1951

Accounting trends and techniques, 5th annual survey, 1951 edition

American Institute of Accountants

1951 EDITION

Accounting Trends & Techniques

IN PUBLISHED CORPORATE ANNUAL REPORTS

5th ANNUAL SURVEY

Of Corporate Annual Reports

By the Research Department of the

American Institute of Accountants

AMERICAN INSTITUTE OF ACCOUNTANTS
270 Madison Avenue • New York 16, N. Y.

Accounting Trends and Techniques

IN PUBLISHED CORPORATE ANNUAL REPORTS • 1951 EDITION

FIFTH ANNUAL CUMULATIVE SURVEY of the accounting aspects of 525 corporate annual reports, to which are added excerpts from and comments upon unusual accounting treatments found in six hundred additional reports. The reports analyzed are those with fiscal years ending May 1, 1950 to April 30, 1951

AMERICAN INSTITUTE OF ACCOUNTANTS
270 Madison Avenue • New York 16, N. Y.

★

$10 Per Copy

Introduction

ACCOUNTING TRENDS AND TECHNIQUES IN PUBLISHED CORPORATE ANNUAL REPORTS—1951 is based upon a survey of the annual reports of 525 companies with fiscal years ending May 1, 1950 to April 30, 1951. The 1951 survey is the fifth in a series of such studies carried out by the research department of the American Institute of Accountants based upon a long-range program initiated by the Council in 1946 for the analysis of corporate reports.

THE 525 COMPANIES whose annual reports are included in the 1951 survey represent over 25 varied industries and these reports are accompanied by certificates from 74 different accounting firms. The companies in the current survey are the same as those analyzed in prior years, except that substitutions have been made whenever necessitated by the merger or dissolution of any of the included companies. Approximately 600 additional reports were informally reviewed and are referred to, whenever appropriate, throughout the study.

SIGNIFICANT ACCOUNTING trends as reflected in the annual reports for the past five years are disclosed and pointed up in numerous of the comparative tabulations included in the study. In general, the tabulations in the current survey have been modified and simplified so as to display more effectively the data contained therein. Accounting techniques have been more fully disclosed in the 1951 study by the use of numerous direct quotations from various of the 525 reports and the inclusion of a great number of useful illustrative examples taken directly from the reports. As in the case of the prior years' surveys, the 1951 study gives special attention to matters recently under consideration by the committee on accounting procedure of the American Institute of Accountants.

IN THE VARIOUS tabulations and elsewhere throughout the study reference is constantly made, by company number, to the various 525 reports which are illustrative of the matters under discussion. A list of the 525 companies whose reports are included in the survey is set forth in the appendix, with the number of each company shown for ready reference.

CARMAN G. BLOUGH, *Director of Research*
AMERICAN INSTITUTE OF ACCOUNTANTS

Table of Contents

Section III: Income Statement

Section IV: Retained Earnings

Section V: Accountant's Report

Index to Exhibits

SECTION I

CERTIFIED FINANCIAL STATEMENTS

FREQUENCY OF CERTIFIED FINANCIAL STATEMENTS

Customary Financial Statements—Certified

The 1951 survey of the 525 published corporate reports for the calendar and fiscal years ending on or before April 30, 1951, again reveals that the customary certified financial statements are the balance sheet, the income statement, the retained earnings statement, and the statement of capital surplus.

Although the majority of companies continued to present these as separate statements, a noticeable trend toward the use of a combined income and retained earnings statement was again evident. In 1946, 24 per cent presented combined income and retained earnings statements, while by 1950 this percentage had increased to 32 per cent, with approximately one-half of this increase occurring in 1950.

The following table shows the number of companies presenting various types of customary certified financial statements during the years 1946 through 1950:

CUSTOMARY CERTIFIED FINANCIAL STATEMENTS

1950	1949	1948	1947	1946	Customary Statements
332	354	357	357	369	Balance sheet, income statement, retained earnings statement; and, in certain reports, a statement of capital surplus
167	149	143	137	129	Balance sheet, combined income and retained earnings statement; and, in certain reports, a statement of capital surplus
21	16	17	22	18	Balance sheet and income statement only—no separate retained earnings statement or statement of capital surplus
1	2	4	4	3	Balance sheet and retained earnings statement—income items presented in the retained earnings statement
3	3	3	4	5	Balance sheet only
1	1	1	1	1	Uncertified balance sheet, income statement, and retained earnings statement
525	525	525	525	525	

The changes during 1950 may be summarized as follows:

24 changes from balance sheet, income statement, and retained earnings statement to a balance sheet with a combined income and retained earnings statement. (See Company Appendix Nos. 27, 43, 101, 120, 178, 210, 215, 278, 289, 300, 310, 316, 323, 337, 342, 406, 427, 428, 447, 461, 475, 483, 489, 498.)

