts of revenues and expenses are recognized as receivables are collected until all costs have been recovered.

The Company's investment in Tesoro Bolivia at September 30, 1984 and 1983 includes the cost of the investment of $34,563,000 and $34,125,000, respectively, and equity in undistributed earnings of $10,708,000 and $8,951,000, respectively. The Company's equity in earnings of Tesoro Bolivia for 1983 and 1982 was $10,510,000 and $12,530,000, respectively. In 1984, the Company recognized equity in earnings of Tesoro Bolivia of $2,825,000, representing the amount of earnings through January 1, 1984, at which time the Company commenced accounting for its investment on the cost method. No dividend distributions from Tesoro Bolivia have been received subsequent to the date of this change.

Yacimientos Petroliferos Fiscales Bolivianos (YPFB), the Bolivian state-owned oil and gas company, is in arrears in its payment for natural gas and condensate purchased from Tesoro Bolivia and its two joint-venture partners. As of September 30, 1984 and 1983, Tesoro Bolivia's receivable from YPFB amounted to $25.6 million and $16.8 million, respectively, of which $21.0 million and $12.6 million, respectively, were in arrears. These arrearages have arisen because of the critical economic situations in Bolivia and Argentina.

In July 1984, Tesoro Bolivia and YPFB reached an agreement whereby YPFB agreed to satisfy the debt for the unpaid balance on condensate and natural gas deliveries made from January 1, 1983 through March 31, 1984. The agreement provides for equal quarterly payments from January 1, 1985 through July 1, 1986 with interest accruing at 6% on any unpaid balance from October 1, 1984. The balance to be paid to Tesoro Bolivia's interest under the agreement is $15.5 million which is included in the arrearages discussed above. Under an agreement reached in March 1983 between YPFB and Tesoro Bolivia, YPFB agreed to satisfy the debt for gas delivered through December 31, 1982. Under this agreement, the final installment due on October 1, 1984 for Tesoro Bolivia's interest of $1.7 million plus interest has not yet been received.

Lower of Aggregate Cost or Market Value

ANCHOR HOCKING CORPORATION (DEC)

	1984	1983
Investments and other assets	$37,148,000	$40,140,000
Excess of cost over net assets of businesses acquired, less accumulated amortization	5,831,000	1,497,000

NOTES TO FINANCIAL STATEMENTS

Note 4—Long-term Investment

During 1982, the Company acquired 800,700 shares of Towle Manufacturing Company common stock. Towle, located in Boston, Massachusetts, is engaged in the manufacture and sale of giftware products, primarily sterling silver flatware and holloware, silverplated holloware, pewter holloware, cutlery and other related consumer products. The investment represents 16.6% of the outstanding common shares and 14.1% of the outstanding voting shares of Towle. At December 31, 1983, this investment was recorded at its cost of $18,166,000 which approximated market. At December 31, 1984, the cost of this investment exceeded its market value and a $7,630,000 valuation allowance was established to reduce the carrying amount. The establishment of the valuation allowance resulted in a charge to common stockholders' equity representing the net unrealized loss. Dividends received from Towle are included in other income and amounted to $264,000 in 1984 and $352,000 in 1983. Towle did not declare a dividend in the fourth quarter of 1984.

PEERLESS MFG. CO. (JUN)

	1984	1983
Total current assets	$ 6,662,267	$ 6,251,210
Marketable investment securities (Note C)	2,109,292	2,350,712
Property, plant and equipment—at cost, less accumulated depreciation	1,127,892	1,173,466
Property held for investment or sale—at cost, less accumulated depreciation of $1,354,630 in 1984 and $1,499,647 in 1983	1,100,070	1,168,579
Investment in foreign affiliates	209,038	219,515
Other Assets	101,281	83,253
	$11,309,840	$11,246,735

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Summary of Accounting Policies

Marketable Investment Securities

Marketable investment securities consist of preferred stocks and bonds held for long-term investment. Dividend and interest income are accrued as earned. The cost of marketable investment securities sold is determined by the specific identification method.

Marketable investment securities which are equity securities are carried at the lower of aggregate cost or market. A valuation allowance, representing the excess of cost over market of these equity securities is included in stockholders' equity. Losses on marketable equity securities are deemed to be realized and result in a charge to earnings at the time a decline in market value below cost is determined to be other than temporary. Other marketable investment securities which are debt securities are carried at cost unless there is a permanent impairment in value at which time the securities are valued at market.

C. Marketable Investment Securities

Marketable investment securities as of June 30 are summarized as follows:

	1984	1983
Equity securities, at cost	$1,999,834	$1,930,267
Less valuation allowance charged against stockholders' equity	310,987	—
Equity securities, at market	1,688,847	1,930,267
Bonds, at cost	420,445	420,445
	$2,109,292	$2,350,712

Gross unrealized losses pertaining to marketable equity securities were $310,987 at June 30, 1984. In 1983, gross unrealized gains and losses in the portfolio were not material. In management's opinion there is no indication of a permanent loss in the value of the portfolio and there is no present intention to liquidate the securities at less than cost.

BROCKWAY, INC. (DEC)

	1984	1983
	(in thousands)	
Total current assets	$206,031	$166,942
Investments, at cost (Note 6)	6,725	6,747

6. Noncurrent Marketable Equity Securities

The following information is presented with respect to noncurrent marketable equity securities included in investments at December 31, 1984 and 1983:

	1984	1983
	(in thousands)	
Aggregate market value	$18,902	$21,028
Aggregate cost (carrying value)	4,056	4,056
Gross unrealized gains	$14,846	$16,972

There were no sales of marketable equity securities during the periods.

CHEMED CORPORATION (DEC)

	1984	1983
	(in thousands)	
Total current assets	$ 89,320	$ 87,284
Investment in affiliate	23,407	25,542
Marketable investment securities (Note 9)	1,228	2,221
Properties and equipment, at cost less accumulated depreciation	40,517	35,012
Deferred charges and other assets	26,046	24,189
Goodwill, less amortization of $2,015,000 (1983—$1,374,000)	28,610	22,451
Total Assets	$209,128	$196,699

Note 9. Marketable Investment Securities

At December 31, 1984 and 1983, the Company held marketable equity securities as long-term investments. A summary of data relating to these noncurrent investments follows (000 omitted):

	December 31,	
	1984	1983
Securities owned at December 31:		
Aggregate cost	$1,412	$2,221
Valuation allowance	(184)	—
Aggregate market value	1,228	2,221
Gross unrealized gains	43	—
Gross unrealized losses	(227)	—
Net realized gain (loss) on securities sold*	54	(27)
Charge to stockholders' equity for addition to valuation allowance, net of deferred income taxes	(133)	—

*The average cost method is used to determine the cost of each security at the time of sale.

SPECTRUM CONTROL, INC. (NOV)

	1984	1983
Total current assets	$11,700,615	$9,670,984
Investments (Notes A and C)		
Marketable equity securities	7,428,880	6,829,481
Other	303,891	382,280
	7,732,771	7,211,761

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

(3) Investments

Marketable equity securities, consisting of common and preferred stocks, are carried at the lower of aggregate cost or market. Investment in an unconsolidated partnership representing 66⅔% equity ownership is accounted for under the equity method, wherein the Company's share of its earnings or losses is included in net income. Other investments are carried at cost.

Note C—Investments in Marketable Equity Securities

At November 30, 1984 and 1983, aggregate cost and market value, and gross unrealized gains and losses for noncurrent marketable equity securities are as follows:

	1984	1983
Aggregate cost	$8,794,062	$7,555,195
Aggregate market value	7,428,880	6,829,481
Gross unrealized gains	165,913	55,903
Gross unrealized losses	1,531,095	781,617

At November 30, 1983, to reduce the carrying amount of the marketable equity securities to market value, a valuation allowance in the amount of $725,714 was established by a charge to stockholders' equity representing the net unrealized loss. At November 30, 1984, the valuation allowance was increased by $639,468 to reflect the net unrealized loss as of that date. Net realized losses of $52,282 and net realized gains of $253,348 and $120,484 on the sale of marketable equity securities were included in the determination of net income for the years ended November 30, 1984, 1983 and 1982, respectively. The cost of the securities sold was determined on a first-in, first-out basis.

NONCURRENT RECEIVABLES

Chapter 3, Section A of *ARB No. 43* states that the concept of current assets excludes "receivables arising from unusual transactions (such as the sale of capital assets, or loans or advances to affiliates, officers, or employees) which are not expected to be collected within twelve months." *APB Opinion No. 21* requires the imputation of a realistic interest rate to most long-term receivables not bearing interest or bearing an interest rate lower than the prevailing rate. Exceptions to the aforementioned requirement are listed in paragraph 3 of *Opinion No. 21*. Table 2-16 summarizes the balance sheet captions used to describe noncurrent receivables. Examples of noncurrent receivables follow.

TABLE 2-16: NONCURRENT RECEIVABLES

	1984	1983	1982	1981
Caption Title				
Long-Term Receivables	33	35	33	33
Notes Receivable	25	30	30	38
Notes and accounts receivable combined	8	9	15	15
Accounts Receivable	5	7	9	12
Other	37	35	35	31
Receivables combined with other investments, deposits, etc.	59	65	76	58
Total Presentations	**167**	**181**	**198**	**187**
Number of Companies				
Presenting noncurrent receivables	164	178	193	180
Not presenting noncurrent receivables	436	422	407	420
Total Companies	**600**	**600**	**600**	**600**

ADAMS-RUSSELL CO., INC. (SEP)

	1984	1983
	($000)	
Other Assets:		
Notes receivable (Note 2)	$4,203	$4,203
Goodwill	818	818
Franchises, licenses and other deferred expenses	1,298	1,445
Total other assets	$6,319	$6,466

Note 2 (In Part): Discontinued Operation

In June of 1983, the Company, pursuant to a 1982 agreement, sold substantially all of the assets of its television station (WYTV) for $8,800,000, consisting of $4,500,000 in cash, an installment note for $4,000,000, and the assumption of certain liabilities of WYTV by the purchaser. The installment note is collateralized by a second mortgage on the assets sold and bears interest at the rate or 12% per annum. Principal payments commence in 1986 and amount to $200,000 in 1986, $300,000 in 1987, $500,000 in 1988, $500,000 in 1989, and $2,500,000 in 1990. Also, in connection with the sale, accounts receivable of WYTV aggregating $494,000 (net of imputed interest at the rate of 10%) will be collected by the purchaser and remitted to the Company, one half of the accounts receivable to be paid in monthly installments, including interest, through August 1985 and the balance in June 1990. The net gain resulting from this transaction (net of income taxes of $2,386,000) amounted to $3,100,000 during 1983.

INLAND STEEL COMPANY (DEC)

	1984	1983
	($000)	
Total current assets	$ 781,444	$ 788,511
Investments and advances	37,180	53,720
Long-term receivables	30,389	21,795
Property, plant and equipment, at cost, less accumulated depreciation	1,730,825	1,712,178
Deferred charges and other assets	27,888	38,011
Excess of cost over net assets of businesses acquired	—	12,220
Total assets	$2,607,726	$2,626,435

MAPCO INC. (DEC)

	1984	1983
	($000)	
Other Assets:		
Long-term receivables, less allowance for doubtful accounts (1984—$329; 1983—$3,037) (Note 3)	$ 7,823	$31,215
Other	36,762	39,318
	44,585	70,533

Note 3: Long-Term Receivables

Long-term receivables consist of (In Thousands):

	December 31, 1984	1983
Notes, overriding royalty interest and net profits interest resulting from sales of properties—Total amount due	$ 468	$ 9,559
—Less 7 to 9¼% imputed interest	(36)	(3,414)
—Present value	432	6,145
Crude oil purchase and transportation claims	—	16,633
Advances and other—net	8,247	10,671
Less current portion	(856)	(2,234)
Long-term receivables	$7,823	$31,215

Crude oil purchase and transportation claims related to the operation of the North Pole Refinery (NPR) that purchases and processes Alaska North Slope crude oil which it subsequently transports to and from the refinery via the Trans-Alaska Pipeline System. During 1984, $7,425,000 was received in full settlement of one of the transportation issues. The remaining receivables relating to these issues were written off in 1984 and NPR presently accounts for these issues based on cash costs.

McDONALD'S CORPORATION (DEC)

	1984	1983
	(In thousands of dollars)	
Total current assets	$254,713	$231,411
Other assets and deferred charges		
Notes receivable due after one year	98,247	71,785
Investments in and advances to affiliates	51,264	49,133
Other investments	78,211	
Miscellaneous	89,548	47,714
Total other assets and deferred charges	317,270	168,632

MOTT'S SUPER MARKETS, INC. (DEC)

	1984	1983
Other Assets		
Notes Receivable, net of current portion (Note 4)	$6,500,471	$ —
Other	80,006	171,327
	6,580,477	171,327

Note 4. Notes Receivable

One subsidiary sold its lease on one supermarket location in 1984 with the balance of the sales price payable in three annual installments. The note bears interest at 12% per annum on the unpaid balance and has annual maturities as follows:

1985	$22,500
1986	22,500
1987	22,500
	$67,500

The company advanced $6,500,000 to a partnership in which the company has a fifty percent interest in 1984. The partnership owns a shopping center in which a subsidiary is the major tenant. The note is secured by a mortgage on the land and buildings, is payable at a 10% constant rate over 30 years and has annual maturities as follows:

1985	$ 41,262
1986	45,311
1987	49,757
1988	54,639
1989	60,001
1990	65,888
1991 thru 2014	6,179,876
	$6,496,734

STANDUN INC. (NOV)

	1984	1983
Property, Plant and Equipment, net	$2,769,000	$3,039,000
Notes Receivable, less current portion (Note 9)	2,369,000	918,000
Other Assets	1,066,000	2,999,000

Note 9 (In Part): Acquisition and Discontinued Businesses

During 1983, the Company discontinued its canmaking equipment business and disposed of a significant portion of net assets of this business segment. The remaining net assets, principally real property, were sold during 1984. These disposals were made for a combined price of approximately $7,800,000, consisting of cash and $3,234,000 in notes receivable, due at various dates through 1991 with interest at rates ranging from 10% to 11% per annum. The proceeds of these sales approximated the net value of the discontinued business.

SUPREME EQUIPMENT & SYSTEMS CORP (JUL)

	1984	1983
Other Assets:		
Notes due from officers	$ 683,106	$730,511
Notes receivable on sale of certain assets of discontinued segment—Note 11	235,000	—
Noncurrent receivables and other assets	192,765	134,676
Total Other Assets	1,110,871	865,187

Note 11 (In Part) Discontinued Operations:

Effective July 13, 1984, the Company discontinued the operations of its Automated Systems Division (Automated). On August 31, 1984 the Company sold certain assets and business of Automated for $1,000,000 to a corporation controlled by former employees of the company.

The $1,000,000 sales price is due as follows:

Cash on closing	$ 200,000
Assumption by the purchaser of prepaid customer service contracts	315,000
Note due March 1, 1986	35,000
Notes due $75,000 quarterly from June 1, 1986 to September 1, 1987	450,000
	$1,000,000

The notes bear interest at 14% per annum and have been recorded at fair value which resulted in a $250,000 reduction from the face amount. The financial statements at July 31, 1984 give effect to this sale.

WILSON FOODS CORPORATION (DEC)

	1984	1983
	(Thousands of dollars)	
Other assets		
Long-term notes receivable—Note 9	$20,337	$ —
Other	2,727	2,756
	23,064	2,756

Note 9 (In Part): Unusual Items

During 1984, Wilson Foods sold its Albert Lea, Minnesota, and Cedar Rapids, Iowa, slaughtering and processing facilities. The sale of the Albert Lea facility generated a note receivable from the buyer, dated March 12, 1984, of approximately $12.0 million. The note is collectible in 14 quarterly installments of (in thousands) $861, plus interest, beginning December 12, 1984, with the final installment due on March 12, 1988. The note receivable from the Cedar Rapids facility sale of approximately $15.5 million, dated July 2, 1984, is collectible in 14 quarterly installments of (in thousands) $1,106, plus interest, beginning April 2, 1985, with final installment due on July 2, 1988. Both notes bear interest at 6%

and have been discounted using an effective rate of 14%. The resultant losses from discounting of approximately $1.9 million and $2.5 million, respectively, have been recognized as unusual items, as has an additional provision of approximately $.8 million for certain employee termination costs.

WEST CHEMICAL PRODUCTS, INC. (NOV)

	1984	1983
Total Current Assets	$12,630,686	$16,541,642
Notes receivable	1,793,411	1,833,430
Net property, plant and equipment	3,950,742	4,678,834
Deferred charges and other assets	1,969,866	3,253,219
	$20,344,705	$26,307,125

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Accounts and Notes Receivable

The following summarizes accounts and notes receivable at November 30, 1984 and 1983:

	1984	1983
Current:		
Accounts receivable—trade	$5,215,494	$8,440,511
Allowance for doubtful accounts	(148,000)	(432,000)
	5,067,494	8,008,511
Notes receivable	143,806	235,843
	$5,211,300	$8,244,354
Non-current:		
Notes receivable from sale of telephone sales business, less unamortized discount of $150,038 in 1984 imputed, based on modified terms, at an effective rate of 12.4% and $187,595 in 1983 imputed at an effective rate of 12¾%	$1,939,706	$2,069,273
Notes receivable from sale of the sanitation services business, less unamortized discount of $18,179 imputed at an effective rate of 13¼%	417,395	—
Non-interest bearing note receivable from sale of leasehold rights, less unamortized discount of $54,884 imputed at an effective rate of 13%	130,116	—
	2,487,217	2,069,273
Valuation allowance	550,000	—
	1,937,217	2,069,273
Less Current Portion	143,806	235,843
	$1,793,411	$1,833,430

XEROX CORPORATION (DEC)

	1984	1983
	($ Millions)	
Total current assets	$3,739.2	$3,654.7
Trade Receivables Due after One Year	267.4	274.5
Rental Equipment and Related Inventories, net	1,519.5	1,528.5
Land, Buildings and Equipment, net	1,391.8	1,469.8
Investment in Financial Services Businesses, at equity	2,175.1	2,016.9
Other Investments, at equity	252.9	203.2
Other Assets	191.2	149.3
Total Assets	$9,537.1	$9,296.9

INTANGIBLE ASSETS

APB Opinion No. 17 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			
	1984	**1983**	**1982**	**1981**
Assets Being Amortized				
Goodwill recognized in a business combination	279	270	267	277
Patents, patent rights	55	50	50	52
Trademarks, brand names, copyrights	26	21	20	20
Licenses, franchises, memberships	21	23	24	20
Other—described	13	11	13	16
Intangible assets (not otherwise described)	24	24	33	26
Assets Not Being Amortized				
Goodwill recognized in a business combination	102	111	129	135
Trademarks, brand names, copyrights	7	6	8	7
Other—described	1	2	3	2
Intangible assets (not otherwise described)	2	4	6	3
Other Bases				
Nominal value	2	2	4	3
Basis not determinable	20	22	21	18

Goodwill

AMERICAN BROADCASTING COMPANIES, INC. (DEC)

	1984	1983	1982
	(Dollars in thousands)		
Other assets:			
Intangibles, at cost, less amortization (Note A)	$247,680	$66,316	$69,828
Program rights, non-current	309,210	300,359	379,865
Deferred charges	19,535	7,646	11,116

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

Intangibles, Less Amortization

Intangibles represent the unamortized excess of cost over underlying net tangible assets of companies acquired. Intangibles amounting to $14,674,000 ($15,034,000 in 1983 and 1982), acquired prior to 1970, which are considered to have continuing value, are not being amortized. The remaining intangibles amounting to $233,006,000 at December 29, 1984 (51,282,000 at December 31, 1983 and $54,794,000 at January 1, 1983) are being amortized on the straight-line method based on their estimated useful lives not exceeding forty years. Amortization of intangibles amounted to $5,795,000, $3,697,000 and $4,287,000 for 1984, 1983 and 1982, respectively. Intangibles amounting to $360,000 in 1984 and $50,000 in 1982, considered to have no continuing value, were written off.

CENTRAL SOYA COMPANY, INC. (AUG)

	1984	1983
	($000)	
Total current assets	$283,068	$347,410
Property, plant and equipment, less accumulated depreciation of $158,783 ($146,990 in 1983)	183,234	172,776
Costs in excess of net assets of subsidiaries, less accumulated amortization of $7,396 ($6,235 in 1983)	44,512	29,305
Other assets	5,675	2,326
	$516,489	$551,817

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies

Costs in Excess of Net Assets of Subsidiaries—Costs in excess of the net assets of purchased subsidiaries are amortized, on a straight-line basis, over periods not exceeding 40 years.

CONSOLIDATED PACKAGING CORPORATION (DEC)

	1984	1983
Assets of discontinued operations	$3,773,000	$3,532,000
Intangible and other assets	742,000	2,101,000

NOTES TO FINANCIAL STATEMENTS

13. Intangible Assets

Intangible assets at December 31 consisted of the following:

	1984	1983
Cost	$375,000	$1,747,000
Accumulated amortization	(26,000)	(327,000)
	$349,000	$1,420,000

Intangible assets are amortized on a straight-line basis over appropriate periods of up to 40 years. Amortization charged to earnings in 1984, 1983 and 1982 was $207,000, $210,000 and $190,000, respectively. In addition, intangible assets with a net book value of $864,000 were written-off during the fourth quarter of 1984 based upon management's assessment of the continuing value of these assets.

AMERICAN STORES COMPANY (JAN)

	1985	1984
	($000)	
Property Under Capital Leases, less accumulated amortization of $74,278 in 1984, and $67,676 in 1983	$137,160	$128,269
Goodwill	52,522	—
Other Assets	173,656	32,719

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies (In Part)

Goodwill—The cost of the acquisition of Jewel Companies, Inc. over the estimated fair value of the net assets acquired (goodwill) is amortized on a straight line basis over a period of 40 years. Accumulated amortization at February 2, 1985 amounted to $768,000.

DOYLE DANE BERNBACH INTERNATIONAL, INC. (DEC)

	1983	1984
	($000)	
Intangible Assets—at Cost:		
Excess of purchase price over net assets acquired (Notes A(5) and B)	$23,566	$25,045
Less, accumulated amortization	2,822	3,351
	20,744	21,694
Other Assets:		
Related party receivables	1,279	1,159
Other assets and deferred charges	8,459	7,762
	9,738	8,921

Note A (In Part): Statement of Significant Accounting Policies

(5) Excess of Purchase Price Over Net Assets Acquired

The excess of purchase price over net assets acquired, including any excess arising from contingent payments based on earnings of acquired businesses, is being amortized by the straight-line method principally over 40 years from the dates of acquisition.

Note B (In Part): Acquisitions

In 1983 and 1984, the excess of purchase price over net assets acquired arising from acquisitions and contingent payments based on earnings of acquired businesses increased by $3,767,000 and $2,571,000, respectively.

FAIRCHILD INDUSTRIES, INC. (DEC)

	1984	1983
	($000)	
Costs in Excess of Net Assets Acquired, Less accumulated amortization of $9,055 and $6,760	$88,345	$81,816
Other Assets	5,301	4,637

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Costs in excess of net assets acquired—The excess of cost of purchased businesses over the fair value of their net assets at acquisition dates is being amortized by the straight-line method over 40 years.

INSILCO CORPORATION (DEC)

	1984	1983
	($000)	
Intangible Assets, less accumulated amortization of $9,802 (1983—$7,901)	$77,993	$64,577
Other Assets	21,315	21,613

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Intangible Assets

Intangible assets include the excess of cost over net tangible assets of businesses acquired by purchase. The intangible assets associated with businesses acquired prior to November 1, 1970 ($27,061,000), are not being amortized since there has been no diminution in value. The remaining intangible assets ($50,932,000 at December 31, 1984) are being amortized using the straight-line method over periods of up to 40 years.

LEAR SIEGLER, INC. (JUN)

	1984	1983
Other Assets		
Goodwill (net of accumulated amortization of $7,119,000 and $5,408,000)	$ 81,129,000	$50,015,000
Investments and other	119,546,000	55,338,000

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Depreciation and Amortization

Depreciation and amortization of plant and equipment are provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives either by straight-line or accelerated methods. Generally, the service lives range from ten to fifty years for buildings and improvements, three to thirty-five years for machinery and equipment and the shorter of the lease life or the service life for leasehold improvements.

Goodwill arising from acquisitions is generally being amortized on a straight-line basis over periods not in excess of forty years.

MILTON ROY COMPANY (DEC)

	1984	1983
Project fund-short term investments, at cost	$1,089,000	$4,758,000
Notes receivable and other assets	4,242,000	1,037,000
Goodwill, less accumulated amortization of $174,000 and $89,000	2,434,000	226,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of significant accounting policies:

Amortization of goodwill

Costs of investments in purchased companies in excess of the underlying fair value of net assets at dates of acquisition are recorded as goodwill and primarily amortized over 20 years or management's estimate of the remaining economic useful life on a straight-line basis.

NORTEK, INC. (DEC)

	1984	1983
	($000)	
Other Assets:		
Goodwill less accumulated amortization of $2,505,000 and $1,210,000	$52,393	$41,675
Deferred debt expense, net	5,889	2,242
Investment in Jensen Industries	7,549	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Goodwill (Cost of Purchased Businesses in Excess of Tangible Net Assets Acquired)

The Company has classified as goodwill the cost in excess of the fair value of the net tangible assets (including tax attributes) of companies acquired in purchase transactions. Goodwill is generally being amortized on a straight-line method over 40 years. Amortization charged to the consolidated statement of operations amounted to $1,295,000, $622,000 and $254,000 for 1984, 1983 and 1982, respectively.

Patents

BMC INDUSTRIES, INC. (DEC)

	1984	1983
	($000)	
Total Current Assets	$154,315	$66,486
Property, Plant and Equipment—Net	66,026	32,317
Cost in Excess of Net Assets Acquired—Net	13,385	5,935
Patents and Other Assets—Net	7,231	6,465
Total Assets	$240,957	$111,203

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except share amounts)

1 (In Part): Summary of Significant Accounting Policies

Cost in Excess of Net Assets Acquired

Excess of cost over net assets acquired is being amortized on the straight-line method over 10 to 20 years. The related accumulated amortization was $1,151 and $306 at December 31, 1984 and 1983, respectively.

Patents and Other Assets

Patents are stated at cost less amortization computed on the straight-line method principally over 10 years. Accumulated amortization related to patents and other assets was $2,754 and $1,489 at December 31, 1984 and 1983, respectively.

DRESSER INDUSTRIES, INC. (OCT)

	1984	1983	1982
		($ Millions)	
Total Current Assets	$2,094.5	$1,909.0	$1,915.3
Investments and Other Assets			
Investments in unconsolidated subsidiaries and affiliates	240.7	237.4	179.3
Intangible assets	12.7	15.0	30.7
Long-term receivables and investments	28.4	35.4	35.0
Other assets	30.1	25.9	38.5
Total Investments and Other Assets	311.9	313.7	283.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Intangible Assets

The difference between purchase price and fair market value at date of acquisition of net assets of businesses acquired after October 31, 1970 is amortized on a straight-line basis over the estimated period benefited. The difference between purchase price and fair market value at date of acquisition of net assets of businesses 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.

Note F (In Part): Intangible Assets and Deferred Credits

Patents are being amortized over an average life of approximately 13 years. Patent amortization was $2.3 million in 1984, $3.3 million in 1983 and $3.0 million in 1982. Amortization of goodwill increased earnings by $1.5 million in 1984, but decreased earnings by $1.1 million in 1983 and $2.1 million in 1982. Approximately $7.7 million of the goodwill arising from acquisitions prior to October 31, 1970 is not being amortized.

INTELLIGENT SYSTEMS CORP. (MAR)

	1984	1983
	($000)	
Total current assets	$51,905	$24,717
Long-term investments, at cost which approximates market	1,302	1,351
Long-term note receivable	537	—
Property and equipment at cost, less accumulated depreciation and amortization of $1,448 and $778 for 1984 and 1983, respectively	4,019	1,763
Other assets:		
Excess of costs over underlying net assets of businesses acquired, net of amortization	1,166	1,207
Product and patent rights, net of amortization	2,090	1,981
Other	645	182
Total assets	$61,664	$31,201

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Product and Patent Rights

In March 1983, the Company acquired certain product and patent application rights for $1,981,000. Other product and patent applications were acquired during fiscal 1984 and all are reflected as other assets in the accompanying balance sheets. These rights are being amortized on the units of production basis over a period of approximately two years.

Trademarks

KELLOGG COMPANY (DEC)

	1984	1983
	($ Millions)	
Intangible assets	$30.5	$29.0
Other assets	29.1	31.9

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Accounting policies

Intangible assets

Intangible assets represent unamortized excess of cost over fair market value of net assets of businesses acquired by purchase (goodwill), trademarks, and other deferred charges. 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.

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

	1984	1983
	($ Millions)	
Net property, plant and equipment	$2,816	$2,206
Trademarks, goodwill and other intangibles	1,055	866
Other assets and deferred charges	287	235
Net assets of discontinued operations	—	1,449

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Trademarks, Goodwill and Other Intangibles

Trademarks are generally being amortized on a straight-line basis over a 40-year period.

Goodwill acquired subsequent to October 31, 1970 is being amortized principally on a straight-line basis over a 40-year period. Generally, amounts recorded prior to that date are not being amortized, but are adjusted through charges against earnings if the Company believes permanent impairment of the value of these assets has occurred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Millions Except Per Share Amounts)

Note 7: Trademarks, Goodwill and Other Intangibles

This account consisted of the following items, valued at cost, at December 31:

	1984	1983
Trademarks	$ 526	$483
Goodwill	542	411
Other intangibles	72	28
	1,140	922
Less accumulated amortization	85	56
	$1,055	$866

Licenses

ADAMS-MILLIS CORPORATION (DEC)

	1984	1983
Total Current Assets	$37,679,000	$28,958,000
Other Assets:		
Intangible assets	1,116,000	—
Investment in 49%-owned affiliate	795,000	760,000
Notes receivable	625,000	—
Cost in excess of fair value of net assets acquired	516,000	427,000
Escrowed revenue bond proceeds and other	63,000	247,000
Total Other Assets	3,115,000	1,434,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Accounting Policies (In Part):

Intangible Assets

Intangible assets consist of acquired license agreements which are stated at cost net of accumulated amortization, which is provided using the straight-line method over three years.

Brands

PHILIP MORRIS INCORPORATED (DEC)

	1984	1983
	($ Millions)	
Investments in unconsolidated subsidiaries and affiliates	$1,054.0	$1,184.1
Brands, trademarks, patents, and goodwill, at cost, net	547.1	559.9
Other assets	84.1	89.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Brands, Trademarks, Patents, and Goodwill:

At December 31, 1984, this account included approximately $387 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 $78.9 million and $68.3 million at December 31, 1984 and 1983, respectively.

Customer Lists

SFN COMPANIES, INC. (APR)

	1984	1983
	($000)	
Other Assets:		
Subscription lists and publication rights, less amortization (Note 1)	$51,500	$15,184
Goodwill, less amortization (Note 1)	17,084	—
Advances to authors and other noncurrent assets	9,925	5,234
Total other assets	$78,509	$20,418

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Principal Accounting Policies

(d) Intangibles

Intangible assets, including subscription lists and publication rights, are carried at their appraised value on the acquisition date less accumulated amortization of $8,580,000 and $5,700,000 at April 30, 1984, and 1983. Goodwill, representing the excess of acquisition cost over the value of assets acquired, is stated net of accumulated amortization of $286,000 at April 30, 1984.

Subscription lists and publication rights are being amortized over their estimated useful lives of up to 17 years by the straight-line method. Goodwill is being amortized over 40 years by the straight-line method.

Long Term Deferred Contracts

DAYCO CORPORATION (OCT)

	1984	1983
	($000)	
Intangible assets	$21,860	$17,940
Notes receivable	3,874	4,399
Other assets	9,596	8,691

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Summary of Accounting Policies

Intangibles: Intangible assets are composed of goodwill amounting to $19,691,000 and long-term deferred contracts of $2,169,000. It is the corporation's policy to carry goodwill of $17,765,000 arising prior to November, 1970 at cost until such time as there may be evidence of diminution in value or the term of existence of such value becomes limited. Goodwill of $1,926,000 arising after October, 1970 is being amortized on a straight-line basis over a forty-year period. Long-term deferred contracts are being amortized on a straight-line basis over their five-year life. The change in goodwill and long-term deferred contracts is the result of an acquisition made during 1984.

Covenants Not To Compete

TRIMEDYNE, INC. (SEP)

	1984	1983
Other assets:		
Organization costs, net of accumulated amortization of $1,639 and $1,368, respectively	$ 189	$ 460
Covenants not-to-compete, net of accumulated amortization of $111,000 and $9,000, respectively (Notes 2 and 4)	99,000	201,000
Intangible assets resulting from acquisitions, net of accumulated amortization of $393,719 and $98,044, respectively	493,307	788,982
Loans to officers	65,275	
	657,771	990,442

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Summary of Significant Accounting Policies:

Amortization of covenants not-to-compete:

Covenants not-to-compete (Note 4) are amortized on a straight-line basis over the terms of the agreements.

4 (In Part): 1983 Acquisitions:

Effective May 26, 1983, the Company acquired all of the outstanding capital stock of Poly-Optical Products, Inc. for $350,000 in cash and $375,000 in the Company's common stock (65,907 shares). Poly-Optical is engaged in the development and manufacture of plastic optical fibers and fiber-optic products. The excess of the purchase price over the fair value of the net tangible assets acquired was $887,026. Management has determined that such amount should be amortized over a three-year period which represents the remaining life of the patents acquired. In addition, per the purchase agreement, $10,000 was paid for a five-year covenant not-to-compete.

Effective August 26, 1983, the Company purchased the assets and assumed certain liabilities of Laser Ionics, Inc. for $609,392 in cash and $406,263 in the Company's common stock (55,557 shares). Laser Ionics manufactures ion argon and krypton lasers for medical and industrial use. The purchase price represented the fair market value of the assets acquired which included a two-year covenant not-to-compete valued at $200,000. Under the terms of the purchase contract, the seller has an option for a three-month period beginning August 26, 1985 to sell back to the Company all or part of the common stock received at a price equal to its market value at the effective date of the acquisition. This represents a cash commitment of up to $406,263.

Software

SCIENTIFIC SOFTWARE-INTERCOMP, INC. (DEC)

	1984	1983
Total current assets	$27,819,000	$26,942,000
Purchased Software, net of accumulated amortization of $3,220,000 in 1984 and $1,009,000 in 1983	24,031,000	23,767,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies:

Purchased software: The cost of purchased software is amortized on a straight-line basis over periods ranging from nine to thirteen years. Purchased software resulted from the acquisitions described in Note 2 and consists of proprietary software, primarily for reservoir and pipeline simulation, related to the petroleum industry.

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 agreement.

Examples of other noncurrent asset presentations and disclosures, except assets leased to others, follow. Examples of assets leased to others are presented in connection with Table 2-27.

TABLE 2-18: OTHER NONCURRENT ASSETS

	Number of Companies			
	1984	**1983**	**1982**	**1981**
Property held for sale.......	59	50	56	46
Segregated cash or securities........................	51	47	64	51
Assets leased to others.....	30	29	29	33
Debt issue costs............	13	14	17	13
Deferred income taxes......	13	13	16	17
Start up costs...............	8	9	8	9
Cash surrender value of life insurance.................	8	8	7	8
Prepaid expenses...........	6	7	12	12
Employee benefits	4	5	9	7
Other identified noncurrent assets......................	58	60	68	63
Deferred charges or *Other Noncurrent assets*—not described.................	510	527	524	528

Segregated Funds

COLT INDUSTRIES INC (DEC)

	1984	1983
	($000)	
Other Assets		
Funds held by trustee for capital projects......	$4,606	$8,631

GREAT NORTHERN NEKOOSA CORPORATION (DEC)

	1984	1983
	($ millions)	
Total current assets	$419.8	$402.2
Funds set aside for capital projects...............	10.0	26.3

HAMPTON INDUSTRIES, INC. (DEC)

	1984	1983
Total current assets	$58,290,800	$44,229,060
Property, Plant and Equipment-Net	20,947,198	18,355,286
Other Assets, Including Escrowed Cash (Note C)....................	4,436,558	285,565
	$83,674,556	$62,869,911

C (In Part): Long-term Debt

During 1984, two municipalities issued Industrial Revenue Bonds totalling $5,775,000, of which approximately $1,540,000 was used to expand two of the Company's distribution centers. Approximately $4,235,000 was retained in escrow, as of year end, the major portion of which would be used to finance the construction of a new corporate administrative facility. This amount is included in other assets at year end. The transactions were accounted for as capitalized lease transactions. The effective interest rate on the aggregate amount of capitalized leases at December 29, 1984 was 7.03%.

INTERNATIONAL PAPER COMPANY (DEC)

	1984	1983
	($ Millions)	
Total Current Assets............................	$1,231.2	$1,201.2
Plants, Properties, and Equipment, Net	3,276.2	3,129.1
Timberlands	779.4	779.5
Investments	155.0	151.3
Construction Funds Held by Trustees	98.3	112.7
Deferred Charges and Other Assets	255.0	243.3
Total Assets......................................	$5,795.1	$5,617.1

PUROLATOR COURIER CORP. (DEC)

	1984	1983
	(Dollars in thousands)	
Total current assets	$177,684	$222,726
Property, plant and equipment at cost	329,114	230,211
Less accumulated depreciation and amortization	109,964	91,882
Net property, plant and equipment	219,150	138,329
Invested construction funds (note 6).......	58,749	13,315
Other assets, net	14,002	4,321
	$469,585	$378,691

6 (In Part): Long-Term Debt

During 1984, Purolator Courier relocated its United States air hub from Columbus, Ohio to Indianapolis, Indiana where it is currently occupying an interim facility. Proceeds from the issuance of airport facility revenue bonds are being used to finance the construction of a permanent air hub at the Indianapolis International Airport.

The airport facility revenue bonds mature in 2014. Interest is payable semi-annually at a rate of 11.25 percent per annum. The bonds are callable by Purolator Courier beginning in 1994 and there are sinking fund requirements beginning in 2010.

The industrial and economic development revenue bonds mature on various dates between 1992 and 2014. Interest is payable quarterly or semi-annually at rates that range from 6.9 percent to 12.5 percent.

The unexpended proceeds from the sale of all bonds ($58.7 million in 1984 and $13.3 million in 1983) were deposited with trustees pending reimbursement to Purolator Courier for qualified expenditures and are included in the consolidated balance sheets as invested construction funds.

WALBRO CORPORATION (DEC)

	1984	1983	1982
	(In Thousands)		
Other Assets:			
Intangible assets, at cost, net of amortization: 1984—$160,000; 1983—$140,000; 1982—$120,000	$253	$262	$231
Unexpended plant and equipment funds (Note 5)	3,000	0	0

Note 5 (In Part): Long-Term Debt

At December 31, 1984, $3,000,000 of the proceeds from the note payable to the Economic Development Corporation of the Village of Cass City was available for expenditure. The balance of the proceeds, $500,000, has been utilized for building construction.

Property Held For Sale

HON INDUSTRIES INC. (DEC)

	1984	1983	1982
Total current assets	$118,989,000	$107,494,000	$ 91,719,000
Investments in Equipment Leases	5,490,000	5,806,000	6,824,000
Real Estate Held for Resale	13,525,000	11,187,000	11,219,000
Equity Investment in Affiliate	1,813,000	947,000	—
Property, Plant, and Equipment	71,348,000	71,500,000	73,101,000
Other Assets	2,803,000	2,926,000	2,656,000
Total Assets	$213,968,000	$199,860,000	$185,519,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Real Estate Held for Resale

Real estate held for resale is stated on the basis of cost, including interest capitalized during development. For income tax purposes, such interest is expensed in the period paid or accrued.

KAISER ALUMINUM & CHEMICAL CORPORATION (DEC)

	1984	1983
	Millions of dollars	
Property, plant, and equipment—net	$1,672.6	$1,554.9
Noncurrent assets of discontinued operations—net	28.2	163.7
Other assets	83.3	97.3

NOTES TO FINANCIAL STATEMENTS

Millions of dollars, except share amounts

Note 2 (In Part): Discontinued Operations

On July 1, 1984, the corporation implemented a plan to sell both the Agricultural Chemicals and Refractories divisions. Subsequently, the corporation has entered agreements to sell the accounts receivable, inventories, and substantially all the fixed assets of the discontinued operations net of certain liabilities. At December 31, 1984, identifiable assets of the discontinued operations amounted to $191.3, net of $31.0 of liabilities. An estimated before-tax loss of $100.9 ($60.7 after-tax) was recorded to reflect the anticipated loss on sale and included the estimated losses from operations until disposition of $26.6. Losses realized from operations for the period July 1 through December 31, 1984 amounted to $24.3.

The net current and noncurrent 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 following is the composition:

	1984	1983
Current assets, net:		
Trade receivables, net	$ 35.4	$ 53.4
Other receivables	14.4	4.5
Inventories	90.4	93.8
Other, net	22.9	(32.0)
Total	$163.1	$119.7
Noncurrent property, plant, and equipment, net	$ 28.2	$163.7

QUANEX CORPORATION (OCT)

	1984	1983
	(In thousands)	
Total current assets	$ 88,125	$141,463
Assets held for disposition (Note 2)	7,694	—
Property, plant and equipment	176,903	169,095
Other assets	9,551	8,813
	$282,273	$319,371

Note 2. Suspension of Oil Country Operations

During the fourth quarter of 1984, the Company suspended its Oil Country operations because of continued market deterioration and drastically increased imports of oil country tubular goods.

The Company decided to cease operations at its Oil Country Tubular Division in Houston and recognized a provision for business disposition of $16,729,000 to reduce related assets to net realizable value. The provision reduced property, plant and equipment by $6,700,000, recorded additional accumulated amortization of $3,919,000 on certain intangible assets and reduced remaining inventories by $6,110,000. Assets held for disposition of $7,694,000 consist principally of net realizable values for inventory and property, plant and equipment.

The Company's decision to cease operations at its Oil Country Tubular Division in Houston resulted in the temporary suspension of operations at its Bellville Tube Division in Bellville, Texas. The temporary suspension will enable the Company to evaluate its market position and plan for resumption of profitable operations. Expense of $950,000 was provided for estimated charges to be incurred during the temporary shutdown period.

UNC RESOURCES, INC. (DEC)

	1984	1983
	($000)	
Total current assets	$239,806	$134,686
Net assets of discontinued operations	29,751	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Discontinued Operations and Related Litigation Settlements

The net assets of discontinued operations have been segregated in the 1984 consolidated balance sheet and are stated at estimated net realizable value. These net assets consist of:

Current assets	$11,178
Other assets	2,250
Property, plant and equipment	28,412
	41,840
Less:	
Current liabilities	4,858
Long-term debt, net of current portion (see note 5)	5,041
Other long-term liabilities	2,190
	12,089
Net assets of discontinued operations	$29,751

UNITED FOODS, INC. (FEB)

	1984	1983
Other Assets		
Construction funds held by trustee	$7,269,410	$ —
Property and equipment held for disposal (Note 2)	1,918,298	344,109

SUMMARY OF ACCOUNTING POLICIES

Property, Equipment, Depreciation and Amortization

Property and equipment, other than capital leases, are stated at cost. Capital leases are capitalized based on the lower of the present value of future minimum lease obligations or the fair market value of the asset leased.

Depreciation on property and equipment is computed principally on the straight-line method for financial reporting purposes over the following estimated useful lives:

	Years
Buildings	15–60
Equipment	3–12
Capital leases	Term of lease

For income tax purposes, depreciation on property and equipment is computed primarily on accelerated methods for assets acquired prior to January 1, 1981 and in accordance with the provisions of the accelerated cost recovery system for assets acquired after December 31, 1980.

Property and equipment, held for disposal, represents non-operating properties carried at the lower of cost less accumulated depreciation or estimated realizable value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Property and Equipment

During the year ended February 29, 1984, the Company ceased operations in one of its Company-owned food processing plants and cold storage warehouses and transferred the $1,643,786 net book value of this facility, which is less than the estimated realizable value, to property and equipment held for disposal. In addition, the Company ceased operations in a leased California facility during 1984.

Debt Issue Costs

INSTRUMENT SYSTEMS CORPORATION (SEP)

	1984	1983
Other Assets:		
Bond issuance costs, net of amortization (Note 1)	$1,635,000	$313,000
Costs in excess of fair value of net assets of businesses acquired	1,014,000	33,000
Deposits and other	515,000	161,000
	3,164,000	507,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of significant accounting policies:

Bond issuance costs—

Costs incurred in connection with the issuance of debentures are being amortized over the respective lives of the issues on a straight-line basis. Unamortized bond issuance costs related to debentures converted into capital stock are charged to capital in excess of par value.

LEAR PETROLEUM CORPORATION (DEC)

	1984	1983
Net property and equipment	$559,855,867	$524,042,520
Cost in excess of fair value of net assets acquired	26,684,694	42,325,168
Deferred debt expense, net of amortization of $2,004,073 and $1,531,601, respectively	8,223,105	1,449,578
Long-term accounts receivable	4,413,968	6,928,203
Other assets	9,950,699	3,548,167

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies and Practices

Deferred Debt Expense

Deferred debt expense is being amortized over the term of the related debt utilizing the bonds outstanding method. As shares of common stock of the Company are issued upon conversion of debentures, the unamortized portion of deferred debt expense is charged to capital in excess of par value.

Cash Surrender Value

KENWIN SHOPS, INC. (DEC)

	1984	1983
Other Assets:		
Notes receivable—officers (noncurrent portion)	$ 70,500	$ 94,000
Cash surrender value of life insurance (net of loans of $42,073 in 1984 and 1983) (Note D)	10,184	8,456
Deposits, prepayments, etc.	21,531	17,826
Total Other Assets	102,225	120,282

Note D—Cash Surrender Value of Life Insurance

The Company is the owner and beneficiary under insurance policies on the lives of two of its officers and a former officer, having face amounts totaling $84,000.

THOMPSON MEDICAL COMPANY, INC. (NOV)

	1984	1983
Patents, Formulae and Trademarks at cost less accumulated amortization of $2,121,044 in 1984 and $1,304,033 in 1983	$2,183,444	$2,745,405
Net Cash Surrender Value of Officer's Life Insurance (Note 3)	845,974	797,802
Other Assets	3,153,027	2,454,990

Note 3: Officers' Life Insurance:

The Company maintains approximately $8,400,000 face amount of insurance on the lives of certain of its key officers. In connection with these policies, the Company is the sole beneficiary on approximately $7,800,000 face amount upon the death of the respective officers.

The Company borrows against the cash surrender value of certain policies which loans bear interest at the rate of 5% per annum. During fiscal year 1984, the Company borrowed an additional $202,571 against such policies. As of November 30, 1984, the aggregate loans outstanding are $1,198,393.

Deferred Income Taxes

WHITE CONSOLIDATED INDUSTRIES, INC. (DEC)

	1984	1983
	(In thousands)	
Total Current Assets	$735,040	$780,710
Investments and Other Assets:		
Investments in foreign companies and other assets	18,854	12,003
Excess of cost over purchased net assets	17,087	17,087
	35,941	29,090
Deferred Income Taxes	17,945	—

NOTES TO FINANCIAL STATEMENTS

Note A (In Part): Accounting Policies and Practices

Income Taxes: Deferred taxes arise from timing differences between financial and tax reporting and relate principally to depreciation, warranties, installment sales reporting and the discontinuance and relocation of certain product lines. The Corporation does not provide for income taxes on the unremitted earnings of subsidiaries which are permanently reinvested for future operations.

Prepaid Pension Contributions

THE BF GOODRICH COMPANY (DEC)

	1984	1983
	(Dollars in millions)	
Total Current Assets	$1,037.1	$1,005.5
Investments and Other Assets		
Foreign affiliates	60.4	51.4
Prepaid pension contributions (Note D)	34.5	40.4
Other	64.7	62.4
Total Investments and Other Assets	159.6	154.2

Note D (In Part): Pensions ($ Millions)

Pension expense, including amortization of prior service costs principally over thirty years, amounted to $38.5, $39.3 and $43.6 for the years ended December 31, 1984, 1983 and 1982, respectively. In 1983, revision of certain actuarial assumptions had the effect of decreasing pension expense by $2.4 and increasing net income by $1.3.

Prior to 1984, Goodrich used different actuarial assumptions for computing funding requirements under ERISA than those used for determining pension expense for financial reporting purposes. As a result, Goodrich made pension contribution payments which were more than pension expense charged to income. The cumulative excess of payments over pension expense charged to income is shown as "Prepaid pension contributions" in the Consolidated Balance Sheet.

Tooling

THE CESSNA AIRCRAFT COMPANY (SEP)

	1984	1983
Deferred tooling (Note 1e)	$77,328,149	$68,022,065
Other assets	10,751,139	8,630,685

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Accounting policies

e. Deferred tooling—The cost of production tooling is deferred and amortized to expense over the estimated period of benefit. Prior to 1984, the Company amortized tooling primarily by the unit-of-production method. In the fourth quarter of 1984 the Company changed to the straight-line method of amortization, applied retroactively, for substantially all tooling currently in service. Management believes the new method to be a more accurate method of matching costs against revenues produced over the lives of these assets. The effect of the change on the results of operations for 1984, including the cumulative effect on prior years was not significant. Had the straight-line method been used in prior years it would have had no significant effect on operations previously reported.

Film Rental Costs

MEREDITH CORPORATION (JUN)

	1984	1983
	(in thousands)	
Total Current Assets	$152,384	$131,829
Property, Plant and Equipment (at cost)	151,822	137,852
Less accumulated depreciation	53,952	45,536
Net Property, Plant and Equipment	97,870	92,316
Investment in 50%-Owned Printing Operations	60,223	53,569
Deferred Film Rental Costs	32,973	51,278
Other Assets	19,614	16,617
Goodwill and Other Intangibles (at original cost less accumulated amortization)	68,868	70,048
Total	$431,932	$415,657

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Policies

3. Deferred Film Rental Costs

Deferred film rental costs at June 30, 1984, reflect the value of all films available for showing and are stated at cost less amortization. Deferred film rental costs at June 30, 1983, reflect the net costs of films that were both available and committed for future showings. The 1984 change in the method of recording film contracts was made to comply with Statement of Financial Accounting Standards No. 63—Financial Reporting by Broadcasters. Film rental costs are charged to operations on an accelerated amortization basis over the contract period. The cost of broadcast film rental estimated to be charged to operations during the next fiscal year has been classified as a current asset.

Advertising Materials

PRATT & LAMBERT, INC. (DEC)

	1984	1983
	($000)	
Other Assets:		
Advertising materials and supplies (Note A)	$1,515	$1,414

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Accounting Policies:

Advertising Materials and Supplies—Inventories of materials and supplies are charged to income when consumed.

Land Held For Expansion

CSP INC. (AUG)

	1984	1983
	($000's)	
Total current assets	$13,277	$12,663
Equipment and improvements, net of accumulated depreciation and amortization	1,343	1,008
Other assets:		
Mortgage receivable	100	—
Land held for future expansion, at cost	163	163

ELECTRONIC DATA SYSTEMS CORPORATION (DEC)

	1984	1983
	($000)	
Investments:		
Land held for investment and development, at cost (Note 5)	$72,527	$65,990
Noncurrent notes receivable	3,150	3,872
Securities and other investments	12,194	45,667
	87,871	115,529

Note 5: Land Held for Investment and Development

Land held for investment and development at December 31, 1984 consists of approximately 5,099 acres located throughout the Dallas metropolitan area and in Iron County, Missouri.

Approximately 2,364 acres are located in Plano, Texas, which will be the site of a commercial real estate development. The Company will utilize substantial acreage for expansion of existing and future facilities. Accordingly, for the periods from October 18, 1984 to December 31, 1984, from July 1, 1984 to October 17, 1984 and the years ended June 30, 1984, 1983 and 1982 interest costs of $844,000, $1,354,000, $3,674,000, $4,226,000 and $2,755,000, respectively, were incurred and capitalized, which if charged to expense would have resulted in reductions in net income of $456,000, $731,000, $1,984,000, $2,282,000 and $1,488,000, respectively.

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

BAKER INTERNATIONAL CORPORATION (SEP)

	1984	1983
	($000)	
Current liabilities:		
Accounts payable—trade	$167,402	$164,314
Short-term borrowings (Note 4)	23,848	30,996
Current portion of long-term debt	22,601	23,879
Accrued employee compensation and benefits	90,863	78,817
Income taxes	36,031	42,227
Other current liabilities	92,266	72,334
Total current liabilities	433,111	412,567

Note 4 (In Part): Indebtedness:

During 1984 and 1983, the maximum aggregate short-term borrowings outstanding at any month-end were $55,496,000 and $52,102,000, respectively; the average aggregate short-term borrowings outstanding based on quarter-end balances were $16,066,000 and $23,994,000, respectively; and the weighted average interest rates were 16.4% and 17.4%, respectively. The average interest rate on short-term borrowings outstanding at September 30, 1984 and 1983 was 16.9% and 16.3%, respectively. Throughout the year and at September 30, 1984, substantially all of the Company's short-term borrowings were outside of the United States and denominated in currencies other than the U.S. dollar. A significant portion of such borrowings were in high inflation rate countries in Latin America and Africa where such borrowings are incurred as a hedge of a net asset position.

BOBBIE BROOKS, INCORPORATED (APR)

	1984	1983
	(In thousands)	
Current liabilities:		
Loan payable—bank (Note 5)	$ 1,500	$ 1,500
Capital leases—current portion	135	103
Accounts payable	3,400	3,212
Accrued expenses and other liabilities	3,750	3,530
Current portion of liabilities deferred pursuant to Chapter 11 proceedings	1,400	3,777
Total current liabilities	10,185	12,122

Note 5—Loan Payable—Bank

The Company has borrowed $1,500,000 under the terms of a revolving credit agreement which expires on August 1, 1984 and provides for interest at one percent above prime. The loan is secured by the Company's real estate, receivables and inventories. The loan agreement contains restrictive covenants, the more significant of which relate to indebtedness, capital expenditures, working capital, net worth and financial ratios.

TABLE 2-19: SHORT-TERM DEBT

	1984	1983	1982	1981
Description				
Notes or Loans				
Payee indicated	133	128	131	141
Payee not indicated	162	170	184	190
Short-term debt or borrowings	103	96	89	91
Commercial paper	52	52	55	54
Other	24	28	25	22
Total Presentations	**474**	**474**	**484**	**498**
Number of Companies				
Showing short-term debt	413	413	422	429
Not showing short-term debt	187	187	178	171
Total Companies	**600**	**600**	**600**	**600**

Pertinent data regarding aggregate short-term borrowings is as follows:

	1984	1983	1982
		(In thousands)	
Outstanding month-end balances:			
Maximum	$1,500	$1,500	$32,010
Average for the year	1,500	250	14,800
Weighted average interest rate:			
At year-end	13.0%	11.5%	—%
For the year	11.9	11.5	22.4

BURLINGTON INDUSTRIES, INC. (SEP)

	1984	1983
	($000)	
Current liabilities:		
Short-term borrowings (Note C)	$120,250	$ 11,038
Long-term debt due currently	24,727	31,235
Accounts payable—trade	166,271	168,885
Sundry payables and accrued expenses	165,088	133,615
Income taxes	6,996	17,290
Total current liabilities	483,332	362,063

Note C—Short-term Borrowings and Compensating Balances

Short-term borrowings applicable to U.S. operations of $100,000,000 at the end of fiscal 1984 consisted of borrowings against uncommitted money market credit lines. Short-term borrowings applicable to foreign operations of $20,250,000 and $11,038,000 at the end of fiscal 1984 and 1983, respectively, consisted primarily of bank notes under confirmed credit lines.

Unused confirmed credit lines at fiscal year end were as follows (in thousands):

	1984	1983
United States	$105,000	$106,000
Foreign	15,874	14,482

With respect to confirmed U.S. credit lines, compensating balances are not generally required; however, the company pays a commitment fee in lieu thereof for unused amounts.

CHEVRON CORPORATION (DEC)

	1984	1983
	(Millions of Dollars)	
Current Liabilities		
Accounts payable (1984 and 1983 include amounts owed to equity method companies equal to $384 and $208, respectively)	$3,143	$3,340
Short-term debt (includes current maturities of long-term debt and capital lease obligations)	680	124
Federal and other taxes on income	1,329	1,301
Other taxes payable	342	352
Total Current Liabilities	5,494	5,117

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Millions of Dollars)

Note 11—Short-Term Debt

Short-term debt at December 31, 1984 includes short-term money market obligations of $228, current maturities of long-term debt and capital leases of $52 and long-term obligations for pollution control and port facilities aggregating $353 which will mature in the year 2012. The pollution control and port facility obligations are included as current liabilities because they become callable at the option of the creditors beginning at specified dates during 1985. Short-term debt at December 31, 1983 includes current maturities of $102 for long-term debt and capital lease obligations.

For the short-term money market obligations of $228 at year-end 1984, the average interest rate was 8.9%. The maximum amount of such short-term borrowings outstanding at any month-end during 1984 was $770, and the average of the month-end balances outstanding during 1984 was $244 for which the weighted average interest rate was 10.0%.

Chevron's unused lines of credit at December 31, 1984 totaled approximately $7,200 including about $6,250 available from the revolving credit/term loan facility established in March 1984 to provide funds for the Gulf acquisition. The other approximately $900 at December 31, 1984 consists primarily of lines of credit from numerous banks at floating interest rates not to exceed prime and with no commitment fees.

FMC CORPORATION (DEC)

	1984	1983
	($000)	
Current liabilities		
Short-term debt (Note 9)	$ 31,116	$ 29,849
Accounts payable, trade and other	404,743	362,867
Accrued payroll	88,045	74,154
Accrued and other liabilities	199,214	190,157
Accrual for discontinued operations	117,244	—
Current portion of long-term debt	14,107	27,749
Income taxes payable	77,024	45,207
Total current liabilities	931,493	729,983

Note 9: Short-term debt and compensating balance agreements

At December 31, 1984, FMC had the capability of borrowing $150 million through unused domestic bank credit lines. These lines carry interest generally at the prime rate and were available to either FMC or FMC Finance Corporation to provide support for domestic commercial paper borrowings.

The company maintains compensating balances, where required, generally in amounts equal to 3 percent of the open lines of credit. Total compensating balances to be maintained by FMC amounted to approximately $2.5 million at December 31, 1984.

FMC maintains informal credit arrangements in many foreign countries. Foreign lines of credit, which usually include overdraft facilities, typically do not require the maintenance of compensating balances, as credit extension is not guaranteed but is subject to the availability of funds. At December 31, 1984, $29.7 million was extended to FMC pursuant to the above foreign credit arrangements.

The following is a summary of borrowing under revolving credit arrangements and other short-term credit agreements:

	December 31		
(In thousands)	1984	1983	1982
Banks			
Balance at end of year	$29,725	$22,469	$41,714
Weighted average interest rate(1)	12.4%	9.6%	29.3%
Maximum outstanding	$36,787	$52,096	$69,477
Average outstanding	$28,727	$32,998	$40,466
Weighted average interest rate during the year(1) and(2)	12.1%	10.9%	26.9%
Commercial paper			
Balance at end of year	$ 1,391	$ 7,380	$ 5,634
Weighted average interest rate	12.1%	9.8%	10.5%
Maximum outstanding	$ 9,201	$11,051	$12,003
Average outstanding	$ 5,304	$ 8,472	$ 8,275
Weighted average interest rate during the year(2)	10.9%	9.7%	15.2%
Total short-term debt	$31,116	$29,849	$47,348

(1) The average interest rates have been adjusted for currency devaluation associated with Brazilian and Argentine borrowings.

(2) Weighted average interest rate is computed as related interest expense divided by the average outstanding balance during the year.

GENERAL FOODS CORPORATION (MAR)

	1984	1983
	($000)	
Notes Payable	$ 184,360	$ 251,725
Current Portion of Long-Term Debt	28,939	115,666
Accounts and Drafts Payable	389,941	326,640
Accrued Salaries, Wages and Vacations	118,084	122,164
Accrued Income Taxes	156,880	158,460
Other Accrued Liabilities	366,296	367,481
Current Liabilities	1,244,500	1,342,136

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Notes Payable

(In thousands)	1984	1983
Commercial Paper	$ 39,860	$ 83,532
Notes Payable to Banks, primarily by international subsidiaries	144,500	168,193
Total Amount Outstanding at Year-End	$184,360	$251,725

At March 31, 1984, bank credit lines totaled $499 million. Borrowings, under these lines and through the issuance of commercial paper, are on terms and at interest rates generally extended to prime borrowers. These credit lines generally may be cancelled at the company's option at any time. Credit lines totaling $43 million expire after fiscal 1985. As of March 31, 1984, notes payable and commercial paper were outstanding under these arrangements. Pursuant to company policy, bank credit lines are maintained in full support of outstanding commercial paper. Compensating balances and commitment fees were not material.

NCR CORPORATION (DEC)

	1984	1983
	($000)	
Current liabilities		
Short-term borrowings	$ 154,945	$ 57,670
Accounts payable	143,409	140,402
Taxes payable	191,024	202,721
Payroll payable	132,428	129,114
Customers' deposits and deferred service revenue	243,255	257,049
Other current liabilities	282,088	260,901
Total current liabilities	1,147,149	1,047,857

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Borrowings

Short-term borrowings consisted of the following:

	December 31	
	1984	1983
	(In thousands)	
Notes payable	$ 66,136	$43,684
Current installments on long-term debt	88,809	13,986
	$154,945	$57,670

Notes payable classified as current liabilities at December 31, 1984, were principally debt instruments with banks, mainly denominated in foreign currencies, with a weighted average interest rate of 17.7% (16.0% in 1983).

Unused lines of credit for short-term bank financing by NCR and its subsidiaries approximated $345,800,000 at December 31, 1984 ($348,200,000 at December 31, 1983).

IPCO CORPORATION (JUN)

	1984	1983
	(In Thousands of Dollars)	
Current Liabilities		
Current maturities of long-term debt	$ 2,085	$ 1,670
Notes payable to banks	3,500	—
Accounts payable—trade	11,148	10,366
Accrued payroll and other compensation	5,197	4,596
Federal income taxes	65	2,026
Taxes other than Federal	2,590	2,095
Other current liabilities	3,865	2,875
Total Current Liabilities	28,450	23,628

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (In Part): Debt

At June 30, 1984 the Company had short-term lines of credit with banks aggregating $6,000,000. Compensating balances for these lines vary among lenders, with the Company obtaining competitive arrangements ranging from no compensating balances to 5% of any borrowings and 5% of the total line of credit outstanding. Interest rates charged on utilization of these lines are generally at bank prime. At June 30, 1984 $3,500,000 was borrowed under such lines. The maximum amount of borrowings outstanding at any time during 1984 was $4,600,000 and the weighted-average interest rate for the period was 11.7%. During 1983 and 1982 there were no borrowings under such agreements.

PRATT & LAMBERT, INC. (DEC)

	1984	1983
	($000)	
Current Liabilities:		
Short-term debt (Note B)	$ 6,800	$ —
Current maturities of long-term debt	1,027	983
Accounts payable	12,007	12,838
United States and Canadian income taxes	302	1,871
Accrued salaries, wages and commissions	2,852	2,584
Accrued other taxes and expenses	6,505	6,074
Total current liabilities	29,493	24,250

Note B. Short-term Borrowing Arrangements:

During 1984, the company had available demand lines of credit of $13,200,000 at varying rates of interest which did not exceed the prevailing prime lending rate. The company is expected to maintain a 5% average compensating balance on $3,200,000 of the lines of credit. At December 31, 1984, the company had available $6,400,000 in unused lines of credit under the above agreements. It is the company's intention to refinance all of the $6,800,000 of short-term debt outstanding at December 31, 1984 with long-term obligations.

Compensating balance requirements, after adjustment for estimated "float", did not materially restrict the use of cash at December 31, 1984 and for the year then ended.

WALBRO CORPORATION (DEC)

	1984	1983	1982
	(In thousands)		
Current Liabilities:			
Current portion of long-term debt...	$ 331	$ 64	$ 61
Notes payable—banks (Note 3).....	3,190	3,633	3,282
Accounts payable—trade	4,719	5,307	4,408
Dividends payable	176	93	78
Other current liabilities...............	2,855	2,588	1,843
Total Current Liabilities	11,271	11,685	9,672

Note 3. Short-Term Notes:

Short-term notes consist of the following:

	1984	1983	1982
	(In Thousands)		
Notes payable-Far East Banks	$1,322	$2,057	$1,485
Notes payable-U.S. Banks	0	0	900
Sight drafts discounted	1,868	1,576	897
Total	$3,190	$3,633	$3,282

Net book value of assets pledged as collateral for the above Far East notes payable as of September 30, 1984 is as follows:

	(In Thousands)
Land..	$ 84
Buildings & improvements	429
Machinery & equipment..	143
Total	$656

The Company has unused domestic lines of credit in the amount of $2,000,000 at December 31, 1984 and unused foreign lines (WFE) of $1,570,000 at September 30, 1984. There are no compensating balance arrangements with banks.

WANG LABORATORIES, INC. (JUN)

	1984	1983
	($ Millions)	
Current Liabilities		
Notes payable to banks	$ 95.1	$ 34.3
Commercial paper	97.1	
Accounts payable, other payables and accruals	248.5	188.8
Unearned service revenue	69.4	48.5
Income taxes....................................	6.5	6.2
Dividends payable to stockholders	4.1	3.2
Portion of long-term debt due within one year	21.2	27.7
Total Current Liabilities	541.9	308.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note F—Notes Payable to Banks

Notes payable to banks are principally from international sources and include borrowings under multi-currency credit lines used primarily to minimize the Company's exposure to foreign currency fluctuations. The unused portion of the foreign credit lines was approximately $64.6 million at June 30, 1984.

TABLE 2-20: CURRENT LIABILITIES—TRADE CREDITORS

	1984	1983	1982	1981
Description				
Accounts payable	403	402	403	538
Trade Accounts Payable ..	98	109	111	
Accounts payable combined with accrued liabilities or accrued expenses.........	79	68	67	51
Other captions	20	21	19	11
Total Companies........	**600**	**600**	**600**	**600**

TRADE ACCOUNTS PAYABLE

All the survey companies disclosed the existence of amounts owed to trade creditors. As shown in Table 2-20, such amounts were usually described as *Accounts Payable* or *Trade Accounts Payable*.

AMERICAN BUILDING MAINTENANCE INDUSTRIES (OCT)

	1984	1983
	($000)	
Current portion of long-term debt.............	$ 762	$ 419
Accounts payable, trade	7,761	5,198
Income taxes:		
Current	—	1,648
Deferred	8,524	5,415
Accrued liabilities:		
Compensation	5,905	6,216
Taxes-other than income.....................	2,123	1,904
Other..	14,252	14,489
Total current liabilities	39,327	35,289

THE SINGER COMPANY (DEC)

	1984	1983
	(Amounts in Millions)	
Current liabilities:		
Notes and loans payable	$122.5	$133.4
Accounts payable:		
Trade	106.6	97.8
Drafts..	52.0	40.8
Other...	74.9	62.8
	233.5	201.4
Accrued expenses:		
Salaries, wages, and commissions...........	56.6	53.5
Pensions	23.3	27.1
Other...	110.7	111.7
	190.6	192.3
Long-term debt instalments due within one year	14.5	13.6
Income taxes....................................	14.1	23.6
Total current liabilities	575.2	564.3

AMERICAN MOTORS CORPORATION (DEC)

	1984	1983
	($000)	
Current Liabilities		
Current maturities of long-term debt		
—Affiliated company	$ 16,072	$ 30,483
—Others	184,901	170,854
Accounts payable		
—Trade	236,665	255,090
—Affiliated company	22,998	29,250
—Other	50,790	52,095
Other accrued liabilities	286,222	251,116
Total Current Liabilities	$797,648	$788,888

DOW JONES & COMPANY, INC. (DEC)

	1984	1983
	($000)	
Current Liabilities:		
Current maturities of long-term debt	$ 4,893	$ 3,290
Accounts payable—trade	25,801	20,978
Other payables	19,193	15,285
Accrued wages, salaries and commissions	27,857	30,471
Royalties to authors	6,469	6,002
Taxes	3,733	3,717
Profit sharing and other retirement plan contributions payable	14,511	11,623
Federal and state income taxes	17,454	32,012
Unexpired subscriptions	111,571	106,334
Total current liabilities	231,482	229,712

MEDTRONIC, INC. (APR)

	1984	1983
	($000)	
Current Liabilities:		
Short-term borrowings	$18,185	$18,858
Accounts payable—trade	11,261	10,113
Accounts payable—other	15,696	17,724
Accrued payroll and other compensation	18,034	18,928
Other accrued expenses	18,453	16,118
Accrued income taxes	4,802	9,273
Total Current Liabilities	86,431	91,014

PENNWALT CORPORATION (DEC)

	1984	1983
	(Thousands of Dollars)	
Current liabilities		
Notes payable	$ 5,632	$ 7,058
Current maturities of long-term debt	54,761	6,443
Accounts payable:		
Trade	51,968	44,136
Other	5,028	5,299
Federal and other income taxes	17,976	28,983
Accrued salaries and wages	20,916	19,917
Other current liabilities	49,016	51,963
Total current liabilities	205,297	163,799

KIMBERLY-CLARK CORPORATION (DEC)

	1984	1983
	(Millions)	
Current Liabilities		
Accounts payable		
To suppliers	$144.9	$151.3
Other	37.5	48.6
	182.3	199.9
Income taxes payable	48.0	38.4
Dividends payable	25.1	23.6
Short-term debt	108.4	52.9
Long-term debt payable within one year	38.1	33.9
Accrued salaries and wages	78.0	74.6
Accrued pension expense	20.6	25.9
Accrued advertising and promotion expense	69.6	59.0
Other	131.6	116.4
	701.8	624.7

EMPLOYEE RELATED LIABILITIES

Table 2-21 shows the nature of employee related liabilities disclosed by the survey companies as current liabilities. Examples of captions describing employee related liabilities follow.

ADDSCO INDUSTRIES, INC. (JUN)

	1984	1983
Current Liabilities		
Current maturities of long-term debt	$ 163,000	$ 167,000
Accounts payable—trade	1,130,568	1,686,464
Accrued liabilities:		
Wages	90,212	420,637
Federal and state payroll taxes	88,656	102,290
Vacation allowance	591,264	760,858
Contribution to non-bargaining retirement plan	—	80,154
Interest and general taxes	159,146	173,601
Workmen's compensation claims	123,897	134,648
Current portion of deferred compensation	33,988	—
Other	27,075	25,650
Income taxes payable	6,427	909,865
Dividends payable	—	547,937
Billings in excess of cost on uncompleted contracts	47,441	—
Total Current Liabilities	2,461,674	5,009,104

BOWNE & CO., INC. (OCT)

	1984	1983
Current liabilities:		
Accounts payable—trade	$ 7,150,000	$ 2,823,000
Current portion of long-term debt	332,000	
Employees' compensation	7,029,000	6,350,000
Accrued expenses and taxes	2,897,000	5,455,000
Federal income tax		2,651,000
Total current liabilities	17,408,000	17,279,000

TABLE 2-21: EMPLOYEE RELATED LIABILITIES

	Number of Companies			
	1984	1983	1982	1981
Description				
Salaries, wages, payrolls, commission	330	324	331	342
Compensation and/or *Benefits*	155	123	114	103
Withholdings, payroll taxes.	9	14	24	21
Pension or profit-sharing contributions	116	123	126	125
Other	44	69	67	55
Number of Companies				
Disclosing employee related liabilities	481	484	476	468
Not disclosing	119	116	124	132
Total Companies	**600**	**600**	**600**	**600**

AMERICAN HOSPITAL SUPPLY CORPORATION (DEC)

	1984	1983
	($ in millions)	
Current liabilities:		
Notes payable to banks	$ 7.5	$ 10.0
Commercial paper	218.3	156.6
Current maturities on long-term obligations	5.1	25.5
Accounts payable	345.9	340.7
Commissions, salaries and withholdings	74.8	72.3
Retirement and other benefit plans	16.5	19.1
Taxes other than federal income taxes	16.6	21.9
Federal income taxes	20.5	27.2
Total current liabilities	705.2	673.3

ARMADA CORPORATION (DEC)

	1984	1983
Current liabilities:		
Note payable, bank		$ 2,200,000
Current maturities of long-term debt	$ 1,916,000	64,000
Accounts payable	5,928,000	5,507,000
Accrued liabilities:		
Employee compensation and benefits	1,155,000	1,629,000
Pensions	1,057,000	865,000
Taxes, other than income taxes	617,000	572,000
Interest	786,000	282,000
Other	1,329,000	1,967,000
Total current liabilities	12,788,000	13,086,000

DELUXE CHECK PRINTERS INCORPORATED (DEC)

	1984	1983
	($000)	
Current Liabilities		
Accounts payable	$33,736	$22,099
Accrued liabilities:		
Wages, including vacation pay	14,794	13,001
Employees' profit sharing (Note 5)	31,079	29,747
Income taxes	2,166	9,806
Other	8,528	7,486
Long-term debt due within one year	219	242
Total current liabilities	90,522	82,381

5 (In Part): Employee Benefit Plans

Profit Sharing Trust—The Company has a profit sharing plan to provide retirement income to its employees. Contributions are made solely by the Company to the trustee, and benefits provided by the plan are paid from accumulated trust funds.

Contributions are determined by a formula limited to the amount deductible under the Internal Revenue Code. This limitation has determined the amount of the contribution each year. All full-time employees with at least fifteen months of service and certain part-time employees are eligible to participate.

HUGHES SUPPLY, INC. (JAN)

	1985	1984
Current Liabilities:		
Current portion of long-term notes payable	$ 979,135	$ 975,771
Current portion of obligations under capital leases	394,217	362,779
Accounts payable	20,811,774	21,070,754
Accrued salaries and wages	2,604,160	2,348,062
Accrued employee benefit plan contributions	1,026,535	810,368
Accrued income taxes	—	1,913,738
Other accrued expenses	2,784,078	2,388,378
Total current liabilities	28,599,899	29,869,850

ROCKWELL INTERNATIONAL CORPORATION (SEP)

	1984	1983
	(In millions)	
Current liabilities		
Short-term debt	$ 53.0	$ 24.8
Accounts payable—trade	809.8	597.0
Advance payments from customers	164.1	150.9
Accrued payroll	271.7	268.2
Accrued retirement plan costs	89.9	132.9
Accrued income taxes	92.5	36.5
Deferred income taxes	932.1	866.4
Other current liabilities	426.4	355.8
Total current liabilities	2,839.5	2,432.5

SPECTRUM CONTROL, INC. (NOV)

	1984	1983
Current Liabilities		
Accounts payable	$1,417,277	$1,495,003
Short-term debt	3,303,897	3,495,000
Current maturities of long-term debt	125,805	89,524
Accrued items		
Salaries, wages, commissions, and related payroll taxes	301,040	332,652
Vacation pay	356,617	320,689
Profit sharing (Note H)	150,000	140,000
Interest	6,352	27,693
Federal and state income taxes	137,048	30,110
Total current liabilities	5,798,036	5,930,671

Note H—Profit Sharing and Compensation Agreements

The Company has a qualified profit sharing plan. Annual contributions to the plan are made at the discretion of the Board of Directors. Provisions in the amount of $150,000 in 1984, $140,000 in 1983 and $134,000 in 1982 were accrued and charged against income.

The Company has adopted a director's performance incentive plan. Commencing in 1979 and effective through 1985, income accrues to each director based upon the appreciation of the market value of the Company's common stock. For 1984 and 1983, no amounts were accrued and no payments will be made under this plan. A provision of $240,000 in 1982 was accrued and charged against income.

STANHOME INC. (DEC)

	1984	1983
Current Liabilities:		
Notes and loans payable	$ 7,975,613	$10,682,776
Accounts payable	28,402,339	27,733,005
Dealers' security deposits	2,514,486	2,655,109
Federal, state and foreign taxes on income	6,823,228	2,877,045
Unredeemed coupons and certificates	1,599,979	1,819,267
Accrued expenses—		
Payroll and commissions	6,857,128	5,762,564
Vacation and sick leave	4,181,692	3,626,418
Pensions and profit sharing	3,198,224	2,719,229
Payroll taxes	1,940,436	2,108,971
Other	9,846,813	11,837,522
Dividends payable	1,563,217	1,432,979
Total current liabilities	74,903,155	73,254,885

TULTEX CORPORATION (NOV)

	1984	1983
Current liabilities:		
Notes payable to banks	$29,400	$38,750
Current maturities of long-term debt	2,877	2,631
Accounts payable—trade	7,619	9,387
Accrued compensation	9,446	8,622
Accrued liabilities	3,726	3,669
Income taxes payable	532	2,330
Dividends payable	1,001	819
Total current liabilities	54,601	66,208

INCOME TAX LIABILITIES

Table 2-22 summarizes the descriptive balance sheet captions used to describe the current liability for income taxes.

CHAMPION SPARK PLUG COMPANY (DEC)

	1984	1983
	(In millions)	
Current liabilities:		
Short-term borrowings	$ 48.3	$ 27.3
Current portion of long-term debt	1.2	1.4
Accounts payable	60.8	60.0
Accrued expenses:		
Salaries and wages	19.5	18.7
Taxes, other than federal and foreign income taxes	9.0	12.0
Other	21.6	28.8
Federal and foreign income taxes	5.4	12.8
Total current liabilities	165.8	161.0

DYNAMICS CORPORATION OF AMERICA (DEC)

	1984	1983
	($000)	
Current Liabilities:		
Current installments of long-term debt	$ 363	$ 383
Accounts payable	5,301	4,919
Accrued expenses and sundry liabilities	25,238	17,395
Federal income taxes payable	667	3,553
Total Current Liabilities	31,569	26,250

GRUMMAN CORPORATION (DEC)

	1984	1983
	($000)	
Current Liabilities		
Current portion of long-term debt	$ 12,324	$ 11,347
Accounts payable	106,079	109,422
Wages and employee benefits payable	61,660	56,585
Income taxes	155,531	61,639
Progress payments and deposits	17,525	5,705
Other current liabilities	93,196	59,669
Total Current Liabilities	446,315	304,367

IROQUOIS BRANDS, LTD. (DEC)

	1984	1983
Current liabilities:		
Current maturities on long-term debt	$ 2,178,000	$ 1,776,000
Accounts payable	11,208,000	11,503,000
Accrued salaries, wages and other expenses	5,605,000	6,355,000
Accrued federal, state and foreign income taxes	1,445,000	1,289,000
Accrued interest	961,000	961,000
Total current liabilities	21,397,000	21,884,000

TABLE 2-22: CURRENT INCOME TAX LIABILITY

	1984	1983	1982	1981
Income taxes	361	353	359	367
Taxes—type not specified	34	37	39	33
Federal income taxes	21	30	24	28
Federal, state, and foreign income taxes	16	17	20	27
Federal and state income taxes	32	28	24	31
Federal and foreign income taxes	15	19	19	23
U. S. and foreign income taxes	18	21	21	23
Other captions	20	26	22	17
	517	531	528	549
No caption for taxes payable	83	69	72	51
Total Companies	**600**	**600**	**600**	**600**

MONFORT OF COLORADO, INC. (AUG)

	1984	1983
	($000)	
Current Liabilities		
Short-term borrowings	$ 47,200	$ 57,000
Accounts payable	44,412	27,638
Accrued liabilities	12,075	11,852
Federal and state income taxes	3,340	8,164
Current portion of long-term debt	1,394	1,768
Total Current Liabilities	108,421	106,422

SCM CORPORATION (JUN)

	1984	1983
	($000)	
Current liabilities:		
Loans payable	$ 18,792	$ 25,418
Accounts payable	131,050	105,899
Accrued liabilities	114,832	109,331
United States and foreign income taxes	882	5,733
Long-term debt payments due within one year	13,123	8,036
Total current liabilities	278,679	254,417

THE L.S. STARRETT COMPANY (JUN)

	1984	1983
Current Liabilities:		
Accounts Payable and Accrued Expenses	$ 7,196,593	$ 6,778,676
Accrued Salaries and Wages	3,821,049	2,351,469
Accrued Federal, Foreign, State and Local Taxes	5,383,366	3,813,557
Employee Deposits for Stock Purchase Plan	864,908	1,546,987
Total Current Liabilities	17,265,916	14,490,689

LAMAUR INC. (DEC)

	1984	1983
	($000)	
Current Liabilities		
Current portion of long-term debt	$ 100	$ 100
Accounts payable	3,451	4,130
Accrued expenses:		
Payroll	1,307	1,424
Taxes, other than income taxes	473	344
Cooperative advertising	464	981
Consumer advertising	1,539	1,566
Profit sharing trust	1,050	820
Other	1,552	714
Federal and state income taxes	411	310
Deferred income taxes	806	827
Total Current Liabilities	11,153	11,216

WHITTAKER CORPORATION (OCT)

	1984	1983
	(In thousands)	
Current Liabilities		
Notes payable	$ 6,284	$ 81,401
Current maturities of long-term debt	5,747	6,533
Accounts payable	167,497	178,007
Accrued liabilities	82,972	117,589
Income taxes payable	54,431	51,962
Total Current Liabilities	316,931	435,492

CURRENT AMOUNT OF LONG TERM DEBT

Table 2-23 summarizes the descriptive balance sheet captions used to describe the amount of long term debt payable during the next year.

TABLE 2-23: CURRENT AMOUNT OF LONG-TERM DEBT

	Number of Companies			
	1984	1983	1982	1981
Description				
Current *portion* of long-term debt	215	212	196	196
Current *maturities* of long-term debt	183	193	188	181
Long-term debt *due* or *payable* within one year	73	79	80	80
Current *installment* of long-term debt	42	40	44	46
Current amount of long-term leases	59	66	71	80
Other captions	6	6	3	6

ALLIED STORES CORPORATION (JAN)

	1985	1984
	($000)	
Current Liabilities		
Notes payable	$ 65,000	$ 98,650
Accounts payable	303,647	282,765
Accrued expenses	128,966	127,527
Taxes, other than federal income taxes	53,367	49,385
Federal income taxes		
Current	43,214	26,514
Deferred	139,208	122,438
Current maturities of long-term debt	41,385	34,680
Total Current Liabilities	774,787	741,959

INTERSTATE BAKERIES CORPORATION (MAY)

	1984	1983
Current liabilities:		
Notes payable	$10,500,000	$ 8,500,000
Accounts payable	24,199,000	22,874,000
Accrued expenses and other liabilities	30,463,000	24,542,000
Long-term debt payable within one year	8,881,000	8,328,000
Net liabilities of discontinued operations	23,947,000	10,409,000
Income taxes payable	—	186,000
Total current liabilities	97,990,000	74,839,000

JOHNSON CONTROLS, INC. (SEP)

	1984	1983
	(dollars in thousands)	
Current liabilities		
Short-term debt	$ 4,838	$ 2,991
Current installments of long-term liabilities	9,763	7,375
Accounts payable	54,092	55,579
Accrued compensation, related withholdings and benefits	57,771	70,430
Accrued income taxes:		
Current	14,919	8,290
Deferred	13,277	16,180
Billings on uncompleted contracts in excess of related costs	174,565	167,731
Other current liabilities	61,305	44,219
	390,530	372,795

KERR-McGEE CORPORATION (DEC)

	1984	1983
	(In millions of dollars)	
Current Liabilities		
Notes payable	$ 73	$ 18
Accounts payable	293	288
Long-term debt due within one year	144	141
Taxes on income	102	105
Taxes other than income taxes	64	55
Accrued liabilities	103	77
Total Current Liabilities	$779	$684

MELVILLE CORPORATION (DEC)

	1984	1983
Current liabilities:		
Accounts payable	$178,262,659	$168,045,159
Accrued expenses	191,462,489	185,861,535
Federal income taxes	51,631,675	63,022,390
Current installments of long-term debt	2,951,285	22,140,754
Current installments of obligations under capital leases	2,410,716	2,220,794
Total current liabilities	426,718,824	441,290,632

THE PENN TRAFFIC COMPANY (JAN)

	1985	1984
	($000)	
Current Liabilities:		
Notes payable	$ 333	$ 350
Current maturities of long-term debt	2,702	2,257
Current portion of obligations under capital leases	1,158	1,122
Accounts payable	16,098	16,466
Payrolls and accrued liabilities	7,431	5,196
Accrued employee benefit costs	1,560	1,289
Taxes payable	1,974	1,785
	31,256	28,465

THE TIMES MIRROR COMPANY (DEC)

	1984	1983
	($000)	
Current Liabilities		
Accounts payable	$226,209	$268,591
Employees' compensation	77,058	68,632
Income taxes	31,678	25,988
Other taxes	19,801	15,808
Dividends payable	23,366	20,600
Current portion of long-term debt	137,348	76,743
Total Current Liabilities	515,460	476,362

ZENITH ELECTRONICS CORPORATION (DEC)

	1984	1983
	(Dollars in millions)	
Current liabilities		
Short-term debt	$ 5.3	$ —
Current portion of long-term debt	6.9	6.9
Accounts payable	84.1	78.1
Compensation and retirement benefits	46.9	42.8
Product warranties	36.5	32.6
Co-op advertising and merchandising programs	35.3	21.1
Income taxes payable	11.8	7.2
Other accrued expenses	42.9	38.7
Total current liabilities	269.7	227.4

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.

TABLE 2-24: OTHER CURRENT LIABILITIES

	Number of Companies			
	1984	**1983**	**1982**	**1981**
Taxes not combined with Federal income taxes	194	204	205	215
Interest	109	112	111	113
Dividends payable	96	93	101	109
Customer advances, deposits	69	67	64	69
Estimated costs related to discontinued operations	65	60	56	38
Deferred taxes	58	67	61	53
Insurance	41	35	20	22
Warranties	37	37	34	32
Deferred revenue	26	22	21	21
Due to affiliated companies	19	22	24	26
Billings on uncompleted contracts	28	24	23	22
Advertising	25	22	13	15
Other—Described	80	75	87	80

Taxes Not Combined With Federal Income Taxes

ADAMS-MILLIS CORPORATION (DEC)

	1984	1983
Current Liabilities:		
Current maturities of long-term debt	$ 4,391,000	$ 193,000
Accounts payable	3,220,000	3,607,000
Accrued salaries and wages	1,433,000	1,086,000
Accrued property taxes	457,000	—
Accrued pension	—	429,000
Accrued interest and other	890,000	291,000
Income taxes	653,000	839,000
Total Current Liabilities	11,044,000	6,445,000

CPC INTERNATIONAL INC. (DEC)

	1984	1983	1982
		($ Millions)	
Current liabilities			
Loans payable—banks	$121.7	$ 90.3	$110.2
Other notes and drafts payable	61.3	38.3	52.9
Accounts payable	158.1	159.4	166.3
Accrued expenses:			
Accrued compensation	32.5	43.5	41.7
Accrued advertising and other	171.7	162.0	140.0
Taxes payable other than taxes on income	23.4	25.0	27.6
Income taxes	100.1	91.4	98.8
Dividends payable	26.9	26.7	25.4
Total current liabilities	695.7	636.6	662.9

PIONEER HI-BRED INTERNATIONAL, INC. (AUG)

	1984	1983
Current Liabilities		
Commercial paper and line of credit borrowings	$ 62,082,640	$133,979,669
Current maturities of long-term debt	2,911,072	3,436,750
Accounts payable, trade	26,635,647	23,702,736
Accrued liabilities:		
Salaries and wages	10,326,595	6,933,584
Dividends	6,385,305	5,746,987
Property and withholding taxes	5,698,588	4,252,003
Other	4,157,218	2,877,222
Income taxes payable	36,750,532	14,702,909
Deferred income tax credits, net	—	921,156
Total current liabilities	$154,947,597	$196,553,016

POSI-SEAL INTERNATIONAL, INC. (FEB)

	1984	1983
Current Liabilities:		
Short-term borrowings	$2,418,517	$ 434,617
Accounts payable	2,380,568	2,264,615
Accrued liabilities:		
Salaries, wages and commissions	467,433	1,154,889
Interest	172,297	199,341
Property, payroll and sales taxes	165,107	273,962
Current portion of long-term debt	87,915	89,265
Total current liabilities	5,691,837	4,416,689

WEYERHAEUSER COMPANY (DEC)

	1984	1983
	($000)	
Current liabilities:		
Notes payable	$ 9,320	$ 11,734
Current maturities of long-term debt	226,317	78,760
Current maturities of capital lease obligations	15,340	14,180
Accounts payable	190,533	190,572
Accrued liabilities:		
Payroll—wages and salaries, incentive awards and retirement and vacation pay provisions	200,103	181,811
Taxes—social security, unemployment and real and personal property	42,724	45,097
Interest	34,528	29,826
Other	136,712	108,740
Accrued income taxes	35,473	51,837
Total current liabilities	891,050	712,557

Current Advances/Deposits

FOSTER WHEELER CORPORATION (DEC)

	1984	1983
	($000)	
Current Liabilities		
Current installments on long-term mortgages and obligations	$ 4,719	$ 3,889
Bank loans	4,694	2,368
Accounts payable	112,358	117,078
Accrued expenses	59,057	60,299
Estimated cost to complete long-term contracts	165,262	209,913
Advance payments by customers	32,553	42,545
Income taxes (including deferred income taxes of $500 in 1983)	47,601	45,400
Total Current Liabilities	426,244	481,492

INSILCO CORPORATION (DEC)

	1984	1983
	($000)	
Current Liabilities		
Short-term borrowings	$ 34,550	$ 59,825
Accounts payable	41,381	38,781
Accrued expenses	35,715	29,657
Customer deposits	12,974	12,177
Salaries and wages payable	8,356	7,738
Current portion of long-term debt and lease obligations	4,976	7,863
Income taxes		
Currently payable	2,758	10,157
Deferred	—	4,072
Total current liabilities	140,710	170,270

JOY MANUFACTURING COMPANY (SEP)

	1984	1983
	($000)	
Current Liabilities		
Short-term borrowings	$ 81,270	$ 11,345
Long-term debt payable within one year	7,679	8,925
Accounts payable	69,216	40,439
Advances from customers	23,268	37,734
Accrued payrolls and employee benefits	32,232	22,274
Income taxes	1,909	4,738
Dividend payable	6,209	6,871
Other current liabilities	30,745	34,070
Total Current Liabilities	252,528	166,396

PRAB ROBOTS, INC. (OCT)

	1984	1983
Current liabilities:		
Accounts payable	$1,458,257	$1,547,995
Customer deposits	119,656	135,981
Accrued expenses	758,126	678,141
Current portion of long-term debt	125,000	76,000
Total current liabilities	2,461,039	2,438,117

Product Warranties

AFG INDUSTRIES INC. (DEC)

	1984	1983
Current liabilities:		
Current maturities of long-term debt	$ 7,836,000	$11,903,000
Trade accounts payable	10,804,000	11,772,000
Income taxes	—	1,963,000
Accrued liabilities	20,216,000	17,457,000
Total current liabilities	38,856,000	43,095,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Accrued Liabilities

Accrued liabilities at December 31, 1984 and 1983 consists of:

	1984	1983
Payroll and payroll taxes	$ 6,980,000	$ 5,190,000
Taxes other than income taxes	789,000	650,000
Pensions, current portion	2,763,000	4,482,000
Estimated product warranties	667,000	1,796,000
Interest	1,451,000	907,000
Group insurance	3,993,000	3,445,000
Fees	2,000,000	
Other	1,573,000	987,000
	$20,216,000	$17,457,000

AIC PHOTO, INC. (FEB)

	1984	1983
Current Liabilities:		
Notes, loans and acceptances payable—banks	$ 6,797,194	$ 8,990,774
Notes and accounts payable—trade	3,652,788	4,114,246
Foreign income taxes	631,361	640,342
Liability for product warranties (note 1)	147,368	155,950
Accrued expenses and other current liabilities	539,824	472,043
Total current liabilities	11,768,535	14,373,355

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

g. Product Warranties

The Company sells its products with warranties ranging from one to seven years. The estimated cost of repairs under existing warranties has been provided for in the consolidated financial statements.

VARIAN ASSOCIATES, INC. (SEP)

	1984	1983
	($000)	
Current Liabilities		
Notes payable	$ 15,159	$ 7,833
Accounts payable—trade	53,797	41,955
Accrued expenses	119,361	95,093
Product warranty	16,756	16,212
Advance payments from customers	26,262	21,322
Total Current Liabilities	231,335	182,415

WESTINGHOUSE ELECTRIC CORPORATION (DEC)

	1984	1983
	(in millions)	
Short-term debt	$1,115.1	$ 953.2
Accounts payable	600.2	549.3
Billings on uncompleted contracts in excess of inventoried costs	1,095.6	1,198.7
Other current liabilities (note 11)	1,439.0	1,450.9
Total current liabilities	4,249.9	4,152.1

Note 11: Other Current Liabilities

Other Current Liabilities:

	1984	1983
	(in millions)	
Accrued employee compensation	$ 338.2	$ 335.8
Accrued product warranty	170.3	175.7
Income taxes currently payable	157.3	153.5
Estimated future costs of uranium settlements	42.8	20.4
Other	730.4	765.5
Other current liabilities	$1,439.0	$1,450.9

Costs/Liabilities Related to Discontinued Operations

ANCHOR HOCKING CORPORATION (DEC)

	1984	1983
Current liabilities:		
Notes payable	$ 32,770,000	$ 329,000
Current maturities of long-term debt, less debentures repurchased	5,858,000	3,217,000
Accounts payable	46,543,000	38,832,000
Accrued compensation and employee benefits	32,487,000	38,764,000
Accrued retirement contributions	10,184,000	12,567,000
Accrued costs for plant closing	16,624,000	
Accrued expenses and income taxes	25,050,000	29,512,000
Total current liabilities	169,516,000	123,221,000

BIRD INCORPORATED (DEC)

	1984	1983
Current Liabilities:		
Accounts payable and accrued expenses	$26,642,000	$26,155,000
Advance payments on sales contracts	779,000	1,759,000
Notes payable to banks	33,750,000	—
Long-term debt, portion due within one year	1,628,000	349,000
Pension contribution payable	133,000	536,000
Estimated liabilities from disposition of certain operations—Note 2	5,634,000	—
Income taxes payable	739,000	159,000
Total current liabilities	69,305,000	28,958,000

2 (In Part): Disposition of Certain Operations

Losses on disposal of assets, estimated costs associated with the sale, including severance costs, and estimated operating costs until disposition resulted in a provision for loss before income taxes of $15,900,000 which is reflected in the statement of operations. The assets subject to the sale net of liabilities to be assumed by Genstar are shown on the balance sheet under the caption "Assets held for sale at estimated realizable value." The estimated liabilities associated with the sale are shown on the balance sheet under the caption "Estimated liabilities from disposition of certain operations."

INTERNATIONAL HARVESTER COMPANY (OCT)

	1984	1983	Pro Forma 1984 (Unaudited)
	(Thousands of dollars)		
Current Liabilities			
Notes payable	$ 99,480	$ 157,864	$ 37,480
Accounts payable	622,727	495,190	435,727
Accrued liabilities	485,625	489,172	359,625
Accrued restructuring costs (Note 3)	29,295	60,760	29,295
Accrual for agricultural equipment disposal costs	—	—	309,000
Current maturities of long-term debt:			
Term loan debt	—	119,592	—
Other	19,955	43,920	17,955
Total current liabilities	1,257,082	1,366,498	1,189,082

Note 3 (In Part): Operational Restructuring

Future costs associated with restructuring actions are recorded in the Statements of Consolidated Financial Condition as Accrued Restructuring Costs. Costs for actions expected to be completed in fiscal year 1985 are classified as Current Liabilities as of the end of fiscal 1984, while costs expected to be incurred after October 31, 1985, such as additional pension costs, are classified as Non-Current Liabilities.

NATIONAL PRESTO INDUSTRIES, INC. (DEC)

		1984		1983
		($000)		
Current Liabilities:				
Accounts payable		$10,453		$10,774
Dividends payable		1,842		1,695
Federal and State income taxes		2,609		1,023
Accrued liabilities:				
Payroll	$2,735		$2,751	
Other	1,281	4,016	1,446	4,197
Deferred income taxes		5,813		6,995
Current installments on long-term debt		21		40
Liabilities of Discontinued operations		202		137
Total current liabilities		24,956		24,861

Deferred Revenue

BROWNING-FERRIS INDUSTRIES, INC. (SEP)

	1984	1983
	($000)	
Current Liabilities:		
Current notes payable	$ 1,040	$ 4,479
Current portion of long-term debt	11,302	9,407
Accounts payable	47,651	38,790
Accrued liabilities—		
Salaries and wages	14,795	12,737
Taxes, other than income	5,619	6,031
Other	61,864	63,913
Income taxes	16,427	15,042
Deferred revenues	45,324	37,138
Redeemable Series 7A preferred stock	321	6,489
Net amount due unconsolidated partnership, current portion	—	1,537
Total current liabilities	$204,343	$195,563

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

CYCLOPS CORPORATION (DEC)

	1984	1983
	($000)	
Current liabilities:		
Short-term loans	$ 3,000	$ 8,000
Current portion of long-term debt	1,048	4,400
Accounts payable	71,221	67,257
Employment costs	61,748	54,248
Deferred service revenue	9,114	6,690
Taxes other than income taxes	10,583	9,072
Other	17,004	8,967
Total current liabilities	173,718	158,634

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies (In Part)

Recognition of revenue. Sales are recognized when products are shipped except for sales of approximately $79,000,000 in 1984, $44,000,000 in 1983 and $48,000,000 in 1982 of E.G. Smith Construction Products, Inc. related to fabrication and erection contracts. Sales and costs on such contracts are recorded using the percentage-of-completion method of accounting. Sales of Consumer Protection Plans (appliance service contracts) are recorded as deferred service revenue at the Silo Division and are amortized over the life of the contracts.

HARRIS CORPORATION (JUN)

	1984	1983
	($000)	
Current Liabilities		
Short-term debt	$ 11,716	$ 11,260
Trade accounts payable	128,590	98,127
Compensation and benefits	93,933	106,394
Other accrued items	59,153	62,701
Advance payments by customers	71,921	46,896
Unearned leasing and service income	57,201	52,422
Income taxes	134,149	115,755
Total Current Liabilities	556,663	493,555

NOTES TO FINANCIAL STATEMENTS

Significant Accounting Policies (In Part)

Revenue Recognition—Revenue is recognized from sales other than on long-term contracts when a product is shipped, from rentals as they accrue, and from services when performed. Revenue on long-term contracts is accounted for principally by the percentage-of-completion method whereby income is recognized based on the estimated stage of completion of individual contracts. Unearned income on service contracts is amortized by the straight-line method over the life of the contracts.

Insurance

THE CESSNA AIRCRAFT COMPANY (SEP)

	1984	1983
Current liabilities:		
Accounts payable	$ 43,977,969	$ 35,630,635
Customer deposits	48,095,098	86,095,655
Accrued and other liabilities:		
Salaries and wages	20,355,440	16,321,992
Dealer incentive funds	15,969,479	13,782,475
Product liability insurance (Note 1g)	14,754,476	9,668,897
Other	55,826,506	52,140,860
Income taxes	4,787,365	2,878,087
Long-term debt due within one year	3,210,000	4,290,000
Total current liabilities	206,976,333	220,808,601

Note 1g. Product liability insurance

Product liability insurance costs for premiums and any deductible amounts are accrued, in full, during the policy year.

DOVER CORPORATION

	1984	1983	1982
Current liabilities:			
Notes payable	$52,564,298	$ —	$ —
Current maturities of long-term debt	6,225,092	3,975,471	2,929,223
Accounts payable	59,965,503	48,123,111	33,297,684
Accrued compensation and employee benefits	44,623,665	34,211,837	22,612,136
Accrued insurance expense	16,682,143	16,718,863	13,530,924
Other accrued expenses	30,227,077	21,534,484	21,161,406
Federal and other taxes on income	45,046,208	29,475,625	23,668,763
Total current liabilities	255,333,986	154,039,391	117,200,136

DRAVO CORPORATION (DEC)

	1984	1983
	($000)	
Current liabilities:		
Current portion of long-term notes	$ 6,575	$ 21,637
Accounts payable—trade	98,261	99,019
Wages and salaries, including vacations	14,010	14,720
Income taxes	9,973	9,028
Accrued insurance	18,215	13,431
Due to unconsolidated affiliates	5,043	11,538
Accrued retirement contributions	5,007	12,841
Advance payments	7,794	11,580
Other current liabilities	33,005	28,214
Total current liabilities	197,883	222,008

Billings in Excess of Related Costs

SAB HARMON INDUSTRIES, INC. (DEC)

	1984	1983
Current liabilities:		
Note payable to bank	$ 150,000	$1,000,000
Current installments of long-term debt	1,321,196	306,812
Accounts payable	2,572,581	1,402,782
Accrued payroll, bonus and employee benefit plan contributions	1,904,531	549,523
Billings in excess of costs and estimated earnings on uncompleted contracts (note 4)	79,333	63,399
Federal and state income taxes payable	331,274	—
Other accrued liabilities	1,055,366	1,026,286
Estimated loss on long-term contracts	61,345	129,531
	7,476,626	4,478,333

Note 4. Contracts in Progress

At December 31, 1984 and 1983 contracts in progress consisted of:

	Costs and estimated earnings in excess of billings	Billings in excess of costs and estimated earnings	Total
December 31, 1984:			
Costs and estimated earnings	$2,218,298	$2,691,856	$4,910,154
Billings	1,345,752	2,771,189	4,116,941
	$ 872,546	$ (79,333)	$ 793,213
December 31, 1983:			
Costs and estimated earnings	$ 754,712	$5,989,864	$6,744,576
Billings	444,033	6,053,263	6,497,296
	$ 310,679	$ (63,399)	$247,280

All receivables on contracts in progress are considered to be collectible within twelve months.

UNC RESOURCES, INC. (DEC)

	1984	1983
	($000)	
Current liabilities		
Short-term debt	$ 5,002	$ 19,943
Current portion of long-term debt	6,368	5,740
Accounts payable	19,986	21,513
Income taxes	5,245	889
Billings in excess of costs and estimated earnings on uncompleted contracts	203	6,102
Deferred revenues	—	31,621
Other current liabilities including accruals	53,608	33,844
Total current liabilities	90,412	119,652

Advertising

MGM/UA ENTERTAINMENT CO. (AUG)

	1984	1983
Current Liabilities		
Current portion of long-term debt	$ 3,338,000	$ 2,015,000
Accounts payable	32,597,000	20,906,000
Accrued interest	20,556,000	20,395,000
Accrued advertising	23,872,000	27,283,000
Participants' share and royalties payable	81,626,000	73,490,000
Accrued domestic and foreign taxes	61,343,000	55,371,000
Other accrued liabilities	51,256,000	38,835,000
Total current liabilities	274,588,000	238,295,000

THE QUAKER OATS COMPANY (JUN)

	1984	1983	1982
	(Millions of Dollars)		
Current Liabilities:			
Short-term debt	$214.3	$178.0	$174.7
Current portion of long-term debt	2.8	12.2	13.6
Trade accounts payable	196.1	140.0	147.4
Accrued payrolls, pensions and bonuses	82.1	66.4	72.4
Accrued advertising and merchandising	48.8	30.6	24.1
Income taxes payable	11.9	18.4	19.7
Other current liabilities	66.1	53.9	46.4
Current liabilities	622.1	499.5	498.3

Contract Adjustments

McDONNELL DOUGLAS CORPORATION (DEC)

	1984	1983
	($ Millions)	
Current Liabilities		
Notes payable to banks	$ 601.5	$
Accounts and drafts payable	833.1	568.5
Accrued expenses	137.5	122.6
Employee compensation	228.0	190.3
Income taxes, principally deferred	856.9	732.4
Estimated modification, completion, and other contract adjustments	1,088.9	1,032.0
Current maturities of long-term debt	61.1	18.1
Total Current Liabilities	3,807.0	2,663.9

Royalties

McGRAW-HILL, INC. (DEC)

	1984	1983	1982
	(Thousands of dollars)		
Current liabilities			
Notes payable	$ 2,144	$ 6,919	$ 1,172
Accounts payable	51,370	49,141	36,665
Accrued royalties	21,505	22,943	22,162
Accrued compensation and contributions to retirement plans	57,201	54,401	47,441
Income taxes currently payable	62,633	46,163	60,741
Deferred income taxes	2,951	7,374	12,472
Unearned revenue	122,136	107,390	95,230
Other current liabilities	73,989	66,935	58,094
Total current liabilities	393,929	361,266	333,977

Production Payment

PHILLIPS PETROLEUM COMPANY (DEC)

	1984	1983
	(Millions of Dollars)	
Current Liabilities		
Accounts Payable	$1,682	1,287
Notes Payable	1,890	111
Long-Term Borrowings due within one year	19	31
Production Payment due within one year	63	—
Accrued Income and Other Taxes	1,494	1,258
Other Accruals	204	194
Total Current Liabilities	5,352	2,881

NOTES TO FINANCIAL STATEMENTS

Note 5—Production Payment

On December 21, 1984, the company and POC sold a $500 million production payment (the Production Payment). The Production Payment consists of an undivided dedicated percentage of net subject hydrocarbons (e.g., oil, gas and gas liquids) produced from certain leases and production units, in which the company and/or POC have interests, in and offshore Alaska, in west Texas and offshore Louisiana. The Production Payment bears a floating rate of interest, which was 11½ percent during 1984. The company and POC may repurchase the Production Payment only in its entirety on or before December 31, 1986, upon payment of a premium of 1/16 of 1 percent of the then outstanding amount of the primary balance (as defined in the Production Payment conveyance). Thereafter, all or a portion of the Production Payment may be repurchased without penalty, in minimum increments of $50 million. The Production Payment is payable solely from the production and sale of the conveyed hydrocarbons.

Based on the amortization schedule, the amounts due during the years 1985 through 1989 are $63, $63, $83, $83 and $68 million, respectively. The scheduled payments are subject to upward adjustment depending on future crude oil prices and production volumes from the properties.

Casualty Liability

THE FLUOROCARBON COMPANY (JAN)

	1985	1984
Current liabilities		
Accounts payable	$ 5,077,432	$3,810,292
Salaries and wages payable	3,141,763	2,309,808
Other liabilities	3,072,334	2,188,671
Accrued casualty liability (Note 2)	1,736,376	—
Current portion long-term debt	798,676	128,802
Total current liabilities	13,826,581	8,437,573

Note 2: Extraordinary Item

In August, 1984, a fire destroyed the Company's fluid sealing plant in Birmingham, Alabama. All assets destroyed were insured and the Company has settled its claim with the carrier. The excess of $965,746 (less related income tax of $358,000) of the insurance claim over the net book value of the Company's assets has been reflected as an extraordinary gain in the statement of income. Additionally, proceeds of $686,945 were included in operating income to offset fire-related business interruption costs. At January 31, 1985, the Company had received $5,387,160 of the total insurance claim of $6,663,698 resulting in a receivable of $1,276,538 which has been included in current assets. The Company has accrued costs included in current liabilities of $1,736,376, which represent the estimated cost to replace a Company insured building and fixed assets and for future anticipated costs as a result of the fire.

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."

Eighteen companies disclosed information about debt considered extinguished because assets were placed in trust for paying the interest and principal of the debt. FASB *Statement of Financial Accounting Standards No. 76*, effective for transactions agreed to subsequent to December 31, 1983, "provides guidance to debtors as to when debt should be considered to be extinguished for financial reporting purposes."

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			
	1984	**1983**	**1982**	**1981**
Unsecured				
Notes	442	440	467	470
Debentures	269	285	289	289
Loans	83	95	106	119
Commercial paper	56	53	65	53
Collateralized				
Capitalized leases	432	444	442	440
Mortgages	170	182	185	185
Notes or loans	104	99	90	82
Convertible				
Debentures	154	161	165	164
Notes	22	23	20	20

ADAMS-MILLIS CORPORATION (DEC)

	1984	1983
Total Current Liabilities	$11,044,000	$6,445,000
Long-Term Debt	16,638,000	7,060,000
Deferred Income Taxes	5,174,000	4,738,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Long-Term Debt

Long-term debt outstanding is as follows:

	December 30, 1984	January 1, 1984
Notes payable to banks under short-term instruments to be converted to long-term debt	$12,000,000	$ —
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
Notes payable to individuals, due January 6, 1986, interest at the Company's current borrowing rate	2,000,000	—
Industrial Revenue Bond, due in equal semi-annual payments beginning October 1, 1984 to April 1, 1993, interest at 7⅝%	1,785,000	1,890,000
Industrial Revenue Bond, due in equal quarterly payments beginning October 1, 1984 to July 1, 1994, interest at 65% of the bank's prime rate subject to a minimum of 9% and a maximum of 16%	1,188,000	1,250,000
Note payable to a bank, due in equal semi-annual payments to October 15, 1985, interest at 8¼%	56,000	113,000
	21,029,000	7,253,000
Less—Current maturities	4,391,000	193,000
	$16,638,000	$7,060,000

The Company has pledged certain property and equipment having a 1984 carrying value of $5,090,000 on certain of the above borrowings.

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 $29,788,000 at December 30, 1984, are restricted as to the payment of dividends.

Maturities of the debt in 1985 and in the four succeeding years are $4,391,000, $1,535,000, $2,435,000, $2,435,000 and $2,435,000, respectively.

BAXTER TRAVENOL LABORATORIES, INC. (DEC)

	1984	1983
	($000)	
Total current liabilities	$641,250	$688,679
Long-term debt and lease obligations	162,549	154,161
Deferred income taxes and other deferred credits	46,922	61,681
Convertible subordinated debentures	43,301	71,407

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Long-term debt and lease obligations

Long-term debt and lease obligations consisted of the following at December 31, 1984 and 1983 (in thousands):

	1984	1983
7% bonds, due 1993, less unamortized discount of $14,570, effective rate of 8.7%	$ 60,430	$ 58,986
Industrial development obligations, due 2012 through 2013, at various rates of interest averaging 7.4%	54,800	54,800
Notes due 1985 through 2000, at various rates of interest averaging 17.5% at December 31, 1984	43,987	47,621
Capitalized lease obligations, payments extend to 2008, at various rates of interest averaging 8.5% at December 31, 1984	14,088	12,915
Total long-term debt and lease obligations	173,305	174,322
Current portion	(10,756)	(20,161)
Long-term portion	$162,549	$154,161

In February, 1984, a wholly owned subsidiary of the company issued 200,000,000 Deutsche Mark ("DM") 7.25% bonds due in 1994, which are guaranteed by the company. The proceeds were used to purchase an approximate equivalent amount of German government securities maturing in 1994, yielding 8.25%. In September, 1984, the company extinguished the DM bonds (approximately $65,700,000) through an in-substance defeasance. This in-substance defeasance was accomplished by placing the German government securities in an irrevocable trust from which principal and interest payments will be made on the DM bonds. The company recognized a gain of $800,000 after taxes from this transaction.

In November, 1983, a wholly owned subsidiary of the company issued Swiss Franc/U.S. dollar dual currency bonds for 125,000,000 Swiss Francs. The bonds have an aggregate principal amount of $75,000,000 payable in U.S. dollars and mature in 1993. Interest of 7% per annum is payable in Swiss Francs based on the 125,000,000 Swiss Franc issue price. In 1991, the bonds may be redeemed at the option of the bondholders for 93.5% of the principal amount or at the option of the subsidiary for 94.8% of the principal amount. The debt is guaranteed by the company.

In February, 1983, the company filed a registration statement with the Securities and Exchange Commission covering $150 million aggregate principal amount of senior, unsecured debt securities. These debt securities may be sold if market conditions appear attractive.

The industrial development obligations include $42,500,000 of Puerto Rican tax-exempt debt securities intended for facilities expansion. The bonds carry an initial interest rate of 7.25% until September 1, 1988, at which time the rate will be adjusted to reflect current market rates for similar debt. The bondholders have the option on September 1, 1988, and annually thereafter, to require the company to purchase the bonds at par. As a result of the option, this debt has been included in the 1988 debt maturities noted below.

The current portion of capitalized lease obligations was $2,545,000 and $1,638,000 at December 31, 1984 and 1983, respectively.

Aggregate debt maturities, exclusive of capitalized lease obligations for 1985 to 1989, are as follows: 1985-$8,211,000; 1986-$12,090,000; 1987-$4,093,000; 1988-$50,944,000; 1989-$6,856,000.

The company leases warehouses, office space, transportation and data processing equipment under operating leases expiring at various times. Most of the operating leases contain options that allow the company to renew them.

Future minimum lease payments, including interest, by year and in the aggregate, under capital leases and noncancellable operating leases consisted of the following at December 31, 1984 (in thousands):

	Capital leases	Operating leases
1985	$ 3,612	$ 32,668
1986	3,455	22,369
1987	2,306	15,517
1988	1,161	10,789
1989	1,072	8,268
Thereafter	8,895	13,918
Future minimum lease payments	20,501	$103,529
Amounts representing interest	(6,413)	
Present value of net minimum lease payments	$14,088	

Total rent expense for all operating leases was $50,162,000, $46,862,000 and $41,160,000 in 1984, 1983 and 1982, respectively.

Property recorded under capital leases included the following amounts at December 31, 1984 and 1983 (in thousands):

	1984	1983
Land	$ 2,546	$ 2,540
Buildings and leasehold improvements	27,993	27,813
Machinery and other equipment	4,304	3,909
Capitalized leased property	34,843	34,262
Accumulated amortization	(15,331)	(11,917)
Net capitalized leased property	$19,512	$22,345

Convertible subordinated debentures

Convertible subordinated debentures consisted of the following at December 31, 1984 and 1983 (in thousands):

	1984	1983
4⅜%, due 1991	$ 7,982	$10,941
4¾%, due 2001	35,319	60,466
Convertible subordinated debentures	$43,301	$71,407

The convertible subordinated debentures are convertible into shares of common stock (with anti-dilution provisions) at the following rates: 4⅜%-\$9.50; 4¾%-\$11.72. There are sinking fund requirements to retire 50% of the 4⅜% original issue by year 1990 and requirements to retire 75% of the 4¾% issue by year 2000. Under the indentures, conversions satisfy the scheduled requirements. Accordingly, no payments were required in 1984 and 1983. No further sinking fund payments will be required for the 4⅜% issue; the next required payment for the 4¾% issue is in 1998.

THE BLACK AND DECKER MANUFACTURING COMPANY (SEP)

	1984	1983	1982
	(Thousands of dollars)		
Total Current Liabilities	\$382,688	\$238,668	\$230,610
Long-Term Debt	279,540	159,108	263,864
Deferred Income Taxes	58,146	13,836	31,175
Other Long-Term Liabilities	69,567	19,330	19,261

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of dollars except per share data)

Note 1 (In Part): Summary of Accounting Policies

Debt—The Company and certain of its subsidiaries participate in various back-to-back loan agreements with banks whereby funds are borrowed and, concurrently, equivalent funds are deposited by the Company and certain subsidiaries to support the loans. In the event of default under these arrangements, a legal right of offset permits the use of the deposit to satisfy the defaulted principal and interest. Since the right of offset exists, debt and the equivalent deposits have been eliminated from the balance sheet. Related interest income and interest expense also have been eliminated.

Note 12: Long-Term Debt

	1984	1983	1982
8.45% notes due January 1985	\$ —	\$ —	\$ 75,000
9.125% bonds due September 1989	32,550	38,340	43,290
15.1% unsecured senior notes due through 1993	73,500	74,000	—
Variable rate loans due 1986 through 1991	104,805	22,800	91,500
Promissory note due April 1987	41,089	—	—
Other loans	27,596	23,968	26,574
	279,540	159,108	236,364
Short-term borrowings refinanced	—	—	27,500
	\$279,540	\$159,108	\$263,864

Principal payments due within the next five fiscal years are as follows: 1985-\$2,492; 1986-\$25,703; 1987-\$63,417; 1988-\$21,808; 1989-\$34,898.

In March 1983, the Company initiated a program to repurchase its 8.45% notes due in January 1985. As of September 1983, approximately \$45,300 of these notes had been retired at prices that approximated the net carrying amount of the debt. In September 1983, the Company created an irrevocable trust which acquired certain U.S. Treasury securities for the sole purpose of satisfying its obligation for the payment of principal and interest on the remaining 8.45% notes. Accordingly, as of September 30, 1984 and September 25, 1983, these securities have been offset on the balance sheet against these notes. These transactions had no material impact on earnings.

In 1982, the Company issued bonds in the amount of 100 million deutsche marks at 99.5% with interest at a rate of 9.125%. The life of the bonds will not exceed seven years and the Company is entitled to repay all or a portion of the bonds before maturity based on certain terms and conditions outlined in the bond agreement.

In September 1982, the Company completed an agreement to issue unsecured senior notes in the principal amount of \$75,000 at an average interest rate of 15.1%. These notes are payable at \$500 per year with the remaining balance due in 1993. The Company has a prepayment option, subject to certain penalties, beginning in 1990. The Company received \$35,000 under the agreement in October 1982 and the remainder in February 1983. The proceeds received in October 1982 were partially used to reduce short-term commercial paper which has been reclassified from short-term borrowings at September 26, 1982.

During 1984, long-term debt was increased by withdrawing the deposit on a 35 million pounds sterling back-to-back loan arrangement to provide available cash for the Housewares purchase. This loan and other variable rate loans in effect prior to 1984 are due 1986 through 1988 and are subject to interest based on the London interbank borrowing rate and are repayable in pounds sterling on a semi-annual basis commencing in November 1985.

In August 1984, the Company entered into a 50 million pounds sterling variable rate borrowing facility of which 35 million pounds sterling was drawn immediately and the remainder in October 1984. This facility extends for seven years through August 1991, at interest rates at the Company's option of either the London inter-bank borrowing rate or the rate for sterling acceptances eligible for discount at the Bank of England.

The promissory note due April 1987 was issued as part of the financing of the Housewares acquisition. The principal amount of the note is without interest for the first year and bears interest at an annual rate of 9% for the second and third years, payable annually; is noncallable; and at the Company's option, may be prepaid in full or in part without penalty. The face value in the amount of \$48,900 is due in full at maturity with no periodic amortization. Since the note does not bear market interest rates, it has been discounted using a 12% rate. As of September 30, 1984, the note had been reduced for certain termination payments made pursuant to the purchase agreement from the date of purchase through September 30, 1984. The note may be further adjusted as more fully explained in Note 2 of Notes to Consolidated Financial Statements.

Other loans generally bear rates of interest ranging between 4.0% and 13.5% with maturity through the year 2009. One loan in the amount of \$4,000 included in other loans, however, bears interest at 55.5% which is based upon the commercial lending rate in Mexico.