6 changes from balance sheet, income statement, and retained earnings statement to balance sheet and income statement only. (See Company Appendix Nos. 56, 147, 233, 332, 442, 500.)

6 changes from a balance sheet with a combined income and retained earnings statement to a balance sheet, income statement, and retained earnings statement. (See Company Appendix Nos. 96, 148, 184, 202, 303, 430.)

1 change from a balance sheet and income statement to a balance sheet, income statement, and a retained earnings statement. (Allegheny Ludlum Steel Corporation.)

1 change from a balance sheet and retained earnings statement only to include an income statement also. (United Shoe Machinery Corporation.)

Of the 24 companies changing to a combined income and retained earnings statement, three companies had a special item or other extraordinary charge or credit between net income for the year and the beginning balance of retained earnings. (See Company Appendix Nos. 27, 316, 483.) Six of these companies deducted dividends declared or paid from net income for the year before adding the beginning balance of retained earnings. (See Company Appendix Nos. 120, 289, 323, 337, 428, 489.)

Omission of Retained Earnings Statement

19 of the 21 companies not presenting retained earnings statements in 1950 detailed the information in

the balance sheet. (See Company Appendix Nos. 17, 56, 98, 100, 147, 233, 255, 315, 332, 350, 382, 391, 441, 442, 476, 487, 500, 519, 524.) United States Steel Corporation referred to the increase in retained earnings in a parenthetical note on its balance sheet "see page 31 for addition of $97,554,832 in 1950." (Page 31 shows a "Consolidated Statement of Income.") S. H. Kress & Company presented retained earnings totals on its comparative balance sheet but made no reference to the increase in the current year's balance of retained earnings over that of the previous year.

Three companies which eliminated the retained earnings statement in 1950 showed the deduction for dividends declared or paid at the foot of the income statement. (See Company Appendix Nos. 56, 297, 499.) Only one of the 19 companies, United Artists Theatre Circuit, Inc., showed an adjustment to retained earnings in the balance sheet detail other than for income and dividends. This adjustment covered an appropriation to a sinking fund for the repurchase of preferred stock.

Capital Surplus Statements

There were 135 annual reports which presented capital surplus statements. 122 of these were presented in reports including a balance sheet, income statement, and retained earnings statement. (See Company Appendix Nos. 93, 128, 211, 308, 360, 395, 468.) The remaining 13 were presented in annual reports having a balance sheet and a combined income and retained earnings statement also. (See Company Appendix No. 271.)

In 29 annual reports, there were no separate capital surplus statements, such information having been included in retained earnings or stockholders' equity statements. Of these, 27 reports had a balance sheet, an income statement, and either a retained earnings statement or a stockholders' equity statement (see Company Appendix Nos. 1, 11, 45, 46, 161, 190, 234, 352) and two companies reported income, retained earnings, and capital surplus in a single statement. (See Company Appendix Nos. 70, 494.)

Omission of Capital Surplus Statements

21 companies eliminated capital surplus statements in 1950. (See Company Appendix Nos. 105, 133, 169, 192, 261, 492.) As a rule, a capital surplus statement was presented only when a change occurred in capital surplus during the year. However, it was noted in the 1951 survey that 376 of the 525 companies included elements of capital surplus in the balance sheet although only 164 companies detailed capital surplus information in separate capital surplus statements or in combination with other financial statements. Marathon Corporation, which eliminated a capital surplus statement in 1950, explained the change in capital surplus by using a parenthetical note in the comparative balance sheet which stated, "decreased $2,250 in each of the years for premium on preferred stock retired." All of the other companies eliminating such statements in 1950, and which did not present comparative balance sheets, included a parenthetical note on the balance sheet stating that there was "No change during the year."

Additional Financial Statements—Certified

All certified financial statements not considered under the section, "Customary Financial Statements—Certified," are included in this section. Additional financial statements were considered to be certified when they were mentioned in the accountant's report, when they were referred to within the customary financial statements, by their position in relation to such statements and the accountant's report, or, by inclusion in the footnotes to the customary financial statements.

Of the 525 annual reports tabulated in the 1951 survey, 82 presented additional certified financial statements, an increase of 17 over the previous year. As shown in the following table, the majority of the additional statements either presented information relating to parent or subsidiary companies, or consisted of schedules setting forth the details of various items in the balance sheet or other financial statements.

ADDITIONAL CERTIFIED FINANCIAL STATEMENTS

1950	1949	1948	1947	Additional Statements
50	23	7	9	Schedules, and reserve statements
12	14	14	14	Foreign subsidiary statements
9	9	11	13	Domestic subsidiary statements
5	5	4	7	Parent company statements
6	7	3	1	Source and application of fund statements
7	14	10	5	Other additional statements
89	72	49	49	
				Number of Companies
82	65	42	41	Presenting additional certified statements
443	460	483	484	Not presenting additional certified statements
525	525	525	525	

Schedules, and Reserve Statements

Fifty companies presented various types of schedules in addition to the customary certified financial statements. These schedules, when not specifically mentioned in the auditor's reports, were considered, on the bases set forth in the introductory remarks to this section, to be certified statements.

The majority of these schedules showed details of balance sheet items. Many were used by companies which have adopted the "financial position" form of balance sheet. Details of accounts receivable, capital and working capital, deposits, inventories, investments, long-term debt, property, and reserves were among the items included. (See Company Appendix Nos. 41, 56, 67, 247, 304, 445.) Details of income statement items and taxes paid were also shown in the schedules. (See Company Appendix Nos. 64, 478.)

Several companies had schedules showing net assets and income, or foreign assets, by geographical location; and also, schedules showing details of foreign assets included in the consolidated balance sheet. (See Company Appendix Nos. 51, 99, 225, 231, 247, 412, 462, 491, 518.)

The schedules in reports of only seven companies were specifically mentioned or referred to in the auditors' reports.

Schedules in the Bethlehem Steel Corporation report included "Consolidated Long-Term Debt," "Capital Stock," "Consolidated Inventories," and "Consolidated Property Account." The accountants covered these schedules in their report by stating,

". . . . the accompanying financial statements and the notes thereto (pages 10 to 14, inclusive). . . ."

Blaw-Knox Company presented supplementary financial information covering "Receivables," "Inventories," "Other Current Liabilities," "Properties, Plants, and Equipment," and "Other Matters," which the accountants incorporated in their report with the phrase,

". . . . the financial statements shown on pages 14 to 17, inclusive, ..."

Schedules contained in the Caterpillar Tractor Co. report were included in the auditor's report with the statement,

"We have made annual examinations of the accounts of the Company since incorporation and, in our opinion, statements 3 through 7 (which have been retroactively adjusted as described in note 1) . . . ."

These schedules consisted of eleven-year comparative statements of "Results of Operations," "Source of Net Current Assets," "Financial Position at December 31," "Buildings, Machinery and Equipment at December 31," and a statement of "Ownership Equities."

International Business Machines Corporation report included a "Comparative Statement of Operations of International Business Machines Corporation for the Past Ten Years." The accountant's report stated:

"We further certify to the correctness of the financial information presented in the comparative statement of operations for the past ten years."

International Harvester Company schedules consisted of "Property," "Summary of Changes in Net Assets," and "Investment in Subsidiary Companies." The accountants for the company stated in their report:

". . . . and the supplemental schedules appearing on pages 23 and 24 herein . . ."

International Paper Company presented five schedules: "Inventories," "Plants and Properties, including Intangibles," "Woodlands and Estimated Pulpwood Resources," "Investments," and "Capital." These schedules were covered in the auditors' report by the phrase,

". . . . together with the accompanying schedules, ..."

The annual report contained additional schedules, but each had a footnote reading,

"This summary [or statement] is presented as an exhibit with the report of the company and is not covered by the Auditors' report."

In their report on the statements of Scott Paper Company, the accountants stated,

"We have made annual examinations of the accounts of the company and its subsidiaries since 1927 and in our opinion the tabulation on the fifth page of the text presents fairly the historical financial information there summarized."

The "Historical Financial Information" covered a 23-year period summarizing net sales, net income, dividends on preferred shares, amount earned on common shares, cash dividends on common shares, and income reinvested in the business.

Foreign subsidiary statements

Twelve companies presented statements of foreign subsidiaries in 1950. In the case of ten companies, the auditors included such statements in their report on the parent company. (See Company Appendix Nos. 57, 136, 282, 349, 432, 458, 481, 490, 491, 518), whereas for the two other companies there was a separate report. (See Company Appendix Nos. 32, 277.)