The Company has complied with restrictions and limitations included in the provisions of various loan agreements. At September 30, 1984, retained earnings were not restricted as to payment of dividends by these provisions.

The Company maintains certain long-term loans which it requires for its operations and has implemented its back-to-back policy to offset these loans insofar as cash resources are available. Under this policy, $50,120, $114,671 and $74,111 of long-term debt have been eliminated from the 1984, 1983 and 1982 balance sheets, respectively.

BURLINGTON INDUSTRIES, INC. (SEP)

	1984	1983
	($000)	
Total current liabilities	$483,332	$362,063
Long-term liabilities:		
Long-term debt (Note F)	433,819	474,948
Other	33,506	33,241
Total long-term liabilities	467,325	508,189
Deferred income taxes	150,479	122,729

Note F—Long-term Debt

Long-term debt is as follows (in thousands):

	1984	1983
7.75% debentures, due 1987, with annual sinking fund payments	$ 7,402	$ 10,260
4.50% convertible bonds, due 1988	4,106	9,042
4.125% notes, payable annually through 1989	11,440	20,020
4.70% notes, payable annually through 1989	8,560	14,980
4.75% sinking fund debentures, due 1990, with annual sinking fund payments	9,902	17,459
11.25% sinking fund debentures, due 1990, with annual sinking fund payments commencing 1986	75,000	75,000
5.00% convertible subordinated debentures, due 1991, with annual sinking fund payments	17,053	19,764
7.75% notes, payable annually through 1993	30,002	33,335
9.00% sinking fund debentures, due 1995, with annual sinking fund payments	37,436	38,936
9.25% notes, payable annually through 1996	46,430	50,000
8.50% notes, payable annually 1989 to 1998	20,000	20,000
8.75% convertible subordinated debentures, due 2008, with annual sinking fund payments commencing 1994	75,000	75,000
5.50%-8.45% industrial development revenue bonds with maturities from 1985 to 2009	51,300	52,500
Variable interest rate financing, due 1985-1994	46,300	46,170
Other indebtedness with various rates and maturities	18,615	23,717
	458,546	506,183
Less long-term debt due currently	24,727	31,235
Total	$433,819	$474,948

During fiscal 1984, United States Government securities were purchased at a cost of $10,317,000 and deposited in an irrevocable trust to satisfy scheduled principal and interest payments on $5,000,000 of the 4.75% sinking fund debentures due in 1989 and 1990, $5,720,000 of the 4.125% notes due in 1989 and $4,280,000 of the 4.70% notes due in 1989. The debt issues and government securities were removed from the balance sheet in an in-substance defeasance transaction resulting in a net after-tax gain of $2,316,000 or 8 cents per share. During fiscal 1984, none of this debt was retired by the trustee.

The 4.50% bonds are convertible into five shares of common stock for each one thousand Swiss francs principal amount of bonds. The 5.00% and 8.75% subordinated debentures are convertible into one share of common stock for each $39.00 and each $48.50 principal amount of debentures, respectively.

The long-term debt agreements contain various restrictions and conditions. At September 29, 1984, under the most restrictive of these, working capital exceeded requirements by $290,000,000 and the company could issue additional long-term debt (exclusive of subordinated debt) of $586,000,000. Also, $409,000,000 of retained earnings was free of restrictions on dividend payments.

Certain notes contain prepayment privileges, and debentures may be redeemed at premiums which decrease to maturity. Certain debt of foreign subsidiaries and certain industrial development revenue bonds are secured by fixed assets.

Projected principal payments of long-term debt for the next five fiscal years, assuming no conversion, are $24,727,000 in 1985, $43,623,000 in 1986, $41,836,000 in 1987, $46,889,000 in 1988 and $41,321,000 in 1989.

CHOCK FULL O'NUTS CORPORATION (JUL)

	1984	1983
Total current liabilities	$ 7,647,802	$10,508,503
Long-term debt, excluding current installments—Note 2	13,211,884	1,348,834
Capital lease obligations	338,029	397,536
Other noncurrent liabilities, principally pension benefits	646,963	1,757,392
Common stock to be issued		1,670,580

Note 2: Long-Term Debt

Long-term debt consists of the following:

July 31,	1984	1983
Notes payable—banks	$12,000,000	
5% Mortgages payable in equal semi-annual installments of $120,000 through 1993	1,323,834	$1,430,390
Other		30,000
	13,323,834	1,460,390
Less current portion	111,950	111,556
	$13,211,884	$1,348,834

Notes payable banks bear interest at 1% above the prime rate and on October 24, 1984 such notes were extended to August 15, 1985. The notes payable are collateralized by trade accounts receivable and raw materials inventory. In addition, the Credit Agreement with the bank lenders provides for restrictions with respect to additional borrowings by the Company and certain other restrictions.

Mortgages payable are collateralized by property, plant and equipment with a net book amount of approximately $2,000,000.

As of July 31, 1984, long-term debt matures as follows:

Fiscal Year	
1985	$ 111,950
1986	12,117,618
1987	123,572
1988	129,828
1989	136,400
Thereafter	704,466

GENERAL MILLS, INC. (MAY)

	1984	1983
	(In Millions)	
Total Current Liabilities	$1,145.4	$1,122.5
Long-Term Debt	362.6	464.0
Deferred Income Taxes	76.5	88.5
Other Liabilities and Deferred Credits	49.0	41.5
Total Liabilities	1,633.5	1,716.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6: Long-Term Debt

(In Millions)	May 27, 1984	May 29, 1983
9⅜% sinking fund debentures, due March 1, 2009	$113.3	$113.3
8% sinking fund debentures, due February 15, 1999	48.5	48.5
8⅞% sinking fund debentures, due October 15, 1995	—	44.7
Zero coupon notes, yield 14⅝%, $102.5 due June 30, 1991	37.7	32.8
Zero coupon notes, yield 13.3%, $100 due January 4, 1988	62.9	55.3
12⅜% notes due August 15, 1985	50.0	50.0
10⅜% notes due October 15, 1984	50.0	50.0
Other, no individual item larger than $8.4	60.5	86.9
	422.9	481.5
Less amounts due within one year	(60.3)	(17.5)
Total long-term debt	$362.6	464.0

In fiscal 1984, we satisfied the future requirements of certain sinking fund debentures primarily through the deposit of U.S. obligations in an irrevocable trust. This transaction increased fiscal 1984 net earnings by $4.0 million ($.09 per share). In fiscal 1983, we exchanged 239,331 shares of our stock held in treasury for $15 million of our sinking fund debentures. This transaction increased fiscal 1983 net earnings by $3.2 million ($.06 per share). In fiscal 1982, we satisfied the future requirements of certain of our sinking fund debentures through the deposit of U.S. and prime-rated obligations in an irrevocable trust and refinanced $36 million of our sinking fund debentures through the placement of zero coupon notes. These transactions increased fiscal 1982 net earnings by $8.2 million ($.16 per share).

The sinking fund and principal payments due on long-term debt are (in millions) $60.3, $57.9, $9.3, $64.0 and $1.0 in fiscal years ending 1985, 1986, 1987, 1988 and 1989, respectively.

JAMES RIVER CORPORATION OF VIRGINIA (APR)

	1984	1983
	($000)	
Total current liabilities	$284,149	$204,561
Long-term debt	442,917	427,450
Deferred retirement and other liabilities	69,681	80,729
Deferred income taxes	89,229	43,217
Minority interests	3,119	41,962

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Long-Term Debt and Additional Credit Facilities

Long-term debt due after one year consists of:

	1984	1983
	(In thousands)	
Senior:		
Bank revolving credit facilities	$ 84,000	$110,000
Unsecured notes:		
Payable annually from 1988 to 1995, in varying amounts, at 16.25% interest	100,000	100,000
Payable annually from 1989 to 1998 at 12.25% interest	55,000	
Payable quarterly to 1999 at interest rates ranging from 8.75% to 10.25%	33,733	36,593
Payable quarterly from 1985 to 1999 at 13% interest	31,134	31,700
Industrial revenue bonds:		
Payable annually or semiannually to 2006 at imputed interest of 11%	32,865	33,614
Payable through 2002 at maximum interest rates of 6.25%	6,745	4,612
Other senior debt	9,927	9,656
Total senior debt	353,404	326,175
Subordinated notes:		
Convertible, payable annually from 1991 to 1997, in varying amounts, at 17.25% interest. Convertible into 6,317,176 shares of James River common stock at $13.33 per share	84,208	95,750
Other	5,305	5,525
Total subordinated debt	89,513	101,275
Total long-term debt	$442,917	$427,450

Minimum principal payments on all long-term debt (excluding revolving credit facilities) for the five fiscal years subsequent to April 29, 1984 are as follows (in millions): 1985-$5.7; 1986-$7.3; 1987-$7.4; 1988-$9.7; and 1989-$28.2. Required payments would be as follows, assuming the revolvers at current levels were outstanding at October 31, 1986, the end of the revolving credit period: 1985-$5.7; 1986-$7.3; 1987-$10.0; 1988-$20.2; and 1989-$38.7.

A. Outstanding Notes and Industrial Revenue Bonds:

Under the most restrictive outstanding debt agreements, the Company is required to maintain minimum consolidated working capital of $225 million and a minimum consolidated current ratio of 1.8. The note agreements require the Company to meet certain financial ratios related to funded debt before it incurs additional funded debt or long-term lease obligations, encumbers its assets, or makes certain investments. Additionally, short-term borrowings are limited based upon levels of other borrowings, but in any event cannot exceed $75 million prior to fiscal 1989. At April 29, 1984, under the most restrictive of these provisions, the Company has additional long-term borrowing capacity approximating $420.8 million and $68.7 million of retained earnings available for the payment of dividends.

Debt assumed in conjunction with an acquisition is stated in accordance with purchase method accounting requirements at a present value utilizing imputed interest rates ranging from 11% to 15%. At April 29, 1984, $45.9 million face amount of such debt, consisting principally of industrial revenue bonds, has a present value of $36.8 million.

Certain assets, primarily those funded by industrial revenue bonds and having a net book value of approximately $40.5 million at April 29, 1984, are pledged as collateral under various loan agreements.

B. Revolving Credit Term and Loan Facilities:

James River has entered into five revolving credit agreements with several banks providing for maximum outstanding borrowings of $245 million until October 31, 1986. Under the terms of these agreements, the Company can denominate its borrowings in U.S. dollars at the prime lending rate or at a rate tied to the certificate of deposit rate ("CD"), or in Eurodollars at a rate tied to the London Interbank Offered Rate ("LIBOR"). At April 29, 1984, the prime lending rate was 12%, and the CD and LIBOR rates, which are fixed for specified terms under the agreements, ranged from 10.15% to 12.14%. A commitment fee of 3/8 of 1% per annum is payable quarterly, until October 31, 1986, on the average daily unused portion of the commitment.

On October 31, 1986, the aggregate balance then outstanding under each of the revolving credit agreements may, at the Company's option, be repaid or elections made for repayment over a five-year period. A portion of each of the loan balances would be payable quarterly, and the remaining balance approximating 41% would be due October 31, 1991.

The covenants under these facilities are generally the same as those encompassed in the outstanding note agreements. Additionally, as of April 30, 1984, the Company is required to maintain net tangible worth, as defined, of $449.0 million. At April 29, 1984, $84.0 million outstanding under the revolving credit agreements was classified as long-term debt.

A sixth revolving credit and term loan facility with an institution provides for maximum borrowings of $30 million, with interest at a variable rate (11.95% at April 29, 1984) related to the lender's commercial paper rate. In January 1985, at the option of James River, the facility may be extended, or any balance then outstanding may be converted into a four-year term loan, 20% of which would be payable annually for three years, with the final 40% payable in January 1989. Interest on the term loan would be payable for the first three years at a rate of 1/4% above the variable rate and thereafter at 3/8% above such rate. This credit facility has not been used.

CONAGRA, INC. (MAY)

	1984	1983
	($000)	
Total current liabilities	$618,952	$390,012
Long-term debt excluding current installments (Note 7)	237,723	203,381
Deferred income taxes	12,388	8,318

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

($000)

7. Long-Term Debt and Loan Agreements

	May 27, 1984	May 29, 1983
Revolving credit and term loan agreements from banks (unsecured)	$ 92,000	$ 74,000
12.0% unsecured notes due in annual installments on August 1, of $1,000,000 in 1984 through 1999 and the balance due in 2000	17,000	18,000
10.125% unsecured notes due in annual installments on August 1, of $2,000,000 in 1984 to 1991	14,000	16,000
17.0% unsecured notes due July 1, 1987	15,000	15,000
12.05% unsecured note due July 18, 1985	10,000	—
8.5% to 8.625% unsecured notes due in annual installments of $1,670,000 to 1987, $670,000 in 1988 through 1996, and the balance due in 1997 ($10,660,000 face amount less unamortized discount of $1,214,000 based on imputed rate of 12%)	9,446	10,888
10.375% unsecured notes due in annual installments of $650,000 in 1986 through 1999 and the balance due in 2000 ($10,000,000 face amount less unamortized discount of $1,182,000 based on an imputed rate of 13%)	8,818	8,719
Industrial Development Revenue Bonds (collateralized by plant and equipment)		
4.5% to 11% lease obligations, maturing serially from $357,000 in 1984 to $280,000 in 2003	10,228	12,702
4.5% to 7.2% lease obligations due in various amounts through 2006 ($34,138,000 face amount less unamortized discount of $4,760,000 based on imputed rates of 5.9% to 9.6%)	29,378	30,888
Ten-year lease obligations, $6,500,000, maturing in 1993 and $8,200,000 in 1994, with interest at 63% of prime rate for the first three years and 65% of prime rate thereafter	14,700	—
Miscellaneous	17,153	17,184
Total long-term debt, excluding current installments	$237,723	$203,381

The aggregate minimum principal maturities of the long-term debt for each of the five years following May 27, 1984 are as follows:

1985	$82,050
1986	20,608
1987	9,307
1988	24,167
1989	40,283

The Company has a $150,000,000 revolving credit and term loan agreement with nine banks. Under the agreement the Company has loan commitments of $150,000,000 extending to June 1, 1987, when the outstanding borrowings may be converted into a term loan payable in three equal annual installments. Borrowings are at or below prime rate and may be prepaid without penalty.

Under terms of the 10.125% and 12% promissory notes, the Company has the option to prepay without penalty a maximum of $5,000,000 and $4,000,000, respectively, in annual installments not in excess of the required annual payments otherwise due on the notes.

Under the terms of the 17.0% promissory notes, the Company may prepay the notes in whole or part at any time after July 1, 1985 in multiples of $100,000 at a penalty ranging from 6.8% to 3.4% of principal prepaid.

The Company's most restrictive note agreements provide that the Company will maintain working capital in an amount equal to the greater of $60,000,000 or 90% of funded debt as defined; a ratio of current assets to current liabilities of 120%; total liabilities not in excess of 500% of consolidated tangible net worth; stockholders' equity, as defined, in an amount not less than 90% of noncurrent assets, as defined; and limits the amount of retained earnings available for dividends. As of May 27, 1984 approximately $40,096,000 of retained earnings was available for the payment of dividends.

Net interest expense consists of:

	1984	1983	1983
Long-term debt	$26,234	$20,374	$13,180
Short-term debt	14,477	13,946	7,273
Finance expense	128	41	54
Interest income	(8,290)	(5,087)	(4,111)
Interest capitalized	(1,163)	(2,359)	(700)
Net interest expense	$31,386	$26,915	$15,696

Short-term debt interest expense of $17,790,000, $12,400,000, and $11,310,000, in 1984, 1983, and 1982, respectively, incurred to finance hedged inventories, has been charged to cost of goods sold.

UNITED FOODS, INC. (FEB)

	1984	1983
Total Current Liabilities	$15,564,588	$18,735,399
Long-Term Debt, less current maturities (Note 3)	50,701,551	64,501,330
Deferred income taxes	1,750,680	1,814,999
Total Liabilities	68,016,819	85,051,728

Note 3—Long-Term Debt

Long-term debt consists of the following:

	February 29 or 28, 1984	1983
Notes and contracts:		
Revolving credit note to bank collateralized by trade receivables and inventories; due October, 1986 with interest at the bank's base rate plus 1¼% (currently 12¼%)	$23,113,245	$53,160,473
First mortgage notes due May 2003.	10,000,000	—
Industrial revenue bonds, due in one principal payment on September 1, 1995 with interest payable quarterly at 55% of prime (currently 6.05%) and collateralized by an irrevocable letter of credit	5,000,000	—
7 to 10% mortgage notes due to 1989	4,438,134	4,977,226
7¾% note due to 1989 to former owner of acquired company, collateralized by letter of credit	638,235	766,174
Deferred compensation contracts with interest to 10.3%	754,682	730,820
13.8% installment note	—	6,451
Total notes and contracts	43,944,296	59,641,144
Capital lease obligations:		
4⅝ to 6¼% mortgage revenue bonds due to 1988	4,688,000	5,470,000
First mortgage revenue bond, due in one principal payment of $3,000,000 on October 1, 1995 with interest payable quarterly at 55% of prime (currently 6.05%) and collateralized by an irrevocable letter of credit	3,000,000	—
4¼ to 7¾% capital lease obligations due to 1993	841,395	946,317
Total capital lease obligations	8,529,395	6,416,317
Totals	52,473,691	66,057,461
Less current maturities	1,772,140	1,556,131
Long-term debt	$50,701,551	$64,501,330

Principal payments required to be made for each of the next five fiscal years and thereafter are summarized as follows:

1985	$ 1,772,140
1986	2,329,587
1987	25,722,102
1988	2,963,106
1989	2,150,393
After 1989	17,536,363
Total	$52,473,691

During fiscal 1983, the Company renewed its revolving credit note and increased its borrowing limit. Under the new agreement, the Company's borrowing limit may not exceed $70,000,000 through October 1984, $58,000,000 through October 1985 and $50,000,000 through October 1986.

The $10,000,000 first mortgage notes consist of two $5,000,000 loans obtained in May 1983 from Industrial Development Boards to finance the acquisition of approximately 7,100 acres of farmland, equipment and land improvements. Each loan is to be repaid in 72 consecutive quarterly payments of $69,444 plus interest from August 1, 1985 to May 2003. The notes bear interest at 8½ and 9% per annum, respectively, during the first year and thereafter at the higher of their respective initial interest rate of 80% of prime. On May 1, 1984, prepayments of approximately $1,459,000 and $2,506,000, respectively, were made on the loans from unused proceeds retained by the Trustee.

The proceeds from the $5,000,000 industrial revenue bonds are restricted for the payment of building and land improvements, equipment acquisitions and up to approximately $300,000 of interest. At February 29, 1984, approximately $1,928,000 of these funds is being held by the Trustee.

The proceeds from the $3,000,000 first mortgage revenue bond are restricted for the payment of building and land improvements, equipment acquisitions and up to approximately $180,000 of interest. At February 29, 1984, approximately $1,431,000 of these funds is being held by the Trustee.

The 4⅝ to 6¼% mortgage revenue bonds relate to the financing of cold storage processing facilities leased from an Industrial Development Board and a County government. The payments to be made by the Company are in amounts equal to the principal and interest payments on the bonds through 1988. The bonds mature serially in progressive annual amounts ranging from $929,000 in 1985 to $1,089,000 in 1988.

The terms of various notes include certain negative covenants which provide, among other things, restrictions relating to the maintenance of minimum levels of working capital and equity, payment of dividends and the incurrence of additional indebtedness. As of February 29, 1984, under the most restrictive of these provisions, the amount of retained earnings free from such restrictions is approximately $6,969,000.

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

	1984	1983	1982	1981
Disclosing credit agreement	549	538	547	544
Not disclosing credit agreement	51	62	53	56
Total Companies	**600**	**600**	**600**	**600**
Compensating Balances	225	259	297	330

ALLIED CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 5, Credit Agreement

The Company has a long-term credit agreement with 28 banks for commitments totaling $2 billion. The agreement provides for the availability of funds in two commitments of $1 billion each ("A" and "B") which may be used for any corporate purpose. The principal amounts of such loans are required to be repaid no later than May 8, 1986, or may be converted to term loans to be repaid in semiannual installments through May 8, 1990. The Company has agreed to pay a commitment fee of ¼ of 1 percent per annum on the unutilized portion of commitment A and ⅛ of 1 percent on the unutilized portion of commitment B. If the Company borrows under commitment B, an additional ⅛ of 1 percent will be paid on the utilized portion of commitment B retroactive to the date of the commitment or for six months, whichever is less.

The Company or its subsidiaries may elect to borrow under the credit agreement in the form of Eurodollar borrowings or domestic dollar borrowings. As of May 1982, depending upon the form of borrowing elected, interest would be payable at the average floating prime rate of two reference banks or would be payable at a rate which is, for the first three years of the credit agreement, ⅜ of 1 percent over either the average London Interbank Offered Rate (LIBOR) or the average certificate of deposit rate adjusted for reserve requirements and FDIC costs (CD Rate) of three reference banks. After the first three years, the fraction of 1 percent over LIBOR or the CD Rate increases to ⅛ of 1 percent for the succeeding three-year period and another ⅛ of 1 percent for the final succeeding two-year period. Although the Company had no balance outstanding under the credit agreement at December 31, 1984, it has served as support for issuance of commercial paper.

The Company has the option, which it currently is not utilizing, to maintain average compensating balances with each of the banks to partially offset commitment fees.

BETHLEHEM STEEL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

D (In Part): Long-term Debt

Bethlehem has a revolving credit agreement with a group of banks providing for domestic or Euro-dollar borrowings prior to March 1, 1988. Domestic loans bear interest at the prime rate and, prior to March 1, 1984, bore interest at the lesser of 8½% or the prime rate. Euro-dollar loans bear interest based on the London Interbank Offered Rate. Under the terms of the agreement, the maximum loan amount, which was reduced to $240 million from $300 million on March 1, 1984, will be reduced by $60 million on March 1 of each subsequent year. Bethlehem is required to pay a commitment fee at the rate of ½ of 1% per annum on the daily average unused amount of the available credit. Bethlehem has an informal understanding with the participating banks to maintain compensating balances equal to 5% of the total commitment plus a percentage of any amounts borrowed. These balances are not subject to withdrawal restrictions. Bethlehem had outstanding borrowings of $135 million under this revolving credit agreement at December 31, 1984.

Bethlehem has an additional $300 million revolving credit agreement with a group of banks which expires on December 1, 1990. Interest on borrowings is based on the prime rate, Certificate of Deposit rates or London Interbank Offered Rate. The $300 million commitment is reduced by $60 million per year commencing December 1, 1986. Bethlehem is required to pay a commitment fee of ¼ of 1% and a facility fee of ⅛ of 1% per annum on the daily average amount of unused available credit. This agreement contains restrictive covenants which, among other things, require Bethlehem to maintain a minimum tangible net worth. At December 31, 1984, Bethlehem's tangible net worth exceeded this requirement by approximately $234.1 million. Bethlehem had outstanding borrowings of $240 million under this revolving credit agreement at December 31, 1984.

Kusan, Inc. has a $100 million revolving credit agreement with a group of banks which expires July 1, 1986. Loans bear interest based on the prime rate or at Certificate of Deposit rates. Kusan is required to pay a commitment fee of ⅜ of 1% per annum on the daily average unused amount of available credit and to maintain compensating balances with the group of banks of 5% of the total commitment. This credit agreement contains restrictive covenants which, among other things, require Kusan to maintain a minimum net worth. At December 31, 1984, Kusan's net worth exceeded this requirement by approximately $35.2 million. Kusan had no outstanding borrowings under this revolving credit agreement at December 31, 1984.

COMMERCIAL METALS COMPANY (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

F (In Part): Long-Term Credit Arrangements

On October 6, 1983, the Company arranged a three-year $40 million unsecured revolving credit and term loan facility with a group of seven banks. This credit facility is convertible, in 1986, at the Company's option into a 4½-year term loan. The agreement provides for borrowings in United States dollars indexed to the prime rate, the United States certificate of deposit rate, or to the New York offshore dollar interbank market rate and includes an additional option for alternate fixed rate term loans indexed to the banks' net cost of obtaining funds. Under the terms of the credit arrangement, the Company agreed to maintain average collected balances at participating banks aggregating approximately $800,000; however, these balances are not legally restricted and are used for daily operations as needed.

DAYCO CORPORATION (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note D—Financing Arrangements

On August 31, 1984, the corporation amended its revolving credit term loan agreement. The agreement as amended provides for up to $47,000,000 of short-term borrowings over the next four years. The corporation has the option to convert any borrowings under this facility to four-year term borrowings at any time prior to August 30, 1988. Under the amended agreement, the banks receive a facility fee plus a fee based on any unborrowed amount. There have been no borrowings under either this agreement or its predecessor, which was originally signed October 1, 1982.

The corporation also has open line of credit arrangements for short-term borrowings with seven banks. These arrangements are reviewed annually for renewal and are compensated by a combination of fees and balances which are not material to the operations of the corporation. Under these arrangements, the corporation may borrow a total of $21,000,000 ($19,000,000 at October 31, 1983). Additionally, the corporation has informal money market based borrowing arrangements for substantial amounts with 14 banks. The corporation no longer maintains the bankers' acceptance facilities under which it had available credit of $14,000,000 during 1983. There have been no borrowings under any of these arrangements during 1984.

FLEETWOOD ENTERPRISES, INC. (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Bank Credit Lines

The Company has a line of credit agreement with its principal bank (currently at $10 million compared to $12 million at the end of 1983) which gives the Company the option of borrowing Eurodollars at ⅜ of 1 percent in excess of the London Interbank Offered Rate (LIBOR), or domestic funds at the bank's prime rate of ⅝ of 1 percent in excess of the Adjusted Certificate of Deposit Rate. A commitment fee is payable at the rate of ¼ of 1 percent on the unused portion of the first $5 million and ⅛ of 1 percent on the unused portion of the second $5 million. Drawdowns on the second $5 million result in an additional ¼ of 1 percent charge on the utilized amount retroactive to six months from the date of utilization until repaid.

The Company also has an informal arrangement with another bank under which borrowings of up to $5 million can be made in domestic dollars or Eurodollars, subject to availability of funds. There are no commitment fees or compensating balance requirements under this arrangement. Interest rates are negotiated at the time of each borrowing.

There were no borrowings during fiscal 1984 or 1983.

INTERCO INCORPORATED (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands except per share data)

4. Lines of Credit

During fiscal 1984, the company's financial position was sufficient to cover seasonal cash flow changes and, as a result, no domestic short-term borrowings were necessary under existing lines of credit. Average short-term borrowings outstanding during fiscal 1983 and 1982 were $25,000 and $39,000, with a weighted average interest rate thereon of 11.6% and 16.5%, respectively. Maximum short-term borrowings at any month-end were $52,300 and $64,500 in fiscal 1983 and 1982, respectively.

On March 1, 1983, the company amended its credit agreement enabling it to borrow up to $100,000 in domestic or Euro-Dollar loans through February 28, 1987. Borrowings outstanding as of February 28, 1987 are repayable from that date through February 28, 1991. Domestic interest rates will approximate bank prime while rates for Euro-Dollar borrowings will approximate the London Inter-Bank Offering Rate plus 0.375%. The amended agreement requires the company to pay a commitment fee of 0.25% per annum. There were no borrowings outstanding under the amended agreement or prior agreements at February 29, 1984, February 28, 1983 or 1982.

The company also maintains other bank lines of credit which provide added credit availability and support for the sale of commercial paper. On February 29, 1984, the total unused lines of credit under these agreements were $88,500.

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. Retroactive application of *SFAS No. 13* to leasing transactions entered into prior to January 1, 1977 was 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 lessee leases, shows the nature of information most frequently disclosed by the survey companies for capitalized and noncapitalized lessee leases. Forty-seven survey companies reported lessor leases.

Examples of long term lease presentations and disclosures follow.

TABLE 2-27: LONG-TERM LEASES

	Number of Companies			
	1984	**1983**	**1982**	**1981**
Information Disclosed as to Noncapitalized Leases				
Rental expense				
Basic	466	454	454	446
Contingent	94	103	109	118
Sublease	95	101	102	105
Minimum rental payments				
Schedule of	446	436	439	431
Classified by major categories of property	29	28	35	34
Renewal or purchase options	131	137	135	139
Information Disclosed as to Capitalized Leases				
Minimum lease payments	246	263	268	275
Imputed interest	232	242	256	257
Leased assets by major classifications	140	142	151	148
Executory costs	67	69	74	80
Number of Companies				
Capitalized and noncapitalized leases	369	367	362	357
Noncapitalized leases only	110	105	107	107
Capitalized leases only	63	74	80	83
No leases disclosed	58	54	51	53
Total Companies	**600**	**600**	**600**	**600**

Lessee—Capital Leases

BOBBIE BROOKS, INCORPORATED (APR)

	1984	1983
	(In thousands)	
Current liabilities:		
Loan payable—bank	$ 1,500	$ 1,500
Capital leases—current portion (Note 10)	135	103
Accounts payable	3,400	3,212
Accrued expenses and other current liabilities	3,750	3,530
Current portion of liabilities deferred pursuant to Chapter 11 proceedings	1,400	3,777
Total current liabilities	10,185	12,122
Liabilities deferred pursuant to Chapter 11 proceedings—less current portion	4,050	5,180
Capital leases—less current portion (Note 10)	632	499
Deferred credits and noncurrent liabilities	123	348

Note 10—Leases

The Company conducts a substantial portion of its operations utilizing leased facilities and equipment consisting of sales offices, warehouses, manufacturing plants, and transportation and computer equipment. Some of the operating leases provide that the Company pay taxes, maintenance, insurance and other occupancy expense applicable to leased premises. Generally, the leases provide for renewal for various periods at stipulated rates.

At April 28, 1984, minimum rental payments under capital leases and noncancellable operating leases, are as follows:

Fiscal years ending in	Capital Leases	Operating Leases
	(In thousands)	
1985	$ 220	$1,172
1986	220	1,051
1987	220	780
1988	214	556
1989	128	193
Required after April 1989	—	92
Total minimum payments due	1,002	$3,844
Less:		
Amount representing interest	235	
Present value of net minimum lease payments	$ 767	

Minimum lease payments under operating leases have been reduced by sublease rental income of $81,000 in 1985 and $41,000 in 1986.

Rental expense charged to operations for the years 1984, 1983 and 1982 is summarized below:

	1984	1983	1983
	(In thousands)		
Gross rental expense	$1,204	$1,475	$2,096
Sublease rental income	(156)	(289)	(288)
	$1,048	$1,186	$1,808

Assets recorded under capital leases are included in property, plant and equipment as follows:

	1984	1983
	(In thousands)	
Land	$ 10	$ 39
Buildings	350	774
Machinery, equipment and fixtures	764	554
	1,124	1,367
Accumulated depreciation	(274)	(415)
	$ 850	$ 952

CAESARS WORLD, INC. (JUL)

	1984	1983
	($000)	
Current liabilities		
Short-term borrowings	$ —	$ 36,794
Current maturities of long-term debt	15,367	15,880
Current maturities of obligations under capital leases	6,412	7,775
Accounts payable and accrued expenses	101,169	86,275
Income taxes	23,890	3,503
Total current liabilities	146,838	150,227
Long-term debt, net of current maturities	206,877	131,255
Obligations under capital leases, net of current maturities	48,213	54,885
Other liabilities, including deferred income taxes of $10,938 and $11,625	13,258	14,700
Minority interest in consolidated subsidiary	10,827	8,591

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Property and Equipment

Property and equipment consisted of the following:

	At July 31,	
(In thousands)	1984	1983
Land	$ 40,307	$ 38,170
Buildings and improvements	231,735	189,314
Leasehold improvements	43,143	41,361
Furniture, fixtures and equipment	100,796	75,422
Construction in progress	24,495	10,374
Property under capital leases		
Land	9,055	9,055
Buildings	46,293	47,302
Furniture, fixtures and equipment	32,743	32,455
	528,567	443,453
Less accumulated depreciation and amortization	124,766	100,554
	$403,801	$342,899

At July 31, 1984, the Company was committed under contracts and purchase orders for approximately $28,825,000 of capital additions to Caesars Atlantic City hotel/casino.

Note 8: Leases

The Company leases land, buildings and equipment under noncancellable lease agreements which expire at various dates through 2076. The leases generally provide that the Company pay the taxes, insurance and maintenance expenses related to the leased assets. Major leased assets, which have been capitalized, include a portion of the Caesars Atlantic City facility and the land on which that hotel/casino is situated.

The Caesars Atlantic City lease expires in 2008, and is renewable for two additional 30-year periods. The Company has the right to exercise its option to purchase the property for $38,500,000 between 1988 and 1993 and a right to match any purchase offers for the property or the lease. The lease provides for a minimum rental of $2,675,000 for the lease year beginning June 1, 1984, increasing by up to $73,000 per year in each subsequent year, and a percentage rental of 19.3% of the hotel/casino's net profit (as defined); the percentage rental amounted to $6,708,000, $4,601,000 and $8,566,000 in 1984, 1983 and 1982 respectively.

The Caesars Tahoe land and building are leased pursuant to an operating lease which expires in 2004 and is renewable for two additional 25-year periods. The lease provides for a minimum rent of $1,781,000 for fiscal 1984, increasing by $75,000 per year in each subsequent year, and a percentage rental of 20% of the net profit (as defined). There was no percentage rental payable in 1984, 1983 or 1982.

Future minimum lease payments for all leases were as follows at July 31, 1984:

Year Ending July 31,	Operating	Capital
	(In thousands)	
1985	$ 7,011	$ 12,471
1986	6,563	8,049
1987	6,338	6,128
1988	6,332	6,167
1989	19,306	6,105
Thereafter	53,601	165,337
Total minimum lease payments	$99,151	204,257
Less amount representing interest		149,632
		54,625
Less current maturities of obligations under capital leases		6,412
Long-term obligations under capital leases		$ 48,213

Minimum lease payments have not been reduced by future minimum sublease rentals of $1,011,000.

Rental expense was comprised of the following:

	Year Ended July 31,		
(In thousands)	1984	1983	1982
Minimum rentals under lease obligations	$ 8,488	$ 9,688	$11,303
Contingent rentals under operating and capital leases	6,708	4,601	8,566
Less sublease rentals	(738)	(409)	(346)
	$14,458	$13,880	$19,523

THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC. (FEB)

Consolidated Balance Sheet

	1984	1983
	(Dollars in thousands)	
Current liabilities:		
Current portion of long-term debt	$ 19,007	$ 11,859
Current portion of obligations under capital leases	12,562	10,679
Accounts payable	291,180	232,410
Accrued salaries, wages and benefits	70,434	61,381
Accrued taxes	29,518	30,872
Current portion of other accruals	65,184	60,531
Total current liabilities	487,885	407,732
Long-term debt	106,152	116,557
Obligations under capital leases	153,031	143,160
Deferred income taxes	12,214	8,811

Statement of Changes in Consolidated Financial Position

	Fiscal 1983	Fiscal 1982	Fiscal 1981
	(Dollars in thousands)		
Source of funds:			
From operations:			
Income (loss) before extraordinary credit	$ 31,401	$ 21,361	$(231,633)
Expenses (income) not requiring (providing) working capital:			
Depreciation and amortization	45,579	41,642	56,599
Amortization of real property leased under capital leases	8,626	8,228	10,812
Charge in lieu of current U.S. income tax	16,150	9,850	—
Anticipated cost of revitalization program—net (noncurrent portion)	—	—	106,600
Deferred income taxes	3,403	4,394	489
Deferred investment tax credits	—	—	(143)
Working capital provided from operations before extraordinary credit	105,159	85,475	(57,276)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Lease Obligations

The Company operates primarily in leased facilities. Lease terms generally range up to twenty-five years for store leases and thirty years for other leased facilities, with options to renew for additional periods. The majority of the leases contain escalation clauses relating to real estate tax increases, and certain of the store leases provide for increases in rentals when sales exceed specified levels. In addition, the Company leases some store equipment and trucks because of financial and tax considerations.

The Company accounts for leases in accordance with Statement No. 13 of the Financial Accounting Standards Board. Accordingly, the consolidated balance sheet includes:

(Dollars in thousands)	February 25, 1984	February 26, 1983
Real property leased under capital leases	$186,976	$170,756
Equipment leased under capital leases	40,960	36,742
	227,936	207,498
Accumulated amortization	99,136	85,890
	$128,800	$121,608

The value of equipment leased under capital leases is included with owned equipment in the accompanying balance sheet.

The assets and obligations for stores leased under capital leases which are closed prior to lease expiration are eliminated from the accounts as of the date of the decision to close and an accrual is provided for anticipated costs to be incurred upon the ultimate disposition of the facility.

Rent expense for operating leases consists of:

(Dollars in thousands)	1983	1982	1981
Minimum rentals	$43,440	$39,528	$64,651
Contingent rentals	4,629	2,694	4,046
	$48,069	$42,222	$68,697

The minimum annual rentals for leases in effect at February 25, 1984 are shown in the table below. All amounts are exclusive of lease obligations and sublease rentals applicable to facilities provided for in the Company's revitalization program and other closing programs.

Minimum Annual Rentals

(Dollars in thousands)	Capital Leases		
Fiscal	Equipment	Real Property	Operating Leases
1984	$ 7,709	$ 23,213	$ 45,674
1985	6,784	22,809	42,558
1986	4,346	22,275	38,348
1987	2,993	21,720	34,383
1988	2,722	21,444	31,326
1989 and thereafter	510	191,783	211,435
	25,064	303,244	$403,724
Less executory costs	—	(9,587)	
Net minimum rentals	25,064	293,657	
Less interest portion	(6,283)	(146,845)	
Present value of net minimum rentals	$18,781	$146,812	

PANTRY PRIDE, INC. (JUL)

	1984	1983
	(dollars in thousands)	
Current liabilities:		
Accounts payable	$21,119	$22,336
Accrued salaries and expenses	34,659	38,630
Current portion of long-term debt	14,483	11,546
Current portion of capitalized lease obligations	3,164	4,697
Total current liabilities	73,425	77,209
Long-term debt	27,357	22,055
Capitalized lease obligations	17,339	29,246
8¾% Convertible exchangeable subordinated debentures, due 1998	1,186	42,500
Pension termination liability	5,933	10,055
Other liabilities	449	1,763
Deferred income	1,734	2,966

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands except per share data)

Leases

All non-cancellable leases with an initial term greater than one year have been categorized as capital or operating leases in conformity with the definitions in Financial Accounting Standards Board Statement No. 13, "Accounting for Leases."

The following analysis represents property under capital leases:

	1984	1983
Buildings	$21,504	$37,909
Equipment	12,846	18,740
	34,350	56,649
Less accumulated amortization	17,494	27,588
	$16,856	$29,061

At July 28, 1984, the Company is liable under terms of non-cancellable leases for the following minimum lease commitments:

	Capital Leases	Operating Leases
Year ended in:		
1985	$ 5,317	$ 8,074
1986	4,889	6,840
1987	4,740	5,343
1988	3,026	2,591
1989	2,238	1,930
Later years	9,889	15,513
Total minimum lease payments	30,099	$40,291
Less interest	9,596	
Present value of net minimum lease payments	$20,503	

Rent expense under all operating leases having non-cancellable terms of more than one year is summarized as follows:

	1984	1983	1982
Minimum rentals	$6,859	$7,429	$5,867
Contingent rentals	584	407	499
	$7,443	$7,836	$6,366

Equipment leases are generally operating leases for data processing equipment and store fixtures and equipment. Supermarket leases are generally capital leases with initial terms of up to 25 years, usually with several five-year renewal options.

UNIROYAL, INC. (DEC)

	1984	1983
	($000)	
Current Liabilities		
Accounts payable	$128,929	147,888
Short-term borrowings	44,254	35,605
Current portion of long-term debt	11,354	32,381
Current portion of capital lease obligations	5,256	5,111
Accrued taxes	35,773	30,419
Accrued pension liability	74,156	1,494
Other accrued liabilities	119,278	116,970
Total Current Liabilities	419,000	369,868
Other Liabilities		
Long-term debt	168,655	229,808
Capital lease obligations	86,505	98,537
Deferred income taxes	22,540	41,675
Other	29,207	47,725
Total Other Liabilities	306,907	417,745

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Accounting Policies (In Part)

Property: For financial accounting purposes depreciation, which includes amortization of assets 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.

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 assets.

An analysis of assets under capital leases follows:

In millions	1984	1983
Real estate	$ 84	84
Machinery and equipment	103	105
	187	189
Less accumulated amortization	134	129
Net	$ 53	60
Lease obligations	$ 92	104

A schedule of future minimum lease payments at year-end 1984 follows:

In millions	Operating	Capital
For the year:		
1985	$17	12
1986	15	11
1987	12	14
1988	10	13
1989	7	13
Later years	17	74
Total minimum lease payments	$78	137
Less amount representing interest		45
Present value of net minimum lease payments		$ 92

Sublease rental income totaling $20 million under operating leases and $3 million under capital leases is not reflected in the above totals.

Rental expense for all operating leases charged to operations was as follows:

In millions	1984	1983	1982
Gross rentals	$25	24	24
Sublease rentals	7	7	6
Rental expense	$18	17	18

Contingent rentals included in rental expense amounted to $2 million for each of the years 1984, 1983 and 1982.

WINN-DIXIE STORES, INC. (JUN)

	1984	1983
	(Amounts in thousands)	
Current liabilities:		
Accounts payable	$246,728	239,732
Accrued expenses	145,262	151,923
Current obligations under capital leases	2,782	2,633
Federal income taxes	7,711	33,602
Total current liabilities	402,483	427,890
Deferred income taxes	7,344	8,716
Long-term liabilities:		
Obligations under capital leases	74,509	77,857
Other long-term debt	25,615	27,015
Total long-term liabilities	100,124	104,872

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Leases

(a) Leasing Arrangements: There were 1274 leases in effect on store locations and other properties at June 27, 1984. Of these 1274 leases, 100 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 contingent rental which is based on 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 27, 1984	June 29, 1983
	Amounts in thousands	
Store facilities	$44,697	45,688
Warehouses and manufacturing facilities	49,955	49,951
	94,652	95,639
Less: Accumulated amortization	31,465	28,461
	$63,187	67,178

The following is a schedule by year of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of June 27, 1984:

Fiscal year:	Amounts in thousands
1985	$ 11,918
1986	11,918
1987	11,694
1988	11,519
1989	11,441
Later years	140,640
Total minimum lease payments	199,130
Less: Amount representing estimated taxes, maintenance and insurance costs included in total minimum lease payments	18,702
Net minimum lease payments	180,428
Less: Amount representing interest	103,137
Present value of net minimum lease payments	$ 77,291

(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 27, 1984:

Fiscal year:	Amounts in thousands
1985	$ 81,788
1986	80,500
1987	78,817
1988	76,821
1989	74,599
Later years	645,724
Total minimum payments required	$1,038,249

Rental payments under operating leases including, where applicable, real estate taxes and other expenses are as follows:

	1984	1983	1982
	Amounts in thousands		
Minimum rentals	$75,076	68,156	63,663
Contingent rentals	8,937	9,319	9,722
Total	$84,013	77,475	73,385

Lessee—Operating Leases

AMERICAN BROADCASTING COMPANIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note J: Leased Assets and Lease Commitments

Minimum Lease Payments (noncancellable leases at December 29, 1984):	(Dollars in thousands) Capital Leases	Operating Leases
1985	$ 3,154	$ 34,219
1986	2,975	32,285
1987	2,899	29,903
1988	2,787	27,386
1989	2,732	19,506
1990 to 2039	146,229	127,627
Total minimum lease payments	160,776	$270,926
Imputed interest (range 10% to 14%)	136,470	
Present value of minimum lease payments	$ 24,306	

Minimum payments for leases have not been reduced by minimum sublease rentals aggregating $12,167,000 for operating leases due in the future under noncancellable subleases. Contingent rentals that may be paid under certain operating leases have also been excluded.

Total Rent (cancellable and noncancellable operating leases):	(Dollars in thousands) 1984	1983	1982
Minimum rentals	$74,585	$67,424	$60,886
Contingent rentals	84	262	215
Sublease rentals	(784)	(911)	(1,016)
	$73,885	$66,775	$60,085

Contingent rentals are determined on the basis of a percentage of revenues in excess of stipulated minimums for certain rental properties. Under the terms of most leases, the Company pays taxes, maintenance, insurance and other operating expenses related to leased premises. Management expects that in the normal course of business, leases expiring will be renewed or replaced by other leases.

ARMADA CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Lease Commitments

The Company leases certain real estate for its corporate offices, sales offices, warehouses and installation shops, as well as certain equipment. The office, warehouse and equipment leases expire over the next five years and the installation shop leases expire over the next 20 years. In the normal course of business, the Company expects that as leases expire they will be renewed or replaced by other leases.

Minimum future rental commitments under non-cancelable operating leases having an initial or remaining term in excess of one year as of December 31, 1984 are as follows:

Year ending December 31,	
1985	$ 934,000
1986	760,000
1987	631,000
1988	479,000
1989	247,000
Later years	986,000
Total minimum payments required	$4,037,000

Minimum payments have not been reduced by minimum sublease rentals of $590,000 due as follows under non-cancelable subleases: $65,000 due in each of the years 1985 through 1987, $33,000 due in 1988, $26,000 due in 1989, and $336,000 due in later years.

Rentals charged to operations amounted to $1,145,000, $1,200,000, and $1,226,000 in 1984, 1983 and 1982, respectively.

THE FIRESTONE TIRE & RUBBER COMPANY (OCT)

NOTES TO FINANCIAL STATEMENTS

(Dollars in millions)

Leases

Leased property consists of many of the Company's retail stores, certain warehouse facilities, and various transportation and data processing equipment. Substantially all the store and warehouse leases are for periods from ten to twenty years, contain renewal options, generally for one to three five-year periods, and provide for minimum rents and contingent rents based upon specified percentage of sales.

Minimum lease commitments as of October 31, 1984 are as follows:	Operating leases	Capital leases
Years ending October 31		
1985	$ 73	$ 1
1986	67	1
1987	60	1
1988	50	5
1989	44	5
Subsequent to 1989	213	21
Total minimum lease payments	$507	34
Less estimated executory costs		1
Net minimum lease payments		33
Less estimated amounts representing interest		8
Present value of net minimum long-term capital lease payments		$25

Net rent expense consists of the following: Years ended October 31	1984	1983	1982
Base rentals for operating leases	$68	$42	$36
Contingent rents (based on sales)	3	2	2
Less sublease rents	(10)	(10)	(9)
Net rent expense	$61	$34	$29

At October 31, 1984, future minimum sublease rents amounted to $14. Interest and debt expense related to capital leases was $2 in 1984, 1983, and 1982.

FLOWERS INDUSTRIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Leases and Other Commitments

Description of Operating Lease Arrangements

The Company leases certain property and equipment including warehouses, certain distribution and other equipment under operating leases which expire over the next thirteen years. Most of these operating leases provide the Company with the option after the initial lease term either to purchase the property at the then fair value or renew its lease at the then fair rental value for periods of one month to fifteen years. Generally, management expects that leases will be renewed or replaced by other leases in the normal course of business. Payments for certain truck rentals are based on a minimum rental plus additional rent based on mileage.

Minimum payments for operating leases having initial or remaining noncancelable terms in excess of one year are as follows (Amounts in Thousands):

Fiscal Year(s)	
1985	$ 5,732
1986	4,975
1987	3,668
1988	2,528
1989	1,881
1990 to termination (aggregate)	2,380
Total minimum lease payments	$21,164

Total rent expense for all operating leases amounted to $12,099,000 for 1984, $9,767,000 for 1983 and $8,737,000 for 1982 including $3,717,000, $2,223,000 and $2,123,000, respectively, for contingent truck rental based on mileage.

SCHOLASTIC INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands except shares and per share data)

6. Commitments

The Company leases warehouse space, office space, and equipment under various operating leases. Certain of these leases include escalation clauses that require the Company to pay its pro rata share of increases in maintenance expense and real estate taxes above those prevailing in the base years. In most cases management expects that, in the normal course of business, leases will be renewed or replaced by other leases.

The Company has no significant capitalized leases. Total rent expense for the year ended May 31, 1984, the nine months ended May 31, 1983, and the year ended August 31, 1982, aggregated $4,057, $2,497, and $3,368, respectively. These rentals include payments under the terms of the escalation provisions. There are no contingent rentals.

The aggregate minimum annual rental commitments at May 31, 1984 under all noncancelable operating leases are as follows:

1985	$ 3,601
1986	3,424
1987	3,123
1988	3,124
1989	2,630
Later years	8,775
	$24,677

GIANT FOOD INC. (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 (In Part): Commitments

Leases: The Company leases certain of its warehouse facilities and substantially all of its retail store properties under noncancelable agreements for periods ranging from 20 to 25 years. These leases generally contain optional renewal provisions for one or more periods of five years each. Most leases also require the payment of taxes, insurance and maintenance costs and substantially all leases covering retail store properties provide for additional rentals based on sales. Data processing and certain other equipment leases are for terms of two to seven years.

Operating leases: Future minimum rentals under noncancelable operating leases as of February 25, 1984 are as follows:

Fiscal year	Thousands of dollars
1985	$ 9,286
1986	8,858
1987	8,338
1988	7,670
1989	7,046
Later years	80,950
Total minimum payments	$122,148

Minimum payments have not been reduced for future minimum sublease rentals of $1,934,000.

Total rental expense for all operating leases was as follows:

	1984	1983	1982
	Thousands of dollars		
Rental expense:			
Minimum	$15,811	$14,221	$11,908
Contingent	6,059	5,949	5,572
Sublease rental income	(424)	(443)	(329)
	$21,446	$19,727	$17,151

The Company is contingently liable for rent of $692,000 for the year ending February 23, 1985 and in varying amounts thereafter through the year 2002, for leases which have been assigned to a third party.

Estimated minimum annual rentals for facilities opening in the coming year will amount to approximately $750,000.

Lessor Leases

COMPUGRAPHIC CORPORATION (DEC)

	1984	1983
Current assets:	($000)	
Cash, including interest-bearing deposits of $6,669 in 1984 and $6,419 in 1983	$ 8,006	$ 10,534
Marketable securities, at cost which approximates market	7,741	15,734
Accounts receivable, less allowances of $3,364 in 1984 and $3,100 in 1983	59,768	48,861
Notes receivable	4,000	14,000
Refundable federal income taxes	—	1,720
Current investment in sales-type leases, net (Note 7)	15,887	7,315
Inventories:		
Finished goods	33,770	24,842
Work-in-process	22,110	18,021
Purchased parts	31,842	26,043
Total inventories	87,722	68,906
Prepaid federal income taxes	7,847	7,569
Prepaid expenses and advances	7,855	6,651
Total current assets	198,826	181,290
Investment in sales-type leases (Note 7)	37,600	22,777

7. Investment in Sales-Type Leases, Net

The Company owns 100 percent of the outstanding common stock of Compugraphic Financial Corporation, which is a financing subsidiary. Information pertaining to Compugraphic Financial Corporation's net investment in sales-type leases is as follows:

(Dollars in thousands)	1984	1983
Future minimum lease payments receivable	$80,160	$46,961
Less: allowance for bad debts	9,313	6,221
Net minimum lease payments receivable	70,846	40,740
Less: unearned income	17,359	10,648
Investment in sales-type leases, net	$53,487	$30,092

Future minimum lease payments receivable during the next five years are as follows:

1985-$23,180,000; 1986-$21,183,000; 1987-$18,471,000; 1988-$13,281,000; 1989-$4,045,000.

SMITHKLINE BECKMAN CORPORATION (DEC)

	1984	1983
	Dollars in millions	
Total current assets	$1,744.9	$1,762.7
Net assets of discontinued businesses	—	192.7
Lease receivables	67.5	76.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(5) Lease Receivables

The Company has entered into sales-type leases for certain instruments and systems. The components of the Company's investment in such leases are as follows:

	1984	1983
Total minimum lease payments to be received	$133.1	$151.0
Less: executory costs	8.9	13.1
	124.2	137.9
Less: unearned income	28.6	35.8
Net investment in lease receivables	95.6	102.1
Less: current portion	28.1	26.1
	$ 67.5	$ 76.0

The minimum lease payments to be received in each of the five succeeding years are:

1985	$ 44.3
1986	39.1
1987	30.3
1988	15.1
1989	4.3
	$133.1

SPERRY CORPORATION (MAR)

	1984	1983
	(In millions of dollars)	
Total Current Assets	$2,639.1	$2,480.8
Long-Term Receivables (Note 7)		
Sales-type leases, less allowance for unearned income: 1984, $226.0; 1983, $259.4	1,225.5	1,354.5
Due from wholly-owned finance company	110.0	110.0
Other, less allowance for doubtful accounts: 1984, $1.7; 1983, $1.9	80.3	65.1
	1,415.8	1,529.6
Investments at Equity		
Wholly-owned finance and insurance companies	345.6	325.1
Other companies	81.8	71.5
Rental Machines, at cost	682.4	659.8
Less allowance for depreciation and obsolescence	468.0	451.4
	214.4	208.4

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Revenue and Related Costs

Revenue is derived from product sales, rentals of leased equipment, and services rendered.

Revenue under U.S. Government cost-type contracts is recognized when costs are incurred, and under fixed price contracts when products or services are accepted and billings can be made. General and administrative expenses are charged to income as incurred. Cost of revenue under long-term U.S. Government contracts is charged based on current estimated total costs. When estimates indicate a loss under a contract, cost of revenue is charged with a provision for such loss.

Noncancellable full payout lease contracts, generally covering five years, are accounted for as sales-type leases. Accordingly, the present value of all payments due under the lease contract is recorded as revenue from product sales at the time the equipment is accepted by the customer, and interest is recorded as service revenue over the lease term.

Cost of revenue is charged with the book value of the equipment plus installation costs and provisions for other costs to be incurred over the lease term. The lease term covers the estimated economic life of the equipment; accordingly, no consideration is given to any residual value of the equipment which remains with the Company. Rentals for equipment under other leases are accounted for under the operating method and are included in revenue as earned over the lease term; related cost consists mainly of depreciation.

7. Long-Term Receivables and Operating Leases

At March 31, 1984 long-term receivables under sales-type leases before allowance for unearned income were collectible by fiscal years as follows: 1986, $548.4 million; 1987, $430.9 million; 1988, $285.4 million; 1989, $146.1 million; thereafter, $40.7 million. Interest rates on all long-term receivables ranged from 9% to 22% per annum.

Rental income to be received under noncancellable operating leases was as follows: 1985, $106.6 million; 1986, $60.3 million; 1987, $37.8 million; 1988, $21.6 million; 1989, $7.2 million.

XEROX CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Income Recognition

Revenues from the sale of equipment under installment contracts and from sales-type leases are recognized at the time of sale or at the inception of the lease, respectively. Revenues from equipment under other leases are accounted for by the operating lease method and are recognized over the lease term. Operating lease plans include maintenance and parts, but generally do not include supplies such as toner and paper which are sold separately. Service revenues are derived primarily from maintenance contracts on the Company's equipment sold to customers. Rental and service revenues from reprographic products vary each month based on the number of copies produced.

Rental Equipment and Related Inventories

The cost of rental equipment and related inventories and accumulated depreciation follow:

(In millions)	1984	1983
Rental equipment and related inventories	$3,798.5	$3,987.0
Less accumulated depreciation	2,279.0	2,458.5
Rental equipment and related inventories, net.	$1,519.5	$1,528.5

Rental equipment is depreciated over estimated useful lives, generally three to seven years.

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 (in millions): 1984-$295.8; 1983-$264.3 and 1982-$238.8. 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, 1984 are summarized below:

(In millions)	Capital Leases	Operating Leases
1985	$ 21.4	$ 230.6
1986	19.1	186.5
1987	15.2	140.2
1988	11.2	109.1
1989	8.8	90.7
Later years	84.1	636.7
Total minimum lease payments	159.8	$1,393.8
Less amount representing executory costs	(3.6)	
Net minimum lease payments	156.2	
Less amount representing interest	(68.9)	
Present value of net minimum lease payments	$ 87.3	

As Lessor

The Company's equipment operating lease terms vary generally from one to thirty-six months. Minimum future rental revenues on noncancelable operating leases with terms of one year or longer are (in millions): 1985-$1,214.9; 1986-$574.2; 1987-$147.0; and in the aggregate-$1,936.1. Total contingent rentals, principally usage charges in excess of minimum rentals for operating leases, amounted to (in millions): 1984-$709.5; 1983-$758.2 and 1982-$921.6.

The components of the Company's net investment in sales-type leases as of December 31, 1984 and 1983 were:

(In millions)	1984	1983
Total minimum lease payments receivable	$448.8	$501.9
Less amount representing executory costs	(5.0)	(8.2)
Minimum lease payments	443.8	493.7
Estimated residual values	3.5	—
Unearned income	(84.5)	(117.3)
Allowance for doubtful receivables	(11.3)	(13.4)
Net investment in sales-type leases	$351.5	$363.0

Total minimum lease payments receivable are collectible as follows (in millions): 1985-$151.4; 1986-$120.5; 1987-$90.1; 1988-$53.4; 1989-$31.2; thereafter-$2.2.

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

BRIGGS & STRATTON CORPORATION (JUN)

	1984	1983
Total Current Liabilities	$113,246,000	$99,508,000
Deferred Income Taxes	22,262,000	18,202,000
Accrued Employee Benefits	9,399,000	9,016,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Deferred Income Taxes: Deferred income taxes, classified as a noncurrent liability, provide for the tax effects of timing differences relating to noncurrent assets and noncurrent liabilities resulting in the recognition of certain income and expense amounts in different periods for tax and financial reporting purposes. These timing differences principally result from additional tax deductions available due to the use of accelerated methods of depreciation and shorter asset lives for tax purposes and are offset in part, by accrued employees benefits which are not tax deductible until paid.

THE FEDERAL COMPANY (MAY)

	1984	1983	1982	1981
Total current liabilities	$91,964	$86,244	$95,870	$118,399
Long-term debt, including capital lease obligations	39,294	31,987	25,652	17,825
Deferred income taxes (Note 6)	886	1,331	2,177	2,334
Other liabilities	4,628	4,485	4,378	4,211

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except where otherwise noted)

6 (In Part): Income Taxes and Tax Credits

Current deferred income taxes ($16,029 for 1984, $14,072 for 1983, $14,462 for 1982, $17,073 for 1981, and 2,587 for 1980) result from timing differences between financial statement and tax return recognition of certain inventory costs. The provisions (credits) for current deferred taxes relative to these timing differences included in income tax expense were as follows: 1984-$2,185; 1983-$(424); 1982-$(2,553); 1981-$14,556; 1980-$552.

Non-current deferred income taxes ($886 for 1984, $1,331 for 1983, $2,177 for 1982, $2,334 for 1981 and $2,692 for 1980) relate principally to the conversion of a poultry subsidiary from the cash basis to the accrual basis of accounting. This adjustment is being spread over a ten-year period ending in 1986.

TABLE 2-28: OTHER NONCURRENT LIABILITIES

	Number of Companies			
	1984	**1983**	**1982**	**1981**
Deferred income taxes	504	504	506	502
Minority interest	124	137	137	138
Production payments	20	11	10	12
Employee Liabilities				
Pension or retirement plan	63	57	67	62
Deferred compensation, bonus, etc.	58	59	61	61
Other—described	38	31	32	27
Estimated losses or expenses				
Discontinued operations	29	31	31	23
Warranties	9	10	10	7
Insurance	7	12	9	7
Other—described	49	46	51	44
Deferred credits				
Deferred profit on sales	10	6	5	4
Payments received prior to rendering service	8	7	8	10
Excess of acquired net assets over cost	4	4	4	3
Pension plan termination	6	—	—	—
Other—described	11	9	6	8

TYSON FOODS INC. (SEP)

	1984	1983
Total Current Liabilities	$120,580,060	$102,525,036
Long-Term Debt, Less Current Portion	87,254,328	81,439,801
Deferred Income Taxes	6,038,732	3,847,669

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4 (In Part): Income Taxes

Current deferred income taxes result from the use of the cash method of accounting for income tax purposes which gives rise to timing differences between financial statement and tax return recognition of receivables, inventories and payables. Non-current deferred income taxes result from the use of the Accelerated Cost Recovery System of depreciation for income tax purposes and from safe harbor leasing transactions.

Minority Interests

AMERICAN MAIZE-PRODUCTS COMPANY (DEC)

	1984	1983
	($000)	
Total current liabilities	$40,248	$32,747
Long-term debt, less current installments	98,343	70,755
Deferred income taxes	19,208	15,562
Other liabilities	1,505	1,496
Commitments and contingencies		
Minority interest (Note 2)	16,010	—

Note 2 (In Part): Business Changes

In February 1984, AFC sold 2,875,000 shares of its common stock to the public which decreased the Company's ownership of AFC from 100% to 67.8%. The Company recognized a non-taxable gain of $6,275,000 resulting from the offering price per share exceeding the Company's carrying amount per share. The portion of AFC held by the public and earnings allocated thereto are presented as "minority interest" in the accompanying 1984 consolidated financial statements.

BELL & HOWELL COMPANY (DEC)

	1984	1983
	($000)	
Total current liabilities	$171,342	$184,491
Other liabilities:		
Long-term debt	89,431	43,371
Deferred compensation	10,927	10,753
Deferred taxes	11,625	14,022
Minority interest	8,691	7,234
Total other liabilities	120,674	75,380

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands except per share data)

Note A (In Part): Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include all subsidiaries except the joint venture and financing subsidiary, described in Note C, which are accounted for on the equity basis. Minority interest represents the minority shareholders' proportionate share of the equity of DeVRY INC., a subsidiary which sold approximately 15% of its common stock in a public offering in December 1983. The company's equity in the net assets of DeVRY after the sale of its common stock exceeded the carrying amount of its investment. The gain of $6,917 which is net of income taxes of $3,468 was credited to additional paid-in capital.

The net assets of international subsidiaries have been translated into U.S. dollars at year-end exchange rates. The Consolidated Statement of Earnings has been translated at the average exchange rates in effect during the periods. Net transaction losses of $641, $363 and $552 for 1984, 1983 and 1982, respectively, have been charged to earnings. Unrealized net translation losses of $6,561, $5,181 and $4,706 for 1984, 1983 and 1982, respectively, are recorded in shareholders' equity as cumulative translation adjustments.

BORG-WARNER CORPORATION (DEC)

	1984	1983
	(Millions of dollars)	
Total current liabilities	$656.9	$642.6
Warranties and other liabilities	116.3	116.5
Deferred income	37.1	41.9
Deferred income taxes	118.1	68.8
Long-term debt	234.1	248.5
Minority shareholders' interest in consolidated subsidiaries	24.9	25.8

THE FIRESTONE TIRE & RUBBER COMPANY (OCT)

	1984	1983
	(Dollars in millions)	
Total current liabilities	$934	$893
Long-term debt and capital leases	240	381
Deferred income taxes	113	110
Minority interest in subsidiary companies	48	54

NOTES TO FINANCIAL STATEMENTS

(Dollars in millions)

Redeemable Preferred Stock of Canadian Subsidiary

Preferred stock of the Canadian subsidiary, included in the balance sheets as minority interest in subsidiary companies, totaled $27 ($35 Canadian) at October 31, 1984 and $32 ($40 Canadian) at October 31, 1983. Annual sinking fund payments of $4 ($5 Canadian) are required each year through 1987, with a final payment of $15 ($20 Canadian) due in 1988. The dividends paid on the preferred stock are adjusted periodically based principally on the Canadian prime interest rate and are included in other income, net.

THE BF GOODRICH COMPANY (DEC)

	1984	1983
	(Dollars in millions)	
Total Current Liabilities	$682.3	$623.7
Non-Current Obligations		
Long-term debt	581.5	552.9
Capital lease obligations	96.2	101.4
Deferred income taxes	82.6	92.2
Accrual for sales warranty adjustments, self-insurance and other purposes	66.8	64.4
Total Non-Current Obligations	827.1	810.9
Minority Interests in Subsidiaries	12.7	13.4

Employee Related Liabilities

AMERICAN BAKERIES COMPANY (DEC)

	1984	1983
	($000)	
Total Current Liabilities	$40,635	$49,553
Long-Term Debt	11,014	19,192
Accrued Pension Cost, not to be funded currently (Note 7)	3,926	3,519
Deferred Taxes and Other Long-Term Liabilities	3,719	1,333

Note 7 (In Part): Retirement Plans:

At December 29, 1984, the Company had accrued but unfunded pension liability amounting to approximately $4.6 million. Of this liability, $3.9 million will not be funded currently and, accordingly, has been classified as a long-term obligation in the accompanying balance sheets.

COPPERWELD CORPORATION (DEC)

	1984	1983
	($000)	
Long-Term Debt	$87,447	$91,135
Other Liabilities and Credits		
Unfunded retirement costs	24,913	25,933
Deferred compensation	3,708	3,518
Deferred income taxes	22,425	18,938
Accrued litigation judgment	—	8,353
	51,046	56,742

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Employee Benefit Plans

Substantially all employees are covered by plans which provide non-contributory retirement benefits. Pension costs of $8,721,000 were charged to income in 1984 ($9,638,000 in 1983, exclusive of charges for unfunded benefits disclosed in Note 7, and $11,828,000 in 1982) including current service costs and amortization of prior service costs over a 30-year period. As a result of funding minimum amounts as permitted by ERISA, in 1983, a portion of the pension contributions was deferred resulting in $4,115,000 being reclassified from current liabilities to unfunded retirement costs. Amounts funded were $11,758,000 in 1984 ($8,727,000 in 1983 and $12,073,000 in 1982). Pension costs in 1984 and 1983 were less than the prior years as a result of a reduced level of employment.

Unfunded retirement costs at December 31, 1984 of $24,913,000 ($25,933,000 in 1983) relate primarily to the present value of retirement benefits for terminated employees of operating plants which were closed and are being funded over periods ranging from 20 to 30 years. The amount funded in 1984 was $1,930,000 ($843,000 in 1983 and $1,825,000 in 1982). Operations were charged for equivalent interest of $2,061,000 in 1984 ($1,289,000 in 1983 and $935,000 in 1982).

CYCLOPS CORPORATION (DEC)

	1984	1983
	($000)	
Total current liabilities	$173,718	$158,634
Long-term debt	98,843	92,597
Deferred income taxes	17,896	11,134
Excess of vested pension benefits over pension fund assets (Note 7)	7,358	7,660
Net noncurrent liability resulting from discontinued operations	27,385	26,715
Deferred service revenue and other	12,140	8,338
Total liabilities	337,340	305,078

Note 7 (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 $25,000,000, $24,400,000, and $24,700,000 for 1984, 1983 and 1982, respectively. Pension expense includes amortization of past service liabilities over periods ranging to 40 years and actuarial losses over 15 years. 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.

KNAPE & VOGT MANUFACTURING COMPANY (JUN)

	1984	1983
Total Current Liabilities	$5,697,626	$4,444,471
Supplemental Retirement Benefits (Note 3)	244,622	159,400
Deferred Income Taxes	2,110,200	1,907,200
Total Liabilities	8,052,448	6,511,071

Note 3 (In Part): Retirement Plans

The Company and subsidiaries have a supplementary pension program for their officers. The program also provides death and disability benefits. The annual cost is actuarily determined and is unfunded.

SPENCER COMPANIES, INC. (MAY)

	1984	1983
Total current liabilities	$16,911,802	$11,251,072
Long-term debt less current maturities	608,610	1,615,990
Deferred compensation (Note 10)	446,401	372,513
	1,055,011	1,988,503

Note 10. Deferred Compensation

The Company has employment agreements with certain officers through May 29, 1985. Following expiration of the contracts, the officers have agreed to provide part-time consulting services to the Company, upon request, for a consulting fee of $90,000 per year. In addition, the employment agreements provide, among other things, that during each of the ten years from and after the termination of employment or consulting services because of retirement, death or disability, each officer is to be paid deferred compensation equal to fifty percent of the average annual cash compensation paid to them during the last three full fiscal years of the Company in which they performed services as employees. Payments under the Company's retirement plan are to be deducted from such payments.

The deferred compensation is being accrued over the remaining term of the employment contracts on a present value basis. The annual accruals are being made to insure that the anticipated accrued amount of $520,000 at the end of the term of the employment agreements is not less than the present value of the estimated payments to be made to the officers subsequent to May 29, 1985. Deferred compensation expense was $73,888 in 1984 and $124,171 in 1983 and 1982, respectively. Since the deferred compensation is tax deductible only when the benefits are paid, deferred taxes have been provided in the amounts of $33,988 in 1984 and $57,118 in 1983 and 1982, respectively.

SUPREME EQUIPMENT & SYSTEMS CORP. (JUL)

	1984	1983
Total Current Liabilities	$ 7,425,065	$ 6,759,383
Other Liabilities:		
Long-term debt, less current portion	7,379,340	4,195,126
Deferred compensation, less current portion—Note 8	326,466	344,167
Total Other Liabilities	7,705,806	4,539,293
Total Liabilities	15,130,871	11,298,676

Note 8—Deferred Compensation:

During fiscal 1979, the Company adopted deferred compensation agreements for two executives, with benefits commencing at retirement. There was no expense for the year ended July 31, 1984. The expense for the years ended July 31, 1983 and 1982 was approximately $56,000 and $103,000, respectively. For income tax purposes, a deduction is allowed at the time compensation is paid to the participants.

TEXAS INSTRUMENTS INCORPORATED (DEC)

	1984	1983
	($ Millions)	
Total current liabilities	$1,412.2	$1,230.5
Deferred liabilities and credits		
Long-term debt	380.7	225.1
Incentive compensation payable in future years	7.2	3.8
Deferred credits and other liabilities	82.8	51.2
Total deferred liabilities and credits	470.7	280.1

Estimated Losses or Expenses

ADDSCO INDUSTRIES, INC. (JUN)

	1984	1983
Total Current Liabilities	$2,461,674	$5,009,104
Long-term Debt, Less Current Maturities	—	163,000
Other Liabilities		
Deferred income taxes	1,990,355	1,306,126
Accrued pension costs, not to be funded currently	—	251,438
Deferred compensation	212,139	358,924
Accrued workmen's compensation claims	2,141,555	2,282,061
Estimated liability for damage claims	200,640	868,003
Total Other Liabilities	4,544,689	5,066,552

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Estimated Liability for Damage Claims

An individual who was not an employee of the Company was allegedly injured aboard a vessel on which the Company was performing work. This individual has brought action in state court alleging the responsibility of the Company for the alleged injuries.

In other separate incidents, former employees of the Company were allegedly injured aboard vessels on which the Company was performing work. These individuals have brought separate actions in various courts alleging responsibility of other employees of the Company for their alleged injuries. The Company has agreed, subject to certain conditions, to indemnify these employees against any expenses, judgments, fines or settlement payments in connection with these matters.

In addition, other miscellaneous claims for property damage have been brought against the Company.

Losses which have been provided for are deemed adequate by the Company's management. The Company has directed legal counsel to contest these actions.

BETHLEHEM STEEL CORPORATION (DEC)

	1984	1983
	(Dollars in millions)	
Total Current Liabilities	$1,028.3	$ 988.1
Liabilities Payable after One Year	206.8	195.3
Long-term Liability for Restructuring of Operations	729.9	826.7
Long-term Debt	1,265.3	1,134.2
Total Liabilities	3,230.3	3,144.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

I. Restructuring of Operations

During 1982 and 1977, Bethlehem announced plans to restructure certain operations. Pre-tax charges of $1,050 million and $750 million, respectively, were recorded to recognize anticipated losses for these restructurings.

During 1984 and 1983, $103.3 million and $112.0 million, respectively, were applied against the liability for restructuring of operations. The current portion of the liability at December 31, 1984, and December 31, 1983, was $87.9 million and $94.4 million, respectively. Substantially all of the total current and long-term balance of $817.8 million remaining at December 31, 1984 is for employment related costs.

INTERNATIONAL MINERALS & CHEMICAL CORPORATION (JUN)

	1984	1983
	($ millions)	
Long-term debt, less current maturities	$388.1	$424.6
Deferred income taxes	112.7	124.2
Net non-current liabilities from discontinued operations	28.6	
Other non-current liabilities and deferred credits	70.9	64.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions except per share amounts)

Discontinued Operations

In 1984, IMC determined that its investment in a methanol joint venture, formerly part of the discontinued chemical segment, was permanently impaired and made provision for its shutdown and disposal. That provision, offset in part by a $3.5 million pre-tax gain from an adjustment of a 1982 provision for disposal of another portion of the chemical segment, resulted in a pre-tax loss of $43.8 million, reduced by income tax benefits (primarily deferred) of $17.9 million, for a net loss of $25.9 million, or $.97 per share.

During 1982, IMC disposed or made provision for the disposal of most of the businesses of its former chemical segment in a series of sales. The result of these disposals was a pre-tax gain of $5.7 million, less applicable income taxes of $1.2 million (current taxes of $9.5 million less deferred taxes of $8.3 million), for a net gain of $4.5 million, or $.17 per share.

A summary of net current and non-current liabilities of discontinued operations at June 30, 1984, was as follows:

Net current liabilities	
Accounts receivable	$ (2.5)
Trade accounts payable	2.0
Accrued lease obligation	3.3
Accrued plant shutdown costs	3.6
Industrial revenue bonds payable	2.6
Other accrued liabilities	3.2
	$12.2
Net non-current liabilities	
Accrued lease obligation	$33.2
Other accrued liabilities	1.4
Estimated salvage value of property, plant, and equipment	(6.0)
	$28.6

MAGIC CHEF, INC.

	1984	1983	1982
	(Amounts are in thousands)		
Total Current Liabilities	$184,440	$112,710	$99,493
Product Warranty—Noncurrent portion	12,248	9,045	8,296
Long-term Debt—Less current maturities	84,748	82,338	86,466
Deferred Income Taxes	3,681	2,682	2,944
Other Noncurrent Liabilities	8,399	6,658	5,800

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Product Warranty:

Estimated warranty costs are provided at the time of sale. Accrued costs applicable to warranty obligations beyond one year are classified as a long-term liability.

UNITED STATES SURGICAL CORPORATION (DEC)

	1984	1983
	($000)	
Total Current Liabilities	$18,870	$14,549
Litigation Settlement Obligation	3,848	
Long-Term Debt	66,500	76,400
Deferred Income Taxes	45	

Note K (In Part): Commitments and Contingencies

The Company is engaged in various lawsuits either as plaintiff or defendant involving alleged patent infringement, antitrust violations, product liability and breaches of contract. In the opinion of management, based upon advice of counsel, the ultimate outcome of these lawsuits should not have a material impact on the Company's consolidated financial statements.

Between December 1983 and April 1984, stockholder class and derivative actions (now consolidated in the U.S. District Court, District of Connecticut) were commenced against the Company, its directors, certain of its officers and its former auditors, Ernst & Whinney, for alleged securities law violations. The parties to the actions, other than Ernst & Whinney, have agreed in principle upon settlement of these actions, subject to further proceedings therein, consummation of settlement documents and court approval. The Company and its counsel expect the settlement to be consummated in accordance with the agreements in principle. The class actions allege, inter alia, overstatements of earnings and financial condition, common law fraud and negligent misrepresentation and as to certain defendants, RICO violations. The relief sought includes damages, trebled, and various costs. The derivative actions allege waste, fiduciary breach, securities law violations and as to one defendant, insider trading. The relief sought includes injunctions, profit disgorgement, cancellation of the Company's Employee Stock Option Plan, accounting for damages and costs.

Under the agreements in principle, the stockholder class would be paid $6,100,000 by the Company on February 1, 1986; the Company would be paid $1.5 million on behalf of the defendant officers and directors less fees of plaintiff's counsel in the derivative action as determined by the Court; in connection with the settlement the insurance carrier covering the Company's director and officer liability insurance has agreed to contribute the sum of $3 million of which $1.5 million would cover the amount paid on behalf of the officers and directors who would have no further obligation to reimburse the Company for any payments or legal expenses advanced on their behalf. Additional restrictions pertain to officer compensation and option grants and the membership and functions of the Board of Directors and its Committees.

Payables Due After One Year

INLAND STEEL COMPANY (DEC)

	1984	1983
	($000)	
Total current liabilities	$ 441,921	$ 555,774
Amounts due to raw material venture	9,122	10,390
Long-term debt	834,324	787,659
Deferred income taxes	13,192	10,371
Allowance for terminated facilities costs	46,039	20,431
Deferred employee compensation	115,960	110,500
Total liabilities	1,460,558	1,495,125

NOTES TO FINANCIAL STATEMENTS

Note 12: Affiliated Companies

A substantial portion of the Company's raw material requirements is obtained from jointly owned raw material operations. The Company has a 40 percent interest in the Empire Iron Mining Partnership and owns 10.2 percent and 38 percent interests, respectively, in the Wabush Mine and Butler Taconite joint ventures. The purpose of these ventures is to supply iron ore pellets to the participants who share production and production costs based on their percentage ownership. Generally, pellets are transferred to the Company at market price and, after recognition of the Company's share of the venture earnings, the net valuation of shipments reflects production costs. Shipments, at production costs, to the

Company from these operations approximated $139 million in 1984, $128 million in 1983, and $124 million in 1982. On December 31, 1984 and 1983, the Company had a deferred payable to the Empire venture arising from ore purchases.

MIDLAND-ROSS CORPORATION (DEC)

	1984	1983
	(In thousands of dollars)	
Total Current Liabilities	$195,781	$197,413
Long-term Debt	152,902	151,519
Other Long-term Liabilities	53,006	21,999
Deferred Income Taxes	3,361	20,940
Note Payable with Proceeds from Common Stock—Note E	30,000	30,000

Note E—Note Payable with Proceeds from Common Stock

In December 1983 the company completed a transaction that provided $30,000,000 net proceeds (exclusive of issue costs) in exchange for its Series C preferred stock. The company issued 400,000 shares of Series C preferred stock to a trust which is beneficially owned in its entirety by a wholly owned subsidiary of the company. Under terms of the trust and related agreement, the company's sole obligation is to redeem 300,000 shares of the preferred stock by issuing shares of its common stock. The trust is obligated to sell the common stock to repay the trust's $30,000,000 outstanding nonrecourse 14% notes payable.

The number of common shares to be issued will be determined based on the then market price of the company's common stock. Using the market price at December 31, 1984, approximately 1,700,000 common shares would be required to be issued. The redemption schedule applicable at December 31, 1984 requires redemption of 300,000 preferred shares in 1994. Another schedule, which may be applicable depending on certain defined circumstances, requires annual redemptions of 31,000 shares beginning in 1990. The company may make optional redemptions at par until all Series C preferred shares are retired.

The amount shown for these securities in the December 31, 1983 balance sheet has been reclassified based on discussion of this matter by the Financial Accounting Standards Board Emerging Issues Task Force and the staff of the Securities and Exchange Commission, which indicated that the trust's nonrecourse borrowings should be reflected in the company's financial statements outside of shareholders' equity. Interest expense for 1984 includes $4,200,000 related to these borrowings.

WILLAMETTE INDUSTRIES, INC. (DEC)

	1984	1983
	($000)	
Total current liabilities	$174,197	$150,178
Deferred income taxes	79,820	72,216
Other liabilities	6,239	5,653
Long-term debt, net of current installments	183,382	238,394
Timber purchase contracts, non-interest bearing	55,612	58,449

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

(d) Timber, Timberlands and Related Facilities

These accounts are stated at their cost less stumpage and amortization of logging roads. Stumpage is the cost of standing timber charged to expense as the timber is harvested. Amortization of logging roads is charged to expense as timber is harvested. Both stumpage and amortization rates are determined with reference to costs and the related existing volume of timber estimated to be recoverable.

Lump-sum purchase contracts are recorded as timber owned, with the corresponding liability classified as noncurrent. Timber committed to the Company under "unit price, pay-as-cut" arrangements is not recorded as an asset nor is any liability recorded until incurred by cutting.

In 1984, the Federal Timber Contract Payment Modification Act was enacted which will allow the Company to buy out a substantial portion of those high priced Federal timber contracts which were purchased prior to 1982 at prices which reflected the inflationary expectations prevalent at the time. The estimated cost of buying out these contracts is approximately $5.2 million ($.34 per share) net of income taxes, and is reflected as an extraordinary charge.

Deferred Credits

CBI INDUSTRIES, INC. (DEC)

	1984	1983
	($000)	
Total current liabilities	$298,612	$309,181
Long-term debt	249,464	2,555
Long-term lease obligations	26,829	—
Deferred income (Note 5)	11,618	—
Deferred income taxes and investment tax credits	140,016	135,181
Commitments and contingent liabilities		
Minority interest in subsidiaries	49,674	4,699

Note 5 (In Part): Property and Equipment

In 1984, CBI entered into a sale and lease-back of its corporation offices in Oak Brook, Illinois. Substantially all of the gain on this transaction was deferred and is being amortized to income on a straight-line basis over the 17 year lease term. The unamortized after tax gain is reported in the balance sheets as deferred income.

MOORE McCORMACK RESOURCES, INC. (DEC)

	1984	1983
	($000)	
Deferred income taxes	$112,539	$104,924
Deferred credits and other liabilities (Note 4)	25,108	26,706
Long-term debt	357,427	383,860
Redeemable preferred stock	27,000	—

Note 4 (In Part): Sale and Leaseback and Sale of Tax Benefits

In 1983, the company sold and leased back one of its 1,000 foot Great Lakes ore vessels under an operating lease with an initial term of 22 years and annual rentals of $5,105,000. The excess of the net proceeds ($53,000,000, including $32,743,000 of Title XI bonds assumed by the purchaser) over the net book value of the vessel ($36,669,000) was deferred. Such deferred gain of $15,589,000 and $16,331,000 as of December 31, 1984 and 1983, respectively, has been included in *Deferred credits and other liabilities* in the Consolidated Balance Sheets and is being credited to income over the initial lease term.

MUNSINGWEAR, INC. (DEC)

	1984	1983
	($000)	
Total current liabilities	$8,857	$11,083
Long-term debt	9,565	12,890
Deferred pension termination income	1,547	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note G (In Part): Pension Information

In October 1984, the Board of Directors approved the termination of the Company's Salaried and Clerical Pension Plan and authorized the adoption of a new defined benefit plan. The vested benefits of the participants of the terminated plan will be integrated into the new plan. The Company has applied for regulatory approval from the Pension Benefits Guaranty Corporation and the Internal Revenue Service for discontinuance of the prior plan. Other accounts receivable at December 31, 1984 includes pension plan assets in excess of vested benefits of approximately $1,200,000 due on final liquidation of the plan. The pension refund, along with the reversal of accrued pension liabilities, results in a gain of $1,719,000 in 1984 which is being deferred and recognized in income over ten years beginning in 1984.

REYNOLDS METALS COMPANY (DEC)

	1984	1983
	($ Millions)	
Total current liabilities	$ 766.4	$808.8
Long-term debt, excluding convertible subordinated debentures	1,081.2	849.3
Deferred credits and other liabilities	204.7	240.4
Deferred taxes on income	154.3	108.0
Deferred income related to pension plan termination (note I)	169.9	—
Convertible subordinated debentures	64.9	67.4

Note I (In Part): Post-retirement benefits

Total pension expense for the years 1984, 1983 and 1982 amounted to $47.8, $45.0 and $42.2 million, respectively. The company's board of directors terminated the salaried retirement plan and approved a new salaried retirement plan effective August 22, 1983 subject to receipt of necessary regulatory approvals. In 1984 these approvals were received and the assets of the pension trust were utilized to purchase annuities for all plan participants with the balance of the assets reverting to the company. Deferred gain relating to this transaction is being recognized over a ten year period of which $9.0 million was recorded in other income in 1984.

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 1984 annual reports of the survey companies.

TABLE 2-29: USE OF TERM "RESERVE"

	Number of Companies			
	1984	**1983**	**1982**	**1981**
To describe deductions from assets for				
Reducing inventories to LIFO cost	41	47	45	33
Doubtful accounts	28	29	32	32
Accumulated depreciation	6	7	8	8
Other—described	7	8	3	5
To describe accruals for				
Estimated expenses relating to property abandonments or discontinued operations	17	15	15	11
Employee benefits or compensation	8	11	10	11
Insurance	5	6	5	4
Other—described	15	15	20	14
Other—not described	11	13	13	15

TITLE OF STOCKHOLDERS' EQUITY SECTION

Table 2-30 summarizes the titles used by the survey companies to identify the stockholders' equity section of the balance sheet. Table 2-30 indicates that while many of the survey companies use either the title *stockholders' equity* or *shareholders' equity* there has been a noticeable decrease in the number of companies using these titles because of SEC *Accounting Series Release No. 268* (Section 211 of *Financial Reporting Release No. 1*). *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.

TABLE 2-30: TITLE OF STOCKHOLDERS' EQUITY SECTION

	1984	1983	1982	1981
Shareholders' Equity	231	226	226	224
Stockholders' Equity	226	228	230	243
Common Shareholders' Equity	26	24	20	17
Shareholders' Investment	23	21	22	24
Common Stockholders' Equity	21	24	23	26
Shareowners' Equity	16	17	18	19
Stockholders' Investment	10	8	9	8
Other or no title	47	52	52	39
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

	1984	1983	1982	1981
Common stock with:				
No preferred stock	389	381	378	386
One class of preferred stock	139	157	150	140
Two classes of preferred stock	53	47	55	54
Three or more classes of preferred stock	19	15	17	20
Total Companies	**600**	**600**	**600**	**600**
Companies included above with two or more classes of common stock	23	22	18	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

	1984	1983	1982	1981
Par value stock shown at par value	506	508	506	495
Par value stock shown at amount in excess of par value per share	29	24	27	26
Par value stock shown at assigned value per share	19	20	14	17
No par value stock shown at assigned value per share	17	17	21	22
No par value stock shown at assigned value—per share value not disclosed	52	53	50	56
Issues Outstanding	**623**	**622**	**618**	**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* (Section 211 of *Financial Reporting Release No. 1*) 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.

Examples of preferred stock presentation follow.

TABLE 2-33: PREFERRED STOCK

	Number of Companies			
	1984	**1983**	**1982**	**1981**
Par Value Stock				
Shown at par value..........	94	100	112	116
Shown at liquidation or redemption value...........	23	20	24	19
Shown at assigned value per share......................	11	11	7	9
Other	20	17	15	13
No Par Value Stock				
Shown at assigned value per share......................	45	41	45	49
Shown at liquidation or redemption value...........	26	31	27	27
No assigned value per share	29	29	22	19
Other	8	11	10	8
Number of Companies				
Preferred stock outstanding	211	219	226	223
No preferred stock outstanding	389	381	374	377
Total Companies........	**600**	**600**	**600**	**600**

Preferred Stock Extended at Par Value

AMERADA HESS CORPORATION (DEC)

	1984	1983
	($000)	
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—366,154 shares in 1984; 409,903 shares in 1983 (aggregate involuntary liquidation value $36,615 at December 31, 1984)........................	$ 366	$ 410
Common stock, par value $1.00		
Authorized—200,000,000 shares		
Issued—82,818,589 shares in 1984; 82,635,622 shares in 1983	82,819	82,636
Capital in excess of par value...........	223,665	222,409
Retained earnings.........................	2,458,196	2,383,339
Equity adjustment from foreign currency translation................................	(191,828)	(163,131)
Total stockholders' equity.......	2,573,218	2,525,663

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Stockholders' Equity

Each share of the $3.50 cumulative convertible preferred stock is entitled to two votes 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 $36,249,000 at December 31, 1984. 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.

DENNISON MANUFACTURING COMPANY (DEC)

	1984	1983
	($000)	
Shareholders' Equity		
Capital Stock:		
$1 Cumulative Convertible Preferred Stock, par value $10 per share; authorized shares less retirements, 265,000 in 1984 and 330,000 in 1983; issued and outstanding, 160,000 in 1984 and 185,000 in 1983	$ 1,600	$ 1,850
Common Stock, par value $1 per share; 30,000,000 shares authorized; issued and outstanding, 14,636,140 in 1984 and 9,522,694 in 1983	14,636	9,523
Capital in excess of par value	33,102	34,781
Earnings reinvested	197,298	179,147
Equity adjustment for foreign currency translation	(13,190)	(9,506)
	233,446	215,795
Less account receivable from Employee Stock Ownership Trust	5,811	4,824
Total Shareholders' Equity	227,635	210,971

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note F (In Part): Capital Stock and Capital in Excess of Par Value

Preferred shares are entitled to preferential cumulative dividends at the greater of (a) $1 per share per year, or (b) three times the amount per share paid on common shares, as and when declared by the Board of Directors. In the event of a distribution of the Company's assets on dissolution, sale of its property, or liquidation, the preferred shares shall receive $25 per share ($4,000,000 in the aggregate) plus any unpaid accumulated dividends. Preferred shares may be converted by the holder into common shares at any time after the fifth anniversary of their issuance.

The number of common shares into which each preferred share may be converted varies from two and one-fourth shares to three and three-fourths shares. The conversion ratio is determined by comparing the average market value of common shares at conversion with the average market value preceding issuance. Preferred shares are redeemable by the Company at $25 per share at any time after the tenth anniversary of issuance, but any holder has the right to convert into common shares rather than sell. Preferred shares vote share for share with common shares on most issues presented to shareholders for action. Under certain circumstances, including a proposal to merge the Company into another business or to sell substantially all of its assets, approval is required by three-fourths of each outstanding class, voting separately.

At December 31, 1984, 1,116,269 common shares were reserved for issuance upon the exercise of incentive stock options, conversion of preferred shares and conversion of performance convertible debenture units (Note G).

THE RYMER COMPANY (OCT)

	1984	1983
	(In thousands of dollars)	
Stockholders' equity:		
Preferred stock $100 par, 400,000 shares authorized all series; Series B, 12% convertible shares, authorized and outstanding 35,999 shares	$ 3,600	$ 3,600
Common stock, $1 par-shares authorized 10,000,000; outstanding 2,222,173 shares in 1984 and 1,492,061 shares in 1983, after deducting 16,225 shares in treasury in 1984 and 20,530 shares in 1983	2,222	1,492
Additional paid-in capital	20,745	18,147
Retained earnings (deficit)	(13,763)	(19,798)
Note receivable from sale of common shares to related party, net of amortization of $186,000	(914)	
Deferred unearned compensation agreement to related party, net of amortization of $116,000	(1,314)	
Total stockholders' equity	10,576	3,441

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Capital Stock

During 1984, the Company's Board of Directors declared a four-for-three stock split which resulted in the issuance of 541,375 shares of previously unissued common stock. Cash distributed in lieu of fractional shares amounted to approximately $5,000. All earnings per share information in this report reflects the adjusted number of shares outstanding after the above stock split.

During 1984, the Company issued 43,081 shares of common stock to settle obligations which arose in 1984 and 1983 due to litigation, employee severance and other matters. In 1984, in settlement of a lawsuit involving certain former employees (see Note 14), the Company issued 15,135 shares of common stock and paid $25,000 in cash, which resulted in a charge of $235,000. The 1983 transactions were accounted for in the 1983 financial statements as "obligations expected to be settled by issuance of common stock" of $410,000, a charge to discontinued operations of $419,000, and net cash payable of $9,000.

To meet a condition precedent to closing the acquisition of RCI, in 1983, the Company sold 35,999 shares of Series B 12% convertible Preferred Stock at $100 par value through a private placement. Directors and officers purchased 8,690 shares. The $12 per share annual dividend is cumulative, payable quarterly, and after 1988 will increase to the greater of $15 per share or an annual amount equal to two points over the prime rate. After April 4, 1984 and prior to October 4, 2014, each share of the Series B Preferred Stock is convertible, at the option of the stockholders, into 8.492 shares of common stock. The Preferred Stock can be redeemed at the option of the Company between January 1, 1985 and before October 31, 1986 (year three) for $105 per share, between years three and four at $103 per share, between years four and five at $102 per share and thereafter for $100 per share. The Preferred Stock is senior with respect to dividends and liquidation over common stock and no dividends on common stock can be declared unless the Preferred Stock dividends are fully paid.

Treasury stock, reflected in the accompanying balance sheets as a direct reduction of common stock and additional paid-in capital, is recorded at cost.

GULTON INDUSTRIES, INC. (FEB)

	1984	1983
	($000)	
Stockholders' Equity:		
Cumulative Convertible Preferred Stock, par value $10 per share, issuable in series: Authorized 500,000 shares, Issued 116,990 and 117,206 shares of $2 Series A, liquidating preference $5,850 and $5,860	$ 1,170	$ 1,172
Common Stock, par value $1 per share: Authorized 6,000,000 shares, Issued and outstanding 3,231,564 and 3,194,185 shares	3,232	3,194
Capital in excess of par value	10,921	10,746
Retained earnings	31,623	28,432
Equity adjustment from translation	(690)	(627)
	46,256	42,917
Less: Held in treasury—17,039 preferred shares—at cost	576	576
Total Stockholders' Equity	45,680	42,341

NOTES TO FINANCIAL STATEMENTS

(Thousands of dollars, except per share data)

8. Stockholders' Equity:

Each share of the Series A Preferred Stock is entitled to one vote and is convertible into one share of the Company's Common Stock. It has a liquidating preference of $50 per share and may be redeemed at this price at the Company's option. At February 25, 1984, 116,990 shares of Common Stock are reserved for conversion purposes. The difference between the aggregate involuntary liquidating preference and the aggregate par value of the outstanding Series A Preferred Stock amounted to $3,998 as of February 25, 1984.

In fiscal 1984, the Company acquired and cancelled all of its outstanding common stock purchase warrants (353,337 shares) for $159.

Preferred Stock Extended at Stated Value

AMERICAN BRANDS, INC. (DEC)

	1984	1983
	($000)	
Redeemable preferred stock		
$2.75 Preferred stock, without par value, stated value and mandatory redemption price $30.50 per share	$ 137,480	$ 152,730
Convertible preferred stocks—redeemable at Company's option		
$2.67 Convertible Preferred stock, without par value, stated value $30.50 per share	52,155	57,048
$1.70 Convertible Preferred stock, without par value, stated value $20 per share	571	641
Total convertible preferred stocks	52,726	57,689
Common stockholders' equity		
Common stock, par value $3.125 per share, 57,392,506 shares issued	179,352	179,352
Paid-in capital	64,530	62,744
Unrealized depreciation on investments in marketable equity securities of The Franklin Life Insurance Company	(24,749)	(22,736)
Foreign currency adjustments	(339,521)	(233,110)
Retained earnings	2,320,341	2,128,627
Treasury stock, at cost	(85,345)	(87,419)
Total Common stockholders' equity	2,114,608	2,027,458

NOTES ACCOMPANYING FINANCIAL STATEMENTS

Redeemable preferred stock

Shares of the $2.75 Preferred stock issued and outstanding at December 31, 1984, 1983 and 1982 were 4,507,528 shares, 5,007,528 shares and 5,032,528 shares, respectively. 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 stock 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 such 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 noncumulative 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. Previously reacquired shares are sufficient to cover such mandatory redemptions through March 10, 1990. 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 stock—redeemable at Company's option

Shares of the $2.67 Convertible Preferred stock issued and outstanding at December 31, 1984, 1983 and 1982 were 1,709,987 shares, 1,870,413 shares and 2,070,595 shares, respectively. The holders of $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 1984, 1983 and 1982, 160,426 shares, 200,182 shares and 316,110 shares, respectively, were converted. The Company may redeem such Preferred stock at a price of $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, 1984, 1983 and 1982 were 28,586 shares, 32,058 shares and 38,201 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 1984, 1983 and 1982, 3,472 shares, 6,143 shares and 10,401 shares, respectively, were converted. The Company may redeem such Preferred stock at a price of $20 per share, plus accrued dividends.

GAF CORPORATION (DEC)

	1984	1983
	($000)	
Shareholders' Equity (Note 6)		
Preferred stock, $1 par value per share: authorized 6,000,000 shares; $1.20 convertible series; issued shares—1984, 2,539,658; 1983, 2,549,398; at assigned value of $1.25 per share (preference on liquidation—1984, $66,989)	$ 3,175	$ 3,187
Common stock, $1 par value per share: authorized 25,000,000 shares; issued shares—1984, 14,508,987; 1983, 14,465,701	14,509	14,466
Additional paid-in capital	56,420	55,548
Retained earnings	156,123	103,814
Accumulated translation adjustment	(10,451)	(6,080)
Treasury stock, at cost	(5,770)	(1,131)
Shareholders' Equity	214,006	169,804

Note 6: 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 1.25 shares of common stock for each share of preferred. The Company, at any time at its option, may redeem all or any of the preferred stock at $27.50 per share. In January, 1985, the Company called for redemption 1,138,000 shares of the $1.20 convertible preferred stock at the redemption price of $27.50 per share plus accrued dividends of $.24 per share from January 1, 1985 through the redemption date of March 13, 1985. Holders of shares called for redemption have the right to convert to common stock at any time prior to the close of business on the redemption date. The shares called for redemption were selected by lot.

The shares of common stock reserved for issuance at December 31, 1984 and 1983 were as follows:

Shares Reserved	1984	1983
Conversion of $1.20 convertible preferred stock	3,044,983	3,091,248
Conversion of 5% convertible subordinated notes	333,333	364,444
Issuance under stock option and purchase plans	1,984,933	636,362
Total Shares Reserved	5,363,249	4,092,054

AMERICAN CAN COMPANY (DEC)

	1984	1983
	(In millions of dollars)	
Redeemable preferred stock (Note 12)	$ 200.9	$201.4
Common shareholders' equity		
Common stock (issued: 1984, 25,161,131 shares; 1983, 22,771,762 shares)	25.2	284.5
Capital in excess of par value	447.8	86.5
Net unrealized depreciation of equity securities	(15.2)	(3.8)
Cumulative translation adjustments	(47.6)	(41.2)
Earnings reinvested	677.4	633.4
	1,087.6	959.4
Treasury stock	(40.5)	(49.2)
	1,047.1	910.2

NOTES TO FINANCIAL STATEMENTS

(In millions of dollars except per share amounts)

12. Redeemable Preferred Stock

December 31, 1984	Shares	Amount
$2.80 Series; cumulative; stated value of $21.50 per share	1,331,031	$ 28.6
$3.00 Series; cumulative and convertible; stated value of $27.50 per share	2,390,420	65.8
$13.75 Series; cumulative; stated value of $100 per share	1,065,292	106.5
		$200.9

The redeemable preferred stock is entitled to a mandatory sinking fund sufficient to redeem annually 4% of the outstanding shares of the $2.80 Series commencing in 1986, and 5% of the outstanding shares of the $3.00 Series and the $13.75 Series commencing in 1989.

The Company has the option to redeem the preferred stock on a scheduled basis, in whole or in part, commencing in 1985 for the $2.80 Series, and commencing in 1988 for the $3.00 Series and $13.75 Series.

The $3.00 Series may be converted into common stock at the rate of .868 per share. During 1984, 20,175 preferred shares were converted. The Company is authorized to issue an additional 10,213,257 shares of Series Preferred Stock.

13. Common Shareholders' Equity

During 1984, the shareholders approved a change in the authorized shares and the par value of common stock from 30,000,000 shares with a par value of $12.50 each to 60,000,000 shares with a par value of $1.00 each. At December 31, 1984, 1,601,378 shares of authorized common stock are reserved for stock incentives, 541,321 shares are reserved for convertible debentures and 2,074,885 shares are reserved for convertible preferred stock.

At December 31, 1984, net unrealized appreciation (depreciation) of equity securities held by financial services subsidiaries has been reflected in the Company's common shareholders' equity and the prior years' financial statements have been restated for this change.

The net change in cumulative translation adjustments for the years 1984, 1983 and 1982, includes reductions due to business divestments of $20, $2 and $16, respectively.

NL INDUSTRIES, INC. (DEC)

	1984	1983
	($000)	
Preferred stock, stated value $100; shares issued—1984, 350,000; 1983, 400,000 (Note 7)	$ 35,000	$ 40,000
Common Shareholders' Equity		
Common stock, par value $1.25; shares authorized 150,000,000: Shares issued—1984, 66,846,568; 1983, 66,705,211	83,558	83,382
Additional paid-in capital	68,957	66,979
Retained earnings	809,557	966,518
Translation adjustments	(88,269)	(63,163)
	873,803	1,053,716
Treasury shares at cost (4,894,384 common shares in 1984 and 1983)	(108,607)	(108,607)
	765,196	945,109

NOTES TO FINANCIAL STATEMENTS

7. Preferred Stock

The Company is authorized to issue 5,000,000 shares of preferred stock without par value. The rights of the preferred stock as to dividends, redemption, liquidation and conversion, if any, will be determined upon issuance.

In 1977, the Company concluded an agreement for the issuance and private placement of 500,000 shares of a series of preferred stock at a sales price of $100 per share, or a total of $50,000,000. The holders of such series are entitled to receive cumulative dividends payable quarterly, at an annual dividend rate of 8⅝%. No dividends will be paid or provided for on shares of the Company's common stock (other than dividends payable in common stock) until all accrued dividends on the shares of preferred stock for the current and all prior dividend periods have been paid or provided for, unless the Company has made all payments for mandatory repurchases of shares and unless the Company has complied with an equity test. Under the terms of the series of preferred stock, beginning in 1982 the Company was obligated to retire, and has retired, at a price of $100 per share, 50,000 shares of the series of preferred stock annually and has a noncumulative option to retire at a price of $100 per share up to an additional 50,000 shares annually. In addition, the Company has the option to redeem shares of the series of preferred stock at a per share price of $1086.25 during the first year after issuance, with such redemption price declining on a graduated scale to a per share price of $100 in the fourteenth year after issuance.

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

THE QUAKER OATS COMPANY (JUN)

	1984	1983	1982
	(Millions of dollars)		
Redeemable Preference Stock, without par value, $100 stated value, $9.56 cumulative	$ 38.5	$ 41.3	$ 45.4
Common Shareholders' Equity:			
Common stock, $5 par value, authorized 35,000,000 shares; issued 20,997,349 shares	105.0	105.0	105.0
Additional paid-in capital	26.3	23.1	22.8
Reinvested earnings	703.2	612.8	599.6
Cumulative exchange adjustment	(89.9)	(68.2)	(53.5)
Treasury common stock, at cost	(24.5)	(33.3)	(43.4)
Common shareholders' equity	720.1	639.4	630.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Common Stock and Redeemable Preference Stock

The preference stock is redeemable, at the option of the Company, in whole or in part at prices decreasing from $109.56 per share currently to $100 after July 19, 2000. At June 30, 1984, 1983 and 1982, authorized shares were 1,440,000 shares, 1,460,000 shares, and 1,480,000 shares, respectively. The Company is required to make annual payments to a sinking fund in an amount adequate to retire a minimum of 20,000 shares (maximum 40,000 shares) at $100 per share plus accrued dividends. Any shares purchased may be credited against the sinking fund requirement. The aggregate amounts of mandatory redemption requirements for fiscal years 1985 through 1989, net of the shares currently held in treasury, are as follows: none in 1985, 1986 and 1987, and $2.0 million in 1988 and 1989.

RUSS TOGS, INC. (JAN)

	1985	1984
Stockholders' Equity		
Capitol stock:		
Preferred—$1 par value—authorized 1,000,000 shares; Series $1.90—authorized 214,625 shares; issued 212,587 in 1985 and 214,625 in 1984 (at stated value) (liquidation preference and redemption price $8,503,000 in 1985 and $8,585,000 in 1984)	$ 277,000	$ 280,000
Common—$1 par value—authorized 12,000,000 shares; issued 5,123,744 in 1985 and 5,121,085 in 1984	5,124,000	5,121,000
Additional paid-in capital	1,242,000	1,242,000
Retained earnings	83,110,000	76,297,000
Total stockholders' equity	89,753,000	82,940,000

NOTES TO FINANCIAL STATEMENTS

Note I—Stockholders' Equity:

(1) On June 21, 1983, the Company cancelled the 699,114 shares of the Company's common stock which was held in treasury at that date, and restored these shares to the status of authorized but unissued shares. In connection therewith, the Company charged $699,000 to its capital stock account and $7,061,000 to its additional paid-in capital account; $7,760,000 was credited to the treasury stock account.

(2) On July 15, 1983, the Company distributed 1,706,656 shares of its common stock and paid $14,000 in lieu of fractional shares to its shareholders of record on July 1, 1983 pursuant to a three-for-two stock split. In connection therewith, the capital stock account of the Company was credited with $1,706,000 and $1,720,000 was charged to additional paid-in capital. In addition, the Company transferred $65,000 from additional paid-in capital to the preferred stock account in order to state preferred stock at the par value of the number of common shares into which they are convertible.

(3) The cumulative convertible preferred shares—Series $1.90 are convertible into common stock of the Company at the option of the holder at the rate of 1.305 of one share of common stock for each share of preferred stock. The preferred shares may be redeemed by the Company at their liquidation preference value of $40 a share. The $1.90 a year dividend is payable in quarterly installments before any dividends are paid on common stock. Each preferred share is entitled to a ½ vote. During the year ended February 2, 1985, 2,038 preferred shares were converted into 2,659 common shares.

(4) The following tabulates the number of common shares which have been reserved at February 2, 1985:

Stock options outstanding and available to be granted	300,000
Conversion of outstanding preferred shares	277,426
Total	577,426

(5) During the year ended January 29, 1983, the Company purchased 2,341 shares of its common stock for its treasury at an average cost of $13.58 a share, a total of $32,000.

Preferred Stock Extended at Redemption or Liquidating Value

AMERICAN STORES COMPANY (JAN)

	1985	1984
	($000)	
$5.51 Cumulative Redeemable Preferred Stock of $1 par value. Authorized 2,450,000 shares; 2,036,372 shares issued and outstanding in 1983, at redemption value	$ —	$118,110
Series A $4.375 Preferred Stock of $1 par value. 4,200,000 shares authorized; 3,939,700 shares issued and outstanding in 1984	196,985	—
Series B $6.80 Preferred Stock of $1 par value. 1,215,000 shares authorized; 1,141,176 shares issued and outstanding in 1984	57,059	—
Common Shareholders' Equity		
Common stock of $1 par value. Authorized 50,000,000 shares; issued 31,909,604 shares in 1984 and 30,013,494 shares in 1983	31,910	30,014
Additional paid-in capital	148,362	79,626
Retained earnings	503,742	351,260
Less cost of common treasury stock, 279,404 shares in 1984 and 408,879 shares in 1983	(7,262)	(9,206)
Total common shareholders' equity	676,752	451,694

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Preferred Stock

$5.51 Cumulative Redeemable Preferred Stock

The Company redeemed all of its $5.51 Cumulative Redeemable Preferred Stock in November 1984.

Series A $4.375 Cumulative Convertible Exchangeable Preferred Stock

Series A Preferred Shares are entitled to receive preferential and cumulative quarterly dividends at an annual rate of $4.375 per share, are entitled to a preference in liquidation, in the amount of $50 per share plus accrued and unpaid dividends, but are not entitled to vote except in the occurrence of certain specified events.

Each Series A Preferred Share will be initially convertible at the holder's option into 1.0782 American Common Shares commencing after November 15, 1986.

The Company is required to retire annually 5% of the number of Series A Preferred Shares outstanding, by means of a sinking fund, commencing November 15, 1995, at a price of $50 plus any accrued and unpaid dividends. In addition, Series A Preferred Shares will be redeemable, in whole or in part, at the Company's option, at any time or from time to time after November 15, 1987, at $53.063 per share and at prices which decline annually thereafter to $50 per Series A Preferred Share after November 15, 1994, plus accrued but unpaid dividends to the redemption date. The Company is required to redeem all remaining outstanding Series A Preferred Shares on November 15, 2009.

Series A Preferred Shares will be exchangeable in whole but not in part, at the Company's option at any time after November 15, 1987 for American 8.75% Convertible Subordinated Debentures due 2009 at a rate of $50 principal amount of 8.75% Debentures for each Series A Preferred Share. The terms of the 8.75% Debentures with respect to interest payments, conversion rights, redemption and sinking fund requirements will be the same as such terms as set forth in the Series A Preferred Shares. There are no dividends in arrears.

Series B $6.80 Cumulative Exchangeable Preferred Stock

Series B Preferred Shares are entitled to receive preferential and cumulative quarterly dividends at an annual rate of $6.80 per share, are entitled to a preference, after payment has been made on all stock which ranks senior to Series B Preferred Shares, in involuntary or voluntary liquidation, in the amount of $50 per share plus accrued and unpaid dividends but are not entitled to vote except in the occurrence of certain specified events.

The Company is required to retire annually, beginning November 16, 1994, by means of a sinking fund, at a price of $50 plus any accrued and unpaid dividends, an amount equal to 9.09% of the aggregate number of Series B Preferred Shares issued. The Company is required to redeem all remaining outstanding Series B Preferred Shares on November 15, 2004.

Series B Preferred Shares are redeemable, at the Company's option, beginning after November 15, 1987 at $55.60 per Series B Preferred Share, and at prices which decline annually to $50 per Series B Preferred Share after November 15, 2001.

Series B Preferred Shares are exchangeable, in whole but not in part, at American's option after November 15, 1987 for American 13.60% Subordinated Debentures due 2004 at a rate of $50 principal amount of 13.60% Debentures plus accrued dividends for each Series B Preferred Share. There are no dividends in arrears. The terms of the 13.60% Debentures with respect to interest payment dates, redemption and sinking fund requirements will be the same as such terms as set forth in the Series B Preferred Shares.

INTERNATIONAL PAPER COMPANY (DEC)

	1984	1983
	($ Millions)	
Cumulative $8.75 Redeemable Preferred Stock, Series A, $1 Par Value at Mandatory Redemption Value of $100 per Share (Note 11)	$ 300.0	$ 300.0
Cumulative $4 Non-Redeemable Preferred Stock, No Par Value at Stated Value of $100 per Share (Note 12)	2.5	2.6
Common Share Owners' Equity (Note 12)		
Common stock, $1 par value	50.3	50.0
Capital from conversion of 5% preferred stock	40.4	40.4
Paid in capital	753.9	747.2
Retained earnings	2,468.0	2,493.9
	3,312.6	3,331.5
Less: Common shares held in treasury, at cost	14.6	10.3
Total Common Share Owners' Equity	3,298.0	3,321.2

Note 11. Redeemable Preferred Stock

At both December 31, 1984 and 1983, 3 million shares of $8.75 Cumulative Preferred Stock were issued and outstanding (15 million serial preferred shares are authorized). Beginning January 1, 1986, and on each January 1 through 2000, the Company is required to redeem 6.67% of the issue and has the option to redeem an additional 6.67% of such shares on up to five redemption dates. All redemptions made in this manner have a redemption price of $100 per share. The Company may also, at its option, redeem this preferred stock, in whole or in part, at any time after January 1, 1985, at a price of $106.18, which redemption price is reduced each year to a minimum of $100 in 1997 and thereafter.

Note 12. Capital stock

A summary of the $4 non-redeemable preferred and common stock at December 31, 1984 and 1983 follows:

	$4 Preferred		Common	
Number of Shares:	1984	1983	1984	1983
Authorized	400,000	400,000	200,000,000	200,000,000
Issued	230,579	230,579	50,307,093	50,027,672
In Treasury	205,532	204,260	365,401	285,377
Outstanding	25,047	26,319	49,941,692	49,742,295

Paid in capital increased in 1984 primarily as a result of shares issued under the Company's dividend reinvestment, incentive, and savings investment plans. Paid in capital declined in 1983 and 1982 principally due to the recording of net deferred foreign currency translation losses under FASB Statement No. 52.

Treasury stock increased in 1984 and 1982 by $4.3 million and $7.5 million, respectively, as a result of Company purchases of shares. The decrease in 1983 of $11.3 million was attributable to issuances under the Company's dividend reinvestment, incentive, and savings investment plans.

POTLATCH CORPORATION (DEC)

	1984	1983
	($000)	
Redeemable preferred stock, $12.375 series A cumulative, without par value at mandatory redemption value of $100 per share Authorized 4,000,000 shares,(1) issued and outstanding 389,400 (750,000 in 1983) (Note 7)	$ 38,940	$ 75,000
Common stockholders' equity:		
Common stock, $1 par value Authorized 40,000,000 shares,(1) issued and outstanding 15,382,075 (15,373,573 in 1983)	15,382	15,374
Additional paid-in capital	91,828	91,601
Retained earnings	456,599	438,423
Total common stockholders' equity	563,809	545,398

(1) At December 31, 1983, authorized shares of preferred and common stock were 1,000,000 and 30,000,000, respectively.

Note 7: Redeemable Preferred Stock

The company had 389,400 shares of redeemable preferred stock outstanding at December 31, 1984. This stock may not be redeemed prior to January 15, 1986. On or after that date, the company, at its option, may redeem all or part of the shares at $100 per share, plus accrued and unpaid dividends and a premium of $7.22 per share in 1986, declining uniformly each year to no premium in 1993. The company is required to make sinking fund payments commencing January 15, 1987, sufficient to redeem 75,000 shares annually until all stock is retired, at $100 per share plus accrued and unpaid dividends. The company, at its election, may redeem up to an additional 75,000 shares annually. The preferred stock has a liquidation value of $100 per share.

During 1984, the board of directors authorized management to purchase and retire up to 450,000 shares of the redeemable preferred stock from time to time in the open market or in negotiated transactions at then current market prices. As of December 31, 1984, the company had purchased and retired 360,600 shares of the initially issued 750,000 shares. Prices paid ranged from $102.125 to $105.975 per share.

Dividends on the preferred stock are payable quarterly. In the event that dividends payable on the preferred stock are in arrears, or if the company fails to comply with its mandatory redemption obligation, the company may not declare or pay any dividends on, or make other distributions on, or purchase, redeem or otherwise acquire for value its common stock.

Fair Value

ATHLONE INDUSTRIES, INC. (DEC)

	1984	1983
Series A first preferred stock—subject to mandatory redemption ($4,062,500 liquidation value in 1984 and $8,125,000 in 1983); $1.00 par value; authorized 100,000 shares; issued 40,625 shares in 1984 and 81,250 in 1983 (note 6)	$ 3,292,129	$ 6,539,008
Common stockholders' equity:		
Common stock, $.10 par value; authorized 20,000,000 shares; issued—2,398,637 shares in 1984 and 2,395,294 shares in 1983	239,864	239,530
Additional paid-in capital	1,310,239	1,261,218
Retained earnings	49,809,256	48,734,916
Common stockholder's equity	51,359,359	50,235,664

Note 6: Redeemable Preferred Stock

The Company's preferred stock consists of 150,000 authorized and unissued shares of $1 par value First Preferred Stock and 100,000 authorized shares of $1 par value Series A First Preferred Stock of which the Company, in April 1983, issued 43,750 shares and in December 1982, issued 37,500 shares to certain of its pension plans in partial payment of pension contributions due for 1983 and 1982. In July 1984, the Company reacquired 40,625 of the shares which previously had been sold by the pension plans to third parties. The Series A First Preferred Stock, which is not convertible, has a carrying value of $80 per share representing fair value at date of issuance based upon an independent appraisal and sales to third parties plus accumulated accretion. The shares are entitled to cumulative dividends of $12.70 annually ($3.175 per quarter) per share and must be redeemed at 10% per year commencing on December 31, 1992 at $100 per share plus accrued and unpaid dividends. The Company, at its option, may redeem at that price in each year in which mandatory redemption is required an additional number of shares not exceeding the mandatory redemption and may redeem all or any part of the shares at that price plus a premium amounting to $5.95 in 1984 and declining proportionately thereafter through 1998 after which there will be no premium.

Beginning in 1983, the carrying value of the preferred stock has been increased by periodic accretions, based on the interest method, of the difference between the fair value at dates of issuance and redemption value until the redemption dates at which time both amounts shall be equivalent. The Company has been advised by independent counsel that the excess of the involuntary liquidation value of the preferred stock over its stated or par value does not create any restrictions on retained earnings. No dividends on or purchases of the Company's common stock may be made if any arrearages in the preferred stock dividends exist or in the event of the failure to make mandatory redemptions. The holders of the preferred stock have the right to elect two directors if a default in six quarterly dividends occurs.

LOCKHEED CORPORATION (DEC)

	1984	1983
	(Dollar figures in millions)	
Redeemable $9.50 senior preferred stock (redemption value $13.5; $21.6 in 1983)	$ 13.3	$ 21.1
Common shareholders' equity		
Common stock, $1 par value, 100,000,000 shares authorized; 64,674,725 shares issued and outstanding (63,170,041 in 1983)	64.7	63.2
Additional capital	446.3	438.1
Retained earnings (since November 29, 1981)	640.9	324.9
Total common shareholders' equity	1,151.9	826.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12: Preferred Stock

There are 2,500,000 shares of preferred stock, $1 par value, authorized for issuance.

Redeemable $9.50 Senior Preferred Stock

At December 30, 1984, 124,975 shares of redeemable $9.50 senior preferred stock were outstanding. Each share has a liquidation preference of $100, a redemption price of $108, and voting rights. Lockheed must redeem 75,000 of the outstanding shares on each December 31st through 1985 at an annual cost of $8.1 million. Lockheed made the required repurchases on December 31st of 1984, 1983, 1982, and 1981. The recorded value of all preferred shares is being increased to redemption value by annual transfers of retained earnings through 1985. The amounts of such transfers were approximately $300,000 in 1984, $400,000 in 1983, and $700,000 in 1982.

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.

TABLE 2-34: ADDITIONAL PAID-IN CAPITAL—CAPTION TITLE

	1984	1983	1982	1981
Additional paid-in capital	216	214	208	194
Capital in excess of par or stated value	159	158	160	169
Capital surplus	47	47	50	56
Additional capital, or other capital	45	46	49	49
Paid-in capital, or other paid-in capital	35	36	32	35
Paid-in surplus	9	10	13	12
Other captions	17	17	18	12
	528	528	530	527
No additional paid-in capital account	72	72	70	73
Total Companies	**600**	**600**	**600**	**600**

EASTMAN KODAK COMPANY (DEC)

	1984	1983
	(In millions)	
Shareowners' Equity		
Common stock		
Par value—paid in or transferred from retained earnings	$ 414	$ 414
Additional capital paid in or transferred from retained earnings	520	520
Retained earnings	6,931	6,586
	7,865	7,520
Less: Treasury stock at cost	728	—
Total shareowners' equity	7,137	7,520

MONSANTO COMPANY (DEC)

	1984	1983
	(Dollars in millions)	
Shareowners' Equity:		
Common stock—authorized, 200,000,000 shares, par value $2; issued, 82,197,097 shares in 1984 and 40,977,448 shares in 1983	$ 164	$ 82
Additional contributed capital	855	936
Accumulated currency adjustment	(319)	(200)
Reinvested earnings	3,110	2,853
	3,810	3,671
Less treasury stock, at cost (3,916,071 shares in 1984 and 56,152 shares in 1983)	176	4
	3,634	3,667

SAVANNAH FOODS & INDUSTRIES, INC. (DEC)

	1984	1983
	($000)	
Stockholders' equity:		
Common stock $.25 par value; $2.69 stated value; 8,000,000 shares authorized; 3,913,350 shares issued	$ 10,517	$ 10,517
Capital in excess of stated value	5,902	5,902
Retained earnings	96,068	84,264
	112,487	100,683
Less—Treasury stock, at cost (606,932 shares in 1984; 425,508 shares in 1983)	16,544	9,034
Note receivable from employee stock ownership trust	50	—
Total stockholders' equity	95,893	91,649

TEXACO INC. (DEC)

	1984	1983
	(Millions of dollars)	
Common Stockholders' Equity:		
Common stock—par value $6.25: Shares authorized—350,000,000; Shares issued—274,293,417 in 1984 and 1983, including treasury stock	$ 1,714	$ 1,714
Paid-in capital in excess of par value	660	662
Retained earnings	12,401	12,878
	14,775	15,254
Less—Common stock held in treasury—36,625,796 shares in 1984 and 15,286,183 shares in 1983, at cost	1,668	528
Total common stockholders' equity	13,107	14,726

VARIAN ASSOCIATES, INC. (SEP)

	1984	1983
	($000)	
Stockholders' Equity		
Preferred stock		
Authorized 1,000,000 shares, par value $1, issued none	$ —	$ —
Common stock		
Authorized 99,000,000 shares, par value $1, issued 21,817,000 shares (1984), 21,708,000 shares (1983)	21,817	21,708
Capital in excess of par value of common stock	173,180	170,452
Retained earnings	231,949	177,714
Treasury stock, at cost		
None (1984), 300,000 shares (1983)	—	(7,385)
Total Shareholders' Equity	426,946	362,489

TABLE 2-35: RETAINED EARNINGS—CAPTION TITLE

	1984	1983	1982	1981
Retained Earnings	476	481	482	484
Retained earnings with additional words	17	17	22	24
Earnings with additional words	48	52	54	57
Income with additional words	19	20	20	19
Earned Surplus	3	3	3	2
Retained Earnings (Deficit)	22	12	9	5
Accumulated Deficit	15	15	10	9
Total Companies	**600**	**600**	**600**	**600**

RETAINED EARNINGS

Accounting Terminology Bulletin No. 1 recommends:

The term *earned surplus* be replaced by terms which will indicate source, such as *retained income*, *retained earnings*, *accumulated earnings*, or *earnings retained for use in the business*. In the case of a deficit, the amount should be shown as a deduction from contributed capital with appropriate description.

Table 2-35 indicates 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.

AEL INDUSTRIES, INC. (FEB)

	1984	1983
	($000)	
Common shareholders' equity:		
Class A common stock (non-voting), $1 par value; 5,000,000 shares authorized; shares issued, 1984—1,910,000; 1983—1,798,000	$1,910	$1,798
Class B common stock (voting), $1 par value; 600,000 shares authorized; shares issued and outstanding, 1984—212,000; 1983—232,000	212	232
Capital in excess of par value	5,049	5,124
Retained earnings (deficit)	2,014	(4,881)
	9,185	2,273
Less 69,000 shares of Class A common stock in treasury, at cost	347	332
Total common shareholders' equity	8,838	1,941

CROWN ZELLERBACH (DEC)

	1984	1983
	($ Millions)	
Shareholders' Equity		
Preferred stock	$ 175.0	$ 175.0
Common stock, $5 par value. Authorized 100 million shares, outstanding 1984: 27.3 million shares; 1983: 27.1 million shares	136.4	135.6
Other capital	94.0	90.8
Income retained in the business	777.3	733.7
Total shareholders' equity	1,182.7	1,135.1

ELCOR CORPORATION (JUN)

	1984	1983
Shareholders' Equity		
Common stock	$ 3,779,992	$ 3,779,992
Paid-in capital	43,180,484	43,180,484
Accumulated deficit	(10,024,042)	(11,082,930)
	36,936,434	35,877,546
Less—Treasury stock (266,010 shares, at cost)	(1,123,376)	(1,123,376)
	35,813,058	34,754,170

GEO. A. HORMEL & COMPANY (OCT)

	1984	1983
	(Thousands of dollars)	
Stockholders' Investment		
Common Stock, par value $.9375 a share—authorized: 1984-24,000,000 shares; 1983-12,000,000 shares, issued—9,606,516 shares	$ 9,006	$ 9,006
Additional paid-in capital	2,761	2,761
Earnings reinvested in business	271,595	252,094
	283,362	263,861

McGRAW-EDISON COMPANY (DEC)

	1984	1983
	(In millions)	
Stockholders' equity:		
Preferred stock—authorized 6.0 million shares; $1 par value per share; none issued	$ —	$ —
Common stock—authorized 25.0 million shares; $1 par value per share; issued 17.2 million shares at December 31, 1984 and 1983	17.2	17.2
Additional paid-in capital	93.0	90.4
Earnings retained for use in the business	510.5	532.9
Cumulative foreign currency translation adjustment	(8.8)	(51.1)
	611.9	589.4
Less—treasury stock, at cost, .6 million shares at December 31, 1984 and 1983	(17.4)	(17.4)
Total stockholders' equity	594.5	572.0

OUTBOARD MARINE CORPORATION (SEP)

	1984	1983
	($000)	
Stockholders' Investment:		
Preferred stock—authorized 3,000,000 shares of $10.00 par value, none issued	$ —	$ —
Common stock—authorized 30,000,000 shares at $.15 par value each, outstanding 16,830,285 in 1984 and 17,550,732 in 1983	2,525	2,633
Capital in excess of par value of common stock	26,635	43,431
Accumulated earnings employed in the business	355,948	313,365
Foreign currency translation adjustments	(18,448)	(13,510)
	366,660	345,919

RAYMARK CORPORATION (DEC)

	1984	1983
	($000)	
Shareholders' Equity		
Capital stock		
Cumulative preference stock, no par value—800,000 shares authorized, none issued		
Common stock, par value $12.50—4,000,000 shares authorized, 2,860,806 shares issued	$35,760	$35,760
Additional paid-in capital	19,099	19,099
Retained (deficit) earnings	(32,773)	9,158
Cumulative translation adjustment	(2,062)	(1,668)
Total shareholders' equity	20,024	62,349

STANDARD OIL COMPANY (INDIANA)

	1984	1983
	(Millions of dollars)	
Shareholders' equity		
Common stock (authorized 800,000,000 shares; issued 304,327,932 shares)	$ 2,238	$ 2,247
Earnings retained and invested in the business	12,273	10,946
Foreign currency translation adjustment	(206)	(163)
	14,305	13,030
Less—Common stock held in treasury—at cost (1984-32,898,992 shares; 1983-12,121,922 shares)	1,781	590
Total shareholders' equity	12,524	12,440

WILSON FOODS CORPORATION (JUL)

	1984	1983
	(Thousands of dollars)	
Stockholders' Equity		
Common Stock, par value $.50 per share; authorized shares 20,000,000; issued and outstanding shares, 5,922,160 in 1984 and 5,875,838 in 1983	$ 2,961	$ 2,938
Additional paid-in capital	81,585	81,393
Retained earnings (deficit)	(17,683)	(43,250)
Equity adjustment from foreign currency translation	(560)	(467)
	66,303	40,614

STOCK OPTION AND STOCK PURCHASE PLANS

Chapter 13B of *ARB No. 43*, which discusses stock option and stock purchase plans, states in paragraph 15:

> In connection with financial statements, disclosure should be made as to the status of the option or plan at the end of the period of report, including the number of shares under option, the option price, and the number of shares as to which options were exercisable. As to options exercised during the period, disclosure should be made of the number of shares involved and the option price thereof.

APB Opinion No. 25, issued in October 1972 and applying "to all stock option, purchase, award, and bonus rights granted by an employer corporation to an individual employee after December 31, 1972," reaffirms the disclosure requirements of paragraph 15.

Recently, it has become common for companies to either grant stock options in tandem with stock appreciation rights or to convert stock options into incentive stock options. *FASB Interpretation No. 28* discusses stock appreciation rights while *FASB Technical Bulletin 82-2* discusses the conversion of stock options into incentive stock options.

Five hundred twenty-five companies disclosed the existence of stock option plans. Examples of stock option and stock purchase plans follow.

STOCK OPTION PLANS

AMERICAN HOME PRODUCTS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Stock Options:

The Company has, at the present, three Stock Option Plans—1980, 1978 and 1972. Under the 1980 Plan, a maximum of 7,000,000 shares and under the 1978 and 1972 Plans, a maximum of 3,000,000 shares may be sold at prices not less than 100 percent of the fair market value at the date of option grant. The 1980 and 1978 Plans provide for the granting of incentive stock options as defined under the Economic Recovery Tax Act of 1981. Under the Plans, grants may be made to selected officers and employees of non-qualified options with a ten-year term or incentive stock options with a term not exceeding ten years.

The Stock Option Plans provide for the granting of Stock Appreciation Rights (SAR's) subject to certain conditions and limitations to holders of options under these plans. SAR's permit the optionee to surrender an exercisable option for an amount equal to the excess of the market price of the common stock over the option price when the right is exercised. Transactions involving the Plans are summarized as follows:

	1984	1983
Option Shares		
Outstanding January 1	3,554,221	3,876,308
Granted	2,825,160	827,750
Cancelled	(183,742)	(163,350)
Exercised and surrendered for SAR's (1984—$24.75 to $46.06 per share)	(948,187)	(986,487)
Outstanding December 31	5,247,452	3,554,221
Exercisable December 31 (1984—$27.25 to $52.88 per share)	2,516,452	2,454,806
	1984	1983
Stock Appreciation Rights		
Outstanding January 1	433,750	617,250
Granted	405,000	12,500
Cancelled	(12,800)	(7,600)
Exercised (1984—$29.75 to $38.00 per share)	(127,600)	(188,400)
Outstanding December 31	698,350	433,750
Exercisable December 31 (1984—$29.88 to $38.00 per share)	285,850	411,250

At December 31, 1984, 1,754,849 shares were available for future grants under the 1980 and 1978 plans.

ADOLPH COORS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5: Stock Option Plan

In March 1983, a Non-Qualified Stock Option Plan (the Plan) was adopted by the Company. The Plan provides that options be granted at exercise prices equal to market value on the date the option is granted. Options granted are for ten years and are generally not exercisable for a period of two years after date of grant. No options may be granted after March 17, 1993. The Company has reserved 2,500,000 treasury shares for distribution under the plan. Changes in stock options are as follows:

	Shares	Price Range Per Share
1983		
Granted	2,285,000	$15.00—$26.00
Cancelled	71,800	$15.00
Outstanding at December 25, 1983	2,213,200	$15.00—$26.00
1984		
Granted	190,500	$13.00—$16.00
Cancelled	102,200	$15.00
Outstanding at December 30, 1984	2,301,500	$13.00—$26.00

There were 55,100 stock options exercisable at $15.00 per share at December 30, 1984.

The Plan also provides that the Company, if requested, will arrange financial assistance to participants not to exceed the exercise price plus 20% of the difference between the exercise price and the market value on the date of exercise. Loans may be made for this purpose by the Company or arranged through a commercial lender.

In January 1985, the Board of Directors authorized a bonus to be paid to participants for shares exercised during 1985 equal to 60% of the difference between the exercise price and the market value on the date of exercise.

WALT DISNEY PRODUCTIONS (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Stock Option and Ownership Plans

(In thousands, except share data)

Stock Option Plans

The Company grants stock options under its 1973 and 1980 Stock Option Plans and under its 1981 Incentive Plan to key executive, management and creative personnel at prices equal to market price at date of grant. The options and prices set forth below have been adjusted, where applicable, for all subsequent stock splits and stock dividends.

Transactions under the various Plans during fiscal year 1984 were as follows:

	Number of Shares	
	Options Granted	Available For Grant
Outstanding September 30, 1983 ($20.77 to $80.63 per share)	996,200	639,958
Options terminated	(85,262)	73,882
Options granted	158,900	(158,900)
Options exercised	(85,043)	
SAR's exercised	(30,308)	
Outstanding September 30, 1984 (20.77 to $64.31 per share)	954,487	554,940

Options are exercisable beginning not less than one year after date of grant. All options expire ten years after date of grant. At September 30, 1984, options on 176,343 shares granted under the 1973 Plan were exercisable at $20.77 to

$55.25 per share; options on 317,869 shares granted under the 1980 Plan were exercisable at $51.75 to $64.31 per share; and options on 79,650 shares granted under the 1981 Stock Option Plan, a component of the 1981 Incentive Plan, were exercisable at $55.25 per share.

The 1980 Stock Option Plan and 1981 Incentive Plan permit the granting of stock appreciation rights (SAR's) in connection with any option granted under these plans or under the 1973 Stock Option Plan. In lieu of exercising a stock option, SAR holders are entitled, upon exercise of an SAR, to receive cash or common shares or a combination thereof in an amount equal to the excess of the fair market value of such shares on the date of exercise over the option price.

As of September 30, 1984, SAR's were outstanding with respect to 285,754 shares subject to options under the 1973 and 1980 Stock Option and 1981 Incentive Plans. These SAR's were granted to a limited number of key employees. Income and overhead accounts were credited with $905 during fiscal year 1984 (charged with $3,460—1983 and $1,869—1982) with respect to SAR's.

Effective September 22, 1984, the Company entered into employment agreements with certain executives, pursuant to which the Company has agreed, among other things, to provide for bonus compensation computed on the Company's net income in excess of a certain level, as defined.

In addition, stock options were subsequently granted such executives for the acquisition of an aggregate 970,000 common shares at $57.44 per share, becoming exercisable in annual installments from 1985 through 1989. The new stock option plan pursuant to which these options were granted is subject to approval at the annual meeting of stockholders in February, 1985.

COLLINS & AIKMAN CORPORATION (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share data)

5. Stock Plans

The Company has stock option plans in effect for officers and key employees. In June, 1982, the stockholders approved a new stock option plan (the "1982 Plan") under which an aggregate of 300,000 shares of common stock may be issued as incentive stock options or options which will not be qualified as incentive options (non-qualified options). In January, 1982, the previously approved 1974 and 1971 Plans were amended to provide for granting of incentive stock options and the conversion of certain existing nonqualified options into incentive stock options as permitted by the Economic Recovery Tax Act of 1981.

Options granted under the 1982 and 1974 Plans may include a stock appreciation right, either at the time of grant or by amendment. Options may be granted at amounts not less than market value at date of grant and are exercisable for a period not exceeding ten years from the date of grant. No option may be exercised during the first year following the grant. Options may no longer be granted under the 1971 Plan.

The changes in the number of common shares under option for 1984 are summarized as follows:

	Number of Shares	Price Range
Outstanding at beginning of year	194,200	$8.00 to $22.00
Granted	44,500	$35.63
Exercised	(115,908)	$8.00 to $22.00
Stock appreciation rights exercised	(14,792)	$8.00 to $13.19
Outstanding at end of year	108,000	$8.00 to $35.63
Exercisable at end of year	63,500	
Available for grant at beginning of year	217,700	
Available for grant at end of year	173,200	

In June, 1983, the stockholders approved a Stock Grant Plan under which the aggregate of 250,000 shares may be issued. Under the Plan, awards of shares are made to senior executives and are delivered over three years commencing one year after the date of the award. In 1984, 10,471 shares were issued for awards made in January, 1983. Awards of 15,591 shares were made in January, 1984.

K MART CORPORATION (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(P) Stock Option Plans

Under the company's 1973 Stock Option Plan (the 1973 Plan), as most recently amended in 1982, options to acquire up to 4,000,000 shares of common stock may be granted to officers and key employees at no less than 100% of the fair market value on the date of grant.

Options under the 1973 Plan may have a maximum term of ten years and are exercisable two years after the date of grant, except that the two-year limitation does not apply if employment terminates due to total and permanent disability or death. Payment upon exercise of an option may be made in cash, already-owned shares or a combination of both. Such shares will be valued at their fair market value as of the date of exercise.

The 1973 Plan provides for stock appreciation rights (SARs) in tandem with nonqualified stock options for officers and eligible directors who are limited under the Securities Exchange Act of 1934 in dealing with shares of the company's stock. Such an optionee may request that the Compensation and Incentives Committee permit the optionee to surrender all or part of an exercisable option in return for stock, cash or a combination of both equal to any appreciation in the value of the surrendered shares over the option price. Compensation expense of $4.0 million in 1984, $2.2 million in 1983 and $.8 million in 1982 was recorded for the excess of the market price of the option over the grant price.

Under the terms of the 1981 Incentive Stock Option Plan (the 1981 Plan), options to acquire up to 5,000,000 shares of common stock may be granted to officers and other key employees of the company at no less than 100% of the fair market value on the date of grant. Options under the 1981 Plan are intended to be incentive stock options (ISOs) pursuant to Section 422A of the Internal Revenue Code. Such options may have a maximum term of ten years and are exercisable two years after the date of grant, except that an ISO may not be exercised by an optionee who has a prior ISO outstanding. Payment upon exercise of an option may be made in cash, already-owned shares or a combination of both. Such shares will be valued at their fair market value as of the date of exercise. SARs do not apply to ISOs under the 1981 Plan.

Pertinent information covering the plans follows:

	1984		1983	
	Number of Shares	Option Price Per Share	Number of Shares	Option Price Per Share
Outstanding at beginning of year	3,159,390	$19.31–$35.75	2,854,400	$19.31–$37.63
Granted	1,599,500	29.69– 34.63	1,235,300	32.81– 35.75
Exercised	(281,967)	19.31– 34.94	(472,925)	19.31– 34.94
Cancelled	(152,166)	19.31– 34.94	(457,385)	19.31– 37.63
Outstanding at end of year	4,324,757	19.31– 35.75	3,159,390	19.31– 35.75
Exercisable at end of year	1,556,957	$19.32–$34.94	1,948,490	$19.31–$34.94
Available for grant at end of year	3,904,823		5,353,070	

PREMIER INDUSTRIAL CORPORATION (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(5) Stock Options

Under the Company's 1973 Stock Option Plan as amended, 1,861,910 common shares remain reserved for issuance to any eligible officer or other management employee. All options granted under the plan, which are nonqualified, will be at an option price not less than the fair market value at the date of grant. Options are generally exercisable annually after one year from date of grant to the extent of one-fifth of the shares granted and expire at the end of the fifth year. Shares available for future grant aggregated 1,275,269, 233,864 and 366,194 at May 31, 1984, 1983 and 1982, respectively. Details pertaining to this plan for 1984, 1983 and 1982 are as follows:

	Number of shares (Option price range)		
	1984	1983	1982
Outstanding at beginning of year	595,536	654,506	664,116
	($8.54–$23.63)	($5.33–$20.13)	($4.21–$15.69)
Granted	243,805	190,400	216,660
	($35.25)	($23.63)	($20.13)
Exercised	(167,486)	(191,272)	(164,712)
	($8.54–$23.63)	($5.33–$20.13)	($4.21–$20.13)
Cancelled	(85,214)	(58,098)	(61,558)
	($8.54–$35.25)	($5.33–$23.63)	($4.21–$20.13)
Outstanding at end of year	586,641	595,536	654,506
	($11.56–$35.25)	($8.54–$23.63)	($5.33–$20.13)
Exercisable during year	171,590	194,369	179,404

RANCO INCORPORATED (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Stock Options and 1979 Performance Unit and Performance Share Plan

Stock Options: The Company has several stock option plans for key personnel. Under the terms of these plans, a total of 326,200 common shares were reserved for future issuance at September 30, 1984 (371,950 shares at September 30, 1983). Options granted under the plans are at 100% of the fair market value of the shares on the date of grant. They are exercisable after one year of continuous employment or association and expire five to ten years after the date of grant. The outstanding options will be adjusted to reflect stock splits, stock dividends, etc. (anti-dilutive provisions). The Company makes no entry until such time as stock options are exercised, and no amounts applicable thereto are reflected in income.

Stock option transactions are summarized as follows:

	1982 Incentive Stock Option Plan	1982 Non-Qualified Stock Option Plan	1975 Qualified Stock Option Plan	Other Non-Qualified Stock Options
Fiscal year 1984:				
Granted	74,920	4,170	—	—
Expired	4,600	—	1,600	—
Became exercisable	40,170	1,000	—	—
Exercised	26,500	3,000	13,250	3,000
Average exercise price	$11.74	$12.06	$13.00	$13.63
Outstanding at year-end	154,590	15,870	12,920	1,000
Average option price per share	$16.66	$13.87	$12.13	$13.63
Exercisable at year-end	81,370	11,700	12,920	1,000
Shares available for future grants	12,110	72,130	57,580	—
Shares reserved for future issuance at year-end	166,700	88,000	70,500	1,000
Fiscal year 1983:				
Granted	43,270	1,000	—	—
Expired	3,100	—	—	—
Became exercisable	76,400	22,700	—	—
Exercised	6,800	9,000	9,330	9,000
Average exercise price	$12.44	$12.06	$13.37	$13.74
Outstanding at year-end	110,770	14,700	27,770	4,000
Average option price per share	$14.16	$12.28	$12.54	$13.63
Exercisable at year-end	68,900	13,700	27,770	4,000
Shares available for future grants	82,430	76,300	55,980	—
Shares reserved for future issuance at year-end	193,200	91,000	83,750	4,000

GERBER PRODUCTS COMPANY (MAR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note H—Stock Option Plan

Under the Company's 1975 Stock Option Plan, as amended, certain of the Company's key employees have been granted nonqualified stock options or incentive stock options. The nonqualified stock options allow the employee to purchase shares of common stock at prices not less than 85% of market at the date of grant and expire ten years after grant. The incentive stock options allow the employee to purchase shares of common stock at prices equal to market value at the date of grant and expire five years after grant. All options become exercisable twelve months after grant at a rate of one-third annually on a cumulative basis, subject to certain limitations.

A summary of option transactions under the plan follows:

	Number of Shares	Average Option Price
Outstanding at April 1, 1982	334,182	$16.89
Granted	64,775	17.29
Exercised	(38,024)	15.24
Canceled	(48,605)	22.35
Outstanding at March 31, 1983	312,328	16.32
Granted	64,075	29.90
Exercised	(49,423)	14.25
Outstanding at March 31, 1984	326,980	19.29
Exercisable at March 31, 1984	199,553	16.51
Reserved for future grant:		
At April 1, 1983	212,604	
At March 31, 1984	148,531	

WHITE CONSOLIDATED INDUSTRIES, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note J—Stock Options and Stock Appreciation Rights

During 1981, stockholders approved the 1981 Executive Incentive Compensation Plan (1981 Plan) which provides, among other things, for the granting of stock options and stock appreciation rights. Options are granted at market value and become exercisable at the rate of 20% per year, on a cumulative basis, beginning with the date of grant. The option expires ten years from date of grant. At December 31, 1984, 394,177 shares of Common Stock were reserved under the 1981 Plan and 122,688 shares were available for future grant.

Information with respect to options granted under the plan follows:

	Shares Under Option	
	1984	1983
Outstanding at beginning of year	302,109	499,898
Exercised during the year	(21,970)	(178,251)
Cancelled during the year	(8,650)	(19,538)
Outstanding at end of year	271,489	302,109
Exercisable at end of year	177,169	103,169
Option price per share	$ 23.625	$ 23.625

Stock appreciation rights issued under the 1981 Plan relate to specific stock options above and entitle the holder to receive the value of the stock appreciation rights (the difference between option price and market price at the time of exercise of the rights) in cash, in shares of Common Stock, or in any combination thereof at the Corporation's discretion.

Information with respect to stock appreciation rights issued under the plan follows:

	Shares Under Stock Appreciation Rights	
	1984	1983
Outstanding at beginning of year	100,018	194,580
Exercised during the year	(5,000)	(89,762)
Cancelled during the year	(3,300)	(4,800)
Outstanding at end of year	91,718	100,018
Exercisable at end of year	54,618	23,018

STOCK PURCHASE PLANS

BOWNE & CO., INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Employee Benefit Plans

Employees' Stock Purchase Plan:

Under the Employees' Stock Purchase Plan, participating subsidiaries contribute 50% of amounts contributed by employees; all contributions are made to a trust for investment in the common stock of the Company. The plan acquired 30,900 shares (1984), 24,600 shares (1983) and 35,265 shares (1982) of the Company's common stock on the open market, adjusted for the 5% stock dividend distributed in June 1982. At October 31, 1984, the Stock Purchase Plan held 344,624 shares of the Company's common stock. Charges to income, representing the Company's contributions, net of refunds from forfeitures upon termination of participation, amounted to $98,000 (1984), $76,000 (1983) and $95,000 (1982). Contributions made by the Company vest with the employee two years after the date of such contributions.

CENTRONICS DATA COMPUTER CORP. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Capital stock

Employee Stock Purchase Plan: On November 13, 1984 the Board of Directors adopted the 1984 Employee Stock Purchase Plan, subject to approval of the Company's stockholders. Under the Plan, each eligible employee in the United States and Canada may be granted within each six month period options to purchase up to 250 shares of the Company's common stock. The options are exercisable six months after grant, at the lower of 85% of market value at the beginning or end of the six month period, through accumulation of payroll deductions of up to 10% of each participating employee's compensation during such six-month period. During Fiscal 1984 options were exercised to purchase 70,763 shares for a total of approximately $494,000. At December 30, 1984, 929,237 shares were reserved for future grants under the Plan. 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, if any, will be credited to additional paid-in-capital when realized.

DIGITAL EQUIPMENT CORPORATION (JUN)

Note J (In Part): Stock Plans

Employee Stock Purchase Plans—Under the Company's Employee Stock Purchase Plans, all United States and certain international 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 1,961,690 shares at June 30, 1984 and 2,950,620 shares at July 2, 1983. There were 988,930 shares issued at an average price of $59.87 in fiscal 1984 and 648,035 shares at $74.88 in fiscal 1983. 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.

DOW JONES & COMPANY, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 8 (In Part): Stock Purchase, Stock Option and Executive Incentive Plans

Stock Purchase Plan: In 1981, stockholders authorized a stock purchase plan under which 1,200,000 shares of common stock can be issued. Under the terms of the plan, eligible employees may purchase shares of the company's stock based on compensation through payroll deductions or lump-sum payment. The purchase price for payroll deductions is the lower of 85% of the fair market value of the stock on the first or last day of the purchase period. Lump-sum purchases are made during the offering period at the lower of 85% of the fair market value of the stock on the first day or the payment date.

The activity in the plan was as follows:

		Shares Subscribed	
	Price	1984	1983
Balance, January 1		72,082	119,220
Shares subscribed		127,572	127,698
Purchases	$31.03 to $37.72	(110,242)	(171,039)
Terminated or canceled		(7,246)	(3,797)
Balance, December 31		82,166	72,082

At December 31, 1984, there were 559,257 shares available for future offerings.

JOY MANUFACTURING COMPANY (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14 (In Part): Stock Option and Stock Purchase Plans

Stock Purchase Plan

In connection with the acquisition of Wheeling Machine Products Company in 1977, Joy assumed the responsibility of satisfying certain rights to purchase the company's common stock. At the end of 1984, 1983 and 1982, there were outstanding, 2,840, 4,493 and 6,869, respectively, of these rights to purchase shares of Joy Common Stock at prices ranging from $9.50 to $13.95. No purchase rights have been granted since 1977 and no future grants are anticipated.

KNIGHT-RIDDER NEWSPAPERS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note E (In Part): Capital Stock

The Stock Purchase Plan provides for the sale of Common Stock to employees of the company and its subsidiaries over a series of three-month periods at a price equal to 85% of the market value at the end of each purchase period. Participants under the plan received 356,133 shares in 1984, 276,516 shares in 1983 and 421,018 shares in 1982. At December 31, 1984 the company was obligated to issue 91,134 shares for an aggregate price of $2,242,000, representing participation by employees during the last quarter of 1984, after which there remained 4,811,392 shares available for purchase in the future. The purchase price of shares issued in 1984 under this plan ranged between $20.29 and $24.12 and the market value on the purchase dates of such shares ranged from $23.88 to $28.38.

TREASURY STOCK

APB Opinion No. 6 discusses the balance sheet presentation of 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

AMSTED INDUSTRIES INCORPORATED (SEP)

	1984	1983
	($000)	
Stockholders' Equity		
Preferred stock		
Authorized—1,000,000 shares, no par value, none issued		
Common stock		
Authorized—25,000,000 shares, $1 par value, Issued—12,491,720 shares	$ 12,492	$ 12,492
Capital in excess of par value	44,417	44,128
Net income employed in the business	330,184	315,744
Translation adjustment	(1,520)	—
	385,573	372,364
Less—1,642,047 shares and 1,654,979 shares of common stock held in the treasury at cost	15,056	15,175
Total Stockholders' Equity	370,517	357,189

TABLE 2-36: TREASURY STOCK—BALANCE SHEET PRESENTATION

	1984	1983	1982	1981
Common Stock				
Cost of treasury stock shown as stockholders' equity deduction	346	339	353	341
Par or stated value of treasury stock deducted from issued stock of the same class	34	38	37	41
Cost of treasury stock deducted from stock of the same class	17	19	17	14
Cost of treasury stock shown as noncurrent asset	3	3	4	4
Other	7	4	6	4
Total Presentations	**407**	**403**	**417**	**404**
Preferred Stock				
Cost of treasury stock shown as stockholders' equity deduction	15	14	19	17
Par or stated value of treasury stock deducted from issued stock of the same class	4	4	4	7
Other	8	5	4	4
Total Presentations	**27**	**23**	**27**	**28**
Number of Companies				
Disclosing treasury stock	410	408	421	410
Not disclosing treasury stock	190	192	179	190
Total Companies	**600**	**600**	**600**	**600**

AMERICAN PETROFINA, INCORPORATED (DEC)

	1984	1983
	(Thousands of dollars)	
Stockholders' equity		
Preferred stock of $1 par value. Authorized 4,000,000 shares; none issued	$ —	$ —
Class A common stock of $1 par value. Authorized 19,000,000 shares; issued 10,964,926 shares at 1984 and 9,861,365 shares at 1983	10,965	9,861
Class B common stock of $1 par value. Authorized and issued 1,000,000 shares	1,000	1,000
Additional paid-in capital	228,233	163,610
Retained earnings	419,342	410,773
	659,540	585,244
Less cost of Class A common shares in treasury; 1,681 shares at 1984 and 2,531 shares at 1983	101	145
Total stockholders' equity	659,439	585,099

ARMSTRONG WORLD INDUSTRIES, INC. (DEC)

	1984	1983
	($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	43,786	43,788
Retained earnings	634,471	571,225
Foreign currency translation	(28,032)	(14,413)
	692,760	643,135
Less treasury stock, at cost:		
Preferred stock, $3.75 cumulative—43,373 shares	3,986	3,986
Common stock: 1984—2,060,745 shares; 1983—1,174,351 shares	41,116	19,231
	45,102	23,217
Total stockholders' equity	647,658	619,918

GUILFORD MILLS, INC. (JUL)

	1984	1983
Stockholders' Investment:		
Preferred stock, $1 par; 1,000,000 shares authorized, none issued	$ —	$ —
Common stock, $.02 par; 20,000,000 shares authorized, 9,921,450 shares issued, 7,844,942 shares outstanding in 1984 and 7,199,280 in 1983	198,000	198,000
Capital in excess of par	21,346,000	9,197,000
Retained earnings	128,166,000	107,189,000
Foreign currency translation loss	(3,215,000)	(1,303,000)
	146,495,000	115,281,000
Less—Treasury stock, at cost (2,076,508 shares in 1984, and 2,722,170 in 1983) (Note 7)	7,152,000	9,376,000
	139,343,000	105,905,000

7 (In Part): Capital Stock and Other Matters:

In October 1983, the Company completed a public offering of 626,912 shares of its treasury stock for $14,285,000, net of expenses of $212,000. Approximately $11,550,000 of the proceeds was used to effect the acquisition of Guilford Kapwood and the balance was added to working capital.

EX-CELL-O CORPORATION (NOV)

	1984	1983
	($000)	
Shareholders' Equity:		
Preferred stock, no par value:		
Authorized and unissued—5,000,000 shares	$ —	$ —
Common stock, par value $3 a share:		
Authorized—50,000,000 shares		
Issued—15,363,535 shares	46,091	46,091
Additional paid-in capital	58,460	57,648
Earnings reinvested in the business	398,412	364,237
Foreign currency translation adjustment	(17,331)	(12,423)
	485,632	455,553
Less cost of treasury stock—1,180,708 shares in 1984; 1,191,739 shares in 1983	27,968	28,218
Total shareholders' equity	457,664	427,335

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

	1984	1983
	($000)	
Shareowners' equity		
Preferred stock—no par value:		
Authorized 10,000,000 shares		
Issued—None		
Common stock—par value $7.50 per share:		
Authorized 40,000,000 shares, Issued 18,670,027 shares (1984); 18,669,300 shares (1983)	$140,025	$140,020
Capital in excess of par value	134,341	134,857
Accumulated earnings	292,281	291,729
	566,647	566,606
Less: Cost of common stock in treasury, 1,187,767 shares in 1984; 412,076 shares in 1983	27,540	5,624
Total shareowners' equity	539,107	560,982

Par Value of Treasury Stock Deducted from Issued Stock

M. LOWENSTEIN CORPORATION (DEC)

	1984	1983
	($000)	
Shareholders' equity:		
Common stock, $1 par value:		
Authorized 5,000,000 shares: issued 4,238,681 in 1984 and 3,366,972 in 1983, less 74,408 in 1984 and 3,527 in 1983 in treasury	$ 4,164	$ 3,363
Additional paid-in capital	22,092	26,844
Retained earnings	183,083	159,807
Accumulated foreign currency translation adjustment	(5,054)	(3,834)
Total shareholders' equity	204,285	186,180

SETON COMPANY (DEC)

	1984	1983
Stockholders' equity:		
Preferred stock, no par value:		
Authorized 1,000,000 shares		
Issued—None		
Common stock, stated value $.50 per share:		
Authorized 20,000,000 shares		
Issued 6,549,004 and 3,274,502 shares	$ 3,274,502	$ 1,637,251
Less 1,428,468 and 668,848 shares in treasury, at stated value	714,234	334,424
	2,560,268	1,302,827
Retained earnings	21,907,470	16,953,770
Total stockholders' equity	24,467,738	18,256,597

STEWART-WARNER CORPORATION (DEC)

	1984	1983
Shareholders' Equity:		
Capital Stock		
Common Stock:		
Authorized—10,000,000 shares of $2.50 par value each		
Issued—6,732,603 shares	$16,832,000	$16,832,000
Less: Treasury stock—285,201 shares (291,646 in 1983)	713,000	730,000
Outstanding—6,447,402 shares (6,440,957 in 1983)	16,119,000	16,102,000
Capital in Excess of Par Value	28,726,000	28,541,000
Retained Earnings	126,188,000	125,350,000
Cumulative Translation Adjustment	(3,152,000)	(2,258,000)
Investment Valuation Allowance	(840,000)	—
Total Shareholders' Equity	167,041,000	167,735,000

OTHER ACCOUNTS SHOWN IN STOCKHOLDERS' EQUITY SECTION

In recent years there has been a significant increase in the number of survey company balance sheets showing accounts other than Capital Stock, Additional Paid-In Capital, Retained Earnings, and Treasury Stock. Such accounts include cumulative translation adjustments, unearned or deferred compensation related to stock award plans, investment valuation allowances, and amounts owed to a company by officers or employees for loans to buy company stock. In 1984, the balance sheets of 352 survey companies show a cumulative translation adjustment; 32 companies show unearned or deferred compensation related to stock award plans; 26 companies show an investment valuation allowance; and 23 companies show a receivable for loans to buy company stock. Examples showing the presentation of these items follow.

Cumulative Translation Adjustments

CABOT CORPORATION (SEP)

	1984	1983
	($000)	
Stockholders' Equity		
Preferred stock		
Authorized: 2,000,000 shares of $1 par value, Issued: none		
Common stock		
Authorized: 80,000,000 shares of $1 par value, Issued: 33,887,484 in 1984 and 1983	$ 33,887	$ 33,887
Additional paid-in capital	20,008	20,008
Retained earnings	744,950	677,419
	798,845	731,314
Less cost of 1,933,470 and 1,696,770 shares, respectively, of treasury stock	21,649	16,010
	777,196	715,304
Foreign currency translation adjustments	(56,798)	(39,709)
Total stockholders' equity	720,398	675,595

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

L. Foreign Currency Translation

In 1983 and 1984, declines of $9,529,000, and $17,089,000, respectively, in stockholders' equity were recorded as a result of the continued strength of the U.S. dollar.

Foreign exchange losses included in other (income) charges in the Consolidated Statements of Income for fiscal years 1984, 1983 and 1982, were $3,839,000, $4,341,000 and $4,244,000, respectively.

GENERAL SIGNAL CORPORATION (DEC)

	1984	1983
	($000)	
Shareholders' equity:		
Common stock, par value $1 per share; authorized 75,000,000 shares; issued 28,666,000 in 1984; 28,569,000 in 1983	$ 39,776	$ 39,679
Additional paid-in capital	197,802	194,395
Retained earnings	692,037	633,342
Cumulative translation adjustments (note 2)	(26,373)	(20,644)
	903,242	846,772
Common stock in treasury, at cost	(1,539)	(800)
Total shareholders' equity	901,703	845,972

Note 2. Foreign Currency Translation

Effective January 1, 1982, the company changed its method of translating foreign currency financial statements to comply with Statement of Financial Accounting Standards (SFAS) No. 52. Under this method, the effect of translating the financial statements of foreign subsidiaries in nonhyperinflationary economies is included in a separate component of shareholders' equity entitled "cumulative translation adjustments." Activity in this account is as follows:

	1984	1983	1982
	($ in thousands)		
Balance at beginning of year	$20,644	$15,953	$ —
Opening balance adjustment resulting from change in translation method	—	—	4,344
Translation adjustments	6,769	4,691	11,609
Sale of foreign investment	(1,040)	—	—
Balance at end of year	$26,373	$20,644	$15,953

JOHNSON & JOHNSON (DEC)

	1984	1983
	(Dollars in Millions)	
Stockholders' equity		
Preferred stock—without par value (authorized and unissued 2,000,000 shares)	$ —	$ —
Common stock—par value $1.00 per share (authorized 270,000,000 shares; issued 191,831,000 and 191,562,000 shares)	191.8	191.6
Additional capital	278.6	272.1
Cumulative currency translation adjustments (Note 7)	(366.4)	(260.7)
Retained earnings	3,119.1	2,824.5
	3,223.1	3,027.5
Less common stock held in treasury, at cost (8,986,000 and 234,000 shares)	291.1	1.0
Total stockholders' equity	2,932.0	3,026.5

Note 7. Foreign Currency Translation

For translation of its international currencies, the Company has determined that the local currencies of its international subsidiaries are the functional currencies except those in highly inflationary economies which are defined as those which have compound cumulative rates of inflation of 100% or more during the past three years.

In consolidating international subsidiaries, balance sheet currency effects are recorded in a separate component of stockholders' equity. This equity account includes the results of translating all balance sheet assets and liabilities at current exchange rates except for those located in highly inflationary economies, principally Argentina, Brazil and Mexico, which are reflected in operating results.

An analysis of the changes during 1984 and 1983 in the separate component of stockholders' equity for cumulative currency translation adjustments follows:

	1984	1983
	(Dollars in Millions)	
Beginning of year	$(260.7)	(163.5)
Translation adjustments	(105.7)	(97.2)
End of year	$(366.4)	(260.7)

Translation adjustments are primarily attributable to inventories and property, plant and equipment and do not exist in terms of functional cash flows; such adjustments are not reported as part of operating results since realization is remote unless the international businesses are sold or liquidated.

Net currency transaction and translation gains and losses included in net earnings were losses of $23.7 million and $10.5 million in 1984 and 1983, respectively, incurred principally in Latin America, and a gain of $4.6 million in 1982.

SHELLER-GLOBE CORPORATION (SEP)

	1984	1983
	(In thousands)	
Shareholders' equity:		
Series preferred stock	$ 1,044	$ 1,116
Common stock, no par value, $1 stated value; authorized 24,000,000 shares (12,000,000 shares in 1983); outstanding 8,364,099 shares (9,378,618 in 1983) after deducting 1,113,624 treasury shares in 1984	8,364	9,379
Capital in excess of stated value	50,978	70,665
Retained earnings	145,954	117,778
Net unrealized loss on noncurrent marketable equity securities	(1,196)	—
Cumulative foreign currency translation adjustments	(1,910)	—
Total shareholders' equity	203,234	198,938

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant accounting policies

Foreign currency translation—Effective October 1, 1983, the Company adopted Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation," under which adjustments resulting from translation of the financial statements of most foreign subsidiaries are excluded from the determination of net income and included as a separate caption in shareholders' equity. This change in accounting method resulted in a decrease in consolidated shareholders' equity of approximately $1,198,000 as of October 1, 1983, due principally to the translation of the property, plant and equipment and inventories of most foreign subsidiaries at current rates of exchange. The effect of the change on 1984 net income was insignificant. Translation adjustments at September 30, 1984 increased the cumulative translation adjustment in shareholders' equity by $712,000. The financial statements for fiscal years 1983 and 1982, which include immaterial translation adjustments, have not been restated.

Unearned Compensation

ANALOGIC CORPORATION (JUL)

	1984	1983
Stockholders' equity:		
Common stock, $.05 par; authorized 30,000,000 shares; issued 1984, 19,253,058 shares; 1983, 19,041,144 shares	$ 962,653	$ 952,057
Capital in excess of par value	62,450,629	59,254,275
Retained earnings	69,770,946	53,264,636
	133,184,228	113,470,968
Less:		
Treasury stock, at cost (1984, 1,000,312 shares; 1983, 857,312 shares)	1,640,210	54,657
Unearned compensation (Note 7)	1,800,222	
	129,743,796	113,416,311

Note 7 (In Part): Stock Option and Stock Bonus Plans:

At July 31, 1984, the Company had four key employee stock option plans and one key employee stock bonus plan. In January 1982, the stockholders approved amendments to two of the plans to provide the flexibility to grant new options as incentive stock options and to change certain options outstanding under said plans to incentive stock options.

Options under the 1978 and 1980 plans granted prior to December 4, 1981 become exercisable in an amount equal to 25% per year beginning one year from the date of grant. Options granted after December 4, 1981 become exercisable after two years from the date of grant, in an amount equal to 50% and 25% per year thereafter. All options are granted at the market value at the date of grant and expire after five years.

Participants under the stock bonus plan may not dispose or otherwise transfer stock received for the period commencing three years after date of grant, and then at the rate of 25% of the stock per year. Upon issuance of grants under the plan, unearned compensation equivalent to the market value at the date of grant is charged to stockholders' equity and subsequently amortized over a period of seven years. Amortization of $73,500 was recorded in fiscal 1984.

Options under the incentive stock option plan are granted for eight-year terms and become exercisable in four cumulative annual installments of 25% commencing after three years from the date of grant.

BRUNSWICK CORPORATION (DEC)

	1984	1983
	($000)	
Common shareholders' equity		
Common stock; authorized: 40,000,000 shares, without par value	$ 17,660	$ 17,641
Additional paid-in capital	84,665	80,135
Unearned portion of restricted stock issued for future services	(2,657)	(1,073)
Retained earnings	404,119	326,978
Cumulative translation adjustments	(1,742)	(499)
Treasury stock, at cost	(41,227)	(46,800)
Common shareholders' equity	460,818	376,382

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Common stock plans

Selected management employees have received shares of the Company's common stock under two restricted stock plans. Under the 1978 Restricted Stock Plan, 799,858 shares have been awarded. No shares were awarded under this plan in 1984, and as of December 31, 1984 no additional shares may be awarded. After a restricted period of from one to five years, the shares awarded are transferred to the employees. At that time, the employees may receive additional shares (or cash, at the Compensation Committee's discretion) if certain increases in book value of the Company, as defined in the Plan, have been achieved. Through December 31, 1984, the Compensation Committee has elected to distribute cash rather than additional shares upon the expiration of the restricted periods. Cash representing the market value of 145,974 shares (at the dates of distribution) has been distributed for this purpose. Up to 145,750 additional shares (or their equivalent in cash) may be issued upon the future expiration of restricted periods.

Under the 1984 Restricted Stock Plan, 50,500 shares have been awarded. These shares were awarded in 1984, and as of December 31, 1984, an additional 449,500 shares may be awarded. After a restricted period of from one to three years, the shares awarded are transferred to the employees. At that time, the employees may also receive a cash award, if certain performance standards, as established by the Compensation Committee, have been met.

The Plans provide that, within 90 days after a change in control of the Company, a participant may elect to accelerate the restricted period on shares of common stock awarded under the Plans. A "change in control of the Company" occurs when 1) any person is or becomes a beneficial owner directly or indirectly of 30% or more of the combined voting power of the Company, 2) individuals nominated by the Board of Directors for election as directors do not constitute a majority of the Board of Directors after such election or 3) a tender offer is made for the Company's stock, involving a control block, which is not negotiated and approved by the Board of Directors.

The Plans also provide that the Compensation Committee of the Board of Directors may at any time reduce the restricted period for restricted stock of any participant or group of participants, except that under the 1984 Plan the restricted period cannot be reduced to a period of less than one year. Charges against net earnings for the compensation element of the plans were $1.7 million, $1.6 million and $1.6 million for 1984, 1983 and 1982, respectively.

THE CESSNA AIRCRAFT COMPANY (SEP)

	1984	1093
Stockholders' equity:		
Preferred stock, $1 par value, 3,000,000 shares authorized, none issued		
Common stock, $1 par value, 44,000,000 shares authorized, 19,760,196 shares issued (1983—19,245,916 shares)	$ 18,760,196	$ 19,245,916
Paid-in capital	89,243,536	76,771,021
Earnings reinvested in business	230,084,876	236,957,670
	339,088,608	332,974,607
Less:		
Treasury stock at cost, 77,569 shares (1983—59,322 shares)	1,330,201	1,093,257
Restricted stock plan deferred compensation	3,095,507	4,099,066
Total stockholders' equity	334,662,900	327,782,284

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Retirement and incentive compensation plans

Cessna's 1977 Restricted Stock Plan provides for the sale of common stock of Cessna to key employees, subject to restrictions on sale of the stock and subject to continued employment. Sales of stock were at a price of $1 per share and repurchased shares were at the original selling price. The deferred compensation is being amortized over a nine-year period. At September 30, 1984, 483,584 shares of stock are reserved for future sales under the Plan.

NORTHROP CORPORATION (DEC)

	1984	1983
	(In millions)	
Shareholders' equity:		
Paid-in capital		
Preferred stock, 1,000,000 shares authorized, None issued		
Common stock, 60,000,000 shares authorized, Issued and outstanding: 1984—46,100,787; 1983—15,213,277	$150.7	$133.3
Retained earnings	596.7	471.1
Unvested employee restricted award shares	(22.6)	(27.5)
	724.8	576.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Long-Term Incentive Plans (In Part)

Restricted award shares are granted to key employees without payment to the corporation. Recipients have all of the rights of shareholders except that the shares are deposited with the company and cannot be disposed of until the restrictions have lapsed. On the date of grant, the market price of the shares is added to paid-in capital and an equal amount is deducted from shareholders' equity (unvested employee restricted award shares). The unvested amount is amortized to compensation expense over the vesting period, generally 10 years.

Investment Valuation Allowances

AMETEK, INC. (DEC)

	1984	1983
Stockholders' equity:		
Preferred stock, $1.00 par value, authorized 5,000,000 shares (1,000,000 shares in 1983); none issued		
Common stock, $1.00 par value, authorized 100,000,000 shares (35,000,000 shares in 1983); issued: 1984—22,830,287 shares; 1983—22,612,838 shares	$ 22,830,287	$ 22,612,838
Capital in excess of par value	4,174,347	1,364,024
Retained earnings	187,736,616	162,507,599
	214,741,250	186,484,461
Less: Cost of shares held in treasury: 1984—955,068 shares; 1983—899,468 shares	12,103,794	10,801,130
Unrealized loss on investment in equity securities (Note 8)	1,725,000	—
Total stockholders' equity	200,912,456	175,683,331

Note 8 (In Part): Other Information

In May and June, 1984, the Company purchased, as an investment, 641,950 shares, or just under 10%, of the outstanding common stock of a publicly-traded company in open market transactions for $21,120,000. Such investment is recorded at the lower of cost or market, which includes a valuation allowance of $1,725,000, net of income taxes, and is reflected in other assets and in stockholders' equity at December 31, 1984.

DURR-FILLAUER MEDICAL, INC. (DEC)

	1984	1983
	($000)	
Shareholders' Equity:		
Common stock: Authorized 16,000,000 shares; $.50 par value; issued and outstanding 6,255,394 in 1984 and 6,252,245 in 1983	$ 3,128	$ 3,126
Additional paid-in capital	10,434	10,411
Retained earnings	33,718	28,935
	47,280	42,472
Less—net unrealized loss on marketable equity securities (Note 5)	16	11
Total shareholders' equity	47,264	42,461

Note 5. Investments in Marketable Securities

At December 31, 1984 and 1983, the actual cost of noncurrent marketable equity securities exceeded their market value by $16,000 and $11,000, respectively. An allowance for unrealized losses has been established at those dates. The net unrealized loss on marketable equity securities has been increased in 1984 by $5,000 and reduced in 1983 by $10,000. Realized losses on disposition of long-term securities were $27,000 for 1984. There were no realized losses in 1983.

HERCULES INCORPORATED (DEC)

	1984	1983
	($000)	
Stockholders' Equity		
Series preferred stock	$ —	$ —
Common stock	28,295	27,584
(Shares issued: 1984, 54,326,537; 1983, 52,961,706 shares)		
Additional paid-in capital	234,128	198,277
Foreign currency translation adjustment	(151,021)	(109,904)
Valuation allowance for marketable equity securities	(11,035)	—
Retained earnings	1,290,969	1,172,796
	1,391,336	1,288,753
Reacquired stock, at cost (1984, 861,917; 1983, 20,368 shares)	24,425	635
Total Stockholders' Equity	1,366,911	1,288,118

NOTES TO FINANCIAL STATEMENTS

(Dollars in thousands)

12. Investment in Erbamont, N.V.

During 1983, Hercules exchanged its 50% interest in Adria Laboratories Inc. for 3,426,778 shares of Erbamont, NV., an international pharmaceutical company. As a result of the exchange, Hercules realized a before-tax gain of $32,616, or $.40 per share. An additional 2,196,498 shares were acquired during 1983 in connection with the formation of HIMONT Incorporated (see note 7).

The investment in Erbamont, N.V. is carried at the lower of cost or market. A valuation allowance of $11,035, representing the excess of cost over market, is included in Stockholders' Equity at December 31, 1984.

LEAR SIEGLER, INC. (JUN)

	1984	1983
Shareholders' Equity		
Preferred stock, cumulative and convertible—authorized 4,000,000 shares without par value; issued 255,663 and 317,108 shares; outstanding 247,566 and 309,011 shares (liquidation preference of $11,000,000 at June 30, 1984).	$ 639,000	$ 793,000
Common stock—authorized 50,000,000 shares of $1 par value; issued 18,184,883 and 16,754,264 shares; outstanding 18,064,366 and 16,633,757 shares	18,185,000	16,754,000
Additional capital	63,783,000	21,885,000
Retained earnings	516,581,000	460,257,000
Foreign currency translation adjustment	(20,713,000)	(15,387,000)
Unrealized loss on marketable security (Note 2)	(6,955,000)	
Cost of treasury stock—8,097 preferred shares; 120,517 and 120,507 common shares	(2,209,000)	(2,209,000)
	569,311,000	482,093,000

Note 2 (In Part): Investments

At June 30, 1984, other assets include an investment in Lone Star Industries, Inc., a marketable equity security, of $24,721,000 and investments in unconsolidated finance companies of $23,079,000. Both of these investments were acquired in the purchase of Bangor Punta.

The marketable equity security is carried at the lower of cost or market. To reduce the carrying value to market value at June 30, 1984, a valuation allowance was established in the amount of $6,955,000. The valuation allowance represents an unrealized decline in market value net of related taxes and is included in shareholders' equity since the decline is not considered to be permanent.

Receivable From Sale of Stock

BAIRD CORPORATION (SEP)

	1984	1983
Stockholders' equity:		
Common stock of $1 par value per share, Authorized 5,000,000 shares; issued 2,238,323 shares (2,172,534 in 1983).............	$ 2,238,323	$ 2,172,534
Other paid-in capital.................	14,690,527	14,245,902
Installments receivable from officers (note 4).............................	(146,331)	(152,362)
Foreign currency translation.........	(685,701)	(347,605)
Retained earnings.....................	4,062,516	3,598,372
Total stockholders' equity.........	20,159,334	19,516,841

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Installments Receivable from Officers

In 1975 and subsequently, the Company sold 186,970 shares of common stock to certain officers for an aggregate of $369,813. Of the amount of the related receivables outstanding as of September 30, 1984, $143,650 will be paid in two annual installments of $5,000 and a final installment of $133,650.

LEVI STRAUSS & CO. (NOV)

	1984	1983
	($000)	
Stockholders' Equity:		
Common stock—$1.00 par value: authorized 100,000,000 shares; issued 43,998,808 shares	$ 43,999	$ 43,999
Additional paid-in capital................	63,266	63,063
Retained earnings.........................	1,066,068	1,093,417
Translation adjustment	(81,051)	(56,993)
Employee Stock Ownership Plan shares purchased with debt..................	(38,638)	(36,499)
Treasury stock, at cost: 1984—7,091,288 shares; 1983—2,108,120 shares.....................	(246,203)	(53,278)
Total stockholders' equity.............	807,441	1,053,709

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Employee Stock Ownership Plan

The company has an Employee Stock Ownership Plan (ESOP) which enables eligible employees to own company common stock. During 1984 and 1983, the ESOP purchased 1,000,000 shares of company common stock with long-term bank loans on a revolving line of credit. In 1984, the ESOP refinanced the balance outstanding on these loans with funds borrowed from the Company under a revolving line of credit. Interest rates on these loans are based on those offered by selected domestic financial institutions to leading banks in the London interbank market.

Company contributions, which total $2,876,000 in 1984 and $11,191,000 in 1983, may be used to pay principal, interest, and expenses of the Plan. Interest payments are reduced by dividends paid on unallocated shares.

In conjunction with the ESOP, the company has a Payroll Stock Ownership Plan (PAYSOP), which provides additional shares of company common stock to employees. The company receives a federal tax credit equal to the amount of contributions to the PAYSOP.

OAK INDUSTRIES INC. (DEC)

	1984	1983	1982
	(Dollars in thousands)		
Stockholders' Investment:			
Cumulative convertible preferred stock	$ 41	$ 45	$ 54
Common stock, $1 par value; authorized 40,000,000 shares; issued 16,448,398, 16,428,394 and 16,402,355 shares	16,448	16,428	16,402
Additional paid-in capital.......	159,885	159,588	159,281
Retained earnings (deficit).....	(226,438)	(77,165)	45,932
Less—			
Cumulative translation adjustment	(7,651)	(12,454)	(11,521)
Notes receivable on sale of common stock (Note 7) ..	(1,236)	(1,236)	(1,294)
Treasury stock, at cost, 77,883, 80,689 and 88,985 shares............	(26)	(27)	(33)
Total stockholders' investment..............	$(58,977)	$85,179	$208,821

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Stock Option Plans:

Loans totaling $2,948,000 were made in 1980 and 1981 to enable the optionees to exercise their options and pay income taxes generated by such exercises. The remaining balance on these loans at December 31, 1984 is $2,474,000, of which $1,238,000, the portion that relates to income taxes, is classified in notes receivable on the Consolidated Balance Sheets, while $1,236,000, the portion that relates to the exercise of common stock options, is classified in the stockholders' investment section. The unsecured loans are payable on December 15, 1990 or earlier if the related shares are sold or under certain other conditions. Interest is assessed quarterly in amounts equal to the amount of cash dividends received on the shares during that period.

Section 3: Income Statement

TITLE OF INCOME STATEMENT

Table 3-1 summarizes the key word terms used in income statement titles.

TABLE 3-1: INCOME STATEMENT TITLE

	1984	1983	1982	1981
Income	321	329	342	362
Earnings	166	167	172	174
Operations	108	98	79	59
Other	5	6	7	5
Total Companies	**600**	**600**	**600**	**600**

INCOME STATEMENT FORMAT

Table 3-2 shows that in 1984, in contrast to prior years, more survey companies used a multiple-step income statement to summarize revenue and expense amounts than a single-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

	1984	1983	1982	1981
Single-step Form				
Federal income tax shown as separate last item	275	291	306	306
Federal income tax listed among operating items	20	23	22	27
Multiple-step Form				
Costs and expenses deducted from sales to show operating income	169	155	144	147
Costs deducted from sales to show gross margin	136	131	128	120
Total Companies	**600**	**600**	**600**	**600**

REVENUES AND GAINS

Paragraph 63 of FASB *Statement of Financial Accounting Concepts No. 3* defines revenues as "inflows or other enhancements of assets of an entity or settlements of its liabilities" resulting from the entity's "ongoing major or central operations." Paragraph 67 of *Concepts No. 3* defines gains as increases in an entity's net assets resulting from all other transactions and events affecting the entity.

Paragraphs 19 and 26 of *APB Opinion No. 30* comment on the presentation and disclosure of gains.

> 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 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.

TABLE 3-3: REVENUE CAPTION TITLE

	1984	1983	1982	1981
Net Sales				
Net sales	370	368	372	375
Net sales and operating revenues	10	9	8	9
Net sales combined with other terms	7	11	12	14
Sales				
Sales	95	94	92	89
Sales and operating revenue	24	22	21	23
Sales combined with other terms	13	18	22	19
Other Captions				
Revenue	74	72	66	63
Gross sales, income, billings, shipments, etc.	7	6	7	8
Total Companies	**600**	**600**	**600**	**600**

TABLE 3-4: GAINS

	Number of Companies			
	1984	**1983**	**1982**	**1981**
Interest	272	268	262	252
Disposition of assets	120	133	122	120
Equity in earnings of investees	119	116	112	113
Dividends	64	54	52	49
Foreign currency	61	66	66	81
Royalties	31	28	36	38
Early retirement of debt	28	21	59	N/C
Rentals	15	18	15	8
Litigation settlements	12	8	N/C	N/C
Sale of tax benefits	6	18	36	N/C

N/C—Not Compiled.

Gains 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 revenues and gains follow.

REVENUES

Net Sales

ALLEGHENY INTERNATIONAL, INC. (DEC)

	1984	1983	1982
		(In thousands)	
Net sales	$2,115,276	$2,086,516	$2,604,008
Cost of goods sold	1,447,432	1,469,293	1,826,446
Depreciation and amortization	51,541	56,602	66,013
Selling, general and administrative expenses	464,911	459,902	551,373
	1,963,884	1,985,797	2,443,832
Operating earnings	151,392	100,719	160,176

BRIGGS & STRATTON CORPORATION (JUN)

	1984	1983	1982
Net Sales	$671,193,000	$613,807,000	$635,666,000
Cost of Goods Sold	561,439,000	516,316,000	530,371,000
Gross Profit on Sales	109,754,000	97,491,000	105,295,000

HARNISCHFEGER CORPORATION (OCT)

	1984	1983	1982
		($000)	
Revenues			
Net sales	$398,708	$321,010	$447,461
Other income, including license and technical service fees	7,067	3,111	5,209
	405,775	324,121	452,670

JOHNSON CONTROLS, INC. (SEP)

	1984	1983	1982
		(Dollars in thousands)	
Net sales	$1,425,271	$1,323,424	$1,251,522
Costs of sales	1,066,078	988,381	939,925
Gross margin	359,193	335,043	311,597

VF CORPORATION (DEC)

	1984	1983	1982
		($000)	
Net sales	$1,167,356	$1,100,956	$879,528
Other income	17,558	17,021	17,490
	1,184,914	1,117,977	897,018

Sales

CURTISS-WRIGHT CORPORATION (DEC)

	1984	1983	1982
		($000)	
Revenues:			
Sales	$144,369	$180,417	$185,582
Rentals and gains on sales of real estate and equipment	8,840	5,475	7,000
Interest, dividends and gains and losses on sales of short-term investments, net	5,625	9,683	14,547
Other income, net	2,902	3,389	989
Total revenues	161,736	198,964	208,118

Revenue

CBI INDUSTRIES, INC. (DEC)

	1984	1983	1982
		(Thousands of dollars)	
Revenues			
Contracting Services	$716,929	$828,913	$1,212,950
Industrial Gases	183,042	—	—
Investments	60,280	76,463	54,329
Total revenues	$960,251	$905,376	$1,267,279

THE COASTAL CORPORATION (DEC)

	1984	1983	1982
		(Thousands of dollars)	
Operating Revenues	$6,260,378	$5,963,074	$5,799,413
Operating Costs and Expenses:			
Purchases	5,326,468	5,041,847	4,827,820
Operating expenses	484,255	498,401	565,269
Depreciation, depletion and amortization	142,650	144,995	143,393
	5,953,373	5,685,243	5,536,482
Operating Income	307,005	277,831	262,931

DRAVO CORPORATION (DEC)

	1984	1983	1982
		($000)	
Revenue:			
Construction and product sales	$492,862	$431,567	$678,234
Engineering, construction management, and transportation service sales	352,049	378,477	364,467
	844,911	810,044	1,042,701

GAINS

Interest Income

ACME-CLEVELAND CORPORATION (SEP)

	1984	1983	1982
		($000)	
Revenues:			
Net sales	$212,843	$172,729	$326,968
Other income	5,661	1,769	2,098
Interest income	3,052	2,049	3,544
	221,556	176,547	332,610

HAZELTINE CORPORATION (DEC)

	1984	1983	1982
		(Dollars in thousands)	
Revenues	$173,779	$142,527	$125,646
Cost and Expenses			
Cost of Sales	138,309	111,802	96,042
Provision for Contract Loss	—	12,000	—
General and Administrative Expenses	19,920	17,318	16,818
	158,229	141,120	112,860
Operating Income	15,550	1,407	12,786
Patent and Other Income, Net	(220)	295	(35)
Interest Income	2,374	1,849	1,160
Interest Expense	(60)	(168)	(417)
Income From Continuing Operations, Before Income Taxes	17,644	3,383	13,494

HARTMARX CORPORATION (NOV)

	1984	1983	1982
	(In thousands)		
Net sales	$1,070,830	$961,846	$863,231
Finance charges and other income	14,553	12,414	12,345
Interest income	1,619	1,759	1,366
Equity in earnings of non-consolidated affiliate	812	863	1,861
	1,087,814	976,882	878,803

POTLATCH CORPORATION (DEC)

	1984	1983	1982
	(Dollars in thousands)		
Net sales	$993,910	$906,745	$820,180
Costs and expenses:			
Depreciation, amortization and cost of fee timber harvested	59,545	60,083	57,096
Materials, labor and other operating expenses	780,688	719,215	674,098
Selling, administrative and general expenses	53,548	49,713	48,606
	893,781	829,011	779,800
Earnings from operations	100,128	77,734	40,380
Interest expense, net of capitalized interest of $49 ($4,194 in 1983 and $14,761 in 1982)	(24,482)	(24,499)	(16,873)
Interest income	4,507	8,341	4,072
Other income (expense), net	(3,396)	(1,859)	5,875
Earnings before taxes on income	76,758	59,717	33,454

Gain On Sale of Assets

AMERADA HESS CORPORATION (DEC)

	1984	1983	1982
	(Thousands of dollars)		
Revenues			
Sales (excluding excise taxes) and other operating revenues	$8,277,184	$8,368,946	$8,342,570
Non-operating revenues			
Dividends, interest and other revenues	34,099	40,347	51,515
Gain on sale of LL&E common stock	42,469	12,783	—
Total revenues	8,353,752	8,422,076	8,394,085

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 Investment in the Louisiana Land and Exploration Company

The Corporation's investment in The Louisiana Land and Exploration Company (LL&E) at December 31, 1984 and 1983 is summarized below (thousands of dollars, except per share and per unit amounts):

	1984	1983
Common stock		
Number of shares owned	138,500	1,500,000
Cost	$ 4	$ 45
Market value		
Amount	$ 4,294	$ 40,688
Per share	$ 31.00	$ 27.125
Royal Trust		
Number of units owned	1,000,000	1,000,000
Cost	$ 502	$ 561
Market value		
Amount	$ 15,000	$ 12,125
Per unit	$ 15.00	$ 12.125

The Corporation sold the following shares of LL&E common stock in 1984 and 1983 (thousands of dollars):

	1984	1983
Number of shares sold	1,361,500	500,000
Gain before income taxes	$ 42,469	$ 12,783
Net gain after income taxes	$ 28,972	$ 8,718

AMPCO-PITTSBURGH CORPORATION (DEC)

	1984	1983	1982
Net sales	$415,652,500	$235,196,669	$303,626,759
Operating costs and expenses:			
Cost of products sold	337,927,778	189,728,750	245,600,678
Selling and administrative expenses	53,712,926	41,933,742	45,566,244
Depreciation	10,590,366	8,499,550	8,502,657
	402,231,070	240,162,042	299,669,579
Income (loss) from operations	13,421,430	(4,965,373)	3,957,180
Other income and (expense):			
Gain on sale of Finance Subsidiary	4,474,886	—	—
Gain on sale of notes receivable for Contested Shares	—	3,531,546	—
Reduction in unfunded pension liabilities	—	3,478,903	—
Interest and other income	1,943,843	3,051,680	2,718,275
Interest expense	(15,356,338)	(16,118,048)	(18,806,507)
Provision for plant closing costs	—	(3,492,100)	—
	(8,937,609)	(9,548,019)	(16,088,232)
Income (loss) from continuing operations before income taxes	4,483,821	(14,513,392)	(12,131,052)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Acquisitions and Dispositions

On December 28, 1984 the Corporation disposed of a substantial portion of its railcar leasing assets through the sale of its unconsolidated finance subsidiary, Greenville Leasing Company ("GLC"), realizing a pre-tax gain of $4,474,886.

The sale of GLC resulted in a loss for tax purposes due to permanent differences in the tax and book basis of assets sold producing a tax benefit of $3,700,000. The Corporation has guaranteed certain of the rental income due to GLC and does not anticipate any material claims pursuant to its guarantee.

FLEETWOOD ENTERPRISES, INC. (APR)

	1984	1983	1982
	(Amounts in thousands)		
Sales	$1,420,418	$858,025	$581,432
Cost of products sold	1,157,780	684,190	481,703
Gross profit on sales	262,638	173,835	99,729
Selling, general and administrative expenses	150,736	123,040	85,779
Income from operations	111,902	50,795	13,950
Other income (expense):			
Gain on sale of property, plant and equipment	83	124	87
Investment income	9,143	4,620	3,643
Interest expense	(629)	(337)	(317)
Income before provision for income taxes and equity in net income of unconsolidated subsidiaries	120,499	55,202	17,363

HECLA MINING COMPANY (DEC)

	1984	1983	1982
Sales of concentrates and products	$109,480,113	$139,048,539	$91,072,326
Operating costs and expenses	72,267,813	77,276,522	68,534,374
Operating income	37,212,300	61,772,017	22,537,952
Interest and other income	4,270,157	10,620,379	5,698,947
Gain on sale of Sunshine Unit Area (Note 9)	24,072,717	—	—
	65,555,174	72,392,396	28,236,899

Note 9 (In Part): Properties, Plants and Equipment:

In April 1984, Hecla and Sunshine Mining Company ("Sunshine") entered into an agreement settling many outstanding issues between the companies. The principal provisions of the agreement called for: (1) an exchange of various non producing mineral and stock ownership interests to consolidate ownership thereof, (2) the transfer of Hecla's 33.25% ownership in the Sunshine Unit Area (a producing mineral property) to Sunshine, and (3) the issuance of 2,250,000 shares of Sunshine common stock to Hecla. As the result of this agreement, based on estimated fair values of assets received, Hecla reported a nonrecurring gain of $24,072,717 on the sale. The historical revenues and operating income (loss) (before income tax provision) attributable to Hecla's interest in the Sunshine Unit Area were as follows:

	1984	1983	1982
Revenues	$3,243,807	$8,440,536	$3,359,457
Operating income (loss)	$ (295,131)	$1,201,299	$(1,816,738)

HOMASOTE COMPANY (DEC)

	1984	1983	1982
Net sales	$27,706,798	$24,761,469	$19,878,413
Cost of sales	21,107,835	18,933,179	15,670,198
Gross profit on sales	6,598,963	5,828,290	4,208,215
Selling, general and administrative expenses	4,550,761	4,116,881	3,404,951
Operating income	2,048,202	1,711,409	803,264
Other income (expense):			
Gain on sale of equipment	4,447	23,933	47,824
Interest income	180,541	134,097	141,536
Interest expense	(181,995)	(193,853)	(309,728)
	2,993	(35,823)	(120,368)
Earnings before income taxes	2,051,195	1,675,586	682,896

THE TIMES MIRROR COMPANY (DEC)

	1984	1983	1982
	(In thousands of dollars)		
Revenues			
Operating revenues	$2,771,320	$2,478,533	$2,200,399
Other income	33,509	12,643	10,084
	2,804,829	2,491,176	2,210,483
Cost and Expenses			
Cost of sales	1,657,354	1,461,612	1,320,617
Selling, administrative and general expenses	726,655	656,949	613,816
Interest expense	54,395	44,232	51,759
	2,438,404	2,162,793	1,986,192
Income before gain on sales of assets and income taxes	366,425	328,383	224,291
Gain on sales of assets	31,619	31,802	25,257
Income Before Income Taxes	398,044	360,185	249,548

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note D (In Part): Gain on Sales of Assets

On December 7, 1984, the company sold for cash its entire holdings of 625,000 shares of common stock in Commerce Clearing House, Inc. The sale resulted in a gain of approximately $31,619,000 before income taxes and $20,948,000 ($.30 per share) after applicable income taxes.

During 1983, the company and certain subsidiaries sold various assets. The most significant transaction was the sale on December 27, 1983, by The New American Library, Inc., a book publishing subsidiary, of substantially all of its assets. This sale to a group of investors for $50,304,000 in cash resulted in a gain of approximately $31,802,000 before income taxes and $20,129,000 ($.29 per share) after applicable income taxes.

In 1982 certain subsidiaries of the company sold assets, including substantially all of the assets of The Southwestern Company, resulting in aggregate gains of approximately $25,257,000 before income taxes and $17,464,000 ($.26 per share) after applicable income taxes. The Southwestern Company, a book publishing subsidiary, was sold to a group of investors headed by Southwestern's officers for cash and notes receivable, resulting in a net gain of $7,256,000 ($.11 per share) after applicable taxes.

LONE STAR INDUSTRIES, INC. (DEC)

	1984	1983	1982
	(In thousands)		
Revenues:			
Net sales	$1,006,565	$918,769	$866,755
Joint ventures and unconsolidated finance subsidiary	5,928	7,800	9,499
Gain on asset dispositions	55,634	36,931	—
Other income, net	27,048	27,491	37,396
	1,095,175	990,991	913,650

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Gain on Asset Dispositions

During 1984 as part of the repositioning program initiated in 1983, the company sold in separate transactions its Seattle, Washington and Catskill, New York cement plants, its North Texas aggregates operations, the prestressed and precast concrete, ready-mixed concrete, aggregates and concrete block operations in Florida and certain aggregates and cement rock reserves in Florida. The company has also granted an option to a prospective purchaser through June 1985 to acquire 10% of the Florida cement plant and certain additional aggregates and cement rock reserves in Florida. The company received $162,483,000 in cash and $16,000,000 in receivables a major portion of which were collected in January 1985 and recognized a pre-tax gain of $55,634,000 on these transactions.

Equity in Income of Investees

MEREDITH CORPORATION (JUN)

	1984	1983	1982
	(in thousands)		
Revenues (less returns and allowances)	$450,623	$447,775	$449,143
Operating Costs and Expenses:			
Production, distribution and editorial	211,411	231,038	240,068
Selling, general and administrative	179,653	160,053	147,895
Depreciation and amortization	13,482	12,557	12,421
Total Operating Costs and Expenses	404,546	403,648	400,384
Income from Operations	46,077	44,107	48,759
Gain from Sale of Broadcasting Properties	3,035	5,361	—
Equity in 50%-Owned Printing Operations (Note 14)	15,524	5,777	788
Interest Income	4,053	3,947	4,649
Interest Expense	5,208	3,623	3,754
Earnings Before Income Taxes	63,481	55,569	50,442

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14 (In Part): 50 Percent-Owned Printing Operations

On February 8, 1983, the Company, through its wholly-owned subsidiary, MerPrint Company, contributed the assets less current liabilities (valued at $23,424,000) of its Des Moines printing operation to Meredith/Burda Company, Limited Partnership. The Company also contributed $7,500,000 in notes of Meredith/Burda Corporation and has a 50 percent interest in the partnership. The Burda interest of Offenburg, West Germany, the other 50 percent partner, contributed cash, notes, printing equipment and notes of Meredith/Burda Corporation. The method of investment will provide funds for new printing equipment over the next few years without the necessity of the Company contributing cash for capital expenditures. Revenues and operating results prior to the investment are included in the Consolidated Financial Statements. Operating earnings since the date of investment are included in the "Equity in 50%-Owned Printing Operations."

At June 30, 1984, the Company's investment in printing operations consisted of 50 percent of the common stock of Meredith/Burda Corporation, which has printing operations in Lynchburg, Virginia, and Newton, North Carolina, and a 50 percent partnership interest in Meredith/Burda Company, Limited Partnership, with printing operations in Des Moines, Iowa.

The following table summarizes the status and results of the Company's investments for the years ended June 30, 1984, 1983 and 1982.

	1984	1983	1982
	(In thousands)		
Beginning investment	$53,569	$24,368	$21,080
Equity in income	15,524	5,777	788
Additional Investment	—	23,424	2,500
Cash Distributions	(8,870)	—	—
Ending Investment	$60,233	$53,569	$24,368

The difference between the Company's investment and its equity, equal to 50 percent of the net assets of printing operations, has been assigned as a reduction of certain fixed assets for determination of operating costs and the Company's share of earnings.

OWENS-ILLINOIS, INC. (DEC)

	1984	1983	1982
	(Millions of dollars)		
Revenues:			
Net sales	$3,509.5	$3,422.1	$3,552.9
Interest and dividends	31.9	32.7	43.8
Royalties and net technical assistance	33.1	28.7	38.0
Equity in earnings of associates	20.1	15.9	16.9
Other	54.8	23.9	16.4
	3,649.4	3,523.3	3,668.0

PRAB ROBOTS, INC. (OCT)

	1984	1983	1982
Net sales	$18,434,683	$19,104,152	$19,471,764
Costs and expenses:			
Cost of products sold	12,903,068	13,052,718	13,180,912
Selling, general and administrative expenses	6,040,494	5,956,120	5,530,838
	18,943,562	19,008,838	18,711,750
Operating income (loss)	(508,879)	95,314	760,014
Other income (deductions):			
Equity in earnings of affiliate	35,575	43,671	53,528
Interest expense	(799,990)	(303,860)	(125,013)
Interest income	398,155	29,956	44,602
	(366,260)	(230,233)	(26,883)
Earnings (loss) before income taxes	(875,139)	(134,919)	733,131

Foreign Currency Gains

BOISE CASCADE CORPORATION (DEC)

	1984	1983	1982
	(Expressed in thousands)		
Revenues			
Sales	$3,816,850	$3,450,890	$2,912,450
Other income (expense), net	16,470	(8,550)	12,440
	3,833,320	3,442,340	2,924,890
Costs and expenses			
Materials, labor and other operating expenses	3,056,800	2,788,840	2,412,700
Depreciation and cost of company timber harvested	147,220	152,420	131,240
Selling and administrative expenses	388,860	352,150	322,770
Provision for restructuring operations	88,000	—	—
	3,680,880	3,293,410	2,866,710
Income from operations	152,440	148,930	58,180
Interest expense	(79,170)	(71,230)	(83,590)
Interest income	6,200	6,170	6,040
Foreign exchange gain (Note 1)	4,800	4,400	8,450
Sale of tax benefits	—	—	6,770
	(68,170)	(60,660)	(62,330)
Income (loss) before income taxes	84,270	88,270	(4,150)

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Foreign Currency Translation. Foreign exchange gains and losses arising from the Company's Canadian subsidiary and transaction adjustments such as those arising from the Company's 7.5%, 100 million Swiss franc loan are included in income. For the years ended December 31, 1983 and 1982, foreign exchange gains of $3,982,000 and $5,902,000, respectively, were recorded on the Swiss franc loan. Subsequent to September 30, 1983, the Swiss franc loan has been hedged through forward exchange contracts. Other translation adjustments are recorded in the "Cumulative translation adjustment" account, which reduced shareholders' equity by $1,834,000 at December 31, 1984. Translation adjustments, net of deferred taxes, amounted to $592,000, $766,000 and $476,000 in 1984, 1983, and 1982, respectively.

CHESEBROUGH-POND'S INC. (DEC)

	1984	1983	1982
		(In thousands)	
Net Sales	$1,857,330	$1,685,417	$1,623,190
Cost of products sold	935,098	806,980	779,475
Selling, advertising and administrative expenses	694,398	647,116	620,134
Operating costs and expenses	1,629,496	1,454,096	1,399,609
Income from Operations	227,834	231,321	223,581
Other income (expense):			
Interest expense	(56,871)	(32,632)	(32,594)
Interest income	17,122	11,752	11,969
Gain on foreign exchange	3,351	1,071	1,032
Miscellaneous—net	2,940	3,902	4,761
Total other income (expense)	(33,458)	(15,907)	(14,832)
Income before provision for income taxes	194,376	215,414	208,749

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Foreign Currency Translation

All assets and liabilities in the balance sheets of foreign subsidiaries whose functional currency is other than the U.S. dollar are translated at year-end exchange rates. Translation gains and losses are not included in determining net income but are accumulated in a separate component of shareholders' equity. For subsidiaries considered to be operating in highly inflationary countries, the U.S. dollar is the functional currency, and translation gains and losses are included in determining net income. Foreign currency transaction gains and losses generally are included in determining net income.

Royalty Income

MUNSINGWEAR, INC. (DEC)

	1984	1983	1982
	(Amounts in thousands)		
Net sales	$92,645	$93,094	$103,069
Cost of sales	68,761	66,199	84,788
Gross profit on sales	23,884	26,895	18,281
Operating expenses, including advertising, distribution, general and administrative	24,394	25,344	34,726
Operating income (loss)	(510)	1,551	(16,445)
Other income (deductions):			
Royalties	2,775	3,279	3,309
Interest expense	(1,256)	(1,515)	(2,345)
Interest income	609	615	199
Litigation settlements	(1,100)	(630)	
Non-recurring gains (losses) and other, net	34	(137)	940
	1,062	1,612	2,103
Earnings (loss) before income taxes and extraordinary items	552	3,163	(14,342)

SUNDSTRAND CORPORATION (DEC)

	1984	1983	1982
	(Amounts in thousands)		
Net sales	$1,041,948	$909,318	$961,573
Costs and expenses			
Costs of products sold	688,375	620,401	653,235
Marketing and administration	238,654	208,815	204,392
	927,029	829,216	857,627
Earnings before other income (deductions)	114,919	80,102	103,946
Other income (deductions)			
Royalties and commissions	4,112	4,359	5,705
Interest expense	(25,322)	(23,141)	(24,497)
Interest and dividend income	13,469	10,537	5,763
Equity in income of unconsolidated companies	2,224	2,465	5,371
Gain on sale of insurance subsidiary	—	—	11,884
Unclassified, net	2,248	(3,759)	(2,821)
	(3,269)	(9,539)	1,405
Earnings before income taxes	111,650	70,563	105,351

Insurance Settlement

TONKA CORPORATION (DEC)

	1984	1983	1982
	(In millions)		
Sales	$139.0	$87.8	$81.1
Cost of Goods Sold	93.9	66.5	54.9
Gross Profit on sales	45.1	21.3	26.2
Selling, General and Administrative Expenses	33.0	25.8	26.1
Other (Income) Expense (Note 2)	(1.7)	1.9	3.5
Interest Expense—Net	5.5	3.7	1.8
Earnings (Loss) Before Income Taxes	8.3	(10.1)	(5.2)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In millions)

Note Two—Other Significant Transactions

In 1984, other income and expense includes $1.7 of income from an insurance settlement under a fidelity policy. This is a recovery of the $1.9 loss on investment recognized in 1983.

In 1982, other expense of $3.5 resulted from a provision for relocation of manufacturing operations from Mound, Minnesota to El Paso, Texas.

Minority Interest In Loss Of Subsidiary

REICHHOLD CHEMICALS, INC. (DEC)

	1984	1983	1982
	(Dollars in thousands)		
Net sales	$801,355	$747,263	$786,479
Operating costs and expenses:			
Cost of goods sold	644,810	605,874	667,280
Selling, administrative and technological expenses	112,994	106,857	104,720
	757,804	712,731	772,000
Operating income	43,551	34,532	14,479
Other income (deductions):			
Asset redeployment/divestiture program	1,001	2,187	(3,076)
Equity in net income of affiliated companies	2,128	2,221	1,142
Minority interest in net (income) loss of consolidated subsidiaries	190	(163)	1,161
Interest expense	(6,530)	(5,022)	(7,621)
Interest income	2,093	2,466	2,223
Sundry—net	(233)	2,469	1,933
	(1,351)	4,158	(4,238)
Income before income taxes	42,200	38,690	10,241

Time Charges

JIM WALTER CORPORATION (AUG)

	1984	1983	1982
	(In thousands)		
Sales and revenues:			
Net sales	$2,151,413	$1,933,586	$1,840,694
Time charges (Note 2)	106,787	91,574	84,467
Miscellaneous	29,623	29,084	30,207
	2,287,823	2,054,244	1,955,368

Note 2—Instalment Notes Receivable

The instalment notes receivable arise from sales of partially-finished homes to customers for time payments primarily over periods of twelve to twenty years and are secured by first mortgages or contracts for deed. Of the gross amount of $2,610,531,000 an amount of $2,432,545,000 is due after one year. Instalment payments estimated to be receivable within each of the five years from August 31, 1984 are $177,986,000, $177,532,000, $177,100,000, $176,309,000 and $175,381,000, respectively,and $1,726,223,000 after five years. Time charges are included in equal parts in each monthly payment and are taken into income as collected. During 1984, 1983 and 1982, the Company sold, on a non-recourse basis, approximately $65,637,000, $72,013,000 and $99,671,000, respectively, of net instalment notes receivable to commercial banks at their net carrying value. The proceeds from the sales were used to repay short-term debt and invest temporarily in short-term investments (1984 only).

Loss Allowance Reversal

PETTIBONE CORPORATION (MAR)

	1984	1983	1982
	(In thousands)		
Net shipments	$187,657	$200,459	$303,321
Manufacturing costs	164,248	177,151	247,144
Manufacturing margin	23,409	23,308	56,177
Selling and administrative expenses	27,056	42,424	52,808
Operating income (loss)	(3,647)	(19,116)	3,369
Other income (deductions)			
Provision for restructuring costs	(11,199)	(9,250)	—
Interest	(16,625)	(19,818)	(21,535)
Earnings (loss) of unconsolidated subsidiaries and anticipated losses on disposition (note C)	2,225	(5,692)	(995)
Miscellaneous—net	(696)	1,145	830
	(26,295)	(33,615)	(21,700)
Loss before income taxes	(29,942)	(52,731)	(18,331)

Note C—Unconsolidated Foreign Subsidiaries

In years prior to 1983, the operations of the company's unconsolidated foreign subsidiaries were reported on the equity method of accounting. In the quarter ended December 31, 1982 the company decided to liquidate or discontinue support of these unconsolidated foreign subsidiaries.

As a result of this decision, the Company provided for an allowance for anticipated losses in the quarter ended December 31, 1982 in the amount of $5,700,000 which consisted of $2,565,000 anticipated operating losses in excess of the company's equity in unconsolidated foreign subsidiaries and $3,135,000 ($1.13 per common share) of anticipated losses on disposition. The most significant portion of the allowance has been attributed to Pettibone de Mexico S.A. de C.V. in the amount of $2,867,000. Due to the profitable operations of Pettibone de Mexico S.A. de C.V., the Company reversed $2,225,000 of the allowance.

EXPENSES AND LOSSES

Paragraph 65 of FASB *Statement of Financial Accounting Concepts No. 3* defines expenses as "outflows or other using up of assets or incurrences of liabilities" resulting from the entity's "ongoing major or central operations." Paragraph 68 of *Concepts No. 3* defines losses as decreases in an entity's net assets resulting from all other transactions and events affecting the entity.

Paragraphs 19 and 26 of *APB Opinion No. 30* comment on the presentation and disclosure of losses.

> 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. Table 3-6 summarizes the nature of the expenses, other than cost of goods sold.

Excluded from Table 3-6 are rent (Table 2-27), employee benefits (Tables 3-8 and 3-9), depreciation (Table 3-10), and income taxes (Table 3-11).

Table 3-7 lists losses most frequently disclosed by the survey companies. Excluded from Table 3-7 are losses shown after the caption for income taxes (Table 3-16), segment disposals, and extraordinary losses (Table 3-17). Examples of expenses and losses follow.

TABLE 3-5: EXPENSES—COST OF GOODS SOLD CAPTIONS

	1984	1983	1982	1981
Single Amount				
Cost of sales	221	225	232	234
Cost of goods sold	126	129	128	130
Cost of products sold	125	123	129	126
Elements of cost	11	14	15	14
Other captions	81	77	67	65
	564	**568**	**571**	**569**
More Than One Amount	36	32	29	31
Total Companies	**600**	**600**	**600**	**600**

EXPENSES

Cost of Goods Sold

BAKER INTERNATIONAL CORPORATION (SEP)

	1984	1983	1982
	(In thousands of dollars)		
Revenues:			
Sales	$1,290,328	$1,296,949	$1,756,791
Services and rentals	543,365	540,638	778,311
Total	1,833,693	1,837,587	2,535,102
Costs and expenses:			
Cost of sales, services and rentals	1,014,714	1,036,661	1,258,107
Marketing and field service	468,860	487,911	589,317
General and administrative	165,662	184,280	197,323
Unusual charges	24,000	205,645	
Interest expense—net	73,500	76,281	74,175
Total	1,746,736	1,990,778	2,118,922
Income (loss) before income taxes	86,957	(153,191)	416,180

THE BLACK AND DECKER MANUFACTURING COMPANY (SEP)

	1984	1983	1982
	(Thousands of dollars)		
Net Sales	$1,532,883	$1,167,752	$1,160,233
Cost of products sold	950,044	742,986	730,962
	582,839	424,766	429,271
Selling, general and administrative expenses	428,614	332,985	344,313
Operating Income	154,225	91,781	84,958

BURROUGHS CORPORATION (DEC)

	1984	1983	1982
	(Millions)		
Revenue			
Net sales	$3,240.8	$2,703.4	$2,485.7
Rentals	455.2	520.6	576.1
Equipment service	1,112.3	1,072.5	1,033.5
Interest and other income	67.3	93.2	91.0
Total	4,875.6	4,389.7	4,186.3
Costs and expenses			
Cost of products sold	2,005.8	1,701.3	1,644.1
Cost of rentals	256.0	294.4	379.5
Cost of equipment service	653.3	642.8	646.1
Selling, general and administrative expenses	1,197.6	1,084.9	1,048.8
Research and development expenses	274.6	248.2	220.6
Interest expense	125.8	115.4	172.1
Total	4,513.1	4,087.0	4,111.2
Earnings before income taxes	362.5	302.7	75.1

CASTLE & COOKE, INC. (JUN)

	1984	1983	1982
	(In thousands)		
Revenues	$1,520,088	$1,361,535	$1,412,767
Cost of products sold	1,325,323	1,206,466	1,253,431
Gross margin	194,765	155,069	159,336

TABLE 3-6: EXPENSES—OTHER THAN COST OF GOODS SOLD

	Number of Companies			
	1984	**1983**	**1982**	**1981**
Selling, general and administrative	319	319	319	321
Selling and administrative or general	168	176	173	173
General and/or administrative	90	94	91	90
Selling	28	23	25	26
Interest	572	576	577	576
Research, development, engineering, etc.	297	296	297	294
Maintenance and repairs	93	98	103	99
Taxes other than income taxes	81	84	100	105
Advertising	53	55	67	65
Bad debts	34	38	35	27
Exploration, dry holes, abandonments	25	26	24	24

TABLE 3-7: LOSSES

	Number of Companies			
	1984	**1983**	**1982**	**1981**
Foreign currency	120	134	166	138
Discontinued operations other than segment disposals	74	76	88	56
Disposition of assets	25	28	23	19
Write-down of assets	42	38	37	30
Minority interest	38	33	35	41
Equity in losses of investees	15	25	30	18
Litigation settlements	11	9	N/C	N/C

N/C—Not Compiled.

FLUOR CORPORATION (OCT)

	1984	1983	1982
		($000)	
Revenues			
Engineering and construction services	$3,205,987	$4,104,454	$5,383,755
Natural resources	1,022,728	1,002,240	1,116,541
Drilling and other	172,415	193,758	240,255
Total revenues	4,401,130	5,300,452	6,740,551
Cost of Revenues			
Engineering and construction services	3,103,202	3,890,531	5,158,087
Natural resources	982,050	955,652	1,000,788
Drilling and other	197,501	171,594	146,391
Total cost of revenues	4,282,753	5,017,777	6,305,266

GENERAL MILLS, INC. (MAY)

	1984	1983	1982
		(Amounts in millions)	
Costs and Expenses:			
Cost of sales, exclusive of items below	$3,165.9	$3,123.3	$3,081.6
Selling, general and administrative expenses	1,849.4	1,834.3	1,601.7
Depreciation and amortization expenses	133.1	127.5	113.2
Interest expense	61.4	58.7	75.1
Total Costs and Expenses	5,209.8	5,143.8	4,871.6

THE PROCTER & GAMBLE COMPANY (JUN)

	1984	1983	1982
		(Millions of dollars)	
Costs and Expenses			
Cost of products sold	$ 8,533	$ 8,020	$ 7,990
Marketing, administrative, and other expenses	3,026	2,903	2,639
Interest expense	139	108	95
	11,698	11,031	10,724

RUSS TOGS, INC. (JAN)

	1985	1984	1983
Net sales	$275,060,000	$250,805,000	$226,108,000
Interest and other income (net)	4,167,000	4,035,000	3,316,000
Total	279,227,000	254,840,000	229,424,000
Cost of goods sold	205,531,000	183,557,000	168,140,000
Selling and administrative expenses	52,150,000	47,740,000	41,046,000
Interest expense	933,000	582,000	1,226,000
Total	258,614,000	231,879,000	210,412,000
Earnings before income taxes	20,613,000	22,961,000	19,012,000

VARIAN ASSOCIATES, INC. (SEP)

	1984	1983	1982
		(Dollars in thousands)	
Operating Costs and Expenses			
Cost of sales	$604,927	$498,904	$460,579
Research and development	65,776	50,197	41,315
Marketing	96,926	84,692	85,108
General and administrative	66,854	58,603	51,033
Total operating costs and expenses	834,483	692,396	638,035

Interest Expense

ABBOTT LABORATORIES (DEC)

	1984	1983	1982
		(Dollars in thousands)	
Net Sales	$3,103,962	$2,927,873	$2,602,447
Cost of products sold	1,565,338	1,517,629	1,420,471
Research and development	218,711	184,533	136,967
Selling, general and administrative	643,395	621,435	555,140
Total Operating Cost and Expenses	2,427,444	2,323,597	2,112,578
Operating Earnings	676,518	604,276	489,869
Interest expense	94,223	77,589	69,493
Interest and dividend income	(70,462)	(73,207)	(67,484)
Other (income) expense, net	6,563	25,273	14,494
Earnings Before Taxes	646,194	574,621	473,366

CHICAGO PNEUMATIC TOOL COMPANY (DEC)

	1984	1983	1982
		($000)	
Costs and Expenses:			
Cost of products sold	$278,188	$257,505	$279,838
Selling, administrative and general expenses	94,452	88,618	88,514
Interest expense	8,018	11,320	17,285
Depreciation	6,523	6,826	7,132
Other expense	2,561	798	866
Total	389,742	365,067	393,635

SPECTRUM CONTROL, INC. (NOV)

	1984	1983	1982
Net sales	$22,199,754	$17,561,888	$16,040,999
Less:			
Cost of products sold	13,308,579	12,373,925	10,686,520
Selling, general and administrative expense	4,898,082	4,271,890	3,931,246
	18,206,661	16,645,815	14,617,766
Income from operations	3,993,093	916,073	1,423,233
Other income and (expense)			
Investment income	552,923	1,750,012	850,184
Interest expense (less interest capitalized on construction projects of $57,644 in 1982)	(1,261,611)	(948,922)	(122,448)
Lease cancellation fee	—	—	100,000
	(708,688)	801,090	837,736
Income before provision for income taxes	3,284,405	1,717,163	2,260,969

Research and Development

CORNING GLASS WORKS (DEC)

	1984	1983	1982
	($ Millions)		
Net Sales	$1,732.7	$1,589.4	$1,578.7
Cost of sales	1,173.2	1,063.9	1,117.9
Gross Margin	559.5	525.5	460.8
Selling, general and administrative expenses	375.8	368.2	343.4
Research and development expenses	94.3	89.3	88.3
	470.1	457.5	431.7
Income from Operations	89.4	68.0	29.1

IPCO CORPORATION (JUN)

	1984	1983	1982
	(In thousands of dollars)		
Net Sales	$193,048	$170,676	$147,778
Cost of goods sold	104,254	94,950	85,575
Gross Profit on Sales	88,794	75,726	62,203
Operating expenses:			
Selling, warehouse and administrative	74,814	63,833	54,849
Research and development	1,130	517	649
Interest expense	1,431	1,277	1,608
Other (income)—net	(781)	(377)	(729)
Total operating expenses	76,594	65,250	56,377
Income before provision for income taxes and extraordinary tax credit	12,200	10,476	5,826

Taxes Other Than Income Taxes

INTERNATIONAL HARVESTER COMPANY (OCT)

	1984	1983	1982
	(Thousands of dollars)		
Costs and Expenses (Note 9)			
Cost of sales	$4,231,000	$3,324,733	$4,149,846
Marketing and administrative expenses	381,332	377,747	501,058
Provision for losses on receivables	11,880	15,725	31,195
Financing charges on receivables sold to sales finance subsidiaries	202,074	169,858	268,393
Interest expense	174,351	251,773	345,287
Foreign exchange (gain) loss	3,164	(11,267)	(23,243)
Income tax (benefits)	(38,460)	(42,275)	(54,211)
Total costs and expenses	4,965,341	4,086,294	5,218,325

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Supplementary Income Statement Data

Costs and Expenses include the following for the years ended October 31:

(Millions of dollars)	1984	1983	1982
Research and development	$150	$114	$182
Maintenance and repairs	73	64	84
Taxes, other than taxes on income:			
Social security, unemployment and other social insurance	74	74	86
Real estate, personal property, etc.	21	22	27

MAPCO INC. (DEC)

	1984	1983	1982
	(Dollars in thousands)		
Sales	$1,896,531	$1,835,381	$1,764,171
Operating Revenues	134,974	161,442	147,958
	2,031,505	1,996,823	1,912,129
Expenses:			
Outside purchases of raw materials, crude oil, liquefied petroleum gas and other products	1,376,304	1,353,374	1,183,604
Operating	346,167	354,173	380,580
Selling, general and administrative	66,653	57,485	61,580
Depreciation, depletion and impairments	87,281	61,383	59,403
Taxes other than income (Note 6)	43,200	36,953	40,132
Interest and debt expense	41,241	52,812	58,031
Other (income)—net	2,669	(7,506)	(9,521)
	1,963,515	1,908,674	1,773,809
Income Before Provision for Income Taxes	67,990	88,149	138,320

Note 6: Taxes Other Than Income Taxes

Taxes other than income taxes consist of (In Thousands):

	1984	1983	1982
Payroll	$10,339	$10,043	$11,039
Property	9,089	6,389	5,535
Severance—Coal	8,908	7,461	9,600
Black Lung Fund—Coal	7,269	5,354	6,045
Reclamation Fund—Coal	2,117	1,846	1,974
Production—Oil & Gas	2,009	1,869	2,737
Sales and Use	1,932	2,775	2,569
Other	1,537	1,216	633
Taxes other than income taxes	$43,200	$36,953	$40,132

ASHLAND OIL, INC. (SEP)

	1984	1983	1982
	(In thousands)		
Revenues			
Sales and operating revenues (including excise taxes)	$8,544,064	$8,108,169	$9,109,879
Other	77,168	91,302	94,148
	8,621,232	8,199,471	9,204,027
Costs and expenses			
Cost of sales and operating expenses	7,214,937	6,960,088	7,836,714
Excise taxes on products and merchandise	291,500	255,870	245,210
Selling, general and administrative expenses	611,338	564,574	570,127
Depreciation, depletion and amortization (including capitalized leases)	212,547	192,006	171,242
Foreign exploration taxes	38,887	30,905	51,684
	8,369,209	8,003,443	8,874,977
Operating income	252,023	196,028	329,050

INTERNATIONAL PAPER COMPANY (DEC)

	1984	1983	1982
	(In millions of dollars)		
Revenue			
Net sales	$4,715.6	$4,357.1	$4,015.2
Other income, net	60.2	129.2	117.7
Total Revenue	4,775.8	4,486.3	4,132.9
Operating Costs and Expenses			
Cost of products sold	3,586.2	3,442.1	3,247.2
Distribution expenses	261.6	263.1	245.9
Selling and administrative expenses	298.7	265.4	266.6
Depreciation	248.9	224.8	203.1
Taxes other than payroll and income taxes	65.4	57.4	60.1
Total Operating Costs and Expenses	4,460.8	4,252.8	4,022.9
Earnings Before Interest, Income Taxes and Other Items	315.0	233.5	110.0

Exploration

MOBIL CORPORATION (DEC)

	1984	1983	1982
	(In millions)		
Costs and Expenses			
Crude oil, products, merchandise, and operating supplies and expenses	$38,705	$38,404	$43,997
Exploration expenses	619	618	847
Selling and general expenses	5,329	4,967	5,312
Depreciation, depletion, and amortization	2,337	1,892	1,736
Interest and debt discount expense	1,111	814	663
Taxes other than income taxes	8,205	8,089	8,247
Income taxes	2,900	2,711	2,093
Total Costs and Expenses	59,206	57,495	62,895

LOSSES

Foreign Currency

SCHERING-PLOUGH CORPORATION (DEC)

	1984	1983	1982
	(Dollars in millions)		
Sales	$1,874.3	$1,808.5	$1,729.2
Operating Costs and Expenses:			
Cost of sales	601.7	589.9	565.9
Selling, general and administrative	830.6	808.3	784.4
Research and development	163.6	144.7	125.6
Total operating costs and expenses	1,595.9	1,542.9	1,475.9
Operating Income	278.4	265.6	253.3
Non-Operating Income (Expense):			
Investment income	59.4	62.8	58.9
Interest expense	(92.9)	(77.1)	(61.0)
Foreign exchange losses	(11.8)	(13.7)	(25.7)
Other, net	13.0	13.8	12.2
Total non-operating income (expense)	(32.3)	(14.2)	(15.6)
Income Before Income Taxes	246.1	251.4	237.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share figures)

Foreign Currency Translation

The net assets of most of the Company's foreign subsidiaries are translated into U.S. dollars using current exchange rates; the U.S. dollar effects that arise from translating the net assets of these subsidiaries at changing rates during the year are recorded in the Foreign Currency Translation Adjustment account in shareholders' equity. Also recorded in the Foreign Currency Translation Adjustment account are exchange gains and losses on hedges of foreign net investments and on intercompany balances of a long-term investment nature. Other foreign currency transaction gains and losses are included in determining net income.

During 1984, 1983 and 1982, aggregate adjustments of $48.4, $30.8 and $38.6, respectively, were recorded in the Foreign Currency Translation Adjustment account.

For foreign subsidiaries operating in highly inflationary economies, principally Argentina, Brazil and Mexico, net nonmonetary assets are translated using historical rates, while net monetary assets are translated at current rates, with the U.S. dollar effects of rate changes included in net income.

CHAMPION SPARK PLUG COMPANY (DEC)

	1984	1983	1982
		(In millions)	
Net sales	$816.5	$763.4	$783.3
Costs and expenses:			
Cost of goods sold	574.3	531.6	540.7
Selling, administrative and general expenses	183.8	177.4	175.8
	758.1	709.0	716.5
Operating earnings	58.4	54.4	66.8
Other deductions (income):			
Interest expense	8.8	8.1	10.5
Amortization of goodwill	.9	.8	.8
Interest income	(3.9)	(3.5)	(3.5)
Loss due to foreign currency fluctuations	1.2	.7	6.7
Sundry, net	1.0	(3.7)	1.7
	8.0	2.4	16.2
Earnings before income taxes	50.4	52.0	50.6

JOY MANUFACTURING COMPANY (SEP)

	1984	1983	1982
		(In thousands)	
Costs and Expenses			
Cost of sales	$490,702	$461,480	$697,366
Product engineering	18,137	13,879	20,820
Selling, general and administrative	119,976	113,334	132,024
Interest expense	8,676	8,603	11,816
Translation and exchange losses—net (Notes 1 and 15)	602	954	1,712
Other expenses—net	888	734	3,693
Total Costs and Expenses	638,981	598,984	867,431

Note 1 (In Part): Statement of Accounting Policies

Foreign Currency Translation

The financial statements of all foreign operations are translated using the standards established by Statement of Financial Accounting Standards (SFAS) No. 52, "Foreign Currency Translation." With the exception of the former Mexican subsidiary, the local currency of each foreign operating unit is used as the functional currency for translation purposes. The U.S. dollar was used as the functional currency for the Mexican financial statements because the company considered Mexico to have a highly inflationary economy as defined in SFAS No. 52.

Note 15: International Operations

Summarized financial information of non-U.S. subsidiaries included in the consolidated financial statements is presented below:

	1984	1983	1982
		(In thousands)	
Assets	$111,535	$117,804	$138,168
Less liabilities	54,086	41,402	62,561
Net shareholders' equity	57,449	76,402	74,607
Loans and advances from parent	5,061	—	5,496
Translation adjustment	33,035	17,512	23,166
Joy's investment in non-U.S. subsidiaries	$ 95,545	$ 93,915	$103,269
Income from continuing operations before foreign currency translation and income taxes	$ 12,853	$ 3,362	$ 13,679
Foreign currency translation losses	(245)	(227)	(260)
Income from continuing operations before income taxes	12,608	3,135	13,419
Provision for income taxes	4,041	3,620	3,650
Income (loss) from continuing operations	$ 8,567	$ (485)	$ 9,769

Exchange controls of various forms exist in certain of the countries in which Joy has operating subsidiaries. Such exchange control policies, which are revised periodically by the foreign governmental authorities, include regulations regarding the flow of funds into and out of these countries. Compliance with these exchange control regulations has not materially affected Joy's operating decisions.

Discontinued Operations Other Than Segment Disposals

CHAMPION INTERNATIONAL CORPORATION (DEC)

	1984	1983	1982
		($000)	
Net Sales	$5,121,089	$4,263,999	$3,737,378
Cost of products sold	4,316,054	3,676,184	3,260,062
Selling, general, and administrative expenses	503,171	432,881	415,701
Income From Operations	301,864	154,934	61,615
Interest and debt expense	102,187	65,755	74,693
Other (income) expense—net	(767)	(40,576)	(50,277)
Provision for restructuring (Note 3)	220,100	—	—
Income (Loss) Before Income Taxes	(19,656)	129,755	37,199

Note 3. Divestiture and Restructuring Programs:

The company has announced its intention to pursue an aggressive divestiture program with respect to the assets of the combined company as a result of the acquisition of St. Regis. The program's objectives include raising cash with which to retire debt used to finance the acquisition and the strategic realignment of the combined company's businesses.

In October 1984, the company announced its intention to sell or close down certain building products facilities and operations and to provide for associated losses. The $220,100,000 restructuring provision ($149,780,000 after-tax) includes estimated future losses and related expenses from asset and operation disposals and projected future losses on short-term timber cutting contracts associated with these operations.

The company is actively considering the sale of certain operations and assets. A decision has been made to sell the insurance operations (which do not include the investment in Colonial Penn). Such insurance operations have been reflected in the consolidated balance sheet as a current asset at their historical carrying value pending sale and the related operating results have been excluded from consolidated income. As all of the specific assets or operations to be sold in addition to the insurance operations have not been identified, the ultimate effect of the divestiture program on future revenues and results cannot be determined.

COLGATE-PALMOLIVE COMPANY (DEC)

	1984	1983	1982
	(Thousands of Dollars)		
Net sales	$4,909,957	$4,864,798	$4,887,995
Cost of sales	3,069,895	2,982,200	3,044,676
Gross profit on sales	1,840,062	1,882,598	1,843,319
Operating and other expenses:			
Marketing	1,129,163	1,132,563	1,080,899
General and administrative	415,716	415,976	395,567
Provision for restructured operations	174,000	—	—
Interest expense	58,668	53,216	49,677
Interest income	(52,879)	(69,645)	(60,551)
Total operating and other expenses	1,724,668	1,532,110	1,465,592
Income from continuing operations before income taxes	115,394	350,488	377,727
Provision for income taxes:			
United States	(4,430)	69,568	63,280
Foreign	66,236	83,086	117,537
Total	61,806	152,654	180,817
Income from continuing operations	53,588	197,834	196,910

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands except per share amounts)

2. Restructured Operations:

In 1984, the Company, after completing an in-depth study of its worldwide production activities, initiated a plan to restructure certain operations in the United States and overseas to achieve improved long-term productivity and lower overall manufacturing costs. Accordingly, a pretax provision of $174,000 was recorded in the fourth quarter to cover the estimated cost of this action. After considering the estimated tax benefits of $60,000 associated with this charge, the effect was to reduce net income by $114,000 or $1.38 per share.

JLG INDUSTRIES, INC. (JUL)

	1984	1983	1982
Net Sales	$38,745,069	$32,857,295	$50,140,801
Cost of Sales	29,261,347	25,620,110	37,126,257
Gross Profit on sales	9,483,722	7,237,185	13,014,544
Selling, General and Administrative Expenses	10,694,267	10,749,072	12,076,838
Income (Loss) from Operations	(1,210,545)	(3,511,887)	937,706
Other Income (Deductions)			
Interest expense	(1,740,847)	(2,073,604)	(2,679,444)
Loss from discontinuing certain crane products	(3,500,000)		
Miscellaneous, net	244,987	430,054	493,257
Loss Before Income Taxes and Extraordinary Credit	(6,206,405)	(5,155,437)	(1,248,481)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

J—Loss from Discontinuing Certain Crane Products

In April 1984, the Company announced plans to discontinue certain crane products. As a result, the Company charged $3,500,000 to operations during the third fiscal quarter of 1984, representing the estimated loss associated with the disposal of these products. During fiscal 1985, it is anticipated that the remaining assets related to these products, primarily inventories of $4,700,000 at July 31, 1984, will either be sold or reworked as inventory for current products. The Company does not anticipate any significant change in the estimated loss upon final disposition of these remaining assets.

QUAKER STATE OIL REFINING CORPORATION (DEC)

	1984	1983	1982
	(in thousands)		
Revenues			
Sales and operating revenues	$924,630	$902,690	$928,933
Earnings of Heritage Insurance Group	2,186	—	—
Other, net	8,136	11,379	8,039
	934,952	914,069	936,972
Cost and expenses			
Cost of sales and operating costs	723,482	705,265	717,642
Selling, general and administrative	114,780	104,896	104,908
Depreciation and depletion	34,777	34,325	34,644
Interest	10,462	7,099	9,410
Provision for mine closing (Note 9)	24,695	—	—
	908,196	851,495	866,604
Income before income taxes	26,756	62,574	70,368

Note 9. Provision for Mine Closing:

In the fourth quarter of 1984, the Company incurred a charge against earnings of $24,695,000, representing the provision for mine closing of its Valley Camp No. 1 mine, which has been on standby since the fourth quarter of 1982. The total charge is comprised of a write-off of mine properties and equipment of $18,100,000 and other expenses, principally reclamation expenses and equipment removal, of $6,595,000. This charge reduced net income by $12,695,000, or $.58 per share.

EVEREST & JENNINGS INTERNATIONAL (DEC)

	1984	1983	1982
		(In thousands)	
Revenues:			
Net sales	$171,597	$156,138	$145,968
Other income	995	2,173	1,521
	172,592	158,311	147,489
Costs and expenses:			
Cost of goods sold	121,355	108,442	101,194
Selling, general and administrative	45,166	45,014	38,925
Interest	6,498	4,210	1,786
Provision for plant closure	1,412	—	—
	174,431	157,666	141,905
Earnings (loss) from operations	(1,839)	645	5,584

Write-Down of Assets

STANDUN INC. (NOV)

	1984	1983	1982
		($000)	
Net Sales	$26,310	$24,855	$22,845
Cost of Goods Sold	19,594	17,857	15,905
Gross Profit	6,716	6,998	6,940
Selling, General and Administrative Expenses	5,744	4,661	4,745
Income from Operations	972	2,337	2,195
Other Income (Expense):			
Interest Expense	(314)	(408)	(668)
Interest Income	365	318	143
Write-off of Intangible Asset (Note 9)	(2,148)	—	—
Total Other Income (Expense)	(2,097)	(90)	(525)
Income (Loss) from Continuing Businesses before Provision (Credit) for Income Taxes	(1,125)	2,247	1,670

Note 9 (In Part): Acquisition and Discontinued Businesses

In 1982, the Company acquired all of the capital stock of CLS Industries, Inc. ("CLS"), a manufacturer of lasers and related instruments used as alignment devices. In 1984, the Company determined that there had been a permanent impairment in the carrying value of its investment in CLS as a result of operating losses at CLS. Accordingly, the remaining unamortized balance ($2,148,000) of the goodwill recognized at the date of acquisition of CLS has been charged to income and is included in "Other Income (Expense)" in the accompanying Consolidated Statements of Income.

Minority Interest

BORG-WARNER CORPORATION (DEC)

	1984	1983	1982
		(Millions of dollars)	
Costs and expenses:	$2,964.0	$2,678.5	$2,442.2
Depreciation	110.8	105.6	96.4
Selling, general and administrative expenses	508.1	503.7	469.0
Interest expense	26.9	29.5	45.6
Finance charges from related companies	14.4	13.8	15.9
Minority interests	4.9	5.5	4.8
Provision for income taxes	126.3	85.7	43.7
	3,755.4	3,422.3	3,117.6

DANA CORPORATION (DEC)

	1984	1983	1982
		($ in thousands)	
Costs and expenses			
Cost of sales	$2,837,620	$2,329,900	$2,025,297
Selling, general and administrative expenses	289,849	284,569	268,790
Interest expense	41,542	53,086	51,269
Minority interest in net income of consolidated subsidiaries	9,502	2,906	5,235
	3,178,513	2,670,461	2,350,591

INTERSTATE BAKERIES CORPORATION (MAY)

	1984	1983	1982
		($000)	
Net sales	$685,604	$666,378	$668,314
Other revenues	2,082	1,989	1,075
	687,686	668,367	669,389
Cost of products sold	391,972	381,712	383,538
Selling, delivery and administrative expenses	276,599	263,743	255,152
Depreciation expense	12,079	12,230	12,071
Minority interest	105	35	35
	680,755	657,720	650,796
Operating income	6,931	10,647	18,593
Interest expense	5,568	5,359	5,821
Corporate expenses	2,235	632	787
Plant closing costs	3,300	1,200	—
	11,103	7,191	6,608
Income (loss) from continuing operations before income taxes	(4,172)	3,456	11,985

Equity in Losses of Investees

GENCORP (NOV)

	1984	1983	1982
	(Dollar amounts in thousands)		
Net Sales	$2,727,062	$2,517,272	$2,354,327
Operating Costs:			
Cost of products sold	2,123,013	1,955,035	1,860,626
Selling, general and administrative expense	379,094	333,432	329,867
Depreciation	94,138	90,804	84,220
	2,596,245	2,379,271	2,274,713
Operating Income	130,817	138,001	79,614
Equity in income (loss) of Frontier Holdings, Inc.	(8,981)	(9,921)	12,832
Interest and other income	57,560	41,399	43,137
Interest expense	(39,218)	(32,648)	(30,101)
Provision for closures and non-operating losses	(110,500)	(11,000)	(92,600)
Income Before Income Taxes	29,678	125,831	12,882

McGRAW-EDISON COMPANY (DEC)

	1984	1983	1982
	(In millions)		
Net sales from continuing operations	$1,720.9	$1,471.6	$1,500.8
Costs and expenses:			
Cost of goods sold	1,212.2	1,064.1	1,096.0
General, administrative, engineering & selling expenses	329.8	285.3	293.0
Interest expense, net	28.8	23.3	32.4
Equity in net losses of unconsolidated entities	.3	3.0	.8
Other expense, net	2.2	1.5	1.3
Income before taxes	147.6	94.4	77.3

Provision For Doubtful Accounts

HUGHES SUPPLY, INC. (JAN)

	1985	1984	1983
Sales—Net	$285,454,791	$237,240,176	$187,166,502
Cost of Sales	229,879,362	190,757,871	150,129,984
Gross Profit on Sales	55,575,429	46,482,305	37,036,518
Operating Expenses:			
Selling, general and administrative	41,694,663	34,978,778	28,954,358
Provision for doubtful accounts	1,110,884	316,366	263,851
Total Operating Expenses	42,805,547	35,295,144	29,218,209
Operating Income	12,769,882	11,187,161	7,818,309

Sales Incentive Programs

STEIGER TRACTOR, INC. (SEP)

	1984	1983	1982
	($000)		
Costs and expenses			
Cost of sales	$ 78,478	$ 76,522	$ 83,517
Research, development and engineering	3,948	2,972	3,605
Selling and administrative	13,242	13,471	13,953
Sales incentive programs	18,517	16,609	6,629
Interest and finance charges	8,189	9,496	8,189
Total	122,374	119,070	115,893

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Sales incentives:

Sales are recorded by the Company when completed machines and parts are shipped to independent dealers. Costs of wholesale incentives (incentives based upon the dealers' purchase of equipment) are recorded at the time of sale. There is a time lag, that varies based upon season, demand and competitive conditions, between the date the Company records a sale and when the dealer sells the equipment to a retail customer. Costs related to programs designed to assist the dealer in retailing a tractor (the Company currently offers several) are recognized at the time the dealer makes the retail sale. In addition, a provision is made for estimated costs for retail programs applicable to dealer inventories in excess of estimated minimum base inventories. Finance charges applicable to free floor plan financing offered to dealers are recorded as incurred since the average free floor plan period does not exceed one year.

Start-up Costs

COMMERCIAL METALS COMPANY (AUG)

	1984	1983	1982
	(In thousands)		
Revenues:			
Net sales	$1,170,896	$857,152	$1,076,736
Other	5,327	4,606	3,839
	1,176,223	861,758	1,080,575
Costs and Expenses:			
Cost of goods sold	1,100,304	793,900	1,007,645
Selling, general, and administrative expenses	49,853	48,246	50,527
Interest expense	4,606	2,771	3,097
Employees' pension and profit sharing plans	4,446	3,954	4,078
Start-up costs (Note L)	5,113	—	—
	1,164,322	848,871	1,065,347
Earnings Before Income Taxes	11,901	12,887	15,228

Note L. Start-Up Costs:

In December 1983, the Company acquired a steel mini-mill in Birmingham, Alabama for $6,000,000. Start-up costs related to these manufacturing facilities of $5,113,000 were incurred and expensed during the year ended August 31, 1984.

Offering Expenses

SPENCER COMPANIES, INC. (MAY)

	1984	1983	1982
Net sales	$100,696,178	$95,374,040	$86,118,552
Cost and expenses:			
Cost of goods sold and occupancy expenses	64,559,855	61,372,496	54,773,127
Operating expenses	31,161,385	29,832,096	28,869,899
Depreciation and amortization	1,084,856	963,934	726,816
	96,806,096	92,168,526	84,369,842
Operating income	3,890,082	3,205,514	1,748,710
Other income (expenses):			
Interest expense:			
Factored receivables	(919,347)	(828,820)	(874,086)
Long-term debt and other	(467,038)	(539,415)	(742,269)
Interest income	48,872	81,314	62,259
Legal fees	137,600	(135,000)	(984,000)
Sale of subsidiary	—	(280,605)	—
Offering expenses (Note 14)	(162,000)	—	—
Other income (expenses), net	(74,796)	(86,510)	(661,656)
Income (loss) before income taxes	2,453,373	1,416,478	(1,451,042)

Note 14. Offering Expenses

During the latter part of 1983, the Company filed a registration statement with the United States Securities and Exchange Commission in connection with the proposed sale of an additional 500,000 shares of its $1 par value common stock. Subsequently, the Company abandoned its effort to register and sell the common stock. Costs incurred in connection with the proposed offering of approximately $162,000 were charged to expense during the fourth quarter of the fiscal year ended June 2, 1984.

Nonrecurring/Unusual Items

ANCHOR HOCKING CORPORATION (DEC)

	1984	1983	1982
		($000)	
Net sales	$712,973	$678,008	$593,568
Costs and expenses:			
Cost of products sold	595,763	540,880	503,916
Selling and administrative expenses	97,930	92,428	83,450
Operating income	19,280	44,700	6,202
Other income	2,465	3,924	1,032
Interest expense	(11,057)	(8,344)	(7,337)
Income (loss) from continuing operations before income taxes and unusual and extraordinary items	10,688	40,280	(103)
Unusual items	(50,807)		220
Income (loss) from continuing operations before income taxes and extraordinary gain	(40,119)	40,280	117

NOTES TO FINANCIAL STATEMENTS

Note 3—Unusual Items

During 1984, the Company recognized unusual items which produced a combined pretax loss of $50,807,000. This aggregate loss included provisions recorded in connection with the Company's asset realignment program, a loss from the settlement of certain competitor-initiated litigation and the reversal of the unused portion of a prior year plant termination provision.