The American Metal Company, Limited presented statements of two foreign subsidiaries and the reports of Chartered Accountants of England for each. The statements were presented in the British form including financial data expressed in pounds.

Balance sheet and income statements of foreign subsidiaries presented by Johnson & Johnson were comparative for seven years and were specifically referred to in the accountants' report.

In 1949, United Merchants and Manufacturers, Inc., had three columns on its balance sheet, one exclusive of the foreign subsidiary, a second covering the foreign subsidiary, and the third column consolidating the first two. In 1950, however, a separate statement was shown for the subsidiary, and it was not consolidated. The reason as stated in the footnote to the statement was,

". . . . have been stated separately and excluded from consolidation because of the continuing stringent exchange restrictions imposed by Argentina . . . ."

Domestic subsidiary statements

Nine companies presented domestic subsidiary statements in 1950, the same number as in the previous year. In the case of four companies, the auditors included the domestic subsidiary statements in their report on the parent company (see Company Appendix Nos. 80, 276, 321, 432), whereas in the case of four other companies, there was a separate report covering the domestic subsidiary statements. (See Company Appendix Nos. 13, 213, 353, 387.)

The report of Crucible Steel Company of America included a balance sheet of its domestic subsidiary, Midland Coke Company (not consolidated) which was presented in the footnotes to the financial statements, but no reference was made thereto in the auditors' report.

The domestic subsidiary companies, for which statements were presented, were engaged in a type of business activity supplementary to, but not homogeneous with, that of the principal business activity of the parent. Examples of the diversity of the business activities of such subsidiaries are real estate corporations, finance companies, a sales organization, and a bank. (See Company Appendix Nos. 80, 276, 387, 432; 276, 353; 213; 321, respectively.)

In a footnote to the financial statements, Safeway Stores, Incorporated described the business activities of its second domestic subsidiary, Salem Commodities Incorporated, as follows:

"(the activities of which are confined to the purchase, manufacture, storage, etc., of reserve merchandise in advance of the normal requirements of the chain store operations and include certain activities formerly carried on directly by departments of the parent company) . . . ."

Parent Company Statements

Five companies presented parent company statements in 1950, the same number as in the previous year. (See Company Appendix Nos. 20, 128, 289, 423, 462.)

Anderson, Clayton & Co. omitted parent company statements in 1950, but included a "Statement of Net Worth" of the parent company as an uncertified schedule. However, Keystone Steel & Wire Company included a parent company statement in 1950 whereas none was presented in 1949. In the 1949 Keystone report, there were statements for two unconsolidated principal subsidiaries, while in 1950 a consolidated statement was presented with the parent company statement included "for comparative purposes."

Statements of Source and Application of Funds

Six companies included certified statements showing source and application of funds or changes in working capital. The auditors of American Box Board Company, Harbison-Walker Refractories Company, Montgomery Ward & Co., Incorporated, and United States Gypsum Company mentioned such statements in their reports.

The "Summary of Source and Use of Funds" of United States Rubber Company, presented in the footnotes to the financial statements, was referred to in the accountants' certificate as follows:

"In our opinion, the accompanying consolidated balance sheet and statements of consolidated income, consolidated earned surplus, and consolidated capital surplus, with the Financial Notes . . . ."

The "Increase in Working Capital" statement of Interstate Bakeries Corporation, showing the disposition of earnings and other corporate funds, was presented in "Notes to Financial Statements." The accountants for the Company did not specifically mention the statement in their report, however, it was referred to in the "Statement of Financial Position" and, therefore, considered to be a certified statement.

Other Additional Statements

Seven companies presented other additional certified statements.

R. H. Macy & Co., Inc., included a statement of the "Retirement System for Employees of R. H. Macy & Co., Inc., and Affiliates," and an auditors' report, addressed "To the Administrative Committee of the Retirement System for Employees of R. H. Macy & Co., Inc., and Affiliates," accompanied the statement.

The Byrndun Corporation report contained a two-year comparative statement showing "Profit and Loss From Operation of Factory Retail Store."

A schedule showing the "Maximum amount which may be credited to the Supplemental Compensation Fund" was included in the report of the Bendix Aviation Corporation. This schedule was in the form of a letter from the accountants.

Although the schedules were not considered to be certified, it was noted that E. I. duPont de Nemours & Company and Monsanto Chemical Company included schedules, "Amount Credited to "B" Bonus Fund" and "Determination of the Amounts of Credit to Bonus Reserve for 1950," respectively. In the duPont schedule, a footnote stated:

". . . . independent public accountants, have certified that in their opinion this is the maximum amount which may be credited in accordance with the terms of the Plan."

The Monsanto schedule was introduced with the statement that,

"The amount determined by the Certified Public Accountants to be 12% of Bonus Net Income and the amount awarded, are summarized as follows."

Granite City Steel Company used a statement, "Disposition of Net Income" which began with net income for the year, deducted dividends, and arrived at a figure captioned "Balance, reinvested in the business during the year." In the previous year's statement, an additional deduction was made for "Retained to provide for inventory price declines and other contingencies."

Pittsburgh Plate Glass Company presented a "Disposition of Net Income" statement again this year. In addition to the charge for dividends shown in the statement, an "Appropriation to increase charges for wear and exhaustion of facilities to a replacement cost rather than an original cost basis" was included in this statement.

The auditors of The Ruberoid Co. included the following additional report on their examination of the Company's financial statements:

"In connection with our examination of the financial statements of The Ruberoid Co. as at December 31, 1950, as reported upon in our certificate appearing on page 19, we have also reviewed the statistical data set forth in the President's letter and on pages 11 and 21 of this annual report. In our opinion, such information has been compiled properly."

The statistical data referred to consisted of comparative charts on "How We Used Each Dollar Received from our Customers in 1950," "Appropriations for Capital Improvements," "Selling, Advertising and Administrative Expenses"; a table of financial data, "How Stockholders, Employees, Customers and Government shared During 1950"; and a "Summary of Capital Structure and Dividend Record of The Ruberoid Co. and Predecessor Companies" beginning with the year 1889 through 1950.

Pro forma statements

Radio-Keith-Orpheum Corporation consummated its Plan of Reorganization on December 31, 1950, and, in connection therewith, the president stated in his letter "To the Stockholders":

"Our picture producing and distributing business and our theatre business have heretofore been a combined operation under our old company. The reorganization was carried out as of the close of business December 31, 1950, by transferring all our picture producing and distributing assets to RKO Pictures Corporation and all our theatre assets to RKO Theatres Corporation.

"Those two new companies, which started operations the beginning of this year, will hereafter conduct separately the two phases of our business. Their stocks, which have been listed on the New York Stock Exchange, are issuable in exchange for stock of the old company. Pursuant to the plan of reorganization, the old company will shortly be dissolved.

"In order that stockholders may be fully informed of the results of our combined operations during 1950 and the effect of the separation of our businesses at the year end, I am enclosing three sets of financial statements which I trust they will find helpful.

"The first set shows the results of combined operations under the old company during 1950 and contains a year-end balance sheet just prior to the separation. The second and third sets of financial statements include opening consolidated balance sheets of each of the new companies and (although they actually had no operations last year) profit and loss statements designed to reflect the results of their operations, on a pro forma basis as if our businesses had throughout the year been operated separately by the new companies."

Each of the three sets of financial statements referred to in the president's letter was accompanied by a separate report from the accountants. Statements for the two new companies included an "Opening Condensed Consolidated Balance Sheet" as of January 1, 1951, as well as a "Pro Forma Consolidated Statement of Profit and Loss" for the year ending December 31, 1950.

CERTIFIED FINANCIAL STATEMENTS—COMPARATIVE PRESENTATION

The Committee on Accounting Procedure, American Institute of Accountants, in recommending the extension of use of comparative financial statements, stated in its Accounting Research Bulletin No. 6, dated April 1940, that:

"The increasing use of comparative statements in the annual reports of companies is a step in the right direction. The practice enhances the significance of the reports, and brings out more clearly the nature and trends of current changes affecting the enterprise. The use of statements in comparative form serves to increase the reader's grasp of the fact that the statements for a series of periods are far more significant than those for a single period—that the statements for one year are but one instalment of what is essentially a continuous history.

It is therefore recommended that the use of comparative statements be extended. In any one year it is ordinarily desirable that the balance sheet, the income statement and the surplus statement (the two latter being separate or combined) be given for the preceding as well as for the current year. Footnotes, explanations and accountants' qualifications already made on the statements for the preceding year should be given, or at least referred to, in the comparative statements. If, because of reclassifications or for other reasons, changes have occurred in the basis for presenting corresponding items for the two periods, information should be furnished which will explain the change. This is in conformity with the well recognized rule that any change in practice which would affect comparability should be disclosed."