Continued implementation of the Company's asset realignment program resulted in an aggregate charge of $48,667,000. In December 1984, after completing an extensive evaluation of the current and prospective profitability of its glass household products operation, the Company announced plans to phase down and close one of this operation's two plants in Lancaster, Ohio by mid-1985. A provision of $46,400,000 was established for this plant closing. The provision included the adjustment of plant assets to realizable value, a projected operating loss during the phase-out period and other costs related to the closing. In related actions, the Company in December also recorded a $4,472,000 provision for loss on the anticipated sale of certain natural gas production and transmission facilities located in Mason County, West Virginia and a $2,205,000 pretax gain on the sale of a corrugated container plant.

In September 1984, a settlement was concluded in a $150,000,000 suit filed by a former competitor against the Company, another competitor, an international trade union and certain corporate officers and union officials. The litigation, which had been pending in Federal District Court since 1979, sought damages based principally upon the plaintiff's claim that the defendants had conspired to block the sale of plaintiff's glass tableware division. Although management believes the litigation was without merit, the Company paid $4,000,000 to avoid the litigation costs and diversion of executive time which would have resulted if the suit had been tried. Also, during 1984, Company earnings benefited from the reversal of the remaining $1,860,000 of the 1981 Ceramic Products Division termination provision.

In 1982, the Company's continuing operations recognized a pretax gain of $220,000 relating to settlements negotiated with several defendants in an antitrust action against a number of corrugated container manufacturers. In February 1983, the jury in the trial involving the remaining four defendants in the antitrust case found that a nationwide price-fixing conspiracy had existed but that damages to the Company had not been proved. This judgment is presently being appealed.

BUCYRUS-ERIE COMPANY (DEC)

	1984	1983	1982
Costs and Expenses			
Cost of products sold	$289,241,723	$431,593,589	$504,720,911
Product development, selling and administrative expenses	104,178,318	113,183,120	130,442,997
Interest expense	6,033,807	11,198,259	20,076,894
Non-recurring items—Note G	7,617,000	188,640,000	
	407,070,844	744,614,968	655,240,802

Note G (In Part): Non-Recurring Items

During 1983, the Company announced plans to consolidate mining machinery manufacturing operations and discontinue a substantial portion of its construction machinery business. These actions, which were taken in response to continued depressed conditions in worldwide mining and construction machinery markets, included closing the Company's mining machinery plant at Pacatello, Idaho in the fourth quarter of 1983; closing the Company's construction machinery plant at Erie, Pennsylvania and the Mining Machinery Division foundry at South Milwaukee, Wisconsin during 1984; writing down the Company's investment in Ruston-Bucyrus, Limited, a United Kingdom subsidiary; and an additional write-down of the Glassport, Pennsylvania foundry, which the Company closed in 1981. The Pocatello, Idaho and Glassport, Pennsylvania facilities were sold during 1984.

As a result of these actions, the Company incurred non-recurring, after-tax charges of $135,015,000 in 1983. The charges against earnings included plant closing costs, write-down of certain plant assets to net realizable value, labor termination costs, write-down of certain mining and construction machinery assets, including inventories, and write-down of the Company's equity in Ruston-Bucyrus, Limited.

In December, 1984, management of the Company made the decision to dispose of Western Gear's Power Transmission Division, including the Houston Service Center and, accordingly, wrote down the assets to their estimated net realizable values. The facilities were sold on January 31, 1985. The write-down aggregating $22,020,000 before income taxes, is included in non-recurring items in the accompanying financial statements. Also in December, 1984 the previously established provision for plant closing and consolidation expenses was reduced by $14,403,000 before income taxes resulting from more favorable experience than was originally anticipated.

EASCO CORPORATION (DEC)

	1984	1983	1982
	(Dollar amounts in thousands)		
Costs and expenses			
Cost of products sold	$489,547	$423,769	$358,211
Selling, general and administrative expenses	75,511	65,457	60,586
Interest expense (net of interest income of $828, $1,506 and $1,141)	8,643	6,819	7,021
Unusual items	16,180	(2,118)	—
	589,881	493,927	425,818

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Unusual Items

Unusual items in 1984 include pretax charges of $11,503,000 for non-recurring start-up costs associated with a major new hand tool customer, $3,691,000 for a hand tool plant shutdown and $986,000 for realignment of hand tool facilities. The effect of these unusual charges was to increase the 1984 net loss and loss per share by approximately $8.3 million and $1.16, respectively.

In 1983, unusual items include a pretax gain of $2,836,000 from the sale of certain industrial products segment operations and a pretax loss of $718,000 on the disposal of the hand tool segment's striking tool business. These transactions increased 1983 net income and primary earnings per share by approximately $1.4 million and $.22, respectively.

EAGLE-PICHER INDUSTRIES, INC. (NOV)

	1984	1983	1982
Net Sales	$663,929,023	$532,652,965	$531,452,143
Operating Costs and Expenses			
Cost of products sold	545,647,427	445,792,617	442,531,107
Selling and administrative	57,966,618	53,283,162	55,867,731
	603,614,045	499,075,779	498,398,838
Operating Income	60,314,978	33,577,186	33,053,305
Asbestos litigation—Note I			
Prior years' insurance recoveries	—	16,000,000	—
Current cost	(8,250,000)	(7,000,000)	(9,657,180)
Provision for losses on disposition of property and discontinuance of product lines	—	(17,094,924)	—
Interest expense	(7,290,208)	(7,715,288)	(8,662,685)
Other income	5,467,345	6,481,085	2,056,542
Income Before Taxes	50,242,115	24,248,059	16,789,982

Note I (In Part): Litigation

1) 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, 1984, there were approximately 18,500 such claims outstanding compared to 16,900 and 13,500 at November 30, 1983 and 1982, respectively.

During fiscal 1984, approximately 6,200 new claims were filed, compared to 4,700 and 5,000 in fiscal years 1983 and 1982, respectively. Approximately 4,600, 1,300, and 1,800 claims were disposed of in fiscal years 1984, 1983, and 1982, respectively; the average cost per settled claim, including legal fees, in fiscal years 1984, 1983, and 1982 was $8,400, $8,600, and $5,600 respectively.

The total cost of the litigation during those fiscal years was $36,100,000, $19,600,000, and $16,100,000, of which $27,800,000, $12,600,000, and $6,400,000 were covered by insurance, based upon the Company's interpretation of the First Circuit Court's decision (discussed below). On that same basis, approximately $90,000,000 of unused insurance is available for claims allocable to the period from 1968 through 1978 as of November 30, 1984.

In 1978, the Company sued some of its insurance carriers in the U.S. District Court in Massachusetts to determine the correct theory of insurance coverage relative to asbestos claims. In 1981, the Court ruled that the "manifestation" theory was proper. That decision was appealed by the Company to the First Circuit Court of Appeals in Boston and in 1982 that Court affirmed the "manifestation" theory, but modified it to provide insurance coverage for claims that were "reasonably capable of medical diagnosis" during the period of coverage, regardless of when they were actually diagnosed. The effect of that decision was to increase the number of claims covered by the Company's insurance. Insurance companies advocating the "exposure" theory petitioned the Supreme Court of the United States to review the First Circuit decision. In March of 1983 the Supreme Court denied their petition for review and in so doing, effectively settled the legal issue of what theory should apply to the Company's insurance 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 to it. Many co-defendants, including the Company, supplied high temperature insulation products manufactured pursuant to U.S. Government specifications which required asbestos fiber. Further, the U.S. Government controlled the workplace in many of those shipyards. Thus far the U.S. Government has successfully resisted all efforts to require it to share responsibility for injury to the health of shipyard workers. The Company continues to vigorously seek, both through the judicial and legislative processes, to require the U.S. Government to bear its fair share of responsibility.

A group of asbestos defendants and their insurers are seeking to reach an agreement on insurance coverage issues and a claims handling facility. If an agreement can be reached, it should result in substantially lower costs for the Company in the future.

Because of the uncertainties associated with this litigation, a reasonable estimate of the Company's ultimate liability cannot be made at this time. Therefore, no such liability has been recorded in the financial statements. However, the Company's share of the current cost of this litigation (based upon the First Circuit decision discussed above) is expensed as incurred. While the impact of this litigation on earnings is significant, the Company does not feel that it will materially affect its financial stability.

NATIONAL INTERGROUP, INC. (DEC)

	1984	1983	1982
	(Thousands of dollars)		
Net Sales	$2,294,248	$2,992,703	$3,044,214
Operating Costs			
Cost of products sold	1,983,923	2,672,866	2,931,724
Selling, administrative and general	153,387	201,920	200,670
Depreciation and depletion	78,656	119,755	148,163
	2,215,966	2,994,541	3,280,557
	78,282	(1,838)	(236,343)
Unusual Items			
Loss on the sale of one half interest in National Steel Corporation	16,900	0	0
Loss on trading contracts and purchase commitments	41,438	0	0
Loss on the sale of the Weirton Steel Division	0	100,000	286,000
Provision for write-off of investments and shut-down or sale of facilities	0	55,633	190,035
	58,338	155,633	476,035
Income (Loss) From Operations	19,944	(157,471)	(712,378)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note H—Losses on Trading Contracts and Purchase Commitments

Incidental to the procurement of aluminum ingot for its aluminum fabricating operations, the Corporation enters into certain trading contracts and commitments. In 1983 and 1984 the Corporation's aluminum subsidiary entered into purchase commitments and trading contracts partly in planning for its own consumption at its fabricating facilities, including its new foil mill in Luxembourg, and partly in anticipation of a continuing increase in the market price of aluminum ingot. Such purchase commitments and contracts, which were unhedged, substantially exceeded their own requirements. During 1984, the price for aluminum ingot fell considerably below the prices stated in the open purchase commitments and contracts, so that at December 31, 1984, a loss of $41,438,000 or $2.04 per share was recorded to mark all such commitments and contracts to market value ($6,382,000 or $.31 per share, $16,681,000 or $.82 per share, $22,099,000 or $1.09 per share and $(3,724,000) or $(.18) per share in the first, second, third and fourth quarters, respectively).

THETFORD CORPORATION (SEP)

	1984	1983	1982
Net sales	$34,167,130	$35,732,217	$30,146,455
Costs and expenses:			
Cost of sales	19,786,554	20,717,798	19,010,396
Marketing, engineering, research & development and administrative expenses	9,358,162	9,308,679	8,946,770
Interest	542,305	857,735	1,391,992
Miscellaneous expenses, net	718	384,849	318,492
Nonrecurring charge—costs related to withdrawn registration statement	128,099	—	—
Nonrecurring gain—termination of domestic pension plan	—	—	(463,600)
	29,815,837	31,269,061	29,204,040
Income before income taxes and extraordinary credit	4,351,293	4,463,156	942,415

EMPLOYEE RETIREMENT BENEFITS

APB Opinion No. 8, as amended by the disclosure requirements stated in FASB *Statement of Financial Accounting Standards No. 36*, is the authorative pronouncement on accounting for and reporting pension plan costs. Paragraph 12 of *SFAS No. 36* presents an example of disclosure appropriate for a defined benefit pension plan. With only few exceptions, the pension plans of the survey companies are defined benefit plans.

In addition to providing pension plans for their employees, 197 survey companies disclosed that they provide postretirement health care and life insurance benefits. Paragraph 6 of FASB *Statement of Financial Accounting Standards No. 81* sets forth the information that should be disclosed about health care and life insurance benefits.

Examples of employee retirement benefit disclosures follow.

TABLE 3-8: PENSION AND RETIREMENT PLANS

	1984	1983	1982	1981
Current Year Expense				
Normal cost and amortization of prior service cost	450	459	478	478
Normal cost and interest on unfunded prior service cost	2	2	—	—
Normal cost—no reference to prior service cost	70	64	53	57
Normal cost—no unfunded prior service cost	27	29	24	19
Companies Disclosing Amount of Pension Plan Expense	**549**	**554**	**555**	**554**

PENSION PLANS

Pension Plan Expense

AFG INDUSTRIES INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Pensions—The Company and its subsidiaries have various pension plans in effect covering substantially all full-time employees. Pension costs are computed on the basis of accepted actuarial methods and include current service costs of all pension plans and the amortization of past-service costs over periods up to 40 years.

9 (In Part): Pensions and Other Benefits

The Company and its subsidiaries have various pension plans covering substantially all of their employees. The total pension expense for 1984, 1983, and 1982, was $1,809,000, $2,596,000, and $3,310,000 respectively, which includes as to certain defined benefit plans, amortization of past service cost over 40 years. A comparison of accumulated plan benefits and plan net assets for the Company's defined plans is presented below:

	January 1, 1984	1983
Actuarial present value of accumulated plan benefits:		
Vested	$46,606,000	$47,362,000
Nonvested	883,000	833,000
	$47,489,000	$48,195,000
Net assets available for benefits	$25,119,000	$24,571,000
Pension liability for acquisitions and plant closings	$19,882,000	$21,062,000

As a result of acquisitions and plant closings, the Company has recorded a liability for the difference between the actuarial present value of accumulated plan benefits and plan assets at the date of acquisition or plant closing. The balance of this liability is noted above.

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits is 7% for both 1984 and 1983.

In addition to providing pension benefits, the Company and its subsidiaries provide certain health care and insurance benefits for retired employees. Substantially all of the Company's employees may become eligible for those benefits if they reach normal retirement age while working for the Company. The cost of retiree health care and life insurance benefits is recognized as expense as claims are paid. For 1984 those costs totaled $1,393,000.

AMAX INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Policies

Pension costs are funded currently and include amortization of prior service costs over 30 years or less.

19. Employee Pension Plans

Substantially all employees are covered by noncontributory defined benefit pension plans. During 1984, the restructuring of the AMAX Retirement Plan for Salaried Employees was completed. As a result, $101 million in excess assets was recovered and will be included in earnings as a reduction of pension costs over ten years. The charge to income for pension costs was $6 million in 1984 (1983—$16 million, 1982—$19 million).

The actuarial present value of benefits accumulated under AMAX's pension plans and the net assets available for these benefits, computed at January 1, 1984, the date of the latest available actuarial valuations, and at January 1, 1983 are stated below. The January 1, 1984 present value of plan benefits gives effect to annuities purchased for approximately $134 million during 1984 to provide for salaried employees' and retirees' benefits vested as of July 1, 1983. As required by the Financial Accounting Standards Board, the present value of plan benefits does not take into account anticipated future increases in the compensation of plan members while valuations used to determine pension costs include these increases. The present value was computed by assuming an annual rate of return of 9 percent on plan net assets.

	1/1/84	1/1/83
Present value of benefits—		
Vested	$ 86.8	$212.7
Non-vested	26.2	37.1
	$113.0	$249.8
Net assets available	$173.3	$366.0

The decrease in net assets available of $(193) million during 1983 resulted from $(134) million purchase of annuities and $(101) million of assets recovered by AMAX during 1984 and $42 million, primarily contributions and investment gains.

Pension contributions to multi-employer plans in accordance with various union agreements were $21 million in 1984, $23 million in 1983 and $22 million in 1982. Information comparable to that supplied above for AMAX's plans is not available for multi-employer plans.

ANDERSON, CLAYTON & CO. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12.

The Company and its subsidiaries, excluding Gaines, have several pension plans covering salaried and certain hourly employees, including certain employees in foreign countries. Pension expense was $2,014,000 for 1984, $4,968,000 for 1983 and $1,726,000 for 1982 which includes, as to certain defined benefit plans, amortization of past service costs over 20 years. There was no provision for pension expense in 1984 or 1982 for the domestic salaried employees plan due to the overfunded status of the plan. The Company makes annual contributions to the plans equal to the amounts accrued for pension expense. Accumulated plan benefits and net assets for the Company's defined benefit plans as of the latest actuarial valuation date (which corresponds to the previous year end) are as follows:

		June 30
(In thousands of dollars)	1984	1983
Actuarial present value of accumulated plan benefits:		
Vested	$ 44,991	$41,281
Nonvested	7,290	6,543
	$ 52,281	$47,824
Net assets available for benefits	$119,433	$81,922

The weighted average assumed rate of return used in determining the actuarial value of accumulated plan benefits ranged from 6% to 10%. The plans have varying anniversary dates throughout the year.

In connection with the purchase of Gaines Foods, Inc., retirement plans for salaried and hourly employees of Gaines have been established. The plans were funded by an asset transfer from previous pension trust funds in which Gaines participated. Due to the recent acquisition of Gaines Foods, Inc., the Company has been unable to obtain the actuarial present value of accumulated plan benefits for these pension plans as of June 30, 1984. Net assets available for benefits totaled $44,118,000 at June 30, 1984. No expense was incurred by the Company during the year ended June 30, 1984 relating to the plans.

BELL & HOWELL COMPANY (DEC)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands except per share data)

Note D (In Part): Retirement, Employee Stock Ownership and Post-retirement Health Care Plans:

Eligible employees of Bell & Howell Company and its domestic and Canadian subsidiaries who elect to do so participate in a profit-sharing retirement plan. The plan provides for annual contributions of $3,800 plus 16% of earnings, as defined, in excess of $20,000 of the companies specified by the plan. The plan also provides for a minimum company contribution equal to 2% to 8% of participants' compensation, depending on length of service, and for supplementary payments at retirement, or in the retirement years, to those retirees whose accounts have failed to meet minimum investment returns. The amounts charged to earnings for the plan in 1984, 1983 and 1982 were $9,533, $7,015 and $5,207, respectively. The company has no unfunded past service liability under the plan. Had all participants retired at the end of 1984 the company would not have been obligated to make any additional payments to meet the minimum investment return requirements.

The company also has an unfunded pension plan which provides for benefits which supplement those provided by the profit-sharing retirement plan to certain officers and key employees. In addition, the company has funded pension plans covering certain employees who do not participate in the profit-sharing retirement plan, including certain employees in foreign countries. The amounts charged to earnings for pension plans were $1,771, $1,937 and $1,820 for 1984, 1983 and 1982, respectively, including past service costs which are generally being amortized over 10 to 30 years. The company makes annual contributions to the funded plans equal to the amounts accrued for pension expense.

The accumulated benefits and net assets of domestic pension plans determined at the beginning of each year were as follows:

	1984	1983
Actuarial present value of accumulated benefits:		
Vested	$ 7,853	$7,114
Nonvested	1,958	1,802
	$ 9,811	$8,916
Net assets available, including amounts accrued for unfunded plan	$10,198	$9,498

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7.6% for 1984 and 1983. The actuarial present value of accumulated foreign plan benefits has not been determined. For those plans vested benefits for 1984 and 1983 were $4,333 and $3,358 and net assets available for benefits were $9,859 and $10,548, respectively.

CELANESE CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

J. Retirement benefit plans

The Corporation has various retirement benefit plans covering substantially all employees.

In 1983, the Corporation announced a restructuring of its pension plan, subject to government approvals. The Corporation expects the restructuring to permit recovery from the plan in 1985 excess assets of approximately $370 million before taxes. This gain is being credited against pension expense evenly over a ten-year period beginning in 1984. The effect of the restructuring on pension expense in 1984 is not material.

In 1984, benefit improvements in the ongoing pension plan increased pension expense by $8 million. The effect on net income was a decrease of $.30 per share, or $4 million.

Also during 1984, the Corporation changed the investment return assumption used in funding and expense calculations from 8¼% to 10%. The effect of this change was to increase net income by $.31 per share, or $4 million.

During 1982, for most U.S. plans, Celanese changed from the entry age cost method to a modified unit credit method for determining pension expense. This change relates pension expense to accumulated pension plan benefits by taking into consideration the excess of pension assets over accumulated benefits. The net effect of this change in actuarial method was to increase 1982 net income by $.68 per share, or $11 million. Pension expense was decreased by $23 million. Celanese uses the entry age method for funding purposes.

Also, for a limited period in 1982, a special early retirement program was offered to certain employees. The effect of the program was to decrease pension expense by $1 million. As part of the program, one-time special retirement supplements, totaling $14 million, were paid. The net effect on net income was a decrease of $.42 per share, or $7 million.

Principal assumptions and amortization period for most U.S. plans for the last three years were as follows:

	1982-3	1984
Investment return	8.25%	10.00%
Pay increase	7.50%	7.50%
Average retirement age	63 years	63 years
Turnover	Current experience	
Amortization period	10 years	10 years

Pension expense in 1984 was a credit of $13 million, including $37 million amortization of the deferred pension gain. Pension expense was a credit of $4 million in 1983 and a charge of $19 million in 1982.

A comparison of plan assets with the present value of accumulated benefits for substantially all funded U.S. plans at December 31, based on the investment return assumptions above, follows. The 1984 plan assets and accumulated benefits are shown after the purchase of annuities for active and retired participants' benefits accrued through January 23, 1984, and after giving effect to the recovery of the excess assets.

(Millions)	1983	1984
Plan assets	$696	$40
Accumulated benefits:		
Vested	348	26
Non-vested	10	2
Total benefits	358	28
Assets over benefits	$338	$12

The assets of the non-U.S. plans and one domestic plan not included in the table exceeded the present value of their vested benefits as of their most recent valuation dates.

The Corporation and its subsidiaries provide certain health care and life insurance benefits for retired employees. Substantially all of the Corporation's U.S. and Canadian employees may become eligible for those benefits. Those benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. Celanese recognizes the cost of providing both retired health and life insurance benefits by expensing the annual insurance premiums and, in the U.S., amortizing over a ten-year period the present value of projected future retired life insurance benefits. The Corporation expensed $6 million in 1984 for retired health and life insurance benefits.

LONE STAR INDUSTRIES, INC. (DEC)

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Pension Plans

The company and certain of its subsidiaries have various pension plans covering substantially all employees. Pension expense is computed on the basis of actuarial methods with costs for service prior to the establishment or amendment of the plans amortized over twenty-five or thirty years. The company's policy is to fund amounts as are necessary on an actuarial basis to provide assets sufficient to meet the benefits to be paid to plan members in accordance with the requirements of ERISA.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

23. Pension Plans

A comparison of accumulated plan benefits and plan net assets for the company's defined benefit plans as of December 31, is presented below (in thousands):

	1984	1983	1982
Actuarial present value of accumulated benefits:			
Vested	$105,526	$169,682	$171,816
Non vested	2,864	6,637	6,338
	$108,390	$176,319	$178,154
Net assets available for benefits at December 31	$ 82,695	$191,206	$170,259

The weighted average assumed rates of return used in determining the actuarial present value of accumulated plan benefits at December 31, 1984 and 1983 were approximately 9½% and was approximately 8½% at December 31, 1982. The net assets available for benefits were estimated at fair value at that date.

In May 1984, the company terminated its existing pension plan for salaried employees and established a new plan with the same benefits. All benefits earned under the terms of the terminated plan became fully vested and guaranteed annuity contracts were purchased to cover such benefits. Plan assets in excess of the cost of the annuity contracts reverted to the company. The company received $29,400,000 in cash and $4,200,000 in real estate in December 1984 and expects to receive an additional $7,400,000 in cash in 1985. The asset reversion as well as certain accruals in excess of prior-year funding are being amortized to income over 10 years. The termination of the pension plan as well as changes in certain actuarial assumptions and fewer employees due to the repositioning program and other changes in operations resulted in a net pension credit of approximately $2,100,000 in 1984. Pension expense in 1983 and 1982 was approximately $6,000,000 and $10,300,000, respectively. In 1983 the decrease in pension expense and accumulated plan benefits is due to changes in the assumed rate of return and other actuarial assumptions while the increase in net assets is due to a higher return on asset investments.

MEI CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 (In Part):

Retirement Plans

The Company has a defined benefit pension plan covering substantially all employees, except certain employees who are covered by collective bargaining agreements. The Company makes an annual contribution to the plan equal to the amount accrued for pension expense. The total pension expense related to the Company's plan was $1,898,000, $1,836,000 and $1,617,000 for 1984, 1983 and 1982, respectively, which includes amortization of prior service costs over thirty years. A comparison of accumulated plan benefits and plan net assets for the Company's defined benefit pension plan is presented below:

	January 1, 1984	January 1, 1983
Actuarial present value of accumulated plan benefits:		
Vested	$ 8,440,000	$6,228,000
Nonvested	1,116,000	852,000
Total	$ 9,556,000	$7,080,000
Net assets available for benefits	$10,833,000	$8,384,000

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 8%.

Certain of the Company's subsidiaries also have defined benefit plans covering their employees who are not covered by collective bargaining agreements or the Company's plan. The subsidiaries' annual contribution, which is equal to the amount accrued for pension expense, aggregated $382,000, $305,000 and $266,000 for 1984, 1983 and 1982, respectively. At December 31, 1984, the aggregate actuarial present value of accumulated plan benefits for these plans of $5,172,000 exceeded the plans' aggregate assets by approximately $1,880,000.

Certain employees of the Company's subsidiaries are also covered by union sponsored, collectively bargained, multiemployer pension plans. The Company contributed and charged to expense $1,598,000 in 1984, $1,129,000 in 1983 and $651,000 in 1982 for such plans. These contributions are determined in accordance with the provisions of negotiated labor contracts and generally are based on the number of manhours worked. At December 31, 1983, the date of the latest actuarial valuation, the Company's estimated share of unfunded vested benefits was approximately $1,850,000.

MAGIC CHEF, INC. (JUN)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pension Cost:

Pension cost includes normal cost and amortization of prior service cost on a basis which meets the minimum funding requirements of the Employee Retirement Income Security Act of 1974. Such costs are funded as accrued.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Employee Retirement Plans

The Company and its subsidiaries maintain various retirement plans covering substantially all employees who have met eligibility requirements. Total pension expense was $5,753,000, $4,058,000 and $4,164,000 for fiscal years 1984, 1983 and 1982, respectively. In conjunction with the acquisition of Admiral in 1979, a liability was assumed for the excess of the present value of vested pension benefits over trust assets available for such benefits. The liability is being amortized to pension expense on a straight-line basis over twelve years, which was the average remaining years of service for those employees having vested benefits as of the acquisition date. Amortization was $505,000 for each of the fiscal years 1984, 1983 and 1982.

A comparison of the actuarial present value of accumulated plan benefits and net assets available for benefits for plan years ended December 31, 1983, 1982 and 1981 are as follows:

	1983	1982	1981
	(000 Omitted)		
Actuarial present value of accumulated plan benefits:			
Vested	$47,868	$39,400	$35,054
Nonvested	6,708	5,269	6,412
Total	$54,576	$44,669	41,466
Net assets available for benefits	$46,855	$40,081	$34,612

Changes in the actuarial present value of accumulated plan benefits and the assumed rate of return used in determining the actuarial present value of accumulated plan benefits for plan years ended December 31, 1983, 1982 and 1981 are as follows:

Plan Year	1983	1982	1981
	(000 Omitted)		
Changes in actuarial present value of accumulated plan benefits due to:			
Change in actuarial assumptions	$ (83)	—	$(5,135)
Change in plan provisions	3,868	$27	1,034
Net	$3,785	$27	$(4,101)
Assumed rate of return	9%	9%	9%

Benefit information was determined as of January 1, 1984, 1983 and 1982 for fiscal years 1984, 1983 and 1982, respectively.

JIM WALTER CORPORATION (AUG)

NOTES TO FINANCIAL STATEMENTS

Note 10—Pension and Profit Sharing Plans

The Company and its subsidiaries have various pension and profit sharing plans covering substantially all U.S. employees and certain foreign employees. In addition to its own pension plans, the Company contributes to certain multi-employer plans. Total pension expense was $29.9 million in 1984, $27.6 million in 1983 and $30.4 million in 1982. It is the Company's general policy to provide and fund current service costs and interest on unfunded prior service costs annually and to amortize past service costs over periods of 30 to 40 years. The increase in pension expense in 1984 is primarily attributable to higher compensation levels and increased contributions to multi-employer plans of the United Mine Workers of America based on coal production and hours worked.

A comparison of the present value of accumulated plan benefits as estimated by the Company's consulting actuary for U.S. funded plans is presented below:

	January 1, 1984	1983
	(in thousands)	
Actuarial present value of accumulated plan benefits:		
Vested	$177,900	$165,400
Nonvested	7,700	9,200
	$185,600	$174,600
Assets available for plan benefits (including balance sheet accruals)	$206,000	$193,700

The assumed rate of return used in determining annual expense and the actuarial present value of accumulated plan benefits was 7½% (approximately 14% for retired employees for whom dedicated bond portfolios have been established).

Under the labor contract with the United Mine Workers of America, the Company's Coal, Iron and Chemicals Group makes payments into two multi-employer plan trusts established for union employees. Under the Employee Retirement Income Security Act of 1974, as amended by the Multiemployer Pension Plan Amendments Act of 1980, an employer is liable for a proportionate part of the plans' unfunded vested benefits liabilities. The Company estimates its allocated portion of the unfunded vested liabilities of these two plans amounted to approximately $23,600,000. However, although the net liability can be estimated, its components, the relative position of each employer with respect to actuarial present value of accumulated benefits and net assets available for benefits, are not available to the Company.

In 1983 the Company adopted a non-qualified unfunded supplementary retirement plan for senior management. The Company has purchased cost recovery life insurance on the lives of the participants and it is the sole owner and beneficiary of such policies. The amount of coverage is designed to provide sufficient revenues to recover all costs of the plan if assumptions made as to mortality experience, policy earnings and other factors are realized. Premiums aggregating $1,845,000 were paid in 1984 and in 1983.

The Company and certain subsidiaries maintain profit sharing plans. The total cost of these plans was $3.9 million in 1984, $3.5 million in 1983, and $3.3 million in 1982.

Actuarial Assumptions Changed

JOHNSON CONTROLS, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Pension Plans

Substantially all salaried and hourly employees are covered by pension plans. Contributions to union trusteed pension funds covering branch construction and service personnel are based on hours worked or gross wages. For other employees, pension expense consists of current service costs, amortization of prior service costs (over periods ranging to 30 years) and accrual of interest on the prior service costs, where applicable. Accrued pension cost for domestic plans is funded on a current basis in accordance with the requirements of the Employee Retirement Income Security Act of 1974.

9. Pension Expense

Company-sponsored pension plans cover substantially all employees, except branch construction and service personnel. Pension expense for these plans was $16.3 million in 1984, $17.0 million in 1983 and $15.4 million in 1982. The decrease in 1984 pension expense results primarily from changes in actuarial assumptions for certain plans. In 1984, the assumed rate of return on pension fund assets was increased from 7% to 8% and the wage increase assumption for active plan participants was changed from 4% to 5%. These changes in actuarial assumptions reduced 1984 pension expense by approximately $1.9 million and increased net income by $1.0 million ($.07 per share).

A comparison of accumulated plan benefits, as determined by consulting actuaries, and plan net assets for the Company's domestic defined benefit plans is as follows:

	As of January 1,	
	1984	1983
	(dollars in thousands)	
Actuarial present value of accumulated plan benefits		
Vested	$111,870	$ 98,070
Nonvested	18,960	17,074
	$130,830	$115,144
Net assets available for benefits at market value	$183,811	$161,222

The discount rate used in determining the actuarial present value of accumulated plan benefits was 7.5% as of January 1, 1984 and 1983, except for accumulated plan benefits of current retirees. These benefits are matched to dedicated plan assets for which the discount rate used was 11.3% and 10.9% at January 1, 1984 and 1983, respectively. The Company's foreign pension plans are not required to report to certain governmental agencies pursuant to ERISA, and do not otherwise determine the actuarial value of accumulated benefits or net assets available for benefits.

KNIGHT-RIDDER NEWSPAPERS, INC. (DEC)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Retirement plans of the company include company administered pension plans covering certain employees. Income is charged under these plans for actuarially determined annual current service costs, plus the amount required to amortize prior service costs, generally over 30 years. The "entry age normal" method was used for determining annual costs through 1983. In 1984, the company changed to the "projected unit credit method." Income is also charged with contributions, based on hours worked or wages earned, under union pension plans of which some are jointly administered and some are union administered.

The company funds trusteed plans by contributing to the trust the actuarially computed annual cost. Accruals of retirement benefits for unfunded plans are reflected in the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A—Retirement Plans

The amounts charged to income under various pension plans were as follows (in thousands):

	1984	1983	1982
Company administered plans:			
Funded plans	$ 5,602	$ 9,108	$10,303
Unfunded plans	933	1,198	479
Jointly administered plans	11,487	10,435	9,449
Union administered plans	2,229	1,950	1,891
Total	$20,251	$22,691	$22,122

During 1984, the actuarial cost method used to determine pension expense was changed from the Entry Age Normal Method to the Projected Unit Credit Method. This new actuarial method results in an annual pension expense which more appropriately matches the costs of projected retirement benefits to the year in which such benefits are earned. The effect of this change was to reduce 1984 pension expense by $3.3 million and increase net income by $1.8 million ($.03 per share). Plan assumptions were also changed to increase the assumed rate of investment return to 8.0% from 7.5% (the rate used in 1983 and 1982) to more closely reflect the expected future performance based on past experience. The effect of this change was to reduce 1984 pension expense by an additional $1.4 million and increase net income by $750,000 ($.01 per share).

Accumulated plan benefit information for company administered funded plans as of the valuation date (generally January 1) and net assets for these plans are presented below (in thousands). This information is not available for other plans in which the company participates.

	1984	1983	1982
Actuarial present value of accumulated plan benefits:			
Vested	$116,337	$111,214	$ 98,226
Nonvested	11,573	11,296	11,064
Total	$127,950	$122,510	$109,290
Net assets available for plan benefits	$182,891	$162,948	$130,069

Change in Actuarial Cost Method

ASHLAND OIL, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Pension costs

Effective October 1, 1983, Ashland changed its actuarial method used to determine pension costs. Ashland believes the new method is preferable because it better reflects the funding status of Ashland's pension plans and more closely resembles the method of accounting for pension costs proposed by the Financial Accounting Standards Board. This change decreased the net loss by $6,262,000 ($.23 per share) in 1984. The difference between pension plan assets and prior service costs is amortized over ten years as an increase in, or a reduction of, pension expense.

Note K—Employees' Pension and Retirement Plans

Ashland and its subsidiaries have pension and retirement plans which cover substantially all employees. Pension expense related to these plans was $9,693,000 in 1984, $22,248,000 in 1983 and $29,808,000 in 1982. Pension expense for 1984 declined by approximately $12,300,000 resulting from a change in Ashland's actuarial method (see Note A). Pension expense for 1983 declined by approximately $3,600,000 due principally to a reduction in the estimates used for future increases in employees' salaries.

Accumulated plan benefit information, as estimated by consulting actuaries, and plan net assets for Ashland's defined benefit plans (excluding multiemployer plans administered by unions for which benefit information is not available) as of the most recent actuarial valuation dates (principally September 30 of the preceding year) follow. The weighted average rate of return assumed in estimating accumulated plan benefits was approximately 8.9% in 1984 and 10.1% in 1983. The rates of return in use by the Pension Benefit Guaranty Corporation on the determination dates were used for these estimates.

(In thousands)	1984	1983
Actuarial present value of accumulated plan benefits		
Vested	$257,076	$200,708
Nonvested	20,537	15,874
	$277,613	$216,582
Market value of net assets available for plan benefits	$512,609	$411,183

Contributions are generally funded as accrued based on an actuarial cost method which recognizes future plan benefit increases expected to result from future increases in employees' salaries. This contribution method results in net assets available for plan benefits exceeding the accumulated plan benefits shown above, which do not include provision for future employee salary increases.

BEMIS COMPANY, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies:

J. Pension 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 $7,231,000 in 1984, $8,486,000 in 1983, and $8,006,000 in 1982.

In 1984 the Company changed its actuarial valuation method for major plans from the frozen initial liability method to the unit credit and projected unit credit methods. This change resulted in a better matching of funding to accumulated benefits. In addition, the actuarial method to value assets was changed to reflect the amortized value of bonds which is more consistent with the Company's policy of holding bonds to maturity. The net effect of these changes was to decrease 1984 pension expense by $1,663,000 and increase 1984 net income by $898,000 or $.13 per share.

Following is a comparison of accumulated plan benefits and plan net assets:

	(in thousands of dollars) 1984	1983
Actuarial present value of accumulated plan benefits:*		
Vested	$102,173	$84,673
Nonvested	5,260	3,200
	$107,433	$87,873
Net assets available for benefits	$ 95,489	$84,306

*The assumed rate of return was 8%.

SPERRY CORPORATION (MAR)

NOTES TO FINANCIAL STATEMENTS

17. Retirement and Pension Plans

The Company has a number of retirement and pension plans covering substantially all employees in the United States and certain employees in other countries. Pension costs for the three years ended March 31, 1984 were as follows: 1984, $77.4 million; 1983, $87.1 million; 1982, $90.5 million. Effective January 1, 1984 the Company changed its actuarial method of determining pension costs for U.S. nonbargaining unit employees from the aggregate cost method to the unit credit method. The effect of this change after estimated U.S. Government contract price adjustments was to increase net income for the year ended March 31, 1984 by $3.3 million, or $.06 per share. It is the Company's policy generally to fund pension costs accrued.

A comparison of estimated accumulated plan benefits and net assets for U.S. retirement and pension plans is presented below:

($ Millions)	January 1 1983	1982
Actuarial present value of accumulated plan benefits:		
Vested	$ 873.9	$ 753.5
Nonvested	72.0	61.8
Total	$ 945.9	$ 815.3
Net assets available for benefits	$1,258.0	$1,078.7

The assumed rate of return used in determining the actuarial present value of accumulated benefits for both years was 8%.

The Company's foreign subsidiaries that have pension plans are not required to report to U.S. governmental agencies pursuant to ERISA. Many do not make the actuarial calculations necessary to make disclosure in the form shown above. However, calculations indicate that the total of pension funds and balance sheet accruals for these plans less pension prepayments and deferred charges exceeds the actuarially computed value of vested benefits under such plans as of the latest valuation dates.

Pension Plan Adopted

CHYRON CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Benefit Plans

On January 1, 1984, the Company adopted a defined benefit pension plan covering substantially all employees meeting minimum eligibility requirements. Pension expense is actuarially determined using the aggregate cost method. Pension expense for the year ended June 30, 1984 is $162,000. The Company's policy is to fund pension costs accrued. Disclosures regarding accumulated plan benefits and plan net assets are not presented as the plan's first fiscal year will end on December 31, 1984.

In addition, the Company has employment contracts with two officers which provide for deferred compensation payable at retirement, death or disability. Prior to 1984, the present value of such future compensation was being expensed over the expected term of active employment of each officer. As a result of the adoption in 1984 of the aforementioned defined benefit pension plan, the Company's liability under its deferred compensation agreements was reduced by approximately $102,000, which amount has been credited to selling, general and administrative expenses for the year ended June 30, 1984.

The Company also has an employment agreement with an officer, effective September 13, 1983, under which the officer is entitled to deferred compensation measured in terms of increases in the market price of the Company's common stock over the base price of the Company's common stock specified in the agreement. For the year ended June 30, 1984, the Company recognized an expense of $22,600 under this plan.

Pension Fund Includes Dedicated Assets

ACME-CLEVELAND CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Accounting Policies and Practices

Pension Expense—In general, the Corporation's policy is to fund pension cost accrued. Annual pension expense provides for normal cost and amortization of prior service costs over periods of 15 to 40 years.

Note G—Pension, Profit Sharing, and Health Care Cost

The Corporation and its subsidiaries have several pension plans covering substantially all employees. The total pension expense was approximately $5,421,000 for 1984, $7,044,000 for 1983, and $9,617,000 for 1982.

Lower employment levels over the past two years decreased pension expense in 1984 by $1,000,000 while establishment of an additional dedicated bond portfolio decreased pension expense by an additional $500,000. In1983, the decrease in pension expense resulted from lower employment levels. The addition of another dedicated bond portfolio in 1984 decreased the actuarial present value of accumulated plan benefits by $5,898,000.

Accumulated plan benefit information, as estimated by consulting actuaries, and plan net assets for the Corporation's domestic plans are:

	January 1, 1984	January 1, 1983
Actuarial present value of accumulated plan benefits		
Vested	$ 99,837,000	$100,027,000
Nonvested	7,499,000	10,158,000
	$107,336,000	$110,185,000
Net assets available for benefits	$117,739,000*	$ 99,581,000*
Net (overfunded) unfunded vested liability	$ (17,902,000)	$ 446,000

*Does not include unfunded pension liability recorded on the Corporation's balance sheet of $2,698,000 and $2,840,000 in 1984 and 1983, respectively.

The assumed rates of return used to determine the actuarial present value of accumulated plan benefits are 7.5% for nonretired participants and an average of 13.75% for retirees covered under the dedicated bond portfolio.

The Corporation and its subsidiaries had several profit sharing arrangements, some of which were terminated in 1983. Amounts contributed under such arrangements are based upon the contractual arrangements of the Corporation or subsidiaries. Such contributions amounted to $261,000 in 1984, $977,000 in 1983 and $2,051,000 in 1982.

The Corporation is obligated under various contracts to provide for the continuation of health and other insurance benefits for certain present and future retirees. The Corporation accounts for the cost of such benefits as they are incurred. Such costs approximated $3,238,000, $2,100,000 and $1,400,000 in 1984, 1983 and 1982, respectively.

ANCHOR HOCKING CORPORATION (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Retirement Plans—The Company and its subsidiaries have pension plans, principally noncontributory defined benefit plans or contributory profit sharing plans, covering substantially all employees. The costs charged to earnings are actuarially determined and include current service costs and amortization of prior service costs principally over 30 years. The actuarial cost method used for the Company's major pension plans is the frozen entry age method, the initial liability being calculated according to the entry age normal and supplemental method. The Company's policy is to fund pension costs accrued.

Note 7—Retirement Plans

The Company has in effect various pension plans for salaried and hourly-paid employees. Pension expense charged to income from continuing operations for 1984, 1983 and 1982 was $17,280,000, $17,913,000 and $16,012,000, respectively. Pension expense as a percent of employee compensation was 5.8% for 1984, 6.0% for 1983 and 5.8% for 1982. Accumulated plan benefit information, as estimated by consulting actuaries, and net assets for the Company's plans are as follows:

($ in thousands)	December 31 1984	1983
Actuarial present value of accumulated plan benefits:		
Vested	$223,055	$225,542
Nonvested	19,186	21,020
Total	$242,241	$246,562
Net assets available for benefits	$212,116	$208,720

In 1984 and in prior years, the Company's two major pension plans purchased securities with annual yields ranging from 12.2% to 15.5% and dedicated these assets to pay the plan benefits of certain retired participants. These actual yields, together with a 7% rate used for all other participants, were the rates of return assumed in determining the annual pension expense and the actuarial present value of accumulated plan benefits for both 1984 and 1983. The 1984 asset dedication reduced pension expense by $829,000 and the actuarial present value of accumulated plan benefits by $10,289,000 in 1984. The dedicated assets represented approximately 26% and 13% of the net assets held by these two major plans in 1984 and 1983, respectively. In total, the two plans represented 91% of the net assets available for benefits in both 1984 and 1983. The assumed rates of return for the Company's remaining plans ranged from 6% to 7% for both 1984 and 1983.

The Company also sponsors various plans providing certain health care and life insurance benefits for retired employees. These plans cover substantially all employees who reach normal retirement age while still working for the Company. The cost of these plans are expensed as paid and amounted to $2,407,000, $889,000 and $1,984,000 in 1984, 1983 and 1982, respectively.

HONEYWELL, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

(Dollars in Millions)

17. Retirement Plans

Honeywell and its subsidiaries have retirement plans which cover substantially all of its employees, The total cost for all plans totaled $102.8 in 1984, $107.3 in 1983 and $108.2 in 1982.

In the U.S., retirement plans are provided which are financed by Honeywell contributions. Actuarially determined amounts are charged to expense and paid to the master trust maintained in conjunction with the plans. These trust funds are devoted to servicing retirement benefits and are not available to the Company until all earned benefits are satisfied after a plan is terminated. The cost of these plans totaled $84.5 in 1984, $88.9 in 1983 and $91.5 in 1982 which was 4.2, 4.7 and 5.0 percent respectively of direct compensation. The cost includes the funding of prior service costs, which are amortized over periods not exceeding 30 years.

Retirement costs for the U.S. plans are actuarially determined using the "Unit Credit" actuarial cost method. The actuarial present value of accumulated plan benefits provided in the following table is based on actual compensation and service to date using an assumed rate of return of eight percent except for retirees for whom assets have been dedicated to cover benefit payments over a 38-year period. The dedicated assets, which represent approximately 23 percent of the net assets available for benefits, earn interest at 14.8 percent. Net assets available for benefits are stated at their market value as of June 30, the fiscal year-end of the plans.

(As of June 30)	1984	1983
Actuarial present value of accumulated plan benefits—		
Vested	$ 929.0	$ 851.6
Nonvested	159.2	131.7
	$1,088.2	$ 983.3
Net assets available for benefits	$1,128.1	$1,116.7

Most major foreign subsidiaries provide plans for employees consistent with local practices. The foreign plans are not required to report 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.

Defined Contribution Plans

HUMANA, INC. (AUG)

NOTES TO FINANCIAL STATEMENTS

Note 9: Retirement Plan

On January 1, 1983, the Company initiated a noncontributory defined contribution retirement plan retroactive to September 1, 1982, covering substantially all employees. Prior thereto, a noncontributory defined benefit retirement plan was maintained. Accumulated participant benefits under the prior plan were funded by transfer of pension assets to the defined contribution plan or through purchase of annuities. Assets remaining in the defined benefit trust (not included in the accompanying financial statements) have been restricted for the Company's employee retirement program. Effective March 1, 1984, upon final determination of vested benefits, valuation of assets and resolution of certain other contingencies, these assets, including earnings thereon, are being amortized as actuarial gains over approximately 10 years. Amounts equal to annual amortization will be transferred from the restricted trust to the defined contribution plan.

Retirement plan expense was $12,140,000 for 1984, $17,504,000 for 1983 and $17,429,000 for 1982. Amortization of actuarial gains reduced retirement plan expense by $5,000,000 in 1984.

Other accrued expenses include accrued pension costs of $12,433,000 for 1984 and $17,504,000 for 1983. Amounts equal to retirement plan expense are funded annually.

THE SHERWIN-WILLIAMS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6—Retirement Benefits

Substantially all employees of the company who meet certain requirements as to age and service participate in noncontributory pension plans. The company generally funds pension costs accrued.

Effective January 1, 1984, the company established a defined contribution pension plan for designated salaried employees hired on or after that date. Additionally, the company's salaried employees' retirement plan (a defined benefit pension plan) was amended to enable participating employees to make an irrevocable election to transfer into a defined contribution pension plan on July 1, 1984, and receive full credit for their respective accrued benefits in this defined benefit plan.

Pension expense for all company-sponsored plans, which for certain defined benefit pension plans includes normal cost, interest on unfunded prior service costs and amortization of unfunded prior service costs over a period of 10 to 30 years, was $2,615,000, $13,248,000, and $15,713,000 for 1984, 1983 and 1982, respectively. Pension expense declined by $14,133,000 during 1984 primarily as a result of amortizing, over a period of 10 years, the effects of the modification to the salaried employees' retirement plan, along with changes in that plan's actuarial assumptions relating to the actuarial method and rate of return on investments. This decline was partially offset by $3,500,000 of expense related to the newly established defined contribution pension plans. The reduction in pension expense during 1983 resulted primarily from favorable fund management experience and a reduction in the number of employees.

In addition, the company contributed approximately $912,000, $1,166,000, and $1,095,000 to various multiemployer union retirement plans in 1984, 1983 and 1982, respectively. The company is presently unable to determine its respective share of either the accumulated plan benefits or net assets available for benefits under the union plans.

Actuarial information for the company's defined benefit pension plans as of the latest valuation date is presented below:

	January 1,		
Thousands of dollars	1984	1983	1982
Actuarial present value of accumulated plan benefits:			
Vested	$210,676	$214,912	$201,290
Non-Vested	9,570	13,169	11,965
	$220,246	$228,081	$213,255
Net assets available for benefits	$339,151	$300,070	$247,876
Weighted average assumed rate of return on accumulated plan benefits	8.5%	8.0%	8.0%

In addition to providing pension benefits, the company provides certain health care and life insurance benefits under company-sponsored plans for retired employees. Substantially all of the company's employees who are not members of a collective bargaining unit are eligible for these benefits upon retirement. The cost of these benefits for both active and retired employees is recognized as claims are incurred and amounted to $24,583,000 for the year ended December 31, 1984. As of December 31, 1984, there were 14,093 active employees and 3,915 retired employees entitled to receive benefits under these plans.

UNITED FOODS, INC. (FEB)

SUMMARY OF ACCOUNTING POLICIES

Pension Plans

On June 1, 1982, the Company adopted a defined contribution pension plan for certain employees covered under union labor contracts and hourly non-clerical employees and, on March 1, 1983, the Company adopted a defined contribution pension plan for salary and hourly clerical employees. The Company funds all pension costs as accrued.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 4—Employee Benefit Plans

Pension Plans:

On February 25, 1983, the Company terminated its noncontributory defined benefit pension plan that covered substantially all employees except certain employees covered by collective bargaining agreements and non-clerical hourly employees. The Company recognized a gain of $2,545,289, net of applicable income taxes, as an extraordinary item during the fourth quarter of fiscal 1983 relating to the plan termination.

Normal cost of the defined benefit plan charged to operations for the years ended February 28, 1983 and 1982 was approximately $18,000 and $82,000, respectively.

On June 1, 1982, the Company adopted a defined contribution pension plan for certain employees covered under labor union contracts and hourly non-clerical employees. Contributions to the plan are based upon hours worked during the plan year and participants may make voluntary contributions to the plan up to 10% of their compensation (as defined). Costs of the plan charged to operations for the years ended February 29, 1984 and February 28, 1983 amounted to approximately $219,000 and $104,000, respectively.

On March 1, 1983, the Company adopted a defined contribution pension plan for salary and hourly clerical employees. Company contributions to the plan are discretionary but may not exceed 15% of participants' compensation. Participants may make voluntary contributions to the plan up to 10% of their compensation (as defined). Costs of the plan charged to operations for the year ended February 29, 1984 amounted to approximately $500,000.

Charges to operations for contributions to multi-employer pension plans for certain employees covered by labor union contracts amounted to approximately $612,000, $813,000 and $745,000 for fiscal 1984, 1983, and 1982, respectively. These amounts were determined by the union contract and the Company does not administer or control the funds in any way. However, in the event of plan termination or Company withdrawal from the plans, the Company may be liable for a portion of the plan's unfunded vested benefits, the amount of which, if any, has not been determined.

Incentive Bonus Plan:

The Company has an incentive bonus plan which covers six (nine in 1983 and 1982) key employees and calls for 4% of pretax profits to be allocated to a bonus pool. The cost of the plan charged to operations for the three years ended February 29 or 28, 1984, 1983 and 1982 was $152,332, $490,729 and $263,251, respectively.

OTHER POSTRETIREMENT BENEFITS

ALUMINUM COMPANY OF AMERICA (DEC)

NOTES TO FINANCIAL STATEMENTS

(In millions, except share amounts)

K. Post-Retirement Benefits

Alcoa and certain subsidiaries provide health care and life insurance benefits for retired employees. Substantially all U.S. employees and certain other employees become eligible for these benefits if they qualify for retirement while working for the company. Alcoa retains the right, subject to existing agreements, to amend or terminate these benefits. The costs of these benefits are expensed as claims are incurred and were $26.5 in 1984, $23.3 in 1983 and $20.7 in 1982. At December 31, 1984, there were approximately 21,600 eligible retirees.

AMERICAN MAIZE-PRODUCTS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5: Benefit Plans

Pension expense approximated $3,079,000 in 1984, $2,999,000 in 1983 and $3,567,000 in 1982. As of the latest valuation dates, a comparison of accumulated plan benefits and plan net assets is presented as follows:

Dollars in thousands At January 1,	1984	1983
Actuarial present value of accumulated plan benefits:		
Vested	$43,192	$39,855
Non-Vested	1,981	2,547
	$45,173	$42,402
Net assets available for plan benefits	$55,898	$45,211

The assumed rate of return, used in determining the actuarial present value of accumulated plan benefits, was 7% in 1984 and 1983.

In addition to providing pension benefits, the Company and its subsidiaries provide certain health care and life insurance benefits for retired employees. Substantially all of the Company's employees may become eligible for these benefits if employed until normal retirement age. These and similar benefits for active employees are provided through an insurance company whose premiums are expensed each year ($5,492,000 in 1984). The cost of providing these benefits for 449 retirees is not separable from the cost of providing benefits for the 2,362 active employees.

During 1983, the Company adopted a savings plan (the "Plan") to provide its employees with additional income upon retirement. The Plan requires specified contributions by the Company in either cash or its Class A common stock. Cash contributions must be invested by the Plan's trustee in the Company's Class A common stock. Discretionary contributions by the Company are also permitted. Contribution expense under the Plan was $228,000 and $184,000 in 1984 and 1983, respectively. Of these amounts, $116,000 and $124,000 in 1984 and 1983, respectively, qualify and have been taken as tax credits.

AVON PRODUCTS, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Retirement Plans

Accumulated plan benefits and plan net assets of the Company's U.S. defined benefit retirement plans, primarily at January 1, are presented below (in millions):

	1984	1983	1982
Present value of accumulated plan benefits:			
Vested	$201.7	$186.0	$162.3
Nonvested	38.3	37.6	32.2
	$240.0	$223.6	$194.5
Net assets available for benefits	$381.2	$340.4	$266.4

The estimated weighted average rate of return used to determine the present value of accumulated plan benefits was 8.7%, 9.0% and 9.3% for 1984, 1983 and 1982, respectively.

The Company's foreign retirement plans are not required to report pursuant to the Employee Retirement Income Security Act of 1974. They do not determine the actuarial value of accumulated benefits or net assets available for benefits as calculated and disclosed for U.S. plans.

Retirement plan expense was $27.3, $32.6 and $31.3 million in 1984, 1983 and 1982, respectively.

The Company provides certain health care and life insurance benefits for retired employees. Substantially all of the Company's employees in the United States and in certain foreign countries become eligible for such benefits upon retirement under the Company's retirement plans. The Company recognizes the cost of these benefits by expensing the annual premiums, which were $2.8 million in 1984.

BETHLEHEM STEEL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

L. Postretirement Health Care and Life Insurance Benefits

In addition to providing pension benefits, Bethlehem provides certain health care and life insurance benefits for substantially all former employees who retired after attaining specified age and service requirements.

Health care benefits for active employees and retirees are provided through various insurance carriers whose premiums are based on claims incurred during the year. The company recognizes the cost of providing these benefits by expensing the annual insurance premiums, which were $39.6 million for retirees during 1984.

The estimated cost of postretirement life insurance is accrued over the working lives of those employees expected to qualify for such benefits. The costs are funded annually and were $6.5 million in 1984.

Bethlehem is also required, under various union contracts, to make payments to multiemployer health and welfare plans to cover health and death benefits for certain active and retired employees. These payments amounted to $5.1 million in 1984.

GENERAL ELECTRIC COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3 (In Part): Pensions and Other Retiree Benefits

Retiree health care and life insurance benefits. General Electric and its affiliates have a number of plans providing retiree health care and life insurance benefits. The cost of the principal U.S. plans was $138 million in 1984.

Generally, employees who retire or terminate after qualifying for optional early retirement under the General Electric Pension Plan are eligible to participate in retiree health care and life insurance benefit plans. Health care benefits for medical and dental expenses incurred by eligible retirees under age 65 and eligible dependents are included in Company costs as covered expenses are actually incurred. For eligible retirees and spouses over age 65, scheduled hospital benefits which supplement Medicare and scheduled prescription drug benefits are provided, and the present value of future benefits is funded or accrued by the Company and included in Company costs in the year the retiree becomes eligible for benefits. The present value of life insurance benefits for eligible retirees is funded and included in Company costs in the year of retirement.

MINNESOTA MINING AND MANUFACTURING COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Other Postretirement Benefits

The company provides health and life insurance benefits for substantially all of the company's retired U.S. employees who reach retirement age while employed by the company. The estimated cost of these benefits is actuarially determined and accrued over the employees' active lives as a level percentage of compensation for employees expected to qualify for benefits. An 8 percent investment rate of return is used in the calculation; other assumptions include an assumption for medical inflation and assumptions similar to those used in the determination of pension expense.

Amounts charged against income were $17 million in 1984, $16 million in 1983 and $14 million in 1982. The company deposits funds with an independent trustee as these costs are charged to income.

Employees outside the U.S. are covered principally by government-sponsored plans, and the cost of company-provided plans is not material.

MIDLAND-ROSS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note J—Retirement Benefit Plans

The company has pension plans covering substantially all of its employees. Pension expense for continuing operations was approximately $6,197,000 in 1984, $6,986,000 in 1983 and $7,652,000 in 1982, which includes amortization of prior service costs over 30 years. The principal reason for the decrease in pension expense from 1983 to 1984 was the recognition of actuarial gains and from 1982 to 1983 was the restructuring of a dedicated bond portfolio.

Pension plan costs accrued are funded for operating locations. A comparison of accumulated plan benefits and plan net assets for the company's defined benefit plans is presented below:

	(In Thousands of Dollars)	
January 1	1984	1983
Actuarial present value of accumulated plan benefits:		
Vested	$116,793	$127,278
Nonvested	8,981	11,784
	$125,774	$139,062
Net assets available for benefits	$104,765	$115,569

The average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 9.5% for both 1984 and 1983.

In addition to providing pension benefits, the company and its subsidiaries provide certain health care and life insurance benefits for eligible retired employees. Substantially all of the company's employees (including employees in foreign countries) may become eligible for those applicable benefits if they reach normal retirement age while working for the company. The cost of the retiree health care and life insurance benefits is recognized as expense either as claims and/or premiums are paid. These costs from continuing operations totaled approximately $940,000 for 1984.

Included in other liabilities in 1984 is $36,907,000 relating to pension and post-retirement health care and life insurance benefits for employees and retirees at discontinued locations.

NORTON COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Retirement and Benefit Programs

Retirement income programs cover substantially all of the employees of the company and its subsidiaries. The company funds its pension plan at a level which equals or exceeds the amount accrued. The total pension expense for company-sponsored plans, including amortization of prior service cost over periods of thirty years for certain of the plans, was approximately $22,493,000, $26,300,000, and $24,700,000 in 1984, 1983, and 1982, respectively.

The following summarizes certain data related to the company-sponsored domestic and Canadian defined benefit plans:

	1984	1983
	In thousands	
Actuarial present value of accumulated benefits:		
Vested	$223,682	$222,056
Non-vested	14,070	14,926
	$237,752	$236,982
Net assets available for benefits	$269,856*	$270,145*

*Including $0.4 million and $4.2 million prepayments at December 31, 1984 and 1983, respectively.

The company's foreign subsidiaries, excluding its Canadian operations, do not determine the actuarial value of accumulated benefits as described above. For these foreign plans, the net assets available for benefits exceeded the actuarially computed value of vested benefits by $3.8 million and $1.5 million at December 31, 1984 and 1983, respectively.

The discount rate used to recognize the time value of money in determining the actuarial present value of accumulated plan benefits was 9% in 1984 and 8.5% in 1983 for its U.S. retirement plans and 8.0% in 1984 and 7.5% in 1983 for its Canadian plans.

The company has an employees' investment plan, under which eligible U.S. employees can invest up to 15% of their earnings, matched by an amount from the company equal to one-half of the first 6% of the employee's contribution with the company's contribution invested in the common stock of the company. The company's annual contributions were approximately $4,200,000, $3,200,000 and $3,600,000 in 1984, 1983 and 1982, respectively.

The company and its subsidiaries in the U.S. provide certain health benefits for retired employees. Employees are eligible for continuation of medical benefits upon specified early retirement, and the company provides supplementary medical coverage at the time when they are eligible for "Medicare." In general, the company's retirees of foreign subsidiaries are provided medical coverage by the respective government sponsored plans in each country. The company also provides life insurance coverage for domestic and certain foreign employees. These health and life insurance benefits are provided through insurance companies whose premiums are charged to expense as they are paid each year. Total charges for such expense during 1984 were $3,950,000.

UNOCAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Retirement Plans

The company and its subsidiaries have several noncontributory retirement plans covering substantially all employees. These plans are funded with insurance companies and a corporate trustee. Total costs for these plans were $55.0 million for 1984, $54.1 million for 1983 and $56.8 million for 1982.

Net assets of the retirement plans and the actuarial present value (based on a 7 % discount factor) of accumulated plan benefits are:

	December 31	
	1984	1983
	Millions of Dollars	
Net assets available for benefits	$855.9	$809.4
Vested benefits	$668.1	$629.3
Non-vested benefits	$28.6	$ 31.0

In addition to providing pension benefits, the company and its subsidiaries provide certain health care and life insurance benefits for retired employees. The company's employees become eligible for these benefits upon retirement from the company. The costs of the insurance premiums for these benefits totaled $9.4 million in 1984 and were expensed currently.

WHITE CONSOLIDATED INDUSTRIES, INC. (DEC)

NOTES TO FINANCIAL STATEMENTS

Note K—Pension & Other Post-Retirement Benefits

The Corporation has pension plans covering substantially all employees. In general, the Corporation's policy is to fund pension costs accrued.

Pension expense for continuing operations for the years ended December 31, 1984, 1983, and 1982 of approximately $20,200,000, $19,700,000, and $18,400,000, respectively, includes amortization of prior service costs over periods ranging from 15 to 40 years.

The actuarial present value of accumulated plan benefits for continuing operations was determined as of January 1, the latest valuation date, in the respective year:

	1984	1983
	(In Thousands)	
Accumulated Plan Benefits:		
Vested	$314,800	$279,400
Non-vested	34,800	33,300
	$349,600	$312,700
Net Assets Available for Plan Benefits	$314,300	$277,700

The weighted average assumed rate of return used in the computation of the actuarial present value of accumulated plan benefits was 14% for those retirees funded by the dedicated bond portfolio and 7½% for all other participants.

The increase in the present value of accumulated plan benefits is primarily due to the recognition of benefit improvements in certain of the plans.

Certain groups of the Corporation's employees are provided health care and life insurance benefits in addition to pension benefits. Employees within these groups may become eligible for these benefits if they reach normal retirement age while working for the Corporation. The cost of the retiree health care and life insurance benefits is recognized as expense as claims or premiums are paid. For 1984, those costs totaled $7,000,000.

COMPENSATORY PLANS

In addition to pension plans (Table 3-8) and "traditional" stock option and stock purchases plans (pages 215-221), 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			
	1984	1983	1982	1981
Stock award plan	159	155	147	127
Incentive compensation plan	100	99	99	113
Profit-sharing plan	76	76	72	77
Savings fund plan	79	71	66	60
Employee stock ownership plan	82	66	58	52
Deferred compensation agreement	42	39	33	36

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

AMP INCORPORATED AND PAMCOR, INC. (DEC)

NOTES TO COMBINED FINANCIAL STATEMENTS

9. Bonus Plans

The Company has two incentive bonus plans: Stock Plus Cash Plan and Cash (or Stock) Plan. Participants are designated by the Board of Directors. Compensation under the Stock Plus Cash Plan is related to increases in the market value of the Company's stock, or alternatively, to the Company's earnings performance. Compensation under the Cash (or Stock) Plan is related solely to the Company's earnings performance. Awards under either Plan are payable in a combination of stock and cash, except that stock payments are elective under the Cash (or Stock) Plan.

Charges to income before income taxes for current and future distributions under the Plans totaled $2,440,000 in 1984, $28,324,000 in 1983 and $9,142,000 in 1982.

Approximately 464,000 shares would be distributed in the years 1985 through 1990 for Stock Plus Cash Plan awards granted before and outstanding at December 31, 1984, based on the market price at that date. All the treasury shares are available for payment of the stock portion of the bonuses. Gains on the excess of market value over the cost of treasury shares distributed are recorded in Other Capital.

COMPUGRAPHIC CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Profit Sharing and Incentive Compensation

The Company's profit sharing plan covers substantially all the U.S.- and Canadian-based officers and employees who were employed by the Company for at least six months at the end of the fiscal year. The plan, which is annually reviewed and approved by the board of directors, provides for profit sharing payments based upon a percentage of pretax income. The distribution is based on length of service and the amount of salary or wages earned. Profit sharing, which was suspended from the period of October 1980 through September 1982, was reinstated in October 1982.

The Company has an incentive compensation plan for key executives and, during 1984, implemented a new incentive compensation plan for middle management. The amounts expensed under the plans, which are determined by the Company's operating performance and approved by the board of directors, were $800,000 in 1984 for the middle management incentive compensation plan and $364,000, $590,000, and $104,000 in 1984, 1983, and 1982 respectively for the key executive incentive compensation plan.

MOTOROLA, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 (In Part): Employee Benefit and Incentive Plans

Management Incentive: The Company may provide up to 7% of its annual consolidated pretax earnings, as defined in the Motorola Executive Incentive Plan, for the payment of cash incentive awards to key employees. Amounts of $23 million in 1984, $13 million in 1983, and $5 million in 1982 were provided for incentive awards.

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 key employees based on stated percentages of net income as defined in the Plan. Expenses under the Plan amounted to $8.2 million for 1984, $7.0 million for 1983, and $5.3 million for 1982.

WANG LABORATORIES, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note K—Management Incentive Compensation Plan

The Company has a Management Incentive Compensation Plan pursuant to which bonuses are paid to officers, managerial and technical employees. Bonuses are based on a formula which considers consolidated earnings before income taxes, average net worth and average bank borrowings. Additional amounts may be paid at the discretion of the Board of Directors. The amount charged to expense under the Plan was $5.8 million in 1984, $3.7 million in 1983 and $3.2 million in 1982.

Stock Award Plans

CABOT CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

K. Performance Share Plan

Under the Performance Share Plan, awards, expressed as shares of common stock of the Company and payable in either common stock or cash, 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, 1984, the Company had reserved 1,704,941 shares of common stock for issuance under the Plan. Awards of 523,675 performance shares were outstanding with respect to the three groupings ("flights") with six-year earnings measurement periods ending September 30, 1984, 1986 and 1988. In November, 1984 194,175 performance shares were issued in respect of the 1984 flight.

Earnings, after tax effect, were charged $368,820 in 1984, charged $41,000 in 1983 and credited $999,540 in 1982, representing the annual adjustment for the anticipated cost of performance share awards.

DAYCO CORPORATION (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Summary of Accounting Policies

Stock Options and Executive Incentive Plan: Reference is made to Note F. Proceeds from the sale of stock issued under options are credited to common stock at par value, and the excess of the option price over par value is credited to additional paid-in capital. The corporation makes no charges or credits against earnings with respect to options.

Awards under the Executive Incentive Plan are made in consideration for services performed during the incentive period. The market value of restricted shares at the date of grant is charged against earnings over the restricted period as a function of market price. In connection with appreciation rights, annual charges are made to earnings equal to the year's increase in the corporation's book value per share plus cash dividends per share times the number of rights outstanding.

Note F (In Part): Capital Stock

Effective February 26, 1979, the shareholders of the corporation approved the Executive Incentive Plan which provides for awarding shares of restricted stock and a corresponding unit of appreciation for each share issued (see Note A). Under this plan, which expired on March 1, 1984, a total of 288,750 shares of restricted stock and units of appreciation were authorized, of which 249,651 were granted. Total compensation charged against earnings under the Plan amounted to $1,294,000, $203,000 and $123,000 during the periods ended October 31, 1984, 1983 and 1982, respectively.

Effective February 27, 1984 the shareholders of the corporation approved a second Executive Incentive Plan that authorized the issuance of up to 500,000 shares of restricted stock and units of appreciation. The Board has not made any issuance under the provision of the new plan.

Shares and units issued under the plans are subject to a transfer restriction for a period of five years from the date of grant. (See Executive Compensation and Other Transaction in 1985 Notice of Annual Meeting of Shareholders for exceptions). Units of appreciation rights provide for payment at the end of five years equal to the increase in book value per share plus cash dividends per share declared during the five year proposal.

GRUMMAN CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6 (In Part): Stock Option and Incentive Plans

A Restricted Stock Award Plan provides for granting to employees of the company and its subsidiaries, at any time before January 1, 1989, not more than 1,800,000 shares of common stock. At December 31, 1984, 303,900 shares were available for future awards. The cost of shares awarded under this plan is being amortized over 10 years, the period after which all restrictions will have lapsed. In 1984, 1983 and 1982, $3,710,000, $2,302,000 and $1,008,000, respectively, have been charged against income.

In addition, officers and key employees of the company and its subsidiaries have received awards under a Management Incentive Plan totaling $4,524,400 in 1984, $3,417,000 in 1983, and $2,313,800 in 1982.

OUTBOARD MARINE CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13 (In Part): Pension and Incentive Compensation Programs

The 1982 Stock Option and Performance Unit Plan authorizes the granting of 1,200,000 performance units, each with a value equal to the value of a share of Common Stock at the time of grant. Units will be earned and paid in cash or shares, or both, based upon the judgement of the Stock Option Committee as to the achievement of various goals over four-year award cycles. At September 30, 1984 and 1983, respectively, there were outstanding 378,126 and 514,600 performance units granted in 1982, and at September 30, 1984 there were outstanding 144,400 performance units granted in 1984. In 1984, 1983 and 1982, respectively, $1,560,000, $816,000 and $900,000 were charged to earnings for the estimated cost of units earned.

THE PILLSBURY COMPANY (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Compensation Plans:

Certain employees of the company participate in compensation programs which include a base salary plus incentive payments. They are in managerial, sales and other areas in which it is deemed appropriate to reward employees on the basis of individual and/or group performance. Incentive payments are calculated based upon the level of operating earnings, as defined by the executive compensation committee of the board of directors.

Additionally, under the 1981 Performance Unit Plan, officers and key employees may be awarded performance units valued at the fair market value of an equivalent number of shares of the company's common stock at time of award. The value at time of payment cannot be greater than 200% of the award value. The company's cumulative annual growth in earnings per share over the four-year period following the award is the basis for payment. No payments may be made if annual growth is less than 6%. Awards of 281,647 performance units, including those awarded under a predecessor plan, are outstanding at May 31, 1984 at a weighted award value of $20.86 each. An additional 1,018,000 units are available for grant through fiscal 1988. Performance units have been adjusted to reflect the two-for-one stock split in November 1983.

Eligible employees may elect, under the company's Stock Purchase and Investment Plan or Deferred Incentive Plan, to make deposits of up to 10% of the employees' profit sharing earnings with the company matching 50% of the deposits up to the first 4% of profit sharing earnings.

Expenses incurred under the above compensation plans (excluding base salary) were approximately $27.7 million, $19.2 million and $16.1 million in fiscal 1984, 1983 and 1982, respectively.

REVLON, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Commitments and Contingent Liabilities (In Part)

Revlon has an executive incentive compensation plan to provide cash bonuses to key executives. The plan is administered by a nonparticipating committee of the Board of Directors. Under the plan, performance units are granted, the value of which is determined based on Revlon's attaining predetermined percentage increases in net earnings per share over three years performance periods. Payment of amounts earned is over a four year period commencing the first year following the performance period. Such payments are contingent upon each participating executive's continuous employment by Revlon from the date of grant of performance units to him to the end of the performance period, and thereafter may be forfeited on termination of employment. Approximately $1,200,000 and $2,900,000 were charged to earnings in 1984 and 1983, respectively, with respect to the performance period from January 1, 1983 to December 31, 1985. No amounts were accrued or will be paid with respect to the performance period from January 1, 1980 through December 31, 1982.

Profit Sharing Plans

AMERICAN BUILDING MAINTENANCE INDUSTRIES (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. (In Part): Employee Benefit Plans

b) Profit Sharing Plans

The company and its subsidiaries have discretionary noncontributory profit sharing plans covering substantially all nonmanual nonbargaining unit employees. Contributions are made to bank trust funds administered by independent trustees. For the fiscal year 1984, the company has elected not to make any contribution to these plans. The provision charged to income in 1983 and 1982 were $776,000 and $1,096,000, respectively.

THE GOODYEAR TIRE & RUBBER COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Incentive Profit Sharing Plan

The Company has a Key Personnel Incentive Profit Sharing Plan, administered by a non-participating Committee of the Board of Directors, under which compensation contingent upon consolidated income is provided for key personnel including officers. The charge against income in anticipation of the distribution of the profit sharing fund for 1984, 1983 and 1982 was $13.8 million, $10.6 million and $10.7 million, respectively.

LA BARGE, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 (In Part): Employee Benefit Plans

The Company has a noncontributory profit sharing plan for employees meeting certain service requirements. The Company makes annual contributions to the profit sharing plan based on income of the Company as defined. Total expense for the plan was $150,000 in 1983. There was no contribution made for 1984 or 1982. The Company plans to amend this profit sharing plan in 1985 with the amended plan being a profit sharing and thrift plan which qualifies under Section 401(k) of the Internal Revenue Code. The amended plan allows eligible employees to contribute up to 6% of their compensation with the Company matching 50% of the first $25 per month and 25% of the excess. At the discretion of the Board of Directors, the Company may also make contributions dependent on profits each year for the benefit of all eligible employees under the amended plan.

PALL CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Pension and Profit Sharing Plans

The Company's profit sharing plan covers substantially all domestic employees of the Company and its participating subsidiaries, other than those employees covered by a union retirement plan. The plan provides that, unless the Board of Directors decides upon a smaller contribution, the Company contribute annually the lesser of (a) 7½% of the amount by which the consolidated net operating income before income taxes of the Company and its participating subsidiaries exceeds $500,000 or (b) the amount deductible for Federal income tax purposes. The provisions for fiscal years 1984, 1983 and 1982 were $2,459,000, $1,993,000 and $2,010,000, respectively.

Savings or Investment Plans

BOBBIE BROOKS, INCORPORATED (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2 (In Part): Employees' Savings and Profit Sharing Plan:

Effective September 1, 1983, the Company's savings plan for employees was amended and restated as the Bobbie Brooks Employees' Savings and Profit Sharing Plan. The original plan provided for employee contributions with the Company matching a portion of such contributions. Employees had an option of investing in a fixed income fund or Company common stock.

Salaried employees with at least one year of service are participants in the new plan and may elect to make contributions which are invested in a fixed income fund held in trust.

At the end of each plan year (December 31), the Company makes an automatic contribution equal to two percent of the participants' compensation for such year. Also at such time, the Company may elect to make a profit sharing contribution in such amount as may be determined by the Board of Directors. Both types of Company contributions may be made in cash out of current or accumulated profits or in shares of the Company's common stock as determined by the Board of Directors.

For initial plan year (September 1, 1983 to December 31, 1983) the Company made no profit sharing contribution. The automatic contribution was made in shares of Company stock.

The charge to operations during fiscal 1984 under the new plan was $113,000. The original plan had generated a credit to operations from fiscal 1982 through August 31, 1983 because of the effect of forfeitures. Such credit was not significant.

DEERE & COMPANY (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Employee Stock Purchase and Savings Plans

The John Deere Stock Purchase Plan for Salaried Employees allows participating employees to authorize payroll deductions of one to six percent of their earnings. The company makes contributions to the Plan, in cash or company shares, in an amount equal to a percent, based upon the company's profitability for the prior year, applied to the participating employees' payroll deductions. For the first six months of the 1982 fiscal year the percentage was 75 percent of the employees' payroll deductions. No company contributions were made for the period May 1, 1982 through June 30, 1983. For payroll periods ending after June 30, 1984 and before January 1, 1986, the contribution percentage is not to be less than 25 percent. Since July 1, 1983, company contributions were equal to 25 percent of employees' payroll deductions. The payroll deductions and company contributions are used to purchase company shares for the accounts of participating employees. During 1984, 1983 and 1982 the company contributions, all in cash, amounted to $5.1 million, $1.4 million and $11.0 million, respectively. At October 31, 1984, 6,995 of 14,631 eligible employees were participating in the Plan.

The John Deere Savings and Investment Plan for Salaried Employees became effective on July 1, 1984. Under the Plan, participating employees may authorize payroll deductions of one to ten percent of their earnings to be allocated among a Deere stock fund, an indexed equity fund and a guaranteed interest fund. The company makes contributions to the Plan in an amount equal to a percent, based upon the company's profitability for the prior year, applied to the participating employees' payroll deductions up to a maximum of six percent of the employees' earnings. For payroll periods ending before January 1, 1986, the contribution percent is not to be less than 30 percent. Since July 1, 1984, company contributions were equal to 30 percent of employees' eligible payroll deductions. The payroll deductions and contributions are considered tax deferred under sections 401(a) and 401(k) of the Internal Revenue Code. During 1984 the company contributions amounted to $1.4 million. At October 31, 1984, 7,346 of 14,601 eligible employees were participating in the Plan.

K MART CORPORATION (JAN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

O. Employees' Savings Plan

The Employees' Savings Plan (the Savings Plan), which commenced July 1, 1982, provides that employees of the company and certain subsidiaries who have completed two "Years of Service" can invest from 2% to 12% of their earnings in the employee's choice of a diversified common stock fund, an insured guaranteed investment fund or a K mart common stock fund. For each dollar the employee invests up to 6% of his or her earnings, the company will contribute an additional 50 cents which is invested in the K mart common stock fund.

Contributions for the K mart common stock fund may be remitted to the Trustee in cash or in the form of company common stock. Contributions remitted to the Trustee in cash may be used to acquire K mart common stock pursuant to market purchases or directly from the company by subscription or purchase.

As of September 1, 1983, 2,000,000 shares of K mart common stock were made available for issuance or sale to the Trustee, and as of January 30, 1985, 1,223,391 shares remained available. The company's expense related to the Savings Plan was $29.7 million for 1984, $25.5 million for 1983 and $13.2 million for a partial year in 1982.

Effective October 1, 1983, the company added a Payroll-Based Stock Ownership Plan (PAYSOP). Under the PAYSOP provisions, the company makes an additional annual contribution for all eligible employees to be invested in the K mart common stock fund, equal to ½% of each participant's compensation paid in fiscal 1984 and 1983. The company receives a direct income tax credit for the full amount of the PAYSOP contribution.

TESORO PETROLEUM CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note E (In Part): Employee Benefit Plans

The employee thrift plan provides for voluntary contributions by eligible employees into designated investment funds with a matching contribution by the Company of 50% of the employee's basic contribution. The Company's contribution, which is invested in common stock of the Company, amounted to $787,000, $656,000 and $500,000 during 1984, 1983 and 1982, respectively.

WEST CHEMICAL PRODUCTS, INC. (NOV)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13 (In Part): Employee Benefit Plans

In 1983, the Company adopted a Savings and Stock Plan under Section 401(k) of the Internal Revenue Code. This plan allows employees to defer up to 6% of their income on a pre-tax basis through contributions to the savings plan. In line with the provisions of the savings plan, for every dollar the employee contributes the Company will contribute an additional $.50 (the Company's contribution rate per dollar was increased from $.25 to $.50 effective September 1, 1984). In 1984 and 1983, the charge to loss from continuing operations for matching contributions was $80,000 and $35,000, respectively.

Employee Stock Ownership Plans

BADGER METER, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7 (In Part): Employee Benefit Plans

B. Payroll-Based Employee Stock Ownership Plan and Trust (The PAYSOP Plan)

In March, 1984, the Company's Board of Directors adopted the Badger Meter Payroll-Based Employee Stock Ownership Plan effective January 1,1984. The PAYSOP Plan is a noncontributory defined contribution stock bonus plan in which all domestic employees not covered by a collective bargaining agreement of the Company are eligible. Under The PAYSOP Plan, the Company makes a contribution each year, in cash and/or Company common stock, equal to the maximum tax credit available for the year. The entire cost of The PAYSOP Plan is borne by the Federal Government and was accounted for by a charge to expense of $118,000 in 1984, with a corresponding reduction in the provision for income taxes (Note 8). The Company's contribution and The PAYSOP Plan earnings are allocated to each participant's account based on the ratio of each participant's annual compensation (up to a maximum of $100,000) to the aggregate annual compensation of all participants. Each participant is fully vested at all times and has a nonforfeitable right to the amounts in their account. On termination of service, a participant will receive a lump-sum payment in either cash and/or the Company's common stock equal to the value of their account. In May 1984, The PAYSOP Plan purchased 7,000 shares of the Company's common stock at $8.625 per share (the closing market price on May 1, 1984), from related parties, including James O. Wright, Chairman of the Board, and members of the Wright family.

C. Employee Stock Ownership Plan and Trust (The ESOP Plan)

In March, 1984, the Company, established an Employee Stock Ownership Plan and Trust, effective January, 1984, for its domestic employees who are not covered by a collective bargaining agreement.

The ESOP Plan authorized the Trust to borrow $500,000 from a bank in June, 1984. The proceeds were used to purchase 64,500 shares of common stock at $7.75 (the market price on June 18, 1984), from related parties, including James O. Wright, Chairman of the Board and members of the Wright family. Under the loan agreement, shares held in accordance with The ESOP Plan trustee are pledged as collateral. The Company has guaranteed the loan and is obligated to contribute sufficient cash to The ESOP Plan to enable it to repay the loan principal ($83,333 annually) and interest. The first payment is due March 15, 1985 and the last payment is due June 30, 1990. Interest is payable at ¼% over the bank's prime interest rate (10.75% at December 31, 1984) (Note 4).

The obligation related to The ESOP Plan has been recorded as long-term debt and a like amount of unearned compensation has been recorded as a reduction of shareholders' equity in the accompanying consolidated balance sheet.

The Plan is noncontributory. The first allocation of 1/6 of the 64,500 shares will be to persons who were employed by the Company on December 31, 1984. Vesting occurs at a rate of 20% per year of accumulated service, commencing the second year of service.

BROWNING-FERRIS INDUSTRIES, INC. (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Common Stock

Employee stock ownership plan. In 1981, the Company adopted the BFI Employee Stock Ownership Plan. Under Internal Revenue Code guidelines in effect through part of its 1984 fiscal year, the Company received tax credits, equal to 1½% of its qualifying capital expenditures for contributions to the Plan. The Company's contributions were $1,009,000 and $1,149,000 during fiscal years 1982 and 1983, and $275,000 during 1984, based on a three-month period for which the regulations applied. Additional contributions were made to the Plan to match employees' voluntary contributions, and were $189,000, $254,000, and $271,000 for the same periods.

Subsequent amendments to the Code required that tax credits for employer contributions to such plans be determined at ½% of aggregate qualifying employee compensation, with no matching by either the Company or the employees permitted. During fiscal year 1984, based on the amended Code section, $329,000 was contributed by the Company to the Plan.

CBI INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Thousands of dollars, except per share amounts)

14. Employee Stock Ownership Plan

The CBI Salaried Employee Stock Ownership Plan (PAYSOP) was adopted in 1983, to be effective for 1983 through 1987. CBI common stock will be contributed to the plan based upon a percentage applied to covered compensation.

The CBI Salaried Employee Stock Ownership Plan (TRASOP) was in effect in 1982. CBI common stock was contributed to the plan based upon utilization of investment tax credits on CBI's U.S. income tax return.

CBI contributed 11,312 shares, on September 15, 1984, 8,086 shares, on September 1, 1983 and 70,920 shares, on September 1, 1982. The per share fair market value of the shares contributed, calculated as an average of the closing prices of CBI common stock for the twenty consecutive trading days preceding the date of contribution, was $27.54 in 1984, $35.45 in 1983 and $28.88 in 1982. All shares contributed were from reacquired stock. The difference between the fair market value and the cost of reacquired shares contributed resulted in a charge to retained earnings of $162 in 1984, $89 in 1983 and $1,655 in 1982. The plan resulted in a charge of $300 in 1984, $300 in 1983 and $2,298 in 1982 to selling and administrative expense with a corresponding credit to the provision for income taxes.

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

NOTES TO FINANCIAL STATEMENTS

Note H (In Part): Common Stock Transactions

During 1984, the Board of Directors adopted an Employee Stock Ownership/PAYSOP Plan and the Company charged $3,400,000 to expense for contributions to the Plan, of which approximately $1,700,000 was contributed in the form of 93,935 shares of common stock.

Deferred Compensation Plans

DURR-FILLAUER MEDICAL, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Retirement, Investment and Deferred Compensation Plans

The Company has a noncontributory profit-sharing plan to provide retirement benefits to its employees. The Company's contribution to the plan is determined by the Board of Directors. Charges to income with respect to this plan were $1,300,000, $1,100,000 and $900,000 for the years 1984, 1983 and 1982, respectively.

The Company has a voluntary monthly investment plan to purchase Durr-Fillauer stock for eligible employees. The Company contributes up to 40% of each employee's annual payroll deduction based upon years of service and pays all broker expenses of purchases made through the plan. The charge to income was $65,000, $49,000 and $42,000 for the years 1984, 1983 and 1982, respectively.

The Company has deferred compensation plan agreements for key executives providing for payments upon retirement, death or disability. The deferred compensation expense under these agreements for 1984, 1983 and 1982 was $41,000, $24,000 and $39,000, respectively.

The Company has a payroll-based stock ownership plan for eligible employees which was adopted in 1984. The Company contributes up to 0.5% of qualified salaries and wages and pays all broker expenses of purchases through the plan.

MOSINEE PAPER CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 (In Part): Retirement Plans

The companies have deferred compensation or supplemental retirement agreements with certain present and past key officers and employees. The principal cost of such plans is being or has been accrued over the period of active employment from the contract date. Certain payments, insignificant in amount, are charged to expense when paid. Costs charged to operations under such agreements approximated $350,000, $45,000, and $43,000 for 1984, 1983, and 1982 respectively. The 1984 charge to operations includes a one-time charge in the approximate amount of $300,000 to record the present value of the liability resulting from a 1984 agreement.

SAB HARMON INDUSTRIES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Commitments and Deferred Liability

During 1984, the Company established a non-qualified, unfunded deferred compensation plan for certain key executives providing for certain payments upon retirement, death or disability. The plan provides for payments for eight years equal to the average salary for the final three years of service. The plan provides for reduced benefits upon early retirement, disability or termination of employment. The deferred compensation expense for 1984 was $115,075.

DEPRECIATION EXPENSE

Paragraph 5 of *APB Opinion No. 12* stipulates that both the amount of depreciation expense and method or methods of depreciation should be disclosed in the financial statements or in notes thereto. Paragraph 5, Chapter 9C of *ARB No. 43* defines depreciation accounting (the process of allocating the cost of productive facilities over the expected useful lives of the facilities) as "a system of accounting which aims to distribute the cost or other basic value of tangible capital assets, less salvage (if any), over the estimated useful life of the unit (which may be a group of assets) in a systematic and rational manner. It is a process of allocation, not of valuation." If the depreciation methods used for tax purposes and for financial statement reporting differ, *APB Opinion No. 11* requires that the income tax expense shown in a company's financial statements reflect the tax effect 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 follow.

TABLE 3-10: DEPRECIATION METHODS

	Number of Companies			
	1984	1983	1982	1981
Straight-line	567	564	562	565
Declining balance	54	57	57	57
Sum-of-the-years digits	15	17	20	25
Accelerated method—not specified	76	74	69	68
Unit of production	60	65	62	52
Other	13	12	N/C	N/C

N/C—Not Compiled.

Straight Line Method

ALLIS-CHALMERS CORPORATION (DEC)

Statement of Changes in Financial Position

	1984	1983	1982
		(thousands)	
Sources (Uses) of Funds			
Net loss	$(260,954)	$(142,153)	$197,905)
Items not using (providing) funds—			
Depreciation of plant and equipment	37,489	41,994	48,426
Gain on sale of Siemens-Allis stock	—	—	(16,657)
Writedown of investment in Fiatallis	—	—	15,000
Writedown of plant and equipment	—	—	9,593
Deferred income taxes and other	(18,822)	(6,529)	(571)
Equity in net income of unconsolidated subsidiaries and affiliates	(21,404)	(26,195)	(23,741)
Dividends from unconsolidated subsidiaries and affiliates	22,413	29,785	33,041
Funds Used by Operations	(241,278)	(103,097)	(132,814)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Properties and Depreciation

Plant and equipment are stated at cost and depreciated over estimated useful lives generally on the straight-line method for financial statement purposes and accelerated methods for income tax purposes. Maintenance and repairs are expensed as incurred. Expenditures which significantly increase value or extend useful asset lives are capitalized.

THE CESSNA AIRCRAFT COMPANY (SEP)

	1984	1983	1982
Costs and expenses:			
Manufacturing and engineering costs	$622,117,150	$465,700,628	$673,613,560
Depreciation (Note 1d)	12,155,397	12,638,512	11,913,423
Sales and administrative expenses	104,777,021	111,367,050	130,972,607
Interest	11,314,853	6,039,141	9,912,424
	750,364,421	595,745,331	826,412,014

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Accounting policies

d. Depreciation—Property, plant and equipment are depreciated by the straight-line method over the estimated useful lives. Expenditures that materially increase the life of the plant or equipment are capitalized and all other maintenance and repairs are charged to earnings.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Dollars in Millions (except per share amounts)

A (In Part): Summary of Major Accounting Policies

Depreciation—Depreciation is calculated principally using the group straight-line method over the useful lives of assets. When depreciable plant is retired, the amount at which such plant has been carried in plant in service is charged to accumulated depreciation. AT&T Technologies, Inc. provides for depreciation on a group straight-line basis for composite accounts of assets acquired prior to January 1, 1980 and on an accelerated method for composite accounts of assets placed in service subsequent to December 31, 1979.

K. Property, Plant and Equipment

At Cost:

	December 31, 1984	January 1, 1984	December 31, 1983
Land	$ 452.6	$ 432.0	$ 913.8
Buildings and leasehold improvements	5,648.8	5,179.3	14,412.4
Machinery and electronic equipment	30,046.7	30,686.5	138,877.7
Transportation equipment, furniture, tools and other	2,359.7	2,292.8	12,690.1
Total property, plant and equipment	38,507.8	38,591.5	166,894.0
Less: Accumulated depreciation	17,492.8	18,302.2	43,139.8
Net property, plant and equipment	$21,015.0	$20,289.3	$123,754.2

Depreciation expense was $2,777.9, $9,854.2 and $8,734.5 for 1984, 1983 and 1982, respectively.

CULBRO CORPORATION (DEC)

Consolidated Statement of Changes in Financial Position

	1984	1983	1982
		(dollars in thousands)	
Financial resources were provided by—			
Income from operations	$13,691	$ 8,194	$ 8,553
Add (deduct) items not affecting working capital:			
Depreciation and amortization	8,668	7,200	5,581
Extraordinary credit—utilization of loss carryforwards	4,800	3,894	3,976
Deferred taxes and other	1,385	465	—
(Gain) from disposal of property and equipment	(1,121)	(817)	(1,139)
Provided by operations	27,423	18,936	16,971

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property and Equipment

Property and equipment are carried at cost. Depreciation is determined for financial reporting purposes on a straight-line basis over the estimated useful asset lives and principally on accelerated methods for tax purposes. Upon sale or retirement of property and equipment, the cost and related accumulated depreciation are removed from the accounts and the difference between book value and any proceeds realized on sale is charged or credited to income. Expenditures for maintenance and repairs are charged to income as incurred; renewals and improvements are capitalized.

UNION CAMP CORPORATION (DEC)

	1984	1983	1982
	($ in thousands)		
Costs and other charges:			
Cost of products sold	$1,278,666	$1,140,690	$966,500
Delivery, selling and administrative expenses	284,677	259,545	209,360
Depreciation and cost of company timber	125,909	117,875	104,230

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Significant Accounting Policies

Property and Depreciation

Plant property, machinery and equipment are stated at cost, less accumulated depreciation. Upon disposition, the asset cost and related depreciation are removed from the accounts and the resultant gain or loss is included in income.

Depreciation is principally calculated on a straight-line basis with lives for buildings from 15 to 33 years and for machinery and equipment from 3 to 16 years. In 1984, the Company adopted a policy of depreciating machinery and equipment on major expansion projects using the units-of-production method until design level production is reasonably sustained. Accelerated depreciation methods are generally used for tax purposes, with deferred taxes provided to reflect the effect of resultant tax timing differences.

Declining-Balance Method

AMERICAN MOTORS CORPORATION (DEC)

	1984	1983	1982
	(Dollars in Thousands)		
Costs and Expenses			
Cost of products sold, other than items below	$3,591,983	$3,021,784	$2,210,471
Selling, advertising and administrative expenses	362,303	328,495	308,744
Amortization of tools and dies	76,704	63,224	34,001
Depreciation and amortization of plant and equipment	37,330	23,769	18,352
Cost of pensions	65,444	50,465	54,322
Interest	94,022	85,529	51,522
	$4,227,786	$3,573,266	$2,677,412

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Summary of Accounting Policies

Depreciation and Amortization

Property, plant and equipment is stated at cost and depreciated over the estimated useful lives of the assets. Depreciation includes the amortization of assets recorded under capital leases. The straight-line method is used for approximately 58% of the total depreciable assets and the declining balance method for the remainder. Deferred tool and die costs are amortized over periods of time representing the estimated productive use of such assets.

ROWE FURNITURE CORPORATION (NOV)

Statement of Changes in Consolidated Financial Position

	1984	1983	1982
	($ thousands)		
Working Capital Provided			
Operations			
Net earnings	$3,655	$2,361	$ 309
Items not requiring (providing) working capital			
Depreciation and amortization	1,839	1,801	1,502
Gain on sale of investment property	(329)		
Other—net	261	360	82
Working capital provided from operations	5,426	4,522	1,893

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.

PUROLATOR COURIER CORP.

Consolidated Statements of Changes in Financial Position

	1984	1983	1982
	(Dollars in thousands)		
Cash was provided by (used for):			
Continuing operations:			
Earnings before extraordinary gain	$15,522	$20,206	$24,842
Items not requiring an outlay of cash:			
Depreciation and amortization of plant and equipment	27,491	23,295	22,050
Other charges, net	11,222	6,822	5,180
Funds provided from continuing operations	54,235	50,323	52,072

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Property, Plant and Equipment

Property, plant and equipment consist of the following:

December 31	Years of Estimated Useful Life	1984	1983
		(Dollars in thousands)	
Land	—	$ 9,665	$ 8,537
Buildings and improvements	25–40	54,092	41,581
Machinery and equipment	3–20	60,780	51,285
Aircraft	10	37,549	8,148
Revenue and service equipment	2–10	97,066	76,207
Furniture and fixtures	3–15	24,544	15,416
Leasehold improvements	Life of lease or asset	19,453	14,019
Construction in process	—	25,965	15,018
		$329,114	$230,211

Plant and equipment are depreciated using straight-line and declining balance methods. The declining balance method is generally used for machinery and equipment and furniture and fixtures until depreciation computed using the straight-line method exceeds depreciation computed using the accelerated method. At such time, the straight-line method is used for the remaining lives of the assets.

Major renewals, betterments and replacements are capitalized, while maintenance and repair costs are charged directly to expense as incurred. When properties are sold or otherwise disposed of, the related cost and accumulated depreciation and amortization are removed from the accounts and any gain or loss is reflected in earnings. Interest cost incurred during the period of construction of plant and equipment is capitalized as part of the cost of the asset and amounted to $1.2 million in 1984, $1.1 million in 1983, and $777 thousand in 1982.

Sum-Of-The-Years-Digits Method

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

	1984	1983	1982
	(Dollars in millions)		
Cost of Goods Sold and Other Operating Charges	$23,983	$24,309	$22,444
Selling, General and Administrative Expenses	2,024	1,985	2,065
Depreciation, Depletion and Amortization	1,736	1,719	1,625
Exploration Expenses, Including Dry Hole Costs and Impairment of Unproved Properties	524	478	465
Research and Development Expense	1,097	966	879
Interest and Debt Expense	565	583	739
Taxes Other Than on Income	2,345	2,311	2,581
Total	32,274	32,351	30,798

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 other facilities; in some instances appropriately higher or lower 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 PP&E (including petroleum and coal) surrendered, 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.

FARMER BROS. CO. (JUN)

Consolidated Statement of Changes in Financial Position

	1984	1983	1982
Funds provided from:			
Operations:			
Net income	$ 5,596,321	$ 7,714,293	$ 4,683,652
Items not requiring (providing) working capital:			
Depreciation	8,433,995	7,328,189	5,703,124
Deferred income taxes	(496,573)	270,743	(343,449)
Working capital provided from operations	13,533,743	15,313,225	10,043,327

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A (In Part): Summary of Significant Accounting Policies

Depreciation:

Depreciation is computed principally on a straight-line basis for all assets acquired prior to July 1, 1975. All asset additions after July 1, 1975, with the exception of buildings and facilities where straight-line is used, are depreciated using accelerated methods, primarily the sum-of-the-years digits method. The following estimated lives are used:

Buildings and facilities	10 to 45 years
Machinery and equipment	5 to 30 years
Automotive equipment	3 to 5 years
Office furniture and equipment	3 to 15 years
Coffee-brewing equipment	2 to 6 years

When equipment or properties are sold or retired, the assets and the related allowances for depreciation are eliminated from the records and any gain or loss on disposal is included in operations.

HOLLY SUGAR CORPORATION (MAR)

	1984	1983	1982
	(In thousands)		
Costs and expenses:			
Cost of sales	$224,791	$201,542	$216,029
Selling, general and administrative	19,918	15,961	19,646
Depreciation	4,958	5,092	6,294
Interest expense	2,932	2,474	3,569
Total costs and expenses	252,599	225,069	245,538

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Accounting Policies

Property and Depreciation. Maintenance and repairs are deducted from income and renewals or improvements are capitalized.

Operating plant depreciation, including amounts for capital leases, is computed by use of the straight-line method, modified in later years of plant life to a declining-balance method. The sum-of-the-years'-digits method is used for property other than operating plants.

Unit of Production Method

INTERNATIONAL PAPER COMPANY (DEC)

	1984	1983	1982
	(In millions of dollars)		
Operating Costs and Expenses			
Cost of products sold	$3,586.2	$3,442.1	$3,247.2
Distribution expenses	261.6	263.1	245.9
Selling and administrative expenses	298.7	265.4	266.6
Depreciation	248.9	224.8	203.1
Taxes other than payroll and income taxes	65.4	57.4	60.1
Total Operating Costs and Expenses	4,460.8	4,252.8	4,022.9

STATEMENT 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 certain wood products facilities, and the straight-line method for other plants and equipment. When appropriate, additional depreciation is provided on particular assets to recognize reductions 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 33 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, 1984 and 1983, unamortized start-up costs were $57 million and $55 million, respectively.

Interest costs are 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 $100 million in 1984, $95 million in 1983, and $86 million in 1982; of these amounts $19 million, $30 million, and $10 million, respectively, have been capitalized.

GREAT NORTHERN NEKOOSA CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1984	1983	1982
	($ millions)		
Source of funds			
Net income	$119.9	$ 84.0	$ 78.5
Add charges to income which require no expenditure of funds:			
Depreciation and cost of timber harvested	86.6	78.7	79.9
Deferred taxes on income	72.6	31.1	21.2
Funds provided by operations	279.1	193.8	179.6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

c. Plant and equipment are stated at cost. Major renewals and betterments are capitalized, and repairs and maintenance costs are expensed. Facilities financed by long-term leases, which in effect are installment purchases, have been recorded as assets for book and tax purposes and the related obligations as long-term debt. Upon retirement or sale, the cost of significant property items disposed of and related accumulated depreciation are removed from the accounts, and any resulting gains or losses are included in the consolidated statements of income.

Depreciation for financial reporting purposes is calculated using the straight-line method, except for the Leaf River pulp mill, where the units-of-production method is used. Depreciation is based on the estimated remaining useful lives of the respective assets. Estimated lives range from six to 50 years for buildings and three to 30 years for machinery and equipment. Depreciation for tax purposes is calculated using accelerated methods.

MURPHY OIL CORPORATION (DEC)

	1984	1983	1982
	(Thousands of dollars)		
Costs and Expenses			
Crude oil, products, and related operating expenses	$1,168,844	$1,170,480	$1,247,757
Drilling and other operating expenses	183,874	170,933	221,411
Exploration expenses, including undeveloped lease amortization	106,937	169,797	146,577
Selling and general expenses	84,353	91,982	82,310
Depreciation, depletion, amortization, and abandonments	225,195	239,112	217,073
Interest expense	35,099	33,080	48,255
Interest capitalized	(3,236)	(4,404)	(9,822)
Excise taxes on crude oil and natural gas	44,617	45,722	148,200
Total costs and expenses	1,845,683	1,916,702	2,101,761

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Depreciation and Depletion—Depreciation and depletion of producing oil and gas properties are provided under the unit-of-production method on a property-by-property basis. Developed reserves are used to compute unit rates for unamortized tangible and intangible development costs, and proved reserves are used for unamortized leasehold costs. Estimated costs (net of salvage value) of dismantling oil and gas production facilities are computed and included in depreciation and depletion using the unit-of-production method. Depreciation of refining and marketing facilities is calculated using the composite straight-line method. Depletion of timber is based on board feet cut. Depreciation of each drilling barge and related equipment is determined by dividing the cost less accumulated depreciation and salvage value by the estimated remaining useful life of the barge. Diving equipment, office buildings, a tanker, pipelines, and other properties are depreciated by individual unit based on the straight-line method.

PHELPS DODGE CORPORATION (DEC)

	1984	1983	1982
	(In thousands of dollars)		
Operating costs and expenses			
Cost of products sold	$ 899,596	$ 880,179	$ 883,420
Depreciation, depletion and amortization	59,836	62,257	53,224
Selling and general administrative expense	35,863	49,823	54,321
Exploration and research expense	14,173	16,438	19,693
	1,009,468	1,008,697	1,010,658

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Property, Plant and Equipment. Property, plant and equipment are carried at cost. Cost of significant assets includes capitalized interest incurred during the construction and development period. Expenditures for replacements and betterments are capitalized; maintenance and repair expenditures are charged to operations as incurred.

The principal depreciation methods used are the unit of production method for mining and refining operations and, for other operations, the straight-line method based upon the estimated lives of specific classes or groups of depreciable assets. Upon disposal of assets depreciated on a group basis, cost less salvage is charged to accumulated depreciation, except for those assets written off as part of the 1984 restructure program.

Values for mining properties represent mainly acquisition costs or pre-1932 engineering valuations. Depletion of mines is computed on the basis of an overall unit rate applied to the pounds of principal products sold from mine production.

Mine exploration costs and development costs to maintain production of operating mines are charged to operations as incurred. Mine development expenditures at new mines, and major development expenditures at operating mines which are expected to benefit future production, are capitalized and amortized on the unit of production method over the estimated commercially recoverable minerals.

Production—Variable Method

THE LTV CORPORATION (DEC)

	1984	1983	1982
	(in millions)		
Operating costs and expenses:			
Cost of products sold	$6,606.1	$4,397.6	$4,632.7
Depreciation and amortization	194.0	110.1	101.5
Selling, general and administrative expenses	443.6	282.9	307.5
Interest and debt discount expense	250.6	154.9	105.0
Interest and other income	(42.6)	(115.9)	(100.4)
Total	7,451.7	4,829.6	5,046.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Property Costs and Depreciation and Amortization

Plant and equipment are depreciated principally by the straight-line method on a composite basis over their estimated useful lives, a portion of which are reviewed in depth each year. However, in order to reflect the higher or lower than normal activity levels (based on shipping capacity) of the steel and energy products group facilities, the straight-line basis is modified to the extent that depreciation is decreased (but in no event less than 50% in any one year, and beginning in 1984, not less than a 75% average for the previous four-year period, plus the current year) at lower and increased at higher operating levels thereby providing for depreciation within a range of 50% to 150% of the straight-line amount based on their composite economic useful lives. If the activity rate is above 62.5%, each increase of a percentage point of activity increases the depreciation rate by 1.67%. Under this method, the normal activity rate is considered to be 85% and results in depreciation expense equal to 100% of the total annual straight-line charge. The noncash charge for depreciation expense was reduced from the computed straight-line amounts in 1984, 1983, and 1982 by $47.3 million, $45.7 million and $47.5 million, respectively, to recognize the lower than normal operating levels.

As a result of the acquisition of Republic Steel on June 29, 1984, and the resultant rationalization of steel facilities, LTV determined that the remaining economic useful lives of certain steelmaking assets had been shortened, and therefore increased depreciation expense by $17.8 million in 1984.

When properties are retired or sold, their costs and the related allowance for depreciation are eliminated from the property and allowance for depreciation accounts. Generally, for normal retirements, gains or losses are credited or charged against the allowance for depreciation; for abnormal retirements, gains or losses are included in income in the year of disposal.

Depletion

VULCAN MATERIALS COMPANY (DEC)

Consolidated Statements of Funds Provided and Used

	1984	1983	1982
	(Amounts in thousands)		
Operations			
Net earnings	$ 78,421	$ 54,182	$ 54,660
Add (deduct) items not requiring (providing) funds:			
Depreciation, depletion and amortization	76,229	66,691	58,997
Provision for deferred income taxes	4,281	9,819	11,437
(Increase) decrease in undistributed earnings of nonconsolidated companies	1,223	(2,820)	(1,591)
Other, net	3,756	1,966	2,948
Funds provided by operations	163,910	129,838	126,451

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Depreciation, Depletion and Amortization

Amortization of capitalized leases and depreciation of properties, except in connection with oil and gas properties, are provided by the straight-line method at rates intended to distribute the cost of properties over their estimated service lives.

Depreciation and depletion of proved oil and gas properties are computed by the unit of production method based upon estimated recoverable units.

Depletable quarry land is reduced by cost depletion, computed by the unit of production method based upon estimated recoverable units.

Leaseholds, other than oil and gas properties, are amortized over varying periods not in excess of applicable lease terms.

WESTVACO CORPORATION (OCT)

	1984	1983	1982
	(In thousands)		
Cost of products sold	$1,299,882	$1,147,110	$1,135,342
Selling, research, and administrative expenses	152,937	141,772	136,809
Depreciation and amortization	106,468	94,334	84,950
Interest expense	25,928	24,000	18,811
	1,585,215	1,407,216	1,375,912

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Depreciation and amortization: The cost of plant and equipment, including those acquired under capital leases, is depreciated over the estimated useful life of each asset by use of the straight-line method. The cost of standing timber is charged to income as timber is cut at rates determined annually based on the relationship of unamortized timber costs to the estimated volume of recoverable timber.

TABLE 3-11: FEDERAL INCOME TAX EXPENSE

	1984	1983	1982	1981
Description Terms				
Income taxes	506	500	490	447
Federal income taxes	67	82	84	119
United States (U.S.) income taxes	14	10	20	17
	587	**592**	**594**	**583**
Other or no caption for expense	13	8	6	17
Total Companies	**600**	**600**	**600**	**600**

INCOME TAXES

PRESENTATION OF INCOME TAXES

APB Opinion No. 11 states in part:

60. In reporting the results of operations the components of income tax expense for the period should be disclosed, for example:

a. Taxes estimated to be payable

b. Tax effects of timing differences

c. Tax effects of operating losses

These amounts should be allocated to (a) income before extraordinary items and (b) extraordinary items and may be presented as separate items in the income statement or, alternatively, as combined amounts with disclosure of the components parenthetically or in a note to the financial statements.

61. When the tax benefit of an operating loss carry forward is realized in full or in part in a subsequent period, and has not been previously recognized in the loss period, the tax benefit should be reported as an extraordinary item in the results of operations of the period in which realized.

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 3-12: TIMING DIFFERENCES—REASONS

	Number of Companies			
	1984	**1983**	**1982**	**1981**
Depreciation	488	496	497	497
Unremitted earnings	116	127	136	130
Installment sales	96	86	80	75
Inventory valuation	90	97	103	105
Discontinued operations	87	77	73	57
Pensions	81	76	66	67
Other employee benefits	108	98	99	90
Long-term contracts	78	71	70	63
Interest and taxes during construction	72	83	82	71
Leases	49	44	51	42
Intangible drilling costs	39	45	46	47
Warranties	29	25	30	29
Translation of foreign currency accounts	13	23	20	22

BIRD INCORPORATED (DEC)

	1984	1983	1982
		($000)	
Earnings (loss) before income taxes and extraordinary credit	$(24,383)	$2,026	$(19,633)
Provision for income taxes—Notes 1 and 5	702	942	823
Earnings (loss) before extraordinary credits	(25,085)	1,084	(20,456)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Accounting Policies

Income Taxes

Certain income and expense items are recognized for financial reporting purposes and for income tax purposes in different time periods. Tax deferrals are provided in the financial statements to account for significant timing differences, principally accelerated depreciation. Investment tax credits are accounted for under the flow-through method. The Company does not provide for income taxes on undistributed earnings of its foreign subsidiaries, which are considered to be permanently invested.

5. Income Taxes

The components of the provisions for domestic and foreign income taxes are shown below:

	1984	1983	1982
		($000)	
Earnings (loss) before income taxes and extraordinary credit:			
Domestic	$(25,479)	$1,436	$(21,316)
Foreign	1,096	590	1,683
	$(24,383)	$2,026	$(19,633)
Provision for income taxes:			
Domestic:			
Currently payable	$ 1,069	$ 654	$ 143
Deferred (credit)	(700)	63	(546)
	369	717	(403)
Foreign:			
Currently payable	351	259	1,229
Deferred (credit)	(18)	(34)	(3)
	333	225	1,226
	$ 702	$ 942	$ 823

In July 1984, the Deficit Reduction Act of 1984 was signed by the President. This law provides, among other things, that no U.S. income taxes will be charged on undistributed earnings of a domestic international sales corporation (DISC).

Prior to 1984, the Company had provided for income taxes on undistributed DISC carnings that were anticipated to be remitted at some time in the future. As a result of the change in the law, deferred income taxes previously provided on DISC earnings have been reversed. This adjustment decreased the 1984 provision for income taxes and increased earnings by $700,000. The cumulative amount of undistributed earnings of foreign subsidiaries on which the Company has not provided income taxes is not significant.

The income tax provision for 1983 contains a charge in lieu of federal income taxes of $133,000, representing taxes which would have been required to be paid in the absence of operating loss carryforwards from prior years. The offsetting income tax benefits resulting from the partial utilization of operating loss carryforwards is reported as an extraordinary credit in the Consolidated Statement of Operations.

Recapture of investment tax credits increased the tax provisions in 1984, 1983 and 1982 by $395,000, $191,000 and $107,000, respectively.

Deferred taxes result from timing differences in the recognition of revenues and expenses for tax and financial reporting purposes. The sources of these timing differences and the tax effects are as follows:

	1984	1983	1982
Accelerated depreciation	$ (18,000)	$29,000	$ —
Reversal of deferred taxes through application of net operating losses	—	—	(549,000)
DISC earnings	(700,000)	—	—
	$(718,000)	$29,000	$(549,000)

The total provision for income taxes varied from the U.S. federal statutory rate for the following reasons:

	1984	1983	1982
U.S. federal statutory rate	(46.0)%	46.0	(46.0)%
Foreign income taxes	1.4	14.2	6.2
State income taxes	2.8	8.8	—
DISC and foreign subsidiary earnings	—	(32.4)	(4.4)
Investment credit recapture	1.6	9.4	.5
Effect of U.S. loss for which no tax carrybacks are available	46.0	—	46.0
Reversal of deferred taxes through application of net operating losses	—	—	(2.8)
Reversal of DISC deferred taxes	(2.9)	—	—
Other	—	.5	4.7
	2.9%	46.5%	4.2%

At December 31, 1984, the Company had net operating loss carryforwards of approximately $36,721,000 for financial reporting purposes. For federal income tax purposes the net operating loss carryforwards are approximately $41,407,000, of which $26,816,000 expires in 1997, $1,525,000 in 1998 and $13,066,000 in 1999. Investment tax credit carryforwards of approximately $2,127,000 are available to reduce future federal income taxes. If not used, $502,000 of these carryforwards will expire in 1996, $771,000 in 1997, $428,000 in 1998 and $426,000 in 1999. Foreign tax credit carryforwards were $1,278,000, of which $317,000 expire in 1986, $710,000 in 1987, $195,000 in 1988 and $56,000 in 1989.

DIGITAL EQUIPMENT CORPORATION (JUN)

	1984	1983	1982
	(in thousands)		
Income before income taxes	$400,950	$411,045	$672,831
Provision for income taxes (Notes A and C)			
Federal	40,494	80,858	188,780
Foreign	16,641	36,273	41,375
State	15,036	10,292	25,521
Total provision for income taxes	72,171	127,423	255,676
Net income	$328,779	$283,622	$417,155

Note A (In Part): Significant Accounting Policies

Taxes—In general, the Company's practice is to reinvest the earnings of its foreign subsidiaries in those operations and repatriation of retained earnings is done only when it is advantageous to do so. Applicable taxes are provided only on amounts planned to be remitted. Management believes that sufficient deferred taxes have been provided for the undistributed earnings of the Company's Domestic International Sales Corporation ("DISC"). Accordingly, the Company discontinued the provision of deferred taxes on the undistributed DISC earnings in the fiscal year ending June 30, 1984. Investment tax credits are treated as reductions of income taxes in the year in which the credits arise.

Note C—Income Taxes

Income before income taxes for domestic and foreign operations was as follows:

(in thousands)	1984	1983	1982
Domestic	$219,908	$288,437	$535,184
Foreign	181,042	122,608	137,647
Total	$400,950	$411,045	$672,831

The total provisions for income taxes were at rates less than the U.S. Federal statutory tax rate for the following reasons:

	1984	1983	1982
U.S. Federal statutory tax rate	46.0%	46.0%	46.0%
Tax benefit of manufacturing operations in (a):			
Puerto Rico	(5.7)	(5.0)	(3.3)
Ireland	(12.4)	(4.4)	(3.6)
Investment tax credits	(4.0)	(5.5)	(2.9)
Research and engineering credit	(5.4)	(5.4)	(1.7)
Other	(.5)	5.3	3.5
	18.0%	31.0%	38.0%

(a) Consolidated net income includes income of a domestic manufacturing subsidiary operating in Puerto Rico and of a foreign manufacturing subsidiary operating in Ireland. Under Puerto Rican law, the subsidiary is subject to tax at a rate of approximately 9% on its manufacturing earnings through fiscal 1995. Remitted earnings are not subject to U.S. Federal income taxes, but are subject to Puerto Rican withholding taxes at rates not in excess of 10%, less a partial credit for taxes paid to Puerto Rico. Under Irish law, the income from products manufactured for export is exempt from Irish taxes through April 1990. Under Singaporean law, the income from manufacturing certain products is wholly exempt from Singaporean taxes through March, 1991 and partially exempt through December, 1996. The income tax benefits per common share attributable to the tax status of these subsidiaries for the years ended June 30, 1984, July 2, 1983 and July 3, 1982 were $1.36, $.69 and $.83, respectively.

The components of the provision for U.S. Federal and foreign income taxes were as follows:

(in thousands)	1984	1983	1982
U.S. Federal:			
Currently payable	$35,526	$32,317	$137,813
Deferred	4,968	48,541	50,967
Total	$40,494	$80,858	$188,780
Foreign:			
Currently payable	$35,225	$27,944	$ 50,658
Deferred	(18,584)	8,329	(9,283)
Total	$16,641	$36,273	$ 41,375

Deferred tax expense results from timing differences in the recognition of revenues and expenses for tax and financial reporting purposes. The sources of these timing differences in the years ended June 30, 1984, July 2, 1983 and July 3, 1982, and the tax effect of each were as follows:

(in thousands)	1984	1983	1982
Inventory related transactions	$(60,660)	$ (3,766)	$(27,854)
Installment sales, principally intercompany, and financing leases	(1,640)	(2,964)	(20,312)
Domestic International Sales Corporation profits	241	3,079	27,624
Depreciation	17,997	13,962	2,374
Tax benefit transfers	28,946	31,695	68,282
Other	1,500	14,864	(8,460)
Total	$(13,616)	$56,870	$41,684

In connection with its normal examinations of the Company's 1978 through 1981 tax returns, the Internal Revenue Service has proposed adjustments. The Company believes its judgments in these matters have been appropriate and intends to contest certain of the adjustments proposed by the IRS. In addition, the Company believes any adjustments which might result would not have a material effect on the financial statements.

On July 18, 1984, the Deficit Reduction Act of 1984 was signed by the President. This law provides that no U.S. taxes will be charged on the undistributed earnings of the DISC. Prior to fiscal year 1984, the Company had provided for income taxes it anticipated would be paid in connection with its DISC earnings. As a result of the change in the law, the Company's income tax expense for fiscal year 1985 will be reduced by an estimated $60 million, reflecting elimination of the taxes provided for DISC earnings in years prior to 1984.

The Company entered into "Safe Harbor" leases as defined under the Economic Recovery Tax Act of 1981. In accordance with the provisions of the agreements, the Company made payments of $1,622,000 and $103,954,000 for fiscal years 1983 and 1982, respectively, which amounts have been recorded as investments in tax benefits. These investments have been reduced by permanent tax savings of $3,201,000, $24,283,000 and $68,282,000 in fiscal years 1984, 1983 and 1982, respectively. The remaining unrecovered cost is amortized by an interest method over the periods during which the Company has the use of additional temporary tax savings. While there is a cash flow benefit, there is no significant impact on net income.

See Note A of Notes to Consolidated Financial Statements for further explanation of the Company's income tax accounting policies.

BORG-WARNER CORPORATION (DEC)

	1984	1983	1982
	(Millions of dollars)		
Costs and expenses:			
Cost of sales	$2,964.0	$2,678.5	$2,442.2
Depreciation	110.8	105.6	96.4
Selling, general and administrative expenses	508.1	503.7	469.0
Interest expense	26.9	29.5	45.6
Finance charges from related companies	14.4	13.8	15.9
Minority interests	4.9	5.5	4.8
Provision for income taxes	126.3	85.7	43.7
	3,755.4	3,422.3	3,117.6

SUMMARY OF ACCOUNTING POLICIES

Income Taxes

For financial accounting purposes, investment tax credits generally are used to reduce income tax provisions over a seven-year period. For federal income tax purposes, investment tax credits are recognized currently.

Parent company income taxes have not been provided on undistributed net earnings of subsidiaries and affiliates to the extent these earnings are intended to be reinvested in those companies.

Deferred taxes have been provided on timing differences in reporting certain transactions for financial accounting and tax purposes.

NOTES TO FINANCIAL STATEMENTS

Income Taxes (In Part)

Income before taxes of consolidated operations and provision for taxes consist of:

(millions of dollars)	1984	1983	1982
Income before taxes	$310.9	$222.9	$141.1
Income taxes:			
Current:			
Federal	79.7	59.2	$ 19.9
State	14.3	10.1	6.8
	94.0	69.3	26.7
Deferred	46.4	29.1	28.0
	140.4	98.4	54.7
Investment tax credits:			
Current	(9.8)	(8.3)	(.3)
Net deferred	(4.3)	(4.4)	(10.7)
	(14.1)	(12.7)	(11.0)
Total income taxes	$126.3	$ 85.7	$ 43.7

The analysis of the variance from the U.S. statutory income tax rate for consolidated operations follows:

	1984	1983	1982
U.S. statutory rate	46.0%	46.0%	46.0%
Increases (decreases) resulting from:			
Income (net) from non-U.S. sources	(2.8)	(2.6)	(5.7)
State income taxes	3.1	3.2	2.9
DISC	(.9)	(1.9)	(3.4)
Investment tax credit	(5.2)	(5.6)	(7.3)
Other, net	.4	(.6)	(1.5)
Effective income tax rate	40.6%	38.5%	31.0%

The analysis of the deferred income tax provision representing the tax effects of timing differences between book and tax income follows:

(millions of dollars)	1984	1983	1982
Excess of tax over book depreciation	$29.9	$24.0	$30.8
Provisions for dispositions	3.3	(2.0)	(5.6)
Amortization of service contracts	4.5	6.7	.6
Cash basis tax accounting	.7	7.4	.4
Inventories	(.3)	(4.9)	6.6
Other	8.3	(2.1)	(4.8)
Deferred income tax provision	$46.4	$29.1	$28.0

The net amount of future tax benefits and deferred tax liabilities of $20.3 million in 1984, $17.0 million in 1983 and $22.1 million in 1982 related to current items is included in other current assets, while the net amount related to noncurrent items is shown as a noncurrent liability. Investment tax credits used in determining net income in each year shown but carried forward for tax purposes reduced the noncurrent liability. The total investment tax credit carryforward for Borg-Warner and its unconsolidated financial services companies is $39.0 million.

Undistributed earnings of the company's DISC amounted to $88.6 million at December 31, 1984 and $82.0 and $68.5 million at December 31, 1983 and 1982, respectively. The accumulated earnings, upon which no taxes have been provided, will be distributed tax-free in 1985.

FIRST NATIONAL SUPERMARKETS, INC. (MAR)

	1984	1983	1982
	(In thousands)		
Income (Loss) Before Federal Income Tax Provision and Extraordinary Items	$(10,806)	$11,678	$6,063
Federal Income Tax Provision:			
Current tax provision	—	3,759	1,200
Amortization of investment tax credits	—	(159)	(207)
Total Federal income tax provision	—	3,600	993
Income (Loss) Before Extraordinary Items	(10,806)	8,078	5,070

NOTES TO FINANCIAL STATEMENTS

5. Federal Income Taxes:

The Company has net operating loss and investment tax credit carryforwards approximating $28.7 million and $5.3 million, respectively, expiring at various dates from 1989 to 1999.

A portion of these carryforwards ($13.7 million of net operating losses and $1.7 million of investment tax credits) arose prior to the May, 1978 merger of First National Stores Inc. and Pick-N-Pay Supermarkets, Inc. (accounted for as a purchase of First National by Pick-N-Pay). To the extent these pre-merger carryforwards are utilized, the tax reduction will be accounted for as an adjustment to the purchase price. Benefits from utilizing carryforwards arising after the merger will be reflected as extraordinary credits.

The absence of any tax provided for fiscal 1984 and the less-than-statutory rates of tax provided on income for fiscal 1983 (32%) and fiscal 1982 (20%) are due to permanent differences, arising in connection with the merger, between the book and tax bases of assets. As a result of the merger, the tax basis of merchandise inventories is $32,525,000 and $32,666,000 less than the amount reflected in the accompanying balance sheets at March, 1984 and March, 1983, respectively. Investment tax credits realized by Pick-N-Pay prior to the merger were deferred and have been amortized over the depreciable lives of the related equipment.

INTERNATIONAL MINERALS & CHEMICAL CORPORATION (JUN)

	1984	1983	1982
	(In millions)		
Earnings from continuing operations before income taxes	$172.7	$129.9	$197.0
Provision for income taxes	60.7	46.8	74.3
Earnings from continuing operations	112.0	83.1	122.7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions except per share amounts)

Accounting Policies (In Part):

Income Taxes

Investment tax credits are applied as a reduction of income tax expense in the year the credit is earned. U.S. income and foreign withholding taxes are provided on the earnings of foreign subsidiaries that are expected to be remitted to the extent that taxes on the distribution of such earnings would not be offset by foreign tax credits.

Income Taxes

The provision for income taxes on earnings from continuing operations consisted of the following:

	1984	1983	1982
Current			
Federal	$ 6.9	$ 3.8	$ (2.1)
State and local	2.7	4.0	1.3
Foreign	37.8	34.0	51.0
	47.4	41.8	50.2
Deferred			
Federal	14.4	3.8	21.2
State and local	.7	.7	3.7
Foreign	(1.8)	.5	(.8)
	13.3	5.0	24.1
	$60.7	$46.8	$74.3

The components of earnings from continuing operations before income taxes were as follows:

	1984	1983	1982
Domestic	$113.8	$69.7	$117.4
Foreign	58.9	60.2	79.6
	$172.7	$129.9	$197.0

Deferred income tax provisions result from timing differences in the recognition of income and expenses for financial reporting purposes and for tax purposes. The following summarizes the principal components of the provision for deferred income taxes from continuing operations:

	1984	1983	1982
Depreciation differences	$ 2.3	$7.9	$ (.3)
Capitalized interest	8.2	6.1	8.1
Disposal of coal operations			10.3
Tax benefit transfer leases			18.8
Investment tax credits	7.8	(4.8)	(15.3)
Other	(5.0)	(4.2)	2.5
	$13.3	$5.0	$24.1

A reconciliation between taxes computed at the federal statutory rate and the consolidated effective tax rate for earnings from continuing operations follows:

	1984		1983		1982	
Computed tax at federal statutory rate	$79.4	46.0%	$59.7	46.0%	$90.7	46.0%
Investment tax credits	(4.6)	(2.7)	(7.0)	(5.4)	(15.1)	(7.7)
Percentage depletion	(22.2)	(12.9)	(13.9)	(10.7)	(15.7)	(7.9)
Foreign income and withholding taxes	1.6	.9	2.3	1.8	10.4	5.3
Minimum tax	6.3	3.6	4.7	3.6	2.1	1.1
Tax benefit transfer leases					6.0	3.0
Other items (none in excess of 5% of computed tax)	.2	.2	1.0	.7	(4.1)	(2.1)
Consolidated effective tax	$60.7	35.1%	$46.8	36.0%	$74.3	37.7%

The non-deductibility of Saskatchewan mining fees in the determination of Canadian federal taxable income was the principal factor that caused a high foreign effective tax rate of 61 percent in 1984, 57 percent in 1983, and 63 percent in 1982.

In July, 1984, the Tax Reform Act of 1984 was enacted. Among its provisions, the Act provides that untaxed income previously earned by Domestic International Sales Corporations will not be subject to federal income taxes. Accordingly, IMC will include in results of operations for the quarter ending September 30, 1984, a reversal of $7.5 million of deferred income taxes previously provided.

RICHARDSON-VICKS INC. (JUN)

	1984	1983	1982
	(Dollars in millions)		
Earnings before Taxes	$115.2	$97.6	$113.6
Federal, state and foreign income taxes	43.3	46.2	46.7
Earnings for the Year	$ 71.9	$51.4	$ 66.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in millions except per share data)

Note 1 (In Part): Summary of Significant Accounting Policies

Income Taxes: Items of income or income deductions are sometimes recognized for payment of income taxes and for book purposes in different time periods, and tax allocation accounting as prescribed by Accounting Principles Board Opinion No. 11 is the policy for book/tax timing differences. The company records the investment tax credit by the flow-through method of accounting whereby, in the year available for utilization, it is applied as a reduction of income tax expense. To date, such timing differences and such credits have not been material.

Note 5: Income Taxes

The financial statements at June 30, 1984 include undistributed earnings of foreign subsidiaries amounting to $150.6 on which it has not been considered necessary to provide for certain federal and foreign income taxes, as a major portion has been or is expected to be reinvested indefinitely.

United States and foreign operations contributed to earnings before taxes as follows:

	1984	1983	1982
United States	$ 41.0	$21.5	$ 27.6
Foreign	74.2	76.1	86.0
Total	$115.2	$97.6	$113.6

Provision for income taxes includes U.S. federal, state and other income taxes of $10.2 (1983—$11.5; 1982—$6.1) and foreign income taxes of $33.1 (1983—$34.7; 1982—$40.6).

The following table indicates the significant elements contributing to the difference between the U.S. federal statutory tax rate and the effective tax rate:

Percent of Earnings Before Taxes Year Ended June 30,	1984	1983	1982
U.S. federal statutory tax rate	46.0%	46.0%	46.0%
Tax exemption for subsidiaries operating in Ireland and Puerto Rico	(11.5)	(7.7)	(11.7)
Amortization of goodwill	3.7	2.8	2.4
State and local taxes on income net of federal income tax benefit	1.7	1.2	1.4
Other	(2.3)	5.1	3.0
Effective tax rate	37.6%	47.4%	41.1%

The company's effective income tax rate of 37.6% for fiscal 1984 was lower than normal due to a favorable tax settlement.

The company operates two subsidiaries in Puerto Rico which are exempt from U.S. and Puerto Rican income tax under exemptions expiring in 1991.

KAISER ALUMINUM & CHEMICAL CORPORATION (DEC)

	1984	1983	1982
	(Millions of dollars)		
Loss from continuing operations before income taxes	$(80.1)	$(150.3)	$(54.4)
Provision (credit) for income taxes	(88.0)	(105.1)	44.1
Income (loss) from continuing operations	7.9	(45.2)	(98.5)

NOTES TO FINANCIAL STATEMENTS

(Millions of dollars, except share amounts)

Note 1 (In Part): Summary of Significant Accounting Policies

Income Taxes: Income taxes include provisions for timing differences between income determined for financial reporting and for income tax purposes. Income taxes payable includes deferred amounts related to current assets and liabilities, and other deferred amounts where the timing difference is expected to reverse during the current year. Investment tax credits are recognized as reductions of the income tax provision in the year the properties are placed in service.

Note 9—Income Taxes—Continuing Operations

The provisions (credits) for income taxes consist of the following:

	U.S. Federal	Foreign	State	Total
1984				
Current	$ (12.7)	$15.5	$1.2	$ 4.0
Deferred	(83.3)	(8.7)		(92.0)
Total	$ (96.0)	$ 6.8	$1.2	$ (88.0)
1983				
Current	$ 10.9	$ 1.8	$1.9	$ 14.6
Deferred	(125.8)	6.1		(119.7)
Total	$(114.9)	$ 7.9	$1.9	$(105.1)
1982				
Current	$ (7.5)	$15.1	$ .1	$ 7.7
Deferred	37.1	(.7)		36.4
Total	$ 29.6	$14.4	$ .1	$ 44.1

Income taxes are classified as domestic or foreign based on whether payment is made or due to the U.S. or a foreign country. Certain income classified as foreign is subject to domestic (U.S.) income taxes.

Tax provisions (credits) applicable to consolidated and unconsolidated companies' results are shown below:

	1984	1983	1982
Consolidated companies	$(96.6)	$(124.5)	$36.5
Unconsolidated companies			
In equity earnings	18.7	19.0	6.6
In cost of products sold	(10.1)	.4	1.0
Total	$(88.0)	$(105.1)	$44.1

The tax effects of timing differences are:

	1984	1983	1982
Operating loss carry-forwards	$(91.5)		
Installment sale of affiliate		$ (61.9)	$61.9
Investment tax credits	(28.4)	(32.9)	(22.2)
Provision for disposal of facilities		21.9	(21.9)
Depreciation	15.3	(1.6)	7.7
Reversion of pension plan excess assets	(17.0)		
Plant write-downs		(12.6)	(2.2)
Litigation settlement	11.0	(10.4)	(17.2)
Exploration and development costs	10.2	15.9	21.7
Capitalized interest and property taxes	7.6	3.0	10.0
Undistributed earnings of subsidiaries and affiliates	(4.3)	(1.3)	(11.7)
Deferral of gain on Kaiser Center building sale	1.5	(37.0)	
Other	3.6	(2.8)	10.3
Total	$(92.0)	$(119.7)	$36.4

The corporation had net operating loss carry-forwards for tax purposes only of $224.0 (which expire in 1999) at December 31, 1984. In addition, it had investment tax credit carry-forwards of $82.0 which expire in 1991–1999. These carry-forwards have been recognized in the financial statements as a reduction of deferred income taxes.

The provisions (credits) for income taxes are different than the amounts computed by applying the U.S. statutory federal income tax rate of 46%. The differences are summarized as follows:

	1984	1983	1982
Credits at statutory rates	$(36.9)	$ (69.2)	$(25.0)
Increase (decrease) resulted from:			
Investment tax credits	(20.1)	(12.6)	(6.0)
Difference in foreign and U.S. tax rates	(15.8)	2.1	(4.8)
Percentage depletion	(11.9)	(3.7)	(6.5)
DISC undistributed income	(7.4)	1.5	(.8)
Foreign tax credits and deductions	2.8	(13.2)	
Difference in basis on sale of affiliate			77.3
Minimum tax	1.4	1.1	5.0
Other	(.1)	(11.1)	4.9
Provision (credits) for income taxes	$(88.0)	$(105.1)	$44.1

It is the corporation's intent that undistributed earnings of consolidated and unconsolidated subsidiaries and joint venture companies, in most cases, will continue to be reinvested. Undistributed earnings on which the corporation has not provided taxes which may be payable upon distribution were $208.8, $167.7, and $194.3 at December 31, 1984, 1983, and 1982.

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 additional 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

ADAMS-MILLS CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Accounting Policies (In Part)

Income Taxes

Deferred income taxes are provided for differences in timing of expense and income recognition between tax and financial reporting. Investment tax credits are recognized as a reduction in the income tax provision in the year realized.

Income Taxes (In Part)

The investment tax credits in 1984, 1983 and 1982 were $163,000, $111,000 (excluding recapture relating to the sale of the TexElastic Division of $286,000) and $167,000, respectively, and the targeted jobs tax credits were $105,000, $55,000 and $33,000, respectively.

BRISTOL-MYERS COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Income Taxes

Investment tax and research credits are reflected as a reduction in the current income tax provision in the year in which the credits are allowed for tax purposes.

Note 8 (In Part): Provision for Income Taxes

Investment tax and research credits of approximately $12.0 million in 1984, $10.6 million in 1983 and $8.4 million in 1982 are reflected as a reduction of 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 $543 million at December 31, 1984.

TABLE 3-13: INVESTMENT TAX CREDIT

	1984	1983	1982	1981
Flow-through method	543	541	537	531
Deferral method	48	50	54	62
No reference to investment credit	9	9	9	7
Total Companies	**600**	**600**	**600**	**600**

INSILCO CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Accounting Policies

Income Taxes

Certain items of income and expense, principally gross profit realized on Miles Home Ownership Plan sales and depreciation, are reported for income tax purposes in periods which differ from those when such items are recognized for financial reporting purposes. Deferred income taxes are provided for the tax effects of such differences. Investment tax credits are recognized in the year in which the related assets are placed in service.

Note 9 (In Part): Income Taxes

Income tax provisions for the years ended December 31 comprise the following (in thousands of dollars):

	1984	1983	1982
Current			
Federal	$ 7,592	$12,137	$14,740
State and other	2,879	919	2,233
Investment, research and other tax credits	(1,323)	(1,217)	(2,264)
	9,148	11,839	14,709
Deferred			
Federal	12,853	10,945	(10,144)
State and other	403	3,485	—
	13,256	14,430	(10,144)
	$22,404	$26,269	$ 4,565

TEMTEX INDUSTRIES, INC. (AUG)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Federal Income Taxes: The Company and its wholly owned subsidiary file a consolidated federal income tax return. Investment tax credits are accounted for by the flow-through method.

Note J (In Part): Income Taxes

A reconciliation of the current federal income tax rate to the effective income tax rate reflected in the Consolidated Statements of Operations follows:

	1984	1983	1982
Income tax (benefit) at statutory rate	$1,111,991	$771,134	$(698,203)
Investment tax credits	(170,435)	(300,309)	—
Targeted jobs tax credits	—	(39,070)	—
Additional statutory percentage depletion	(76,822)	(71,731)	(40,391)
Earnings of the DISC	(11,115)	(13,006)	(60,069)
Tax refunds from prior years at less than statutory rate	—	—	162,689
Net operating loss carryover	—	—	249,489
Other—net	(36,478)	(37,993)	11,597
	$ 817,141	$309,025	$(374,888)
Current provision (credit) applicable to:			
Continuing operations—federal	$ 817,141	$309,025	$(358,895)
Continuing operations—state	77,421	45,134	—
Discontinued operations	—	—	(15,993)
	$ 894,562	$354,159	$(374,888)

No provision for income taxes has been made on aggregate DISC income ($205,000) which is expected to remain tax exempt.

Tax returns through fiscal year 1979 have been examined by and settled with the Internal Revenue Service.

SCOPE INDUSTRIES (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Income Taxes:

The Company files a consolidated income tax return. Deferred taxes result from timing differences in the recognition of revenue and expense for tax and financial statement purposes.

Investment and energy tax credits are recorded by the flow-through method as a reduction of the provision for Federal income taxes in the year in which credits arise.

Note 7 (In Part) Income Taxes

The components of the provision for income taxes are:

	Year Ended June 30,		
	1984	1983	1983
Current:			
Federal	$4,841,772	$1,644,975	$2,091,507
State	773,867	288,354	270,989
	5,615,639	1,933,329	2,362,496
Deferred:			
Federal	(650,643)	1,104,503	167,687
State	(80,745)	153,190	19,525
	(731,388)	1,257,693	187,212
Total provision	$4,884,251	$3,191,022	$2,549,708

* * *

Reconciliation of the provision for taxes on income before extraordinary item computed at the U.S. Federal statutory income tax rate of 46% to the reported provision in 1984, 1983 and 1982 is:

U.S. Federal statutory income tax	$5,123,034	$3,643,563	$3,571,424
Investment and energy tax credits	(100,004)	(236,266)	(141,620)
Capital gains	(118,828)	(185,427)	(456,236)
State income taxes, net of Federal tax benefit	374,286	238,434	156,878
Dividend exclusion	(346,639)	(174,884)	(476,862)
Investment tax credit recapture	—	5,517	1,304
Depletion	(63,409)	(80,665)	(83,128)
Other	15,811	(19,250)	(22,052)
Total provision	$4,884,251	$3,191,022	$2,549,708

Deferral Method

ALBERTSON'S, INC. (JAN)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income Taxes

The Company provides for deferred income taxes resulting from timing differences in reporting certain income and expense items for income tax and financial accounting purposes. The major timing differences and their net effect are shown in the notes to consolidated financial statements under income taxes.

Investment tax credit is deferred and amortized over the useful life of the related asset.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income Taxes (In Part)

Income taxes consist of the following (in thousands):

	1984	1983	1982
Current:			
Federal	$59,788	$47,657	$42,971
State	7,941	6,551	5,760
	67,729	54,208	48,731
Deferred:			
Federal	(111)	1,914	(1,643)
State	(32)	146	(145)
	(143)	2,060	(1,788)
Deferred investment tax credits:			
Additions	3,661	4,114	4,909
Amortization	(3,531)	(3,301)	(2,912)
	130	813	1,997
	$67,716	$57,081	$48,940

BRIGGS & STRATTON CORPORATION (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies:

Investment Tax Credits: The Company follows the deferral method of accounting for the Federal investment tax credit.

This tax credit is recorded as an addition to accumulated depreciation and amortized to income over the estimated useful lives of the related assets via a reduction of depreciation expense. The deferred investment tax credits arising from the purchase of depreciable assets totaled $2,978,000 in 1984, $2,118,000 in 1983 and $2,149,000 in 1982. The amounts amortized into income in each of the respective years were $1,464,000, $1,370,000 and $1,210,000. At June 30, 1984 and 1983 unamortized deferred investment tax credit aggregated $11,716,000 and $10,202,000 respectively.

THE MAY DEPARTMENT STORES COMPANY (JAN)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income Taxes and Investment Tax Credit

The company provides income taxes currently for all items included in the consolidated statement of earnings regardless of when such taxes are payable. Deferred taxes arise from the recognition of revenue and expense in different periods for tax and financial statement purposes.

Investment tax credits are deferred and amortized over the depreciable lives of the related property.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Taxes (In Part)

The differences between the statutory federal income tax rate and the effective income tax rates for the last three fiscal years were as follows:

	1984	1983	1982
Statutory federal income tax rate	46.0%	46.0%	46.0%
State and local income taxes, net of federal tax benefit	3.3	3.5	3.5
Amortization of investment tax credit	(2.2)	(2.4)	(2.8)
MAYSOP	(.3)	(.5)	—
Other	(1.0)	(1.5)	(1.1)
Effective income tax rate	45.8%	45.1%	45.6%

The investment tax credit (ITC) on 1984 capital expenditures is estimated to be $9.9 million compared with $8.8 and $8.4 million in 1983 and 1982, respectively, and is being amortized into earnings over the lives of the related assets. 1984 earnings include $8.6 million of ITC amortization compared with $8.0 and $7.3 million in 1983 and 1982, respectively. If the company used the "flow-through" method of accounting for ITC, net earnings in 1984 would have been greater by $1.3 million or $.03 per share ($.02 in both 1983 and 1982). The company's consolidated balance sheet at February 2, 1985, includes $39.5 million of deferred ITC which will be amortized into earnings over the lives of the related assets.

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 reasons 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

	1984	1983	1982	1981
Taxes accrued on all undistributed earnings	16	26	28	28
Taxes accrued on a portion of undistributed earnings	136	158	139	140
Taxes not accrued on undistributed earnings	247	229	244	235
No mention of undistributed earnings	201	187	189	197
Total Companies	**600**	**600**	**600**	**600**

Taxes Accrued On All Undistributed Earnings

THE COASTAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies:

Federal Income Taxes

The Company follows comprehensive tax allocation procedures with certain exceptions described below. Investment credits are used to reduce current and deferred tax provisions.

Colorado Interstate Gas Company follows the full normalization method of accounting for the tax benefits of liberalized depreciation and also follows the policy of deferring the reduction in federal income taxes resulting from utilized investment credits and amortizing such deferrals over a five-year period.

Note 12 (In Part): Taxes on Income:

Provision for income taxes are composed of the following (thousands of dollars):

	Year Ended December 31,		
	1984	1983	1982
Current Income Taxes:			
Federal	$28,000	$15,000	$ —
State	(6,600)	5,300	7,400
	21,400	20,300	7,400
Deferred Income Taxes:			
Federal	49,000	63,000	35,000
	$70,400	$83,300	$42,400

* * *

Deferred income taxes result 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 (thousands of dollars):

	1984	1983	1982
Intangible development and exploration costs, net of amortization	$ (700)	$ —	$ 4,900
Excess of tax depreciation over book depreciation	24,300	20,400	21,700
Unremitted earnings of foreign subsidiaries and affiliates	38,700	5,100	24,200
Reclassified from current provision	(3,600)	(400)	18,500
Deferred cost of gas	(10,400)	(32,100)	3,700
Deferral of additional natural gas costs	—	—	(2,300)
Provision for rate refund	(13,500)	(3,500)	(13,500)
Unrealized foreign exchange transactions	(600)	3,800	6,500
Deferred reduction of crude costs and settlement costs	—	—	(2,200)
Provision for disputed amounts	(100)	—	(1,000)
Basis differential on assets sold	—	(3,400)	(1,000)
Capitalized interest and other expenses	6,000	6,000	8,400
Accrued maintenance costs	3,100	3,500	(1,600)
Deferred investment tax credit	700	67,100	(32,800)
Other	5,100	(3,500)	1,500
	$49,000	$63,000	$35,000

Taxes Accrued on Portion of Undistributed Earnings

THE BF GOODRICH COMPANY (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except per share amounts)

Note A (In Part): Significant Accounting Policies

Income Taxes: Since it is Goodrich's intention to reinvest the undistributed earnings of its foreign subsidiaries, no provision is made for federal income taxes on these earnings. At December 31, 1984 the cumulative amount of undistributed earnings of foreign subsidiaries on which Goodrich has not provided deferred federal income taxes was $142.0.

Deferred federal income taxes are provided on Goodrich's share of the undistributed earnings of affiliates accounted for on the equity method. Undistributed earnings of foreign affiliates included in income retained in the business amounted to $41.6 as of December 31, 1984.

Deferred income taxes are also provided on timing differences in reporting depreciation and certain other transactions for financial reporting and income tax purposes. Investment and energy tax credits, except those sold through tax leasing arrangements, are accounted for by the flow-through method. Proceeds from the sale of tax benefits through tax leasing arrangements are included in income and deferred taxes are provided on such amounts.

MEDTRONIC, INC. (APR)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of dollars, except per share data)

Note 7 (In Part): Income Taxes

The provision for income taxes consisted of:

	1984	1983	1982
Taxes currently payable:			
Federal	$ 3,598	$ 2,967	$15,464
State and other	1,169	7,179	1,752
International	3,902	3,273	3,150
Total currently payable	8,669	13,419	20,366
Deferred (prepaid) taxes:			
Taxes on undistributed earnings of subsidiaries	3,820	(1,316)	3,735
Excess of tax over book depreciation and amortization	1,703	1,070	1,121
Intercompany profit in inventory eliminated upon consolidated	5,198	1,048	(4,488)
Other, net	(1,664)	3,398	(934)
Net deferred (prepaid) taxes	9,057	4,200	(566)
Provision for income taxes	$17,726	$17,619	$19,800

Medtronic's effective income tax rate varies from the federal statutory tax rate for the following reasons:

	1984	1983	1982
Federal statutory tax rate	46.0%	46.0%	46.0%
Increase (decrease) in tax rate resulting from:			
State taxes, net of federal tax benefit	1.3	2.2	1.4
Tax benefits from operations in Puerto Rico	(19.2)	(16.5)	(19.1)
International operations (net of tax benefit from terminated operations)	(1.0)	(1.3)	2.7
Investment tax credit	(1.7)	(3.6)	(2.3)
All other, net	(2.3)	(2.3)	.6
Effective tax rate	23.1%	24.5%	29.3%

Taxes are provided on undistributed earnings of international and Puerto Rico subsidiaries to the extent such earnings are not permanently reinvested. Current US tax regulations provide that earnings of Medtronic's manufacturing subsidiaries in Puerto Rico may be repatriated tax free; however, the Commonwealth of Puerto Rico will assess a tax of up to 10% in the event of repatriation of earnings prior to liquidation. Medtronic has provided for the anticipated tax attributable to earnings intended for dividend repartiation. At April 30, 1984, earnings permanently reinvested in international and Puerto Rico subsidiaries and not subjected to US income tax provision were $33.0 million.

At April 30, 1984, approximately $1.4 million of international tax losses were available for carryforward. The carryforwards generally expire within a period of from one to five years.

PALL CORPORATION (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Income Taxes

United States income taxes have not been provided on the retained earnings of foreign subsidiaries, which totalled $43,855,000, $32,838,000 and $26,502,000 at July 28, 1984, July 30, 1983 and July 31, 1982, respectively. Management considers such accumulated earnings to be permanently invested abroad. Foreign subsidiaries have paid and are expected to continue to pay dividends from current earnings.

The Company has two domestic international sales corporation subsidiaries, the earnings of which were partially deferred for tax purposes. The Tax Reform Act of 1984 provides that accumulated DISC income not distributed prior to January 1, 1985 will not be taxed at all. Accumulated earnings of the DISCs on which income taxes have not been provided were $8,980,000 at July 28, 1984, $7,518,000 at July 30, 1983, and $5,795,000 at July 31, 1982.

The Company's Puerto Rican subsidiaries are organized as "possessions corporations" as defined in Section 936 of the Internal Revenue Code. As such, the earnings of these companies are currently exempt from most U.S. and Puerto Rican income taxes. Repatriation of these earnings results in Puerto Rican withholding taxes of no more than 10% being imposed. In years prior to 1983, the Company provided for withholding taxes on all Puerto Rican earnings, since repatriation was contemplated. In fiscal year 1983, the Company began a significant expansion of its Puerto Rican operations, and in connection with the purchase of land and construction and equipping of new factories, had identified $12 million of fiscal 1983 earnings as being permanently invested in Puerto Rico. Accordingly, no withholding taxes had been provided on such reinvested earnings, but withholding taxes had been provided on the balance of 1983 earnings in Puerto Rico. Withholding tax has been provided on all fiscal 1984 Puerto Rican earnings.

THE L.S. STARRETT COMPANY (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies (In Part)

Income Taxes: Deferred tax expense results from timing differences in reporting certain transactions for financial accounting and tax purposes. The principal sources of these differences are undistributed earnings of foreign subsidiaries in excess of amounts deemed necessary for their future operations and to the extent that foreign tax credits would not offset federal income tax upon repatriation, the deferred portion of the earnings of the Company's Domestic International Sales Corporation (DISC), and certain employee benefits expense. As a result of recent tax law changes, approximately $600,000 of deferred taxes related to the DISC's deferred earnings will be restored to net income in fiscal 1985. Investment tax credits are deducted from income taxes in the year in which they are allowed as a reduction of the tax liability.

Federal, Foreign and State Income Taxes (In Part):

The amount of undistributed earnings of foreign subsidiaries at June 30, 1984 deemed necessary for their future operations, for which federal income taxes have not been provided because the funds are considered permanently invested, is approximately $2,000,000.

UNITED STATES SURGICAL CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note E (In Part): Income Taxes

The Company has not provided for federal income taxes on the undistributed income of its domestic international sales corporation (DISC) because it was the Company's intention to reinvest such undistributed income. Accordingly, as of December 31, 1984, the Company had not provided income taxes on approximately $7,018,000 of undistributed DISC income. Pursuant to the Tax Reform Act of 1984 the untaxed DISC income accumulated on December 31, 1984 will be converted into "previously taxed income" resulting in a complete exemption from tax upon its subsequent distribution. Subsequent to December 31, 1984, the DISC will be liquidated without tax on the undistributed DISC income.

The Company has provided for taxes on the income of its subsidiary's operations in Puerto Rico at an effective rate that is significantly lower than the U.S. federal income tax statutory rate. This rate reflects the fact that 90 percent of income is exempt from local taxes in Puerto Rico as well as the availability of a tax credit under Section 936 of the Internal Revenue Code. Withholding taxes at a rate of 7% have been provided on the expected repatriation of the income of this subsidiary.

No Accrual for Taxes

ALLEGHENY INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Income Taxes. Investment tax credits are accounted for on the flow-through method.

Deferred income taxes are not provided on the undistributed earnings of foreign subsidiaries and unconsolidated affiliated companies, since such earnings are considered to be permanently reinvested.

12 (In Part): Income Taxes

Cumulative undistributed earnings of foreign subsidiaries and unconsolidated affiliated companies that are considered to be permanently reinvested and on which U.S. Federal income taxes have not been provided by Allegheny amounted to approximately $215,700,000 at December 30, 1984. In the event of distribution, approximately $41,600,000 will qualify for the 85% dividend exclusion and $174,100,000 will have foreign tax credits available to reduce U.S. Federal income taxes payable.

CASTLE & COOKE, INC. (JUN)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Accounting Policies (In Part):

Income Taxes

The provision for domestic and foreign income taxes is based on revenues and expenses reported for financial statement purposes rather than those amounts currently payable under tax laws. Deferred income taxes are provided for timing differences between financial statements and tax returns. The income taxes which would be due upon the distribution of foreign subsidiary earnings have not been provided where the undistributed earnings are considered permanently invested. Investment tax credits are recorded as a reduction of current income tax expense in the years assets are placed in service.

Income Taxes (In Part)

Undistributed earnings of subsidiaries, primarily foreign, which have been or are intended to be permanently invested, aggregated $351 million at June 16, 1984. If taxes were to be provided on such earnings, the estimated total of such taxes would be $80 million.

JLG INDUSTRIES, INC. (JUL)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

D (In Part): Income Taxes

Operating loss carryforwards for foreign subsidiaries of $3,790,000 are available to offset future foreign taxable income for financial reporting purposes. Such carryforwards for foreign income tax purposes are $5,258,000 and differ from loss carryforwards for financial reporting purposes principally due to depreciation and capital allowance deductions. If not offset against taxable income, $303,000 of the net operating loss will expire in 1989 and $143,000 in 1990, with the remainder available for carryforward indefinitely. In 1982, the Scottish subsidiary utilized an operating loss carryforward of $680,000 for financial reporting purposes, and the related tax benefit of $354,000 was reported as an extraordinary credit.

The difference between the credit for income taxes and the amount computed by applying the statutory U.S. income tax rate to the loss before income taxes is as follows:

Year Ended July 31	1984	1983	1982
Tax credit computed at statutory rates on loss before income tax credit	($2,854,946)	($2,371,502)	($574,301)
Effect of losses producing no current credit	1,370,372		
Net loss (undistributed earnings) of foreign subsidiaries and DISC corporation	580,384	355,223	(261,388)
Investment and job incentive tax credits		(192,622)	(245,059)
Other	12,367	(66,099)	134,748
	($ 891,823)	($2,275,000)	($946,000)

No income taxes have been provided for $1,587,000 of undistributed earnings of the Company's Domestic International Sales Corporation (DISC) at July 31, 1984. The Tax Reform Act of 1984 will effectively terminate the DISC at December 31, 1984 and allow a tax-free distribution of these earnings, assuming certain perfunctory tests are met.

MATTEL, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5 (In Part): Income Taxes

Through the year ended January 29, 1983, the Company provided for deferred federal and foreign taxes which would have been payable if the undistributed earnings of foreign subsidiaries had been remitted at the end of the year. During the year ended January 28, 1984, the Company determined that the undistributed earnings of substantially all of its foreign subsidiaries would be permanently invested and adjusted the deferred income taxes previously provided thereon. The effect of this change was to decrease the net loss for the year ended January 28, 1984 by $4.8 million ($3.2 million of which is applicable to continuing operations). Substantially all of this adjustment related to prior periods. The cumulative amount of undistributed earnings of foreign subsidiaries which the Company intends to permanently invest and upon which no deferred income taxes have been provided is $73 million.

PACIFIC RESOURCES, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Significant Accounting Policies

Income Taxes. Deferred income taxes are provided for revenues and expenses recognized in different periods for tax and financial statement purposes. Deferred U.S. income taxes are not provided on earnings of foreign subsidiaries which are intended to be indefinitely reinvested outside the U.S. Investment tax credits are accounted for using the flow-through method, except for investment tax credits related to utility plant which are deferred and amortized over the estimated composite life of the plant in accordance with Hawaii regulatory authority.

Note 9 (In Part): Income Taxes

Foreign income included in income before income taxes amounted to $15.2 million in 1984, $22.3 million in 1983 and $6.4 million in 1982. Management intends to indefinitely reinvest this income outside the U.S. and therefore deferred U.S. income taxes have not been provided on $45.6 million of unremitted retained earnings of foreign subsidiaries as of December 31, 1984. If these retained earnings were remitted, approximately $15.6 million of U.S. income tax would be due.

STANADYNE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 accounted for as a reduction of the current provision for taxes in the year the related assets are placed in service and beginning in 1983, appropriately reduces the tax basis of the asset. The Tax Reform Act of 1984 allowed the termination of domestic international sales corporations (DISC) effective December 31, 1984. Under the Act, the tax deferred portion of undistributed earnings of a DISC were permanently forgiven. Since no provision for federal income taxes has been made by the Company for the tax deferred portion of the undistributed earnings of its DISC ($3,819,000 at December 31, 1984), the Act did not have any effect on the Company's 1984 earnings. On January 1, 1985 the Company formed a Foreign Sales Corporation (FSC) in the United States Virgin Islands, as permitted by the Act. The FSC will provide the Company with tax benefits relating to its exporting activities that previously were obtained by the Company's DISC.

TABLE 3-15: METHOD OF ACCOUNTING FOR LONG-TERM CONTRACTS

	1984	1983	1982	1981
Percentage-of-completion ..	98	97	98	91
Completed contract	9	10	10	11
Not determinable	2	2	1	1
Referring to long-term contracts..............	**109**	**109**	**109**	**103**
Not referring to such contracts	491	491	491	497
Total Companies........	**600**	**600**	**600**	**600**

LONG-TERM CONTRACTS

Accounting and disclosure requirements for long term contracts are discussed in *ARB No. 45*, Chapter 11 of *ARB No. 43*, 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.

AEL INDUSTRIES, INC. (FEB)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Revenue Recognition. Contract revenue is recognized on the percentage-of-completion method in the ratio that cost incurred bears to estimated cost at completion. Adjustments to contract cost estimates are made in the periods in which the facts which require such revisions become known. When the revised estimate indicates a loss, such loss is provided for currently in its entirety. All other revenue is recorded on the basis of shipments of products or performance of services.

BAIRD CORPORATION (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies.

E. Revenue Recognition: In general, the Company and its subsidiaries recognize revenues on equipment sales when units are shipped. Shipment of a completed unit is sometimes delayed at the customer's request. However, in such instances, revenues are recognized when the customer accepts the related billing. With respect to large multi-year fixed price contracts principally with the United States Government, the Company uses the percentage of completion method of accounting.

In those instances where the Company is responsible for installing equipment, the estimated costs for such services are accrued when revenue is recognized.

With respect to cost reimbursement type contracts with the United States Government, the Company recognizes revenue on the basis of allowable monthly incurred costs plus fee.

CURTISS-WRIGHT CORPORATION (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

C. Accounting for Long-Term Contracts. The Corporation records sales on its long-term contracts generally on a percentage of completion basis, based upon current estimates of manufacturing and engineering costs to complete such contracts. General and administrative expenses are accounted for as period charges and, therefore, are not included in the calculation of the estimates to complete. Projected losses are provided for in their entirety without reference to the percentage of completion. Unbilled charges on long-term contracts consists of amounts recognized but not billed at December 31. Such billings are generally made and collected in the subsequent year.

FLUOR CORPORATION (OCT)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Major Accounting Policies (In Part):

Engineering and Construction Contracts

The company recognizes revenues on engineering and construction contracts on the percentage-of-completion method, primarily based on contract costs incurred to date compared with total estimated contract costs, and on manhours incurred to date compared with total estimated manhours for the construction of certain power plants. Changes to total estimated contract costs or manhours and losses, if any, are recognized in the period they are determined. Revenues recognized in excess of amounts billed are classified as current assets under contract work in progress. It is anticipated that the incurred costs associated with contract work in progress at October 31, 1984, will be billed and collected in 1985. Amounts received from clients in excess of revenues recognized to date are classified as current liabilities under advance billings on contracts.

During the fourth quarter of 1984, the company fully adopted the provisions of the "Construction Contractors Audit and Accounting Guide," issued by the American Institute of Certified Public Accountants. As a result, qualifying contracts awarded on or after November 1, 1983 have been segmented between engineering and construction efforts. Accordingly, gross margin related to engineering or construction activity is recognized as those services are performed. Management believes that this change, with which the company's independent certified public accountants concur, will more clearly relate revenue and earnings recognized to the value of services provided and will provide improved reporting of engineering and construction activities.

Prior periods have not been restated to reflect these changes as the effects on prior interim and annual periods are immaterial.

KEVLIN MICROWAVE CORPORATION (MAY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Revenue Recognition. For financial statement purposes revenues and profits are recorded using the percentage-of-completion method for certain contracts based on the product type, contract size and duration of time to completion. The percentage-of-completion is determined by relating the actual cost of work performed to date to the current estimated total cost of the respective contracts. Revenues and profits on all other contracts are recorded as shipments are made. If estimated total costs on any of these contracts indicate a loss, the entire amount of the estimated loss is recognized immediately.

Costs and estimated earnings in excess of billings on uncompleted contracts comprise amounts of revenue recognized on contracts for which billings have not been rendered. In accordance with industry practice the Company includes in current assets and liabilities amounts realizable and payable under long-term contracts.

NORTEK, INC. (DEC)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Contract Accounting

Sales and earnings from fixed price contracts are recorded on the percentage of completion method which is determined by relating the actual contract costs incurred to date to the current estimate of total costs to be incurred. Provision is made currently for any losses indicated on contracts in process.

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 contain provisions for price redetermination or for cost or performance incentives. Such redetermined amounts or incentives are included in sales when realization is assured and 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 untimate 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. Hence, the effect of the changes on future periods of contract performance is recognized as if the revised estimates had been the original estimates.

THE SIGNAL COMPANIES (DEC)

NOTES TO FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies:

Recognition of Contract Income Aerospace Contracts—Sales and related costs under fixed-price contracts are recorded as deliveries are made. Sales and related costs under cost-reimbursable contracts are recorded as costs are incurred. Cost of sales is recorded based on actual costs. Anticipated future losses on contracts are charged to income when identified; contracts which are part of a program are evaluated on an overall program basis.

Long-Term Engineering and Construction Contracts—Long-term engineering and construction contract earnings are recognized primarily on the percentage-of-completion basis. Losses are recognized in full when identified.

UTL CORPORATION (JUN)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Contract Accounting:

The company recognizes income on contracts using the percentage of completion method. Accrued income is based on the percentage of estimated total income that costs incurred to date bear to estimated total costs after giving effect to the most recent estimates of cost and estimated sales price at completion. When appropriate, increased selling prices expected as a result of anticipated contract price adjustments for changes ordered by the customer are considered. Some contracts contain incentive provisions based upon performance in relation to established targets to which applicable recognition has been given in the contract revenue estimates. Since many contracts extend over a long period of time, revisions in cost and price estimates during the progress of work have the effect of adjusting earnings in the current period applicable to performance in prior periods. When the current contract estimate indicates a loss, provision is made for the total anticipated loss. In accordance with these practices, contracts in process are stated at cost plus estimated profit but not in excess of realizable value.

NOTES TO FINANCIAL STATEMENTS

1. Contracts and Programs:

Costs and estimated earnings in excess of billings on long-term contracts consisted of the following at June 30, 1984 and 1983:

	1984	1983
Retainages	$5,386,371	$3,094,315
Costs and estimated earnings under contracts not allowing for progress billings	2,417,423	644,354
Costs in excess of U.S. Government provisional and contract billing rates		254,697
	$7,803,794	$3,993,366

Amounts not billed pursuant to retainage provisions will be due upon completion of the contracts and acceptance by the customer. Substantially all of the retention balances are expected to be collected within one year.

Costs and estimated earnings on contracts not allowing for progress billings are due upon completion of the contracts and acceptance by the customer and are expected to be collected within one year.

As of June 30, 1984, the company had received $16,992,969 in progress payments on contracts for which deliveries have not been made. Such amount has been deducted from costs and estimated earnings on uncompleted contracts.

In 1984, approximately 73% of contract revenues were derived from five contracts. Of these five contracts, one was completed in fiscal 1984, one is scheduled to be completed in fiscal 1985 and the others in fiscal 1986.

By virtue of the standard progress payment provision in certain U.S. Government prime contracts, title to all material, special equipment and inventory acquired for the performance of these contracts vests in the government upon acquisition by the company as collateral for progress payments made to the company during the course of performance.

UNIVERSAL VOLTRONICS CORP. (JUN)

NOTES TO FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Revenue Recognition:

Sales, other than revenues from major long-term contracts are recorded as products are shipped or when commercial customers accept title to partially completed units. Long-term contract revenues and revenues relating to customer contracts where the customer has accepted title to partially completed units are recognized under the percentage-of-completion method.

In 1984, the Company extended the percentage-of-completion accounting method to certain additional contracts. Previously, percentage-of-completion accounting was generally applied to long-term contracts where production extended over a period exceeding one year. Under its current practice, percentage-of-completion accounting is applied to all contracts where (i) production takes more than three months, (ii) the customer has agreed to make substantial progress payments based upon achieved milestones and (iii) the aggregate contract sales price exceeds $100,000. In applying the percentage-of-completion method, earnings on contracts with a production term exceeding one year are based on the ratio of costs incurred to date on the contract to total estimated contract costs after providing for all known and anticipated costs. Costs include material, direct labor, and engineering and manufacturing overhead. In applying the percentage-of-completion method to all other contracts, earnings are recognized in proportion to actual labor costs incurred as compared with total estimated labor costs expected to be incurred in the entire contract. Selling, general and administrative expenses are charged to income as incurred.

The extension of the percentage-of-completion accounting method was made in order to more accurately match costs with related revenues which will enhance comparability of reported periodic income. There was no effect on the fiscal years ended June 30, 1983 and 1982 as a result of this modification. The net loss for the year ended June 30, 1984 was $186,000 lower as a result of this change.

Costs and estimated earnings in excess of progress billings on uncompleted contracts will be billed within the next twelve months; the excess of billings over costs and estimated earnings on uncompleted contracts are expected to be earned within the next twelve months.

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	
Provisions 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 1984, 84 survey companies discontinued the operations of a business segment. Examples of discontinued operations accounted for as a disposal of a business segment follow.

Disposals of Segments

ATLANTIC RICHFIELD COMPANY (DEC)

	1984	1983	1982
	(Millions of dollars)		
Income from continuing operations before income taxes	$2,008	$2,779	$2,962
Provision for taxes on income	879	1,188	1,230
Income from Continuing Operations	1,129	1,591	1,732
Discontinued Operations (net of income taxes)			
Loss from operations	(47)	(43)	(56)
Loss on disposal	(515)	—	—
	(562)	(43)	(56)
Net Income	$ 567	$1,548	$1,676

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Discontinued Operations and Unusual Items

In March 1984, a definitive agreement, subject to certain conditions, was signed with Alcan Aluminum Ltd. (Alcan) for the sale of the Company's interest in certain aluminum operations. This transaction was completed in January 1985. In July 1984, the Company announced that it plans an orderly divestiture of most of the remaining assets in its metals business conducted by the ARCO Metals Company division.

As a result, the Company took a one-time write-down of these assets in 1984 which amounted to $515 million, net of income tax benefits of $195 million. Accordingly, the Company's metals operations have been reported as discontinued operations, and previously reported financial statements have been restated. The Notes to Consolidated Financial Statements in this report exclude discontinued operations unless stated otherwise. Additional information relating to discontinued operations is as follows (millions of dollars):

	1984	1983	1982
Sales and other operating revenues	$918	$968	$867
Loss before income taxes	$ 91	$106	$164
Income tax benefits	44	63	108
Loss from operations	$ 47	$ 43	$ 56

Net assets of discontinued operations at December 31, 1984, consisted of the following (millions of dollars):

Current assets	$ 567
Current liabilities	(101)
Net current assets	466
Fixed assets (net)	768
Other noncurrent assets	33
Noncurrent liabilities	(4)
Net assets	$1,263

BMC INDUSTRIES, INC. (DEC)

	1984	1983	1982
		($000)	
Earnings from Continuing Operations Before Income Taxes	$6,852	$10,732	$5,359
Income Taxes	450	2,654	805
Earnings from Continuing Operations	6,402	8,078	4,554
Discontinued Operations			
(Loss) from operations (less applicable income tax effect of $0, $354 and $98)	(1,155)	(290)	(34)
Provision for loss on disposal (no income tax effect)	(3,300)	—	—
(Loss) from Discontinued Operations	(4,455)	(290)	(34)
Net Earnings	$1,947	$ 7,788	$4,520

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Discontinued Operations

In the third quarter of 1984 the Company decided to phase-out and dispose of its contact lens operation. This decision resulted in a charge of $2,400 against the third quarter results of operations, primarily to write down the operation's assets to their estimated net realizable values and to accrue for operating losses through the anticipated phase-out period.

In the fourth quarter of 1984 the Company decided to dispose of BH Electronics, which is engaged in the manufacture of marine electronics and pulse transformers. This resulted in a charge of $900 against the fourth quarter results of operations, primarily to write down the subsidiary's assets to their estimated net realizable values.

Revenues for discontinued operations were $9,069, $11,211 and $9,347 for 1984, 1983 and 1982, respectively.

Certain items in the 1983 and 1982 financial statements have been restated to segregate the effects of discontinued operations.

BAUSCH & LOMB INCORPORATED (DEC)

	1984	1983	1982
	(Dollar Amounts in Thousands)		
Earnings from continuing operations before income taxes	$85,027	$71,882	$70,854
Provision for income taxes	26,250	20,892	22,391
Earnings From Continuing Operations	58,777	50,990	48,463
Earnings (Loss) from discontinued operations, net of income tax benefits	458	(2,602)	(12,807)
Provision for disposal of discontinued operations, net of income tax benefits	(9,000)	—	—
Net Earnings	50,235	48,388	35,656

NOTES TO FINANCIAL STATEMENTS

Discontinued Operations

On September 22, 1984, the company adopted a plan to discontinue its industrial instruments business. The company's industrial instruments divestiture plans affect its machine tool control, spectrophotometer, color measurement equipment, image analysis system, diffraction grating, scanning electron microscope and digital plotter and interactive graphics system businesses. The company's spectrometer business, also part of the instruments divestiture, was sold in August 1984. In addition, the company's machine tool control and scanning electron microscope businesses were subsequently sold in 1985. Discussions for the sale of the company's remaining industrial instruments businesses are currently underway, and in management's opinion the sale of these businesses will be concluded in 1985.

The earnings (losses) of the industrial instruments businesses are presented in the consolidated statement of earnings under the caption "Earnings (Loss) from discontinued operations, net of income tax benefits" and include:

	Period Ended		
Dollar Amounts in Thousands	Sep 22, 1984	Dec 25, 1983	Dec 26, 1982
Net sales	$95,612	$133,946	$123,798
Costs and expenses	95,558	139,859	148,605
Income tax benefits	404	3,311	12,000
Earnings (Loss) from discontinued operations	$ 458	$ (2,602)	$(12,807)

The 1982 loss from discontinued operations includes costs ($11,800,000) and income tax benefits ($5,700,000) related to the restructuring of portions of the industrial instruments business which had been previously reported as nonrecurring items.

The consolidated statement of earnings for the year ended December 30, 1984 includes a provision for the disposal of the industrial instruments businesses consisting of the following:

Dollar Amounts in Thousands	Provision for Disposal
Disposal costs	$10,500
Write-down of assets to estimated net realizable value	3,300
Operating losses during phase-out period	1,700
Income tax benefits	(6,500)
Total	$ 9,000

The net assets related to the discontinued operations, consisting primarily of inventories and receivables, have been segregated in the consolidated balance sheet under the caption "Net assets of discontinued operations at estimated realizable value."

CLEVEPAK CORPORATION (DEC)

	1984	1983	1982
		($000)	
Income from continuing operations before taxes and minority interest	$17,462	$8,384	$1,716
Provision for taxes	9,313	5,022	822
Income from continuing operations	8,149	3,362	894
Income/(loss) from discontinued operations less applicable tax expense/(benefit) of $(3,731), $65 and $3,344	(4,191)	156	3,771
Net gain/(loss) on disposal, including provisions of $133, $4,211, and $144 for operating losses during phase-out period and less applicable tax expense/(benefit) of $(4,400), $4,087 and $189	(10,000)	3,926	(333)
Income/(loss) from discontinued operations	(14,191)	4,082	3,438
Income/(loss) before minority interest	(6,042)	7,444	4,332

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (In Part): Discontinued Operations and Business Terminations

During the third quarter of 1984, the company announced a decision to divest four business units: Lapp Insulator, Bethea Hardware, Structural Products and Ward Foundry. Accordingly, the company recorded an after-tax loss of $10,000,000 in the third quarter of 1984 to provide for estimated future losses on these disposals.

During the fourth quarter of 1984, the company sold its Structural Products and Bethea Hardware business units for $3,000,000 and $6,000,000, respectively. On February 13, 1983, the company sold its Lapp Insulator business for $24,000,000 in cash with the remainder paid by the purchaser's ten-year interest bearing note for approximately $6,400,000 (present value $3,500,000) and by the purchaser's assumption of Lapp's current liabilities and $4,000,000 of long-term debt. The company is currently seeking a buyer for its Ward Foundry business unit.

During 1983, the company sold its Partition/Mill Division and four folding carton plants and closed its Aerocleve-Pentech Division. The approximate total sale price was $48,000,000. In 1982, it closed a recycled paperboard mill.

Cash proceeds from the 1984 and 1983 sales were used primarily for debt repayments.

The company's consolidated financial statements and notes thereto have been restated to reflect the discontinuance of these operations.

Operating results of these discontinued operations were:

	Year Ended		
	12/31/84	12/31/83	12/31/82
	(in thousands, except per share amounts)		
Net sales	$87,766	$88,604	$84,043
Income/(loss) from discontinued operations, before taxes[1]	$ (7,922)	$ 221	$ 7,115
Income/(loss) from discontinued operations, after taxes	$ (4,191)	$ 156	$ 3,771
Gain/(loss) on disposal, after taxes	(10,000)	3,926	(333)
Income/(loss) from discontinued operations	$(14,191)	$ 4,082	$ 3,438
Earnings/(loss) per common share from discontinued operations	$ (3.96)	$ 1.15	$ .98

[1]Includes allocated interest of $6,557,000, $3,861,000 and $794,000 for the years ended December 31, 1984, 1983 and 1982, respectively.

The net assets of these discontinued operations included in the company's consolidated balance sheet as assets held for sale were:

	12/31/84	12/31/83
	(in thousands)	
Cash	$ —	$ 418
Accounts receivable—net	13,319	16,444
Inventories	24,957	40,600
Other current assets	1,712	1,834
Total current assets	39,988	59,296
Accounts payable and accrued liabilities	16,856	14,132
Other current liabilities	—	100
Current portion of long-term debt	4,000	3,000
Total current liabilities	20,856	17,232
Net current assets of discontinued operations	19,132	42,064
Other current assets held for sale	—	3,900
Current assets held for sale	$19,132	$45,964
Property, plant and equipment—net	$30,749	$40,281
Patents, deferred charges and miscellaneous assets	204	1,510
Long-term debt	—	(4,000)
Net noncurrent assets of discontinued operations	30,953	37,791
Other noncurrent assets held for sale	12,476	25,128
Other assets held for sale	$43,429	$62,919

CONAGRA, INC. (MAY)

	1984	1983	1982
	(In thousands)		
Income from continuing operations before income taxes	$89,718	$79,662	$52,213
Income taxes			
Current	11,169	22,560	19,203
Deferred	13,341	6,718	137
	24,510	29,278	19,340
Income from continuing operations	65,208	50,384	32,873
Discontinued operations (Note 2)			
(Loss) from operations, net of income tax benefit of $4,104 and $2,614	(4,106)	(2,614)	—
(Loss) on disposal, net of income tax benefit of $7,342	(7,954)	—	—
Income before extraordinary item	53,148	47,770	32,873

Note 2 (In Part): Business Combinations and Discontinued Operations

In 1984, the Company discontinued operations of its frozen salmon processing business in the Alaskan fishery. In connection therewith, a charge of $7,954,000 (net of related income tax benefits) was made to net income in 1984 to provide for the loss on disposal. Financial statements for prior periods have been restated to reflect the loss from operations of the discontinued business, net of income tax benefits, of $4,106,000 in 1984 and $2,614,000 in 1983. Revenues from discontinued operations were $16,776,000 and $11,054,000 in 1984 and 1983, respectively.

PEPSICO, INC. (DEC)

	1984	1983	1982
		($000)	
Income From Continuing Operations Before Income Taxes	$354,373	$405,570	$433,374
Provision for United States and foreign income taxes	147,701	134,233	220,947
Income From Continuing Operations	206,672	271,337	212,427
Discontinued Operations			
Income from discontinued operations (net of income taxes of $14,915, $6,728 and $5,846 in 1984, 1983 and 1982, respectively)	20,875	12,774	11,861
Loss on disposal (net of $500 tax benefit)	(15,000)	—	—
	5,875	12,774	11,861
Net Income	212,547	284,111	224,288

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3: Discontinued Operations

In 1984, PepsiCo adopted a plan to sell its transportation segment, which was comprised of North American Van Lines, Inc. (NAVL) and Lee Way Motor Freight, Inc. (Lee Way). Pursuant to this plan, PepsiCo has entered into a definitive agreement to sell the stock of NAVL for cash. The sales price is the sum of a base price of $315 million and an additional amount equal to the prime rate of interest on the base price from December 31, 1983 to the closing date. If the pending sale had been consummated on December 29, 1984, a gain of approximately $197 million before-tax and $141 million after-tax ($1.47 per share) would have been produced. This gain has not been recorded because the sale is contingent on obtaining approvals from both United States and Canadian regulatory authorities, including the United States Interstate Commerce Commission. It is likely that a regulatory decision will be received in 1985.

The divestiture of Lee Way, which became final on August 6, 1984, resulted in a second quarter loss of $15.5 million before-tax and $15 million after-tax ($.16 per share). Total proceeds were approximately $22 million. The loss on the sale of Lee Way is reflected in the Consolidated Statement of Income under the caption "Loss on disposal."

The results of operations of Lee Way through June 5, 1984, the date prior to which the buyer assumed management and control, and NAVL (for the full year) are included in the Consolidated Statement of Income under the caption "Income from discontinued operations" and included:

	1984	1983	1982
	(in thousands)		
Operating revenues	$729,316	$730,350	$688,069
Costs and expenses	692,498	710,517	673,202
Interest expense (income)	1,028	331	(2,840)
Provision for income taxes	14,915	6,728	5,846
Income from discontinued operations	$ 20,875	$ 12,774	$ 11,861

The net assets of NAVL and Lee Way are carried at their historical cost in the Consolidated Balance Sheet caption "Net assets of the transportation segment held for disposal" as follows:

	NAVL December 29, 1984	NAVL and Lee Way December 31, 1983
	(in thousands)	
Current assets	$236,214	$187,929
Current liabilities	164,500	141,511
Net current assets	71,714	46,418
Property, plant and equipment (net)	98,855	127,122
Other non-current assets	52,969	4,008
Non-current liabilities	80,328	28,044
Net non-current assets	71,496	103,086
Net assets of the transportation segment held for disposal	$143,210	$149,504

Adjustment of Amounts Reported in Prior Periods

COLGATE-PALMOLIVE COMPANY (DEC)

	1984	1983	1982
	(Thousands of Dollars)		
Income from continuing operations before income taxes	$115,394	$350,488	$377,727
Provision for income taxes:			
United States	(4,430)	69,568	63,280
Foreign	66,236	83,086	117,537
Total	61,806	152,654	180,817
Income from continuing operations	53,588	197,834	196,910
Gain from operations discontinued in prior years (net of income taxes of $6,986)	17,962	—	—
Net income	$ 71,550	$197,834	$196,910

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Dollars in Thousands Except Per Share Amounts

3. Discontinued Operations:

Included in net income for 1984 is a net gain of $17,962 resulting from resolution of remaining matters in connection with the 1980 disposition of the Helena Rubenstein business. This credit arose from the accelerated receipt of proceeds due on the sale and the settlement of liabilities in connection with the disposition.

PANTRY PRIDE, INC. (JUL)

	1984	1983	1982
	(dollars in thousands)		
Earnings from continuing operations before income taxes	$7,380	$17,353	$20,448
Provision for income taxes	(2,609)	(8,403)	(9,131)
Earnings from continuing operations	4,771	8,950	11,317
Discontinued operations:			
Loss from operations net of (benefit) in lieu of income taxes of $(251) and $(1,101) in 1983 and 1982, respectively		(262)	(1,146)
Reduction in (provision for) estimated loss on disposition, net of provision (benefit) in lieu of income taxes of $735, $(2,303) and $(2,744) in 1984, 1983 and 1982, respectively	765	(2,397)	(2,856)
	765	(2,659)	(4,002)
Earnings before extraordinary items	5,536	6,291	7,315

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands except per share data)

Discontinued Operations (In Part):

In July 1983, the Company approved a plan to discontinue the operation of its unprofitable Manufacturing Group, which included food manufacturing and processing facilities for coffee roasting, soft drink bottling, and tea and powdered drink mix packaging. During fiscal 1984, substantially all of the assets of the operations have been sold. During the year, the original provision for projected losses associated with the discontinuance of the Manufacturing Group was reduced by $1,500.

THE PITTSTON COMPANY (DEC)

	1984	1983	1982
	(In thousands)		
Income (Loss) from Continuing Operations	$(27,159)	$(71,779)	$ (4,231)
Discontinued Operations (Note 9):			
Income (loss) from operations, net of income taxes (credit): 1983—$216; 1982—$(7,765)	—	1,854	(7,461)
Gain (loss) on disposal, net of income taxes: 1984—$862; 1983—$12,175	1,012	(8,982)	—
	1,012	(7,128)	(7,461)
Net Income (Loss)	$(26,147)	(78,907)	(11,692)

Note 9. Discontinued Operations

During 1983, the Company sold its oil operations for approximately $114,000,000 in cash. The assets of the oil operations consisted mainly of accounts receivable, oil inventories and property, plant and equipment. Operating results for the periods prior to disposal are shown separately in the accompanying consolidated income statement. The gain in 1984 reflects settlement of certain contingent obligations for less than their estimated amounts.

Net sales of the oil operations were $406,751,000 in the first 4 months of 1983 and $1,137,050,000 in the year 1982. These amounts are not included in net sales in the accompanying consolidated income statement.

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 operation. Examples of charges or credits shown after the caption for income taxes applicable to income from continuing operations follow.

TABLE 3-16: CHARGES OR CREDITS SHOWN AFTER INCOME TAX CAPTION

	Number of Companies			
	1984	**1983**	**1982**	**1981**
Equity in earnings or losses of investees	58	66	65	58
Minority interest	45	50	51	52
Cumulative effect of accounting change	8	6	17	13
Other	6	4	5	—

AMERICAN CYANAMID COMPANY (DEC)

	1984	1983	1982
	(Thousands of dollars)		
Earnings of Consolidated Companies Before Taxes on Income	$278,071	$217,752	$176,617
Taxes on income	79,100	65,100	51,000
Earnings of Consolidated Companies	198,971	152,652	125,617
Equity in net earnings of associated companies	16,947	13,704	6,510
Net Earnings	215,918	166,356	132,127

HARRIS CORPORATION (JUN)

	1984	1983	1982
	(In thousands)		
Income from continuing operations before income taxes and equity in net income of investments accounted for by the equity method	$95,466	$79,119	$127,007
Income taxes	21,774	17,231	47,958
Income from continuing operations before equity in net income of investments accounted for by the equity method	73,692	61,888	79,049
Equity in net income of investments accounted for by the equity method	6,718	1,931	1,128
Income from continuing operations	80,410	63,819	80,177

JAMES RIVER CORPORATION OF VIRGINIA (APR)

	1984	1983	1982
	(in thousands)		
Income before income tax expense and minority interest	$173,069	$94,679	$34,282
Income tax expense	72,592	35,394	11,929
Income before minority interest	100,477	59,285	22,353
Minority interest (dividend requirement on preferred stock of a subsidiary)	2,482	4,137	
Net income	$ 97,995	$55,148	$22,353

UNITED MERCHANTS AND MANUFACTURERS, INC. (JUN)

	1984	1983	1982
	(000 omitted)		
Earnings (loss) before income taxes, minority interest and extraordinary credits	$26,795	$5,961	$(37,809)
Provision for income taxes	12,948	9,009	6,047
	$13,847	$(3,048)	$(43,856)
Minority interests in net earnings of foreign subsidiaries	2,821	2,966	135
Earnings (loss) before extraordinary credits	$11,026	$(6,014)	$(43,991)

TABLE 3-17: EXTRAORDINARY ITEMS

	1984	**1983**	**1982**	**1981**
Nature				
Operating loss carryforwards	46	37	25	27
Debt extinguishments	22	40	31	6
Pension plan terminations	10	9	2	2
Litigation settlements	2	2	9	4
Other	9	7	12	18
Total Extraordinary Items	**89**	**95**	**79**	**57**
Number of Companies				
Presenting extraordinary items	74	84	69	53
Not presenting extraordinary items	526	516	531	547
Total Companies	**600**	**600**	**600**	**600**

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* illustrates 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.

Tax Loss Carryovers

CHRYSLER CORPORATION (DEC)

	1984	1983	1982
	(In millions of dollars)		
Earnings (Loss) from Continuing Operations before Taxes and Extraordinary Item	$2,430.3	$703.5	$(68.0)
Taxes on income (Note 12)	934.2	401.6	.9
Earnings (Loss) from Continuing Operations	1,496.1	301.9	(68.9)
Gain on sale of Chrysler Defense, Inc. (Net of $66.9 million of taxes)	—	—	172.1
Earnings before Extraordinary Item	1,496.1	301.9	103.2
Extraordinary item—effect of utilization of tax loss carryforwards (Note 12)	883.9	399.0	66.9
Net Earnings	$2,380.0	$700.9	$170.1

Note 12 (In Part): Taxes on Income

Income tax expense shown in the consolidated statement of earnings includes the following:

	1984	1983	1982
	(In millions of dollars)		
Taxes on income that are offset by operating loss carryforwards:			
United States	$801.6	$366.7	$—
Foreign	82.3	32.3	—
	883.9	399.0	—
Currently Payable:			
United States	10.0	—	—
Foreign	2.8	2.6	.9
State and Local	15.8	—	—
	28.6	2.6	.9
Deferred:			
United States	6.9	—	—
Foreign	1.0	—	—
State and Local	13.8	—	—
	21.7	—	—
Total Taxes on Income	$934.2	$401.6	$.9

$883.9 million in 1984 and $399.0 million in 1983 of tax expense is computed by applying the applicable statutory rates to such pre-tax income as is sheltered by the tax loss carryforwards. The extraordinary item reflects the elimination of these tax provisions through the utilization of tax loss carryforwards.

At December 31, 1984, Chrysler had investment tax credit carryforwards of approximately $220 million, which may be used until the expiration dates occurring between 1989 and 1999.

THE HOOVER COMPANY (DEC)

	1984	1983	1982
	(in thousands)		
Income before income taxes, minority interest and extraordinary item	$64,368	$51,837	$12,788
Provision for income taxes—Note G	29,595	23,404	15,787
Income (loss) before minority interest and extraordinary item	34,773	28,433	(2,999)
Minority interest in income (loss) of foreign subsidiaries before extraordinary item	—	2,961	(6,952)
Income before extraordinary item	34,773	25,472	3,953
Extraordinary item, less minority interest of $1,337 in 1983—Note G	5,397	2,534	—
Net income	$40,170	$28,006	$ 3,953

Note G (In Part): Income Taxes

Income (loss) before income taxes consisted of the following (in thousands):

	1984	1983	1982
Domestic	$47,343	$37,694	$26,335
Foreign	17,025	14,143	(13,547)
	$64,368	$51,837	$12,788

The components of provision for income taxes consisted of the following (in thousands):

	1984	1983	1982
Current:			
U.S. Federal	$18,917	$16,436	$ 9,810
Foreign	4,568	2,005	1,523
State	3,111	2,476	1,528
Deferred (credit):			
U.S. Federal	(46)	(949)	348
Foreign	(2,352)	(435)	2,578
Tax effect of foreign operating loss carryforwards	5,397	3,871	—
	$29,595	$23,404	$15,787

Foreign deferred income tax expense in 1982 includes $2,441,000 resulting from the reversal of foreign deferred tax benefits due to operating losses.

* * *

The extraordinary item represents the realization of the tax benefit of certain foreign operating loss carryforwards. Tax loss carryforwards available for future years approximate $56,000,000, of which $23,000,000 expires in various years through 1991 and $33,000,000 is available indefinitely. Approximately $7,600,000 of the tax loss carryforwards represent timing differences.

Because the Company plans to continue to finance foreign expansion and operating requirements by reinvestment of undistributed earnings of its foreign subsidiaries (approximately $38,000,000 at December 31, 1984), United States income taxes have not been provided on such earnings. If such earnings were distributed, additional income taxes payable could 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.

NATIONAL SEMICONDUCTOR CORPORATION (MAY)

	1984	1983	1982
	(in thousands)		
Earnings (Loss) before income taxes and extraordinary credit	$101,436	$(22,864)	$(17,249)
Income taxes (credit)	45,231	(8,688)	(6,555)
Earnings (Loss) before extraordinary credit	56,205	(14,176)	(10,694)
Extraordinary credit—tax benefit resulting from utilization of operating loss carryforwards	7,755	—	—
Net earnings (loss)	$ 63,960	$(14,176)	$(10,694)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Income Taxes

The components of earnings (loss) before income tax expense (credit) are:

For the years ended May 31, (in thousands)	1984	1983	1982
United States	$ 13,266	$(38,142)	$(33,925)
Foreign	88,170	15,278	16,676
Total	$101,436	$(22,864)	$(17,249)

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

For the years ended May 31, (in thousands)	1984	1983	1982
Current:			
United States	$ —	$ 120	$21,475
Foreign	17,355	8,316	1,226
State and local	5,170	388	(500)
	22,525	8,824	22,201
Deferred:			
United States	4,693	(15,951)	(29,574)
Foreign	10,258	(1,561)	818
State and local	—	—	—
	14,951	(17,512)	(28,756)
Charge equivalent to utilization of foreign operating loss carryforwards	7,755	—	—
Total provision (credit)	$ 45,231	$ (8,688)	$ (6,555)

The income tax provision for 1984 of $45.2 million contains a charge in lieu of foreign income taxes, representing taxes for which payment would have been required in the absence of foreign operating loss carryforwards from prior years. The income tax benefit resulting from the partial utilization of the foreign operating loss carryforwards in 1984 is presented as an extraordinary credit of $7.8 million.

THE RYMER COMPANY (OCT)

	1984	1983	1982
	(in thousands dollars)		
Earnings from continuing operations before income taxes and extraordinary item	$6,745	$ 97	$781
Charges equivalent to provision for income taxes	3,550	45	359
Earnings from continuing operations	3,195	52	422
Discontinued operations:			
Loss from discontinued operations, net of applicable income tax credit equivalent of $45,000 in 1983 and $470,000 in 1982		(3,194)	(266)
Loss on disposal of discontinued operations		(3,520)	
Loss from discontinued operations		(6,714)	(266)
Earnings (loss) before extraordinary item	3,195	(6,662)	156
Extraordinary item resulting from income tax benefit from utilizing net operating loss carryforward	3,300		
Net earnings (loss)	$6,495	$(6,662)	$156

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 (In Part): Income Taxes

No federal income taxes were paid in 1984 and no significant federal or state income taxes were paid in 1983 and 1982. The 1984 charge equivalent to provision for income taxes is offset to the extent of federal income taxes by the extraordinary item resulting from income tax benefit of utilizing net operating loss carryforward. The remaining portion of the charge equivalent of $250,000 represents state income taxes payable at October 27, 1984. The 1984 charge equivalent represents a 52.6% effective rate which differs from the statutory Federal rate of 46% due principally to the effect of nondeductible amortization of the excess investment over net assets acquired (4.2%). The 1983 and 1982 charge equivalent to provision for income taxes on continuing operations was computed based on the statutory Federal rate of 46%.

Extinguishment of Debt

AFG INDUSTRIES INC. (DEC)

	1984	1983	1982
		($000)	
Income before extraordinary items	$18,118	$14,125	$9,449
Extraordinary items			
Gain from in-substance defeasance of debt, net of deferred income taxes of $2,693	2,693		
Gain from early extinguishment of debt, net of deferred income taxes of $2,717	2,717		
	5,410		
Net income	$23,528	$14,125	$9,449

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Extraordinary Items

In-Substance Defeasance—On March 20, 1984, the Company arranged for an in-substance defeasance, in accordance with FASB Statement 76, of approximately $9,414,000 of its long-term debt, resulting in an extraordinary gain of $2,693,000 net of deferred income taxes of $2,693,000. The amount of debt considered to be extinguished at December 31, 1984 is $9,414,000.

Early Extinguishment of Debt—During December, 1984, the Company extinguished approximately $59,280,000 of its long-term debt prior to scheduled maturity, resulting in an extraordinary gain of $2,717,000 net of deferred income taxes of $2,717,000. The funds for these extinguishments were obtained from working capital and the amended credit agreement.

KIMBERLY-CLARK CORPORATION (DEC)

	1984	1983	1982
		(Millions)	
Income Before Extraordinary Item......	$217.5	$188.8	$197.4
Extraordinary item—gain on exchange of long-term debt for common stock (Note 7)	7.4	—	—
Net Income	225.0	188.8	197.4

Note 7 (In Part): Debt

During 1984, 562,400 shares of common stock were exchanged for $31.1 million aggregate principal amount of its 7.40% sinking fund debt due 1999. The transaction resulted in a nontaxable gain of $7.4 million or 16 cents per share which is reported as an extraordinary item in accordance with Financial Accounting Standard No. 64. A similar transaction occurred in 1982, and the nontaxable gain of $13.9 million was included in other income in accordance with then-existing rules.

Pension Plan Termination

WILSON FOODS CORPORATION (JUL)

	1984	1983	1982
		(Thousands of dollars)	
Income (Loss) Before Extraordinary Gains...............................	$ (7,122)	$ (42,877)	$12,909
Extraordinary gains			
Termination of Retirement Plan for Salaried Employees (net of income taxes of $18,010)—Note 8..........................	21,142	—	—
Credit from utilization of operating loss carryforward	11,547	—	—
Stock for debentures exchange..	—	—	3,785
	32,689	—	3,785
Net Income (Loss)....................	$25,567	$(42,877)	$16,694

Note 8 (In Part): Pension Plans

Substantially all hourly employees covered by collective bargaining agreements participate in either The Pension Plan for Hourly Employees of Wilson Foods Corporation (the "Hourly Plan") or certain multi-employer plans. In connection with the settlements reached with local unions in November 1983 (see Note 2), Wilson Foods became obligated to make contributions to certain multi-employer plans based on actuarially determined amounts to fund the defined benefits of the multi-employer plans. The Retirement Plan, a defined benefit pension plan which covered substantially all salaried employees except employees covered by collective bargaining agreements, was terminated by the Board of Directors effective February 1, 1984. Approvals of the termination have been received from the Internal Revenue Service and from the Pension Benefit Guaranty Corporation. Because of the termination of the Retirement Plan, the accumulated benefits of all participants became fully vested and annuity contracts were purchased for approximately $46.7 million to provide for the payment of the accumulated benefits to the eligible participants. In addition, approximately $6.5 million was paid on June 22, 1984, to certain eligible participants representing employee contributions and accumulated interest thereon.

As a result of the termination, Wilson Foods received cash in excess of the cost of the aforementioned annuity contracts and participant payments of approximately $36.1 million. This amount, together with reductions in certain related accruals of approximately $3.1 million, less applicable income taxes (see Note 13), has been recognized as an extraordinary gain for fiscal 1984.

Insurance Settlement

THE FLUOROCARBON COMPANY (JAN)

	1985	1984	1983
Income before extraordinary gain	$5,109,951	$3,238,436	$1,981,239
Extraordinary gain (net of tax of $358,000) (Note 2)	607,746	—	—
Net income	$5,717,697	$3,238,436	$1,981,239

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Extraordinary Item

In August, 1984, a fire destroyed the Company's fluid sealing plant in Birmingham, Alabama. All assets destroyed were insured and the Company has settled its claim with the carrier. The excess of $965,746 (less related income tax of $358,000) of the insurance claim over the net book value of the Company's assets has been reflected as an extraordinary gain in the statement of income. Additionally, proceeds of $686,945 were included in operating income to offset fire-related business interruption costs. At January 31, 1985, the Company had received $5,387,160 of the total insurance claim of $6,663,698 resulting in a receivable of $1,276,538 which has been included in current assets. The Company has accrued costs included in current liabilities of $1,736,376, which represent the estimated cost to replace a Company insured building and fixed assets and for future anticipated costs as a result of the fire.

Adjustment Of Prior Period Amount

COPPERWELD CORPORATION (DEC)

	1984	1983	1982
	(Dollars in thousands)		
Income (loss) before extraordinary credit (charge)	$ 176	$(24,268)	$ (5,563)
Extraordinary credit (charge)—litigation judgment, net of income tax effect of ($4,044) and $5,025	4,357	—	(5,688)
Net Income (Loss)	4,533	(24,268)	(11,251)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 (In Part): Commitments and Contingencies

In 1982, the United States Court of Appeals for the Seventh Circuit affirmed a 1981 jury verdict against the Corporation and its subsidiary, Regal Tube Company, in favor of Independence Tube Corporation (Independence) for violations of Section 1 of the Sherman Act and certain state law claims. As a result of this decision, the Corporation provided for the assessed damages and costs by an extraordinary charge of $5,688,000 ($.66 per common share) net of income tax benefits of $5,025,000.

In 1983, arguments were presented before the United States Supreme Court seeking to overturn approximately two-thirds of the assessed damages and all legal costs awarded to Independence on the ground that a parent corporation and its wholly-owned subsidiary could not constitute the required separateness of persons to permit a conspiracy in violation of the antitrust laws.

On June 19, 1984, the United States Supreme Court agreed with the Corporation's position and overturned the lower courts' decisions. The favorable decision resulted in an extraordinary credit in the second quarter of 1984 of $4,357,000 ($.50 per common share) net of income taxes of $4,044,000 representing a partial reversal of the aforementioned extraordinary charge and the related interest.

Accident Loss

UNION CARBIDE CORPORATION (DEC)

	1984	1983	1982
	(Millions of dollars)		
Income before extraordinary charge	$341	$79	$310
Extraordinary charge (Note 5)	(18)	—	—
Net income	323	79	310

Note 5: Extraordinary Charge Relating to Accident at Bhopal, India

As a result of the accident at the Union Carbide India Limited facility in Bhopal, India, 1984 net income included an extraordinary charge of $18 million (after applicable taxes of $14 million), or $0.25 per share. The charge covers operating, distribution and administrative costs incurred and anticipated relating to the accident. See Note 17 on page 36.

Note 17 (In Part): Commitments and Contingencies

While it is impossible at this time to determine with certainty the ultimate outcome of any of the lawsuits described above, in the opinion of management, based in part on the advice of counsel, they will not have a material adverse effect on the consolidated financial position of the Corporation. In the opinion of management, based in part on the advice of counsel, no charge or accrual is required for any liabilities or for any impairment of assets that may result from the lawsuits described above relating to the Bhopal plant or the Institute plant and the Corporation has made adequate provisions for probable losses relating to the other actions referred to in the immediately preceding paragraph. Should any losses be sustained in connection with any of the matters referred to above, in excess of provisions therefor, they will be charged to income in the future.

Timber Contract Buy Out

WILLAMETTE INDUSTRIES, INC. (DEC)

	1984	1983	1982
		($000)	
Earnings before extraordinary charge	$66,221	$22,272	$ 5,345
Extraordinary charge, net of tax effect of $5,200 and $14,437 in 1984 and 1982 (note 1)	5,200	—	14,438
Net earnings (loss)	$61,021	22,272	(9,093)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollar amounts, except per share amounts, in thousands)

1 (In Part): Summary of Significant Accounting Policies

(d) Timber, Timberlands and Related Facilities

These accounts are stated at their cost less stumpage and amortization of logging roads. Stumpage is the cost of standing timber charged to expense as the timber is harvested. Amortization of logging roads is charged to expense as timber is harvested. Both stumpage and amortization rates are determined with reference to costs and the related existing volume of timber estimated to be recoverable.

Lump-sum purchase contracts are recorded as timber owned, with the corresponding liability classified as noncurrent. Timber committed to the Company under "unit price, pay-as-cut" arrangements is not recorded as an asset nor is any liability recorded until incurred by cutting.

In 1984, the Federal Timber Contract Payment Modification Act was enacted which will allow the Company to buy out a substantial portion of those high priced Federal timber contracts which were purchased prior to 1982 at prices which reflected the inflationary expectations prevalent at the time. The estimated cost of buying out of these contracts is approximately $5.2 million ($.34 per share) net of income taxes, and is reflected as an extraordinary charge.

EARNINGS PER SHARE

APB Opinion No. 15 states in part:

12. The Board believes that the significance attached by investors and others to earnings per share data, together with the importance of evaluating the data in conjunction with the financial statements, requires that such data be presented prominently in the financial statements. The Board has therefore concluded that earnings per share or net loss per share data should be shown on the face of the income statement. The extent of the data to be presented and the captions used will vary with the complexity of the company's capital structure, as discussed in the following paragraphs.

Examples of earnings per share presentations follow.

TABLE 3-18: EARNINGS PER SHARE—1984

	Additional shares issuable for			
	Debt	Preferred Stock	Options	Warrants
Included in primary per share calculation	26	45	202	32
Included in fully diluted per share calculation	76	46	35	3
No dilution	36	42	157	11
Not disclosed	40	19	127	11
No additional shares issuable	422	448	79	543
Total Companies	**600**	**600**	**600**	**600**

Simple Capital Structure

CHICAGO PNEUMATIC TOOL COMPANY (DEC)

	1984	1983	1982
Earnings (Loss) Per Share of Common Stock:			
Earnings (loss) from continuing operations	$2.84	$ (.67)	$(1.99)
Loss from discontinued operations	(.01)	(2.54)	(.63)
Earnings (loss) before extraordinary gains	2.83	(3.21)	(2.62)
Extraordinary gains	.50	.05	.16
Net Earnings (Loss)	$3.33	$(3.16)	$(2.46)

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Earnings (Loss) Per Share of common stock are computed based on the weighted average number of shares of common stock outstanding during each year: 4,977,578 in 1984, 4,912,588 in 1983 and 4,887,551 in 1982.

EMHART CORPORATION (DEC)

	1984	1983	1982
(In millions except share amounts)			
Net Earnings	$ 90.4	$ 84.3	$ 80.2
Earnings Per Share of Common Stock	3.27	3.06	2.97
Weighted average common shares (000)	27,609	27,466	26,943

NOTES TO FINANCIAL STATEMENTS

19. Earnings Per Share

Earnings per common share are based on the weighted average number of common and common equivalent shares outstanding during each year and are computed after giving effect to preference dividends of $.2 million in each of 1984 and 1983 and $.3 million in 1982, and the 10% common stock dividend in December 1984. Such average shares include the weighted average number of common shares considered outstanding (27,496,000 in 1984, 27,348,000 in 1983 and 26,840,000 in 1982) plus the shares issuable (113,000 in 1984, 118,000 in 1983 and 103,000 in 1982) upon exercise of stock options and warrants (in 1982) after the assumed repurchase of common shares with the related proceeds.

HUGHES TOOL COMPANY (DEC)

	1984	1983	1982
	(In thousands, except per share amounts)		
Net income (loss)	$(133,839)	$(90,873)	$147,599
Earnings per common and common equivalent share and (loss) per common share	$ (2.40)	$ (1.64)	$ 2.65

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Earnings per share

Earnings per common and common equivalent share are based on the weighted average number of shares of common stock and common stock equivalents outstanding during each year, (55,864,000 in 1984, 55,431,000 in 1983 and 57,622,000 in 1982). The 9½% Convertible Subordinated Debentures issued December 23, 1981 were considered to be common equivalent shares. The computation for 1982 assumes the addition to net income of the after-tax interest expense applicable to such debentures. The computation assumes that outstanding stock options were exercised and the proceeds used to purchase common shares. These common equivalent shares and the corresponding interest expense were not included in the earnings per share computations for 1984 and 1983 because their effect was antidilutive.

OAK INDUSTRIES INC. (DEC)

	1984	1983	1982
	(Dollars in thousands, except per share data)		
Net Loss	$(149,250)	$(122,113)	$(39,897)
Loss Per Common Share (Note 2):			
Continuing operations	$ (5.84)	$ (4.01)	$ (1.89)
Discontinued operations	(3.29)	(3.46)	(.56)
Net loss per common share	$ (9.13)	$ (7.47)	$ (2.45)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Statement of Accounting Policies

Loss Per Common Share

Primary and fully diluted loss per share are based on the weighted average number of shares of common stock outstanding (16,356,657, 16,334,842 and 16,287,116 during 1984, 1983 and 1982, respectively) and give consideration to the dividend requirements of the preferred stock. In the years 1984, 1983 and 1982, the Company's common stock equivalents and convertible issues were anti-dilutive and therefore were not included in the computation of primary or fully diluted loss per share.

Complex Capital Structure

ALLIED STORES CORPORATION (JAN)

	1985	1984	1983
	(Dollars in thousands except per share amounts)		
Earnings Per Share of Common Stock			
Primary	$6.71	$6.15	$4.41
Fully diluted	5.98	5.61	4.33
Average Common Shares Outstanding			
Primary	20,968,056	20,879,060	20,549,828
Fully diluted	24,903,470	24,043,335	21,312,352

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant Accounting Policies (In Part):

Earnings Per Share: Primary earnings per share of Common Stock were determined by dividing net earnings, after deducting dividends on preferred stock, by the average number of shares outstanding during each year. Fully diluted earnings per share assumes the conversion of debentures and the exercise of stock options.

GAF CORPORATION (DEC)

	1984	1983	1982
	(Thousands of dollars, except per share amounts)		
Net Income (Loss)	$56,702	$(3,841)	$56,229
Earnings Per Common Share (Note 1):			
Primary:			
Continuing	$ 2.62	$ (2.23)	$ .64
Discontinued	—	—	.37
Extraordinary	1.08	1.76	2.70
Net Income (Loss)	$ 3.70	$ (.47)	$ 3.71
Fully Diluted:			
Continuing	$ 2.30	$ (2.23)	$ .70
Discontinued	—	—	.30
Extraordinary	.87	1.76	2.17
Net Income (Loss)	$ 3.17	$ (.47)	$ 3.17

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Significant Accounting Policies

Earnings Per Common Share

Primary earnings per common share are based on the weighted average number of common and common equivalent shares outstanding during each year after giving appropriate effect for preferred stock dividends. Weighted average shares for computing primary earnings per share were (in thousands) 14,510 for 1984, 14,442 for 1983 and 14,338 for 1982.

Fully diluted earnings per share are based on the weighted average number of common and common equivalent shares outstanding and the assumed conversion of convertible securities outstanding after appropriate adjustment for interest on convertible notes. Where the effect of the assumed conversion on net income would be anti-dilutive, primary and fully diluted earnings per share are stated the same. Weighted average shares for computing fully diluted earnings per share were (in thousands) 17,993 for 1984, 17,907 for 1983 and 17,850 for 1982.

HARNISCHFEGER CORPORATION (OCT)

	1984	1983	1982
	(Dollar amounts in thousands except per share figures)		
Net Income (Loss)	$15,176	$(34,630)	$(76,531)
Earnings (Loss) Per Common and Common Equivalent Share:			
Income (loss) before cumulative effect of accounting change.	$ .35	$(3.49)	$(7.64)
Cumulative effect of change in depreciation method	.93	—	—
Net Income (Loss)	$ 1.28	$(3.49)	$(7.64)

Note 14: Earnings (Loss) Per Common Share

The number of shares used in the determination of earnings (loss) per common share was as follows:

	Year Ended October 31, 1984	1983	1982
Average common shares outstanding	11,249,535	10,133,563	10,114,729
Common share equivalents resulting from:			
Assumed conversion of Series A Cumulative Preferred Stock—aggregate par value of $11.75 million converted at $17 per share, based on the average preferred shares outstanding	596,627	—	—
Dilutive stock options outstanding	25,257	—	—
Total	11,871,419	10,133,563	10,114,729

Had the sales made in April, 1984 of 2,150,000 shares of Common Stock, $50 million principal amount of 15% Senior

Notes, and 100,000 Units consisting of $100 million principal amount of 12% Subordinated Debentures and 2,000,000 Common Stock Purchase Warrants, occurred at the beginning of fiscal 1984, with the net proceeds of $149 million applied to the repayment of the then outstanding debt of the Corporation and its subsidiaries, the income per share before the cumulative effect of an accounting change, after the recomputation of interest expense, would have been $.15 in 1984; the cumulative effect of the accounting change would have been $.85 per share, for a total net income of $1.00 per share in 1984. No income tax effects were applicable to the interest adjustment.

HARTMARX CORPORATION (NOV)

	1984	1983	1982
		($000)	
Net earnings for the year	$41,735	$37,615	$31,870
Earnings per common share and common share equivalent	$ 3.36	$ 3.05	$ 2.51
Fully diluted earnings per share	$ 3.14	$ 2.86	$ 2.51

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Accounting Policies (In Part)

Primary earnings per share are computed based on the average number of common shares and common share equivalents outstanding, including convertible preferred shares. When dilutive, stock options are included as share equivalents using the treasury stock method. The number of shares used in computing primary earnings per share was 12,409,000 in 1984, 12,323,000 in 1983 and 12,681,000 in 1982. Fully diluted earnings per share assumes conversion of the outstanding convertible subordinated debentures into common shares at $29.33 per share and elimination of the 8½% interest expense (after-tax) thereon. The number of shares used in computing fully diluted earnings per share was 13,909,000 in 1984, 13,823,000 in 1983 and 12,681,000 in 1982.

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.

INLAND STEEL COMPANY (DEC)

INLAND STEEL-RYERSON FOUNDATION

Grants made by Inland-Ryerson Foundation, Inc., in support of its philanthropic programs totaled $1,573,905. United Way/Community funds received 45 percent of the total, and 36 percent was distributed to educational institutions and programs, including student scholarships. Community welfare agencies received 11 percent; local and national civic activities, 4 percent; cultural organizations, 3 percent; and hospital and health agencies, 1 percent.

HONEYWELL INC. (DEC)

CORPORATE RESPONSIBILITY

Nineteen eighty-four marked the tenth year of Honeywell's formal program to address community concerns. In those ten years, we have centered our efforts on employee volunteer programs, innovative corporate donations and, more recently, partnerships with schools and community agencies.

In 1985 Honeywell will focus its financial and volunteer support on elementary- and secondary-school education, and on the creation of jobs in urban neighborhoods. In addition, more emphasis will be given to initiating community-relations programs at international, divisional and branch-office locations.

Some of our worldwide public-service involvements include the Information Technology Council in Newhouse, Scotland, where Honeywell employees and computers help teenagers learn computer science and electronics. In West Germany, Honeywell awards the Westrick Prize to community agencies or volunteers who make a major contribution to human service.

Last year Honeywell received an award from the U.S. Small Business Administration for purchasing more than $25 million in goods and services from minority vendors. Honeywell employees in Minneapolis donated more than 135,000 pounds of groceries to Minnesota Foodshare, a drive to stock the state's 200 food shelves. In Tampa and St. Petersburg, Florida, our employees work with minority high-school and college students to help improve their mathematics and science skills. In Lexington, Massachusetts, Honeywell supports the 6.2-mile Battlegreen Run, which raises money for disabled young adults.

In 1984 the Honeywell Retiree Volunteer Project grew to include the United Kingdom and five U.S. locations. Retirees' skills and interests are matched to the needs of nonprofit agencies. The services donated by Honeywell retirees save these agencies thousands of dollars.

In 1985 charitable contributions will increase to $8.5 million, including a plan to donate more Honeywell equipment. Total contributions to nonprofit organizations in 1984 were $7.1 million. Approximately 10 percent of the total went to the arts, 45 percent to education and 45 percent to human-service programs, including $1 million to national and local United Ways. Honeywell employees contributed an additional $3 million to the United Way.

Last year the Honeywell Employee Political Action Committee donated $142,000 to U.S. election campaigns. The committee consists of approximately 900 employee members, who evaluate candidates for the U.S. Senate and House of Representatives. Political Action Committee members make all contribution decisions.

PHILLIPS PETROLEUM COMPANY (DEC)

CORPORATE CITIZENSHIP

Providing support to the communities where Phillips operates is a high priority of the company. During the year, Phillips provided $10 million in financial assistance to organizations involved in youth, civic, cultural, educational and health and welfare activities.

Phillips also made noncash contributions of land, equipment and supplies amounting to $5 million in 1984. These gifts were awarded to various philanthropic and conservancy organizations and to colleges and universities across the United States.

Community Involvement

Many amateur athletes who competed in the 1984 Olympics in Los Angeles benefited from Phillips support of swimming and diving. Phillips has been national sponsor of United States Swimming since 1973 and United States Diving since 1979 and will continue in this role through 1988.

To commemorate the 150th birthday of the state of Texas, Phillips awarded over 150 acres of land to the state in 1984. The land adjoins the San Jacinto State Historical Park near Houston and will be incorporated into the park—the most widely visited in Texas. In addition, the company contributed 77 acres of land, also in Texas, to the Nature Conservancy. This publicly supported, nonprofit organization works to protect ecologically significant land.

Educational Support

In 1984 Phillips support of education and educational films amounted to $8 million. Of this, more than $1 million was paid to about 500 colleges and universities through the company's Matching Gift Plan. Under the plan, the company contributes $2 for every $1 donated by an employee, retiree or director. The maximum gift matched is $5,000.

Late in the year, the company introduced its third educational film series, entitled "The Challenge of the Unknown." This seven-part series is aimed at encouraging young people to study mathematics. The series is designed for use in elementary, junior and senior high school math classrooms and includes teaching materials for instructors.

Over the past 10 years, Phillips has sponsored two other educational film series: "The Search for Solutions," which describes the problem-solving process used in science, and "American Enterprise," which examines the economic system of the United States. These two film series have been viewed by approximately 154 million students.

Environmental Protection

Phillips approved capital expenditures of $42 million to protect and improve the environment in 1984. An additional $154 million was spent during the year to operate and maintain existing environmental control systems.

Energy Conservation

During the year, an equivalent of 2.7 million barrels of oil was saved as a result of the energy conservation program implemented by Phillips in 1973. Since that time, the rate of energy use has been reduced by 30 percent. Phillips now uses 18.3 million equivalent barrels of oil a year less than it did in 1973.

ROCKWELL INTERNATIONAL CORPORATION (SEP)

CHARITABLE CONTRIBUTIONS

Recognizing its responsibility to serve its many communities, Rockwell International and its trust fund contributed $9.2 million in fiscal 1984 to education, health and welfare, cultural and civic organizations, an increase of $2 million over 1983. Contributions made in 1984 were allocated as follows: education, 40%; health and welfare (including United Way), 36%; cultural, 12%; and civic organizations, 12%.

SUN COMPANY, INC. (DEC)

BEING A GOOD CITIZEN

Being a good citizen is important to Sun people. Putting our energies back into the communities in which we live is an integral part of our business of getting energy out. Being a good citizen means giving $13.7 million a year in money and employee time from the company for economic development, health and human services, education, and arts and culture. It means adding $1.3 million to the $1 million donated by employees to United Ways around the country. And it's the many ways in which Sun people contribute their personal time and energy.

A computerized skills bank in Tulsa, OK, has started putting social service agencies in touch with individual volunteers and members of the Corporate Volunteer Council. Sun underwrote the hardware and software.

Attracting volunteers was the goal of 16 Dallas area nonprofit agencies which participated in a Volunteer Fair held under the auspices of Sun employees' Responsible Citizenship Program. More than 500 employees and retirees attended.

600 employees helped United Way campaigns around the country in 1984. They were solicitors in their own departments, they joined United Way staffs to call upon other companies, and in Philadelphia they ran a day-long street fair to kick-off the campaign that drew more than 200,000 people.

Better Housing For Chester (PA) is an organization and a goal which Sun supports. BHC buys vacant houses, and rehabilitates and sells them at affordable prices to lower income families.

Creating a Greene Countrie Towne in Philadelphia's West Shore Section is a joint project of the residents, the Pennsylvania Horticultural Society and Sun. The residents are providing the energy, PHS is providing soil, fencing, plants and seeds for gardens and green acres, and Sun is supplying technical and financial help to repair and paint porches and house exteriors.

A series of original paintings has been commissioned by Suncor for historic anniversaries in the provinces of Ontario and Quebec. The paintings were by artists who lived or were born in communities which have been significant crossroads in the history of Canada.

Smoke detectors for the home were sold by the Toledo refinery to the public at wholesale cost as part of a program instituted by St. Vincent Medical Center. The medical center, which has a major burn unit, is a regular recipient of Sun support.

Young people in Erie, PA, get training in auto mechanics and customer relations skills at a Sunoco service station being operated by Perseus House. Actually four group homes, Perseus House helps its teenagers prepare for work, and develop self-reliance and esteem.

Texas Conservation Corps, a model training and employment program for young people, was started in 1984 with leadership from several companies including Sun. In its initial effort, 60 young people worked in state parks building trails, clearing trees, and repainting portions of the Battleship "Texas."

Camp Courageous, Iowa, is one of the finest recreational and developmental programs for the mentally and physically handicapped. Independent of assistance from any government or social agency, the camp relies on the labor of volunteers from the area, and innovative fundraising partnerships with businesses like Sun and its petroleum distributors.

Walt Garrison all-star rodeo in Dallas, which raises money for the Multiple Sclerosis Society, was a major project for the Responsible Citizenship Program. RCP enlisted 148 volunteers from among employees and retirees, and the rodeo raised over $210,000.

TEXTRON INC. (DEC)

EMPLOYEE AND COMMUNITY PROGRAMS

Textron strives to be a valued corporate citizen in the communities where it has facilities. This continuing commitment is realized through employee programs, charitable contributions and social involvement.

EMPLOYEE PROGRAMS

Textron places a high value on its human resources. Employee training and development are continuing priorities. Opportunities range from on-site, job-specific training in areas such as supervisory skills or manufacturing technology to tuition reimbursement for study at local colleges.

Many Divisions work closely with government and community organizations in the recruitment and training of minorities and disadvantaged people. In Rockford, Illinois, for example, Camcar teamed with the Winnebago County Opportunities Industrialization Center (OIC) to design a training program for machine operators. The program has been so successful that most of the graduates are now employed at Camcar.

Textron's Employee Assistance Program (EAP) has expanded its focus. While alcohol and drug related problems are still its primary emphasis, the EAP now helps employees overcome emotional and family problems. The program operates through a network of trained employee volunteers with referral to professional treatment. Textron's EAP volunteers have often been active in community efforts to improve alcohol and drug abuse prevention and treatment, and they have encouraged and assisted other local businesses in setting up effective EAPs.

Divisions also emphasize workplace safety programs, and over the past five years Textron has achieved a distinguished safety record that is on average 40% better than that of comparable industries. Creative safety is discussed at corporate and Division-sponsored forums. In addition, several Divisions have responded to the growing interest in health and fitness by offering "wellness" programs.

Charitable Contributions

In 1984, the Textron Charitable Trust continued its strong support of a wide range of cultural, educational and human service organizations. Most trust gifts are made through the Divisions to organizations in the communities where Textron facilities are located. Other trust activities include the popular matching gift programs for donations by employees and directors; the match is $2 for $1 to cultural and educational institutions and $1 for $1 to hospitals. In 1984, the trust provided scholarships to 139 children of employees.

Trust contributions reveal only part of the story of support for local charities. Textron is very proud of its employees' generous contributions to the United Way. Employees in several divisions have organized special funds to help meet community needs. At Bell Helicopter the Bell Employees Humanity Fund contributed nearly $1 million in 1984 to worthy causes in the Dallas-Ft. Worth area. The fund is collected through voluntary payroll deductions and an employee committee oversees the distributions.

Textron people are equally generous with their time, devoting many hours as fire fighters, advisors on government commissions and to a wide range of activities to improve the quality of life.

Public/Private Partnership

In a New Britain, Connecticut enterprise zone, a turn-of-the-century former Fafnir plant is the centerpiece of a public/private redevelopment project called Enterprise Grove. After moving the plant's operations to nearby Newington, Fafnir sold the property to a developer who plans to renovate it into a modern office complex that local officials hope will bring hundreds of jobs to the city. Fafnir is helping to finance the project in partnership with the city and local banks.

Section 4: Stockholders' Equity

TABLE 4-1: PRESENTATION OF CHANGES IN RETAINED EARNINGS

	1984	1983	1982	1981
Statement of Stockholders' Equity	390	371	354	336
Separate statement of retained earnings	105	114	125	130
Combined statement of income and retained earnings	73	87	94	111
Changes shown in balance sheet or notes	32	28	27	23
Total Companies	**600**	**600**	**600**	**600**

TABLE 4-2: DIVIDENDS

	Number of Companies			
	1984	1983	1982	1981
Cash Dividends Paid to Common Stock Shareholders				
Per share amount disclosed in retained earnings statements	347	348	362	378
Per share amount not disclosed in retained earnings statements	156	159	156	148
Total	**503**	**507**	**518**	**526**
Cash Dividends Paid to Preferred Stock Shareholders				
Per share amount disclosed in retained earnings statements	99	110	110	123
Per share amount not disclosed in retained earnings statement	101	97	106	99
Total	**200**	**207**	**216**	**222**
Dividends Paid By Pooled Companies	**2**	**4**	**2**	**6**
Stock Dividends	**14**	**14**	**17**	**21**
Dividends In Kind	**6**	**6**	**3**	**6**

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 1984 fiscal year transactions are presented throughout this section.

DIVIDENDS

Chapter 7B of *ARB No. 43* discusses the accounting for stock dividends. *APB Opinion No. 15* refers to Chapter 7B and states in part:

> 48. *Stock dividends or splits.* If the number of common shares outstanding increases as a result of a stock dividend or stock split or decreases as a result of a reverse split, the computations should give retroactive recognition to an appropriate equivalent change in capital structure for all periods presented. If changes in common stock resulting from stock dividends or stock splits or reverse splits have been consummated after the close of the period but before completion of the financial report, the per share computations should be based on the new number of shares because the readers' primary interest is presumed to be related to the current capitalization. When per share computations reflect such changes in the number of shares after the close of the period, this fact should be disclosed.

Table 4-2 shows the nature of distributions made by the survey companies to their shareholders. Approximately 69% 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 48% of the survey companies make a similar disclosure for cash dividends paid to preferred stock shareholders.

Examples of distributions to shareholders follow.

Cash Dividends

CLAROSTAT MFG. CO., INC.

Consolidated Statements of Shareowners' Equity

	Common Stock, $1 Par Value Outstanding	Capital in Excess of Par Value	Retained Earnings	Total
Balance at January 2, 1982	$554,194	$979,909	$7,827,952	$ 9,362,055
Purchase of treasury stock	(78,100)	(138,094)	(1,560,581)	(1,776,775)
Net income 1982			737,603	737,603
Cash dividends—$.30 per share			(142,828)	(142,828)
Balance at January 1, 1983	476,094	841,815	6,862,146	8,180,055
Net income 1983			1,268,165	1,268,165
Cash dividends—$.30 per share			(142,828)	(142,828)
Balance at December 31, 1983	476,094	841,815	7,987,483	9,305,392
Net income 1984			1,765,959	1,765,959
Cash dividends—$.70 per share			(333,266)	(333,266)
Balance at December 29, 1984	$476,094	$841,815	$9,420,176	$10,738,085

CENTRAL SOYA COMPANY, INC.

Consolidated Statement of Retained Earnings

(In thousands, except per share amounts)

Years ended August 31,	1984	1983	1982
Balance at beginning of year	$278,972	$266,413	$259,719
Net earnings	21,874	25,199	19,467
Cash dividends ($.84 per share)	(12,143)	(12,640)	(12,773)
Balance at end of year	$288,703	$278,972	$266,413

COMBUSTION ENGINEERING, INC.

Consolidated Statement of Retained Earnings

For the Years Ended December 31,	1984	1983	1982
	(Dollars in Thousands, Except per Share Amounts)		
Balance at Beginning of Year	$687,447	$768,813	$643,967
Net income (loss)	99,570	(20,375)	183,422
	787,017	748,438	827,389
Deduct:			
Cash dividends declared on Common Stock—$1.84 per share in 1984 and 1983 and $1.78 in 1982	61,033	60,991	58,576
Balance at End of Year	$725,984	$687,447	$768,813

KNAPE & VOGT MANUFACTURING COMPANY

Consolidated Statements of Stockholders' Equity

($000)	Year ended June 30, 1984	1983	1982
Common Stock:			
Balance, at beginning and end of year	$ 2,767	$ 2,767	$ 2,767
Additional Paid-in Capital:			
Balance, at beginning of year	$ 73	$ 73	$ 65
Sale of 10,005 shares of treasury stock	—	—	8
Balance, at end of year	$ 73	$ 73	$ 73
Foreign Currency Translation Adjustment:			
Balance, at beginning of year	$ (153)	$ (313)	$ —
Adjustment at July 1, 1981	—	—	(90)
Current year adjustment	(267)	159	(223)
Balance, at end of year	$ (420)	$ (153)	$ (313)
Retained Earnings:			
Balance, at beginning of year	$29,015	$27,593	$27,274
Net income for the year	4,673	2,871	1,783
Cash dividends—$1.30, $1.10 and $1.10 per share	(1,671)	(1,450)	(1,464)
Balance, at end of year	$32,017	$29,014	$27,593
Treasury stock:			
Balance, at beginning of year	$ (2,114)	$ (1,100)	$ (1,260)
Sale of 10,005 shares	—	—	160
Purchase of 48,300 shares	—	(1,014)	—
Balance, at end of year	$ (2,114)	$ (2,114)	$ (1,100)

McCORMICK & COMPANY, INCORPORATED

Income and Retained Earnings

	Year ended November 30 1984	1983	1982
	(Dollars in thousands except per-share data)		
Net income	$ 54,596	$ 40,113	$ 24,969
Retained earnings, beginning of year	158,621	129,525	114,357
	213,217	169,638	139,326
Reductions in retained earnings			
Dividends declared			
Preferred stock—$5.00 per share	14	21	15
Common stock (voting and non-voting) per share, 1984—$1.13; 1983—$.88; 1982—$.79	13,979	10,996	9,786
Excess cost of treasury shares issued for employee stock option plans	233		
	14,226	11,017	9,801
Retained earnings, end of year	$198,991	$158,621	$129,525
Earnings per common share	$ 4.40	$ 3.22	$ 2.02

UNIVERSAL LEAF TOBACCO COMPANY, INCORPORATED

Consolidated Statements of Income and Retained Earnings

Years Ended June 30, 1984, 1983 and 1982

	1984	1983	1982
	(In thousands of dollars)		
Net Income	$ 38,282	$ 36,641	$ 34,271
Retained Earnings—Beginning of Year	221,580	199,755	179,272
	259,862	236,396	213,543
Dividends:			
Preferred—$8.00 per share	8	13	14
Common—$.90 per share ($.85—1983; $.79—1982)	15,596	14,803	13,774
	15,604	14,816	13,788
Retained Earnings—End of Year	$244,258	$221,580	$199,755

Stock Dividends

CRANE CO.

Consolidated Statements of Retained Earnings

For Years Ended December 31	1984	1983	1982
Balance at Beginning of Year	$138,255,616	$268,583,058	$301,243,194
Net Income (Loss)	30,964,970	(109,060,040)	(3,342,570)
	169,220,586	159,523,018	297,900,624
Dividends Declared:			
Preferred shares—$3.75 per share	6,191	6,191	6,191
Common shares:			
Cash—$1.60 per share ($1.57 in 1983 and $1.54 in 1982)	15,294,053	16,316,111	15,955,745
Stock—2%, market value of 204,224 shares (199,554 in 1983 and 199,193 in 1982)	6,230,874	4,988,850	6,151,080
Excess of Cost Over Par Value of Reacquired Shares—Net	24,632,414	(43,750)	7,204,550
	46,163,532	21,267,402	29,317,566
Balance at End of Year	$123,057,054	$138,255,616	$268,583,058

Consolidated Statements of Additional Paid-in Capital

For Years Ended December 31	1984	1983	1982
Balance at Beginning of Year	$64,735,976	$60,742,128	$55,688,760
Excess of debentures converted over par value of 18,475 common shares issued (32,278 in 1983 and 19,157 in 1982)	141,097	252,210	147,244
Excess of market value over par value of common shares issued as a 2% stock dividend	4,954,474	3,741,638	4,906,124
Excess of cost over par value of 550,100 reacquired common shares since July 1, 1984	(17,742,627)	—	—
Balance at End of Year	$52,088,920	$64,735,976	$60,742,128

JOHN FLUKE MFG. CO., INC.

Consolidated Statements of Stockholders' Equity

(In thousands except shares)	Number of Shares Outstanding	Par Value of Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury and Non-Vested Shares
Balance, Sept. 25, 1981	6,707,490	$1,677	$32,988	$30,209	
Net income				7,831	
5% stock dividend distributed March 31, 1982 at fair market value	338,767	85	5,886	(5,971)	
Exercise of stock options	40,000	10	675		
Income tax benefit from non-qualified stock options			33		
Issuance of shares under the employee stock purchase plan	82,436	20	1,451		
Purchase of treasury shares	(69,748)				$1,194
Balance, Sept. 24, 1982	7,098,945	$1,792	$41,033	$32,069	$1,194
Net income				9,585	
Issuance of 21,290 shares from treasury awarded under the Long-Term Performance Stock Plan less 730 shares forfeited	20,560		207		207
5% stock dividend distributed March 31, 1983 at fair market value	356,936	89	9,771	(9,860)	
Exercise of stock options	63,700	16	1,128		
Income tax benefit from non-qualified stock options			41		
Issuance of shares under the employee stock purchase plan	14,068	4	326		
Balance, Sept. 30, 1983	7,554,209	$1,901	$52,506	$31,794	$1,401
Net income				18,983	
Issuance of 23,110 shares from treasury awarded under the Long-Term Performance Stock Plan less 2,196 shares forfeited	20,914		257		257
Vesting of 7,288 shares under the Long-Term Performance Stock Plan					(200)
5% stock dividend distributed March 30, 1984 at fair market value	379,181	95	9,953	(10,048)	
Exercise of stock options	10,900	2	237		
Income tax benefit from non-qualified stock options and stock award plans			103		
Balance, Sept. 28, 1984	7,965,204	$1,998	$63,056	$40,729	$1,458

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Stockholders' Equity

Stock Dividends— 5% stock dividends were distributed on March 30, 1984 and March 31, 1983 and 1982, to stockholders of record on February 22, 1984, February 18, 1983 and February 19, 1982, respectively. Average shares outstanding and all per share amounts included in the financial statements and notes are based on the increased number of shares giving retroactive effect to these stock dividends.

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 for a pooling of interests. Examples of adjustments to the opening balance of retained earnings follow.

TABLE 4-3: ADJUSTMENTS TO OPENING BALANCE OF RETAINED EARNINGS

	Number of Companies			
	1984	**1983**	**1982**	**1981**
Pooling of interests	12	11	11	17
LIFO discontinued	3	3	2	—
Change in accounting for foreign currency translation	—	2	19	29
Change in accounting for compensated absences	1	—	39	127
Other—Described	8	9	12	9

Pooling of Interests

THE DUN & BRADSTREET CORPORATION

Consolidated Statement of Shareowners' Equity

Three Years Ended December 31, 1984	Common Stock ($1 Par Value)	Capital in Excess of Par Value	Retained Earnings	Cumulative Translation Adjustment	Total
Balance, January 1, 1982	$55,996,000	$58,655,000	$ 324,755,000	$ (3,786,000)	$ 435,620,000
Pooling of interests—A.C. Nielsen Company	19,648,000	2,865,000	168,778,000		191,291,000
Balance, January 1, 1982, as restated	75,644,000	61,520,000	493,533,000	(3,786,000)	626,911,000
Net income			186,313,000		186,313,000
Cash dividends ($1.33 per share)			(86,885,000)		(86,885,000)
Treasury shares reissued under stock option and deferred compensation plans	512,000	11,643,000			12,155,000
Treasury shares acquired	(204,000)	(127,000)	(6,792,000)		(7,123,000)
Change in cumulative translation adjustment				(3,824,000)	(3,824,000)
Balance, December 31, 1982	75,952,000	73,036,000	586,169,000	(7,610,000)	727,547,000
Adjustments to conform fiscal year—A.C. Nielsen Company			6,458,000	(4,669,000)	1,789,000
Balance, December 31, 1982, as restated	75,952,000	73,036,000	592,627,000	(12,279,000)	729,336,000
Net income			218,651,000		218,651,000
Cash dividends ($1.545 per share)			(102,073,000)		(102,073,000)
Treasury shares reissued under stock option and deferred compensation plans	278,000	9,276,000			9,554,000
Treasury shares acquired	(192,000)	(93,000)	(11,413,000)		(11,698,000)
Change in cumulative translation adjustment				(4,445,000)	(4,445,000)
Balance, December 31, 1983	76,038,000	82,219,000	697,792,000	(16,724,000)	839,325,000
Net income			521,561,000		521,561,000
Cash dividends ($1.81 per share)			(123,718,000)		(123,718,000)
Treasury shares reissued under stock option and deferred compensation plans	133,000	4,244,000			4,377,000
Treasury shares acquired	(129,000)	(47,000)	(7,574,000)		(7,750,000)
Change in cumulative translation adjustment				(8,282,000)	(8,282,000)
Balance, December 31, 1984	$76,042,000	$86,416,000	$1,088,061,000	$(25,006,000)	$1,225,513,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 (In Part): Acquisitions

On August 29, 1984, the Company issued 19,647,580 shares of its common stock in exchange for all the outstanding shares of A,C. Nielsen Company's Class A and Class B Common Stock. A.C. Nielsen Company's Class C Special Stock was exchanged for nominal consideration. This transaction has been accounted for as a pooling of interests and, accordingly, the accompanying financial statements relating to prior periods have been restated to include the accounts of A.C. Nielsen Company.

Prior to acquisition, A.C. Nielsen Company used a fiscal year ending August 31. As noted above, the Company's 1984 and 1983 financial statements reflect the accounts of A.C. Nielsen Company for the twelve months ended November 30. Financial statements for 1982 include the accounts of A.C. Nielsen Company for its former fiscal year ended August 31. Accordingly, the Consolidated Statement of Income does not include the three-month period ended November 30, 1982 for A.C. Nielsen Company. The change in shareowners' equity during this quarter is reflected as an adjustment to the December 31, 1982 balances in the Consolidated Statement of Shareowners' Equity. The adjustment includes net income earned (9,938,000) reduced by the dividends paid ($3,480,000) during the period, and A.C. Nielsen Company's change in accounting for foreign currency translation ($4,669,000), which was effective September 1, 1982, to conform to the provisions of Statement of Financial Accounting Standards No. 52. Also, the Consolidated Statement of Changes in Financial Position reflects the net use of funds by A.C. Nielsen Company ($37,129,000) during this quarter.

Reconciliations of results of operations previously reported by the separate entities prior to the merger and as restated for the combined Company follow:

($000)	Dun & Bradstreet	A.C. Nielsen	Combined
For the Six Months Ended June 30, 1984 (Unaudited):			
Periods Combined: Dun & Bradstreet—period ended June 30; A.C. Nielsen—period ended May 31			
Operating Revenue	$ 770,098	$358,911	$1,129,009
Income from Operations	$ 99,306	$ 26,785	$ 126,091
Gain from Redeployment Program, Net of Taxes	265,678		265,678
Net Income	$ 364,984	$ 26,785	$ 391,769
For the Year Ended December 31, 1983:			
Periods Combined: Dun & Bradstreet—period ended December 31; A.C. Nielsen—period ended November 30			
Operating Revenue	$1,370,656	$689,821	$2,060,477
Net Income	$ 167,422	$ 51,229	$ 218,651
For the Year Ended December 31, 1982:			
Periods Combined: Dun & Bradstreet—period ended December 31; A.C. Nielsen—period ended August 31			
Operating Revenue	$1,193,635	$643,826	$1,837,461
Net Income	$ 142,122	$ 44,191	$ 186,313

Prior Period Adjustment

AMERICAN BUILDING MAINTENANCE INDUSTRIES

Consolidated Statement of Shareholders' Equity

Years Ended October 31, 1982, 1983, and 1984
(In thousands of shares and dollars)

	Common Stock			Retained Earnings
	Shares	Amount	Additional Capital	(Restated) (Note 2)
Balance October 31, 1981, as previously reported ...	3,321	$ 984	$ 7,843	$37,978
Prior period adjustment (Note 2)				(3,951)
Balance October 31, 1981, as restated	3,321	984	7,843	34,027
Net income				6,911
Dividends				(2,223)
Stock reacquired	(51)	(15)	(647)	
Stock issued under employees' stock option & purchase plans	98	28	1,031	
Balance October 31, 1982 .	3,368	997	8,227	38,715
Net income				7,764
Dividends				(2,567)
Stock issued under employees' stock option & purchase plans	127	38	1,718	
Balance October 31, 1983 .	3,495	1,035	9,945	43,912
Net income				7,493
Dividends				(2,908)
Stock issued under employees' stock option & purchase plans	100	30	1,835	
Balance October 31, 1984 .	3,595	$1,065	$11,780	$48,497

Note 2. Adjustment of Prior Years' Financial Statements

The company is self-insured for property damage and personal liability and, in most instances, workers' compensation coverages, up to certain limits. In this regard, the company has made adjustments to its 1979 financial statements to reflect liabilities that existed at that time. The result of this adjustment is to increase other accrued liabilities by $7,597,000, decrease deferred income taxes by $3,646,000 and decrease retained earnings by $3,951,000 for the years ended 1983, 1982, 1981 and 1980. There is no material effect on the statement of income for any of the years presented.

Change in Accounting Principles

AIR PRODUCTS AND CHEMICALS, INC.

Changes in Shareholders' Equity

	(number of shares)	(in thousands of dollars)		
	Common Stock $1 Par Value	Capital in Excess of Par Value	Retained Earnings	Cumulative Translation Adjustments
Balance, Beginning of Year 1982	28,569,890	$161,728	$583,837	$(20,660)
Restatement for change to percentage-of-completion method of accounting (Note 1)			6,947	
	28,569,890	161,728	590,784	(20,660)
Net Income (Restated)			168,730	
Cash Dividends—Common Stock, $.80 per share			(23,118)	
Shares issued for:				
Employees Savings and Stock Ownership Plan	54,481	2,254		
Incentive Compensation Plan Awards	14,908	413		
Exchange of long-term debt	1,011,736	26,905		
Purchase of Treasury Stock	(885)	(31)		
Translation adjustments for the period, net of income taxes of $2,899				(13,198)
Balance, Beginning of Year 1983	29,650,130	191,269	736,396	(33,858)
Net Income (Restated)			106,358	
Cash Dividends—Common Stock, $.90 per share			(27,720)	
Shares issued for:				
Employees Savings and Stock Ownership Plans	163,988	5,085		
Incentive Compensation Plan Awards	25,094	687		
Common Stock sale	1,250,000	49,396		
Purchase of Treasury Stock	(1,234)	(25)		
Other		(13)		
Translation adjustments for the period, net of income taxes of $2,469				(8,866)
Balance, Beginning of Year 1984	31,087,978	246,399	815,034	(42,724)
Net Income			140,618	
Cash Dividends—Common Stock, $1.05 per share			(32,428)	
Shares issued for Incentive Compensation Plan Awards	32,488	830		
Purchase of Treasury Stock	(329,900)	(14,044)		
Translation adjustments for the period, net of income taxes of $3,375				(25,677)
Balance, End of Year 1984 (Note 2)	30,790,566	$233,185	$923,224	$(68,401)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Major Accounting Policies

Accounting Changes

During the first quarter of fiscal 1984, the company changed its method of accounting for fixed-price and fixed-fee sales contracts of equipment and engineering services from the completed-contract method to the percentage-of-completion method. The percentage-of-completion method is used by most construction and engineering companies, and its adoption permits a more meaningful comparison of the company's results with those of other firms.

The financial statements of the prior periods have been restated to apply the new method retroactively. For income tax purposes the completed-contract method has been continued. This accounting change increased net income by $.6 million or $.02 per share for fiscal 1984. This change decreased net income by $2.6 million or $.08 per share for fiscal 1983 and by $1.7 million or $.06 per share for fiscal 1982.

During fiscal 1982, the company changed from the deferral method to the predominant U.S. industry practice of accounting for investment tax credits by the flow-through method. For more information, see the Investment Tax Credits section of this footnote.

RAYMARK CORPORATION

Consolidated Statements of Shareholders' Equity

(000's omitted, except share data)

	Number of Shares Outstanding	Common Stock	Other Capital	Retained (Deficit) Earnings	Cumulative Translation Adjustment	Treasury Stock
Balance, December 27, 1981, as previously reported	2,696,558	$35,760	$19,099	$50,561	$ (901)	$(3,367)
Adjustment for the cumulative effect of retroactive application of change to FIFO inventory valuation method	—	—	—	9,068	—	—
Balance, December 27, 1981, as restated	2,696,558	35,760	19,099	59,629	(901)	(3,367)
Net loss for 53 weeks ended January 2, 1983	—	—	—	(37,150)	—	—
Cash dividends declared, $.30 per share	—	—	—	(837)	—	—
Treasury shares acquired	(792)	—	—	—	—	(10)
Treasury shares issued to employee benefit plans	22,234	—	—	(235)	—	456
Foreign currency translation adjustment	—	—	—	—	(611)	—
Balance, January 2, 1983, as restated	2,718,000	35,760	19,099	21,407	(1,512)	(2,921)
Net loss for 52 weeks ended January 1, 1984	—	—	—	(11,127)	—	—
Treasury shares issued to employee benefit plans	142,806	—	—	(1,122)	—	2,921
Foreign currency translation adjustment	—	—	—	—	(156)	—
Balance, January 1, 1984, as restated	2,860,806	35,760	19,099	9,158	(1,668)	—
Net loss for 52 weeks ended December 30, 1984	—	—	—	(41,931)	—	—
Foreign currency translation adjustment	—	—	—	—	(394)	—
Balance, December 30, 1984	2,860,806	$35,760	$19,099	$(32,773)	$(2,062)	$ —

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(000's omitted, except share data)

Note B—Inventories

As a result of the disposition of the Company's Brake Systems Division which constituted 61 percent of consolidated LIFO inventories at December 30, 1984, reduced inventory levels and declining prices in the Company's remaining businesses in 1984, the Company changed its cost method for inventories to the first-in, first-out (FIFO) method during the fourth quarter of 1984. The last-in, first-out (LIFO) method had been used in prior years for substantially all inventories. Management believes the FIFO method will result in a better matching of current costs and revenues.

The new method of accounting has been applied retroactively, and financial statements of prior years have been restated. The impact of the restatement on net loss and net loss per share was:

	1984		1983(1)		1982	
	Net Loss	Net Loss Per Share	Net Loss	Net Loss Per Share	Net Loss	Net Loss Per Share
Continuing operations	$ 291	$0.10	$(890)	$(0.32)	$110	$0.04
Discontinued operations	5,660	1.98	532	0.19	(10)	—
Increase (decrease) net loss	$5,951	$2.08	$(358)	$(0.13)	$100	$0.04

(1) The impact of the restatement on discontinued operations for 1983 was to decrease the gain on disposal by $532.

Inventories at FIFO consist of the following:

Fiscal Year	1984	1983
Raw material	$ 6,770	$ 8,593
Work in process	11,848	9,948
Finished goods	14,092	15,185
	$32,710	$33,726

OTHER CHANGES IN RETAINED EARNINGS

In addition to opening balance adjustments, the retained earnings account is affected by direct charges and credits. The most frequent direct charges to retained earnings are net loss for the year, losses on treasury stock transactions, and cash or stock dividends. The most common direct credit to retained earnings is net income for the year. 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			
	1984	1983	1982	1981
Charges				
Purchase or retirement of capital stock	51	37	43	39
Treasury stock issued for less than cost	25	22	21	16
Translation adjustments	17	15	15	3
Preferred stock accretion	12	10	6	5
Other—Described	22	13	14	23
Credits				
Poolings of interests	7	8	9	13
Other—Described	12	16	22	13

Treasury Stock Transactions

ARMADA CORPORATION

Consolidated Statement of Shareholders' Equity

For the Years Ended December 31, 1984, 1983 and 1982

	Common Stock	Additional Paid-in Capital	Earnings Retained for Use in the Business	Cumulative Foreign Currency Adjustment	Total
Balance, January 1, 1982	$1,579,000	$11,368,000	$18,176,000		$31,123,000
Net loss			(52,000)		
Shares issued (66,250) upon exercise of stock options	66,000	258,000			
Purchase of 109,307 common shares	(109,000)	(675,000)			
Foreign currency adjustment				$(170,000)	
Balance, December 31, 1982	1,536,000	10,951,000	18,124,000	(170,000)	$30,441,000
Net income			301,000		
Foreign currency adjustment				(17,000)	
Balance, December 31, 1983	1,536,000	10,951,000	18,425,000	(187,000)	$30,725,000
Net income			532,000		
Purchase of 578,712 common shares	(579,000)	(4,127,000)	(5,755,000)		
Shares issued (10,000) upon exercise of stock options	10,000	61,000			
Foreign currency adjustment				(94,000)	
Balance, December 31, 1984	$ 967,000	$ 6,885,000	$13,202,000	$(281,000)	$20,773,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Purchase of Common Stock

On March 8, 1984, the Company entered into an agreement to purchase 578,712 shares of its Common Stock at a price of $18.00 per share from Leonard Friedman and M. Larry Lawrence, who were then directors of the Company, and certain affiliates of Messrs. Friedman and Lawrence. This purchase was completed on May 2, 1984. The Board of Directors approved the agreement to purchase these shares in order to resolve major policy differences with Messrs. Friedman and Lawrence who were advocating the sale and/or liquidation of all of the Company's businesses, a policy opposed by the other members of the Board of Directors.

Reference is made to Note 15 of Notes to Consolidated Financial Statements for information regarding legal proceedings.

GREIF BROS. CORPORATION

Consolidated Statements of Earnings Retained for Use in the Business

($000)

For the years ended October 31,	1984	1983	1982
Balance at beginning of year	$172,923	$159,695	$148,595
Net income	25,835	20,939	18,811
	198,758	180,634	167,406
Dividends paid in the fiscal years:			
On Class "A" common stock—$.48 per share ($.46 per share in 1983 and 1982)	2,769	2,674	2,674
On Class "B" common stock—$.70 per share ($.67 per share in 1983 and 1982)	5,262	5,035	5,036
	8,031	7,711	7,710
Cost of shares of Class "A" common stock	4,525	—	—
Balance at end of year	$186,202	$172,923	$159,695

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2—Capital Stock and Retained Earnings

Class "A" common stock is entitled to cumulative dividends of 2 cents a share per year after which Class "B" common stock is entitled to non-cumulative dividends up to 1 cent a share per year. Further distribution in any year must be made in proportion of 1 cent a share for Class "A" common stock to 1½ cents a share for Class "B" common stock. The Class "A" common stock shall have no voting power nor shall it be entitled to notice of meetings of the stockholders, all rights to vote and all voting power being vested exclusively in the Class "B" common stock unless four quarterly cumulative dividends upon the Class "A" common stock are in arrears. There is no cumulative voting. The Company has acquired 6,104,784 Class "A" and Class "B" common stock for treasury at a cost of $7,306,644 which was appropriately charged against earnings retained for use in the business. Included in the above are 225,000 shares of Class "A" common stock acquired in 1984 for $4,525,000.

POTLATCH CORPORATION

Statement of Retained Earnings

For the years ended December 31 (Dollars in thousands—except per-share amounts	1984	1983	1982
Balance at beginning of year	$438,423	$429,957	$439,370
Net earnings	49,631	40,467	22,533
Dividends:			
Common, $1.50 per share ($1.48 per share in 1983 and 1982)	(23,064)	(22,720)	(22,665)
Preferred, $12.375 per share (Note 7)	(6,641)	(9,281)	(9,281)
Premium on purchase of redeemable preferred stock (Note 7)	(1,750)	—	—
Balance at end of year	$456,599	$438,423	$429,957

Note 7: Redeemable Preferred Stock

The company had 389,400 shares of redeemable preferred stock outstanding at December 31, 1984. This stock may not be redeemed prior to January 15, 1986. On or after that date, the company, at its option, may redeem all or part of the shares at $100 per share, plus accrued and unpaid dividends and a premium of $7.22 per share in 1986, declining uniformly each year to no premium in 1993. The company is required to make sinking fund payments commencing January 15, 1987, sufficient to redeem 75,000 shares annually until all stock is retired, at $100 per share plus accrued and unpaid dividends. The company, at its election, may redeem up to an additional 75,000 shares annually. The preferred stock has a liquidation value of $100 per share.

During 1984, the board of directors authorized management to purchase and retire up to 450,000 shares of the redeemable preferred stock from time to time in the open market or in negotiated transactions at then current market prices. As of December 31, 1984, the company had purchased and retired 369,600 shares of the initially issued 750,000 shares. Prices paid ranged from $102.125 to $105.975 per share.

Dividends on the preferred stock are payable quarterly. In the event that dividends payable on the preferred stock are in arrears, or if the company fails to comply with its mandatory redemption obligation, the company may not declare or pay any dividends on, or make other distributions on, or purchase, redeem or otherwise acquire for value its common stock.

RAYTHEON COMPANY

Statement of Stockholders' Equity

Years Ended December 31, 1984, 1983, and 1982

	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Foreign Exchange	Retained Earnings
			(In thousands)		
Balance at December 31, 1981	84,180	$84,180	$138,098	$ —	$1,313,735
Net income					318,766
Dividends declared—$1.40 per share					(118,034)
Proceeds under common stock option plans	267	267	7,133		
Treasury shares acquired on exercise of stock options	(34)	(34)	(1,342)		
Foreign exchange translation adjustments					
Beginning of year adjustment				(12,844)	
Current year adjustment				(18,139)	
Balance at December 31, 1982	84,413	84,413	143,889	(30,983)	1,514,467
Net income					300,147
Dividends declared—$1.40 per share					(118,391)
Proceeds under common stock option plans	216	216	6,879		
Treasury shares acquired on exercise of stock options	(3)	(3)	(214)		
Foreign exchange translation adjustments				(12,979)	
Balance at December 31, 1983	84,626	84,626	150,554	(43,962)	1,696,223
Net income					243,242
Dividends declared—$1.45 per share					(122,658)
Proceeds under common stock option plans	128	128	4,575		
Treasury shares purchased	(400)	(400)	(726)		(15,227)
Foreign exchange translation adjustments				(17,172)	
Balance at December 31, 1984	84,354	$84,354	$154,403	$(61,134)	$1,801,580

Preferred Stock Conversion

TIME INCORPORATED

Consolidated Statement of Shareholders' Equity

	Common Stock	Additional Paid-in Capital	Foreign Currency Translation	Deferred Compensation	Retained Income	Treasury Stock
			(in thousands)			
Balance at December 31, 1981	$49,820	$204,347	—	—	$823,475	$ (504)
Cumulative translation adjustment at January 1, 1982	—	—	$ (269)	—	—	—
Net income	—	—	—	—	153,115	—
Stock issued for stock options, restricted stock and benefit plans	865	23,178	—	$(1,183)	—	—
Conversion of Series B Preferred Stock	1,591	34,232	—	—	—	—
Conversion and redemption of Series C Preferred Stock	4,545	140,492	—	—	(220)	—
Dividends paid on Series B Preferred Stock—$1.575 per share	—	—	—	—	(6,802)	—
Dividends paid on Series C Preferred Stock—$3.375 per share	—	—	—	—	(10,160)	—
Dividends paid on Common Stock—$1.00 per share	—	—	—	—	(52,541)	—
Translation adjustment for the period	—	—	(4,176)	—	—	—
Amortization of deferred compensation	—	—	—	217	—	—
Balance at December 31, 1982	$56,821	$402,249	$(4,445)	$ (966)	$906,867	$ (504)
Net income	—	—	—	—	168,934	—
Stock issued for stock options, restricted stock and benefit plans	935	42,579	—	(7,579)	—	—
Conversion of Series B Preferred Stock	1,821	39,268	—	—	—	—
Dividends paid on Series B Preferred Stock—$1.575 per share	—	—	—	—	(4,767)	—
Dividends paid on Common Stock—$1.00 per share	—	—	—	—	(58,031)	—
Translation adjustment for the period	—	—	(2,991)	—	—	—
Amortization of deferred compensation	—	—	—	1,053	—	—
Adjustment of prior-year acquisition	—	60	—	—	—	(60)
Divestiture of Temple-Inland operations	—	(314,662)	—	—	(345,137)	—
Balance at December 31, 1983	$59,577	$169,494	$(7,436)	$(7,492)	$667,866	$ (564)
Net income	—	—	—	—	216,398	—
Common Stock purchased	—	—	—	—	—	(83,376)
Stock issued for stock options, restricted stock and benefit plans	379	10,256	—	(2,338)	(1,675)	6,950
Conversion and redemption of Series B Preferred Stock	1,846	29,993	—	—	(16,103)	29,020
Conversion of 11¼% subordinated convertible notes	340	11,390	—	—	—	—
Dividends paid on Series B Preferred Stock—$1.575 per share	—	—	—	—	(2,514)	—
Dividends paid on Common Stock—$.82 per share	—	—	—	—	(49,789)	—
Translation adjustment for the period	—	—	(2,260)	—	—	—
Amortization of deferred compensation	—	—	—	2,501	—	—
Balance at December 31, 1984	$62,142	$221,133	$(9,696)	$(7,329)	$814,183	$(47,970)

NOTES TO FINANCIAL STATEMENTS

Preferred Stock

The number of authorized shares of Preferred Stock is 25,000,000 shares. Each share of $1.575 Cumulative Convertible Series B Preferred Stock is entitled to 1.3 votes, voting together with the Company's Common Stock as a single class, and is redeemable pursuant to a mandatory sinking fund. The stated redemption requirement and involuntary liquidation preference was $29,721,000 in 1984 and $75,012,000 in 1983. The Company is required to redeem 358,200 shares ($10,746,000 per year), and may also redeem an additional 358,200 shares, on July 1 of each year commencing in 1984 at $30 per share. In addition, these shares are redeemable at the option of the Company at prices ranging from $30.90 per share beginning July 1, 1986, to $30 per share on and after July 1, 1989. Each share is convertible into approximately 1.79 shares of Common Stock, subject to adjustment upon the occurrence of certain events of dilution, including stock splits and stock distributions. In July 1984, the Company called 716,400 of the outstanding shares for redemption, of which 703,656 were converted into approximately 1,259,500 shares of Common Stock and the balance redeemed by the Company.

If the Company defaults in the payment of six quarterly dividends on the Series B Preferred Stock, the holders of Series B Preferred Stock, voting as a separate class, will have the right to elect two additional directors until all dividends in default have been paid.

Changes in Series B Preferred Stock are as follows:

	1984	1983	1982
	(in thousands)		
Balance at January 1	$74,568	$115,601	$151,039
Stock options exercised	79	56	385
Conversion to Common Stock	(44,807)	(41,089)	(35,823)
Shares redeemed	(380)	—	—
Balance at December 31	$29,460	$ 74,568	$115,601

Preferred Stock Accretion

ANHEUSER-BUSCH COMPANIES, INC.

Consolidated Statement of Changes in Shareholders Equity and Convertible Redeemable Preferred Stock

(In millions, except per share data)

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock	Foreign Currency Translation Adjustment	Convertible Redeemable Preferred Stock
Balance At December 31, 1981	$45.6	$ 67.2	$1,094.9	$ (.9)		
Net income			287.3			
Cash dividends ($1.38 per share)			(65.8)			
Shares issued under stock option plans		1.0				
Shares issued in the acquisition of a company						$285.0
Shares issued upon conversion of the 9.00% convertible debentures	2.8	94.5				
Balance At December 31, 1982	48.4	162.7	1,316.4	(.9)		285.0
Net income			348.0			
Cash dividends:						
Common ($1.62 per share)			(78.3)			
Preferred ($3.60 per share)			(29.7)			
Shares issued under stock option plans	.1	4.5				
Accretion of preferred stock			(1.0)			1.0
Foreign currency translation adjustment					$(3.7)	
Balance At December 31, 1983	48.5	167.2	1,555.4	(.9)	(3.7)	286.0
Net income			391.5			
Cash dividends:						
Common ($1.88 per share)			(89.7)			
Preferred ($3.60 per share)			(27.0)			
Shares issued under stock option plans	.1	6.0				
Accretion of preferred stock			(.9)			.9
Shares acquired as treasury stock				(92.6)		
Foreign currency translation adjustment					(2.9)	
Balance At December 31, 1984	$48.6	$173.2	$1,829.3	$(93.5)	$(6.6)	$286.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Common and Preferred Stock

In March 1984, the Board of Directors amended a 1982 resolution to authorize the company to purchase up to 4.8 million shares of its common stock. The shares will be used for the conversion to common stock of preferred stock issued in connection with the acquisition of Campbell Taggart. In 1984, 1,444,600 shares were purchased for $92.6 million.

In connection with the acquisition of Campbell Taggart, the company issued 7,500,766 shares of convertible redeemable preferred stock, par value $1. The convertible redeemable preferred stock has a redemption value of $40, requires dividend payments at a rate of $3.60 per year, is non-callable for five years and subject to mandatory redemption at the end of fifteen years. The preferred shares are also convertible into .645 of a share of the company's common stock and have voting rights in this ratio. The difference between the redemption value and the carrying value is being amortized over fifteen years.

Fiscal Year End Change

GENERAL HOST CORPORATION

Consolidated Statement of Changes in Shareholders' Equity

(Dollars in thousands)

Fiscal Years Ended January 27, 1985, December 31, 1983 and December 25, 1982

	Shares of Common Stock Issued	Shares of Common Stock In Treasury	Common Stock Issued	Capital in Excess of Par Value	Retained Earnings	Common Stock in Treasury	Notes Receivable Arising from Exercise of Stock Options	Total Shareholders Equity
Balance at Dec. 26, 1981....	6,352,088	(1,627,234)	$ 6,352	$ 67,057	$20,131	$(14,016)	$(2,004)	$ 77,520
Net income....................					9,681			9,681
Cash dividends................					(2,980)			(2,980)
Conversion of:								
5% Convertible Subordinated Debentures........	56,348		57	686				743
12¾% Convertible Subordinated Debentures......	2,154,025		2,154	30,105				32,259
Sale of common stock.........		1,375,000		8,010		12,430		20,440
Treasury stock purchases.....		(387,126)				(4,393)		(4,393)
Stock options exercised.......	414,000		414	4,136			(4,325)	225
Income tax benefit from stock options exercised...........				268				268
Note repayments and notes accepted under loan forgiveness plan, net..........							740	740
Five-for-four stock split.......	2,244,115	(159,516)	2,244	(2,244)				
Balance at Dec. 25, 1982....	11,220,576	(798,876)	11,221	108,018	26,832	(5,979)	(5,589)	134,503
Net income....................					17,949			17,949
Cash dividends................					(4,537)			(4,537)
Treasury stock purchases.....		(325,409)				(5,204)		(5,204)
Stock options exercised.......	41,250		41	112			(138)	15
Income tax benefit from stock options exercised...........				300				300
Note repayments and notes accepted under loan forgiveness plan, net..........							3,988	3,988
Five-for-four stock split.......	2,815,456	(280,615)	2,815	(2,815)				
Balance at Dec. 31, 1983....	14,077,282	(1,404,800)	14,077	105,615	40,244	(11,183)	(1,739)	147,014
Four weeks ended Jan. 29, 1984:								
Net loss......................					(3,721)			(3,721)
Cash dividend..............					(1,263)			(1,263)
Treasury stock purchases..		(50,000)				(703)		(703)
Stock options exercised....	12,500		13	139			(151)	1
Net income....................					92,122			92,122
Cash dividends................					(5,049)			(5,049)
Treasury stock purchases.....		(57,067)				(939)		(939)
Stock options exercised.......	18,811		19	136			(123)	32
Income tax benefit from stock options exercised...........				82				82
Note repayments and notes accepted under loan forgiveness plan, net..........							475	475
Three-for-two stock split......	7,054,296	(755,983)	7,054	(7,054)				
Balance at Jan. 27, 1985....	21,162,889	(2,267,950)	$21,163	$ 98,918	$122,333	$(12,825)	$(1,538)	$228,051

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Fiscal Year

In 1984 the Company changed its fiscal year-end to the last Sunday in January from the last Saturday in December. Accordingly, the 1984 year began Monday, January 30, 1984 and ended Sunday, January 27, 1985. During the four week period ended January 29, 1984, sales of continuing operations amounted to $25,165,000 and there was a loss from continuing operations of $3,852,000, or $.20 per share (as compared with sales of continuing operations of $16,965,000 and a loss from continuing operations of $729,000, or $.04 per share, in the corresponding four week period of 1983). The net loss for the 1984 period of $3,721,000 (including income from discontinued operations of $131,000) was charged directly to retained earnings. Working capital declined $9,683,000 during the four week period ended January 29, 1984, primarily due to seasonal losses and capital additions.

MATTEL, INC.

Consolidated Statements of Shareholders' Equity (Deficit)

(In thousands)	Preferred and Preference Stock	Common Stock	Additional Paid-In Capital	Common Stock Warrants	Retained Earnings (Deficit)	Currency Translation Adjustments	Total Equity (Deficit)
Balance, January 30, 1982	$2,417	$16,531	$ 91,422	$4,453	$121,007	$ —	$235,830
Net income	—	—	—	—	42,390	—	42,390
Exercise of stock options	—	151	1,177	—	—	—	1,328
Conversion of preferred stock	(45)	95	(50)	—	—	—	—
Exercise of common stock warrants	—	1,545	6,180	(1,545)	—	—	6,180
Cash dividends—							
Common stock—$.30 per share	—	—	—	—	(5,120)	—	(5,120)
Preferred stock—$2.50 per share	—	—	—	—	(6,037)	—	(6,037)
Balance, January 29, 1983	2,372	18,322	98,729	2,908	152,240	—	274,571
Cumulative translation adjustment at January 30, 1983	—	—	—	—	—	(3,505)	(3,505)
Net loss	—	—	—	—	(394,065)	—	(394,065)
Exercise of stock options	—	14	99	—	—	—	113
Exercise of common stock warrants	—	4	20	(4)	—	—	20
Cash dividends—							
Common stock—$.15 per share	—	—	—	—	(2,781)	—	(2,781)
Preferred stock—$2.50 per share	—	—	—	—	(5,930)	—	(5,930)
Current year translation adjustment	—	—	—	—	—	(10,817)	(10,817)
Translation adjustment charged to loss on discontinuance of operations	—	—	—	—	—	6,246	6,246
Balance, January 28, 1984	2,372	18,340	98,848	2,904	(250,536)	(8,076)	(136,148)
January 1984 (See Note 1 for year end change).	—	—	—	—	18,792	—	18,792
Net income for the twelve months ended December 29, 1984	—	—	—	—	71,265	—	71,265
Exercise of stock options	—	15	119	—	—	—	134
Exercise of common stock warrants	—	2	8	(2)	—	—	8
Currency translation adjustment	—	—	—	—	—	(5,524)	(5,524)
Capital investment							
50,000 shares of Series B-1 15.25% exchangeable preference stock	1	—	3,367	—	—	—	3,368
575,000 shares of Series B-2 15.75% exchangeable preference stock	5	—	38,727	—	—	—	38,732
9,200,000 shares of Series C 5% convertible preference stock	92	—	57,408	—	—	—	57,500
7,800,000 shares of common stock	—	7,800	39,000	—	—	—	46,800
1,000,000 common stock warrants, $6.25 Series	—	—	—	1,000	—	—	1,000
Expenses related to capital investment	—	—	(8,700)	—	—	—	(8,700)
Exchange of common stock for debentures	—	3,894	40,972	—	—	—	44,866
Cash dividends—							
Preferred stock—$2.50 per share	—	—	—	—	(5,930)	—	(5,930)
Balance, December 29, 1984	$2,470	$30,051	$269,749	$3,902	$(166,409)	$(13,600)	$126,163

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 (In Part): Summary of Significant Accounting Policies

Change in Fiscal Year—The Company has changed its financial reporting year effective December 29, 1984 to a year ending on the last Saturday of December from a year ending on the Saturday nearest January 31. The accompanying financial statements present the results for the twelve months ended December 29, 1984 with comparisons to prior years' results as originally reported. Because the month of January 1984, previously included in the prior year ended January 28, 1984, will also be reported as part of the new year ended December 29, 1984, an adjustment has been made to January 28, 1984 retained earnings in the amount of January 1984's results. In January 1984, the Company had a loss from continuing operations of $18.8 million.

PARKER HANNIFIN CORPORATION

Consolidated Statement of Shareholders' Equity

For the years ended June 30, 1984, 1983 and 1982 (Dollars in thousands, except per share amounts)	Common Shares	Additional Capital	Retained Earnings	Translation Adjustments
Balances at June 30, 1981 as previously reported	$ 8,304	$83,773	$333,526	$ (6,554)
Adjustments arising from pooled acquisitions (Note 2)	498	557	15,425	
Balances at June 30, 1981, as restated	8,802	84,330	348,951	(6,554)
Net income			59,285	
109,993 shares issued under stock option plan, net of 7,313 shares of stock for stock exchange	55	1,484		
8,306,459 shares issued in connection with stock split, including $19 of cash payments for fraction shares	4,153	(4,153)	(19)	
Shares issued for conversion of debentures	30	1,341		
Shares issued for minority interest	1	15		
Cash dividends paid on common shares, $.96 per share			(24,006)	
Translation adjustments				(5,763)
Shares issued by pooled company prior to acquisition	1	18		
Cash dividends paid by pooled company prior to acquisition			(205)	
Balances at June 30, 1982	13,042	83,035	384,006	(12,317)
Adjustments arising from pooled acquisition (Note 2)	22	22	597	
Net income			31,437	
273,468 shares issued under stock option plan, net of 93,102 shares of stock for stock exchange	137	4,240		
Shares issued for conversion of debentures	32	1,439		
Shares issued for minority interest		2		
Cash dividends paid on common shares, $.98 per share			(24,706)	
Translation adjustments				(7,060)
Shares issued by pooled company prior to acquisition	1	5		
Cash dividends paid by pooled company prior to acquisition			(228)	
Balances at June 30, 1983	13,234	88,743	391,105	(19,377)
Net income			71,499	
167,310 shares issued under stock option plan, net of 12,718 shares of stock for stock exchange	84	3,270		
Shares issued for conversion of debentures	57	2,504		
Shares issued for minority interest		1		
Cash dividends paid on common shares, $1.04 per share			(26,903)	
Translation adjustments				(4,913)
Shares issued by pooled company prior to acquisition	29	352		
Cash dividends paid by pooled company prior to acquisition			(69)	
Adjustment to conform pooled company's fiscal year (Note 2)			(1,296)	
Balances at June 30, 1984	$13,404	$94,870	$434,337	$(24,290)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts)

2 (In Part): Acquisitions

The Company issued 1,058,160 common shares on April 23, 1984 in the acquisition of W. H. Nichols Company (Nichols). The acquisition has been accounted for as a pooling of interests, and the consolidated financial statements for prior years have been restated.

The net sales and net income of Nichols for the period prior to the date of acquisition included in the consolidated results of operations for the year ended June 30, 1984 amounted to $41,745 and $2,213, respectively. For the full year 1984, net sales of Nichols were $51,644 and net income was $3,170. Net sales of Nichols for the years 1983 and 1982 were $47,757 and $50,192, respectively, and net income for those years was $1,950 and $1,605, respectively. Retained earnings have been adjusted for the net income of Nichols for the period July 1, 1983 to December 31, 1983 which has been duplicated in the consolidated statement of income to conform the fiscal year of Nichols to the Company.

ADDITIONAL PAID-IN CAPITAL

PRESENTATION OF CHANGES IN ADDITIONAL PAID-IN CAPITAL

APB Opinion No. 12 states in part:

> 10. When both financial position and results of operations are presented, disclosure of changes in the separate accounts comprising stockholders' equity (in addition to retained earnings) and of the changes in the number of shares of equity securities during at least the most recent annual fiscal period and any subsequent interim period presented is required to make the financial statements sufficiently informative. Disclosure of such changes may take the form of separate statements or may be made in the basic financial statements or notes thereto.

Table 4-5 summarizes the presentation formats used by the survey companies to present changes in additional paid-in capital.

TABLE 4-5: PRESENTATION OF CHANGES IN ADDITIONAL PAID-IN CAPITAL

	1984	1983	1982	1981
Statement of stockholders' equity	346	326	308	292
Statement of additional paid-in capital	15	22	25	33
Schedule in notes	109	108	97	102
No statement or schedule but changes disclosed	23	37	33	43
Balance unchanged during year	37	40	67	58
Subtotal	**530**	**533**	**530**	**528**
Additional paid-in capital account not presented	70	67	70	72
Total Companies	**600**	**600**	**600**	**600**

TABLE 4-6: STOCK SPLITS

	1984	1983	1982	1981
Ratio				
Less than three-for-two	6	10	7	9
Three-for-two (50%) to two-for-one	13	31	15	24
Two-for-one (100%)	24	53	18	32
Greater than two-for-one	6	8	2	5
Total Companies	**49**	**102**	**42**	**70**
Account Charged				
Additional paid-in capital	23	60	20	35
Retained earnings	14	29	11	17
No charge	12	13	11	18
Total Companies	**49**	**102**	**42**	**70**

STOCK SPLITS

Chapter 7B of *ARB No. 43* discusses the accounting for stock splits. *APB Opinion No. 15* refers to Chapter 7B and states in part:

> 48. *Stock dividends or splits.* If the number of common shares outstanding increases as a result of a stock dividend or stock split or decreases as a result of a reverse split, the computations should give retroactive recognition to an appropriate equivalent change in capital structure for all periods presented. If changes in common stock resulting from stock 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.

AMP INCORPORATED AND PAMCOR, INC. (DEC)

NOTES TO COMBINED FINANCIAL STATEMENTS

3. Stock Split

At the April 26, 1984 annual meeting, shareholders increased the number of authorized shares from 50,000,000 to 150,000,000 and approved a 3-for-1 stock split effective on a May 7, 1984 record date. The stated value of the no par stock was changed from $.33⅓ per share to $.11¹/₉ per share. All per share earnings and dividends and references to AMP common stock have been retroactively restated to reflect the increased number of AMP common shares outstanding.

KINDER-CARE LEARNING CENTERS, INC.

Consolidated Statements of Stockholders' Equity

	Common stock Shares	Common stock Amount	Additional paid-in capital	Retained earnings	Net unrealized loss on noncurrent marketable investment securities	Total
Balance at August 28, 1981	8,107,222	$ 4,053,611	18,961,265	8,962,173	—	31,977,049
Exercise of stock options	6,000	3,000	13,500	—	—	16,500
Expense of registration for stock options	—	—	(7,444)	—	—	(7,444)
Dividends	—	—	—	(810,848)	—	(810,848)
Net earnings	—	—	—	6,654,637	—	6,654,637
Five-for-four stock split issued November 15, 1982	2,027,473	1,013,736	(1,013,736)	—	—	—
Balance at September 3, 1982	10,140,695	5,070,347	17,953,585	14,805,962	—	37,829,894
Conversion of subordinated debentures	3,192,493	1,596,247	42,005,181	—	—	43,601,428
Exercise of stock options	19,239	9,619	147,925	—	—	157,544
Four-for-three stock split issued May 31, 1983	4,441,571	2,220,786	(2,220,786)	—	—	—
Dividends	—	—	—	(1,361,479)	—	(1,361,479)
Net earnings	—	—	—	6,085,697	—	6,085,697
Balance at September 2, 1983	17,793,998	8,896,999	57,885,905	19,530,180	—	86,313,084
Conversion of subordinated debentures	63,773	31,887	652,069	—	—	683,956
Exercise of stock options	13,004	6,502	75,437	—	—	81,939
Dividends	—	—	—	(1,616,294)	—	(1,616,294)
Net earnings	—	—	—	16,632,912	—	16,632,912
Three-for-two stock split issued September 5, 1984	8,997,089	4,498,544	(4,498,544)	—	—	—
Increase in net unrealized loss on noncurrent marketable investment securities	—	—	—	—	(2,872,570)	(2,872,570)
Issuance of shares for acquisition	125,000	62,500	124,100	(520,660)	—	(334,060)
Balance at August 31, 1984	26,992,864	$13,496,432	54,238,967	34,026,138	(2,872,570)	98,888,967

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Common Stock

The Company's Common Stock was split five-for-four on November 15, 1982, four-for-three on May 31, 1983 and three-for-two on September 5, 1984 effected as stock dividends. All stock option data and earnings and dividend per share amounts in the consolidated financial statements and notes to consolidated financial statements have been restated to give effect to the stock splits.

THE MAY DEPARTMENT STORES COMPANY

Consolidated Statement of Common Shareholders' Equity

(millions, except number of shares)	Outstanding Common Stock Number of Shares	Dollars	Additional Paid-In Capital	Retained Earnings	Common Share-holders' Equity
Balance at January 30, 1982	28,980,391	$48.3	$30.6	$ 875.0	$ 953.9
Net earnings	—	—	—	141.7	141.7
Dividends paid:					
Common stock ($1.79 per share)	—	—	—	(52.1)	(52.1)
Preferred stock	—	—	—	(.3)	(.3)
Common stock issued from treasury for:					
Contribution to Profit Sharing and Savings Plan	203,591	.4	5.6	—	6.0
Exercise of stock options	435,896	.7	11.9	—	12.6
Restricted stock plan	6,300	—	.2	—	.2
Purchase of common stock for treasury	(785,600)	(1.3)	(28.3)	—	(29.6)
Retirement of preferred stock	—	—	.7	—	.7
Balance at January 29, 1983	28,840,578	48.1	20.7	964.3	1,033.1
Net earnings	—	—	—	187.0	187.0
Dividends paid:					
Common stock ($1.95½ per share)	—	—	—	(56.4)	(56.4)
Preferred Stock	—	—	—	(.2)	(.2)
Common stock issued from treasury for:					
Contribution to Profit Sharing and Savings Plan	81,161	.1	4.0	—	4.1
Exercise of stock options	346,091	.6	12.3	—	12.9
Restricted stock plan	26,500	—	1.9	—	1.9
Deferred compensation plan	28,206	.1	.7	—	.8
Purchase of common stock for treasury	(486,451)	(.8)	(25.4)	—	(26.2)
Retirement of preferred stock	—	—	1.5	—	1.5
Balance at January 28, 1984	28,836,085	48.1	15.7	1,094.7	1,158.5
Net earnings	—	—	—	214.1	214.1
Dividends paid:					
Common stock ($1.56⅓ per share)	—	—	—	(67.6)	(67.6)
Preferred stock	—	—	—	(.2)	(.2)
Three-for-two stock split:					
Shares issued	14,825,513	24.7	—	(25.0)	(.3)
Shares held in treasury	(461,979)	(.7)	—	.7	—
Common stock issued from treasury for:					
Contribution to Profit Sharing and Savings Plan	141,917	.2	6.6	—	6.8
Exercise of stock options	318,065	.5	10.3	—	10.8
Contribution to MAYSOP	51,844	.1	2.0	—	2.1
Restricted stock plan	35,225	.1	2.0	—	2.1
Deferred compensation plan	31,599	—	.7	—	.7
Purchase of common stock for treasury	(775,000)	(1.3)	(37.1)	—	(38.4)
Retirement of preferred stock	—	—	.6	—	.6
Balance at February 2, 1985	43,003,269	$71.7	$ .8	$1,216.7	$1,289.2

All share and per share amounts for fiscal years 1983 and 1982 are presented above on a basis prior to the three-for-two stock split effective October 3, 1984.

OXFORD INDUSTRIES, INC.

Consolidated Statements of Stockholders' Equity

$ in thousands except per share amounts	Total	Common Stock*	Additional Paid-in Capital	Retained Earnings
Balance, May 29, 1981	$ 74,057	$ 2,878	$10,375	$ 60,804
Net earnings	16,330			16,330
Exercise of stock options	67	6	61	
Cash dividends paid—$.23 per share	(2,654)			(2,654)
Balance, May 28, 1982	87,800	2,884	10,436	74,480
Net earnings	22,654			22,654
Two-for-one stock split (Note J)		2,887		(2,887)
Exercise of stock options	159	18	141	
Cash dividends paid—$.2925 per share	(3,381)			(3,381)
Balance, June 3, 1983	107,232	5,789	10,577	90,866
Net earnings	25,007			25,007
Two-for-one stock split (Note J)		5,829	(5,829)	
Exercise of stock options	349	47	302	
Purchase and retirement of common stock	(7,926)	(597)	(326)	(7,003)
Cash dividends paid—$.36 per share	(4,144)			(4,144)
Balance, June 1, 1984	$120,518	$11,068	$ 4,724	$104,726

*Par value $1 per share; authorized 30,000,000 shares; issued and outstanding shares: 11,067,529 in 1984, 11,578,076 in 1983 and 11,537,716 in 1982.

Note J. Earnings Per Share:

On October 4, 1982, the Company's Board of Directors declared a two-for-one stock split of its common stock effected in the form of a 100% stock dividend distributed on December 1, 1982 to shareholders of record on November 15, 1982. Additionally, on January 3, 1984, the Company's Board of Directors declared a two-for-one stock split of its common stock effected in the form of a 100% stock dividend distributed on March 1, 1984 to stockholders of record on February 15, 1984. All per share and share data in the accompanying financial statements and footnotes have been adjusted to give effect to these stock splits.

Earnings per share is computed based on the weighted average number of shares of common stock outstanding of 11,549,802 in 1984, 11,554,892 in 1983 and 11,530,664 in 1982. The dilutive effect of stock options outstanding in 1984, 1983, and 1982 was not material for purposes of this computation.

SPARTON CORPORATION

Consolidated Statement of Shareowners' Equity

	Common stock, $1.25 par value		Capital in excess of par value	Retained earnings
	Shares	Amount		
Balance June 30, 1981	3,410,744	$4,263,430	$ 19,443	$33,212,085
Net income				5,902,730
Exercise of stock options	2,350	2,937	10,898	
Dividends ($.30 per share)				(2,047,498)
Balance June 30, 1982	3,413,094	4,266,367	30,341	37,067,317
Net income				9,176,051
Exercise of stock options	7,150	8,938	53,192	
Dividends ($.315 per share)				(2,152,546)
Balance June 30, 1983	3,420,244	4,275,305	83,533	44,090,822
Net income				7,731,414
Exercise of stock options	26,850	33,562	134,207	
Dividends ($.45 per share)				(3,086,227)
Two-for-one stock split	3,423,494	4,279,368	(121,442)	(4,157,926)
Balance June 30, 1984	6,870,588	$8,588,235	$ 96,298	$44,578,083

WINN-DIXIE STORES, INC.

Consolidated Statements of Shareholders' Equity

Years Ended June 27, 1984, June 29, 1983 and June 30, 1982	1984	1983	1982
		Amounts in thousands	
Common stock:			
Beginning of year	$ 27,489	27,489	27,460
Add par value of common stock issued in connection with 5-for-3 stock split	18,310	—	—
Other	—	—	29
End of year	45,799	27,489	27,489
Capital in excess of par value of common stock:			
Beginning of year	2,549	—	—
Add excess of proceeds over cost of treasury shares sold under employees' stock purchase plan	—	2,549	—
Deduct par value of common shares issued in connection with 5-for-3 stock split	2,549	—	—
End of year	—	2,549	—
Retained earnings:			
Beginning of year	615,095	561,487	511,727
Net earnings	115,916	113,460	103,513
Deduct cash dividends on common stock of $1.56, $1.44 and $1.30 per share in 1984, 1983 and 1982, respectively	63,834	59,852	53,440
Deduct par value of common shares issued in connection with 5-for-3 stock split	15,761	—	—
Deduct other	1,563	—	313
End of year	649,853	615,095	561,487
Cost of common stock held:			
Beginning of year—3,939,185, 4,598,335 and 4,463,013 shares in 1984, 1983 and 1982, respectively	62,310	74,358	72,011
Add cost of 1,283,154, 36,515 and 135,322 shares reacquired during 1984, 1983 and 1982 respectively	35,700	637	2,347
Deduct cost of 392,148 and 695,665 shares issued under employees' stock purchase plan during 1984 and 1983, respectively	11,031	12,685	—
End of year—4,830,191, 3,939,185 and 4,598,335 shares in 1984, 1983 and 1982, respectively	86,979	62,310	74,358
Total shareholders' equity	$608,673	582,823	514,618

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Common Stock:

The Company has a stock purchase plan in effect for associates. Under the terms of the plan, the Company may grant options to associates, exclusive of directors, to purchase shares of the Company's common stock at a price at least 85% of the fair market value at the date of grant. During 1984 and 1983, 392,148 and 695,665 shares of common stock were sold to associates at an aggregate price of $10,157,000 and $15,234,000, respectively.

On October 7, 1983, the shareholders approved an amendment to the Company's charter authorizing an additional 19,206,122 shares of common stock to implement a 5-for-3 stock split which was effected on October 31, 1983. The average number of shares outstanding used in computing earnings per share and all other share and per share amounts have been retroactively restated to reflect the total shares issued after the 5-for-3 stock split.

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.

Common Stock Issued in Connection with Employee Benefit Plans.

BROCKWAY, INC. (NY)

Consolidated Statement of Shareholders' Equity

	Years Ended December 31, 1982, 1983 and 1984 (in thousands)			
	Common Stock	Paid-in Capital	Retained Earnings	Total
Balance, January 1, 1982	$18,657	$27,085	$169,179	$214,921
Net income			15,392	15,392
Cash dividends ($1.26 per share)			(9,450)	(9,450)
Stock issued in connection with employee savings plan—64,695 shares	162	777		939
Tax benefit arising from stock transactions		5		5
Balance, December 31, 1982	18,819	27,867	175,121	221,807
Net income			204	204
Cash dividends ($1.32 per share)			(9,987)	(9,987)
Stock issued in connection with:				
Employee savings plan—55,133 shares	138	824		962
Restricted stock awards—6,975 shares	17	105		122
Balance, December 31, 1983	18,974	28,796	165,338	213,108
Net income			6,090	6,090
Cash dividends ($1.32 per share)			(10,579)	(10,579)
Stock issued in connection with:				
Business combinations—474,608 shares	1,186	2,133	2,038	5,357
Employee savings plan—58,399 shares	146	815		961
Restricted stock awards—5,900 shares	15	86		101
Balance, December 31, 1984	$20,321	$31,830	$162,887	$215,038

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Capital Stock

Brockway has authorized and unissued 5,000,000 preferred shares, $1.00 par value per share, issuable from time to time in one or more series as may be determined by the Board of Directors.

Brockway has an Employees Savings Program, which was converted to a tax deferral savings plan effective July 1, 1984, whereby participating salaried employees may invest, through payroll deduction or direct payment, funds into a guaranteed income investment trust. Brockway will match up to 75% of qualifying contributions in the form of common stock. Brockway's contributions to the trust, based on the market value of common stock at date of issuance, amounted to $961,000, $962,000 and $939,000 in 1984, 1983 and 1982, respectively. At December 31, 1984, 50,998 of unissued common shares were reserved for issuance under the plan.

CULBRO CORPORATION

Consolidated Statement of Common Stock and Capital in Excess of Par Value

Fiscal year (dollars in thousands)	1984		1983		1982	
	Common Stock	Capital in Excess of Par Value	Common Stock	Capital in Excess of Par Value	Common Stock	Capital in Excess of Par Value
Balance at beginning of year	$4,351	$10,109	$2,145	$11,804	$3,244	$40,382
Par value of common stock issued in 2 for 1 stock split	—	—	2,172	(2,172)	—	—
Stock options exercised (1984—16,905; 1983—15,205, excluding 7,805 issued in stock split; 1982—57,540)	17	160	15	165	29	427
Shares issued under restricted stock plan, excluding 18,770 shares issued in the 1983 stock split	37	401	19	312	16	202
Retirement of common stock	—	—	—	—	(1,144)	(29,207)
Balance at end of year	$4,405	$10,670	$4,351	$10,109	$2,145	$11,804

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Capital Stock

Restricted Stock Plan: Under the 1978 Restricted Stock Plan 300,000 shares of the Corporation's common stock have been reserved for award to officers and key employees of the Corporation and its subsidiaries. At December 29, 1984, a total of 174,150 shares have been awarded, including 11,250 in 1984 (1983—18,300). Of the total shares awarded 139,643 have been issued including 37,429 in 1984 (1983—37,540). The remaining shares will be issued in installments, upon satisfaction of certain conditions, from 1985 to 1987. The terms of the plan permit the imposition of restrictions ranging from one to five years on the sale or disposition of the shares issued. At December 29, 1984, a total of 117,703 shares were subject to such restrictions.

TABLE 4-7: CHANGES IN ADDITIONAL PAID-IN CAPITAL

	Number of Companies			
	1984	**1983**	**1982**	**1981**
Credits				
Common stock issued for:				
Employee benefits	365	368	335	340
Debt conversions/ extinguishments	84	100	92	83
Preferred stock conversions	58	58	55	61
Business combinations	51	41	39	49
Stock option tax benefits	43	48	49	49
Public offerings	32	63	21	21
Purchase or retirement of capital stock	23	18	17	21
Warrants issued or exercised	19	20	12	13
Other—Described	38	42	42	34
Charges				
Treasury stock issued for less than cost	70	44	56	57
Purchase or retirement of capital stock	63	42	53	56
Conversion of preferred stock	18	25	27	25
Business combinations	6	6	9	3
Other—Described	36	47	28	24

UNC RESOURCES, INC.

Consolidated Statements of Changes in Shareholders' Equity

(Dollars in thousands)

	Common Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Retained Earnings	Other	Total
Balance at December 31, 1981	11,172,975	$2,235	$ 85,083	$ 87,897	$(4,912)	$170,303
Net loss	—	—	—	(14,075)	—	(14,075)
Award of restricted stock under the employees' stock plan, net of forfeitures	1,653	—	(126)	—	—	(126)
Exercise of stock options	5,018	1	14	—	—	15
Common stock issued in acquisitions	325,000	65	2,169	—	—	2,234
Unrealized loss on equity securities and foreign currency translation adjustment	—	—	—	—	(343)	(343)
Balance at December 31, 1982	11,504,646	2,301	87,140	73,822	(5,255)	158,008
Net loss	—	—	—	(12,987)	—	(12,987)
Award of restricted stock under the employees' stock plan, net of forfeitures	49,039	10	213	—	—	223
Exercise of stock options	16,145	3	87	—	—	90
Common stock issued in acquisition of property	905,571	181	4,631	—	—	4,812
Common stock issued for conversion of convertible debentures and convertible note	1,440,750	288	6,915	—	—	7,203
Unrealized loss on equity securities and foreign currency translation adjustment	—	—	—	—	1,358	1,358
Balance at December 31, 1983	13,916,151	2,783	98,986	60,835	(3,897)	158,707
Net loss	—	—	—	(122,238)	—	(122,238)
Award of restricted stock under the employees' stock plan, net of forfeitures	52,114	11	270	—	—	281
Exercise of stock options	105,726	21	554	—	—	575
Sale of common stock	8,000,000	1,600	98,400	—	—	100,000
Balance at December 31, 1984	22,073,991	$4,415	$198,210	$ (61,403)	$(3,897)	$137,325

WINNEBAGO INDUSTRIES, INC.

Consolidated Statements of Changes in Stockholders' Equity

Amounts in thousands

	Common Shares Number	Common Shares Amount	Additional Paid-In Capital	Reinvested Earnings	Treasury Stock Number	Treasury Stock Amount
Balance, August 29, 1981	25,252	$12,626	$22,330	$36,445	263	$526
Proceeds from the sale of common stock to employees, primarily options	2	1	15	—	(9)	(18)
Contribution of treasury stock to employees stock bonus plan	—	—	88	—	(50)	(100)
Net income	—	—	—	10,135	—	—
Balance, August 28, 1982	25,254	$12,627	$22,433	$46,580	204	$408
Proceeds from the sale of common stock to employees, primarily options	66	33	593	—	(179)	(358)
Contribution of treasury stock to employee stock bonus plan	—	—	150	—	(25)	(50)
Income tax benefit relating to stock options	—	—	821	—	—	—
Payment of cash dividend ($.10 per share)	—	—	—	(2,512)	—	—
Net income	—	—	—	15,737	—	—
Balance, August 27, 1983	25,320	$12,660	$23,997	$59,805	—	—
Purchase of treasury stock	—	—	—	—	30	300
Proceeds from the sale of common stock to employees, primarily options	116	58	817	—	(2)	(22)
Income tax benefit relating to stock options	—	—	358	—	—	—
Contribution of treasury stock to employee stock bonus plan	—	—	14	—	(28)	(278)
Payment of cash dividend ($.10 per share)	—	—	—	(2,539)	—	—
Net income	—	—	—	27,817	—	—
Balance, August 25, 1984	25,436	$12,718	$25,186	$85,083	—	—

Common Stock Issued in Preferred Stock Conversions

BEMIS COMPANY, INC.

Consolidated Statement of Stockholders' Equity

(in thousands of dollars)

	First Preferred Stock	Convertible Series Preferred Stock	Common Stock	Capital In Excess of Par Value	Treasury Common Stock	Cumulative Translation Adjustment	Retained Income
Balance at December 31, 1981	$92	$2,213	$26,041	$49,453	$(42,169)	$(1,704)	$144,500
Net income for 1982							10,169
Translation adjustment for 1982						(2,731)	
Cash dividends paid:							
First preferred stock, $5.00 per share							(5)
Convertible series preferred stock, $5.00 per share							(110)
Common stock, $.80 per share							(5,963)
23,300 shares of common stock issued for performance share awards			116	451			
Proceeds from common stock issued under the Company's stock option plans			116	363			
Conversion of 120 shares of series preferred stock to 420 shares of common stock		(12)	2	10			
Purchase of 140,528 shares of common stock					(3,974)		
Balance at December 31, 1982	$92	$2,201	$26,275	$50,277	$(46,143)	$(4,435)	$148,591
Net income for 1983							12,024
Translation adjustment for 1983						(1,518)	
Cash dividends paid:							
First preferred stock, $5.00 per share							(5)
Convertible series preferred stock, $5.00 per share							(91)
Common stock, $.80 per share							(5,504)
Proceeds from common stock issued under the Company's stock option plans			211	766			
Conversion of 5,146 shares of series preferred stock to 19,363 shares of common stock		(515)	97	418			
Purchase of 8 shares of first preferred stock	(1)						
Purchase of 307 shares of series preferred stock		(30)		(11)			
Purchase of 361,066 shares of common stock					(13,936)		
3,359,405 shares issued for 2-1 stock split			16,797	(16,797)			
Balance at December 31, 1983	$91	$1,656	$43,380	$34,653	$(60,079)	$(5,953)	$155,015
Net income for 1984							18,092
Translation adjustment for 1984						(2,997)	
Cash dividends paid:							
First preferred stock, $5.00 per share							(1)
Convertible series preferred stock, $5.00 per share							(19)
Common stock, $.88 per share							(5,925)
Proceeds from common stock issued under the Company's stock option plans			185	246			
Conversion of 15,553 shares of series preferred stock to 86,254 shares of common stock		(1,556)	431	1,125			
Redemption of 804 shares of first preferred stock	(80)			26			
Redemption of 1,000 shares of series preferred stock		(100)					
Purchase of 135,482 shares of common stock					(3,147)		
Adjustment of two-for-one stock split for 15,706 treasury shares purchased prior to record date of February 21, 1984			(78)	78			
Balance at December 31, 1984	$11	$ 0	$43,918	$36,128	$(63,226)	$(8,950)	$167,162

CONAGRA, INC.

Consolidated Statements of Common Stockholders' Equity

Dollars in thousands

	Common Stock	Additional Paid-In Capital	Retained Earnings	Foreign Currency Translation Adjustment	Treasury Stock	Total
Balance at May 31, 1981	$ 62,254	$ 8	$ 62,557	$ —	$(1,522)	$123,297
Conversion of 9,010 shares of preferred stock into 60,360 shares of common stock	302	153	—	—	—	455
749,995 shares issued in connection with the acquisition of Sea-Alaska Products, Inc.	3,750	6,750	—	—	—	10,500
15,078 shares issued in connection with employee stock option plan	75	53	—	—	—	128
45,063 shares issued in connection with the senior management incentive plan	—	473	—	—	310	783
Tax benefits related to senior management incentive plan	—	592	—	—	—	592
Foreign currency translation adjustment	—	—	—	(825)	—	(825)
Cash dividends:						
Preferred stock, all classes	—	—	(443)	—	—	(443)
Common stock, $.8325 per share	—	—	(10,909)	—	—	(10,909)
Net income	—	—	32,873	—	—	32,873
Balance at May 30, 1982	66,381	8,029	84,078	(825)	(1,212)	156,451
Conversion of 13,834 shares of preferred stock into 65,681 shares of common stock	328	253	—	—	—	581
4,997,801 shares issued in connection with the acquisition of Peavey Company	24,989	59,974	—	—	—	84,963
127,417 shares issued in connection with the final payment due to United Agri Products shareholders per the acquisition agreement	637	2,963	—	—	—	3,600
38,132 shares issued in connection with employee stock option plan	191	186	—	—	—	377
35,553 shares issued in connection with the senior management incentive plan	—	429	—	—	263	692
Contracts to sell 65,000 shares under executive stock purchase plan	—	35	—	—	—	35
98 shares of Treasury stock purchased	—	—	—	—	(3)	(3)
Foreign currency translation adjustment	—	—	—	(1,381)	—	(1,381)
Cash dividends:						
Preferred stock, all classes	—	—	(2,180)	—	—	(2,180)
Common stock, $.9650 per share	—	—	(17,573)	—	—	(17,573)
Net income	—	—	47,770	—	—	47,770
Balance at May 29, 1983	92,526	71,869	112,095	(2,206)	(952)	273,332
Conversion of 43,264 shares of preferred stock into 96,077 shares of common stock	480	823	—	—	—	1,303
3,400,000 shares issued in connection with the acquisition of Armour	17,000	75,000	—	—	—	92,000
50,810 shares issued in connection with employee stock option plan	254	295	—	—	—	549
36,526 shares issued in connection with management incentive plans	183	848	—	—	—	1,031
100,000 shares issued in connection with the executive stock purchase plan	500	358	—	—	—	858
2,844 Treasury shares issued in connection with acquisition of Peavey Company	—	—	—	—	23	23
Foreign currency translation adjustments	—	—	—	(1,472)	—	(1,472)
Cash dividends:						
Preferred stock, all classes	—	—	(2,421)	—	—	(2,421)
Common stock, $1.105 per share	—	—	(22,309)	—	—	(22,309)
Net income	—	—	62,648	—	—	62,648
Balance at May 27, 1984	$110,943	$149,193	$150,013	$(3,678)	$ (929)	$405,542

Common Stock Issued in Debt Conversion/Extinguishments

GAF CORPORATION

Consolidated Statements of Shareholders' Equity

(Thousands of Dollars)

Year Ended December 31	1984	1983	1982
$1.20 Convertible Preferred Stock:			
Balance, January 1	$ 3,187	$ 3,194	$ 3,265
Converted into common stock: 1984—9,740 shares; 1983—5,359 shares; 1982—57,027 shares	(12)	(7)	(71)
Balance, December 31	3,175	3,187	3,194
Common Stock, $1 Par Value Per Share:			
Balance, January 1	14,466	14,459	14,388
Conversion of 5% convertible subordinated notes and preferred stock	43	7	71
Balance, December 31	14,509	14,466	14,459
Additional Paid-in Capital:			
Balance, January 1	55,548	55,008	54,360
Excess of proceeds over cost of treasury common stock sold	128	484	580
Conversion of 5% convertible subordinated notes	669	—	—
Other	75	56	68
Balance, December 31	56,420	55,548	55,008
Retained Earnings:			
Balance, January 1	103,814	111,341	65,244
Net Income (Loss)	56,702	(3,841)	56,229
Cash dividends:			
Preferred stock ($1.20 per share)	(2,958)	(2,970)	(2,980)
Common stock (per share: 1984—$.10; 1983—$.05; 1982—$.50)	(1,435)	(716)	(7,152)
Balance, December 31	156,123	103,814	111,341
Accumulated Translation Adjustment:			
Balance, January 1	(6,080)	—	—
Accounting change at January 1, 1983	—	(1,903)	—
Translation adjustment for the year	(4,371)	(4,177)	—
Balance, December 31	(10,451)	(6,080)	—
Treasury Stock, at cost:			
$1.20 Convertible preferred stock:			
Balance, January 1	(932)	(932)	(932)
Repurchase of odd-lot holdings—27,272 shares	(725)	—	—
Balance, December 31: 1984—103,672 shares; 1983 and 1982—76,400 shares	(1,657)	(932)	(932)
Common stock:			
Balance, January 1	(199)	(1,151)	(1,638)
Repurchased under restricted stock purchase plan: 1984—20,928 shares; 1983—24,013 shares; 1982—65,559 shares	(136)	(152)	(385)
Issued under various stock option and stock purchase plans: 1984—81,569 shares; 1983—144,750 shares; 1982—132,279 shares	1,062	1,104	872
Repurchase of odd-lot holdings—233,073 shares	(4,840)	—	—
Balance, December 31: 1984—196,442 shares; 1983—24,010 shares; 1982—144,747 shares	(4,113)	(199)	(1,151)
Shareholders' Equity	$214,006	$169,804	$181,919

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5 (In Part): Debt and Dividend Restrictions

The 5% convertible subordinated notes are convertible into shares of common stock at any time at a conversion price of $22.50 per share (subject to antidilution adjustments in specified circumstances). During 1984, $700,000 of notes were converted into 31,111 shares of common stock.

LEAR SIEGLER, INC.

Consolidated Statement of Changes in Shareholders' Equity (in part)

($000)

	Preferred Stock	Common Stock	Additional Capital	Retained Earnings
Balance at June 30, 1981	$1,110	$16,382	$20,656	$374,017
Translation adjustment as of July 1, 1981				
Net earnings for the year				72,295
Translation adjustment for the year				
Cash dividends:				
Preferred				(904)
Common—at $1.425 per share				(23,338)
Exercise of stock options—600 shares of common stock issued			13	
Conversion of 57,037 shares of $2.25 Preferred for 142,587 shares of common stock issued	(143)	143		
Purchase of treasury stock—41,800 common shares				
Balance at June 30, 1982	967	16,525	20,669	422,070
Net earnings for the year				64,122
Translation adjustment for the year				
Cash dividends:				
Preferred				(783)
Common—at $1.525 per share				(25,152)
Exercise of stock options—54,537 shares of common stock issued		55	1,216	
Conversion of 69,824 shares of $2.25 Preferred for 174,558 shares of common stock issued	(174)	174		
Balance at June 30, 1983	793	16,754	21,885	460,257
Net earnings for the year				85,145
Translation adjustment for the year				
Unrealized loss on marketable security for the year				
Cash dividends:				
Preferred				(622)
Common—at $1.65 per share				(28,199)
Exercise of stock options—52,373 shares of common stock issued		52	1,272	
Conversion of 61,445 shares of $2.25 Preferred for 153,610 shares of common stock issued	(154)	154		
Exchange of debt for 1,034,636 shares of common stock issued (Note 3).		1,035	40,234	
Purchase of company for 190,000 shares of common stock issued		190	392	
Balance at June 30, 1984	$ 639	$18,185	$63,783	$516,581

Note 3 (In Part): Long-Term Obligations

During 1984, the Company exchanged $64,795,000 of 7¾% to 9⅞% notes for 1,034,636 shares of common stock and $20,158,000 in cash.

Offering to Stockholders

AMERICAN PETROFINA, INCORPORATED

Consolidated Statements of Stockholders' Equity

Three years ended December 31, 1984	Preferred stock	Common stock Class A	Common stock Class B	Additional paid-in capital	Retained earnings	Treasury stock	Total stockholders' equity (notes 3 and 5)
	(Thousands of dollars, except per share amounts)						
Balance at December 31, 1981	$—	9,793	1,000	161,523	370,405	(56)	542,665
Shares issued in connection with employee stock option plan, 48,856 shares	—	49	—	1,414	—	—	1,463
Net earnings	—	—	—	—	54,401	—	54,401
Dividends paid, $3.20 per share	—	—	—	—	(34,611)	—	(34,611)
Purchase of 12,868 Class A common shares, net	—	—	—	—	—	(815)	(815)
Balance at December 31, 1982	—	9,842	1,000	162,937	390,195	(871)	563,103
Shares issued in connection with employee stock option plan, 19,393 shares	—	19	—	673	—	—	692
Net earnings	—	—	—	—	55,260	—	55,260
Dividends paid, $3.20 per share	—	—	—	—	(34,682)	—	(34,682)
Sale of 12,512 Class A common shares, net	—	—	—	—	—	726	726
Balance at December 31, 1983	—	9,861	1,000	163,610	410,773	(145)	585,099
Shares issued in connection with:							
Sale of Class A common stock, 1,087,007 shares, net of $83 issue cost (note 9)	—	1,087	—	64,050	—	—	65,137
Employee stock option plan, 16,554 shares	—	17	—	573	—	—	590
Net earnings	—	—	—	—	45,092	—	45,092
Dividends paid, $3.20 per share	—	—	—	—	(36,523)	—	(36,523)
Sale of 850 Class A common shares, net	—	—	—	—	—	44	44
Balance at December 31, 1984	$—	10,965	1,000	228,233	419,342	(101)	659,439

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9 (In Part): Related Party Transactions

The Company and Petrofina Delaware, Incorporated (PDI) each own 50% of a partnership formed in 1982 to acquire a 25% interest in approximately 5,400,000 net undeveloped acres from TXO Production Corp. (TXO) for approximately $136,000,000. The partnership participates in a joint exploration and development program on the acquired acreage and certain additional acreage purchases with TXO as the operator.

In 1984 the Company and PDI acquired equal interests in certain producing oil and gas properties for a total consideration of $28,300,000.

The Company has 50% interests in a joint venture with Petrofina S.A. and a joint venture with PDI which market petrochemicals in international trade. During 1984, the Company paid the joint ventures approximately $23,600,000 for purchased products and commissions.

In 1984 the Company offered each of its stockholders the right to acquire one share of Class A common stock at $60 per share for each ten shares of Class A or Class B common stock held on the record date. The Company and PDI agreed that PDI would acquire any shares not subscribed by the Company's other stockholders. PDI acquired an aggregate of 1,079,999 shares at $60 per share.

Public Offering of Stock

WALBRO CORPORATION

Consolidated Statement of Stockholders' Equity

For the years ended December 31, 1984, 1983 and 1982

	Common Stock	Additional Paid-In Capital	Retained Earnings	Cumulative Translation Adjustments	Treasury Stock
			(In Thousands)		
Balance—January 1, 1982	$ 780	$1,171	$ 8,584	$ 0	$ 9
Net Income (Loss)			(479)		
Cash Dividends			(312)		
Balance—December 31, 1982	780	1,171	7,793	0	9
Accumulated Effect of Translation Adjustments to January 1, 1983				(256)	
Net income			1,879		
Three for Two Stock Split	389	(389)			
Purchase of Treasury Stock					2
Translation Adjustments				269	
Cash Dividends			(343)		
Balance—December 31, 1983	1,169	782	9,329	13	11
Net Income			3,735		
Net Proceeds from Common Stock Offering (300,000 Shares)	300	4,697			
Translation Adjustments				(115)	
Cash Dividends			(504)		
Balance—December 31, 1984	$1,469	$5,479	$12,560	$(102)	$11

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Stockholders' Equity

On May 3, 1984, the Company sold 300,000 shares of common stock in a public offering. The net proceeds of $4,997,000 from this issuance were used to reduce the Revolving Credit loan outstanding at the time of sale.

Private Placement

THE CESSNA AIRCRAFT COMPANY

Consolidated Statement of Stockholders' Equity

	Total	Common Stock	Paid-in Capital	Earnings Reinvested in Business	Treasury Stock	Restricted Stock Plan Deferred Compensation
Balance at September 30, 1981	$345,577,975	$19,202,552	$75,681,928	$256,889,030	$ —	$(6,195,535)
Cash dividends on common stock $.60 per share	(11,500,468)	—	—	(11,500,468)	—	—
Conversion of convertible debentures to common stock	150,779	12,324	138,455	—	—	—
Stock options exercised	8,888	630	8,258	—	—	—
Treasury stock purchased (71,425 shares)	(1,247,851)	—	—	—	(1,334,889)	87,038
Restricted stock sold (market $18.38 to $24.63)	13,000	8,000	187,428	—	93,447	(275,875)
Amortization of deferred compensation	886,141	—	—	—	—	886,141
Net earnings	18,077,814	—	—	18,077,814	—	—
Balance at September 30, 1982	351,966,278	19,223,506	76,016,069	263,466,376	(1,241,442)	(5,498,231)
Cash dividends on common stock $.40 per share	(7,663,420)	—	—	(7,663,420)	—	—
Stock options exercised	469,633	22,410	447,223	—	—	—
Restricted stock purchased (25,647 shares)	(22,200)	—	—	—	(456,085)	433,885)
Restricted stock sold (market $20.25 to $29.38)	32,750	—	307,729	—	604,270	(879,249)
Amortization of deferred compensation	1,844,529	—	—	—	—	1,844,529
Net loss	(18,845,286)	—	—	(18,845,286)	—	—
Balance at September 30, 1983	327,782,284	19,245,916	76,771,021	236,957,670	(1,093,257)	(4,099,066)
Cash dividends on common stock $.40 per share	(7,822,202)	—	—	(7,822,202)	—	—
Sale of common stock (Note 9)	12,700,000	500,000	12,200,000	—	—	—
Stock options exercised	280,570	14,280	266,290	—	—	—
Restricted stock purchased (22,377 shares)	(20,450)	—	—	—	(308,629)	288,179
Restricted stock sold (market $18.75)	6,910	—	6,225	—	71,685	(71,000)
Amortization of deferred compensation	786,380	—	—	—	—	786,380
Net earnings	949,408	—	—	949,408	—	—
Balance at September 30, 1984	$334,662,900	$19,760,196	$89,243,536	$230,084,876	$(1,330,201)	$(3,095,507)

Note 9. Sale of Common Stock

In December 1983, the Company sold 500,000 shares of authorized but unissued common stock in a private placement to General Dynamics Corporation for an aggregate price of $12,700,000. The Company anticipates that it will invest an amount approximating the proceeds from the private placement in a joint advanced technology program with General Dynamics Corporation.

Income Tax Benefit from Issuance of Stock to Employees

COMPUGRAPHIC CORPORATION

Consolidated Statement of Stockholders' Investment

(Dollars in thousands)

For the three years ended December 29, 1984	Common stock	Common stock purchase warrants	Capital in excess of par value	Cumulative translation adjustment	Retained earnings	Common stock in treasury	Total stock-holders' investment
Balance at January 2, 1982	$248	$180	$26,091	$ —	$ 64,307	$ —	$ 90,826
Net income	—	—	—	—	8,129	—	8,129
Translation adjustments	—	—	—	(1,013)	—	—	(1,013)
Sale of common stock, net	154	—	41,758	—	—	—	41,912
Exercise of employee stock options	—	—	60	—	3	—	63
Balance at January 1, 1983	402	180	67,909	(1,013)	72,439	—	139,917
Net income	—	—	—	—	16,903	—	16,903
Translation adjustments	—	—	—	(416)	—	—	(416)
Exercise of employee stock options	4	—	1,036	—	(63)	—	977
Tax benefit from stock option transactions	—	—	71	—	—	—	71
Dividends paid ($.10 per share)	—	—	—	—	(810)	—	(810)
Balance at December 31, 1983	406	180	69,016	(1,429)	88,469	—	156,642
Net income	—	—	—	—	24,390	—	24,390
Translation adjustments	—	—	—	(296)	—	—	(296)
Exercise of employee stock options	4	—	1,205	—	(106)	—	1,103
Tax benefit from stock option transactions	—	—	287	—	—	—	287
Dividends paid ($.55 per share)	—	—	—	—	(4,443)	—	(4,443)
Purchase of treasury stock	—	—	—	—	—	(4,917)	(4,917)
Balance at December 29, 1984	$410	$180	$70,508	$(1,725)	$108,310	$(4,917)	$172,766

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4 (In Part): Stock Options and Warrants

Accounting for Options

No accounting recognition is given to stock options until they are exercised, at which time the proceeds are credited to the capital accounts. With respect to non-qualified options, the Company recognizes a tax benefit upon exercise of these options in an amount equal to the difference between the option price and the fair market value of the common stock. With respect to incentive stock options, tax benefits arising from disqualifying dispositions are recognized at the time of disposition. Tax benefits related to stock options are credited to capital in excess of par value.

DIGITAL EQUIPMENT CORPORATION

Consolidated Statements of Stockholders' Equity

(in thousands)	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Stock-holders' Equity
June 27, 1981	$54,348	$1,350,974	$1,274,367	$2,679,689
Shares issued under stock option and purchase plans (Note J)	879	45,384		46,263
Restricted stock plans, charge to operations (Note J)		13,891		13,891
Stock option and purchase plans—excess Federal income tax benefits (Note J)		7,466		7,466
Net income—1982			417,155	417,155
July 3, 1982	$55,227	$1,417,715	$1,691,522	$3,164,464
Shares issued under stock option and purchase plans (Note J)	1,130	61,686		62,816
Restricted stock plans, charge to operations (Note J)		15,325		15,325
Stock option and purchase plans—excess Federal income tax benefits (Note J)		15,055		15,055
Net income—1983			283,622	283,622
July 2, 1983	$56,357	$1,509,781	$1,975,144	$3,541,282
Shares issued under stock option and purchase plans (Note J)	1,454	75,065		76,519
Restricted stock plans, charge to operations (Note J)		17,499		17,499
Stock option and purchase plans—excess Federal income tax benefits (Note J)		8,230		8,230
Effect of exchange rate changes on net deferred income tax charges/credits.			6,907	6,907
Net income—1984			328,779	328,779
June 30, 1984	$57,811	$1,610,575	$2,310,830	$3,979,216

Note J (In Part): Stock Plans

Restricted Stock Options—Under its Restricted Stock Option and Purchase Plans, the Company has granted certain officers and key employees options, which are exercisable upon grant, to purchase common stock at a price determined by the Board of Directors. Shares purchased under the plans are generally subject to repurchase options and restrictions on sales which lapse over an extended time period not exceeding 10 years.

* * *

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 $17,499,000 in fiscal 1984, $15,325,000 in fiscal 1983 and $13,891,000 in fiscal 1982. 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.

Employee Stock Purchase Plans—Under the Company's Employee Stock Purchase Plans, all United States and certain international 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 1,961,690 shares at June 30, 1984 and 2,950,620 shares at July 2, 1983. There were 988,930 shares issued at an average price of $59.87 in fiscal 1984 and 648,035 shares at $74.88 in fiscal 1983. 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.

MAGIC CHEF, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4 (In Part): Common Stock and Stock Options

The changes in common stock and additional paid-in capital for the three fiscal years ended June 30, 1984 were as follows:

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital
		(000 Omitted)	
Balance June 27, 1981	7,788,053	$23,364	$22,855
Stock options exercised	3,600	11	20
Balance July 3, 1982	7,791,653	23,375	22,875
Stock options exercised	81,539	245	345
Common stock issued under stock purchase plans	2,405	7	53
Tax benefit arising from transactions in stock options	—	—	715
Common stock issued less cost of issue	1,750,000	5,250	46,218
Balance July 2, 1983	9,625,597	28,877	70,206
Stock options exercised	114,691	344	715
Common stock issued under stock purchase plans	21,884	66	313
Tax benefit arising from transactions in stock options	—	—	1,092
Other	—	—	(54)
Balance June 30, 1984	9,762,172	$29,287	$72,272

* * *

At June 30, 1984, management options for 20,735 shares were exercisable at a total option price of $167,100 ($8.06 per share). At June 30, 1984, executive options for 10,991 shares were exercisable at a total option price of $207,134 ($8.06 to $23.125 per share). The assumed exercise of outstanding options would have no significant dilutive effect on earnings per share.

No charge is made against income for the excess, if any, of quoted market value on date of delivery of stock sold over the selling price, nor for employees' gains upon disqualifying disposition of stock acquired under stock option plans. Such amounts constitute taxable income to the employee. The resulting decrease in the Company's Federal Income Tax is charged against accrued taxes and a like amount is recorded as a credit to additional paid-in capital.

Treasury Stock Transactions

BURNDY CORPORATION

Consolidated Statements of Shareowners' Equity

(Dollars in thousands)

	Common stock		Additional		Cumulative	Treasury stock	
	Shares	Par value	paid-in capital	Retained earnings	translation adjustments	Shares	Cost
Balances at January 1, 1982	13,135,694	$13,136	$4,791	$130,606	$ (2,558)	892,218	$12,553
Stock option and award transactions			864			(19,513)	(180)
Net earnings for the year				15,325			
Net adjustments from translation of foreign currency statements					(4,842)		
Cash dividends at $.72 per share				(8,686)			
Purchase of treasury stock						312,919	5,585
Balances at December 31, 1982	13,135,694	13,136	5,655	137,245	(7,400)	1,185,624	17,958
Stock option and award transactions			600			(27,854)	(192)
Net earnings for the year				12,040			
Net adjustments from translation of foreign currency statements					(2,379)		
Cash dividends at $.80 per share				(9,577)			
Balances at December 31, 1983	13,135,694	13,136	6,255	139,708	(9,779)	1,157,770	17,766
Stock option and award transactions			(80)			(3,542)	(87)
Net earnings for the year				12,763			
Net adjustments from translation of foreign currency statements					(2,911)		
Cash dividends at $.84 per share				(10,059)			
Balances at December 31, 1984	13,135,694	$13,136	$6,175	$142,412	$(12,690)	1,154,228	$17,679

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7 (In Part): Shareowners' Equity

(b) *Stock option plan*

Under the Company's Stock Option Plan, non-statutory options and incentive stock options may be granted to eligible employees at prices not less than fair market value at the date of grant. Proceeds from the exercise of options are credited to common stock to the extent of $1.00 per share, and the balance is credited to additional paid-in capital. For those shares issued from treasury stock, the difference between the proceeds and the cost of the treasury stock is charged or credited to additional paid-in capital.

GUILFORD MILLS, INC.

Consolidated Statements of Stockholders' Investment

For the Years Ended July 1, 1984. July 3, 1983 and June 27, 1982

	Common Stock Number of Shares	Common Stock Amount	Capital in Excess of Par	Retained Earnings (Note 3)	Foreign Currency Translation Loss	Treasury Stock
Balance, June 28, 1981	6,614,358	$132,000	$ 7,796,000	$ 84,511,000	$ —	$6,031,000
Purchase of 128,100 shares of common stock	—	—	—	—	—	2,296,000
Foreign currency translation loss	—	—	—	—	(660,000)	—
Cash dividends ($.46 per share)	—	—	—	(3,399,000)	—	—
Net income	—	—	—	14,372,000	—	—
Balance, June 27, 1982	6,614,358	132,000	7,796,000	95,484,000	(660,000)	8,327,000
Purchase of 99,825 shares of common stock	—	—	—	—	—	1,360,000
Issuance of common stock pursuant to 3 for 2 split	3,307,092	66,000	(68,000)	—	—	—
Issuance of 96,000 shares of treasury stock in connection with purchase of Gilbert Frank	—	—	1,469,000	—	—	(311,000)
Foreign currency translation loss	—	—	—	—	(643,000)	—
Cash dividends ($.48 per share)	—	—	—	(3,496,000)	—	—
Net income	—	—	—	15,201,000	—	—
Balance, July 3, 1983	9,921,450	198,000	9,197,000	107,189,000	(1,303,000)	9,376,000
Sale of 626,912 shares of treasury stock (Note 7)	—	—	12,126,000	—	—	(2,159,000)
Issuance of 18,750 shares of treasury stock for options exercised	—	—	23,000	—	—	(65,000)
Foreign currency translation loss	—	—	—	—	(1,912,000)	—
Cash dividends ($.54 per share)	—	—	—	(4,148,000)	—	—
Net income	—	—	—	25,125,000	—	—
Balance, July 1, 1984	9,921,450	$198,000	$21,346,000	$128,166,000	$(3,215,000)	$7,152,000

Note 7 (In Part): Capital Stock and Other Matters

In October 1983, the Company completed a public offering of 626,912 shares of its treasury stock for $14,285,000, net of expenses of $212,000. Approximately $11,550,000 of the proceeds was used to effect the acquisition of Guilford Kapwood and the balance was added to working capital.

OUTBOARD MARINE CORPORATION

Statement of Changes in Consolidated Stockholders' Investment

For the Years Ended September 30, 1984, 1983 and 1982

(Dollars in thousands except amounts per share)

	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value of Common Stock	Accumulated Earnings Employed in the Business	Foreign Currency Translation Adjustments
Balance—September 30, 1981	16,753,782	$2,513	$36,590	$255,235	$ —
Net earnings	—	—	—	33,982	—
Dividends—$.41¼ per share	—	—	—	(6,981)	—
Shares issued upon stock option exercises	104,252	15	395	—	—
Stock appreciation rights exercised	314	—	—	—	—
Common stock issued in exchange for long-term debt	424,370	64	4,455	—	—
Foreign currency translation adjustments—					
Opening balance as of October 1, 1981	—	—	—	—	(1,644)
Net change for the year	—	—	—	—	(9,618)
Balance—September 30, 1982	17,282,718	2,592	41,440	282,236	(11,262)
Net earnings	—	—	—	39,266	—
Dividends—$.46¾ per share	—	—	—	(8,137)	—
Shares issued upon stock option exercises	208,966	32	905	—	—
Shares issued to Employees Stock Ownership Trust	59,174	9	1,086	—	—
Fractional shares eliminated	(126)	—	—	—	—
Foreign currency translation adjustments	—	—	—	—	(2,248)
Balance—September 30, 1983	17,550,732	2,633	43,431	313,365	(13,510)
Net earnings	—	—	—	52,736	—
Dividends—$.58 per share	—	—	—	(10,153)	—
Shares issued upon stock option exercises	129,774	20	610	—	—
Shares issued to Employees Stock Ownership Trust	9,527	1	204	—	—
Common stock issued in exchange for long-term debt	140,450	21	2,990	—	—
Treasury stock purchased and retired (Note 11)	(1,000,198)	(150)	(20,600)	—	—
Foreign currency translation adjustments	—	—	—	—	(4,938)
Balance—September 30, 1984	16,830,285	$2,525	$26,635	$355,948	$(18,448)

Note 11 (In Part): Common Stock

On June 8, 1984, the Company repurchased from its former Chairman, Ralph Evinrude, 1,000,198 shares of common stock at a price of $20.63 per share.

VARIAN ASSOCIATES, INC.

Consolidated Statements of Shareholders' Equity

(Dollars in thousands except per share amounts)	Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock at Cost	Total
	Years Ended September 28, 1984 and September 30, 1983 and 1982				
Balances, October 1, 1981	$16,006	$ 59,753	$116,291	$ —	$192,050
Net earnings for the year	—	—	26,500	—	26,500
Issuance of stock under employee stock purchase and option plans	594	6,485	—	—	7,079
Conversion of convertible debentures	437	5,833	—	—	6,270
Stock offering	2,500	44,895	—	—	47,395
Dividends paid ($.26 per share)	—	—	(4,548)	—	(4,548)
Balances, September 30, 1982	19,537	116,966	138,243	—	274,746
Net earnings for the year	—	—	44,881	—	44,881
Issuance of stock under employee stock purchase and option plans	532	10,327	—	—	10,859
Conversion of convertible debentures	1,639	20,982	—	—	22,621
Purchase of common stock from Madison Fund, Inc.	—	—	—	(61,544)	(61,544)
Stock offering	—	22,177	—	54,159	76,336
Dividends paid ($.26 per share)	—	—	(5,410)	—	(5,410)
Balances, September 30, 1983	21,708	170,452	177,714	(7,385)	362,489
Net earnings for the year	—	—	59,877	—	59,877
Issuance of stock under employee stock purchase and option plans	409	9,813	—	—	10,222
Retirement of treasury stock	(300)	(7,085)	—	7,385	—
Dividends paid ($.26 per share)	—	—	(5,642)	—	(5,642)
Balances, September 28, 1984	$21,817	$173,180	$231,949	$ —	$426,946

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Treasury Stock

On October 21, 1982, the Madison Fund, Inc. sold 2,500,000 shares of the Company's common stock to the Company for $61.5 million. The Madison Fund, Inc. publicly distributed its remaining equity position in the Company on November 9, 1982. On March 8, 1983, the Company sold 2,200,000 of these repurchased shares in a public offering at a price of $36 per share. Net proceeds from the offering of $76.3 million were initially held in short-term investments and are being used for a variety of corporate purposes. On August 24, 1984, the Board of Directors formally retired the remaining 300,000 shares previously held as treasury stock.

QUAKER STATE OIL REFINING CORPORATION

Consolidated Statement of Stockholders' Equity

(In thousands except shares and per share data)	Capital Stock	Additional Capital	Retained Earnings	Treasury Stock	Total
Balance, December 31, 1981	$22,490	$22,402	$199,767	$(4,937)	$239,722
Net income			38,568		38,568
Cash dividends ($.80 per share)			(17,386)		(17,386)
624 shares of treasury stock issued under Stock Option Plan		5		5	10
387 shares of treasury stock purchased				(4)	(4)
Balance, December 31, 1982	22,490	22,407	220,949	(4,936)	260,910
Net income			36,574		36,574
Cash dividends ($.85 per share)			(18,631)		(18,631)
21,376 shares of treasury stock issued under Stock Option Plan		248		139	387
224,971 shares of treasury stock exchanged for debentures		2,864		1,467	4,331
Balance, December 31, 1983	22,490	25,519	238,892	(3,330)	283,571
Net income			17,756		17,756
Cash dividends ($.80 per share)			(17,374)		(17,374)
12,216 shares of treasury stock issued under Stock Option Plan		98		79	177
1,962,100 shares of treasury stock purchased				(47,490)	(47,490)
2,400,000 shares of treasury stock used to purchase Heritage Insurance Group (Note 2)		(11,364)		49,464	38,100
Net change in unrealized gains and losses on marketable equity securities of Heritage Insurance Group			875		875
Balance, December 31, 1984	$22,490	$14,253	$240,149	$(1,277)	$275,615

Note 2 (In Part): Acquisition

Effective July 1, 1984, the Company exchanged 2,400,000 shares of its capital stock with an approximate market value of $38,100,000 for all of the outstanding capital stock of Heritage Insurance Group, formerly First Heritage Corporation, (Heritage), an insurance holding company principally engaged through its subsidiaries in the business of credit life, accident and health and special indemnity insurance. The acquisition has been accounted for as a purchase transaction, with the excess of purchase cost over the fair market value of net assets acquired being amortized over a forty year period.

Capital Transaction of Subsidiary

XEROX CORPORATION (DEC)

Statement Of Additional Paid-In Capital

	1984	1983	1982
	($ Millions)		
Additional Paid-In Capital			
Balance at beginning of year	$695.3	$317.2	$306.0
Crum and Forster acquisition	—	367.9	—
Incentive stock rights vested	21.3	.1	11.2
Stock options exercised	4.7	12.0	—
Common stock issued for long-term debt	10.3	—	—
Sale of stock by Canadian subsidiary	43.6	—	—
Class B stock repurchased	(.1)	(1.9)	—
Balance at end of year	$775.1	$695.3	$317.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Minority Interest in Xerox Canada Inc.

In June 1984 the Company's Canadian subsidiary, Xerox Canada Inc. (XCI), sold to the public 5.3 million units, each of which consisted of one common share and one-half of a common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of C$20.00 on or before December 1, 1986. The sale reduced the Company's ownership in XCI to approximately 85 percent of the outstanding common stock. The net proceeds of approximately $73.6 million were used by XCI to reduce its outstanding notes payable. The excess of the proceeds over the carrying value of the Company's investment in XCI of approximately $43.6 million has been reflected as an increase to additional paid-in capital in the consolidated balance sheet.

Reduction in Par Value

JOHNSON CONTROLS, INC.

Consolidated Statement of Shareholders' Equity

	Series B Preferred Stock	Common Stock	Capital In Excess of Par Value	Retained Earnings	Treasury Stock at Cost	Cumulative Translation Adjustments	Total
			(dollars in thousands)				
Balance September 30, 1981	$767	$13,099	$158,937	$185,361	$—	$ —	$358,164
Net income	—	—	—	53,839	—	—	53,839
Cash dividends							
Preferred ($2.00 per share)	—	—	—	(1,510)	—	—	(1,510)
Common ($1.40 per share)	—	—	—	(18,364)	—	—	(18,364)
Translation adjustments							
Beginning of year	—	—	—	—	—	(2,469)	(2,469)
Current year	—	—	—	—	—	(7,428)	(7,428)
Other	(24)	36	110	—	(5)	—	117
Balance September 30, 1982	743	13,135	159,047	219,326	(5)	(9,897)	382,349
Net income	—	—	—	59,041	—	—	59,041
Cash dividends							
Preferred ($2.00 per share)	—	—	—	(1,368)	—	—	(1,368)
Common ($1.50 per share)	—	—	—	(19,835)	—	—	(19,835)
Translation adjustments	—	—	—	—	—	(2,069)	(2,069)
Other	(86)	128	358	—	5	—	405
Balance September 30, 1983	657	13,263	159,405	257,164	—	(11,966)	418,523
Net income	—	—	—	66,723	—	—	66,723
Conversion and redemption of preferred	(657)	808	(250)	—	—	—	(99)
Change in par value of common stock from $1.00 to $.50	—	(7,041)	7,041	—	—	—	—
Cash dividends							
Common ($1.66 per share)	—	—	—	(23,385)	—	—	(23,385)
Translation adjustments	—	—	—	—	—	(2,106)	(2,106)
Other	—	18	471	—	—	—	489
Balance September 30, 1984	$ —	$ 7,048	$166,667	$300,502	$—	$(14,072)	$460,145

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 (In Part): Shareholders' Equity

	September 30, 1984	1983
Preferred Stock, Convertible Series B, $1.00 par value		
Authorized	2,000,000	2,000,000
Issued and outstanding	—	656,695
Common Stock, $.50 par value in 1984 and $1.00 in 1983		
Authorized	50,000,000	25,000,000
Issued and outstanding	14,095,952	13,262,614

During the first quarter of fiscal 1984, all outstanding preferred shares were converted into common stock at the rate of 1.235 common shares for each share of preferred or redeemed at $39.33 per share. Common shares issued upon conversion were 807,634 shares.

In 1984, the Company's Articles of Incorporation were amended to increase the number of authorized shares of common stock from 25,000,000 to 50,000,000 and the par value was changed from $1.00 per share to $.50 per share.

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 January 1, 1982	$7,545	$69,806	$ 2,393	$247,485	$ (2,922)	$(19,287)
Treasury stock sold	—	—	582	—	—	1,401
Common stock issued	(2,024)	3,746	6,932	—	—	—
Net income	—	—	—	42,931	—	—
Cash dividends declared:						
Series A preferred stock—$4.00 per share	—	—	—	(249)	—	—
Series B preferred stock—$4.40 per share	—	—	—	(552)	—	—
Common stock—$.50 per share	—	—	—	(10,512)	—	—
Exchange of stock for debentures	—	—	2,821	—	—	5,801
Current year translation adjustment	—	—	—	—	(7,065)	—
Balance at December 31, 1982	5,521	73,552	12,728	279,103	(9,987)	(12,085)
Two-for-one stock split	—	74,782	(12,824)	(61,958)	—	—
Treasury stock acquired/retired	(78)	—	—	(30)	—	(28,905)
Common stock issued	(5,057)	10,030	6,316	(923)	—	1,204
Net income	—	—	—	55,412	—	—
Cash dividends declared:						
Series A preferred stock—$4.00 per share	—	—	—	(102)	—	—
Series B preferred stock—$1.10 per share	—	—	—	(107)	—	—
Common stock—$.60 per share	—	—	—	(13,868)	—	—
Current year translation adjustment	—	—	—	—	(1,754)	—
Balance at December 31, 1983	386	158,364	6,220	257,527	(11,741)	(39,786)
Treasury stock acquired/retired	(13)	—	—	(18)	—	(20,638)
Common stock issued	(373)	2,310	4,360	(129)	—	665
Net income	—	—	—	65,006	—	—
Cash dividends declared:						
Series A preferred stock—$1.00 per share	—	—	—	(11)	—	—
Common stock—$.76 per share	—	—	—	(17,200)	—	—
Reduction in par value of common stock	—	(134,822)	134,822	—	—	—
Current year translation adjustment	—	—	—	—	(789)	—
Balance at December 31, 1984	$ —	$25,852	$145,402	$305,175	$(12,530)	$(59,759)

Note 9 (In Part): Capital Stock

An aggregate of 2,168,363, 2,125,157, and 4,103,678 shares of common stock at December 31, 1984, 1983 and 1982, respectively, were reserved for conversion of preferred stock and convertible subordinated debentures, and exercise and future grants of stock options. During April 1984 the shareholders approved an amendment to the Amended Articles of Incorporation reducing the par value of the common stock from $6.25 per share to $1.00 per share. Additionally, the authorized number of shares of common stock was increased from 50,000,000 shares to 100,000,000 shares, and the authorized number of shares of preferred stock was increased from 1,500,000 shares to 30,000,000 shares.

Warrants Issued

COMPO INDUSTRIES, INC.

Consolidated Statements of Changes in Stockholders' Equity

Years Ended September 29, 1984, October 1, 1983 and October 2, 1982	Common Stock Shares ($1 Par Value)	Additional Paid-In Capital	Accumulated Net Translation Loss	Retained Earnings
Balance, October 3, 1981	3,329,842	$5,376,000	$ —	$14,771,000
Net income	—	—	—	1,887,000
Cash dividends	—	—	—	(666,000)
Balance, October 2, 1982	3,329,842	$5,376,000	$ —	$15,992,000
Net income	—	—	—	282,000
Cash dividends	—	—	—	(666,000)
Common stock options exercised	29,000	101,000	—	—
Common stock repurchased and retired	(5,000)	(5,000)	—	—
Balance, October 1, 1983	3,353,842	$5,472,000	—	$15,608,000
Net income	—	—	—	3,792,000
Net translation loss	—	—	(1,546,000)	—
Cash dividends	—	—	—	(675,000)
Warrants issued	—	2,947,000	—	—
Common stock options exercised	24,000	84,000	—	—
Balance, September 29, 1984	3,377,842	$8,503,000	$(1,546,000)	$18,725,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note B (In Part): Acquisition of Van Heugten b.v.

On March 23, 1984, Compo acquired the stock of Van Heugten b.v. (Heuga) for a total investment of U.S. $35,865,000, including expenses. Heuga, located in Scherpenzeel, The Netherlands, is one of the world's largest manufacturers of modular carpet tile. Heuga has manufacturing and sales facilities in The Netherlands, Australia and Canada and sales subsidiaries in most countries of Western Europe, the U.S. and Japan. The acquisition has been accounted for as a purchase and Heuga's results of operations have been included for the five months ended August 31, 1984. Heuga's assets and liabilities have been recorded in the Company's financial statements at their estimated fair values, based upon an independent appraisal, at the acquisition date. The investment exceeded the fair value of the business purchased by $13,237,000 at the acquisition date. Realization of $1,465,000 from the utilization of tax loss carry forwards and amortization of $123,000 have reduced this amount to $11,649,000 at September 29, 1984.

In connection with the acquisition, the Company issued 12% Junior Subordinated Notes due March 31, 1994, in the aggregate amount of $14,000,000. Common Stock Purchase Warrants expiring March 31, 1994 to purchase 980,000 shares of Common Stock, $1.00 par value, of the Company for $10.00 per share, subject to certain anti-dilution provisions were issued along with the notes. The warrants have an assigned value of $2.50 each which along with expenses of approximately $100,000 results in an original issue discount of $2,550,000 which is being amortized over the term of the notes. In exchange for consents and waivers, the due dates of the notes payable to insurance companies were accelerated to December 27, 1993 and warrants to purchase 198,728 shares of common stock of the Company at $10.00 per share were issued. These warrants also have an assigned value of $2.50 each.

Warrants Purchased

TRIANGLE INDUSTRIES, INC.

Consolidated Statement of Additional Capital

Years Ended December 31 (Dollars in thousands)	1984	1983	1982
Additional paid-in capital			
Balance at beginning of year	$15,999	$10,230	$ 9,070
Issuances of preferred shares	10,553	—	—
Issuance of warrants in connection with issuance of debt	1,200	—	—
Portion of proceeds from issuances in 1984 of preferred shares and warrants allocated to the warrants and in 1983 of units of subordinated debentures and detachable warrants allocated to the warrants	990	6,480	—
Purchase of warrants	(2,564)	(1,288)	—
Excess of option price over the stated value of common shares issued upon exercise of stock options	282	450	27
Profit forfeited on insider stock sale	—	127	—
Excess of market value at date of debt restructuring over the stated value of 100,600 common shares issued upon restructure of debt and related expenses of issuance	—	—	1,133
Balance at end of year	$26,460	$15,999	$10,230
Retained earnings			
Balance at beginning of year	$46,249	$48,291	$43,388
Net income (loss)	3,236	(1,117)	5,828
Cash dividends			
$16.50 Redeemable Preferred Stock	(276)	—	—
Common shares ($.40 per share)	(909)	(925)	(925)
Balance at end of year	$48,300	$46,249	$48,291
Treasury shares			
Balance at beginning of year	$ 3,365	$ 1,351	$ 1,295
Purchase of preferred shares	112	—	—
Purchase of common shares	9,130	2,014	56
Balance at end of year	$12,607	$ 3,365	$ 1,351

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Stock Options and Warrants (In Part)

In connection with the 1984 issuance of variable rate senior subordinated notes, the Company issued 240,000 warrants each to purchase one of the Company's common shares for $18.50 per share. The warrants are exercisable until July 16, 1989.

In connection with the 1983 issuance of subordinated debentures, the Company issued 1,080,000 detachable warrants each to purchase one of the Company's common shares for $18.50 per share. The warrants may be exercised at any time until September 1, 1993; at which time each unexercised warrant will be converted into one-fiftieth of a common share. During the years ended December 31, 1984 and 1983 the Company purchased 572,300 and 250,000, respectively, of these warrants and as of December 31, 1984 warrants to purchase 257,700 shares were outstanding

In December 1984, the Company issued 30,000 common stock purchase warrants in connection with the issuance of each of 30,000 shares of Series A, Series B and Series C Cumulative Preferred Stock (aggregate 90,000 warrants). The Company has reserved an aggregate 750,000 common shares for the exercise of these warrants. The price at which the common shares can be purchased upon exercise of the warrants and the number of shares that can be purchased upon exercise of each warrant will be determined based on future market prices of the Company's common shares. The warrants are exercisable through January 1, 1995 commencing on the following dates: Series A—January 1, 1988; Series B—January 1, 1989 and Series C—January 1, 1990. The Company has the right to call all, but not less than all, of each series of warrants at increasing prices which at December 31, 1984 are Series A—$16.18; Series B—$20.11 and Series C—$23.50. These prices are reduced to $11.30 if the related preferred shares are redeemed.

Stock Repurchase Settlement

ACTION INDUSTRIES, INC.

Consolidated Statements of Shareholders' Equity

Years ended June 30, 1984, June 25, 1983 and June 26, 1982

	Common Stock Shares	Common Stock Amount	Capitol Contributed In Excess of Par	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Total
Balance—June 27, 1981	5,188,329	$518,833	$ 6,945,682	$ 8,392,557	106,314	$ (96,831)	$15,760,241
Net Loss	—	—	—	(877,494)	—	—	(877,494)
Balance—June 26, 1982	5,188,329	518,833	6,945,682	7,515,063	106,314	(96,831)	14,882,747
Net Earnings	—	—	—	5,709,997	—	—	5,709,997
Stock Repurchase	—	—	—	—	711,273	(948,363)	(948,363)
Balance—June 25, 1983	5,188,329	518,833	6,945,682	13,225,060	817,587	(1,045,194)	19,644,381
Net Earnings	—	—	—	1,341,157	—	—	1,341,157
Sabin Acquisition	200,000	20,000	1,380,000	—	—	—	1,400,000
Bond Conversion at $8.97 Per Share	1,729,532	172,953	16,391,208	—	—	—	16,564,161
Bond Conversion at $9.87 Per Share	4,051	405	39,578	—	—	—	39,983
Settlement of Stock Repurchase	53,145	5,315	712,144	—	—	(1,265,745)	(548,286)
Balance—June 30, 1984	7,175,057	$717,506	$25,468,612	$14,566,217	817,587	$(2,310,939)	$38,441,396

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note F—Stock Repurchase

In July of 1982 the Company tendered for and repurchased 237,091 shares of its common stock (prior to the Company's three-for-one stock split) at a price of $4.00 per share. Lawsuits were subsequently filed by shareholders in connection with that tender offer. Settlement of those lawsuits provided for the Company's payment of $3.25 market value of the Company's common stock for each of the 237,091 shares tendered. Pursuant to these settlements, 53,145 shares were distributed during fiscal 1984. An additional 3,566 shares are still being held for individuals who are entitled to share in the settlement but who have not yet submitted proofs of claim.

Debt Restructuring

CMI CORPORATION

Consolidated Statements of Shareholders' Equity

Years ended December 31, 1984, 1983 and 1982

	Convertible Preferred Stock Shares	Convertible Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital Amount	Accumulated Deficit Amount
Balance January 1, 1982	—	$ —	6,916,569	$ 691,657	$20,687,599	$37,867,763
Exercise of stock options	—	—	4,925	492	13,667	—
Net loss	—	—	—	—	—	(19,810,872)
Balance December 31, 1982	—	—	6,921,494	692,149	20,701,266	18,056,891
Net loss	—	—	—	—	—	(33,844,190)
Balance December 31, 1983	—	—	6,921,494	692,149	20,701,266	(15,787,299)
Debt restructuring issuance	534,476	534,476	5,128,565	512,857	19,952,667	—
Exercise of warrants	—	—	30,000	3,000	27,000	—
Net earnings	—	—	—	—	—	7,779,193
Balance December 31, 1984	534,476	$534,476	12,080,059	$1,208,006	$40,680,933	$ (8,008,106)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 (In Part): Debt Restructuring and Plant Closing

On March 23, 1984, the Company consummated various agreements (the Plan) with certain of its lending banks whereby the Company exchanged approximately $45,000,000 of its then outstanding debt (including accrued interest payable) for 5,128,565 shares of common stock, 534,476 shares of convertible preferred stock, and oil and gas properties with amortized cost of approximately $2,100,000. As additional consideration, certain lenders received 629,227 common stock warrants. The common stock warrants, which expire on February 28, 1994, entitle the holder to purchase common stock of the Company for $1.00 per share. The aggregate value of such shares and warrants has been determined to be $21,000,000 as of March 1, 1984, by an independent investment counseling firm. The value of the oil and gas properties was based on the estimated future net revenues using a discount factor of 10% as determined by an independent petroleum engineering firm and an independent offer for the purchase of such properties. The Plan was ratified by a majority of the shareholders at a special meeting of the shareholders on May 30, 1984. The gain on the restructuring of debt resulted in a nontaxable extraordinary gain of $11,700,294 or $.96 per share. In addition, a gain on sale of assets of $3,642,698 or $.30 per share was recorded on the transfer of oil properties. These gains were accounted for according to the provisions of the Financial Accounting Standards Board Statement No. 15 "Accounting by Debtors and Creditors for Troubled Debt Restructurings."

Officer's Note Receivable Settlement

AM INTERNATIONAL, INC.

Consolidated Statement of Shareholders' Equity

(for the three years ended July 31, 1984)

(Dollars in thousands)

	Common Stock Number of Shares	Common Stock Amount	Capital In Excess of Par Value	Notes Receivable From Former Officers	Accumulated Deficit	Cumulative Translation Adjustment
Balance July 31, 1981	10,240,961	$25,602	$96,306	$(2,344)	$(109,494)	$ —
Effect of adopting FAS No. 52 for Foreign Currency Translation at August 1, 1981	—	—	—	—	—	(9,478)
Net (loss)	—	—	—	—	(83,034)	—
Exercise of stock options	1,350	4	6	—	—	—
Aggregate effect of current year translation adjustments	—	—	—	—	—	(1,539)
Balance July 31, 1982	10,242,311	25,606	96,312	(2,344)	(192,528)	(11,017)
Net income	—	—	—	—	6,829	—
Aggregate effect of current year translation adjustments	—	—	—	—	—	(2,381)
Balance July 31, 1983	10,242,311	25,696	96,312	(2,344)	(185,699)	(13,398)
Net income	—	—	—	—	66,987	—
Settlement of former officer's note receivable	—	—	(1,669)	1,669	—	—
Aggregate effect of current year translation adjustments	—	—	—	—	—	(3,497)
Balance July 31, 1984	10,242,311	$25,606	$94,643	$ (675)	$(118,712)	$(16,895)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12 (In Part): Stock Options and Stock Sales

On February 20, 1981, the Board of Directors elected Richard B. Black as Chairman of the Board and Chief Executive Officer, and the Company entered into an agreement with Mr. Black providing for the sale of 300,000 shares of common stock at a price of $11.125 per share. On March 17, 1981, Mr. Black purchased 300,000 newly-issued shares for $1,668,750 in cash together with a promissory note for $1,668,750 secured by a pledge of the 300,000 shares. Mr. Black resigned from the Company on February 27, 1982. In December 1983 the Company and Mr. Black settled the lawsuit filed by Mr. Black against the Company and others and Mr. Black's related claims and adversary complaint in the Bankruptcy Court. By the terms of that settlement the Company cancelled Mr. Black's promissory note in favor of the Company in the amount of $1,668,750. Accordingly, the note receivable from Mr. Black included in Shareholders' Equity was reversed and Capital in Excess of Par Value was reduced $1,668,750.

FOREIGN CURRENCY TRANSLATION

Effective for fiscal years beginning on or after December 15, 1982, FASB *Statement of Financial Accounting Standards No. 52* supersedes 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* required translation adjustments to be included in determining net income. Examples of foreign currency translation disclosures follow.

CHICAGO PNEUMATIC TOOL COMPANY (DEC)

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (In Part)

Foreign Entity Financial Statements are translated to U.S. dollars in accordance with FASB Statement No. 52 "Foreign Currency Translation." Assets and liabilities of certain foreign subsidiaries are translated into U.S. dollars at year end rates of exchange. Profit and loss items are translated at the average exchange rate prevailing during the year. Resulting translation adjustments are reported separately in stockholders' equity. Translation adjustments relating to countries with highly inflationary economies and certain foreign transaction gains or losses are included in net income currently.

Stockholders' Equity (In Part)

A reconciliation of the components of stockholders' equity is as follows:

Stockholders' Equity (In thousands)	1984	1983	1982
Additional Paid-in Capital:			
Balance at beginning of year	$ 8,689	$ 9,345	$ 9,345
Treasury stock issued as contributions to employee benefit plans	(707)	(656)	—
Balance at end of year	$ 7,982	$ 8,689	$ 9,345
Cumulative Translation Effect:			
Balance at beginning of year	$(19,151)	$(17,203)	$ (9,153)
Effect of translation adjustments and hedging activity	(2,183)	(641)	(6,577)
Effect of income taxes allocated to adjustments	(2,233)	(1,307)	(1,765)
Effect of disposition of investments	—	—	292
Balance at end of year	$(23,567)	$(19,151)	$(17,203)
Treasury Stock:			
Balance at beginning of year	$(19,076)	$(20,490)	$(20,490)
Treasury stock issued as contributions to employee benefit plans	2,166	1,414	—
Balance at end of year	$(16,910)	$(19,076)	$(20,490)
Allowance for Unrealized Losses on Non-Current Marketable Equity Securities:			
Balance at beginning of year	$ —	$ —	$ (259)
Sale of securities	—	—	259
Balance at end of year	$ —	$ —	$ —

Foreign Operations (In Part)

In 1984, the net unfavorable effect of foreign currency translations and transactions related to continuing operations was approximately $819,000, or 16 cents per share, compared to a net unfavorable effect in 1983 of $2,029,000, or 41 cents per share. Approximately $974,000, or 20 cents per share, of the net unfavorable effect in 1984 and $1,610,000, or 33 cents per share, of the net unfavorable effect in 1983 were attributable to the translation effect of the Mexican peso devaluation.

DRESSER INDUSTRIES, INC.

Consolidated Statements of Shareholders' Investment

In millions of dollars—years ended October 31,

	1984	1983	1982
Common Shares, Par Value			
Beginning of year	$ 20.3	$ 20.2	$ 20.0
Shares issued in connection with employee benefit and dividend reinvestment plans	.1	.1	—
Shares sold to unconsolidated subsidiary	—	—	.2
End of year	$ 20.4	$ 20.3	$ 20.2
Capital in Excess of Par Value			
Beginning of year	$ 403.2	$ 395.4	$ 372.3
Shares issued in connection with employee benefit and dividend reinvestment plans	11.7	7.8	4.8
Shares sold to unconsolidated subsidiary	—	—	18.3
End of year	$ 414.9	$ 403.2	$ 395.4
Cumulative Translation Adjustments			
Beginning of year	$ (39.7)	$ (24.5)	$ (8.4)
Adjustments due to translation rate changes during the year	(39.3)	(21.0)	(25.7)
Income tax effect of translation adjustments	11.4	5.8	9.6
End of year	$ (67.6)	$ (39.7)	$ (24.5)
Retained Earnings			
Beginning of year	$1,607.7	$1,666.7	$1,555.2
Net earnings	96.7	5.1	172.3
Dividends on common shares $.80 a share in 1984 and 1983 and $.77 a share in 1982	(63.5)	(64.1)	(60.8)
End of year	$1,640.9	$1,607.7	$1,666.7
Treasury Shares			
Beginning of year	$ (38.6)	$ (38.6)	$ (22.9)
Shares issued in connection with employee benefit plans	—	—	3.0
Shares acquired	(83.4)	—	(.2)
Shares purchased by unconsolidated subsidiary	—	—	(18.5)
End of year	$ (122.0)	$ (38.6)	$ (38.6)
Total Shareholders' Investment, End of Year	$1,886.6	$1,952.9	$2,019.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Translation of Foreign Currencies

For subsidiaries in countries which do not have highly inflationary economies, asset and liability accounts are translated at the rate in effect at the balance sheet date and revenue and expense accounts are translated at weighted average rates. Translation adjustments are reflected as a separate component of shareholders' investment.

For subsidiaries in countries with highly inflationary economies, inventories, property, plant and equipment and related depreciation are translated at historical rates. Other asset and liability accounts are translated at rates in effect at the balance sheet date and revenues and expenses excluding depreciation are translated at weighted average rates. Translation adjustments are reflected in the statement of earnings.

Note N—Supplementary Income Statement Information

Earnings per common share are based on the average number of common shares outstanding during each period. The average common shares outstanding were 78.0 million in 1984, 79.1 million in 1983 and 78.7 million in 1982. Outstanding stock options and other common stock equivalents do not have a material effect on earnings per share.

Depreciation, depletion and amortization of property, plant and equipment charged to earnings amounted to $186.3 million in 1984, $191.7 million in 1983 and $185.6 million in 1982.

Research and development costs charged to earnings amounted to $60.5 million in 1984, $63.9 million in 1983 and $78.4 million in 1982.

Non-recurring expenses of $29.9 million were recorded in 1983 for capacity reductions and shutdowns of certain operations.

Net foreign exchange adjustments, including gains and losses from both settlement of commercial transactions and translation adjustments for highly inflationary countries (primarily Argentina, Brazil and Mexico), resulted in net losses of $4.9 million in 1984, $10.1 million in 1983 and $8.6 million in 1982. Net foreign exchange adjustments are included in Other income (deductions).

SPERRY CORPORATION (MAR)

NOTES TO FINANCIAL STATEMENTS

(in millions of dollars unless otherwise indicated)

3 (In Part): Other Income

Years ended March 31	1984	1983	1982
Interest	$42.2	$30.8	$24.1
Share in earnings of companies accounted for by the equity method	6.4	9.7	13.0
Foreign exchange (losses) gains	(20.4)	3.1	7.3
Royalties	3.9	3.2	4.2
Other, net	3.9	18.6	2.0
	$36.0	$65.4	$50.6

16. Accumulated Translation Adjustment

The following table summarizes the changes in the accumulated translation adjustment account during the three years ended March 31, 1984:

Adjustment on April 1, 1981	$ (35.4)
Translation adjustments, less income taxes of $85.6	(100.2)
Balance at March 31, 1982	(135.6)
Translation adjustments, less income taxes of $68.0	(79.2)
Balance at March 31, 1983	(214.8)
Translation adjustments, less income taxes of $24.9	(18.1)
Transferred to income from discontinued operations upon sale of Sperry Vickers, net of income taxes of $1.0	1.6
Balance at March 31, 1984	$(231.3)

ELI LILLY AND COMPANY

Consolidated Statements of Income

(Dollars in millions, except per-share data)	Year Ended December 31 1984	1983	1982
Net Sales	$3,109.2	$3,033.7	$2,962.7
Operating costs and expenses:			
Manufacturing costs of products sold	1,128.4	1,103.2	1,129.1
Research and development	341.3	293.6	267.4
Marketing	643.2	634.9	619.5
General administrative	252.0	277.1	275.8
	2,364.9	2,308.8	2,291.8
Operating Income	744.3	724.9	670.9
Other income (deductions):			
Interest income	73.4	59.9	50.2
Interest expense	(48.8)	(42.1)	(40.1)
Interest expense capitalized	5.7	8.6	13.4
Foreign exchange losses	(7.4)	(7.8)	(18.5)
Other—net	3.5	11.3	8.3
Income Before Taxes	770.7	754.8	684.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Currency Translation Adjustments

Generally, the assets and liabilities of foreign operations are translated into U.S. dollars using the current exchange rate. For those operations, changes in exchange rates generally do not affect cash flows; therefore, resulting translation adjustments are made to shareholders' equity rather than to income. Following is an analysis of currency translation adjustments reflected in shareholders' equity:

	1984	1983	1982
Balance (negative amount) at January 1	$(113.6)	$ (84.8)	$(45.6)
Translation adjustments and gains and losses from intercompany transactions	(31.9)	(25.8)	(43.5)
Allocated income taxes	(10.3)	.2	4.3
Liquidation of investment	—	(3.2)	—
Balance at December 31	$(155.8)	$(113.6)	$(84.8)

EMHART CORPORATION

Statement of Shareholders' Equity

For the Years Ended December 31

(In Millions Except Share Amounts)	Preference Stock	Common Stock	Other Capital	Retained Earnings	Treasury Stock	Cumulative Translation Adjustment	Shareholders' Equity
Balance at January 1, 1982	$3.7	$13.5	$189.4	$318.1	$(49.8)	$(14.0)	$460.9
Net earnings				80.2			80.2
Cash dividends declared:							
Preference stock—$2.10 a share				(.3)			(.3)
Common stock—$1.12 a share				(29.9)			(29.9)
Warrants exercised		.3	8.4				8.7
Stock options exercised			.2				.2
Preference shares converted	(.4)		.4				
Aggregate adjustment from translation of foreign currency statements after income tax benefits of $2.0						(35.5)	(35.5)
Balance at December 31, 1982	3.3	13.8	198.4	368.1	(49.8)	(49.5)	484.3
Net earnings				84.3			84.3
Cash dividends declared:							
Preference stock—$2.10 a share				(.2)			(.2)
Common stock—$1.20 a share				(33.0)			(33.0)
Stock options exercised			.7				.7
Preference shares converted	(1.0)	.2	.8				
2 for 1 stock split in December		13.9	(13.9)				
Aggregate adjustment from translation of foreign currency statements after income taxes of $1.3						(24.2)	(24.2)
Balance at December 31, 1983	2.3	27.9	186.0	419.2	(49.8)	(73.7)	511.9
Net earnings				90.4			90.4
Cash dividends declared:							
Preference stock—$2.10 a share				(.2)			(.2)
Common stock—$1.27 a share				(35.0)			(35.0)
10% stock dividend in December:							
2,498,161 common shares issued		2.5	69.7	(72.2)			
Cash in lieu of fractional interests				(.2)			(.2)
Stock options exercised		.1	1.2				1.3
Preference shares converted	(.4)		.4				
Aggregate adjustment from translation of foreign currency statements after income tax benefits of $1.9						(35.2)	(35.2)
Balance at December 31, 1984	1.9	30.5	257.3	402.0	(49.8)	(108.9)	533.0

NOTES TO FINANCIAL STATEMENTS

(Dollars in Millions Except Share Amounts)

1 (In Part): Summary of Significant Accounting Policies

Translation of International Currencies

Assets and liabilities of international operations are translated into United States dollars at current exchange rates. Income and expense accounts are translated into United States dollars at average rates of exchange prevailing during the year. Adjustments resulting from the translation of financial statements of most international units and those transactions determined to be a hedge of a foreign currency investment or long-term intercompany investment are included in the cumulative translation adjustment in the equity section of the statement of financial position. Transaction gains and losses are included in earnings.

4. International Operations

International operating income reflects a proportionate share of corporate expenses—$13.2 million in 1984, $14.2 million in 1983 and $13.9 million in 1982.

Foreign currency net gains or losses related to international transactions, after giving recognition to income tax effects, resulted in losses of $2.1 million in 1984, $.1 million in 1983 and $1.5 million in 1982.

FLUOR CORPORATION

Consolidated Statement of Shareholders' Equity

$ in thousands, except per share amounts.

Years ended October 31, 1982, 1983 and 1984.

	Common Stock	Additional Capital	Retained Earnings	Unamortized Executive Stock Plan Expense	Cumulative Translation Adjustments	Total
Balances at November 1, 1981	$48,808	$1,056,868	$590,067	$(12,544)	$ —	$1,683,199
Net earnings			152,799			152,799
Cash dividends ($.80 per share)			(62,581)		(62,581)	
Exercise of stock options—net	84	862				946
Amortization of executive stock plan expense				2,058		2,058
Issuance of restricted stock—net	63	1,750		(1,815)		(2)
Balances at October 31, 1982	48,955	1,059,480	680,285	(12,301)		1,776,419
Net earnings			27,700			27,700
Cash dividends ($.80 per share)			(62,868)			(62,868)
Exercise of stock options—net	173	2,980				3,153
Amortization of executive stock plan expense				3,021		3,021
Issuance of restricted stock—net	89	2,971		(3,236)		(176)
Balances at October 31, 1983	49,217	1,065,431	645,117	(12,516)		1,747,249
Net earnings			1,008			1,008
Cash dividends ($.60 per share)			(47,281)			(47,281)
Exercise of stock options—net	88	1,343				1,431
Amortization of executive stock plan expense				3,290		3,290
Issuance of restricted stock—net	36	775		(1,084)		(273)
Cumulative translation and related deferred tax adjustments as of November 1, 1983			(1,837)		(3,285)	(5,122)
Translation adjustment for the period					(3,939)	(3,939)
Balances at October 31, 1984	$49,341	$1,067,549	$597,007	$(10,310)	$(7,224)	$1,696,363

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Foreign Currency Translation

In 1984 the company adopted Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation." Under the provisions of Statement No. 52, the effects of translating foreign subsidiaries' financial statements are recorded in a separate component of shareholders' equity. Previously, these translation effects were included in the determination of earnings in the period in which they occurred. The financial statements for prior periods have not been restated as the effects of this change are immaterial.

Net foreign currency exchange gains included in the determination of earnings approximated $1,000,000 in 1984, $24,000,000 in 1983 and $7,000,000 in 1982.

The changes in the cumulative translation adjustments for 1984 were as follows:

$ in thousands	
Balance at November 1, 1983	$(3,285)
Translation adjustments	(7,294)
Deferred income taxes on translation adjustments	3,355
Balance at October 31, 1984	$(7,224)

THE TIMKEN COMPANY

Consolidated Statements of Capital and Earnings Invested in the Business

	Common Stock	Other Paid In Capital	Earnings Invested in the Business	Foreign Currency Translation Adjustment	Treasury Stock	Total
			(Thousands of dollars)			
Year Ended December 31, 1982						
Balance January 1, 1982	$53,063	$ 1,951	$768,610		$(1,054)	$822,570
Net (loss)			(3,001)			(3,001)
Cash dividends—$3.00 per share			(33,761)			(33,761)
Issued 13,795 shares of Treasury stock primarily in connection with Incentive Compensation Awards for the year 1981		350			484	834
Issued 53,212 shares of Common Stock in connection with dividend reinvestment and employee benefit plans		2,535				2,535
Balance December 31, 1982	$53,063	$ 4,836	$731,848		$ (570)	$789,177
Year Ended December 31, 1983						
Net income			530			530
Cash dividends—$1.80 per share			(20,710)			(20,710)
Issued 428,489 shares of Common Stock in connection with dividend reinvestment and employee benefit plans		25,830			26	25,856
Foreign currency translation adjustments:						
Effect of restating asset and liability accounts as of January 1, 1983 for adoption of FASB Statement No. 52 (net of income taxes of $5,469,000)				$ (8,178)		(8,178)
Translation adjustments (net of income taxes of $5,277,000)				(10,101)		(10,101)
Balance December 31, 1983	$53,063	$30,666	$711,668	$(18,279)	$ (544)	$776,574
Year Ended December 31, 1984						
Net income			46,057			46,057
Cash dividends—$2.00 per share			(23,546)			(23,546)
Adjustment to stated capital	1					1
Issued 102,800 shares of Common Stock in connection with dividend reinvestment and employee benefit plans		5,424			19	5,443
Foreign currency translation adjustments (net of income taxes of $6,495,000)				(14,658)		(14,658)
Balance December 31, 1984	$53,064	$36,090	$734,179	$(32,937)	$ (525)	$789,871

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (In Part): Significant Accounting Policies

Foreign Operations: Accounts for foreign subsidiaries and divisions are maintained in the currencies of the countries in which they operate and beginning January 1, 1983 are translated into U.S. dollars in conformity with Financial Accounting Standard No. 52. Years prior to 1983 are translated into U.S. dollars in conformity with Financial Accounting Standard No. 8. (See Note F)

Note B—International Divisions and Subsidiaries

The financial statements include the following amounts for operations of divisions and subsidiaries located outside of the United States:

	1984	1983
	(Thousands of dollars)	
Net current assets	$79,337	$79,793
Net other assets	83,840	76,886

Net income (loss), including foreign currency exchange losses, from operations of divisions and subsidiaries located outside the United States was $13,519,000 in 1984; $14,230,000 in 1983, and $(5,401,000) in 1982.

Foreign currency exchange losses included in other charges in the income statement amounted to $5,568,000 in 1984; $4,444,000 in 1983, and $21,640,000 in 1982. (See Note F)

Note F—Foreign Currency Translation

Effective January 1, 1983, the Company prospectively adopted Financial Accounting Standards Board Statement No. 52, "Foreign Currency Translation." Under the new accounting rules all assets and liabilities of most operations outside the United States are translated into U.S. dollars at period-end exchange rates. Currency translation adjustments are reflected in the Foreign Currency Translation Adjustment account in Capital and Earnings Invested in the Business, except for gains and losses on foreign currency translation for hyperinflated economies (Brazil, Mexico and Argentina), which are included in other charges in the income statement.

The cumulative effect of adopting Statement No. 52 as of January 1, 1983 was a reduction in net assets of $8,178,000 (net of income taxes of $5,469,000). Additionally, this change is estimated to have increased net income by $10,521,000 ($.89 per share) in 1984 and $6,506,000 ($.57 per share) in 1983.

UNITED STATES STEEL CORPORATION (DEC)

Consolidated Statement of Other Preferred Stock and Common Stockholders' Equity (In Part)

	Amounts (in millions)		
	1984	1983	1982
Cumulative foreign currency translation adjustments:			
Balance at beginning of year	$ (78)	$ —	$—
Current year adjustments	(43)	(78)	—
Balance at end of year	$(121)	$(78)	$—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. Foreign Currency Translation

Effective January 1, 1983, on a prospective basis, the Corporation adopted Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation". In the application of this Statement, exchange adjustments resulting from foreign currency transactions generally are recognized in income, whereas, adjustments resulting from translation of financial statements are reflected as a separate component of stockholders' equity. For 1984 and 1983, respectively, the aggregate foreign currency transaction gain included in determining net income was $21 million and $8 million. An analysis of changes in the cumulative foreign currency translation adjustments follows:

(In millions)	1984	1983
Cumulative foreign currency translation adjustments at January 1	$ (78)	$(60)
Aggregate adjustments for the year:		
Foreign currency translation adjustments	(56)	(24)
Amount of income taxes related to translation adjustments	13	4
Amount related to disposition of investments	—	2
Cumulative foreign currency translation adjustments at December 31	$(121)	$(78)

RANCO INCORPORATED (SEP)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (In Part): Summary of Principal Accounting Policies:

Foreign Currency Translation: The Company uses year-end exchange rates to translate most of its foreign assets and liabilities. It uses weighted average rates for the year to translate foreign income and expenses. Translation gains or losses may result from converting the balance sheets of foreign entities into U.S. dollars or from hedging the Company's net investment in those entities. When this happens, the Company defers any gain or loss as adjustments to shareholders' equity. Note 13 provides more detail of the adjustments made in the last three years.

Current accounting pronouncements require modifications of the general policy outlined above when statements of the Company's Mexican subsidiaries are translated into U.S. dollars. The main differences are that property, plant and equipment and depreciation are translated using the rates of exchange at the time the assets were purchased, and any gains or losses from translating Mexican balance sheets are included directly in income rather than being deferred.

Foreign Currency Transactions: In the normal course of its business, the Company and its subsidiaries frequently enter into transactions in a currency different from that in which their records are kept. Exchange rate movements which occur between the time such a transaction is recorded and the time of settlement cause transaction gains or losses. These gains or losses, as well as gains or losses on foreign exchange contracts intended to hedge these transactions, are recorded in income as they occur.

The income statement includes net foreign exchange losses as follows:

(Dollars in thousands)	1984	1983	1982
Exchange losses in other expense	$331	$908	$1,046
Tax benefit from deductible losses	156	384	546
Decrease in net income	$175	$524	$ 500

13. Cumulative Foreign Currency Translation Adjustment:

"Cumulative translation adjustments" reflect gains or (losses) from: translating the balance sheets of Canadian and European subsidiaries and the Japanese affiliate into U.S. dollars and hedging the Company's net investment in those entities. The income taxes shown below represent the deferred tax effect of gains or losses on hedging transactions. The following summarizes changes in the cumulative foreign currency translation adjustment for 1982, 1983 and 1984:

(Dollars in thousands)	Cumulative Translation Adjustments	Income Taxes	Net Equity Adjustment
Balance at September 30, 1981	$ (145)	$(1,412)	$(1,557)
Aggregate translation adjustments	(3,089)	—	(3,089)
Allocated income taxes	—	355	355
Balance at September 30, 1982	(3,234)	(1,057)	(4,291)
Aggregate translation adjustments	(72)	—	(72)
Allocated income taxes	—	22	22
Balance at September 30, 1983	(3,306)	(1,035)	(4,341)
Aggregate translation adjustments	(3,375)	—	(3,375)
Allocated income taxes	—	(27)	(27)
Balance at September 30, 1984	$(6,681)	$(1,062)	$(7,743)
(Deductions)			

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* states: "When financial statements purporting to present both financial position (balance sheet) and results of operations (statement of income and retained earnings) are issued, a statement summarizing changes in financial position should also 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 The Statement of Changes in Financial Position in relation to other financial statements. As shown in Table 5-1, the statement of changes is usually presented in an annual report as the last financial statement or after the income statement and balance sheet but before the statement of stockholders' equity.

TABLE 5-1: PRESENTATION IN ANNUAL REPORT

	1984	1983	1982	1981
Final statement	379	387	386	388
Follows income statement and balance sheet	162	154	151	153
Between income statement and balance sheet	51	52	56	52
First statement	3	5	5	6
Other	5	2	2	1
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.

Prior to 1981, it was rare to see a change in working capital or in cash and cash equivalents presented in terms other than total sources and total uses. In 1981 the survey companies began to present a change in working capital or in cash and cash equivalents in terms of fund flows associated with operating, investing, and financing activities. The number of survey companies using this form was 74 in 1981, 169 in 1982, 227 in 1983, and 267 in 1984. This form of presentation is discussed in the *FASB Discussion Memorandum-Reporting Fund Flows, Liquidity and Financial Flexibility* which has been incorporated into an FASB study on Cash Flow Reporting.

SOURCES AND USES

Sources Equal Uses

BUCYRUS-ERIE COMPANY (DEC)

Consolidated Statements of Changes in Financial Position

	1984	1983	1982
		($000)	
Source of Working Capitol			
From operations:			
Net earnings (loss)	$ 8,151	$(133,002)	$25,697
Charges (credits) not affecting working capital:			
Depreciation, amortization and write-down of fixed assets	41,364	61,679	24,108
Increase in deferred liabilities	8,740	36,594	7,953
Equity in earnings of Ruston-Bucyrus, Limited	(1,343)	(205)	(899)
Write-down of investment in Ruston-Bucyrus, Limited		18,991	
Total working capital provided from (used in) operations	56,912	(15,944)	56,859
Dividends received from Ruston-Bucyrus, Limited		52	612
Disposals of property, plant and equipment	18,233	3,081	3,198
Decrease in noncurrent portion of notes receivable	2,937	2,582	4,493
Miscellaneous	157	76	159
Decrease in working capital	8,968	137,789	6,692
	$87,209	$127,648	$72,016
Application of Working Capital			
Additions to property, plant and equipment	$16,018	$ 14,924	$27,239
Cash dividends paid	8,537	11,228	17,965
Reductions in long-term debt	2,003	100,703	23,238
Increase in intangibles			1,660
Effect of exchange rate changes on working capital	3,998	792	1,912
Purchase of common stock	56,652		
	$87,209	$127,648	$72,016

TABLE 5-2: FORMAT

	1984	1983	1982	1981
Changes in Working Capital				
Sources equal uses	31	39	46	59
Increase (decrease) in working capital	176	199	250	341
Ending working capital	37	48	50	66
Changes in Cash				
Sources equal uses	5	7	5	6
Increase (decrease) in cash or cash and cash equivalent	206	175	145	70
Ending cash or cash and cash equivalent	145	132	104	58
Total Companies	**600**	**600**	**600**	**600**

RIVAL MANUFACTURING COMPANY (DEC)

Consolidated Statements of Changes in Financial Position

	1984	1983	1982
		($000)	
Source of Funds:			
From continuing operations:			
Earnings from continuing operations	$ 7,851	$ 7,404	$ 6,335
Noncash charges to continuing operations:			
Depreciation and amortization	2,716	2,817	2,817
Noncurrent deferred income taxes	55	218	116
Funds provided from continuing operations	10,622	10,440	9,269
From discontinued segment:			
Earnings (loss) from discontinued segment	836	(11,648)	2,425
Noncash charges (credits) to discontinued segment:			
Depreciation and amortization	9	96	102
Minority interest	—	(623)	269
Noncurrent deferred income taxes	(15)	9	8
Funds provided from (used in) discontinued segment	831	(12,165)	2,805
Total funds provided from (used in) operations	11,454	(1,724)	12,075
Property, plant and equipment retirements	506	208	49
Other	77	72	173
Decrease in working capital	—	8,385	—
	$12,038	$ 6,941	$12,297
Application of Funds:			
Dividends declared	$ 5,019	$ 5,019	$ 5,019
Additions to property, plant and equipment	2,702	1,632	2,199
Reduction of long-term debt and long-term lease obligations	310	290	310
Purchase of treasury stock	—	—	—
Increase in working capital	4,005	—	4,769
	$12,038	$ 6,941	$12,297

TULTEX CORPORATION (NOV)

Consolidated Statement of Changes in Financial Position

	1984	1983	1982
	(In thousands of dollars)		
Financial resources were provided by:			
Net income	$ 9,720	$14,550	$12,609
Items not involving working capital:			
Depreciation	6,591	5,883	4,274
Deferrals	(244)	976	(28)
Foreign currency translation loss	715	—	—
Total provided by operations	16,782	21,409	16,855
Utilization of net operating loss carryforward of acquired company	2,917	—	—
Issuance of common stock	68	189	48
Retirements of property and equipment	481	383	120
Additional long-term debt:			
Proceeds from borrowings	12,775	21,761	462
Indebtedness assumed in acquisition of companies	—	—	2,615
Indebtedness issued in acquisition of companies	—	—	11,473
Reduction in bond funds	—	—	817
	$33,023	$43,742	$32,390
Financial resources were used for:			
Foreign currency translation adjustment	$ —	$ 103	$ 612
Dividends	3,820	3,139	2,552
Reduction of long-term debt	2,881	14,118	7,211
Unexpended note proceeds	1,248	4,830	—
Additions to property, plant and equipment	9,103	21,411	4,050
Property, plant and equipment of acquired companies	—	—	4,658
Purchase of common stock and preferred stock of the Company	—	7	731
Increase in working capital	15,971	134	12,576
	$33,023	$43,742	$32,390

Increase (Decrease) In Working Capital or Cash

THE FEDERAL COMPANY (MAY)

Consolidated Statements of Changes in Financial Position

	1984	1983	1982
	(In thousands)		
Financial resources were provided by Operations			
Net income	$41,367	$25,707	$17,562
Add expenses not requiring current outlay of funds			
Depreciation	31,524	26,305	24,789
Other	163	465	306
Total funds provided from operations	73,054	52,477	42,657
Additional long-term debt	15,703	8,327	10,100
Proceeds from employee stock purchases	318	865	
Proceeds from non-current assets of subsidiaries sold	7,616	2,020	1,382
Proceeds from the sale of property and equipment	1,357	791	821
Other	1,339	737	
Total funds provided	99,387	65,217	54,960
Financial Resources Were Used For			
Additions to property and equipment	51,406	43,388	16,248
Investment in real estate held for resale			4,818
Industrial Revenue Bond proceeds held in escrow	(3,003)	(3,418)	7,965
Cash dividends	12,674	11,523	10,651
Reduction of long-term debt	8,395	1,993	2,273
Other	82	968	1,947
Total funds used	69,554	54,454	43,902
Increase (decrease) in working capital	$29,833	$10,763	$11,058

GRUMMAN CORPORATION (DEC)

Consolidated Statement of Changes In Financial Position

	1984	1983	1982
	(Dollars in Thousands)		
Funds Provided By:			
Income from continuing operations	$108,418	$110,746	$ 90,294
Items not requiring funds			
Depreciation and amortization	44,653	34,096	25,189
Deferred income taxes	70,500	72,000	69,500
Other	4,299	3,914	2,429
From continuing operations	227,870	220,756	187,412
Loss from discontinued operations	—	—	(64,797)
Non-cash items, principally deferred income taxes	—	—	(52,622)
From discontinued operations	—	—	(117,419)
Total from operations	227,870	220,756	69,993
Additions to long-term debt	204,432	7,169	667
Stock issued on conversion of debentures	—	43,158	32,652
Increase in accounts payable and other payables	1,732	42,285	17,780
Increase (decrease) in progress payments and deposits	11,820	(18,669)	(6,254)
Decrease (increase) in inventories	6,460	(753)	85,481
Increase (decrease) in current maturities payable	977	(38,716)	39,685
	453,291	255,230	240,004
Funds Used For:			
Expenditures for property, plant and equipment	146,941	88,206	52,715
Reduction of long-term debt	32,429	106,209	210,515
Cash dividends	31,542	28,422	21,237
Increase (decrease) in accounts receivable	34,444	15,209	(29,932)
Other	13,324	5,310	(16,349)
	258,681	243,356	238,186
Increase in Cash and Marketable Securities	$194,610	$ 11,874	$ 1,818

HUMANA INC. (AUG)

Consolidated Statement of Changes in Financial Position

	1984	1983	1982
	(Dollars in thousands)		
Funds provided:			
From operations:			
Net income	$193,341	$160,649	$127,146
Items which did not require working capital:			
Depreciation and amortization	120,560	94,665	78,181
Deferred income taxes	7,404	21,876	14,675
Other	3,593	(16,374)	6,667
	324,898	260,916	226,669
Additions to long-term debt	358,811	316,795	240,546
Issuances of common stock	9,695	116,967	8,074
Increase in allowance for professional liability risks	22,032	18,808	13,149
Disposition of properties	55,442	72,183	37,377
Proceeds from disposal of other investments	2,745	1,009	16,381
Decrease in long-term receivables	9,057	—	—
Other	11,067	12,544	18,652
	793,747	799,122	560,848
Funds applied:			
Additions to property and equipment	445,741	514,776	319,538
Reduction of long-term debt	137,067	108,094	105,759
Redemption of preferred stock	62,277	188	3,697
Payment of cash dividends	60,217	50,609	37,598
Insurance subsidiary's investments	23,566	22,621	16,634
Increase in long-term receivables	—	12,928	19,357
Other	28,868	25,563	19,367
	757,736	734,779	521,950
Increase in working capital	$ 36,011	$ 64,343	$ 38,898

INTERNATIONAL PAPER COMPANY (DEC)

Consolidated Statement of Changes in Financial Position

	1984	1983	1982
	(In millions of dollars)		
Funds Provided			
Earnings before extraordinary item	$ 120.1	$254.9	$160.8
Non-cash items:			
Depreciation	248.9	224.8	203.1
Deferred income taxes	(13.5)	68.7	(32.4)
Provision for adjustments to facilities and investments	155.0		
Other non-cash items, net	42.4	39.5	19.7
Funds Provided from Operations Exclusive of Extraordinary Item	552.9	587.9	351.2
Extraordinary item, less applicable taxes			11.0
Funds Provided from Operations and Extraordinary Item	552.9	587.9	362.2
Net proceeds from note receivable resulting from 1981 sale of subsidiary			558.4
Decrease (increase) in receivables, net	64.0	(82.1)	(23.0)
Decrease (increase) in refundable federal income taxes	36.7	(53.4)	
Decrease (increase) in construction funds held by trustees	14.4	95.4	(184.1)
Increase (decrease) in other current liabilities	60.7	18.2	(83.8)
Increase (decrease) in accrued income taxes	47.3	(72.8)	(100.1)
Issuance of long-term debt	191.6	16.9	301.2
Other sources, net, including in 1982 proceeds from sale of tax benefits, net of income taxes	57.6	29.9	84.7
Total Funds Provided	1,025.2	540.0	915.5
Application of Funds			
Cash dividends paid	146.0	145.2	145.1
Invested in—			
plants, properties, and equipment	562.7	679.1	432.7
timberlands	65.3	59.2	36.8
Reduction of long-term debt	116.2	80.3	129.1
Increase (decrease) in inventories and other current assets	61.1	27.9	(26.4)
Total Funds Applied	951.3	991.7	717.3
Increase (Decrease) in Cash and Temporary Investments	$ 73.9	$(451.7)	$198.2

NATIONAL SERVICE INDUSTRIES, INC. (AUG)

Consolidated Statements of Changes in Financial Position

	1984	1983	1982
	(Dollar amounts in thousands)		
Funds Were Provided by:			
Operations—			
Net income	$ 61,506	$ 55,374	$ 50,628
Add items not requiring outlay of funds—			
Depreciation and amortization	24,510	22,640	23,983
Provision for deferred income taxes	6,206	(3,760)	(425)
Safe harbor lease deferred income taxes	16,286	24,108	1,240
	108,508	98,362	75,426
Increase in—			
Accounts payable and accrued liabilities	10,115	12,159	—
Liability for investment in tax benefits	—	19,870	—
Decrease in Prepayments and Other, net	191	—	—
Sales and Retirements of Property, Plant, and Equipment	1,018	2,000	2,180
Recovery of Investment in Tax Benefits	1,390	12,476	6,222
Short-Term Debt	—	—	32,000
Stock Options Exercised	—	183	—
Additional Long-Term Debt	330	40	578
Funds Provided	121,552	145,090	116,406
Funds Were Used for:			
Additions to Property, Plant, and Equipment (including rental furniture of $6,214 in 1984, $6,930 in 1983, and $7,285 in 1982)	37,881	33,704	35,508
Investment in Tax Benefits	—	19,870	31,500
Purchase of Treasury Stock	273	—	10,708
Cash Dividends Paid on Common Stock	21,230	19,426	17,885
Repayment of Short-Term Debt	—	17,000	15,000
Repayment of Long-Term Debt	1,135	1,539	1,704
Increase in—			
Receivables	18,130	13,855	199
Inventories and linens in service, net	30,111	5,443	10,423
Prepaid income taxes	11,189	4,870	—
Prepayments and other, net	—	399	3,282
Decrease in—			
Accounts payable and accrued liabilities	—	—	274
Liability for investment in tax benefits	13,642	—	—
Accrued income taxes	—	3,636	14,997
Funds Used	133,591	119,742	141,480
Increase (Decrease) in Cash and Short-Term Investments	$ (12,039)	$ 25,348	$ (25,074)

UNIVERSAL LEAF TOBACCO COMPANY, INCORPORATED (JUN)

Consolidated Statements of Changes in Financial Position

	1984	1983	1982
	(In thousands of dollars)		
Source of Working Capital			
Operations:			
Net income	$38,282	$36,641	$34,271
Charges (credits) not affecting working capital:			
Depreciation	14,836	12,486	10,603
Deferred income taxes	4,003	2,559	4,171
Minority interest in earnings of subsidiaries	765	919	898
Equity in net income of unconsolidated affiliates	(17,014)	(16,070)	(7,576)
Dividends received from unconsolidated affiliates	6,644	4,867	1,486
Working capital provided from operations	47,516	41,402	43,853
Increase in long-term obligations	2,990	857	1,695
Proceeds from sale of investments	2,040	5,096	5,655
	52,546	47,355	51,203
Application of Working Capital			
Dividends declared for stockholders	15,604	14,816	13,788
Additions to real estate, plant and equipment	20,037	19,486	21,940
Purchase of common treasury stock	2,710	335	2,393
Reduction of long-term obligations	3,484	22,789	3,026
Other—net	(1,448)	(1,107)	(1,357)
	40,387	56,319	39,790
Increase (Decrease) in Working Capital	12,159	(8,964)	11,413

End of Year Working Capital or Cash

IPCO CORPORATION (JUN)

Statements of Changes in Consolidated Financial Position

	1984	1983	1982
	(In Thousands of Dollars)		
Funds Provided			
Income before extraordinary tax credit	$ 6,402	$ 5,468	$ 3,146
Charges not affecting working capital:			
Depreciation and amortization	4,946	3,893	3,397
Amortization and write-off of intangible assets and deferred expenses	369	820	323
Increase (decrease) in deferred income taxes	1,261	476	(9)
Funds provided from operations before extraordinary tax credit	12,978	10,657	6,857
Extraordinary tax credit	300	1,043	2,430
Funds provided from operations	13,278	11,700	9,287
Additions to long-term borrowings	461	2,877	231
Exercise of stock options	451	1,473	—
Increase (decrease) in other noncurrent liabilities	112	897	(301)
Sale of fixed assets	—	96	1,192
Total funds provided	14,302	17,043	10,409
Funds Applied			
Purchase of property, plant and equipment, net of disposals: 1984—$163,000; 1983—$348,000; 1982—$424,000	14,519	10,953	8,121
Reductions of long-term debt	2,049	2,118	2,141
Dividends paid or declared	1,626	1,223	1,036
Purchase of treasury stock	606	—	—
Increase in deferred expenses	483	385	168
Increase in notes receivable	147	—	890
Other	393	(250)	33
Total funds applied	19,823	14,429	12,389
Increase (Decrease) in Working Capital	(5,521)	2,614	(1,980)
Working Capital At:			
Beginning of year	30,867	28,253	30,233
End of year	$25,346	$30,867	$28,253

AMERICAN BILTRITE INC. (DEC)

Consolidated Statement of Changes in Financial Position

	1984	1983	1982
	(In thousands of dollars)		
Cash Provided by Operations			
Earnings before extraordinary items	$ 2,673	$1,108	$ 1,951
Noncash items included in earnings:			
Depreciation and amortization	2,047	2,064	3,607
Deferred income taxes	(119)	44	277
Loss on disposal of property, plant and equipment	522		
Other	(307)	421	(476)
Extraordinary credit (charge)	1,532	70	(85)
	6,348	3,707	5,274
Increase (decrease) in cash caused by certain working capital items:			
Accounts receivable	(362)	(1,370)	(820)
Inventories	(1,885)	(769)	1,722
Prepaid expenses and other current assets	108	595	(111)
Accounts payable and accrued expenses	936	2,023	(8,269)
Income taxes	166	479	(12)
Cash Provided by (Used For) Operations	5,311	4,665	(2,216)
Issuance of Long-term debt	4,000		
Disposals of property held for sale		892	8,010
Transfer of The Biltrite Corporation's assets:			
Net property, plant and equipment			12,406
Other assets			40
Net working capital			11,495
Disposals of land and equipment	79	7	77
Reduction in net property, plant and equipment resulting from exchange rate changes	316	32	548
Other	62	57	230
Cash Provided From All Sources	9,768	5,653	30,590
Cash Used For			
Purchase of property, plant and equipment	2,876	2,166	5,357
Acquisition of treasury stock	1,500		
Restricted bond proceeds	3,746		
Investment in affiliated company		550	
Payment of long-term debt	492	492	850
Equity adjustment from foreign currency translation	752	110	840
Cash dividends	380	394	690
Mortgage receivable		960	
Transfer of The Biltrite Corporation's long-term liabilities and equity:			
Long-term debt			2,923
Other liabilities			240
Equity			20,778
Other	306	155	145
	10,052	4,827	31,823
Net Increase (Decrease) in Cash and Cash Equivalents	(284)	826	(1,233)
Cash and cash equivalents at beginning of year	7,857	7,031	8,264
Cash and Cash Equivalents at End of Year	$ 7,573	$7,857	$ 7,031

COLECO INDUSTRIES, INC. (DEC)

Consolidated Statement of Changes in Financial Position

	1984	1983	1982
	(Amounts in thousands)		
Financial Resources Were Provided by:			
Net earnings (loss)	$ (79,818)	$ (7,433)	$ 44,896
Add items not requiring working capital:			
Depreciation and amortization	20,582	7,655	6,028
Non-current deferred tax provision	(9,778)	6,953	2,189
Increase in stockholders' equity under long-term incentive plan	2,439	4,324	1,134
Total provided by operations	(66,575)	11,499	54,247
Reduction of property, plant and equipment	1,808	2,609	24
Proceeds from long-term debt	60,733	14,340	55,774
	(4,034)	28,448	110,045
Financial Resources Were Used for:			
Additions to property, plant and equipment	13,863	36,981	16,862
Reduction of long-term debt	6,086	4,461	3,749
Increase in long-term prepaid advertising	3,000	7,000	
Other, net	(516)	1,836	991
	22,433	50,278	21,602
Increase (Decrease) in Working Capital	(26,467)	(21,830)	88,443
Working Capital at beginning of year	107,777	129,607	41,164
Working Capital at end of year	$ 81,310	$107,777	$129,607

OPERATING, INVESTING, AND FINANCING ACTIVITIES

OXFORD INDUSTRIES, INC. (MAY)

Consolidated Statements of Changes in Financial Position

	1984	1983	1982
	($ in thousands)		
Operations:			
Net earnings	$25,007	$22,654	$16,330
Items reflected in net earnings not requiring funds:			
Depreciation and amortization	6,693	5,664	4,560
Deferred income taxes	(175)	182	619
	31,525	28,500	21,509
Funds provided by (used for) working capital:			
Receivables—net	(17,292)	1,810	(8,348)
Inventories	(29,046)	6,246	(19,701)
Accounts payable	11,597	(7,724)	4,079
Accrued liabilities	4,054	1,777	7,006
Accrued income taxes	(3,242)	1,494	199
Other	475	(1,214)	(314)
Net funds provided by (used for) operations	(1,930)	30,889	4,430
Investments:			
Purchase of property, plant and equipment	(10,924)	(12,303)	(9,395)
Purchase of common stock	(7,926)		
Other	831	(836)	232
Net funds used for investments	(18,019)	(13,139)	(9,163)
Financing:			
Addition to (reduction in) short-term borrowings	21,000	(13,000)	7,000
Addition to long-term debt	1,381	6,062	2,800
Reduction in long-term debt	(3,668)	(2,568)	(2,167)
Proceeds from exercise of stock options	349	159	67
Net funds provided by (used for) financing	19,062	(9,347)	7,700
Dividends:			
Cash dividends paid to shareholders	(4,144)	(3,381)	(2,654)
Net Change in Cash	(5,031)	5,022	313
Cash at Beginning of Year	8,297	3,275	2,962
Cash at End of Year	$ 3,266	$ 8,297	$ 3,275

W.R. GRACE & CO. (DEC)

Consolidated Statement of Changes in Financial Position

	1984	1983	1982
		$ Millions	
Source (Use) of Funds			
Net income	$195.6	$159.7	$319.8
Add (deduct) items not affecting working capital:			
Depreciation, depletion and amortization	324.8	304.6	297.2
Deferred income taxes	11.0	5.0	71.9
Equity in unremitted earnings of affiliated companies	(3.5)	(13.6)	(27.5)
Gain on initial public offering of El Torito	(15.4)	—	—
Gain on restructuring Chemed Corporation	—	—	(65.1)
Net gain on disposal of businesses	—	(5.8)	(1.0)
Working capital provided by operations	512.5	449.9	595.3
Capital expenditures	(380.1)	(353.1)	(560.1)
Cash dividends	(136.5)	(136.2)	(130.9)
Purchase of energy services equipment	(24.6)	(13.8)	(58.0)
Working capital items*	(102.4)	37.2	11.3
Book value of asset disposals	99.0	64.0	50.0
Other transactions, net	(40.5)	(40.8)	(30.1)
Total Before Investment and Financing Activities	(72.6)	7.2	(122.5)
Investment Activity			
Proceeds from disposal of businesses	11.2	10.3	20.5
Incremental cash from Chemed restructuring	—	—	134.5
(Increase) decrease in investments in and advances to affiliated companies	(93.7)	(.6)	151.1
Businesses acquired in purchase transactions	(94.6)	(46.2)	(13.1)
Net proceeds from initial public offering of El Torito	34.4	—	—
Total Investment Activity	(142.7)	(36.5)	293.0
Financing Activity			
Increase in long-term debt	284.2	280.5	239.6
Reduction in long-term debt	(126.4)	(230.8)	(316.7)
Increase (decrease) in loans payable	51.1	(23.4)	(11.4)
Other	(.5)	2.2	(1.5)
Total Financing Activity	208.4	28.5	(90.0)
Increase (Decrease) in Cash and Cash Equivalents	$ (6.9)	$ (.8)	$ 80.5
*Analysis of Working Capital Items			
Notes and accounts receivable	$ (8.0)	$ (29.5)	$144.1
Inventories	(105.8)	(24.2)	(1.3)
Accounts payable	4.7	102.7	(30.7)
Income taxes	10.1	(7.1)	(11.4)
Other, net	(3.4)	(4.7)	(89.4)
	$(102.4)	$ 37.2	$ 11.3

SNAP-ON TOOLS CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1984	1983	1982
	(Amounts in thousands)		
Cash provided from operations			
Net earnings	$59,629	$42,974	$37,301
Non-cash charges to net earnings:			
Depreciation and amortization	11,178	10,589	11,034
Deferred income taxes	3,978	974	677
	74,785	54,537	49,012
Cash provided or (used) in working capital changes:			
Decrease (increase) in receivables	(28,800)	(7,350)	(6,608)
Decrease (increase) in inventories	(16,421)	8,605	15,143
Decrease (increase) in prepaid expenses	(1,757)	(128)	1,500
Increase (decrease) in accounts payable, accruals and deposits	5,368	8,898	(18,434)
Total cash provided from operations	33,175	64,562	40,613
Cash dividends declared	(18,931)	(17,237)	(16,982)
Net cash provided from operations	14,244	47,325	23,631
Cash used for investment activities			
Capital expenditures	(19,871)	(12,481)	(10,038)
Decrease (increase) in other noncurrent assets	(845)	61	(18)
Effect of foreign currency rate fluctuations on foreign investment	(2,848)	(908)	(1,929)
Net cash used for investment activities	(23,564)	(13,328)	(11,985)
Cash provided from (used for) financing activities			
Disposal of plant and equipment—net	845	386	2,896
Payment of long-term debt	(2,407)	(2,402)	(2,397)
Proceeds from employee stock incentive plans	1,783	1,518	1,147
Net cash provided from (used for) financing activities	221	(498)	1,646
Increase (decrease) in cash and short-term investments	$ (9,099)	$33,499	$13,292

SUN COMPANY, INC. (DEC)

Consolidated Statements of Changes in Financial Position

	1984	1983	1982
	(Millions of Dollars)		
Sources (Uses) of Funds			
Operations:			
Net income	$ 538	$ 453	$ 537
Charges (credits) to net income not involving working capital:			
Depreciation, depletion and amortization	759	718	749
Dry hole costs and leasehold impairment	248	202	263
Deferred income taxes	249	28	197
Provision for write-down of assets and employee termination cost	—	246	—
Other	(27)	89	208
Cash provided from operations before working capital changes	1,767	1,736	1,954
Changes in:			
Accounts and notes receivable	225	(187)	(151)
Inventories	66	99	119
Accounts payable and accrued liabilities	(205)	312	118
Taxes payable	(125)	137	(93)
Cash provided from operations	1,728	2,097	1,947
Investment Activities:			
Capital expenditures	(2,029)	(1,294)	(1,714)
Proceeds from divestments, net of related current income taxes	259	253	171
Acquisition costs of companies purchased	(24)	(112)	(10)
Increase in long-term receivables and investments	(62)	(84)	(124)
Decrease in long-term receivables and investments	13	59	366
Other	(19)	—	(15)
Cash used for investments	(1,862)	(1,178)	(1,326)
Cash Dividend Payments	(265)	(273)	(270)
Financing Activities:			
Increase in short-term borrowings and current portion of long-term debt	280	80	52
Long-term borrowings	254	168	260
Decrease in long-term debt	(118)	(136)	(569)
Purchase of common stock for treasury	(203)	(97)	(106)
Other	12	18	1
Cash provided from (used for) financing	225	33	(362)
Increase (Decrease) in Cash and Short-Term Investments	$ (174)	$ 679	$ (11)

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			
	1984	**1983**	**1982**	**1981**
Net income or loss	448	441	453	468
Income or loss from continuing operations	80	74	76	73
Income or loss before extraordinary items	55	64	40	37
Depreciation and/or amortization and/or depletion	600	600	600	600
Deferred taxes and/or deferred investment credit	497	407	515	512
Equity in earnings or losses of investees	183	191	182	178
Minority interest	38	42	49	44

Net Income or Loss

GUILFORD MILLS, INC. (JUN)

Consolidated Statements of Changes in Financial Position

	1984	1983	1982
		($000)	
Working Capital Was Obtained From:			
Net income	$25,125	$15,201	$14,372
Items not requiring (providing) working capital in the current period—			
Depreciation and amortization	9,812	8,047	7,552
Utilization of carryforward tax benefits of acquired subsidiaries	494	624	1,195
Equity in earnings of 50% owned affiliate	(355)	(1,606)	(1,014)
Deferred income taxes	2,159	254	745
Other deferred liabilities	792	900	848
Working capital provided from operations	38,037	23,420	23,698
Sale of treasury stock	14,285	—	—
Treasury stock issued in connection with purchase of Gilbert Frank	—	1,780	—
Issuance of long-term debt	62	21	673
Common stock options exercised	88	—	—
	52,462	25,221	24,371
Working Capital Was Used For:			
Additions to property, plant and equipment	14,912	8,252	13,321
Acquisition of Guilford Kapwood (net of working capital acquired)			
Noncurrent assets	9,452	—	—
Noncurrent liabilities	(940)	—	—
Less—Book value of existing 50% investment	(5,667)	—	—
Acquisition of Gilbert Frank (net of working capital deficit acquired)			
Noncurrent assets	—	—	650
Cost in excess of underlying value of net assets acquired	—	1,780	8,752
Increase in cash surrender value of officers' life insurance	1,038	787	548
Reduction of noncurrent portion of long-term debt	1,416	1,869	1,367
Acquisition of treasury stock	—	1,360	2,296
Payment of dividends	4,148	3,496	3,399
Effect of exchange rates on working capital	1,104	—	—
Other	146	(355)	(41)
	25,609	17,189	30,292
Increase (decrease) in working capital	$26,853	$ 8,032	$(5,921)

COLLINS & AIKMAN CORPORATION (FEB)

Consolidated Statement of Changes in Financial Position

	1984	1983	1982
	(Dollar amount in thousands)		
Source of Funds			
Net income	$48,054	$23,116	$18,827
Charges to net income not affecting working capital:			
Depreciation	18,939	16,187	16,724
Deferred income taxes	(2,059)	795	1,090
Funds provided from operations	64,934	40,098	36,641
Disposal of property, plant and equipment	3,923	1,068	8,464
Issuance of long-term debt	6,500	23,200	2,000
Bond construction fund—(increase) decrease	6,580	(7,589)	727
Other, net	4,542	1,432	1,584
	86,479	58,209	49,416
Application of Funds			
Cash dividends	9,640	7,751	7,792
Additions to property plant and equipment	46,800	40,020	16,916
Reduction of long-term debt (other than 1983 conversion of convertible subordinated notes)	2,853	1,416	2,595
Purchase of treasury shares	—	7,663	17,706
Net assets of company acquired (other than working capital)	3,278	—	—
	62,571	56,850	45,009
Increase in working capital	$23,908	$ 1,359	$ 4,407

FOOTE MINERAL COMPANY (DEC)

Consolidated Statements of Changes in Financial Position

	1984	1983	1982
	(In Thousands)		
Source of Funds:			
Net income (loss)	$ 330	$(3,800)	$(3,730)
Items not requiring funds:			
Depreciation and amortization	7,953	8,783	8,631
Deferred income taxes	(687)	(2,371)	(6,584)
Funds provided from (used in) operations	7,596	2,612	(1,683)
Increase in long-term debt	9,800	—	5,000
Property, plant and equipment retired and sold	31	59	7
	$17,427	$2,671	$ 3,324
Application of Funds:			
Additions to property, plant and mine development (including $7,200 in unexpended bond proceeds in 1984)	$ 9,770	$1,074	$ 7,331
Investment in Sociedad Chilena de Litio, Ltda.	3,295	3,376	7,389
Increase (decrease) in other assets	2,703	750	(974)
Reduction of long-term debt	6,800	3,800	1,800
Dividends	330	—	—
Decrease in working capital	(5,471)	(6,329)	(12,222)
	$17,427	$2,671	$ 3,324

SELIGMAN & LATZ, INC. (OCT)

Consolidated Statements of Changes in Financial Position

	1984	1983	1982
	(Thousands of dollars)		
Financial Resources Provided From			
Net (loss) income	$ (2,190)	$ 5,450	$ 1,671
Add—items not currently requiring outlay of working capital:			
Loss on disposition of fixed assets	1,397	225	1,205
Accrued retirement benefits	236	107	219
Depreciation and amortization of fixed assets	6,168	5,409	5,186
Deferred income taxes	(3,021)	1,490	(178)
Amortization of deferred charges and other	700	196	161
Provided From Operations	3,290	12,877	8,264
Proceeds from sale of fixed assets	877	566	709
Issuances of long-term debt	880	1,470	538
Proceeds from exercise of stock options and purchase plan	201	36	15
	5,248	14,949	9,526
Financial Resources Used For			
Current maturities and other reductions of long-term debt	5,401	4,252	1,812
Additions to fixed assets	12,344	12,356	7,539
Payments of retirement benefits	530	110	118
Cash dividends	648	1,295	1,295
Foreign currency translation adjustments affecting working capital	(32)	36	
Increase in deferred charges and other assets—net	1,558	1,132	26
	20,449	19,181	10,790
(Decrease) in Working Capital	$(15,201)	$ (4,232)	$ (1,264)

STEIGER TRACTOR, INC. (SEP)

Consolidated Statement of Changes in Financial Position

	1984	1983 ($000)	1982
Financial Resources Provided By (Used For)			
Operations:			
Net income (loss)	$ 1,893	$(3,588)	$ 872
Items not affecting working capital:			
Depreciation and amortization	2,842	2,711	2,084
Equity earnings of subsidiaries	(1,193)	(1,467)	(2,180)
Other	(75)	(155)	215
Total from (for) operations	3,467	(2,499)	991
Reduce (increase) investments and advances to unconsolidated subsidiaries	1,790	658	(2,447)
Long-term borrowings	1,174	856	1,535
Proceeds from sale of equipment	91	67	118
Proceeds from stock issuance	8,667	102	—
	15,189	(816)	197
Financial Resources Applied to			
Acquire property, plant and equipment	2,278	1,189	3,846
Reduce long-term debt	983	906	1,177
Cash dividends and other	33	—	342
	3,294	2,095	5,365
Change in working capital	$11,895	$(2,911)	$(5,168)

Income or Loss From Continuing Operations

BMC INDUSTRIES, INC. (DEC)

Consolidated Statements of Changes in Financial Position

	1984	1983 (In thousands)	1982
Source of Funds			
Continuing Operations			
Earnings from continuing operations	$ 6,402	$ 8,078	$ 4,554
Items not affecting working capital			
Depreciation	8,736	4,818	4,047
Provision for plant move	1,700	—	—
Amortization of deferred credit	(2,064)	(2,760)	(1,933)
Amortization of cost in excess of net assets acquired, patents and other assets	2,208	1,121	315
Deferred income taxes	(1,761)	—	351
Loss (gain) on disposal of property and equipment	(77)	364	189
Total from Continuing Operations	15,144	11,621	7,523
Discontinued Operations			
(Loss) from discontinued operations	(4,455)	(290)	(34)
Items not affecting working capital			
Depreciation	217	199	135
Amortization of cost in excess of net assets acquired, patents and other assets	156	127	217
Loss (gain) on disposal and provision for loss on disposal of property, equipment and other non-current assets	1,145	(1)	—
Total from Discontinued Operations	(2,937)	35	318
Total from Operations	12,207	11,656	7,841
Excess working capital of Camelot Industries Corp. over purchase price	—	—	10,183
Proceeds from sale of stock	329	18,338	15,842
Proceeds from long-term borrowings	148,785	24,771	10,360
Proceeds from sale of property and equipment	1,033	603	60
Other	532	—	1,027
Total Source of Funds	162,886	55,368	45,313
Application of Funds			
Additions to property, plant and equipment	44,336	13,381	6,212
Cost in excess of net assets acquired and purchase of patents and other assets	12,192	8,079	2,361
Current maturities and pre-payments of long-term debt	64,007	35,108	2,512
Cash dividends declared	2,379	1,897	1,266
Net adjustment from foreign currency translation	279	(117)	153
Other	—	730	—
Total Application of Funds	123,193	59,078	12,504
Increase (Decrease) in Working Capital	$ 39,693	$(3,710)	$32,809

MIDLAND-ROSS CORPORATION (DEC)

Consolidated Statement of Changes in Financial Position

	1984	1983	1982
	(In Thousands of Dollars)		
Source of Funds			
Income from continuing operations	$ 20,796	$ 9,688	$ 21,936
Items not affecting working capital:			
Depreciation and amortization	24,222	21,993	19,506
Deferred income taxes, noncurrent portion	1,074	2,295	6,835
Other—net	(1,990)	825	(21)
Total from Continuing Operations	44,102	34,801	48,256
Loss from discontinued operations including estimated loss on the sale of assets	(56,095)	(19,865)	(20,686)
Items not affecting working capital:			
Depreciation and amortization	7,548	8,424	10,234
Deferred income taxes, noncurrent portion	(18,653)	(4,817)	(2,612)
Accrual for writedown of net assets of businesses held for sale	26,485	7,663	—
Additions to other long-term liabilities	37,534	3,043	2,618
	(3,181)	(5,552)	(10,446)
Total from Operations	40,921	29,249	37,810
Additions to debt and other long-term liabilities	10,201	327	58,853
Issuance of note payable with proceeds of common stock	—	30,000	—
Issuance of common stock	5,995	7,735	113
Issuance of serial preferred stock—net	69,069	—	—
Property disposals	6,945	4,949	2,320
Sale of and changes in net assets of businesses held for sale	11,364	(6,954)	30,581
	$144,495	$65,306	$129,677
Application of Funds			
Capital expenditures	$ 26,018	$24,797	$ 26,331
Cash dividends	16,138	13,550	17,120
Purchase of common stock for treasury	28	—	1,289
Translation adjustment	6,890	3,687	8,153
Reduction of debt and other long-term liabilities	12,006	11,919	9,609
Purchase of companies, excluding working capital:			
Property, plant and equipment	5,930	—	13,374
Intangibles and other assets	19,259	14,152	6,739
Long-term liabilities	10,202	—	(1,820)
	35,391	14,152	18,293
Other—net	1,104	465	(3,791)
Increase (decrease) in working capital	46,920	(3,264)	52,673
	$144,495	$65,306	$129,677

PANTRY PRIDE, INC. (JUL)

Consolidated Statements of Changes in Financial Position

	1984	1983	1982
	(dollars in thousands)		
Source of Funds			
Operations:			
Earnings from continuing operations	$ 4,771	$ 8,950	$11,317
Charges not affecting working capital:			
Depreciation and amortization	11,850	12,389	10,888
Provision for (reduction in) estimated loss on net assets held for disposition	3,240	(4,300)	(1,736)
Other	98		(564)
Funds from continuing operations	19,959	17,039	19,905
Funds provided from (used in) discontinued operations	765	(2,310)	2,021
Extraordinary items:			
Utilization of net operating loss carryforward	3,242	5,949	6,174
Gain from debt restructuring	1,150	1,300	2,000
Funds provided from operations	25,116	21,978	30,100
Issuance of debentures		42,500	
Preferred stock accretion and conversions		3,108	5,536
Common stock issued for debenture conversions and exercised options	40,984	25,502	47
Common stock issued for acquisition of Devon	29,487		
Proceeds from net assets held for disposition	10,489	4,576	28,909
Sales of property and equipment, net	4,158	1,695	744
Decrease in property and equipment, net	23,669		
Other	3,419		
Decrease in working capital	9,038		4,833
	$146,360	$99,359	$70,169
Application of Funds			
Retirement of preferred stock	$	$40,544	$
Purchases of property and equipment, net	13,361	14,323	27,217
Acquisition of Devon:			
Property and equipment, net	2,093		
Goodwill	51,299		
Long-term debt	(25,085)		
Total funds used for acquisition	28,307		
Decrease in debentures upon conversion	41,314		
Decrease in capitalized lease obligations	11,906	1,232	6,304
Increase in net assets held for disposition	10,005	4,463	
Decrease in long-term debt	19,783	14,045	3,291
Decrease in capital in excess of par		3,108	5,536
Disposition losses, net of gains	11,634	66	21,897
Decrease in pension and other liabilities	6,767	1,089	2,285
Increase (decrease) in investments and other assets	3,283	(5,111)	3,639
Increase in working capital		25,599	
	$146,360	$99,359	$70,169

MAPCO INC. (DEC)

Consolidated Statement of Changes in Financial Position

	1984	1983	1982
	(Dollars in Thousands)		
Working Capital Provided By:			
Income from continuing operations	$ 40,974	$ 51,719	$ 83,129
Items not requiring (providing) working capital:			
Depreciation, depletion and impairments	87,281	61,383	59,403
Impairment/write-off of long-term receivables	22,600	5,582	1,048
Impairment/write-off of other assets	8,662	—	—
Provision for deferred income taxes	(4,026)	13,809	40,952
Equity in loss of unconsolidated affiliate	7,902	7,240	16,921
Gain on sale of assets	—	(1,160)	—
Other—net	500	490	360
Working capital provided by continuing operations	163,893	139,063	201,813
Loss from discontinued operations	(27,970)	(1,242)	(9,307)
Items not requiring (providing) working capital:			
Depreciation, depletion and impairments	78,824	31,354	40,917
Provision for deferred income taxes	(4,912)	(5,423)	(6,370)
(Gain) loss on sale of assets	1,979	(4,346)	—
Working capital provided by discontinued operations	47,921	20,343	25,240
Working capital provided by operations	211,814	159,406	227,053
Extraordinary item:			
Gain from debt extinguishment	—	3,579	—
Common stock issued	—	22,028	—
Principal amount of debentures retired—net	—	(28,186)	—
Working capital applied in debt extinguishment	—	(2,579)	—
Working capital provided by operations and extraordinary item	211,814	156,827	227,053
Proceeds from disposal of discontinued operations (net of applicable current income taxes of $76,821)	225,153	—	—
Increase in long-term debt	1,484	86,299	103,784
Retirements of property, plant and equipment	6,576	5,660	10,020
Issuance of Adjustable Rate Convertible Notes	—	22,500	—
Sale of assets	1,173	30,496	—
Conversion of debt to common stock	22,382	1,959	—
	468,582	303,741	340,857
Working Capital Used For:			
Additions to property, plant and equipment	114,247	87,171	209,352
Decrease in long-term debt	88,825	168,690	18,446
Investments and long-term receivables	(5,572)	4,753	(4,684)
Cash dividends	29,838	39,724	49,756
Capital contributions to unconsolidated affiliate	—	—	36,044
Other—net	2,727	11,591	6,132
	230,065	311,929	315,046
Increase (Decrease) in Working Capital	$238,517	$ (8,188)	$ 25,811

Income or Loss Before Extraordinary Item

THE FLUOROCARBON COMPANY (JAN)

Consolidated Statement of Changes in Financial Position

	1985	1984	1983
		($000)	
Source of funds:			
Operations:			
Income before extraordinary gain	$ 5,109	$3,238	$ 1,981
Charges not involving working capital:			
Depreciation and amortization	3,346	2,965	3,303
Deferred taxes	868	801	636
Total from operations before extraordinary gain	9,325	7,004	5,921
Extraordinary gain from casualty (net of tax)	607	—	—
Total from operations and casualty gain	9,932	7,004	5,921
Additions to long-term debt	2,814	—	—
Book value of destroyed machinery and equipment	1,090	—	—
Dispositions of property, plant and equipment	793	383	1,054
Exercised stock options	—	2	—
Total source of funds	14,632	7,391	6,975
Use of funds:			
Additions to property, plant and equipment	3,302	2,388	1,672
Reduction of long-term debt	—	2,379	8,095
Cash dividends	859	687	687
Business acquisitions:			
Long-term debt	(1,692)	—	(250)
Plant, equipment and other assets of acquired businesses at date of acquisition	7,704	—	554
Long-term notes receivable	(486)	267	1,235
Other, net	(36)	36	(30)
Total use of funds	9,652	5,760	11,965
Increase (decrease) in working capital	$ 4,980	$1,631	$(4,990)

MUNSINGWEAR, INC. (DEC)

Consolidated Statements of Changes in Financial Position

	1984	1983	1982
	(Amounts in thousands)		
Funds provided:			
Earnings (loss) before extraordinary items	$ 95	$ 1,671	$(14,817)
Items which do not use (provide) working capital:			
Depreciation and amortization of property, plant and equipment	1,712	1,859	2,201
(Gain) loss on sale of land and buildings	(14)	38	(1,378)
Working capital provided (used) before extraordinary items	1,793	3,568	(13,994)
Extraordinary items:			
Exchange of common stock for trademark rights, less income taxes of $1,146	2,850		
Recognition of tax loss carryforward benefit	1,048	1,042	
Total working capital provided (used) by operations	5,691	4,610	(13,994)
Deferred pension plan termination	1,547		
Proceeds from long-term note receivable		1,000	
Proceeds from sale of common stock	40	40	
Proceeds from sale of land and buildings	284	267	2,475
Other	375	(167)	(17)
Total funds provided (used)	7,937	5,750	(11,536)
Funds used:			
Purchase of treasury stock	4,000		
Additions to property, plant and equipment	672	291	998
Current installments and repayment of long-term debt	3,325	2,200	2,407
Non-current installments from land and building sales	150		1,000
Total funds used	8,147	2,491	4,405
Increase (decrease) in working capital	(210)	3,259	(15,941)
Working capital at beginning of year	27,696	24,437	40,378
Working capital at end of year	$27,486	$27,696	$24,437

UNITED STATES SURGICAL CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1984	1983	1982
	(Dollars in thousands)		
Sources of funds:			
From operations:			
Income (loss) before extraordinary items and cumulative effect on prior years of a change in accounting principle	$13,610	$ (4,588)	$ 686
Charges (credits) to operations not affecting working capital:			
Amortization and adjustment of deferred compensation	256	481	(206)
Depreciation and amortization	13,630	10,913	9,999
Deferred federal income taxes, non-current portion	45	(565)	
Gain on exchange of securities		(940)	
Tax effect of loss carryforward	785		
	28,326	5,301	10,479
Effect of stockholder litigation settlement costs on working capital	(177)		
Cumulative effect on prior years of a change in accounting principle relating to inventories	(2,768)		
Total from operations	25,381	5,301	10,479
Increase in long-term debt	8,000	2,300	5,500
Common stock issued to employees	6,301	11,927	1,561
Disposal of property, plant, and equipment	2,064	3,330	1,527
Total sources	41,746	22,858	19,067
Applications of funds:			
Reduction in long-term debt	17,900	8,999	3,135
Additions to property, plant, and equipment	25,463	18,759	22,002
Patents (including in Other Assets)	519	993	722
Installment receivables from exercise of stock options	6,010	7,709	
Restricted stock awards (net of cancellations)	(32)	(41)	624
Noncurrent assets received on sale of product line			411
Other—net	1,924	1,217	3,533
Total applications	51,784	37,636	30,427
Decrease in working capital	(10,038)	(14,778)	(11,360)
Working capital at beginning of year	54,132	68,910	80,270
Working capital at end of year	$44,094	$54,132	$68,910

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			
	1984	**1983**	**1982**	**1981**
Sources				
Issuance of long-term debt	453	456	485	458
Issuance of capital stock	425	413	358	404
Sale, disposal, or retirement of property	409	397	418	426
Investments	123	116	109	102
Capitalized leases	43	51	51	65
Noncurrent receivables	57	53	46	47
Uses				
Property	595	596	598	598
Dividends	510	518	527	528
Long-term Debt	531	538	530	530
Investments	184	213	207	230
Purchase, redemption, or retirement of capital stock	262	217	226	216
Decrease in capitalized leases	60	74	84	100
Noncurrent receivables	50	61	59	66
Intangibles	47	37	43	41

Property

AMERICAN BROADCASTING COMPANIES, INC. (DEC)

Statements of Changes in Consolidated Financial Position

	1984	1983	1982
	(Dollars in thousands)		
Working capital provided from:			
Net earnings	$195,332	$159,834	$160,027
Add expenses not requiring working capital:			
Depreciation and amortization of property and equipment	58,998	53,193	44,895
Equity in losses of cable joint ventures	12,765	39,292	23,276
Provision for long-term deferred income tax	15,003	9,561	7,575
Other	10,237	7,863	9,655
Working capital provided from operations	292,335	269,743	245,428
Disposal of property and equipment	68,791	3,777	1,458
Minority interest	45,415	—	—
Decrease in program rights, non-current	—	79,506	—
Increase in program rights obligations, non-current	—	—	152,306
Other	38,715	8,392	2,716
	445,256	361,418	401,908
Working capital used for:			
Purchase of property and equipment	167,506	126,598	116,154
Increase in intangibles	187,519	185	3,965
Payment of cash dividends	46,619	46,791	46,217
Decrease in program rights obligations, non-current	38,536	6,150	—
Increase in program rights, non-current	8,851	—	271,369
Reduction of long-term debt	31,418	4,817	27,295
Purchase of treasury shares	27,903	—	—
Investments in cable joint ventures	15,438	50,167	28,491
	523,790	234,708	493,491
Increase (decrease) in working capital	$(78,534)	$126,710	$(91,583)

BRENCO INCORPORATED (DEC)

Consolidated Statements of Changes in Financial Position

	1984	1983	1982
		($000)	
Sources of Working Capital:			
Net income (loss)	($ 879)	($2,051)	$ 466
Items which did not require outlay of working capital:			
Depreciation	4,211	4,743	5,090
Deferred taxes—non-current portion	340	917	854
Discontinued operations machinery written off	601		
Other	2		53
Total From Operations	4,275	3,609	6,465
Issuance of treasury stock	8	67	
Total	4,284	3,677	6,465
Uses of Working Capital:			
Purchase of property and equipment:			
Land and improvements	3		7
Building additions	108	2	19
Machinery and equipment	618	472	5,880
Cash dividends declared	2,372	2,372	3,556
Total	3,102	2,847	9,464
Increase (Decrease) in Working Capital	$1,181	$ 829	($2,999)

MET-PRO CORPORATION (JAN)

Consolidated Statement of Changes in Financial Position

	1985	1984	1983
		($000)	
Source of Funds:			
From operations:			
Net income	$1,526	$1,043	$1,131
Charges (credits) not affecting working capital:			
Depreciation and amortization	750	604	506
Loss (gain) on sales and disposals of equipment	—	6	(9)
Deferred income taxes	66	55	43
Funds provided from operations	2,343	1,709	1,672
Issuance of common stock in connection with acquisition of Dean Pumps, Inc.	1,598	—	—
Proceeds from long-term debt	1,206	—	500
Reduction of restricted cash used to construct new plant	500	—	531
Proceeds from sales of equipment	—	—	39
Proceeds from exercise of stock options	—	132	—
Total source of funds	5,649	1,841	2,742
Application of funds:			
Purchase of Dean Pumps, Inc.:			
Property, plant and equipment	1,457	—	—
Other assets	42	—	—
Long-term debt	(553)	—	—
Other acquisitions of plant and equipment	1,442	422	1,160
Restricted cash from construction financing	—	—	500
Reductions of long-term debt	604	208	322
Payment of dividends	263	260	255
Reduction of capital lease obligation	21	36	28
Increase in other assets	29	33	55
Other reductions in stockholders' equity	—	—	—
Total application of funds	3,308	962	2,322
Increase in working capital	$2,340	$ 879	$ 419

WILLAMETTE INDUSTRIES, INC. (DEC)

Consolidated Statements of Changes in Financial Position

	1984	1983	1982
	(Dollar amounts in thousands)		
Working capital provided:			
Earnings before extraordinary charge	$ 66,221	22,272	5,345
Add charges against earnings not requiring working capital:			
Depreciation	47,449	45,205	41,596
Stumpage on fee timber harvested and amortization of logging roads	12,809	12,551	13,240
Other amortization	1,036	791	763
Deferred income taxes	7,604	12,736	11,844
Working capital provided from operations before extraordinary charge	135,119	93,555	72,788
Extraordinary charge	(5,200)	—	(14,438)
Long-term borrowings	24,610	100,629	183,229
Sales of property, plant and equipment	4,380	6,008	1,179
	158,909	200,192	242,758
Working capital used:			
Cash dividends paid	22,865	22,865	22,865
Expenditures for property, plant and equipment	52,175	45,891	68,272
Expenditures for timber and timberlands	3,012	9,619	4,747
Expenditures for roads and reforestation	4,297	4,759	4,666
Net change in timber purchase contracts	(1,271)	(4,871)	(106)
Reduction of long-term debt	79,622	158,168	134,239
Other	74	(1,140)	(116)
	160,774	235,291	234,567
Increase (decrease) in working capital	$ (1,865)	(35,099)	8,191

Capital Stock

AMERICAN PETROFINA, INCORPORATED (DEC)

Consolidated Statements of Changes in Financial Position

	1984	1983	1982
	(Thousands of dollars)		
Sources of working capital:			
Net earnings	$ 45,092	55,260	54,401
Items which do not use (provide) working capital:			
Depreciation, depletion, amortization, lease impairment and abandonments	102,758	84,492	66,612
Equity in earnings of affiliates	(3,726)	(5,105)	(2,078)
Deferred Federal income taxes	1,575	17,886	23,296
Working capital provided by operations	145,699	152,533	142,231
Decrease in investments in and advances to affiliates	2,814	19,412	21,715
Retirements and transfers of property, plant and equipment	4,258	10,810	44,678
Decrease in deferred charges and other assets	1,126	1,176	—
Proceeds from long-term debt and lease obligations	197,806	148,379	26,062
Increase in other deferred credits and liabilities	3,975	358	—
Proceeds from issuance of common stock	65,727	692	1,463
Proceeds from sale of treasury stock, net	44	726	—
Decrease in working capital	9,437	38,157	22,487
	$430,886	372,243	258,636
Uses of working capital:			
Additions to property, plant and equipment	363,813	288,586	155,312
Increase in deferred charges and other assets	—	—	22,546
Reductions in long-term debt and lease obligations	30,550	48,975	41,323
Decrease in other deferred credits and liabilities	—	—	4,029
Dividends paid	36,523	34,682	34,611
Purchase of treasury stock, net	—	—	815
	$430,886	372,243	258,636

ANALOGIC CORPORATION (JUL)

Consolidated Statements of Changes in Financial Position

	1984	1983	1982
		($000)	
Source of funds:			
Operations:			
Net income	$16,506	$15,093	$11,809
Items not requiring (providing) funds:			
Loss in equity and earnings from affiliate	561	819	
Gain on sale of long-term investment	(2,242)		
Compensation from stock grants	228		
Depreciation and amortization	4,399	3,181	2,657
Deferred income taxes (noncurrent portion)	1,169	647	402
Other	46		(3)
Funds provided by operations	20,668	19,742	14,865
Income tax reduction relating to stock options credited to capital in excess of par value	606	901	433
Issuance of common stock under stock option plans	572	841	334
Proceeds from long-term debt		2,369	3,552
Indebtedness to related parties		964	
Proceeds from sale of property and equipment	21	61	57
Decrease in other assets	13		110
Proceeds from sale of common stock, net of related expenses		27,079	
Proceeds from sale of long-term investment	2,513		
	$24,396	$51,959	$19,353
Application of funds:			
Additions to property, plant and equipment	$11,383	$12,672	$14,392
Payments and current maturity of long-term debt and indebtedness to related parties	229	213	180
Investment in affiliated companies		2,550	
Purchase of common stock for treasury	1,586		
Increase in working capital	11,196	36,523	4,779
	$24,396	$51,959	$19,353

THE CHARTER COMPANY (DEC)

Consolidated Statements of Changes in Financial Position

	1984	1983	1982
		(In thousands)	
Funds provided:			
Operations:			
Loss from continuing operations	$ (99,041)	(391)	(4,645)
Charges (credits) to earnings not requiring funds:			
Depreciation, depletion and amortization	28,022	29,321	26,071
Provision for estimated losses on disposition of assets	37,073	7,772	3,341
(Gain) loss on assets sold	(8,775)	(28,115)	695
Equity in net (earnings) loss of affiliates	1,365	(838)	(200)
Interest accrual related to contingent liability	22,200	—	—
Deferred income taxes and other	25,868	7,708	822
Funds provided (used) by continuing operations	6,712	15,457	26,084
Funds provided by discontinued operations	1,875	4,352	14,534
Total funds provided by operations	8,587	19,809	40,618
Cumulative effect on prior years of a change in accounting principle of a discontinued operation	—	5,463	—
Total funds provided during year	8,587	25,272	40,618
Decrease in receivables, net	—	62,509	48,049
Decrease in inventories, prepaid expenses and other	157,315	—	—
Increase in notes payable	33,904	140,750	—
Increase in accounts payable, payables to affiliates and accrued expenses	—	—	122,228
Net reduction in assets held for disposition during year	111,041	—	—
Additional long-term and subordinated debt	140	28,396	71,779
Long-term debt payable to unconsolidated, wholly-owned subsidiaries	—	3,000	91,000
Proceeds from sales of property, plant and equipment and other assets	25,388	25,518	16,575
Issuances of common and preferred stock	4	35,276	3,164
Decrease in net assets of discontinued operations	—	49,273	—
Decrease in investments and other, net	—	53,065	—
	$336,379	423,059	393,411

	1984	1983	1982
Funds applied:			
Increase in receivables	$ 71,426	—	—
Increase in inventories, prepaid expenses and other	—	28,855	90,324
Decrease in notes payable	—	—	47,250
Decrease in accounts payable, payables to affiliates and accrued expenses	105,451	107,575	—
Decrease in income taxes	7,652	18,254	5,592
Cash segregated pursuant to Bankruptcy Court order	11,502	—	—
Cash dividends	7,425	30,704	30,704
Net assets of subsidiary acquired:			
Net current assets, excluding cash	—	42,458	—
Property, plant and equipment and other long-term net assets	—	36,388	—
Reductions of debt	17,869	26,701	106,497
Expenditures for property, plant and equipment	25,517	38,959	41,133
Increase in investments and other, net	7,741	—	10,730
Increase in net assets of discontinued operations	—	—	37,659
Redemption, conversion and repurchase of capital stock and warrants primarily through issuances of subordinated debt and exchange of investment securities in 1983 and 1982	840	86,772	22,866
Capital contribution to Charter Security Life	11,350	2,301	10,000
	$266,773	418,967	402,755
Increase (decrease) in cash and cash equivalents	$ 69,606	4,092	(9,344)

THE TIMKEN COMPANY (DEC)

Consolidated Statements of Changes in Financial Position

	1984	1983	1982
	(Thousands of dollars)		
Source of Cash			
From operations:			
Net income (loss)	$ 46,057	$ 530	$ (3,001)
Non-cash charges to income:			
Depreciation and amortization	76,839	71,210	71,886
Deferred income taxes	5,592	14,457	11,364
Other—net	98	8	158
Total from operations	$128,586	$ 86,205	$ 80,407
Decrease in working capital:			
Decrease in current assets:			
Trade receivables	8,611		70,727
Refundable income taxes	16,424	9,420	
Inventories			67,587
Increase in current liabilities:			
Accounts payable, accrued payroll and other liabilities	39,694	4,646	
Income taxes payable		3,345	
Commercial paper	65,722	64,611	
Issuance of long-term debt	50,318	25,436	60
Decrease in other assets:			
Investments—at equity		5	
Miscellaneous receivables and other assets	5,242		1,686
Restricted bond funds	9,692		
Deferred charges and prepaid expenses		239	177
Increase in equity:			
Issuance of Common Stock	5,411	25,815	2,535
Issuance of Treasury stock	33	41	834
Total	$329,733	$219,763	$224,013
Use of Cash			
Increase in working capital:			
Increase in current assets:			
Trade receivables		$ 44,901	
Refundable income taxes			$ 51,866
Inventories	$ 53,191	4,753	
Decrease in current liabilities:			
Accounts payable, accrued payroll and other liabilities			43,367
Income taxes payable	4,639		19,802
Foreign currency translation adjustment relating to working capital items	9,134	5,228	
Payments and current portion of long-term debt	9,972	629	1,364
Increase in property, plant and other assets:			
Property additions—net	237,342	154,188	130,669
Investments—at equity	132		338
Restricted bond funds		24,580	
Deferred charges and prepaid expenses	865		
Miscellaneous receivables and other assets		397	
Payment of dividends	23,546	20,710	33,761
Total	$338,821	$255,386	$281,167
(Decrease) in cash and short-term investments	$ (9,088)	$(35,623)	$(57,154)
Cash and short-term investments beginning of year	17,700	53,323	110,477
Cash and short-term investments end of year	$ 8,612	$ 17,700	$ 53,323

Debt

CMI CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1984	1983	1982
		($000)	
Source of working capital:			
Operations:			
Loss before extraordinary item	$ (3,921)	(33,844)	(19,810)
Items which do not affect working capital:			
Depreciation, depletion and amortization of property, plant and equipment	4,349	6,191	5,956
Gain on sale of assets	(3,865)		
Deferred income taxes			(3,032)
Other	(301)	(179)	(133)
Working capital used by operations before extraordinary item	(3,739)	(27,832)	(17,020)
Working capital provided from extraordinary item	11,700		
Working capital provided (used) by operations and extraordinary item	7,960	(27,832)	(17,020)
Debt restructuring:			
Reclassification of long-term debt	38,167		
Value of oil and gas properties	5,750		
Issuance of stocks and warrants	21,000		
Working capital provided by debt restructuring	64,917		
Transfer of working capital used by operations to disposition of working capital		27,832	17,020
Reclassification and increase in long-term debt	4,474	1,476	23,331
Disposal of property, plant and equipment	1,544	7,916	4,442
Decrease in other assets	385	2,183	
Employee stock options and warrants exercised	30		14
Decrease in working capital		27,537	53,538
Total source of working capital	$79,312	39,113	81,326
Use of working capital:			
Reduction in long-term debt	$11,946	6,580	39,316
Additions to property, plant and equipment	2,813	4,700	23,014
Increase in other assets			1,975
Increase in working capital	64,553		
Working capital used by operations		27,832	17,020
Total use of working capital	$79,312	39,113	81,326

NORTEK, INC. (DEC)

Consolidated Statement of Changes in Financial Position

	1984	1983	1982
	(Amounts in Thousands)		
Working Capital was provided by:			
Earnings from continuing operations	$ 16,900	$ 7,200	$ 5,200
Charges (credits) to earnings which did not affect working capital—			
Depreciation and amortization	13,249	8,714	4,953
Deferred federal income taxes	700	3,200	1,200
30% equity earnings from Monogram prior to acquisition	—	(1,639)	—
Gain from valuation allowance reversal	—	—	(1,609)
Working capital provided from continuing operations	30,849	17,475	9,744
Businesses sold or discontinued	8,775	20,077	(2,134)
Common stock and warrants sold or issued, net	1,210	30,821	2,637
Increase in long-term debt—			
Proceeds from sale of convertible debentures	40,000	—	—
Proceeds from sale of subordinated notes and debentures	60,000	—	21,079
Indebtedness of acquired businesses	195	55,276	—
Debt incurred in connection with acquired businesses	3,250	77,535	2,000
Other, net	(1,787)	593	2,059
Total Working Capital Provided	142,492	201,777	35,385
Working Capital was used for:			
Net additions to property and equipment	14,035	5,763	7,463
Acquired businesses—			
Plant and equipment	389	62,683	1,013
Goodwill	12,013	29,104	826
Other non-current assets and liabilities, net	—	4,462	—
Increase in deferred debt expense	3,911	—	1,085
Investment in Jensen Industries	7,549	—	—
Reduction of indebtedness, net	48,190	35,253	8,921
Other investments and long-term receivables	13,073	2,990	(2,996)
Total Working Capital Used	99,160	140,255	16,312
Increase in Working Capital	$ 43,332	$ 61,522	$19,073

WILSON FOODS CORPORATION (JUL)

Consolidated Statements of Changes in Financial Position

	1984	1983	1982
	(Thousands of dollars)		
Source of Working Capital			
Income (loss) before extraordinary gains	$ (7,122)	$(42,877)	$12,909
Items not affecting working capital:			
Depreciation and amortization	9,846	9,857	9,192
Loss on sale of property, plant, and equipment	4,168	—	—
Federal income tax credit	(6,463)	—	—
Provision for deferred wages	—	2,616	3,329
Noncurrent provision for estimated plant closing costs	—	(775)	—
Other	172	605	369
Working Capital Provided From (Used In) Operations, Before Extraordinary Gains	601	(30,574)	25,799
Extraordinary gains	32,689	—	3,785
Items not affecting working capital:			
Tax effect of the Retirement Plan termination	18,010	—	—
Credit from utilization of operating loss carryforward	(11,547)	—	—
Reduction of noncurrent retirement liability	(3,127)	—	—
Extinguishment of debentures (net of related discount and expense)	—	—	(8,358)
Issuance of Common Stock	—	—	4,451
Working Capital Provided From (Used In) Operations, After Extraordinary Gains	36,626	(30,574)	25,677
Reclassification of current liabilities to Liabilities Subject to Chapter 11 Proceedings	—	43,340	—
Reclassification of noncurrent note receivable to current	2,803	—	—
Proceeds from issuance of noncurrent obligations	969	1,548	2,720
Proceeds from sale of property, plant and equipment	544	333	329
Proceeds from sale of tax benefits	—	—	1,403
Proceeds from issuance of Common Stock	215	197	315
Other	31	—	907
	41,188	14,844	31,351
Application of Working Capital			
Reclassification to current liabilities of Liabilities Subject to Chapter 11 Proceedings	27,943	—	—
Additions to property, plant and equipment	11,946	11,878	11,223
Reclassification of noncurrent obligations to current liabilities	2,482	11,192	4,864
Reclassification of liability for noncurrent employee benefits to current liabilities	2,313	692	—
Receipt of noncurrent note receivable for sale of current assets	1,307	—	—
Reclassification of deferred wages to current liabilities	—	5,945	—
Reclassification of noncurrent plant closing costs	—	1,173	—
Repayments under revolving bank credit agreement	—	—	9,000
Other	—	207	—
	45,991	31,087	25,087
Increase (Decrease) in Working Capital	$ (4,803)	$(16,243)	$ 6,264

Dividends

MELVILLE CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1984	1983	1982
		($000)	
Source of Funds:			
Net earnings	$190,386	$176,259	$142,124
Expenses not requiring cash outlay:			
Depreciation and amortization	59,408	52,507	45,407
Amortization of goodwill	3,369	3,117	2,367
Minority interests in net earnings	44,821	40,242	31,991
Increase in deferred Federal income taxes	8,658	6,607	4,687
	116,257	102,474	84,454
Funds provided from operations	306,644	278,734	226,578
Dispositions of property, plant, equipment and leasehold improvements	16,037	4,547	2,593
Dispositions of leased property under capital leases	—	233	3,377
Increase (decrease) in accounts payable	10,217	9,324	(3,098)
Increase in accrued expenses	5,600	59,221	19,046
Increase in long-term debt	—	42,500	10,000
Proceeds from common stock sold or issued under employee stock plans	4,121	6,570	3,499
Conversion of Subordinated Debentures	64	835	854
Common stock issued in exchange for net assets of acquired company	1,759	—	—
Proceeds from sale of subsidiaries' capital stock, net of other distributions	(4)	614	646
Total source of funds	344,441	402,582	263,497

	1984	1983	1982
Use of Funds:			
Increase (decrease) in accounts receivable	2,532	20,883	(3,804)
Increase in inventories	74,962	94,243	69,831
Increase in prepaid expenses	738	10,520	564
Acquisitions:			
Property, plant, equipment and leasehold improvements	153	2,775	3,791
Goodwill	1,458	33,987	23,691
Additions to property, plant, equipment and leasehold improvements	111,885	81,100	90,059
Additions to leased property under capital leases	—	636	9,090
Increase in deferred charges and other assets	146	1,784	7,535
Decrease (increase) in Federal income taxes payable	11,390	(19,342)	(7,254)
Reduction of long-term debt	22,873	23,022	27,285
Decrease (increase) in obligations under capital leases	2,220	1,695	(2,826)
Decrease in lease obligations for closed stores	124	166	184
Purchase of preferred stock for treasury	329	234	281
Dividends paid	69,673	57,177	53,137
Dividends paid to minority interests	40,908	33,284	26,584
Total use of funds	339,398	342,170	298,152
Increase (decrease) in cash and short-term investments	5,043	60,411	(34,654)
Cash and short-term investments at beginning of period	182,776	122,365	157,020
Cash and short-term investments at end of period	$187,820	$182,776	$122,365

WHITTAKER CORPORATION (OCT)

Consolidated Statements of Changes in Financial Position

For the Years Ended October 31	1984	1983	1982
		(In thousands)	
Working Capital Provided by Operations			
Net income	$ 43,870	$ 37,609	$ 58,688
Items not affecting working capital—			
Depreciation and amortization	21,475	23,810	21,840
Goodwill write-off	11,944	—	—
Write-off of investments and noncurrent receivables	16,050	—	—
Deferred taxes	9,216	6,888	—
Working capital provided from operations	102,555	68,307	80,528
Disposals of property, plant and equipment	14,002	11,129	9,307
Issuance of long-term debt	23,637	23,287	38,909
Increase in minority interest	16,140	11,570	2,500
Issuance of common stock upon conversion of debt	59	40	3,118
Reclassification of deferred income taxes	—	16,339	—
Other items, net	8,415	—	—
	164,808	130,672	134,362
Working Capital Applied to			
Assets acquired in connection with purchased businesses—			
Property, plant and equipment	228	—	5,893
Goodwill	230	—	2,213
Capital expenditures	28,869	19,688	59,475
Reduction of long-term debt	31,852	29,065	18,296
Cash dividends on preferred stock	632	639	644
Cash dividends on common stock	19,494	23,064	24,789
Cost of company stock reacquired	10,138	123	33,967
Increase in noncurrent receivables	3,689	12,026	6,234
Increase in noncurrent investments	27,385	15,177	19,708
Currency translation adjustments.	5,341	2,741	7,426
Other items, net	—	3,443	3,997
	127,858	105,966	182,642
Increase (Decrease) in Working Capital	$ 36,950	$ 24,706	$(48,280)

Purchase Method Business Combination

GEARHART INDUSTRIES, INC. (JAN)

Consolidated Statement of Changes in Financial Position

	1985	1984	1983
		(In thousands)	
Source of funds:			
Operations:			
Net income	$ 14,326	$ 6,472	$ 15,960
Add items not consuming working capital			
Depreciation	81,129	48,789	41,890
Amortization of goodwill	2,902	973	427
Deferred income taxes-noncurrent	(368)	2,234	2,355
Minority interest	4,016	1,719	799
Other-net	11,421	4,993	2,322
Working capital provided by operations	113,426	65,180	63,753
Stock issued for acquisitions	181,500	36	3,360
Issuance of long-term debt	109,856	122,175	84,140
Proceeds from sale of common stock warrants	5,744	—	—
Disposals of assets, net of gain	4,441	4,609	7,017
Long-term receivables and other investments	2,581	(10,886)	—
Stock issued under employee stock purchase and option plans	1,512	1,358	379
Stock issued by consolidated subsidiary	267	6,737	1,026
Insider trading profit, net of tax	—	2,633	—
Total funds provided	419,327	191,842	159,675
Use of funds:			
Acquisition of subsidiary (net of working capital acquired of $40,432)			
Property, plant and equipment	142,907	—	—
Long-term debt	(53,880)	—	—
Minority interest	(85,000)	—	—
Excess of cost over fair value of net tangible assets acquired	164,468	—	—
Other, net noncurrent asset items	7,468	—	—
Capital expenditures	91,791	48,907	68,505
Current maturities and repayments of long-term debt	89,861	135,426	75,537
Cash dividends declared	9,431	6,378	5,599
Investments in subsidiaries and affiliates	504	2,308	4,739
Effect of exchange rates on working capital	47	1,777	(354)
Increase in other noncurrent items	2,741	994	1,004
Total funds consumed	370,338	195,790	155,030
Net increase (decrease) in working capital	48,989	(3,948)	4,645
Working capital, beginning of year	110,783	114,731	110,086
Working Capital, end of year	$159,772	$110,783	$114,731

HUGHES TOOL COMPANY (DEC)

Statements of Changes in Consolidated Financial Position

	1984	1983	1982
		(In thousands)	
Working Capital Provided			
Operations:			
Net income (loss)	$(133,839)	$ (90,873)	$147,599
Add items not requiring current use of working capital:			
Depreciation and amortization	126,162	131,780	113,362
Deferred income taxes	(656)	21,198	26,399
Provision for loss on noncurrent assets	31,912		
Loss (gain) on disposal of property	(4,069)	4,178	(1,632)
Write-off of goodwill		41,292	
Other	11,395	5,738	(784)
Working capital provided by operations	30,905	113,313	284,944
Proceeds from long-term debt	45,423	38,230	267,582
Common stock issued under stock option and stock purchase plans	5,699	5,504	3,296
Proceeds from disposal of property	26,159	15,878	12,585
Net proceeds from formation of partnership		39,255	
Other	16,096	8,485	11,452
Total working capital provided	124,282	220,665	579,859
Working Capital Applied			
Property additions	45,681	71,266	310,761
Acquisitions of businesses (net of working capital acquired of $5,273 in 1984; $20,696 in 1982):			
Property	50,303	1,200	34,458
Excess of cost over values assigned	1,101	5	933
Other assets	7,603	1,045	8,920
Investment in and advances to affiliates	(11,931)		
Long-term debt	(12,112)		(50)
Other long-term liabilities	(3,700)		(25)
Cash dividends	36,747	46,438	44,128
Reduction of long-term debt and reclassification to current maturities	170,136	229,690	15,148
Other	17,104	594	29,796
Total working capital applied	300,931	350,238	444,069
Increase (Decrease) in Working Capital	$(176,649)	$(129,573)	$135,790

Investments

SIMKINS INDUSTRIES INC. (SEP)

Consolidated Statement of Changes in Financial Position

	1984	1983	1982
		($000)	
Sources of funds:			
Income from continuing operations	$ 8,000	$ 6,737	$ 6,931
Items not affecting working capital:			
Depreciation and amortization	2,456	2,093	1,799
Allowance for doubtful mortgage loans	(382)	73	408
Provision for deferred income taxes	438	18	223
Provision for deferred items	(4)	52	30
Working capital from continuing operations	10,509	8,976	9,393
Discontinued operations:			
(Loss) from discontinued operations	—	(447)	(209)
Items not affecting working capital:			
Depreciation and amortization	—	269	268
Working capital from discontinued operations	—	(177)	59
Working capital from operations	10,509	8,798	9,452
Proceeds from disposition of assets	3,080	99	175
Proceeds from reduction of investments	4,668	3,865	681
Proceeds from mortgage loans, long term	16,668	8,579	10,723
Long term debt assumed	4,217	—	847
Other	(115)	10	22
	39,029	21,353	21,901
Application of funds:			
Mortgage loans, long term	9,503	10,291	15,474
Loans, other	(126)	126	500
Investment expenditures	12,676	7,325	5,269
Property, plant and equipment acquired	2,293	—	—
Additions to property, plant and equipment	2,916	1,250	3,212
Reduction of long term debt	3,306	1,280	1,101
Acquisition of treasury stock	10,892	359	115
	41,462	20,634	25,672
Increase/(decrease) in working capital	$(2,432)	$ 719	$(3,770)

Leases

GIANT FOOD INC. (FEB)

Consolidated Statements of Changes in Financial Position

	1984	1983	1982
	Thousands of dollars		
Source of Funds:			
Net income	$40,511	$37,213	$16,769
Items not involving working capital:			
Depreciation	24,097	21,866	18,471
Amortization of capital leases	4,195	3,532	3,385
Increase (decrease) in:			
Noncurrent deferred income taxes	1,867	4,138	989
Provision for insurance claims	3,303	(4,739)	4,003
Other	794	24	237
Gain on disposition of store property and equipment		(1,286)	
Working capital provided from operations	74,767	60,748	43,854
Proceeds from disposition of store property and equipment, net of related expenses of $976,000.		1,772	
Decrease in real estate for future development		581	
Additions to:			
Notes and mortgages		2,670	400
Obligations under capital leases	790	2,015	23,100
Issuance of common stock under employee benefit plans	854	1,008	452
	76,411	68,794	67,806
Application of Funds:			
Increase in real estate for future development	1,091		1,164
Purchase of:			
Property, plant and equipment	47,336	40,917	34,067
Treasury stock	1,566	2,692	
Capitalization of leased property under capital leases	790	2,015	23,100
Reduction of:			
Notes and mortgages	3,915	3,351	2,655
Obligations under capital leases	2,188	1,797	727
Cash dividends	8,787	6,960	5,898
Other	905	2,632	957
	66,578	60,364	68,568
Increase (Decrease) in Working Capital	$ 9,833	$ 8,430	$(762)

THE PENN TRAFFIC COMPANY (JAN)

Consolidated Statement of Changes in Financial Position

	1985	1984	1983
	(In thousands of dollars)		
Source of Funds:			
Net income	$ 3,852	$ 6,402	$ 5,360
Items not affecting working capital:			
Depreciation and amortization	9,267	8,239	6,929
Deferred income taxes	547	1,083	866
Total Working Capital Provided by Operations	13,666	15,724	13,155
Increase in long-term debt	2,200	11,447	6,531
Increase in obligations under capital leases	2,661	2,365	1,399
Disposal of net assets of discontinued operations			2,737
Disposal of fixed assets	1,886	433	557
Retirement of capital leases	838		808
Other—net	(236)	(117)	(21)
Total	21,015	29,852	25,166
Application of Funds:			
Additions to fixed assets	8,428	19,377	17,493
Additions to leased store facilities under capital leases	2,661	2,365	1,399
Addition of leasehold interests		1,671	
Purchase of treasury stock	492		432
Cash dividends	2,531	2,505	2,563
Reduction of long-term debt, payable after one year	7,015	2,589	1,738
Reduction of obligations under capital leases	2,025	1,053	1,782
Total	23,152	29,560	25,407
Increase (Decrease) in Working Capital	$ (2,137)	$ 292	$ (241)

THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC. (FEB)

Statement of Changes in Consolidated Financial Position

	1984	1983	1982
	(Dollars in thousands)		
Source of funds:			
From operations:			
Income (loss) before extraordinary credit	$ 31,401	$ 21,361	$(231,633)
Expenses (income) not requiring (providing) working capital:			
Depreciation and amortization	45,579	41,642	56,599
Amortization of real property leased under capital leases	8,626	8,228	10,812
Charge in lieu of current U.S. income tax	16,150	9,850	—
Anticipated cost of revitalization program—net (non-current portion)	—	—	106,600
Deferred income taxes	3,403	4,394	489
Deferred investment tax credits	—	—	(143)
Working capital provided from operations before extraordinary credit	105,159	85,475	(57,276)
Extraordinary credit	16,150	9,850	130,000
Extraordinary credit not providing working capital	(16,150)	(9,850)	(130,000)
Total working capital provided from operations	105,159	85,475	(57,276)
Disposition of property	2,243	5,875	17,496
Transfer of property to current portion of closing reserves	2,196	15,900	49,001
Obligations under capital leases	3,185	(4,508)	(9,812)
Decrease in property leased under capital leases due to store closings and terminations	3,497	964	29,204
Decrease in property due to foreign currency translation	756	3,980	—
Proceeds from borrowings	—	—	14,144
Decrease in non-current notes receivable	2,225	(2,908)	(959)
Other	8,328	7,578	2,420
Total	127,589	112,356	44,218
Disposition of funds:			
Acquisition of Kohl's (excludes working capital acquired)	21,019	—	—
Expenditures for property	72,564	33,128	68,406
Property leased under capital leases	10,007	5,787	654
Decrease in obligations under capital leases due to store closings and terminations	5,616	6,307	38,830
Decrease in cumulative translation adjustment	1,844	4,061	—
Current maturities and repayment of long-term debt	11,741	11,859	15,760
Transfer of non-current accruals to current liabilities	23,486	41,907	4,598
Total	146,277	103,049	128,248
Increase (decrease) in working capital	(18,688)	9,307	(84,030)
Working capital—beginning of year	185,069	175,762	259,792
Working capital—end of year	$166,381	$185,069	$175,762

WINN-DIXIE STORES, INC. (JUN)

Consolidated Statements of Changes in Financial Position

	1984	1983	1982
	Amounts in thousands		
Cash and marketable securities provided by:			
Operations:			
Net earnings	$115,916	113,460	103,513
Charges (credits) not affecting cash and marketable securities:			
Depreciation and amortization	131,220	114,874	103,355
Increase (decrease) in deferred/prepaid income taxes	(1,372)	1,325	8,168
Increase in reserve for insurance claims and self-insurance	5,774	5,541	4,236
Gain on termination of capital leases	—	—	(4,046)
Total cash and marketable securities provided by operations	251,538	235,200	215,226
Tax effect of tax benefit leases	3,223	2,624	11,816
Net proceeds of sales under employees' stock purchase plan	10,157	15,234	—
Decrease in leased property under capital leases	582	3,004	—
Increase in other long-term debt	—	9,000	5,000
Increase in obligations under capital leases	—	—	7,572
Increase (decrease) in:			
Accounts payable	6,996	(2,593)	33,000
Accrued expenses	(6,661)	21,179	15,574
Current obligations under capital leases	149	161	133
Federal income taxes	(25,891)	21,355	(3,695)
Total cash and marketable securities provided	240,093	305,164	284,626

	1984	1983	1982
Cash and marketable securities used for:			
Cash dividends	63,834	59,852	53,440
Additions to:			
Property, plant and equipment, net	165,438	164,329	156,138
Leased property under capital leases	—	—	9,961
Purchase of common stock	35,700	637	2,347
Increase (decrease) in investments in and advances to foreign subsidiary not consolidated and other assets	5,391	(1,132)	1,010
Reduction of obligations under capital leases	3,348	4,822	—
Reduction of other long-term debt	1,400	285	1,810
Payments for fractional shares and expenses in connection with 5-for-3 stock split	689	—	—
Investment in tax benefit leases	—	—	25,459
Cost of shares purchased in tender offers and related expenses	—	—	303
Increase (decrease) in:			
Receivables	9,248	7,652	6,846
Merchandise inventories	14,289	33,567	49,126
Prepaid expenses	(1,757)	3,923	3,684
Total cash and marketable securities used	297,580	273,935	310,124
Increase (decrease) in cash and marketable securities	(57,487)	31,229	(25,498)
Cash and marketable securities, beginning of year	165,750	134,521	160,019
Cash and marketable securities, end of year	$108,263	165,750	134,521

Conversion of Preferred Stock

INTERCO INCORPORATED (FEB)

Consolidated Statement of Changes in Financial Position

	1984	1983	1982
	(Dollars in thousands)		
Working capital provided by:			
Net earnings	$116,194	$ 85,762	$118,615
Items not affecting working capital:			
Depreciation	42,524	41,469	39,400
Other, net	10,509	9,665	5,969
Operations	169,227	136,896	163,984
Disposal of property, plant and equipment	10,400	4,991	7,438
Issuance of preferred stock	29	231	396
Issuance of common stock	20,665	14,943	7,995
Additions to long-term debt	5,100	10,750	25,880
Additions to capital lease obligations	3,431	3,965	3,920
Reduction of marketable investment securities	1,047	3,613	500
	209,899	175,389	210,113
Working capital used for:			
Cash dividends	48,631	48,496	48,492
Additions to property, plant and equipment:			
Company owned property	47,627	36,144	48,353
Capitalized leased property	3,431	3,966	3,940
Reduction of long-term debt	58,687	14,906	15,273
Reduction of capital lease obligations	8,214	7,000	6,500
Purchase of common treasury shares	—	4,525	—
Conversion of preferred stock	10,638	9,000	2,308
Other, net	8,666	7,838	11,470
	185,894	131,875	136,336
Increase in working capital	$ 24,005	$ 43,514	$ 73,777

PRATT & LAMBERT, INC. (DEC)

Statements of Changes in Consolidated Financial Position

	1984	1983	1982
	(Thousands of dollars)		
Working Capital was Provided by:			
Operations:			
Net income	$ 6,161	$6,040	$4,221
Add—Items not affecting working capital:			
Depreciation and amortization	2,625	2,340	2,030
Deferred income taxes	142	266	225
Total from operations	8,928	8,646	6,476
Increase in long-term debt	6,338	—	523
Common shares issued upon conversion of preferred shares	275	328	123
Proceeds from exercise of stock options	217	9	—
Disposals of property, plant and equipment	171	688	363
Decrease in other assets	—	150	—
Total	15,929	9,821	7,485
Working Capital was Used for:			
Purchase of treasury stock from related parties	13,042	—	—
Additions to property, plant and equipment	2,326	2,531	3,636
Cash dividends	2,077	2,043	1,915
Increase in other assets	914	—	919
Conversion of preferred shares into common shares	275	328	123
Increase in translation adjustment	187	41	86
Redemption of preferred shares	92	—	—
Decrease in long-term debt	—	138	—
Total	18,913	5,081	6,679
Increase (Decrease) in Working Capital	$(2,984)	$4,740	$ 806

Foreign Currency Translation Effect

THE EASTERN COMPANY (DEC)

Consolidated Statements of Changes in Financial Position

	1984	1983	1982
		($000)	
Source of Funds			
Income from continuing operations..	$ 3,158	$1,142	$ 612
Items not affecting working capital:			
Depreciation and amortization....	2,035	2,013	2,020
Deferred federal income taxes...	318	192	81
Total from continuing operations....	5,513	3,349	2,714
Gain (loss) from discontinued operations		22	(415)
Items not affecting working capital:			
Depreciation and amortization....		106	212
Write-off of goodwill		96	
Total from discontinued operations..		225	(203)
Total From Operations..................	5,513	3,574	2,511
Disposal of property, plant and equipment:			
Continuing operations	12		21
Discontinued operations...........		379	
Disposal of other assets of discontinued operations	4	322	
Stock options exercised..............	237		
Increase in long-term debt...........	6,027		
Decrease in working capital.........			2,029
	$11,794	$4,276	$4,562
Application of Funds			
Cash dividends........................	$ 952	$ 671	$1,187
Additions to property, plant and equipment	6,320	1,192	2,194
Increase in other assets..............	261	100	75
Common Stock purchased for treasury	684	188	94
Reduction in long-term debt	1,217	1,127	994
Increase in accumulated foreign currency translation adjustments	64	13	16
Increase in working capital..........	2,292	982	
	$11,794	$4,276	$4,562

M. LOWENSTEIN CORPORATION (DEC)

Statements of Changes in Consolidated Financial Position

	1984	1983	1982
	(In thousands of dollars)		
Working capital provided by:			
Operations:			
Net income	$30,636	$22,178	$15,462
Charges (credits) to operations not currently requiring (providing) working capital:			
Depreciation and amortization..	15,190	14,186	13,047
Deferred income taxes..........	2,852	2,939	915
Equity in earnings of affiliates..	(2,827)	(1,626)	(1,206)
Minority shareholders' equity in net income	1,486	1,264	1,131
Other, net	343	(653)	161
Total from operations	47,680	38,288	29,510
Property disposals..................	1,096	5,171	565
Long-term debt additions...........	—	675	—
Exercise of employee stock options	565	367	182
Distribution from affiliates at equity	968	510	433
Total working capital provided........................	50,309	45,011	30,690
Working capital applied to:			
Property additions	37,597	19,755	29,946
Long-term debt repaid or classified as current	6,133	11,190	4,790
Dividends............................	7,360	5,201	4,006
Subsidiary dividend to minority shareholders	—	474	2,083
Purchase of minority interests in subsidiaries......................	3,256	—	532
Purchase of common stock for treasury	2,520	—	—
Accumulated foreign currency translation adjustment...........	645	418	1,018
Other assets.........................	1,858	—	—
Total working capital applied	59,369	37,038	42,375
Increase (decrease) in working capital	$ (9,060)	$ 7,973	$(11,685)

RUBBERMAID INCORPORATED (DEC)

Consolidated Statements of Changes in Financial Position

	1984	1983	1982
	(Dollars in thousands)		
Funds were provided from:			
Net earnings	$46,870	$39,575	$28,442
Items which did not use working capital:			
Depreciation and amortization	21,047	18,759	17,946
Deferred taxes and credits	1,941	1,764	232
Provisions for Restricted Stock Incentive Plan	746	623	562
Losses on disposals of property and equipment	227	1,342	69
Funds provided from operations	70,831	62,063	47,251
Proceeds from long-term debt	377	1,288	11,000
Proceeds from disposals of property and equipment	146	1,706	413
Discontinued operations:			
Decrease in property, plant and equipment	—	5,388	401
Increase (Decrease) in deferred taxes and credits	—	(419)	31
Realized loss on disposal of assets	—	(571)	(588)
Decrease in intangible and other assets	412	572	256
Total funds provided	71,766	70,027	58,764
Funds were used for:			
Cash dividends	12,693	10,855	9,675
Reduction of long-term debt	2,352	2,540	2,130
Additions to property, plant and equipment	45,890	23,680	16,819
Foreign currency translation:			
Decrease in property, plant and equipment	(1,222)	(702)	(1,420)
Decrease in deferred taxes and credits	100	17	100
Foreign currency translation adjustment	1,944	861	1,973
Other, net	1,513	(473)	723
Total funds used	63,270	36,778	30,000
Increase in working capital	$ 8,496	$33,249	$28,764

WM. WRIGLEY JR. COMPANY (DEC)

Statement of Consolidated Changes in Financial Position

	1984	1983	1982
	(In thousands of dollars)		
Sources of cash and cash equivalents:			
Operations			
Net earnings	$39,662	39,164	35,811
Add (deduct) noncash items			
Depreciation	15,889	16,105	16,507
Deferred income taxes	510	1,539	(1,170)
Accounts receivable	9,064	(3,157)	1,232
Inventories	1,369	(2,705)	(23)
Accounts payable	(3,581)	7,507	48
Accrued expenses	40	3,857	1,225
Income and other taxes payable	(5,700)	1,017	(705)
Foreign currency translation adjustment relating to certain items above	(3,673)	(1,967)	(1,851)
Total from operations	53,580	61,360	51,074
Property retirements	2,094	983	2,106
Other—net	552	(992)	476
	56,226	61,351	53,656
Disposition of cash and cash equivalents:			
Dividends paid	19,808	18,908	18,327
Property additions	28,831	18,930	18,211
Foreign currency translation adjustment relating to cash and cash equivalents	2,430	2,580	2,723
Purchase of treasury stock	19,479	20,668	2,943
Notes payable	(81)	1,235	(559)
	70,467	62,321	41,645
(Decrease) increase in cash and cash equivalents	$(14,241)	(970)	12,011
Balance at beginning of the year	$58,934	59,904	47,893
Balance at end of the year	44,693	58,934	59,904
(Decrease) increase in cash and cash equivalents	$(14,241)	(970)	12,011

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.

TABLE 5-5: ANALYSIS OF CHANGES IN WORKING CAPITAL ELEMENTS—PRESENTATION

	1984	1983	1982	1981
Analysis included as part of statement of changes in financial position	289	254	210	122
Analysis presented in a tabulation at bottom of statement of changes in financial position	286	315	368	461
Analysis presented in a tabulation apart from statement of changes in financial position	25	31	22	17
Total Companies	**600**	**600**	**600**	**600**

Examples of tabulations analyzing changes in working capital elements follow. Such data has been omitted from previous examples in this section in order to emphasize other information contained within the statement of changes in financial position.

Analysis Included as Part of Statement

THE CLOROX COMPANY (JUN)

Statements of Changes in Consolidated Financial Position

	1984	1983	1982
		($000)	
Operations:			
Net earnings	$ 79,709	$ 65,507	$ 45,120
Expenses not involving use of funds:			
Depreciation and amortization	22,007	20,546	25,806
Deferred income taxes	8,117	8,005	5,189
Other	467	221	166
Working capital provided by operations	110,300	94,279	76,281
Changes in working capital:			
Inventories	(11,902)	6,163	21,847
Accounts receivable	(24,576)	(9,874)	(8,957)
Accounts payable	2,478	19,966	(1,121)
Accrued liabilities	11,060	10,546	—
Income taxes	33	8,368	(11,803)
Cash provided by operations	87,393	129,448	76,247
Financing Activities:			
Common stock sold	53,315	—	15,000
Convertible subordinated note issued	—	—	9,000
Notes payable for business acquisition	—	—	75,827
Debt reduction	(30,101)	(26,806)	—
Cash provided (used) by financing	23,214	(26,806)	99,827
Investing Activities:			
Olympic acquisition	—	—	(113,706)
Lucite acquisition	(50,521)	—	—
Property, plant and equipment purchased	(37,321)	(29,591)	(37,707)
Tax benefits purchased	—	(14,689)	(8,057)
Disposal of property, plant and equipment	4,011	2,577	8,935
Other	9,469	5,103	(1,621)
Cash used for investment	(74,362)	(36,600)	(152,156)
Cash Dividends	(27,815)	(22,841)	(20,368)
Increase in Cash and Short-Term Investments	$ 8,430	$ 43,201	$ 3,550

BIRD INCORPORATED (DEC)

Consolidated Statement of Changes in Financial Position

	1984	1983	1982
		($000)	
Cash was provided by:			
Earnings (loss) before extraordinary credit	$(25,085)	$ 1,084	$(20,456)
Add (deduct) items not affecting cash in the period:			
Depreciation and amortization	6,510	5,928	5,474
Deferred income taxes	(718)	29	(549)
Loss (gain) on disposal of property, plant and equipment	10,877	(97)	712
Gain on disposal of certain operations		(599)	(737)
Non-cash acquisition of assets		(180)	(1,883)
Decrease (increase) in accounts and notes receivable	7,096	(6,380)	4,122
Increase in assets held for sale at estimated realizable value affecting working capital items	(29,740)		
Decrease (increase) in inventories	11,520	(1,244)	1,339
Decrease (increase) in other current assets	907	(234)	739
Increase (decrease) in current liabilities not related to financing activities	5,318	(2,776)	1,618
Cash used by operations before extraordinary credits for the period	(13,324)	(4,469)	(9,621)
Extraordinary credit	10,838	133	
Cash used by operations for the period	(2,486)	(4,336)	(9,621)
Proceeds from the disposal of assets	26,149	1,643	22
Decrease (increase) in recoverable federal and state income taxes	95	(70)	19,160
Other	299	261	(45)
	24,057	(2,502)	9,516
Cash was used for:			
Acquisition of property, plant and equipment	17,978	8,624	10,501
Declaration of cash dividends	1,544	1,163	54
Increase in receivables from pension plan	5,256		
Increase in assets held for sale at estimated realizable value not affecting working capital items	10,958		
Prepaid lease expense			740
Total	35,746	9,787	11,295
Decrease in cash and equivalents before financing activities	(11,689)	(12,289)	(1,779)
Financing activities:			
Debt proceeds	53,868		54,750
Proceeds from public offering of preference stock, less issuance costs		14,445	
Industrial Revenue Bond issue	(6,112)	(117)	6,000
Retirement of short term and revolving loans	(34,750)		(45,000)
Retirement of term loans			(14,250)
(Decrease) increase in deferred pension liabilities	(3,122)	516	1,938
Other sources and (uses)	(1,013)	266	(714)
Net financing proceeds	8,871	15,110	2,724
(Decrease) increase in cash and equivalents	$ (2,818)	$ 2,821	$ 945

TABLE 5-6: TITLES IDENTIFYING ANALYSIS OF WORKING CAPITAL ELEMENTS

	1984	1983	1982	1981
Change in working capital	178	201	236	302
Increase (decrease) in working capital	102	106	118	155
Other titles	31	39	36	21
Subtotal	**311**	**346**	**390**	**478**
Analysis included within statement of changes in financial position	289	254	210	122
Total Companies	**600**	**600**	**600**	**600**

LEAR SIEGLER, INC. (JUN)

Consolidated Statement of Changes in Financial Position

	1984	1983 ($000)	1982
Sources of Cash			
Operations:			
Net earnings	$ 85,145	$ 64,122	$ 72,295
Charges (credits) to net earnings not affecting cash:			
Depreciation and amortization	43,097	32,786	28,553
Deferred income taxes	13,141	(10,442)	5,498
Equity in unremitted (earnings) loss of unconsolidated affiliates	(1,275)	1,619	(2,871)
Other	1,060	3,572	(86)
(Increase) decrease in working capital required for operations:			
Notes and accounts receivable—net	(37,010)	17,988	(6,168)
Inventories	(28,216)	33,044	16,765
Other current assets	34,874	(274)	453
Notes payable and current maturities of long-term obligations	(19,941)	(31,793)	(589)
Accounts payable	25,076	4,095	9,682
Income taxes	(39,670)	18,595	(12,272)
Accrued liabilities	15,733	(3,767)	(3,070)
Total cash provided from operations	92,014	129,545	108,190
Increase in long-term obligations	370,089	319	38,641
Proceeds from issuance of common stock	41,851		
(Increase) decrease in other assets	24,214	(15,479)	(14,746)
Disposition of property, plant and equipment	5,549	1,059	5,206
Proceeds from exercise of stock options	1,324	1,271	13
Increase (decrease) in deferred liabilities	6,097	5,528	(981)
Proceeds from sale of securities held for investment		20,338	
Total cash provided	541,138	142,581	136,323
Use of Cash			
Additions to property, plant and equipment	45,236	32,966	52,674
Reductions of long-term obligations	242,739	49,243	25,491
Acquisitions			
Non-current assets	268,765	2,107	15,607
Working capital excluding cash	137,789	1,600	9,683
Non-current liabilities	(166,107)		(537)
Cash dividends	28,821	25,935	24,242
Foreign currency translation adjustments	2,289	1,853	7,536
Unrealized loss on marketable security	6,955		
Purchase of treasury stock			978
Total cash used	566,487	113,704	135,674
Increase (decrease) in cash and short-term investments	(25,349)	28,877	649
Cash and short-term investments at beginning of year	62,271	33,394	32,745
Cash and short-term investments at end of year	$ 36,922	$ 62,271	$ 33,394

REICHHOLD CHEMICALS, INC. (DEC)

Consolidated Statements of Changes in Financial Position

	1984	1983	1982
	(Dollars in thousands)		
Cash provided (used):			
Operations:			
Net income	$25,709	$21,700	$ 4,675
Items affecting income which do not use (provide) cash:			
Depreciation	20,226	19,022	20,058
Deferred income taxes	2,321	1,623	2,676
Reduction of long-term debt due to foreign exchange adjustments	—	(254)	(2,099)
Net book value of abandoned facility and Offenbach	—	—	3,621
Other, net	(1,391)	(769)	(1,934)
Cash provided by operations	46,865	41,322	26,997
Changes in certain elements of working capital:			
Receivables	7,315	(4,843)	18,775
Inventories	2,746	2,393	21,276
Other current assets	(221)	(1,442)	167
Accounts payable and accrued expenses	2,416	8,808	(15,183)
Income taxes payable	(2,864)	2,920	(1,197)
Cash provided by operating activities	56,257	49,158	50,835
Dividends	(6,078)	(6,280)	(6,263)
Investing/divesting activities:			
Capital expenditures:			
Acquired manufacturing facilities	—	(20,596)	—
Additions to plant, property and equipment	(24,228)	(19,305)	(20,516)
Acquisition of patents, licenses and trademarks	—	(3,300)	—
(Increase) decrease in construction funds held by trustee	(632)	407	843
Net book value of property, plant and equipment sold or retired	6,308	2,247	3,732
(Increase) decrease in long-term receivables	(1,846)	310	(3,739)
	(20,398)	(40,237)	(19,680)
Financing activities:			
Increase (decrease) in notes payable	(4,424)	3,808	(3,102)
Increase in long-term debt	35,234	1,124	1,317
Reduction of long-term débt	(37,756)	(8,067)	(11,708)
Repurchase of preferred stock	(28,500)	(5,000)	—
Common stock issued, net of treasury stock acquired	9,196	286	—
	(26,250)	(7,849)	(13,493)
SFAS No. 52 translation adjustment	(1,834)	(2,241)	(2,699)
Other, net	(322)	(443)	155
Increase (decrease) in cash and cash equivalents	$ 1,375	$ (7,892)	$ 8,855

Analysis Presented in a Tabulation at Bottom of Statement

UNIVERSAL VOLTRONICS CORP. (JUN)

Statement of Changes in Financial Position

	1984	1983	1982
		($000)	
Resources Provided:			
Operations:			
Net loss	$(2,253)	$(1,640)	$(1,622)
Items not affecting working capital:			
Depreciation and amortization	216	209	196
Provision for write-down on fixed assets	64	—	—
Deferred income taxes	—	—	(40)
Resources provided from (absorbed by) operations	(1,971)	(1,430)	(1,466)
Equipment held for resale	133	—	—
Retirement of capital assets	9	—	—
Paid-in capital adjustment	5	—	—
Sale of common stock and warrants	—	3,531	—
Increase in long-term debt	450	264	1,390
Exercise of stock options	—	—	11
Deferred pension obligation	90	—	—
Total	(1,283)	2,366	(64)
Resources Applied:			
Additions to property, plant and equipment	48	91	106
Reduction of long-term debt	675	736	283
Reduction of deferred compensation	26	24	—
Increase (reduction) of other assets	(25)	6	60
Total	724	859	451
Increase (Decrease) in Working Capital	(2,008)	1,506	(515)
Working Capital at beginning	3,455	1,948	2,464
Working Capital at end	$1,447	$3,455	$1,948
Changes in Working Capital—Increase (Decrease):			
Cash	$ 17	$ (86)	$ (87)
U.S. Treasury Bills	(1,457)	1,457	—
Accounts receivable	(343)	730	(1,081)
Costs and earnings in excess of billings	64	6	(186)
Inventories:			
Recurring change	662	(609)	210
Provision for unusual losses	(1,027)	—	—
Equipment held for resale	133	—	—
Other current assets	63	18	(55)
Current maturities of long-term debt	149	(42)	66
Notes payable under a General Loan and Security Agreement	(936)	—	—
Notes payable to bank	300	(300)	300
Notes payable to vendors	(58)	—	—
Accounts payable	163	257	(149)
Deferred income taxes	—	—	662
Billings in excess of costs and earnings	192	242	(145)
Accruals	67	(168)	(49)
Increase (Decrease) in Working Capital	$(2,008)	$1,506	$ (515)

BOBBIE BROOKS, INCORPORATED (APR)

Consolidated Statements of Changes in Financial Position

	1984	1983	1982
		(In thousands)	
Sources of working capital:			
Loss before extraordinary items	$(1,238)	$ (1,393)	$(24,559)
Charges (credits) not affecting working capital:			
Depreciation and amortization	628	754	2,872
Imputed interest on creditors' claims	489	73	—
Gain from sale of property, plant and equipment, net	(259)	(211)	—
Gain on disposal of discontinued operation before taxes	—	(3,065)	—
Other	50	83	(85)
Total funds used in operations before extraordinary items	(330)	(3,759)	(21,772)
Extraordinary items	—	5,123	—
Total funds provided by (used in) operations	(330)	1,364	(21,772)
Disposal of property, plant and equipment	551	1,116	647
Proceeds from disposal of discontinued operation	—	4,537	—
Increase in capital leases	284	—	439
Other, net	(76)	(28)	481
Deferrals and reclassifications arising from Chapter 11 proceedings:			
Liabilities deferred pursuant to Chapter 11 proceedings—less current portion	—	—	10,132
Long-term debt reclassified to current liabilities deferred pursuant to Chapter 11 proceedings	—	—	(7,372)
	—	—	2,760
Total sources	429	6,989	(17,445)

	1984	1983	1982
Uses of working capital:			
Additions to property, plant and equipment	387	299	1,675
Current maturities and payment of long-term debt and capital leases	151	93	2,766
Current maturities and payment of liabilities deferred pursuant to Chapter 11 proceedings	1,619	3,377	—
Net current assets of discontinued operation	—	—	702
Total uses	2,157	3,769	5,143
Increase (decrease) in working capital	$(1,728)	$ 3,220	$(22,588)
Changes in components of working capital			
Increase (decrease) in current assets:			
Cash and short-term investments	$ (688)	$ (777)	$ (21)
Receivable from pension plan	(1,896)	5,336	—
Due from factor	(732)	5,296	3,064
Accounts receivable	—	(3,184)	(32,542)
Inventories	343	(10,001)	(15,144)
Advances to suppliers	(723)	(3,847)	4,780
Prepaid expenses and other current assets	31	(1,119)	(2,832)
	(3,665)	(8,296)	(42,695)
Decrease (increase) in current liabilities:			
Loan payable—banks	—	(1,500)	13,845
Current portion of long-term debt and capital leases	(32)	50	6,168
Accounts payable	(188)	342	10,298
Accrued expenses and other current liabilities	(220)	3,408	2,789
Current portion of liabilities deferred pursuant to Chapter 11 proceedings	2,377	9,216	(12,993)
	1,937	11,516	20,107
Increase (decrease) in working capital	$(1,728)	$ 3,220	$(22,588)

NATIONAL DISTILLERS AND CHEMICAL CORPORATION (DEC)

Consolidated Statement of Changes in Working Capital

	1984	1983	1982
	(dollar amounts in millions)		
Working capital was provided by:			
Net income	$ 51.4	$ 66.7	$ 79.1
Charges (credits) to income not requiring (providing) working capital			
Depreciation, depletion and amortization	79.6	67.8	45.7
Deferred taxes on income	(3.2)	29.4	8.0
Unremitted earnings or loss—insurance subsidiaries	9.6	1.1	(.6)
Unremitted earnings—associated companies	(2.8)	4.2	(13.3)
Loss on sale of investment in associated company			13.2
Other	3.4	8.0	3.0
Total from operations	138.0	177.2	135.1
Borrowings under revolving credit agreement net of repayments during the year		50.0	
Additional borrowings—long term debt	12.6	1.1	4.4
Sale of investment in associated company			10.0
Sale or issuance of common stock	2.8	1.3	4.5
Plant assets disposed of or held for sale	73.0	51.4	18.8
Sales of miscellaneous investments		21.1	
Sale and liquidation of insurance subsidiaries	1.0	23.6	
	227.4	325.7	172.8
Working capital was used for:			
Dividends to stockholders	75.6	80.7	80.6
Additions to property, plant and equipment	116.1	71.3	65.7
Reductions of long-term debt	45.7	33.3	31.8
Investments in other marketable securities	16.4		47.4
Purchase of common and preference stocks	67.9	17.3	
Additional long-term receivables and miscellaneous investments—net	13.1	6.4	.5
Non-current assets (liabilities) of companies acquired			
Property, plant and equipment—net		334.4	
Investment and other assets—net		21.1	
Long-term debt		(100.7)	
Less prior investment in acquired companies		(50.7)	
Other	10.8	(4.7)	8.4
	345.6	408.4	234.4
Increase (decrease) in working capital	$(118.2)	$ (82.7)	$ (61.6)
Working capital changes—increases (decreases):			
Cash and short-term investments	$ 28.6	$(109.9)	$ 4.4
Accounts and notes receivable—net	(90.4)	119.6	(22.7)
Inventories	(13.0)	39.2	(20.7)
Prepaid expenses and other assets	7.0	.5	(.8)
Accounts payable	35.0	(57.6)	10.4
Accrued liabilities	30.2	(42.0)	(2.6)
Notes payable to banks and others	(109.9)	(27.2)	(20.4)
Long-term debt payable within one year	(5.7)	(5.3)	(9.2)
	$(118.2)	$ (82.7)	$ (61.6)

STONE CONTAINER CORPORATION (DEC)

Consolidated Statements of Changes in Financial Position

	1984	1983	1982
	(dollars in thousands)		
Funds provided:			
Net income (loss)	$ 33,657	$ (2,922)	$14,185
Charges to income not currently involving funds:			
Depreciation and amortization	64,375	34,213	21,551
Deferred taxes	17,771	(4,558)	6,533
Other—net	1,117	(225)	543
Total funds provided by operations	116,920	26,508	42,812
Long-term debt incurred or assumed:			
In connection with acquisitions	—	519,282	2,792
Other	1,948	—	31,500
Dispositions of property, plant and equipment	11,331	249	2,687
Issuance of stock:			
Common	—	137,229	—
Preferred	—	—	7,400
Total funds provided	130,199	683,268	87,191
Funds applied:			
Long-term assets of businesses acquired	—	452,246	5,273
Reduction of long-term debt	68,498	109,670	8,250
Additions and improvements to property, plant and equipment	41,917	21,028	63,101
Dividends and distributions paid on stock:			
Common	8,146	6,499	5,816
Preferred	510	510	—
Other—net	241	(932)	3,303
Total funds applied	119,312	589,021	85,743
Increase in working capital	$ 10,887	$ 94,247	$ 1,448
Changes in working capital, by component:			
Current assets—increase (decrease):			
Cash	$ 6,285	$ (5,103)	$ 2,465
Accounts and notes receivable—net	8,849	65,944	6,052
Inventories	41,133	68,906	6,827
Other	14,945	18,311	(14,828)
	71,212	148,058	516
Current liabilities—decrease (increase):			
Notes payable—banks	(49,000)	8,000	3,000
Current maturities of long-term debt	(922)	(4,967)	(909)
Accounts payable	(5,559)	(28,286)	(1,020)
Income taxes	(2,136)	283	141
Other	(2,708)	(28,841)	(280)
	(60,325)	(53,811)	932
Increase in working capital	$ 10,887	$ 94,247	$ 1,448

Analysis Presented in a Tabulation Apart From Statement

CBI INDUSTRIES, INC. (DEC)

Consolidated Statements of Changes in Financial Position

	1984	1983	1982
	(Thousands of dollars)		
Sources of Working Capital:			
Net income	$ 38,657	$ 44,110	$ 88,186
Add (deduct) items included in net income and not requiring use of working capital in current period:			
Provision for depreciation, amortization and depletion	55,007	40,111	44,951
Equity in income of unconsolidated affiliates	(11,370)	(16,207)	(12,054)
Income taxes not payable currently	(5,204)	439	32,509
Cost of real estate properties sold	14,208	22,692	3,195
Amortization of restricted stock award compensation	2,757	2,653	2,425
Other, net	7,308	5,774	638
Working capital provided from operations	$101,363	$ 99,572	$159,850
Sale of investments	10,441	2,237	42,577
Disposition of property and equipment	12,030	10,514	4,624
Deferred income	12,252	—	—
Dividends, loans from and sale of investment in unconsolidated affiliates	9,695	2,495	20,611
Long-term obligations	453,950	5,756	49,927
Proceeds from sale of common stock	92,727	4,863	5,964
Effect of currency translation on working capital	1,501	4,028	5,584
Total working capital provided	$693,959	$129,465	$289,137
Uses of working capital:			
Additions to other assets:			
Real estate properties	$ 13,359	$ 12,370	$ 10,104
Investments in and loans to unconsolidated affiliates	1,109	809	5,973
Oil and gas properties	24,923	21,349	35,133
Other, net	(2,494)	20,773	46,416
Additions to property and equipment	43,063	26,916	35,655
Acquisition of minority interest in INDREX	—	—	12,500
Acquisition of Liquid Carbonic Corporation, net of working capital	355,167	—	—
Reclassification from noncurrent liabilities to current liabilities	15,078	(9,291)	31,748
Repayment of long-term obligations	210,639	7,736	79,958
Cash dividends	29,208	27,045	27,010
Cost of reacquired stock	9	1,055	15,799
Total working capital used	$690,061	$108,762	$300,296
Increase (decrease) in working capital (Note 12)	$ 3,898	$ 20,703	$ (11,159)
Working capital at beginning of year	68,282	47,579	58,738
Working capital at end of year	$ 72,180	$ 68,282	$ 47,579

Note 12. Working Capital

The increase (decrease) by working capital component was:

	1984	1983	1982
Cash	$ (3,910)	$ 3,309	$ (2,082)
Temporary cash investments	(107,454)	12,705	15,410
Accounts receivable	56,712	(85,335)	(17,733)
Contracts in progress with costs exceeding billings	23,963	(6,476)	(44,330)
Inventories	26,989	(2,315)	(6,523)
Other current assets	(2,971)	5,434	1,250
Notes payable and current maturities of long-term obligations	(30,187)	16,060	6,916
Accounts payable	(24,182)	888	14,719
Dividends payable	(1,905)	(107)	(8,661)
Other accrued liabilities	(19,849)	23,302	(9,334)
Contracts in progress with billings exceeding costs	77,270	42,323	68,062
Income taxes	9,422	10,915	(28,853)
Increase (decrease)	$ 3,898	$20,703	$(11,159)

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 *SAS No. 1*, forty-nine Statements on Auditing Standards have been issued; some of which superseded sections of *SAS No. 1.*

TITLE OF AUDITORS' REPORT

Table 6-1 shows the descriptive titles used to identify the Auditors' Report.

TABLE 6-1: TITLE OF AUDITORS' REPORT

	1984	1983	1982	1981
Independent accountants' report	174	147	134	129
Auditors' report	116	110	116	122
Accountants' report	77	84	90	88
Independent auditors' report	58	72	70	65
Independent certified public accountants' report	53	64	67	66
Certified public accountants' report	52	53	55	57
Auditors' opinion	29	32	32	32
Accountants' opinion	2	4	5	7
Independent accountants' opinion	8	3	4	3
Independent certified public accountants' opinion	5	5	3	4
Other titles	10	5	5	5
No title	16	21	19	22
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

	1984	1983	1982	1981
The Directors (Board of Directors) and Shareholders	473	468	469	459
The Stockholders	74	78	79	80
The Directors	40	42	43	48
The Company	8	7	6	9
Other, or no addressee	5	5	3	4
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 general accepted accounting principles, the information included therein. Table 6-3, which summarizes the format of auditors' reports included in 1984 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 stockholder's 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 and subsidiaries 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

	1984	1983	1982	1981
Standard report	417	416	411	403
Variations to standard report	95	101	105	111
Modified report	88	83	84	86
Total Companies	**600**	**600**	**600**	**600**
Variations to Standard Report				
Sentence in scope paragraph referring to:				
Examination by other accountants	38	37	42	44
Prior year examination	13	12	12	13
Other	5	3	—	5
Middle paragraph between scope and opinion paragraphs referring to:				
Matter for which opinion qualified	38	31	31	32
Prior year qualification removed	12	10	13	11
Other	7	5	2	5
Sentence or paragraph following opinion paragraph	17	17	19	19
Total Variations	***130**	***115**	***119**	***129**

*Some Auditors' reports had more than one variation.

Paragraph 9 of *Statement on Auditing Standards No. 2* lists circumstances which require a departure from the auditors' standard report. Paragraph 9 states:

The circumstances that result in a departure from the auditor's standard report are as follows:

a. The scope of the auditor's examination is affected by conditions that preclude the application of one or more auditing procedures he considers necessary in the circumstances.

b. The auditor's opinion is based in part on the report of another auditor.

c. The financial statements are affected by a departure from a generally accepted accounting principle.

d. The financial statements are affected by a departure from an accounting principle promulgated by the body designated by the AICPA Council to establish such principles.

e. Accounting principles have not been applied consistently.

f. The financial statements are affected by uncertainties concerning future events, the outcome of which is not susceptible of reasonable estimation at the date of the auditor's report.

g. The auditor wishes to emphasize a matter regarding the financial statements.

Examples of auditor's reports relating to items b, e, f and g are presented in connection with Tables 6-4 and 6-5.

REFERENCE TO OTHER AUDITORS

Section 543 of *Statement on Auditing Standards No. 1*, which 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.

Tables 6-4 summarizes the scope of work done by other auditors as disclosed in the reports of the principal auditors. Examples of such disclosures follow.

TABLE 6-4: REFERENCES TO OTHER AUDITORS

	1984	1983	1982	1981
Examination by Other Auditors Covers:				
Statements for branch or consolidated subsidiary...	18	20	19	27
Statements of investee only	14	15	18	14
Statements for prior years only	7	4	8	8
Total Companies........	**39**	**39**	**45**	**49**

Consolidated Subsidiaries

The Board of Directors
Anderson, Clayton & Co.:

We have examined the consolidated balance sheets of Anderson, Clayton & Co., and consolidated subsidiaries as of June 30, 1984 and 1983 and the related statements of consolidated income, retained earnings, additional paid-in capital and changes in consolidated financial position for each of the years in the three-year period ended June 30, 1984. 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 Gaines Foods, Inc., a consolidated subsidiary acquired June 5, 1984 as described in note 18 to the consolidated financial statements, which statements reflected total assets constituting 21 percent and total revenues constituting less than one percent of the related consolidated totals as of June 30, 1984. 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 Gaines Foods, Inc., is based solely upon the report of the other auditors.

In our opinion, based upon our examinations and the report of other auditors, the aforementioned consolidated financial statements present fairly the financial position of Anderson, Clayton & Co. and consolidated subsidiaries at June 30, 1984 and 1983 and the results of their operations and the changes in their financial position for each of the years in the three-year period ended June 30, 1984, in conformity with generally accepted accounting principles applied on a consistent basis.—*Auditors' Report.*

To the Board of Directors
The Black and Decker Manufacturing Company

We have examined the consolidated balance sheet of The Black and Decker Manufacturing Company and subsidiaries as of September 30, 1984, September 25, 1983 and September 26, 1982, 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, 1984. 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 1982 financial statements of certain consolidated subsidiaries located outside the United States which statements reflect total assets and revenues constituting approximately 16% and 20%, respectively, of the related consolidated totals. These statements were examined by other independent accountants whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for these subsidiaries, is based solely on the reports of the other independent accountants.

In our opinion, based upon our examinations and, for 1982, the reports of the other independent accountants, the financial statements referred to above present fairly the consolidated financial position of The Black and Decker Manufacturing Company and subsidiaries at September 30, 1984, September 25, 1983 and September 26, 1982, and the consolidated results of their operations and changes in their financial position for each of the three years in the period ended September 30, 1984, in conformity with generally accepted accounting principles applied on a consistent basis.—*Report of Independent Accountants.*

To the Board of Directors and Shareholders of
Lone Star Industries, Inc.:

We have examined the consolidated balance sheets of Lone Star Industries, Inc. and Consolidated Subsidiaries as of December 31, 1984 and 1983, 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, 1984. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of the foreign operations which financial statements reflect total assets of 13% of the consolidated assets for 1984 and 1983 and total revenues of 6%, 7% and 10% of the consolidated revenues for 1984, 1983 and 1982, respectively. These financial statements were examined by other public accountants whose reports thereon have been furnished to us. Our opinion expressed herein, insofar as it relates to the amounts included for foreign operations, is based solely upon such reports.

In our opinion, based upon our examinations and the reports of other public accountants, the consolidated financial statements referred to above present fairly the financial position of Lone Star Industries, Inc. and Consolidated Subsidiaries at December 31, 1984 and 1983, and the results of their operations and changes in their financial position for each of the three years in the period ended December 31,1984, in conformity with generally accepted accounting principles consistently applied during the period except for the change, with which we concur, in the presentation of gain from the extinguishments of debt as described in Note 15 to the financial statements.—*Report of Independent Certified Public Accountants.*

To The Board of Directors
of Walbro Corporation

We have examined the consolidated balance sheets of Walbro Corporation and Subsidiaries as at December 31, 1984, 1983 and 1982, and the related consolidated statements of income, stockholders' equity and changes in financial position for the three years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the consolidated financial statements of Walbro Far East, Inc., a consolidated subsidiary, which statements reflect total assets of 15, 20, and 21 percent for 1984, 1983, and 1982, respectively, and total net sales of 8, 7, and 9 percent for 1984, 1983, and 1982, respectively, of the related consolidated totals. These statements were examined by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Walbro Far East, Inc., is based solely upon the report of the other auditors.

In our opinion, based upon our examinations and the report of other auditors, the aforementioned consolidated financial statements present fairly the consolidated financial positions of Walbro Corporation and Subsidiaries at December 31, 1984, 1983, and 1982, and the consolidated results of their operations, changes in stockholders' equity and changes in financial positions for the three years then ended, in conformity with generally accepted accounting principles applied on a consistent basis except for the changes, with which we concur, in 1983 in the method of accounting for foreign currency translation, and in 1982 in the method of accounting for vacation pay, as described in Notes 1 and 13, respectively, to the consolidated financial statements.—*Accountants' Report.*

Investees

The Stockholders and the Board of Directors of
Kaiser Aluminum & Chemical Corporation:

We have examined the consolidated balance sheets of Kaiser Aluminum & Chemical Corporation and its consolidated subsidiary companies as of December 31, 1984 and 1983, and the related statements of consolidated income and changes in consolidated financial position for each of the three years in the period ended December 31, 1984. 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 companies representing 24%, 18%, and 22% of the investments accounted for by the equity method at December 31, 1984, 1983, and 1982. The financial statements of these companies were examined by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to amounts included for these companies, is based solely upon the reports of the other auditors.

In our opinion, based upon our examinations and the reports of other auditors referred to above, such consolidated financial statements present fairly the financial position of Kaiser Aluminum & Chemical Corporation and its consolidated subsidiary companies at December 31, 1984 and 1983, 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, 1984, in conformity with generally accepted accounting principles applied on a consistent basis.—*Independent Auditors' Opinion.*

To the Shareholders
and the Board of Directors,
Sun Chemical Corporation:

We have examined the consolidated balance sheet of Sun Chemical Corporation (a Delaware corporation) and subsidiaries as of December 31, 1984 and 1983 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, 1984. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the consolidated financial statements of Chromalloy American Corporation, which are reflected in the consolidated financial statements using the equity method of accounting. The Company's equity in net losses, including discontinued operations, of Chromalloy American Corporation was $3,295,000, $17,412,000 and $16,286,000 for each of the three years in the period ended December 31, 1984, respectively. We also did not examine the consolidated financial statements of Ault & Wiborg Group plc, which comprise assets and net sales of $57,500,000 and $105,300,000, respectively, as of and for the year ended December 31, 1984.

These statements were examined by other auditors whose reports thereon have been furnished to us, and our opinion insofar as it relates to the amounts included for those entities, is based solely upon the reports of the 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 Sun Chemical Corporation and subsidiaries as of December 31, 1984 and 1983 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, 1984, in conformity with generally accepted accounting principles applied on a consistent basis.—*Auditors' Report.*

QUALIFIED OPINIONS

Statement on Auditing Standards No. 2 states in part:

29. A qualified opinion states that, "except for" or "subject to" the effects of the matter to which the qualification relates, the financial statements present fairly financial position, results of operations and changes in financial position in conformity with generally accepted accounting principles consistently applied. Such an opinion is expressed when a lack of sufficient competent evidential matter or restrictions on the scope of the auditor's examination have led him to conclude that he cannot express an unqualified opinion, or when the auditor believes, on the basis of his examination, that

a. the financial statements contain a departure from generally accepted accounting principles, the effect of which is material,

b. there has been a material change between periods in accounting principles or in the method of their application, or

c. there are significant uncertainties affecting the financial statements,

and he has decided not to express an adverse opinion or to disclaim an opinion.

32. When the auditor intends to express a qualified opinion, he should disclose all the substantive reasons in a separate explanatory paragraph(s) of his report, and should include, in the opinion paragraph, the appropriate qualifying language and a reference to the explanatory paragraph(s). The requirement for an explanatory paragraph does not apply when the opinion paragraph has been modified because of a change in accounting principle (see paragraph 20).

33. The explanatory paragraph(s) should disclose the principal effects of the subject matter of the qualification on financial position, results of operations and the 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: QUALIFIED OPINIONS

	1984	1983	1982	1981
Uncertainties				
Litigation	16	14	15	15
Going concern	14	8	8	6
Valuation or realization of assets	3	4	2	2
Discontinued operations	3	2	5	3
Other	3	2	4	5
Total Uncertainties	**39**	**30**	**34**	**31**
Total Companies	**29**	**26**	**28**	**28**
Accounting Principle Changes				
Foreign currency translation	25	91	153	98
Investment tax credit	11	13	12	13
LIFO adoption	3	12	22	54
Other inventory changes	11	8	10	N/C
Pension cost determination	6	9	N/C	N/C
Compensated absences	4	6	26	46
Depreciation method	5	6	12	12
Consolidation policy	5	5	—	—
Interest capitalization	—	3	3	50
Other	13	20	30	31
Total Changes	**83**	**173**	**268**	**304**
Total Companies	**69**	**143**	**215**	**222**

N/C—Not Compiled.

Table 6-5 shows the uncertainties and accounting principle changes for which the auditors' opinions included in the survey company annual reports were qualified.

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.

Examples of auditors opinions qualified because of uncertainties follow.

Disclaimer

To the Shareholders and Board of Directors
Consolidated Packaging Corporation

We have examined the balance sheets of Consolidated Packaging Corporation and Subsidiaries (Debtor-in-Possession) (the "Company") as of December 31, 1984 and 1983, and the related statements of operations, accumulated deficit and changes in financial position for each of the three years in the period ended December 31, 1984. 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 2, on June 19, 1984 Consolidated Packaging Corporation and its subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code (the "Code"). Under the provisions of the Code, the Company is operating its business as a debtor-in-possession subject to the jurisdiction of the Bankruptcy Court (the "Court"), and is currently developing plans of reorganization (the "Plans") which are designed to effect a settlement of claims of creditors and enable the Company to continue as a viable entity. The Plans require acceptance by the creditors and confirmation by the Court.

As shown in the financial statements, the Company and its subsidiaries reported net losses of $6,534,000, $3,620,000 and $4,730,000 for the fiscal years ended December 31, 1984, 1983 and 1982, respectively, and, as of December 31, 1984 the Company's liabilities exceeded its assets by $6,493,000. These factors, among others, as discussed in Note 2, indicate that the Company may be unable to continue in existence. The financial statements do not include any adjustments related to: (a) 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, or (b) the Plans which may ultimately be accepted by the creditors and confirmed by the Court. The Company's continued existence is also dependent on its ability to achieve future profitable operations.

As discussed further in Note 15, the Company is involved in litigation due to an alleged breach of contract to pay for certain water treatment charges. The ultimate outcome of this matter cannot be determined, and no provision for any liability that may result has been made in the financial statements.

In our report dated May 1, 1984, our opinion on the 1983 and 1982 financial statements was qualified as being subject to the outcome of certain matters. These matters were: (a) the realization of the carrying value upon the disposition of idle facilities, and (b) the outcome of the litigation discussed in the previous paragraph. As discussed in Note 10, the carrying value of the idle Monroe facilities was adjusted and a provision charged to operations in 1984 as required by generally accepted accounting principles. Accordingly, our present opinion on the 1983 and 1982 financial statements, as presented herein, is different from that expressed in our previous report.

Because of the materiality of the matters discussed in paragraphs 2, 3 and 4, we are unable to, and do not express an opinion on the financial statements referred to above of Consolidated Packaging Corporation and Subsidiaries (Debtor-in-Possession) as of December 31, 1984 and for the year then ended.

In our opinion, subject to the effects on the financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainty referred to in paragraph 4 been known, the financial statements referred to above present fairly the financial position of Consolidated Packaging Corporation and Subsidiaries as of December 31, 1983 and 1982, and the results of their operations and the changes in their financial position for each of the two years in the period ended December 31, 1983, in conformity with generally accepted accounting principles applied on a consistent basis.—*Report of Independent Certified Public Accountants.*

Litigation

To the Shareholders and Board of Directors,
Halliburton Company

We have examined the consolidated balance sheet of Halliburton Company (a Delaware corporation) and subsidiary companies as of December 31, 1984 and 1983, and the related statements of consolidated income, consolidated retained earnings, consolidated changes in financial position and changes in capital stock and paid-in capital for each of the three years in the period ended December 31, 1984. 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 10, in December 1981, litigation was instituted by the owners of a two-unit nuclear fueled power generation plant (South Texas Project) against the Company and a subsidiary alleging various breaches of a 1972 engineering and construction contract for the Project. At this time the Company cannot predict the extent of any losses that may result from this litigation or the impact thereof on its consolidated financial statements.

In our opinion, subject to the effect of the outcome of the South Texas Project litigation referred to in the second paragraph, the consolidated financial statements referred to above present fairly the financial position of Halliburton Company and subsidiary companies as of December 31, 1984 and 1983, 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, 1984, in conformity with generally accepted accounting principles applied on a consistent basis.—*Auditors' Report.*

NOTES TO FINANCIAL STATEMENTS

10. Contingency. In December 1981 Houston Lighting & Power ("HL&P") and all other owners of the South Texas

Nuclear Project (the "Project"), a two-unit nuclear fueled power generation plant, instituted litigation against Halliburton Company ("Halliburton") and Brown & Root, Inc. ("Brown & Root"), Halliburton's wholly-owned subsidiary, alleging various breaches of, as well as tortious conduct regarding, a 1972 contract between HL&P and Brown & Root under which Brown & Root was, from 1972 to 1981, designing, engineering and constructing the Project. The estimated cost of the Project increased from $1.1 billion in 1973 to $4.4-$4.8 billion in 1981. Completion dates of these two units were estimated in 1973 to be 1980 and 1982 and in 1981 to be 1986 and 1988. Estimates made in 1982, and reaffirmed in 1983, attributed to Bechtel Energy Corp., current engineer and construction manager for the Project, were that the cost of the Project would be $5.5 billion and the Project would be completed on essentially the same schedule as that last estimated above.

In a letter dated August 2, 1984 to counsel for defendants, the plaintiffs in the litigation which are, in addition to HL&P, the cities of Austin and San Antonio and Central Power and Light Company, stated that the plaintiffs had determined to assert their rights under the Texas Deceptive Trade Practices-Consumer Protection Act ("DTPA"). In the letter, the plaintiffs alleged that preliminary computations of damages aggregate $6.344 billion (including alleged damages related to increase cost of completion, delay damages and attorneys' fees and expenses) and further alleged that, under the DTPA, plaintiffs may recover up to three times the amount of actual damages, plus court costs and reasonable attorneys' fees. Moreover, the owners contend that alleged actual damages under either the alleged causes of action set forth in the first paragraph or pursuant to the DTPA are identical.

Brown & Root believes that the delayed in-service dates and the substantial increases in total costs of the Project are attributable to factors for which it is not responsible. Halliburton was not a contracting party and expressly denies any responsibility for claims under the contract or otherwise.

Brown & Root and Halliburton have each received an opinion of its counsel to the effect that each has meritorious defenses in the litigation. Both Brown & Root and Halliburton deny the validity of plaintiffs' damage claims and have indicated that they will continue to contest the litigation and to pursue their counterclaims vigorously. Currently, there is no date set for trial. The trial judge has indicated that he will set a firm trial date after reviewing the respective parties' need for further discovery.

Although previous settlement discussions have been unproductive, Brown & Root and Halliburton are now engaged in further settlement discussions with the plaintiffs. Neither Brown & Root nor Halliburton can predict the outcome of such discussions.

Board of Directors and Shareholders
Raymark Corporation

We have examined the consolidated balance sheets of Raymark Corporation and Subsidiaries as of December 30, 1984, and January 1, 1984, and the related consolidated statements of operations, shareholders' equity and changes in financial position for each of the fiscal years in the three-year period ending December 30, 1984. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As further discussed in Note I to the consolidated financial statements, the Company is a party to numerous lawsuits seeking substantial damages relating to exposure to airborne asbestos fibers. The ultimate liability resulting from these lawsuits cannot be reasonably estimated at the present time.

In our opinion, subject to the effects on the financial statements of such adjustments, if any, that might have been required had the outcome of the matter discussed in the previous paragraph been known, the financial statements referred to above present fairly the consolidated financial position of Raymark Corporation and Subsidiaries at December 30, 1984, and January 1, 1984, and the consolidated results of their operations and changes in their financial position for each of the fiscal years in the three-year period ended December 30, 1984, 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 inventory costs as described in Note B to the consolidated financial statements.—*Auditors' Report.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note I (in part): Litigation

Since 1971, when the first claim was filed, the Company has been a defendant or codefendant in lawsuits alleging injury and/or death from exposure to asbestos fibers in the air. As of January 1, 1985 there were 18,667 lawsuit pending, compared with 14,936 and 11,768 as of January 1, 1984 and January 1, 1983, respectively. 6,059 new lawsuits were filed in 1984, compared with 5,308 and 4,494 in 1983 and 1982, respectively. As of January 1, 1985, 6,206 cases have been terminated by settlements, dismissals, summary judgments and trial verdicts. Since the beginning of the litigation and through December 31, 1984, settlements have averaged approximately $5,500 per case, exclusive of defense fees. Defense fees typically are less than 50% of settlement costs.

Since 1941, the Company has continuously purchased, in varying amounts and from a number of carriers, products liability insurance coverage totaling approximately $395 million. Prior to November 14, 1983, conflicts among the carriers relating to responsibility for coverage limited the Company's access to this pool of coverage and forced the Company to absorb approximately 39% of the costs associated with asbestos-related litigation. Such conflicts are the subject of a Declaratory Judgment Action commenced in 1978 involving the Company and its primary and first level excess insurance carriers. In September, 1983 and June, 1984, the Court issued rulings—currently on appeal—which, if sustained, will assure the Company broad access to its insurance pool and will entitle the Company to reimbursement of more than $20 million of costs previously expended by it, together with interest.

In November, 1983, February, 1984, July, 1984 and October, 1984, the Court entered interim funding orders requiring the Company's primary insurance carriers, and then its primary and first-level excess insurance carriers, to fund, on behalf of the Company, substantially all liability and defense costs associated with asbestos-related litigation. The Company believes that the October, 1984 funding order, which by agreement was not appealed, will continue to provide funding of such costs pending completion of appeal of the September, 1983 and June, 1984 rulings.

Based on the above, the Company will not accrue for the liability and defense costs it would have otherwise been forced to absorb or for which it might be liable if the appeal is determined adversely to the Company. Such costs approximated $7.3 million, $9.1 million and $6.4 million in 1983, 1982 and 1981, respectively. Nor has the Company accrued for any reimbursement from insurance carriers of asbestos-related litigation costs previously paid by the Company.

The Company's aggregate unused limit of indemnity insurance for the period 1941 to 1982 is, as of December 31, 1984, approximately $360 million. The Company believes that in the event the Court's rulings of September, 1983 and June, 1984 are substantially affirmed, and based on experience to date in the asbestos-related litigation, the Company will have sufficient insurance to cover its asbestos-related liabilities for the foreseeable future. However, because of the uncertainty of the ultimate outcome of the Company's insurance litigation and because of the uncertainty of the number of asbestos-related lawsuits still to be filed and of the cost of disposition of cases, it is not possible to predict the cost after insurance recoveries of settling and defending existing and future cases or the impact thereof on the Company's consolidated financial position and results of operations.

As of December 31, 1984, the Company has been named as a defendant in 43 property damage cases in which the plaintiffs, primarily school boards and other public entities, seek damages for removal of asbestos-containing products located in buildings. The cases are in their early stages. The Company believes it has policies of insurance to cover the claims. The Company is negotiating with its insurance carriers with respect to coverage of these claims.

Going Concern

To The Stockholders 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, 1984 and 1983 and the related consolidated statements of operations, changes in stockholders' equity (deficit) and changes in financial position for each of the three years in the period ended June 30, 1984. 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 incurred substantial losses in 1984, 1983 and 1982 and has an excess of liabilities over assets at June 30, 1984. As described in Note 1, the Company's violation of a loan agreement, which would have permitted the acceleration of substantially all long-term debt, was waived by the bank through June 30, 1985, subject to monthly defined minimum tangible net worth requirements. The Company's 1985 business plan contemplates reduced operating losses and the infusion of additional capital into the Company. 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. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue in its present form.

In our opinion, subject to the effects on the 1984 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 financial statements referred to above present fairly the consolidated financial position of Pentron Industries, Inc. and subsidiaries as of June 30, 1984 and 1983 and the consolidated results of their operations and consolidated changes in financial position for each of the three years in the period ended June 30, 1984, in conformity with generally accepted accounting principles applied on a consistent basis.—*Auditors' Report.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

The accompanying consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business.

The Company incurred a net loss of $1,718,895 in 1984 and has negative stockholders' equity at June 30, 1984. As described in Note 8, a loan agreement, under which the Company has financed a portion of its working capital requirements, contains certain covenants which the Company is not in compliance with at June 30, 1984. The lending institution has waived these violations through June 30, 1985, subject to the maintenance of a monthly minimum tangible net worth (as defined) requirement. The ability of the Company to maintain compliance with the monthly requirements are in part dependent on the successful offering of the preferred stock issue described in Note 18.

The continuation of the Company in its present form is dependent upon the successful maintenance of loan agreement covenant requirements, as well as obtaining additional financing and/or equity participation (which may be needed to meet working capital requirements) and the eventual achievement of sustained profitable operations (which is dependent upon increases in demand for the Company's products). In reaction to the significant reduction in demand for the Company's products over the past three years, operations have been consolidated, discontinued and/or disposed of (see Note 2). The Company's 1985 business plan contemplates reduced operating losses and an infusion of additional cash into the Company. Because of the uncertainties regarding the attainment of the 1985 business plan, no assurances can be given that the Company will be able to satisfy the convenants in the loan agreement, and, if not, there is no assurance that the Company will be able to obtain waivers from the bank for such violations. In the absence of such waivers, the bank can demand full payment of the outstanding balance.

To the Board of Directors
Tosco Corporation:

We have examined the consolidated balance sheet of Tosco Corporation and subsidiaries as of December 31, 1984 and 1983, and the related consolidated statements of operations, common shareholders' equity (deficit), and changes in financial position for the years ended December 31, 1984, 1983 and 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.

The Company has incurred significant operating losses in the past two years and has reduced its level of operations resulting in write-downs in the book value of assets and a deficiency in shareholders' equity. As described in Note 1, the Company believes its financial resources under its amended bank agreement (see Note 17) will be adequate to finance its continuing operations during 1985. The Company's continued existence is dependent upon its ability to effect and comply with certain restrictive covenants of the amended bank agreement and, in the long-term, to restructure its bank debt, of which up to $374 million will be classified as short-term debt on January 1, 1986, (see Note 8) and attaining satisfactory levels of future cash flows from 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.

As described in Note 15, the Company is a defendant in four class action and derivative lawsuits arising out of the Company's purchase in 1982 of shares of its common stock. The ultimate outcome of these lawsuits cannot presently be determined, and no provision for any liability that may result has been made in the consolidated financial statements.

In our opinion, subject to the effects on the 1984 consolidated financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainties referred to in the two preceding paragraphs been known, the financial statements referred to above present fairly the consolidated financial position of Tosco Corporation and subsidiaries as of December 31, 1984 and 1983 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, 1984, in conformity with generally accepted accounting principles applied on a consistent basis.—*Independent Accountants' Report.*

NOTES TO FINANCIAL STATEMENTS

1 (in part): Summary of Significant Accounting Policies

Basis of Preparation of Financial Statements: The accompanying financial statements of Tosco Corporation and subsidiaries (Tosco) have been prepared on a going concern basis which contemplates the realization of assets and satisfaction of obligations in the normal course of business. There were, prior to the agreement in principle reached in March 1985 with Tosco's lenders, certain factors that indicated that Tosco could not continue as a going concern in 1985, including the continuation of operating losses and a projected failure to meet some of its obligations and covenants under its debt agreement with 19 banks (Banks) (Note 8).

In March,1985, Tosco reached an agreement in principle with its Banks that provides for amendments to its existing bank agreement which Tosco believes will be adequate to finance its operations and enable it to continue as a going concern through 1985 (Note 17). While Tosco expects that the agreement in principle with its Banks will become effective, there is no assurance that all the conditions precedent to the closing of the agreement will be met.

The agreement in principle does not extend the present maturities of the debt agreement. After December 31, 1985, up to $374,000,000 of indebtedness to the Banks will be classified as short-term debt on Tosco's Balance Sheet. Tosco believes that at or prior to such time, further negotiations with the Banks will be commenced for the purpose of further restructuring the agreement and the dates upon which such indebtedness will become due. There is no assurance that favorable results will be achieved and if achieved whether Tosco will be successful in returning to the profitable operations upon which its survival is dependent.

The Board of Directors and Shareholders
Scholastic Inc.

We have examined the consolidated balance sheets of Scholastic Inc. at May 31, 1984 and 1983, and the related consolidated statements of operations and retained earnings and changes in financial position for the twelve month fiscal year ended May 31, 1984, the nine month fiscal year ended May 31, 1983, and the twelve month fiscal year ended August 31, 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.

As discussed more fully in Note 4 to the consolidated financial statements, at May 31, 1984, the Company did not satisfy several covenants relating to certain of its debt agreements thereby making such debt callable by the lenders. On August 28, 1984, one of the creditors called its debt. The Company is presently negotiating with its lenders with the objective of restructuring its present credit agreements. Since the outcome of such negotiations cannot be predicted, all the applicable debt has been classified as current. As a result, the Company has a working capital deficit. The Company's ability to continue operating in the normal course and carry out its business plan for fiscal 1985 is dependent upon the successful conclusion of the present restructuring negotiation.

In our opinion, subject to the effects on the fiscal 1984 consolidated financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainty referred to in the preceding paragraph been known, the statements mentioned above present fairly the consolidated financial position of Scholastic Inc. at May 31, 1984 and 1983, and the consolidated results of operations and changes in financial position for the twelve month fiscal year ended May 31, 1984, the nine month fiscal year ended May 31, 1983, and the twelve month fiscal year ended August 31, 1982, in conformity with generally accepted accounting principles applied on a consistent basis during the period.—*Report of Certified Public Accountants.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands except shares and per share data)

4 (in part): Long-Term Debt

At May 31, 1984 and 1983, long-term debt consisted of the following:

	May 31			
	1984		1983	
	Current	Non-Current	Current	Non-Current
Insurance company floating rate loans	$ 7,000	$ —	$ —	$ 7,000
Insurance company loan—8.25%	3,040	—	640	3,040
Jefferson City Industrial Revenue Bonds with varying payments and interest rates	87	4,175	90	4,254
NYC Industrial Development Agency Revenue Bonds with floating interest rate, due July, 1992	4,000	—	—	4,000
U.S. dollar/pound sterling U.K. bank loan at LIBOR plus 1%, due July, 1985	1,076	—	—	1,076
Other debt—domestic	462	1,029	—	—
Other debt—foreign	174	265	175	463
Total debt	$15,839	$ 5,469	$ 905	$19,833

At May 31, 1983, the Company had $20,738 of long-term debt, of which $905 was payable during fiscal 1984. During fiscal 1984, the Company made all principal and interest payments when due as specified by the loan agreements.

The insurance company floating rate loans ($7,000), the insurance company 8.25% loan ($3,040), the repayment agreement associated with the New York City Industrial Development Agency Revenue Bonds ($4,000), and the U.K. bank loan ($1,076) contain restrictive covenants primarily related to minimum levels of consolidated working capital (as defined), consolidated tangible net worth (as defined), and maximum levels of current debt (as defined). At November 30, 1983, the Company was in default of certain of these covenants and the lenders granted waivers through May 30, 1984, which waivers have not been renewed. Under the terms of these agreements no retained earnings were available for cash dividends at May 31, 1984. The Company has been negotiating since April, 1984, with its lenders (see also Note 5), for the purpose of restructuring the Company's debt. The Company believes that a satisfactory debt restructuring can be achieved, but since the outcome of the negotiations cannot be predicted, all of the relevant long-term debt has been classified as current.

On August 26, 1984, $3,500 of the insurance company floating rate loans was due and payable. The Company did not repay this loan and, on August 28, 1984, the Company received notice that because the $3,500 floating rate loan was not repaid, the balance of the insurance company loans (approximately $6,540) has been declared due and payable.

The annual maturities of long-term debt for each of the succeeding five years are: 1985—$15,839 (including $14,476 of debt which has been reclassified); 1986—$367; 1987—$345; 1988—$272; 1989—$386.

Discontinued Operations

To the Board of Directors and Shareholders of Phelps Dodge Corporation

We have examined the consolidated balance sheet of Phelps Dodge Corporation and its subsidiaries as of December 31, 1984 and 1983, and the related statements of consolidated operations, of consolidated retained earnings and of changes in consolidated financial position for each of the three years in the period ended December 31, 1984. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described in Note 2, in 1984 the Corporation implemented a program to restructure certain of its operations including the disposal of the energy segment and certain other assets and the shutdown of certain operations. In connection with this program, the Corporation has provided for the future costs to be incurred and has recorded adjustments to the net book values of certain of the Corporation's assets. The ultimate accuracy of the Corporation's provisions and estimates is dependent on the actual amounts realized on the sale of the energy segment and other assets and the actual costs incurred in connection with the shutdown of operations.

In our opinion, subject to the effect of such adjustments, if any, on the 1984 consolidated financial statements as might have been required had the outcome of the uncertainties referred to in the preceding paragraph been known, the consolidated financial statements appearing on pages 18 to 28, inclusive, of this Report present fairly the financial position of Phelps Dodge Corporation and its subsidiaries at December 31, 1984 and 1983, 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, 1984, in conformity with generally accepted accounting principles consistently applied.—*Report of Independent Accountants.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Asset Restructuring

The Corporation recorded a non-recurring pre-tax charge of $195 million in its fourth quarter 1984 results, reflecting its program to restructure certain of its operations. Included in the charge is a writedown of $85 million resulting from the Corporation's decision to dispose of its energy operations (Note 3), including its subsidiary, Western Nuclear, Inc. The charge also reflects the estimated net realizable value of certain other assets (discussed below) that are to be sold, writeoffs of smelter equipment and other facilities that have been rendered obsolete by environmental requirements or other economic considerations, the estimated costs incident to the shutdown of certain operations, and estimated pension, retirement and other employee benefit costs resulting from this restructuring. The 1984 Consolidated Balance Sheet reflects the estimated net realizable value of assets intended to be sold, including energy operations (Note 3) and the assets discussed below, of $320 million.

The Corporation entered into a letter of intent in January 1985 with Sumitomo Metal Mining Co., Ltd. and Sumitomo Corporation for the sale of a significant minority interest in the Corporation's copper mining properties and facilities in Morenci, Arizona. The Morenci smelter, which was temporarily closed at the end of 1984, will not be included in the sale. The sale is contingent on a number of conditions, including the negotiation of a mutually satisfactory price and definitive contract and approvals by the board of directors of each party and by relevant governmental authorities and is expected to be completed by mid-1985.

Other assets intended to be sold under the program include the Corporation's interest in Black Mountain Mineral Development Company (Pty.) Limited ("Black Mountain"), which operates a lead-silver mine in South Africa, and the Corporation's investments in its Far Eastern manufacturing interests, located in Thailand, the Philippines and India.

Valuation of Investment

To the Stockholders,
Curtiss-Wright Corporation

We have examined the consolidated balance sheets of Curtiss-Wright Corporation and Subsidiaries as of December 31, 1984 and 1983 and the related consolidated statements of earnings and retained earnings, and changes in financial position for the years ended December 31, 1984, 1983 and 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.

As discussed in Note 3 to the financial statements, the Corporation's investment in Western Union common stock at December 31, 1984 is carried at $38,691,000, representing the market value of such investment at that date. Western Union has sustained significant losses in the last half of 1984 and for the year and is experiencing financing difficulties. If Western Union is unable to resolve its financing difficulties, the value of the Corporation's investment in that company may be further reduced and, accordingly, ultimate realization of the investment is uncertain and not currently determinable.

In our opinion, subject to the effects on the 1984 financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainty referred to in the preceding paragraph been known, the financial statements referred to above present fairly the consolidated financial position of Curtiss-Wright Corporation and Subsidiaries at December 31, 1984 and 1983, and the consolidated results of their operations and the changes in their financial position for the years ended December 31, 1984, 1983 and 1982, in conformity with generally accepted accounting principles applied on a consistent basis.—*Auditors' Report.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Investment in Western Union Corporation

At December 31, 1984 and 1983, the Corporation's holdings of Western Union common stock were 4,421,800 shares or approximately 17.5% and 17.7%, respectively, of the then outstanding voting shares.

Western Union reported net profits aggregating $19,357,000 for the first two quarters in 1984. On October 23, 1984, it reported a net loss for the third quarter of the year of $15,490,000. On November 21, 1984, Western Union announced that the $100 million, eight-year revolving credit facility it had established in October with a group of banks had been cancelled. On November 27, 1984, the Board of Directors of Western Union voted to omit the cash dividend on that Company's common and preferred shares. Western Union said that the omission of the preferred dividends was directly related to the cancellation of the bank credit line and the need to conserve cash. In January 1985, Western Union reported a restructuring of its bank debt aggregating $60 million involving the deferral of interest ($15 million) on existing loans and an additional short-term loan ($12 million) for the first quarter of 1985, and an agreement for the banks to purchase accounts receivable ($33 million) during that quarter. On March 6, 1985, Western Union reported a net loss for the fourth quarter of 1984 of $62,244,000, resulting in a net loss for the full year of $58,377,000. Western Union also stated that the report on its 1984 financial statements by its independent accountants would be qualified with respect to "financing uncertainties."

At December 31, 1983, the cost per share of the Corporation's investment in Western Union common stock was $30.16. The market value per share of that stock declined from $36.50 at December 31, 1983 to $8.75 at December 31, 1984. Curtiss-Wright management is unable at this time to determine the extent, if any, to which the decline in the market value of its holdings of Western Union common stock may be other than temporary. However, as part of the Corporation's continuing monitoring of its investment in Western Union and in recognition of the adverse developments described in the preceding paragraph, the Corporation determined, to reflect in its financial statements for the fourth quarter of 1984, (i) the reversal of dividend income from its Western Union shares, aggregating $4,643,000 ($4,323,000 after tax), recorded during the first nine months of 1984; and (ii) a write down of the cost basis of its investment in Western Union common stock by $11,500,000, with a corresponding charge to earnings. The effect of these steps was to reduce the net earnings of the Corporation for the year 1984 by $15,823,000, or $3.27 per share, and to reduce the carrying value of its investment in Western Union common stock to $26.50 per share at December 31, 1984. This carrying value per share approximates the Western Union book value per common share at December 31, 1984 based on published Western Union information. The Corporation does not intend to record as income any future dividends which may be paid by Western Union on its common stock until such time as that Company experiences consistently profitable operations.

The Corporation's investment in Western Union is carried at the lower of cost or market on the Corporation's balance sheet. At December 31, 1984, the cost of that investment, adjusted as indicated above, exceeded market by $78,513,000. Such unrealized depreciation is recorded as a valuation allowance charged to stockholders' equity.

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 the reasons for consistency qualifications. Of the 83 reasons, 57 are for changes made in years prior to 1984. Examples of auditors' opinions qualified as to consistency follow.

Foreign Currency Translation

The Board of Directors and Stockholders
Beatrice Foods Co.:

We have examined the consolidated balance sheet of Beatrice Foods Co. and subsidiaries as of February 29, 1984 and February 28, 1983 and the related statements of consolidated earnings, stockholders' equity and changes in financial position for each of the years in the three-year period ended February 29, 1984. 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 Beatrice Foods Co. and subsidiaries at February 29, 1984 and February 28, 1983 and the results of their operations and changes in their financial position for each of the years in the three-year period ended February 29, 1984, in conformity with generally accepted accounting principles which, except for the changes, with which we concur, in 1983 in the method of accounting for foreign currency translation and in 1982 in the methods of accounting for investment tax credit and inventory costing, as described in Note 1 to the consolidated financial statements, have been applied on a consistent basis.—*Accountants' Report.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (in part): Summary of Significant Accounting Policies

ACCOUNTING CHANGES During 1983, Beatrice adopted the provisions of Statement of Financial Accounting Standards No. 52 (FASB 52) for foreign currency translation. This change reduced net foreign currency translation losses and other expenses included in fiscal 1983 net earnings by $11 million or an effect of $.11 on earnings per share. Prior years' financial statements, which were prepared under the provisions of Statement of Financial Accounting Standards No. 8, have not been restated, since the effect would not be material.

During 1982, Beatrice made two significant accounting changes. The last-in, first-out (LIFO) cost basis was adopted for substantially all inventories located in the United States, resulting in decreased net earnings in 1982 of $19 million (per share effect: $.19 primary; $.17 fully diluted). Pro forma effects of retroactive application of LIFO to years prior to 1982 are not determinable, and thus there is no cumulative effect on retained earnings at the beginning of that year. Also in 1982, Beatrice changed from the deferred method to the flow-through method of accounting for investment tax credit. The cumulative effect of the change was an increase in net income of $32 million (per share effect: $.32 primary; $.29 fully diluted).

Sheller-Globe Corporation
The Board of Directors and Shareholders

We have examined the consolidated balance sheet of Sheller-Globe Corporation at September 30, 1984 and 1983, and the related consolidated statements of income, shareholders' equity and changes in financial position for each of the three years in the period ended September 30, 1984. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements mentioned above present fairly the consolidated financial position of Sheller-Globe Corporation at September 30, 1984 and 1983, and the consolidated results of operations and changes in financial position for each of the three years in the period ended September 30, 1984, in conformity with generally accepted accounting principles applied on a consistent basis during the period except for the change in 1984, with which we concur, in the method of accounting for foreign currency translation as described in Note 1 to the consolidated financial statements.—*Report of Certified Public Accountants.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (in part): Significant Accounting Policies

Foreign currency translation—Effective October 1, 1983, the Company adopted Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation," under which adjustments resulting from translation of the financial statements of most foreign subsidiaries are excluded from the determination of net income and included as a separate caption in shareholders' equity. This change in accounting method resulted in a decrease in consolidated shareholders' equity of approximately $1,198,000 as of October 1, 1983, due principally to the translation of the property, plant and equipment and inventories of most foreign subsidiaries at current rates of exchange. The effect of the change on 1984 net income was insignificant. Translation adjustments at September 30, 1984 increased the cumulative translation adjustment in shareholders' equity by $712,000. The financial statements for fiscal years 1983 and 1982, which include immaterial translation adjustments, have not been restated.

Board of Directors
The Timken Company, Canton, Ohio

We have examined the consolidated balance sheets of The Timken Company and subsidiaries as of December 31, 1984 and 1983, and the related consolidated statements of income, capital and earnings invested in the business and changes in financial position for each of the three years in the period ended December 31, 1984. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of The Timken Company and subsidiaries at December 31, 1984 and 1983, 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, 1984, in conformity with generally accepted accounting principles applied on a consistent basis during the period except for the change in 1983, with which we concur, in the method of translating foreign currencies as described in Note F to the financial statements.—*Accountants' Report.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note F—Foreign Currency Translation

Effective January 1, 1983, the Company prospectively adopted Financial Accounting Standards Board Statement No. 52, "Foreign Currency Translation." Under the new accounting rules all assets and liabilities of most operations outside the United States are translated into U.S. dollars at period-end exchange rates. Currency translation adjustments are reflected in the Foreign Currency Translation Adjustment account in Capital and Earnings Invested in the Business, except for gains and losses on foreign currency translation for hyperinflated economies (Brazil, Mexico and Argentina), which are included in other charges in the income statement.

The cumulative effect of adopting Statement No. 52 as of January 1, 1983 was a reduction in net assets of $8,178,000 (net of income taxes of $5,469,000). Additionally, this change is estimated to have increased net income by $10,521,000 ($.89 per share) in 1984 and $6,506,000 ($.57 per share) in 1983.

Inventory

Board of Directors and Shareholders
Archer Daniels Midland Company
Decatur, Illinois

We have examined the consolidated balance sheets of Archer Daniels Midland Company and subsidiaries as of June 30, 1984 and 1983, and the related consolidated statements of earnings, shareholders' equity and changes in financial position for each of the three years in the period ended June 30, 1984. 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 Archer Daniels Midland Company and its subsidiaries at June 30, 1984 and 1983, and the consolidated results of their operations and the changes in their financial position for each of the three years in the period ended June 30, 1984, in conformity with generally accepted accounting principles applied on a consistent basis, except for the change, with which we concur, in the method of applying the LIFO accounting principle, as set forth in Note 2 to the financial statements.—*Report of Independent Auditors.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2—Inventories

LIFO inventories (1984—$216.2 million; 1983—$209.2 million) have a FIFO cost in excess of the inventory basis used in the financial statements of $91.0 million at June 30, 1984 and $59.2 million at June 30, 1983. The annual change in LIFO valuations decreased net earnings by $16.3 million or $.17 per share in 1984, $.10 per share in 1983 and increased net earnings in 1982 by $.37 per share.

During 1984, the Company changed its method of applying the LIFO method of valuing inventories to provide a better matching of current costs and current revenues on a fiscal year basis. The method adopted is to apply the LIFO method to inventories based on quantities as of June 30, the end of the fiscal year. The method previously used was to apply the LIFO method to inventories as of December 31, the end of the reporting period for income tax purposes, and to accrue a liability as of June 30 for the expected cost in excess of LIFO basis for inventories expected to be replaced by the following December 31. The previous method was used to conform to the former requirements of the Internal Revenue Service. The cumulative effect and pro forma effects on prior years is not determinable. The effect of the change in methods was to increase net earnings in 1984 by $11.1 million ($.12 per share).

The quantity reduction of certain LIFO inventories in 1984 decreased cost of goods sold by $32.3 million and increased net earnings by $16.6 million ($.18 per share).

To the Board of Directors and Shareholders of
Hecla Mining Company

We have examined the consolidated balance sheets of Hecla Mining Company and consolidated subsidiaries as of December 31, 1984 and 1983, and the related consolidated statements of operations, changes in shareholders' equity and changes in financial position for each of the three years in the period ended December 31, 1984. 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 1984 merger of Ranchers Exploration and Development Corporation which has been accounted for as a pooling of interests as described in Note 2.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Hecla Mining Company and consolidated subsidiaries at December 31,1984 and 1983, 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, 1984, 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 materials and supplies as described in Note 7 to the financial statements.—*Report of Certified Public Accountants.*

NOTES TO FINANCIAL STATEMENTS

7. Inventories:

During 1984 the Company changed the accounting practice at certain Ranchers operations to conform to that of Hecla. The change involved including unused materials and supplies, which were previously charged to operations when they were purchased, in inventory. The change, which is a preferable method of accounting, was made to facilitate management control of these inventories and more accurately and consistently match the cost of operations with sales. The cumulative effect of the change was $1,174,819 before applicable income tax effect of $328,949. The effect of the change on current year operations was immaterial. The pro forma effect of this change on prior years' financial statements cannot be calculated because physical inventories of materials and supplies were not taken during these periods.

Investment Tax Credit

To the Shareholders and the Board of Directors of
Grumman Corporation:

We have examined the consolidated balance sheet of Grumman Corporation (a New York corporation) and subsidiaries as of December 31, 1984 and 1983 and the related consolidated statements of income, common shareholders' equity, and changes in financial position for each of the three years in the period ended December 31, 1984. 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 Grumman Corporation and subsidiaries as of December 31, 1984 and 1983 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, 1984, in conformity with generally accepted accounting principles, consistently applied during the period subsequent to the change (with which we concur) made as of January 1, 1982, in the method of accounting for investment tax credits as described in Note 1 to the consolidated financial statements.—*Auditors' Report.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Change in Accounting Policy

As of January 1, 1982, the company changed from the deferral method to the flow-through method of accounting for investment tax credits. Under the flow-through method, investment tax credits are included in net income in the year the related assets are placed in service, rather than by amortizing the credits over the estimated lives of the assets.

As a result of the change, income from continuing operations for 1982, before the cumulative effect of the accounting change for prior years, increased by $2,700,000 ($.10 per share). In addition, the cumulative effect of the accounting change, representing the unamortized balance of deferred investment tax credits at December 31, 1981, increased earnings for 1982 by $7,103,000 ($.27 per share).

Shareholders and Board of Directors
The Cleveland-Cliffs Iron Company
Cleveland, Ohio

We have examined the statement of consolidated financial position of The Cleveland-Cliffs Iron Company and consolidated subsidiaries as of December 31, 1984 and 1983, 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, 1984. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of The Cleveland-Cliffs Iron Company and consolidated subsidiaries at December 31, 1984 and 1983, 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, 1984, in conformity with generally accepted accounting principles which, except for the changes in 1983, with which we concur, in the accounting for investment tax credit, inventories, and foreign currency translation, as described in the Accounting Policies note, have been applied on a consistent basis.—*Report of Independent Auditors.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Policies (in part):

Investment Tax Credit: Effective January 1, 1983, the Company changed from the deferral method to the flow-through method of accounting for investment tax credits as a reduction of the current provision for federal income taxes. The deferred investment tax credit of $48.5 million, or $3.92 per share, as of December 31, 1982 is included in the 1983 Statement of Income as "Cumulative Effect of Accounting Change." As a result of the accounting change, 1983 net income, before the cumulative effect, was reduced $2.3 million, or $.19 per share, due to a higher provision for income taxes. If the flow-through method had been in effect in the previous year, net results in 1982 would have been improved by $8.1 million ($.65 per share).

Board of Directors and Shareholders
The Murray Ohio Manufacturing Company
Brentwood, Tennessee

We have examined the statement of financial position of The Murray Ohio Manufacturing Company as of December 31, 1984 and 1983, and the related statements of income, retained earnings and changes in working capital for each of the three years in the period ended December 31, 1984. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of The Murray Ohio Manufacturing Company at December 31, 1984 and 1983, and the results of its operations and changes in working capital for each of the three years in the period ended December 31, 1984, 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 investment tax credits as described in Note C of Notes to Financial Statements.—*Report of Independent Accountants.*

NOTES TO FINANCIAL STATEMENTS

Note C—Accounting Change (Investment Tax Credit)

Effective January 1, 1984, the company changed to the flow-through method of accounting for investment tax credits. The deferred method had been used in prior years. The change was made to conform to predominant U.S. industry practice. The flow-through method includes these credits in income in the year earned, while the deferred method amortized the credits over a ten-year period. This change in accounting method (after deductions of expenses relating to fringe benefits and related tax effects) increased 1984 net income by approximately $103,000 for credits earned during the year, and by $1,404,000 for the cumulative effect of the change; earnings per common share was increased by $.03 and $.36, respectively. Pro forma net income and earnings per common share amounts reflecting retroactive application of this change are shown on the Statement of Income.

Pension Cost Determination

The Board of Directors and Stockholders
Sperry Corporation

We have examined the consolidated balance sheets of Sperry Corporation at March 31, 1984 and 1983, 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 March 31, 1984. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements mentioned above present fairly the consolidated financial position of Sperry Corporation at March 31, 1984 and 1983, and the consolidated results of operations and changes in financial position for each of the three years in the period ended March 31, 1984, in conformity with generally accepted accounting principles applied on a consistent basis during the period, except for the change, with which we concur, in the method of determining pension costs as described in Note 17 to the financial statements.—*Report of Certified Public Accountants.*

NOTES TO FINANCIAL STATEMENTS

17 (in part): Retirement and Pension Plans

The Company has a number of retirement and pension plans covering substantially all employees in the United States and certain employees in other countries. Pension costs for the three years ended March 31, 1984 were as follows: 1984, $77.4 million; 1983, $87.1 million; 1982, $90.5 million. Effective January 1, 1984 the Company changed its actuarial method of determining pension costs for U.S. non-bargaining unit employees from the aggregate cost method to the unit credit method. The effect of this change after estimated U.S. Government contract price adjustments was to increase net income for the year ended March 31, 1984 by $3.3 million, or $.06 per share. It is the Company's policy generally to fund pension costs accrued.

To the Shareowners and Board of Directors
J.P. Stevens & Co., Inc.

We have examined the consolidated balance sheet of J.P. Stevens & Co., Inc. and subsidiary companies as of November 3, 1984 and October 29, 1983, and the related consolidated statements of income and accumulated earnings and changes in financial position for each of the three fiscal years in the period ended November 3, 1984. 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 J.P. Stevens & Co., Inc. and subsidiary companies at November 3, 1984 and October 29, 1983 and the consolidated results of their operations and changes in their financial position for each of the three fiscal years in the period ended November 3, 1984, in conformity with generally accepted accounting principles consistently applied during the period, except for the change in fiscal 1983, with which we concur, in the method of determining pension costs as described in Note K to the financial statements.—*Report of Independent Auditors.*

NOTES TO FINANCIAL STATEMENTS

Note K (in part): Retirement Plans

The total pension expense for 1984, 1983, and 1982 was $5,605,000, $11,386,000 and $16,235,000, respectively. The decrease in pension expense in 1984 results primarily from a change in the interest rate assumption from 7% to 9% which had the effect of increasing net income by approximately $2,900,000 ($.16 per share).

During 1983, the Company changed its actuarial method used to determine pension cost from the aggregate cost method to the projected unit credit method. This change results in a better matching of funding to accumulated benefits by taking into consideration the excess of pension fund assets over accumulated benefits. The net effect of this change was to increase 1983 net income by $941,000 ($.05 per share).

The Company's policy is to fund pension costs as accrued for all plans. In 1984 and 1983, however, as a result of the change in actuarial method, no additional funding was required for the salaried plan. A comparison of actuarial present value of accumulated plan benefits and net assets available for benefits for the Company's salaried and hourly defined benefit plans is presented below:

Consolidation Policy

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, 1984 and 1983 and the related consolidated statements of operations, shareholders' equity and changes in financial position for each of the years in the three-year period ended December 31, 1984. 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 Chromalloy American Corporation and subsidiaries as of December 31, 1984 and 1983 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, 1984, 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 consolidation as described in the Summary of Significant Accounting Policies.—*Accountants' Report.*

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Chromalloy American Corporation (the Company) and all subsidiaries, except those subsidiaries included in the Financial Services Group, which are accounted for by the equity method (see Note 3). The Financial Services Group consists of property-casualty insurance subsidiaries included in the Chromalloy American Insurance Group, a real-estate subsidiary, The Centor Company, and Chromalloy Leasing, Inc., a leasing subsidiary sold as of January 1, 1984. Intercompany transactions and accounts with subsidiaries have been eliminated.

To recognize the changing nature of the Company's business and to more clearly reflect the Company's consolidated financial position, results of operations and changes in financial position, the Company consolidated its previously nonconsolidated finance subsidiary. Chromalloy Finance Corporation (CFC), in the fourth quarter of 1984. Accordingly, the consolidated financial statements for 1983 and 1982 have been restated to include CFC as a consolidated subsidiary. This restatement had no effect on the previously reported net loss for 1983 and 1982.

To the Stockholders and Boards of Directors of
The Greyhound Corporation

We have examined the statements of consolidated financial condition of The Greyhound Corporation and consolidated subsidiaries as of December 31, 1984 and 1983, and the related statements of income, common stock and other equity, and changes in financial position for each of the three years in the period ended December 31, 1984. 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 The Greyhound Corporation and consolidated subsidiaries at December 31, 1984 and 1983, and the result of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1984, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in consolidation policy described in Note A to the consolidated financial statements.—*Auditors' Report.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A (in part): Changes in Business and Consolidation Policy:

The financial statements of prior periods have been restated to consolidate the accounts of Travelers Express Company, Inc. Previously this subsidiary was included in the financial statements on the equity method as a part of the unconsolidated Financial Group. The new consolidation policy is preferable because Travelers' business activities and financing more closely parallel those of consolidated operations.

Contracts

To the Shareholders and Board of Directors,
Air Products and Chemicals, Inc.:

We have examined the consolidated balance sheets of Air Products and Chemicals, Inc. (a Delaware corporation) and subsidiaries as of 30 September 1984 and 30 September 1983 and the related statements of consolidated income, changes in shareholders' equity, and changes in consolidated financial position for each of the three years in the period ended 30 September 1984. 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 Air Products and Chemicals, Inc. and subsidiaries as of 30 September 1984 and 30 September 1983 and the results of their operations and the changes in their financial position for each of the three years in the period ended 30 September 1984, in conformity with generally accepted accounting principles applied on a consistent basis subsequent to the 1982 change (with which we concur) in the method of accounting for investment tax credits, and after restatement for the 1984 change (with which we concur) in the method of accounting for fixed-price and fixed-fee sales contracts, as explained in Note 1 to the financial statements.—*Report of Independent Public Accountants.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 (in part): Major Accounting Policies

Accounting Changes

During the first quarter of fiscal 1984, the company changed its method of accounting for fixed-price and fixed-fee sales contracts of equipment and engineering services from the completed-contract method to the percentage-of-completion method. The percentage-of-completion method is used by most construction and engineering companies, and its adoption permits a more meaningful comparison of the company's results with those of other firms.

The financial statements of the prior periods have been restated to apply the new method retroactively. For income tax purposes the completed-contract method has been continued. This accounting change increased net income by $.6 million or $.02 per share for fiscal 1984. This change decreased net income by $2.6 million or $.08 per share for fiscal 1983 and by $1.7 million of $.06 per share for fiscal 1982.

During fiscal 1982, the company changed from the deferral method to the predominant U.S. industry practice of accounting for investment tax credits by the flow-through method. For more information, see the Investment Tax Credits section of this footnote.

Oil and Gas Properties

The Shareholders and Board of Directors of
Copperweld Corporation:

We have examined the consolidated financial statements of Copperweld Corporation at December 31, 1984 and 1983, and for each of the three years in the period ended December 31, 1984, listed in the accompanying Index to Financial Information. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements mentioned above present fairly the consolidated financial position of Copperweld Corporation at December 31, 1984 and 1983, and the consolidated results of operations and changes in financial position for each of the three years in the period ended December 31, 1984, in conformity with generally accepted accounting principles applied on a consistent basis during the period after restatement of the financial statements for 1983 and 1982 to give retroactive effect to the change, with which we concur, in the method of accounting for the Corporation's investment in oil and gas properties as described in Note 9 to the financial statements.—*Report of Independent Certified Public Accountants.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 9—Change in Accounting

During the third quarter of 1984, the Corporation changed to the successful efforts method of accounting for its oil and gas operations from the previously applied full cost method. Management believes that the successful efforts method provides for a better matching of revenue and expenses for oil and gas production and recognizes currently the costs of unsuccessful exploration.

The change in method has been applied retroactively which restates previously reported operating results by an after tax charge to operations of $2,255,000 ($.26 per common share) in 1983, and $1,123,000 ($.13 per common share) in 1982. Opening retained earnings for 1982 has been reduced by $533,000 ($.06 per common share) for the cumulative effect on operations of earlier years.

If the full cost method of accounting had been utilized for the year ended December 31, 1984, reported net income, and income before extraordinary credit would have decreased $4.1 million ($.47 per common share).

Oil and gas operations have not been significant, and in prior years consisted principally of exploration and development efforts. Oil and gas properties consist principally of wells and related equipment.

Regulated Subsidiaries

To the Shareholders of RCA Corporation

We have examined the statement of consolidated financial position of RCA Corporation and its subsidiaries as of December 31, 1984 and 1983, and the related statements of consolidated income and retained earnings and of consolidated changes in financial position for each of the three years in the period ended December 31, 1984. 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 RCA Corporation and its subsidiaries as of December 31, 1984 and 1983, and the results of their operations and changes in their financial position for each of the three years in the period ended December 31, 1984, 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 investment tax credits as described in Note 2 and after restatement for the change, with which we concur, in the method of accounting for regulated subsidiaries as described in Note 2.—*Report of Independent Public Accountants.*

NOTES TO FINANCIAL STATEMENTS

2. Accounting Changes

Regulated Subsidiaries: Financial Accounting Standard No. 71, "Accounting for the Effects of Certain Types of Regulation," lists criteria that must be met in order for regulated companies to follow specialized accounting policies prescribed by regulatory authorities. Because of changes in the marketplaces in which RCA American Communications, Inc. and RCA Global Communications, Inc. operate, these companies no longer meet all of these criteria. Accordingly, effective January 1, 1984, the accounting policies of both companies were changed from those prescribed by the Federal Communications Commission to those in effect for the remainder of RCA. Previous years' financial statements have been restated for this change as follows:

(In millions, except per share)		
Years ended December 31	1983	1982
Net income as previously reported	$240.8	$222.6
Adjustment	(13.8)	(6.4)
Net income restated	$227.0	$216.2
Earnings per share of common stock		
Primary as previously reported	$ 2.10	$ 2.03
Adjustment	(.17)	(.09)
Primary restated	$ 1.93	$ 1.94
Fully diluted as previously reported	$ 2.06	$ 2.00
Adjustment	(.16)	(.08)
Fully diluted restated	$ 1.90	$ 1.92

The effect for the year ended December 31, 1984 was to decrease net income by approximately $11.5 million ($.14 per share). The decrease in retained earnings at January 1, 1982 as a result of the restatement of prior years was $55.7 million.

Income Taxes. Effective January 1, 1984, RCA changed its accounting for investment tax credits from the deferral method to the flow-through method in order to achieve greater comparability with the accounting policies of most other companies. Under the flow-through method, investment tax credits are reflected in net income in the year the qualified investment is placed in service. Under the deferral method, credits are amortized over the estimated lives of the qualified investment.

As a result, net income for the year ended December 31, 1984, before the cumulative effect of this change, increased $8.4 million ($.10 per share). The pro forma effect of this change in 1983 and 1982 would have increased net income by $12.1 million ($.15 per share) and $25.4 million ($.32 per share), respectively. The cumulative effect of this change through December 31, 1983 increased net income in the first quarter of 1984 by $75.7 million ($.92 per share).

Special Termination Benefits

Stockholders and Board of Directors
Reynolds Metals Company
Richmond, Virginia

We have examined the consolidated balance sheet of Reynolds Metals Company and consolidated subsidiaries as of December 31, 1984 and 1983, and the related consolidated statements of income and retained earnings and changes in financial position for each of the years in the three-year period ended December 31, 1984. 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 Reynolds Metal Company and consolidated subsidiaries at December 31, 1984 and 1983, and the consolidated results of their operations and changes in their financial position for each of the years in the three-year period ended December 31, 1984, in conformity with generally accepted accounting principles consistently applied during the periods subsequent to the change made as of January 1, 1982 in the method of accounting for pot lining costs; and except for the changes during 1983 in the methods of accounting for foreign currency translation and special termination benefits paid to employees which changes are described in note A and with which we concur.—*Report of Independent Auditors.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Changes in Accounting Policies

Effective January 1, 1983 the company adopted Financial Accounting Standards Board (FASB) Statement No. 52—Foreign Currency Translation. This statement generally requires that exchange adjustments resulting from foreign currency transactions be recognized currently in income and adjustments resulting from translation of foreign assets and liabilities (at the current rate of exchange) be reflected in a separate component of stockholders' equity (note G).

In the second quarter of 1983 the company adopted FASB Statement No. 74—Accounting for Special Termination Benefits Paid to Employees and elected retroactive application. In accordance with this standard the company recognizes a liability and an expense when employees accept an offer of special termination benefits and the amount of the benefits can be reasonably estimated. In 1982 the company deferred and amortized these costs over a five-year period. The cumulative effect of this change reduced net income for 1983 by $8.3 million (net of $7.1 million of related income taxes).

Effective January 1, 1982 the company changed its method of accounting for the replacement of reduction plant pot linings. These linings, which are normally replaced on an average four-year operating cycle, had been charged to expense at the time of replacement. To better reflect its investment in facilities and to achieve a better matching of costs with revenues, the company now capitalizes these replacement lining costs and amortizes them over their estimated productive lives. The prior years' cumulative effect of the accounting change increased 1982 net income by $26.8 million (net of $23.3 million of related income taxes) and increased net property, plant and equipment by $50.1 million. The effect of this accounting change was not material to the 1982 results of operations excluding the extraordinary gain and cumulative effect of accounting change.

EMPHASIS OF A MATTER

Paragraph 27 of *Statement on Auditing Standards No. 2* states:

> In some circumstances, the auditor may wish to emphasize a matter regarding the financial statements, but nevertheless intends to express an unqualified opinion. For example, he may wish to point out that the entity is a component of a larger business enterprise or that it has had significant transactions with related parties, or he may wish to call attention to an unusually important subsequent event or to an accounting matter affecting the comparability of the financial statements with those of the preceding period. Such explanatory information may be presented in a separate paragraph of the auditor's report. Phrases such as "with the foregoing explanation" should not be used in the opinion paragraph in situations of this type.

Examples of auditors' reports including explanatory information about the financial statements follow.

To the Shareholders and Board of Directors
Action Industries, Inc.
Cheswick, Pennsylvania

We have examined the consolidated balance sheets of Action Industries, Inc. and subsidiaries as of June 30, 1984 and June 25, 1983, and the related consolidated statements of earnings, shareholders' equity, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Our opinion, as it relates to the Company's investment in and equity in net earnings of Action Tungsram, Inc., is based, in part, on the reports thereon of other auditors. The consolidated financial statements of Action Industries, Inc. and subsidiaries for the year then ended June 26, 1982 were examined by other auditors whose report dated August 16, 1982, expressed an unqualified opinion on those statements.

As discussed in notes C and K to the consolidated financial statements, holders of $15,514,000 principal amount of the Company's 9% Convertible Subordinated Debentures converted those Debentures into common stock pursuant to an amendment to the Indenture Agreement which temporarily reduced the conversion price. The Company accounted for the conversion as an equity transaction in its financial statements for the quarter ended September 24, 1983. Subsequently, it was determined that the accounting staff of the Securities and Exchange Commission considers such a conversion to be an extinguishment of debt which should be accounted for as set forth in Accounting Principal Board Opinion No. 26, Early Extinguishment of Debt. Accordingly, the Company has recorded in its financial statements for the year ended June 30, 1984 as an extraordinary charge the market value of the incremental shares issued as a result of the reduction in the conversion price. Literal application of the accounting literature would require measurement of the extraordinary charge in a manner which would result in an increase of $3,800,000 in the amount of such charge, but would have no net effect on shareholders' equity since a corresponding amount would be added to capital contributed in excess of par. Such literal application, in the opinion of the Company's management, with which we concur, would result in an unreasonable portrayal of the economic consequences of the transaction and thus cause the financial statements to be misleading.

In our opinion, based upon our examinations and the aforementioned reports of other auditors, the 1984 and 1983 financial statements referred to above present fairly the consolidated financial position of Action Industries, Inc. and subsidiaries as of June 30, 1984 and June 25, 1983, 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.*

To the Shareholders and Board of Directors
American Telephone and Telegraph Company

We have examined the consolidated balance sheets of American Telephone and Telegraph Company and its subsidiaries as of December 31, 1984, January 1, 1984 and December 31, 1983 and the related consolidated statements of income and retained earnings and changes in financial position for the years ended December 31, 1984, 1983 and 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. The financial statements of two former telephone subsidiaries and AT&T Technologies, Inc. (formerly Western Electric Company, Incorporated) as of December 31, 1983 and 1982, were examined by other auditors; such statements reflect net income constituting approximately 25% of consolidated income before extraordinary charge for 1983, and 22% of consolidated net income for 1982. The reports of the other auditors have been furnished to us and our opinion expressed herein, insofar as it relates to amounts included for subsidiaries examined by them, is based solely on such reports.

As described in Notes (A) and (B) to Financial Statements, prior to 1984 the Company's financial statements included the accounts of 22 wholly-owned operating telephone companies. On January 1, 1984, as a result of a Court-ordered divestiture, certain operations of these companies were assigned to the Company and the companies were divested by a spin-off to shareowners. Due to the magnitude of the divested operations, the Company's financial statements for 1984 are not comparable to those of prior years.

In our opinion, based on our examinations, and the reports of other auditors for the years ended December 31, 1983 and 1982, the financial statements referred to above present fairly the consolidated financial position of American Telephone and Telegraph Company and its subsidiaries at December 31, 1984, January 1, 1984 and December 31, 1983, and the consolidated results of their operations and changes in their financial position for the years ended December 31, 1984, 1983 and 1982, in conformity with generally accepted accounting principles applied on a consistent basis.—*Report of Independent Certified Public Accountants.*

NOTES TO FINANCIAL STATEMENTS

A (in part): Summary of Major Accounting Policies

Consolidation—The 1984 consolidated financial statements include the accounts of the Company and all its significant wholly-owned subsidiaries. As a result of divestiture and the change in the nature of the Company's business, the consolidation now includes AT&T Technologies, Inc. (formerly Western Electric Company, Incorporated) and AT&T Bell Laboratories, Incorporated ("AT&T Bell Labs"), formerly Bell Telephone Laboratories, Incorporated, which were reported as investments on an equity basis prior to 1984. Investments in 20 percent to 50 percent-owned companies and joint ventures are carried on the equity method. Other investments are recorded at cost.

For years prior to 1984, the Company's consolidated financial statements included the accounts of 22 wholly-owned Bell operating telephone companies ("BOCs"). On January 1, 1984, under Court order, these companies were divested and are no longer affiliated with the Company.

B. Impact of Divestiture

As a result of the Court-ordered January 1, 1984 divestiture, the Company's integrated telecommunications business was split up with those portions which operate predominantly under monopoly regulation, the BOCs, being assigned to seven regional holding companies ("RHCs") and those portions which face strong and growing competition being assigned to the post-divestiture AT&T. Consequently, certain of the Company's accounting policies and practices were no longer appropriate after December 31, 1983. Accordingly, the Company adjusted its financial statements on December 31, 1983 to reflect the discontinued use by the post-divestiture AT&T of accounting policies and practices appropriate for rate-regulated enterprises and restated the rate-regulated assets assigned to the new AT&T on a basis appropriate for nonregulated enterprises.

These adjustments, each of which reduced the carrying value of the post-divestiture AT&T's net assets, consisted of the following:

(1) Reducing the carrying value of terminal equipment and network facilities from the amounts recognized by regulators in the rate-making process to a lesser amount expected to be recoverable in a competitive environment.

(2) Establishing liability accruals for expenses which in the rate-making process have been accounted for only when paid. These include expenses for future compensated absences and special termination benefits.

(3) Establishing deferred income tax credits for tax timing differences which regulators in the rate-making process have recognized on a current basis rather than on a deferred basis as is required for nonregulated businesses.

These adjustments were accounted for as a divestiture-related extraordinary charge on December 31, 1983, reducing Income Applicable to Common Shares by $5.5 billion, net of taxes of $4.5 billion (comprised of $.1 billion of current taxes and $4.4 billion of deferred taxes), or $5.87 per share.

Additional accounting changes were made in 1984 that did not require adjustments to income in 1983; the changes relating to Consolidation, Revenue Refunds, and Plant and Equipment are discussed in Note (A), Summary of Major Accounting Policies. In addition, the asset values and related obligation of capital leases are included in the 1984 balance sheets. The amortization of assets under capital leases and the interest cost of capital lease obligations are included in current results.

In addition to the divestiture impacts described above, the Divestiture Plan of Reorganization required AT&T and the BOCs to discontinue joint ownership of facilities which perform multiple communications functions. Appropriate arrangements have been made through operating leases and service agreements to utilize these facilities.

1983 expenses included costs of FCC and divestiture-related reorganization plans. These charges, incurred in connection with new entities and with employee relocations and reductions, amounted to $937.0 million, net of taxes.

Due to the magnitude of divestiture and the nature of the organizational and accounting changes related thereto, the Company's results for 1984 are not comparable to those of prior years. The new, post-divestiture AT&T is about one-fourth the size of the pre-divestiture enterprise for which 1983 and 1982 results are included in these financial statements. Furthermore, divestiture involved an intricate reassignment of business operations, assets and liabilities, and employees. The pervasive and complex nature of these changes makes it impossible to restate pre-divestiture results in a way which would be comparable to post-divestiture results.

The January 1, 1984 balance sheet reflects the accounts of the post-divestiture AT&T. Included are the assets and liabilities transferred from the BOCs at net book value. Also reflected is the consolidation of AT&T Technologies, Inc. and AT&T Bell Labs. Reclassifications of account categories have been made to conform to classifications in effect at year end 1984. The net effect of divestiture adjustments reduced retained earnings at December 31, 1983 by $18,703.0 million.

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

The Stockholders and Board of Directors of
The Great Atlantic & Pacific Tea Company, Inc.:

We have examined the consolidated balance sheets of The Great Atlantic & Pacific Tea Company, Inc. and subsidiary companies as of February 25, 1984 and February 26, 1983 and the related statements of consolidated operations, of consolidated stockholders' equity and of changes in consolidated financial position for each of the three fiscal years in the period ended February 25, 1984. 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 April 19, 1983, our opinion on the fiscal year 1982 and 1981 financial statements was qualified as being subject to the effects on the fiscal year 1982 and 1981 financial statements of such adjustments, if any, as might have been required had the outcome of the revitalization program been known. As discussed under the caption "Closing Facilities" in the Notes to Consolidated Financial Statements, the revitalization program has been substantially completed and the total of the costs incurred together with the estimated remaining costs approximates the amount initially provided. Accordingly, our present opinion on the fiscal year 1982 and 1981 financial statements, as expressed herein, is different from that expressed in our previous report.

In our opinion, the financial statements present fairly the financial position of the companies at February 25, 1984 and February 26, 1983 and the results of their operations and changes in their financial position for each of the three fiscal years in the period ended February 25, 1984, in conformity with generally accepted accounting principles applied on a consistent basis.—*Opinion of Independent Certified Public Accountants.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Closing Facilities (in part):

During 1981, the Board of Directors approved the development and implementation of a comprehensive revitalization program involving the sale or disposition of a significant number of unprofitable and marginal stores, certain food processing plants, and related support facilities. In the fourth quarter of fiscal 1981, the Company provided $200 million for the current and estimated future expenses related to this program. The provision included losses from operations from the decision date to date of closings, estimated loss on the disposal of equipment and leases, employee severance payments, and other related costs. The revitalization program has been substantially completed and the total of the costs incurred with the estimated remaining costs approximates the amount initially provided.

The Board of Directors and Stockholders
Murphy Oil Corporation:

We have examined the consolidated balance sheets of Murphy Oil Corporation and Consolidated Subsidiaries as of December 31, 1984 and 1983 and the related consolidated statements of income, stockholders' equity and changes in financial position for each of the years in the three year period ended December 31, 1984. 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 5, 1984, our opinion on the 1983 and 1982 consolidated financial statements was qualified subject to the effects, if any, on those financial statements of adjustments that might have been required had the outcome of the lawsuits resulting from the sinking of the drilling barge Ocean Ranger been known. As explained in Note M to the consolidated financial statements, it is now the opinion of the Company and its outside counsel that the Company's liability insurance is sufficient to cover any potential liability which the Company may have related to the loss of the Ocean Ranger. As a result, the Company has included in revenues for 1984 the excess of hull insurance proceeds over the carrying value of the barge. Accordingly, our present opinion on the 1983 and 1982 consolidated financial statements, as presented herein, is different from that expressed in our previous report.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Murphy Oil Corporation and Consolidated Subsidiaries at December 31, 1984 and 1983 and results of their operations and the changes in their financial position for each of the years in the three year period ended December 31, 1984, in conformity with generally accepted accounting principles applied on a consistent basis.—*Accountants' Report.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note M—Loss of the Ocean Ranger

On February 15, 1982 the drilling barge Ocean Ranger sank off the eastern coast of Canada during a severe storm. Eighty-four lives were lost; 46 were employees of ODECO. In the second quarter of 1982 ODECO received insurance proceeds of $86,500,000 from hull underwriters for loss of the Ocean Ranger. The barge had a carrying value of $34,330,000.

After the incident, over 200 lawsuits, many of which were duplications, were filed in courts in the United States and Canada against ODECO and others by representatives of persons who lost their lives. The largest amounts claimed in these suits were in excess of $1 billion by United States claimants as a group and in excess of $1 billion by Canadian claimants as a group. These lawsuits included liability insurance claims for loss of life and punitive damage claims. ODECO had liability insurance of $200,000,000 per occurrence. ODECO's insurers have neither admitted nor denied coverage for punitive damages. To support claims for punitive damages the plaintiffs must prove wanton and willful misconduct by ODECO.

During 1983 ODECO, Mobil Oil of Canada Limited (lease operator to whom the barge was contracted), and others entered into a Settlement Agreement whereby ODECO assumed full responsibility for claims on behalf of 54 of the 84 persons who lost their lives. Through March 5, 1985, ODECO and its underwriters have settled claims concerning 46 of the 54 individuals for whom it assumed responsibility. The related lawsuits have been or are in the process of being dismissed, leaving eight claims still pending, two of which relate to Canadian citizens and six to U.S. citizens. The amounts paid by ODECO and its underwriters for the 46 settlements total approximately $15,200,000. Since damages claimed are on behalf of groups of claimants, however, the amounts being sued for in the few cases still pending remain in excess of $2 billion.

During the fourth quarter of 1984 ODECO, its underwriters, and outside counsel completed a detailed review and evaluation of: the technical evidence gathered by the various governmental bodies which conducted fact-finding inquiries into the loss of the barge, ODECO's exposure for punitive damages, the amounts expended to date in settlements, and the amounts which may be required to conclude the remaining eight cases by way of compromise or judgment. Following this review, it is the opinion of ODECO and its outside counsel that ODECO's limits of liability insurance will be more than sufficient to cover any potential liability the Company may have as a result of loss of the Ocean Ranger. Accordingly, the excess of hull insurance proceeds received over carrying value of the barge, which had previously been recorded as a deferred credit, was included in interest and other revenues during the fourth quarter of 1984. As a result, net income was increased $26,815,000, $.73 a share.

To the Shareholders and Board of Directors of
Pratt-Read Corporation:

We have examined the consolidated balance sheets of Pratt-Read Corporation and Subsidiaries at June 30, 1984 and 1983, 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, 1984. 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 August 25, 1983, our opinion on the 1983 financial statements was qualified as being subject to the effects on the 1983 financial statements of such adjustments, if any, as might have been required had the outcome of certain litigation been known. As explained in Note K, such litigation has been withdrawn. Accordingly, our present opinion on the 1983 financial statements, as presented herein, is different from that expressed in our previous report.

In our opinion the financial statements referred to above present fairly the consolidated financial position of Pratt-Read Corporation and Subsidiaries at June 30, 1984 and 1983, and the consolidated results of its operations and changes in its financial position for each of the three years in the period ended June 30, 1984 in conformity with generally accepted accounting principles applied on a consistent basis.—*Auditor's Report.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note K—Contingent Liabilities

The Corporation was served in a number of legal actions relating to damages alleged to have occurred in connection with the failure, during the floods of June 6, 1982, of two dams owned by the Corporation in the vicinity of its principal offices in Ivoryton, Connecticut.

An agreement reached with the various claimants has resulted in the withdrawal of the legal actions and the Corporation's insurance carrier is negotiating settlements with the involved parties. Management believes its insurance coverage to be sufficient and no provision has been made in the financial statements for any potential liability represented by these claims.

New Uncertainties Affecting Both Current and Prior Periods

Board of Directors and Stockholders
Tesoro Petroleum Corporation

We have examined the consolidated balance sheets of Tesoro Petroleum Corporation and subsidiaries as of September 30, 1984 and 1983 and the related statements of operations, nonredeemable preference shares, common shares and other stockholders' equity and changes in financial position for each of the three years in the period ended September 30, 1984. 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 more fully in Note C, during 1982 the Company offered to sell, at fair market value, its 49.9% interest in Trinidad-Tesoro Petroleum Company Limited (Trinidad-Tesoro) to the 50.1% owner, the Government of Trinidad and Tobago (the Government). Ensuing negotiations to agree on a fair market value were unsuccessful and were terminated. Under the terms of the agreement between the Company and the Government, fair market value has now been independently determined; the Government may, but is not required to, buy the Company's investment in Trinidad-Tesoro at that price. Should the Government elect not to purchase, the Company may then pursue other means of disposition. It is not possible to conclude whether the investment will be retained, sold or disposed of other than by sale. The tax basis of the Company's investment in Trinidad-Tesoro is currently nominal and if disposed of the tax consequences could be significant. However, no tax provision can be determined at this time, since such determination depends upon the manner of disposition and the tax structuring alternatives that may be available.

During March 1981, the Company surrendered all of its common stock investment in Commonwealth Oil Refining Company, Inc. (Corco) to Corco and also significantly reduced the carrying value of its advances to Corco, as discussed in Note F. This surrender and write-down resulted in substantial tax refunds and reductions. The Internal Revenue Service may contest such income tax refunds and reductions, particularly in view of two 1984 decisions in which the United States Tax Court overruled a series of prior cases and held that a shareholder's non-pro rata surrender of a portion of his stock to the issuing corporation should be treated as a nondeductible contribution to capital rather than an ordinary loss. While the Company believes its facts differ significantly from the facts of the above two decisions, the Company is unable to predict the eventual outcome of any such contest.

As described in Note I, the Department of Energy (DOE) has been involved in a continuing audit and special investigations of the Company for a number of years. While there are no formal enforcement orders pending against the Company, the DOE has issued a notice of probable violation and two proposed remedial orders alleging certain overcharges. Various issues concerning the interpretation of regulations have been discussed with the DOE, some of which could involve significant amounts and which may result in formal orders requiring remedial action. Recent litigation involving the DOE and other companies may allow the DOE to prevail on certain allegations which would adversely affect the Company. The Company has denied and intends to contest all claims asserted by the DOE. The Company cannot estimate the total claims which the DOE may ultimately assert, nor the impact of this recent litigation on such claims and, accordingly, is unable to predict the eventual outcome of these matters, or to estimate the range of possible loss.

In our report dated December 1, 1983, our opinion on the 1983 and 1982 financial statements was not qualified with respect to the matters described in the two preceding paragraphs; however, in view of the possible adverse effects of both the recent DOE litigation and the Tax Court decisions referred to above, our present opinion on the 1983 and 1982 financial statements, as presented herein, is different from that expressed in our previous report.

In our opinion, subject to the possible effects on the financial statements of such adjustments, if any, as might have been required had the outcome of the uncertainties discussed above been known, the consolidated financial statements referred to above present fairly the financial position of Tesoro Petroleum Corporation and subsidiaries at September 30, 1984 and 1983, and the results of their operations and the changes in their financial position for each of the three years in the period ended September 30, 1984 in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in the reporting of the Company's investment in its Bolivian subsidiary, as described in Note A to the consolidated financial statements.—*Independent Accountants' Report.*

Change in Auditors

To the Shareholders and Board of Directors of
Adams-Millis Corporation

We have examined the consolidated balance sheet of Adams-Millis Corporation and subsidiaries as of December 30, 1984, and the related consolidated statements of income and retained earnings, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of Adams-Millis Corporation as of January 1, 1984 and for the years ended January 1, 1984 and January 2, 1983, were examined by other auditors whose report, dated February 10, 1984, expressed an unqualified opinion on those statements.

In our opinion, the 1984 consolidated financial statements referred to above present fairly the financial position of Adams-Millis Corporation and subsidiaries as of December 30, 1984, and the results of their operations and changes in their financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Report of Independent Public Accountants.*

To the Shareholders and Board of Directors of
Eastmet Corporation

We have examined the consolidated balance sheet of Eastmet Corporation and subsidiaries as of December 31, 1984 and the related consolidated statements of operations, shareholders' equity and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The consolidated financial statements of Eastmet Corporation and subsidiaries for the years ended December 31, 1983 and June 30, 1983 and 1982, were examined by other auditors whose report, dated February 21, 1984, expressed an opinion that the consolidated financial statements were in conformity with generally accepted accounting principles consistently applied during the period except for the change, with which they concurred, in the method of accounting for depreciation as described in Note 3 to the consolidated financial statements.

As more fully described in Notes 1 and 4, the Corporation has temporary waivers covering breaches of the net worth and working capital covenants contained in certain of its financing arrangements and has incurred substantial net losses for the years ended December 31, 1984 and 1983 and the years ended June 30, 1983 and 1982. The Corporation's continuation as a going concern is dependent upon its ability to secure waivers from its lenders with respect to existing covenant violations, to obtain adequate financing and to return to profitable operations. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset or liability amounts that might be necessary should the Corporation 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 referred to in the preceding paragraph been known, the 1984 financial statements referred to above present fairly the consolidated financial position of Eastmet Corporation and subsidiaries at December 31, 1984 and the results of their operations and changes in their financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Report of Independent Accountants.*

To the Board of Directors and Stockholders,
Gulf Resources & Chemical Corporation:

We have examined the consolidated balance sheet of Gulf Resources & Chemical Corporation and subsidiaries as of December 31,1984 and the related consolidated statement of income, stockholders' investment and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The consolidated financial statements of Gulf Resources & Chemical Corporation and subsidiaries for the years ended December 31, 1983 and 1982, prior to restatement for the discontinued operations of the industrial explosives segment and the engineering services segment as discussed in Note (2) to the consolidated financial statements were examined by other auditors, whose report dated February 14, 1984 expressed an unqualified opinion on those statements.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Gulf Resources & Chemical Corporation and subsidiaries as of December 31, 1984, 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. We also reviewed the adjustments for the discontinued operations of the industrial explosives segment and the engineering services segment described in Note (2) to the consolidated financial statements that were applied to restate the 1983 and 1982 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied to those statements.—*Auditors' Report.*

To the Stockholders of
Kevlin Microwave Corporation

We have examined the consolidated balance sheets of Kevlin Microwave Corporation (a Massachusetts corporation) and subsidiary as of May 31, 1984 and 1983, 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 Kevlin Microwave Corporation for the year ended May 31, 1982 were examined by other auditors whose report dated June 30, 1982 expressed an unqualified opinion on those statements.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Kevlin Microwave Corporation and subsidiary as of May 31, 1984 and 1983, and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.—*Report of Independent Public Accountants.*

Merger of Accounting Firms

Board of Directors and Shareholders
CSP Inc.
Billerica, Massachusetts

We have examined the consolidated balance sheet of CSP Inc. and Subsidiaries as at August 31, 1984, and the related consolidated statements of operations, shareholders' equity, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The consolidated balance sheet of CSP Inc. and Subsidiaries as at August 31, 1983, and the related consolidated statements of operations, shareholders' equity, and changes in financial position for each of the two years in the period ended August 31, 1983 were examined by Kaplan, Pollack, Gray and Gray whose report dated October 20, 1983 expressed an unqualified opinion on those statements. Effective February 1, 1984, Kaplan, Pollack, Gray and Gray merged with Laventhol & Horwath.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of CSP Inc. and Subsidiaries as at August 31, 1984, and the results of their operations and changes in their financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Report of Independent Certified Public Accountants.*

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.

TABLE 6-6: OPINION EXPRESSED ON SUPPLEMENTARY STATEMENTS OR SCHEDULES

	Number of Companies			
	1984	1983	1982	1981
Schedules presented to comply with SEC regulations .	12	5	5	5
Financial statements of subsidiaries	6	9	10	13
Historical summaries or five year summaries of operations	1	2	2	5
Other—financial highlights, pro forma data, etc.	3	3	4	3

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 25, 1984, and August 27, 1983, 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 25, 1984. 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 respective financial positions of Winnebago Industries, Inc., and its consolidated subsidiaries and Winnebago Acceptance Corporation as of August 25, 1984 and August 27, 1983, and the results of their operations and changes in their financial positions for each of the three years in the period ended August 25, 1984, in conformity with generally accepted accounting principles applied on a consistent basis.—*Report of Independent Accountants.*

SEC Schedules

To the Board of Directors and Stockholders,
Northwest Industries, Inc.

We have examined the consolidated balance sheet of Northwest Industries, Inc. (a Delaware corporation) and subsidiaries as of December 31, 1984 and 1983, and the related consolidated statements of earnings and changes in financial position for each of the three years in the period ended December 31, 1984. 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 Northwest Industries, Inc. and subsidiaries as of December 31, 1984 and 1983, 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, 1984, 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 schedules listed in the index on page 37 are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These 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.—*Auditors' Report.*

REPORT OF MANAGEMENT

The 1984 annual reports of 319 survey companies included a Report of Management. Examples of management reports follow.

REPORT OF MANAGEMENT

Report on Financial Statements and On Internal Control

AMAX is responsible for the preparation of the financial statements in the Annual Report and for the integrity and objectivity of the information presented. The financial statements have been prepared in conformity with generally accepted accounting principles and necessarily include amounts which are estimates and judgements. The fairness of the presentation in these statements of the Company's financial position and earnings is reported on by the independent certified public accountants.

To assist in carrying out the above responsibility, AMAX has internal systems which provide for selection of personnel, segregation of duties and the maintenance of accounting policies, systems, procedures and related controls. Although no cost effective system can ensure the elimination of errors, the Company's systems have been designed to provide reasonable but not absolute assurance that assets are safeguarded, that policies and procedures are followed and that the financial records are adequate to permit the production of reliable financial statements.

The Company maintains a staff of internal auditors who conduct audits of internal control as well as other audits, coordinating their activities with those of the independent accountants.

The Audit Committee of the Board of Directors, which is composed of directors who are not employees of the Company or its subsidiaries, meets regularly with senior financial officers, the internal auditors and independent accountants in connection with the adequacy and integrity of the Company's accounting, financial reporting and internal controls.

Abbott Laboratories

MANAGEMENT REPORT ON FINANCIAL STATEMENTS

Management has prepared and is responsible for the Company's financial statements and related notes. 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 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 auditors who have expressed their opinion with respect to the fairness of these statements.

The Audit Committee of the Board of Directors, composed of non-employee directors, meets periodically with the external 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 and Chief Financial Officer
Vice President and Controller

Bausch & Lomb

REPORT OF MANAGEMENT

The management of the company has prepared and is responsible for the consolidated financial statements and related financial information included in this annual report. These financial statements have been prepared in accordance with generally accepted accounting principles which are consistently applied and appropriate in the circumstances. These financial statements necessarily include amounts determined using our best judgments and estimates.

In fulfilling our responsibilities for the integrity of financial information and for safeguarding assets, we rely upon systems of internal control designed to provide reasonable assurance that our records accurately reflect our business transactions and that these transactions are in accordance with management's authorization. The design, monitoring, and revision of the systems of internal control involve, among other things, our 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 controls and procedures.

Management also recognizes its responsibility for conducting the company's affairs in an ethical and socially responsible manner. This responsibility is characterized and reflected in key policy statements covering, among other subjects, proper conduct of domestic and international business practices. The company maintains a systematic program to communicate, review and assess compliance with these policies.

The board of directors pursues its responsibility for the company's systems of internal control and financial statements through its audit committee which is composed solely of directors who are not officers or employees of the company. The audit committee meets regularly with the independent accountants, management and the internal auditors. The independent accountants and internal auditors have direct access to the audit 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 controls and the quality of financial reporting.

The company's independent accountants provide an objective assessment of the degree to which management meets its responsibility for fairness of financial reporting. They evaluate the systems of internal control and perform such tests and other procedures as they deem necessary to express an opinion on the fairness of the presentation of the financial statements.

Chairman of the Board and President
Senior Vice President, Finance

MANAGEMENT'S STATEMENT ON RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Pratt & Lambert, Inc. is responsible for the preparation and presentation of its financial statements. These statements have been prepared in accordance with generally accepted accounting principles based upon the best estimates and judgments and giving due consideration to materiality.

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 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 the consolidated financial statements enclosed herein are prepared in accordance with generally accepted accounting principles.

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-eighth (1984) edition. Thirty-three companies in the 1984 edition have been eliminated and their numbers left unused. The companies selected as replacements have been assigned numbers 980 to 1006, 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
	ADDSCO Industries, Inc.—see *960*	
	AEL Industries, Inc.—see *701*	
	AFG Industries, Inc.—see *40*	
	AM International, Inc.—see *6*	
	AMAX, Inc.—see *35*	
	AMETEK, Inc.—see *47*	
	AMF Incorporated—see *33*	
	AMP Incorporated and Pamcor, Inc.—see *49*	
	AMSTED industries Incorporated—see *51*	
	ASARCO Incorporated—see *43*	
1	Abbott Laboratories	12
4	*American Stores Company*	1
	Acme-Cleveland Corporation—see *809*	
	Acme Precision Products, Inc.—see *980*	
	Action Industries, Inc.—see *756*	
5	Adams-Millis Corporation	12
	Adams-Russell Co., Inc.—see *741*	
6	*AM International, Inc.*	7
8	Air Products and Chemicals, Inc.	9
	Albertson's, Inc.—see *603*	
	Alco Standard Corporation—see *771*	
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
	Amcast Industrial Corporation—see *837*	
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
	American Hoist & Derrick Company—see *930*	
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
	American Petrofina, Incorporated—see *931*	
39	*American Standard Inc.*	12
40	*AFG Industries, Inc.*	12
42	The American Ship Building Company	9
43	*ASARCO Incorporated*	12
	American Standard Inc.—see *39*	
	American Stores Company—see *4*	
	American Telephone and Telegraph Company—see *981*	
	Ameron, Inc.—see *961*	
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 *891*	
53	Anchor Hocking Corporation	12
55	Anderson, Clayton & Co.	6
56	Anheuser-Busch Companies, Inc.	12
58	Archer Daniels Midland Company	6
59	Arden Group, Inc.	12
	Armada Corporation—see *67*	
60	Armco	12
62	Armstrong World Industries, Inc.	12
64	The Arundel Corporation	12
65	Arvin Industries, Inc.	12
66	Ashland Oil, Inc.	9

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
67	*Armada Corporation*	12
68	Associated Dry Goods Corporation	1
	Astrosystems, Inc.—see *932*	
	Athlone Industries, Inc.—see *982*	
69	Atlantic Richfield Company	12
	Avnet, Inc.—see *854*	
72	Avon Products, Inc.	12
	BMC Industries, Inc.—see *653*	
	Badger Meter, Inc.—see *907*	
	Baird Corporation—see *793*	
74	Baker International Corporation	9
75	The Barden Corporation	10
79	Bausch & Lomb Incorporated	12
	Baxter Travenol Laboratories, Inc.—see *856*	
81	Beatrice Foods Co.	2
	Becton, Dickinson and Company—see *857*	
84	*Squibb Corporation*	12
85	Belding Heminway Company, Inc.	12
86	Bell & Howell Company	12
87	Bemis Company, Inc.	12
89	Bethlehem Steel Corporation	12
	Bird Incorporated—see *92*	
91	The Black and Decker Manufacturing Company	9
92	*Bird Incorporated*	12
	Bobbie Brooks, Incorporated—see *611*	
97	The Boeing Company	12
	Boise Cascade Corporation—see *612*	
101	Borg-Warner Corporation	12
	Bowne & Co., Inc.—see *718*	
	Brenco, Incorporated—see *652*	
103	Briggs & Stratton Corporation	6
105	Bristol-Myers Company	12
106	Brockway Inc. (NY)	12
107	Brown & Sharpe Manufacturing Company	12
108	Brown Group, Inc.	10
	Browning-Ferris Industries, Inc.—see *795*	
109	Brunswick Corporation	12
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*	
	CSP Inc.—see *962*	
	Cabot Corporation—see *859*	
	Caesars World, Inc.—see *779*	
118	Campbell Soup Company	7
	Castle & Cooke, Inc.—see *780*	
126	Caterpillar Tractor Co.	12
127	Celanese Corporation	12
128	Central Soya Company, Inc.	8
	Centronics Data Computer Corp.—see *796*	
130	CertainTeed Corporation	12
131	The Cessna Aircraft Company	9
	Champion International Corporation—see *566*	

Co. No.		*Month in which fiscal year ends
133	Champion Spark Plug Company	12
	The Charter Company—see *834*	
	Chesebrough-Pond's Inc.—see *861*	
	Chevron Corporation—see *516*	
136	Chicago Pneumatic Tool Company	12
137	Chock Full o'Nuts Corporation	7
	Chromalloy American Corporation—see *836*	
138	Chrysler Corporation	12
141	Clark Equipment Company	12
	Clarostat Mfg. Co., Inc.—see *615*	
142	The Cleveland-Cliffs Iron Company	12
	Clevepak Corporation—see *983*	
	The Clorox Company—see *984*	
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
152	*CBS Inc.*	12
153	Combustion Engineering, Inc.	12
	Commercial Metals Company—see *814*	
	Compo Industries, Inc.—see *985*	
	Compugraphic Corporation—see *798*	
	ConAgra, Inc.—see *406*	
	Concord Fabrics Inc.—see *892*	
157	*North American Philips Corporation*	12
158	Consolidated Foods Corporation	6
160	Consolidated Packaging Corporation	12
167	Control Data Corporation	12
169	Cooper Industries, Inc.	12
	Adolph Coors Company—see *963*	
170	Copperweld Corporation	12
171	Corning Glass Works	12
	Courier Corporation—see *986*	
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
	Dana Corporation—see *656*	
	Dart & Kraft, Inc.—see *467*	
187	Dayco Corporation	10
	Dayton Hudson Corporation—see *964*	
	Dean Foods Company—see *965*	
188	Deere & Company	10
	Deluxe Check Printers, Incorporated—see *933*	
189	Dennison Manufacturing Company	12
	Diamond Shamrock Corporation—see *658*	
	Digital Equipment Corporation—see *838*	
	Digital Switch Corporation—see *623*	
195	Walt Disney Productions	9
	R. R. Donnelley & Sons Company—see *864*	

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
	Dover Corporation—see 910	
197	The Dow Chemical Company	12
	Dow Jones & Company, Inc.—see 934	
	Doyle Dane Bernbach International Inc.—see 616	
198	Dravo Corporation	12
199	Dresser Industries, Inc.	10
	The Dun & Bradstreet Corporation—see 784	
202	E.I. du Pont de Nemours & Company	12
	Durr-Fillauer Medical, Inc.—see 894	
	Duplex Products Inc.—see 800	
	Dynamics Corporation of America—see 785	
204	Eagle-Picher Industries, Inc.	11
	Easco Corporation—see 206	
205	The Eastern Company	12
206	*Easco Corporation*	12
207	Eastman Kodak Company	12
208	Eaton Corporation	12
	Echlin Inc.—see 987	
	Elcor Corporation—see 988	
214	Emerson Electric Co.	9
	Emerson Radio Corp.—see 895	
215	Emhart Corporation	12
	Engelhard Corporation—see 659	
	Erb Lumber Co.—see 745	
	Ethyl Corporation—see 660	
	Everest & Jennings International—see 966	
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	12
	The Federal Company—see 935	
	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	
	Flowers Industries, Inc.—see 989	
	John Fluke Mfg. Co., Inc.—see 723	
	Fluor Corporation—see 802	
	The Fluorocarbon Company—see 990	
231	*FMC Corporation*	12
232	Foote Mineral Company	12
233	Ford Motor Company	12
	Fort Howard Paper Company—see 991	
	Foster Wheeler Corporation—see 840	
	Fotomat Corporation—see 841	
235	Freeport-McMoRan Inc.	12
236	Fruehauf Corporation	12
	Fuqua Industries, Inc.—see 967	
	GAF Corporation—see 240	
239	GATX Corporation	12
240	*GAF Corporation*	12
	GTI Corporation—see 911	
	Gannett Co., Inc.—see 912	
	Gearhart Industries, Inc.—see 758	
	GenCorp—see 254	

Co. No.		*Month in which fiscal year ends
241	*General Host Corporation*	1
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	*GenCorp*	11
255	Genesco Inc.	1
256	Georgia-Pacific Corporation	12
257	Gerber Products Company	3
	Giant Food Inc.—see 621	
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	
	Goulds Pumps, Incorporated—see 968	
	W.R. Grace & Co.—see 622	
269	The Great Atlantic & Pacific Tea Company, Inc.	2
	Great Northern Nekoosa Corporation—see 867	
	Greif Bros. Corporation—see 992	
	The Greyhound Corporation—see 735	
272	Grumman Corporation	12
	Guilford Mills, Inc.—see 969	
	Gulf & Western Industries, Inc.—see 624	
	Gulf Resources & Chemical Corporation—see 842	
	Gulton Industries, Inc.—see 788	
	HON Industries Inc.—see 726	
274	Halliburton Company	12
	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	Hartmarx Corporation	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
288	Hewlett-Packard Company	10
292	Holly Sugar Corporation	3
	Homasote Company—see 666	
293	Honeywell Inc.	12
295	The Hoover Company	12
296	Geo. A. Hormel & Company	10
	Hughes Supply, Inc.—see 915	
	Hughes Tool Company—see 869	
	Humana Inc.—see 702	
	Hurco Manufacturing Company, Inc.—see 916	
	IC Industries, Inc.—see 761	

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
	ICOT Corporation—see 821	
	IPCO Corporation—see 627	
	ITT Corporation—see 668	
304	Ingersoll-Rand Company	12
305	Inland Steel Company	12
	Insilco Corporation—see 313	
	Intel Corporation—see 993	
307	Interco Incorporated	2
308	Interlake, Inc.	12
	International Banknote Company, Inc.—see 970	
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
314	Interstate Bakeries Corporation	5
	Iroquois Brands, Ltd.—see 994	
	JLG Industries, Inc.—see 936	
	JWT Group, Inc.—see 791	
	James River Corporation of Virginia—see 937	
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
	Jostens, Inc.—see 995	
321	Joy Manufacturing Company	9
	K mart Corporation—see 331	
322	Kaiser Aluminium & Chemical Corporation	12
	Kaiser Steel Corporation—see 917	
323	Kellogg Company	12
	Kerr-McGee Corporation—see 843	
	Kevlin Microwave Corporation—see 938	
327	Keystone Consolidated Industries, Inc.	6
328	Kidde, Inc.	12
329	Kimberly-Clark Corporation	12
	Kinder-Care Learning Centers, Inc.—see 939	
	Knape & Vogt Manufacturing Company—see 762	
	Knight-Ridder Newspapers, Inc.—see 918	
330	Koppers Company, Inc.	12
331	*K mart Corporation*	1
332	The Kroger Co.	12
333	Kuhlman Corporation	12
	The LTV Corporation—see 628	
	LaBarge, Inc.—see 704	
	Lamaur Inc.—see 673	
334	Lear Siegler, Inc.	6
	Lee Enterprises, Incorporated—see 763	
	Leggett & Platt, Incorporated—see 919	
	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
	The Louisiana Land and Exploration Company—see 971	
	M. Lowenstein Corporation—see 900	
	Lowe's Companies, Inc.—see 706	
	The Lubrizol Corporation—see 871	
	Lucky Stores, Inc.—see 844	
349	Lukens, Inc.	12
	Lynch Corporation—see 751	
	MAPCO Inc.—see 920	
	MCA Inc.—see 364	
	MEI Corporation—see 940	
	MGM/UA Entertainment Co.—see 377	
	Macmillan, Inc.—see 872	
352	R. H. Macy & Co., Inc.	7
	Magic Chef, Inc.—see 972	
	Manville Corporation—see 317	
	Marriott Corporation—see 805	
358	Martin Marietta Corporation	12
	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 International, Inc.—see 632	
	McDonald's Corporation—see 820	
367	McDonnell Douglas Corporation	12
368	McGraw-Edison Company	12
369	McGraw-Hill, Inc.	12
	McKesson Corporation—see 662	
372	The Mead Corporation	12
	Medtronic, Inc.—see 941	
374	Melville Corporation	12
375	Merck & Co., Inc.	12
376	Meredith Corporation	6
	Met-Pro Corporation—see 921	
377	*MGM/UA Entertainment 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
382	Mobil Corporation	12
383	Mohasco Corporation	12
	Monfort of Colorado, Inc.—see 996	
385	Monsanto Company	12
	Moore McCormack Resources, Inc.—see 942	
	Morton Thiokol, Inc.—see 973	
	Mosinee Paper Corporation—see 752	
389	Motorola, Inc.	12
	Mott's Super Markets, Inc.—see 678	
392	Munsingwear, Inc.	12
	Murphy Oil Corporation—see 943	
	The Murray Ohio Manufacturing Company—see 806	

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
	NCR Corporation—see *395*	
	NL Industries, Inc.—see *400*	
394	Nabisco Brands, Inc.	12
395	*NCR Corporation*	12
398	National Distillers and Chemical Corporation	12
399	National Gypsum Company	12
	National Intergroup, Inc.—see *403*	
400	*NL Industries, Inc.*	12
401	National Presto Industries, Inc.	12
	National Semiconductor Corporation—see *923*	
	National Service Industries, Inc.—see *875*	
403	*National Intergroup, Inc.*	12
406	*ConAgra, Inc.*	5
	Nortek, Inc.—see *944*	
	The North American Coal Corporation—see *945*	
	North American Philips Corporation—see *157*	
413	*Rockwell International Corporation*	9
415	Northrop Corporation	12
	Northwest Industries, Inc.—see *738*	
	Norton Company—see *876*	
	Oak Industries Inc.—see *946*	
	Occidental Petroleum Corporation—see *681*	
	Ogden Corporation—see *639*	
	Ohio Ferro-Alloys Corporation—see *682*	
416	Olin Corporation	12
	Opelika Manufacturing Corporation—see *807*	
	Orion Pictures Corporation—see *997*	
417	O'Sullivan 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*	
	Paccar Inc.—see *822*	
	Pacific Resources, Inc.—see *974*	
	Pall Corporation—see *709*	
	Palm Beach Incorporated—see *947*	
	Pantasote Inc.—see *641*	
	Pantry Pride, Inc.—see *618*	
423	Parker-Hannifin Corporation	6
424	The Parker Pen Company	2
	The Penn Central Corporation—see *924*	
	The Penn Traffic Company—see *683*	
427	J. C. Penney Company, Inc.	1
429	Pennwalt Corporation	12
	Pennzoil Company—see *775*	
	Pentron Industries, Inc.—see *848*	
431	PepsiCo, Inc.	12
	The Perkin-Elmer Corporation—see *948*	
	Pettibone Corporation—see *684*	
433	Pfizer Inc.	12
434	Phelps Dodge Corporation	12
436	Philip Morris Incorporated	12
437	Phillips Petroleum Company	12

Co. No.		*Month in which fiscal year ends
439	The Pillsbury Company	5
	Pioneer Hi-Bred International, Inc.—see *823*	
441	Pitney-Bowes, Inc.	12
443	*PPG Industries, Inc.*	12
445	The Pittston Company	12
447	Polaroid Corporation	12
448	Portec, Inc.	12
	H. K. Porter Company, Inc.—see *949*	
	Potlatch Corporation—see *685*	
	Prab Robots, Inc.—see *975*	
450	Pratt & Lambert, Inc.	12
	Pratt-Read Corporation—see *713*	
	Premier Industrial Corporation—see *825*	
451	The Procter & Gamble Company	6
453	Purolator Courier Corp.	12
454	The Quaker Oats Company	6
455	Quaker State Oil Refining Corporation	12
	Quanex Corporation—see *976*	
456	RCA Corporation	12
457	Ralston Purina Company	9
458	Ranco Incorporated	9
460	Raymark Corporation	12
462	Raytheon Company	12
	Reichhold Chemicals, Inc.—see *879*	
	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
	Rockcor, Inc.—see *998*	
	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*	
	The Rymer Company—see *818*	
	SAB Harmon Industries, Inc.—see *999*	
	SCM Corporation—see *483*	
	SCOA Industries Inc.—see *496*	
	SPS Technologies, Inc.—see *521*	
479	Safeway Stores, Incorporated	12
	Savannah Foods & Industries, inc.—see *1000*	
483	*SCM Corporation*	6
	Schering-Plough Corporation—see *882*	
	Schlumberger Limited—see *776*	
	Scholastic Inc.—see *950*	
	Scope Industries—see *730*	
484	Scott Paper Company	12
486	*Ampco-Pittsburgh Corporation*	12
488	G. D. Searle & Co.	12
489	Sears, Roebuck and Co.	12

*Months numbered in sequence, January through December

Co. No.		*Month in which fiscal year ends
	Seligman & Latz, Inc.—see 808	
	Service Corporation International—see 828	
	Seton Company—see 688	
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
	Simkins Industries, Inc.—see 689	
502	The Singer Company	12
504	A. O. Smith Corporation	12
	SmithKline Beckman Corporation—see 884	
505	Snap-on Tools Corporation	12
	The Southland Corporation—see 850	
509	Sparton Corporation	6
	Spectrum Control, Inc.—see 1001	
	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	*Chevron Corporation*	12
517	Standard Oil Company (Indiana)	12
518	*Exxon Corporation*	12
519	The Standard Oil Company	12
521	*SPS Technologies, Inc.*	12
	The Standard Register Company—see 712	
522	*Stanadyne, Inc.*	12
	Standun Inc.—see 926	
	Stanhome Inc.—see 692	
	The Stanley Works—see 885	
524	The L. S. Starrett Company	6
	Stauffer Chemical Company—see 851	
	Steiger Tractor, Inc.—see 952	
	Sterling Drug Inc.—see 693	
525	J. P. Stevens & Co. Inc.	10
526	Stewart-Warner Corporation	12
528	Stone Container Corporation	12
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530	Sun Chemical Corporation	12
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531	Sunstrand Corporation	12
532	*Sun Company, Inc.*	12
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	Tenneco Inc.—see 647	
	Tesoro Petroleum Corporation—see 977	
538	Texaco Inc.	12
540	Texas Instruments Incorporated	12
541	Textron Inc.	12
	Thetford Corporation—see 1002	
543	Time Incorporated	12
	The Times Mirror Company—see 852	
544	The Timken Company	12
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547	Triangle Industries, Inc.	12
	Triangle Pacific Corp.—see 648	
548	*TRW Inc.*	12
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	Tyson Foods, Inc.—see 740	
	UNC Resources, Inc.—see 792	
	Unifi, Inc.—see 770	
551	Union Camp Corporation	12
552	Union Carbide Corporation	12
553	*Unocal Corporation*	12
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555	*United Technologies Corporation*	12
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564	United States Gypsum Company	12
566	*Champion International Corporation*	12
567	*Uniroyal, Inc.*	12
568	The United States Shoe Corporation	1
570	United States Steel Corporation	12
	United States Surgical Corporation—see 1004	
571	United States Tobacco Company	12
	United Technologies Corporation—see 555	
574	Universal Leaf Tobacco Company, Incorporated	6
	Universal Voltronics Corp.—see 957	
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	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 Waiter Corporation—see 316	
	Wang Laboratories, Inc.—see 978	
	Warner Communications Inc.—see 728	
584	Warner-Lambert Company	12
	Waste Management, Inc.—see 832	
	Wausau Paper Mills Company—see 979	
	West Chemical Products, Inc—see 958	
586	*Westinghouse Electric Corporation*	12
587	West Point-Pepperell, Inc.	8
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588	Westvaco Corporation	10
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589	Weyerhaeuser Company	12

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590	Wheeling-Pittsburgh Steel Corporation	12
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	White Consolidated Industries, Inc.—see 698	
	Whittaker Corporation—see 699	
	Willamette Industries, Inc.—see 905	
	The Williams Companies—see 833	
	Wilson Foods Corporation—see 959	
	Winn-Dixie Stores, Inc.—see 714	
	Winnebago Industries, Inc.—see 715	
	Witco Chemical Corporation—see 1006	
594	F. W. Woolworth Co.	1
596	Wm. Wrigley Jr. Company	12
597	The Wurlitzer Company	3
598	Xerox Corporation	12
600	Zenith Electronics Corporation	12

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601	*United Brands Company*	3
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
621	*Giant Food Inc.*	2
622	*W. R. Grace & Co.*	12
623	*Digital Switch Corporation*	12
624	*Gulf & Western Industries, Inc.*	7
627	*IPCO Corporation*	6
628	*The LTV Corporation*	12
632	*McDermott International, Inc.*	3
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	*BMC Industries, Inc.*	12
654	*CBI Industries, Inc.*	12
656	*Dana Corporation*	12
658	*Diamond Shamrock Corporation*	12
659	*Engelhard Corporation*	12
660	*Ethyl Corporation*	12
662	*McKesson Corporation*	3
666	*Homasote Company*	12
667	*International Multifoods Corporation*	2
668	*ITT Corporation*	12
673	*Lamaur Inc.*	12
678	*Mott's Super Markets, Inc.*	12
681	*Occidental Petroleum Corporation*	12
682	*Ohio Ferro-Alloys Corporation*	12
683	*The Penn Traffic Company*	1
684	*Pettibone Corporation*	3
685	*Potlatch Corporation*	12
687	*Russ Togs, Inc.*	1
688	*Seton Company*	12
689	*Simkins Industries, Inc.*	9
691	*Spencer Companies, Inc.*	5
692	*Stanhome Inc.*	12
693	*Sterling Drug Inc.*	12
694	*Struthers Wells Corporation*	11
695	*Teledyne, Inc.*	12
698	*White Consolidated Industries, Inc.*	12
699	*Whittaker Corporation*	10

ADDED FOR 1970 EDITION

701	*AEL Industries, Inc.*	2
702	*Humana Inc.*	8
703	*Hampton Industries, Inc.*	12
704	*LaBarge, Inc.*	12
706	*Lowe's Companies, Inc.*	1
709	*Pall Corporation*	7
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
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
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
745	*Erb Lumber Co.*	12
749	*Levi Strauss & Co.*	11
751	*Lynch Corporation*	12
752	*Mosinee Paper Corporation*	12

ADDED FOR 1974 EDITION

756	*Action Industries, Inc.*	6
758	*Gearhart Industries, Inc.*	1
761	*IC Industries, Inc.*	12
762	*Knape & Vogt Manufacturing Company*	6
763	*Lee Enterprises, Incorporated*	9
766	*Herman Miller, Inc.*	5
769	*Rowe Furniture Corporation*	11
770	*Unifi, Inc.*	6

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Co. No.		*Month in which fiscal year ends
ADDED FOR 1975 EDITION		
771	*Alco Standard Corporation*	9
775	*Pennzoil Company*	12
776	*Schlumberger Limited*	12
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
788	*Gulton Industries, Inc.*	2
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.*	12
797	*CMI Corporation*	12
798	*Compugraphic Corporation*	12
800	*Duplex Products Inc.*	10
802	*Fluor Corporation*	10
805	*Marriott Corporation*	12
806	*The Murray Ohio Manufacturing Company*	12
807	*Opelika Manufacturing Corporation*	9
808	*Seligman & Latz, Inc.*	10
ADDED FOR 1978 EDITION		
809	*Acme-Cleveland Corporation*	9
810	*American Broadcasting Companies, Inc.*	12
813	*Coleco Industries, Inc.*	12
814	*Commercial Metals Company*	8
816	*Gould Inc.*	12
817	*Johnson Products Co., Inc.*	8
818	*The Rymer Company*	10
820	*McDonald's Corporation*	12
821	*ICOT Corporation*	7
822	*Paccar Inc.*	12
823	*Pioneer Hi-Bred International, Inc.*	8
825	*Premier Industrial Corporation*	5
827	*Rival Manufacturing Company*	12
828	*Service Corporation International*	4
830	*Supreme Equipment & Systems Corp.*	7
831	*Temtex Industries, Inc.*	8
832	*Waste Management, Inc.*	12
833	*The Williams Companies*	12
ADDED FOR 1979 EDITION		
834	*The Charter Company*	12
836	*Chromalloy American Corporation*	12
837	*Amcast Industrial Corporation*	8
838	*Digital Equipment Corporation*	6

Co. No.		*Month in which fiscal year ends
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
847	*Owens-Corning Fiberglas Corporation*	12
848	*Pentron Industries, Inc.*	6
849	*Revlon, Inc.*	12
850	*The Southland Corporation*	12
851	*Stauffer Chemical Company*	9
852	*The Times Mirror Company*	12
853	*The Upjohn Company*	12
ADDED FOR 1980 EDITION		
854	*Avnet, Inc.*	6
856	*Baxter Travenol Laboratories, Inc.*	12
857	*Becton, Dickinson and Company*	9
859	*Cabot Corporation*	9
861	*Chesebrough-Pond's Inc.*	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.*	12
875	*National Service Industries, Inc.*	8
876	*Norton Company*	12
879	*Reichhold Chemicals, Inc.*	12
880	*Revere Copper and Brass Incorporated*	12
882	*Schering-Plough Corporation*	12
884	*SmithKline Beckman Corporation*	12
885	*The Stanley Works*	12
887	*Vulcan Materials Company*	12
ADDED FOR 1981 EDITION		
889	*Alpha Industries, Inc.*	3
890	*Anadite, Inc.*	10
891	*Analogic Corporation*	7
892	*Concord Fabrics Inc.*	8
894	*Durr-Fillauer Medical, Inc.*	12
895	*Emerson Radio Corp.*	3
897	*Golden Enterprises, Inc.*	5
900	*M. Lowenstein Corporation*	12
901	*Rubbermaid Incorporated*	12
902	*Super Valu Stores, Inc.*	2
903	*Talley Industries, Inc.*	12
904	*Walbro Corporation*	12
905	*Willamette Industries, Inc.*	12

*Months numbered in sequence, January through December

ADDED FOR 1982 EDITION

Co. No.		*Month in which fiscal year ends
907	*Badger Meter, Inc.*	12
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

ADDED FOR 1983 EDITION

Co. No.		*Month in which fiscal year ends
930	*American Hoist & Derrick Company*	11
931	*American Petrofina, Incorporated*	12
932	*Astrosystems, Inc.*	8
933	*Deluxe Check Printers, Incorporated*	12
934	*Dow Jones & Company, Inc.*	12
935	*The Federal Company*	5
936	*JLG Industries, Inc.*	7
937	*James River Corporation of Virginia*	4
938	*Kevlin Microwave Corporation*	5
939	*Kinder-Care Learning Centers, Inc.*	8
940	*MEI Corporation*	12
941	*Medtronic, Inc.*	4
942	*Moore McCormack Resources, Inc.*	12
943	*Murphy Oil Corporation*	12
944	*Nortek, Inc.*	12
945	*The North American Coal Corporation*	12
946	*Oak Industries Inc.*	12
947	*Palm Beach Incorporated*	12
948	*The Perkin-Elmer Corporation*	7
949	*H. K. Porter Company, Inc.*	12
950	*Scholastic Inc.*	5
952	*Steiger Tractor, Inc.*	9
953	*The Stop & Shop Companies, Inc.*	1
954	*Swift Independent Corporation*	10
955	*Syntex Corporation*	7
956	*Tonka Corporation*	12
957	*Universal Voltronics Corp.*	6
958	*West Chemical Products, Inc.*	11
959	*Wilson Foods Corporation*	7

ADDED FOR 1984 EDITION

Co. No.		*Month in which fiscal year ends
960	*ADDSCO Industries, Inc.*	6
961	*Ameron, Inc.*	11
962	*CSP Inc.*	8
963	*Adolph Coors Company*	12
964	*Dayton Hudson Corporation*	1
965	*Dean Foods Company*	12
966	*Everest & Jennings International*	12
967	*Fuqua Industries, Inc.*	12
968	*Goulds Pumps, Incorporated*	12
969	*Guilford Mills, Inc.*	6
970	*International Banknote Company, Inc.*	12
971	*The Louisiana Land and Exploration Company*	12
972	*Magic Chef, Inc.*	6
973	*Morton Thiokol, Inc.*	6
974	*Pacific Resources, Inc.*	12
975	*Prab Robots, Inc.*	10
976	*Quanex Corporation*	10
977	*Tesoro Petroleum Corporation*	9
978	*Wang Laboratories, Inc.*	6
979	*Wausau Paper Mills Company*	8

ADDED FOR 1985 EDITION

Co. No.		*Month in which fiscal year ends
980	*Acme Precision Products, Inc.*	9
981	*American Telephone and Telegraph Company*	12
982	*Athlone Industries, Inc.*	12
983	*Clevepak Corporation*	12
984	*The Clorox Company*	6
985	*Compo Industries, Inc.*	9
986	*Courier Corporation*	9
987	*Echlin Inc.*	8
988	*Elcor Corporation*	6
989	*Flowers Industries, Inc.*	6
990	*The Fluorocarbon Company*	1
991	*Fort Howard Paper Company*	12
992	*Greif Bros. Corporation*	10
993	*Intel Corporation*	12
994	*Iroquois Brands, Ltd.*	12
995	*Jostens, Inc.*	6
996	*Monfort of Colorado, Inc.*	8
997	*Orion Pictures Corporation*	2
998	*Rockcor, Inc.*	10
999	*SAB Harmon Industries, Inc.*	12
1000	*Savannah Foods & Industries, Inc.*	12
1001	*Spectrum Control, Inc.*	11
1002	*Thetford Corporation*	9
1003	*Tultex Corporation*	11
1004	*United States Surgical Corporation*	12
1005	*Wetterau Incorporated*	3
1006	*Witco Chemical Corporation*	12

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95 AXIA Incorporated
96 Blue Bell, Inc.
100 Borden, Inc.
123 Carnation Company
163 The Continental Group, Inc.
273 Gulf Corporation
359 Masonite Corporation
393 G.C. Murphy Company
481 St. Regis Corporation
485 Scovill Inc.
500 Simplicity Pattern Co., Inc.
534 The Superior Oil Company
535 Esmark, Inc.
550 UMC Industries, Inc.
565 U.S. Industries, Inc.
575 U and I Incorporated
630 Louisville Cement Company
637 National Can Corporation
671 Jewel Companies, Inc.
675 Malone & Hyde, Inc.
680 A.C. Neilsen Company
736 Philip A. Hunt Chemical Corporation
742 Bristol Corporation
811 Beehive International
815 Conroy, Inc.
824 Pneumo Corporation
855 Bangor Punta Corporation
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906 Allegheny Beverage Corporation

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