The 1951 survey of the 525 annual reports shows a definite continuation of the trend toward the use of comparative financial statements. As shown in the following table, 42%, or 228 companies included in the survey, presented some form of comparative statements in the year 1946. In 1950, the ratio had increased to 61%, with 320 companies presenting such statements.

COMPARATIVE FINANCIAL STATEMENTS

1950	1949	1948	1947	1946	Comparative Presentation
131	129	112	89	86	Balance sheet, income statement, retained earnings statement; and, in certain reports a statement of capital surplus
91	77	70	60	43	Balance sheet, combined income and retained earnings statement; and, in certain reports, a statement of capital surplus
67	64	57	56	62	Balance sheet and income statement only
6	5	6	7	5	Balance sheet only
13	13	14	17	18	Income statement and retained earnings statement only
12	12	18	18	14	Income statement only
320	300	277	247	228	
205	225	248	278	297	Statements not comparative
525	525	525	525	525	

The 1951 survey discloses that there was a net increase of 20 companies presenting comparative statements in their annual reports. Details of the significant changes made are noted below:

14 companies presented the balance sheet, income, retained earnings, combined income and retained earnings, or capital surplus statements in comparative form. (See Company Appendix Nos. 37, 44, 85, 101, 140, 172, 181, 206, 246, 278, 299, 387, 396, 430.)

4 companies presented comparative balance sheet and income statements but the retained earnings statement in each report contained one-year figures only. (See Company Appendix Nos. 33, 241, 397, 459.)

1 company, R. G. LeTourneau, Inc., presented its income statement, as well as its retained earnings statement, on a comparative basis but continued the balance sheet on a non-comparative basis.

1 company, Endicott Johnson Corporation, using a balance sheet, income statement, and retained earnings statement as in previous years, presented the income statement only on a comparative basis in its 1950 annual report.

1 company, Follansbee Steel Corporation, used a balance sheet and combined income and retained earnings statement in both of the years 1949 and 1950. However, the balance sheet only was presented on a comparative basis in 1950.

1 company, Fruehauf Trailer Company, presented a non-comparative balance sheet, comparative income, retained earnings, and capital surplus statements in 1949, but in 1950, the Company changed to non-comparative presentation of a balance sheet, combined income and retained earnings, and capital surplus statements.

Kimberly-Clark Corporation presented a comparative balance sheet, income, and retained earnings statements in its 1949 and 1951 reports. However, the Company changed its accounting period from a calendar to a fiscal year basis in 1950 and presented the above statements for the four-month period ending April 30, 1950, on a non-comparative basis. The April 30, 1951, report contained the same series of financial statements on a comparative basis with the December 31, 1949, report, and explained in a footnote:

> "For comparative purposes certain reclassifications have been made in the figures previously reported for the year ended December 31, 1949."

Six companies presented a balance sheet, income statement, and retained earnings statement on a comparative basis in the 1950 reports, whereas, in 1949, the balance sheets and income statements only were comparative. (See Company Appendix Nos. 8, 31, 273, 337, 406, 429.)

Three companies, in their 1950 reports, used a comparative basis for the balance sheet and the income statement whereas the balance sheet was the only comparative statement used in the previous year. (See Company Appendix Nos. 174, 207, 493.)

United Shoe Machinery Corporation, which included an income statement for the first time, in its report for the fiscal year ended March 31, 1951, inserted a column captioned "Comparison with Preceding Year—Increase—Decrease" after the 1951 balance sheet and income statement figures. The column was not used in the "Statement of Surplus Account."

Whenever the balance sheet, income statement, retained earnings statement, combined income and retained earning statement, or capital surplus statement is shown on a comparative basis, the period of comparison is almost always for a period of two years only. However, in a few instances, longer periods of comparison were employed. For example, although The American Sugar Refining Company balance sheet, income statement, and retained earnings statement were comparative for only a two-year period in the 1949 report, the 1950 report presented the same statements on a three-year comparative basis. The accountants' report stated,

> "We had previously made similar examinations for the years ended December 31, 1949, and December 31, 1948."

Westinghouse Electric Corporation also presented a three-year comparative balance sheet, income statement, and surplus statement in its 1950 and 1949 reports.

Johnson & Johnson presented a "Consolidated Statement of Financial Condition" and a "Consolidated Statement of Earnings" covering a seven-year period in its 1950 report.

H. H. Robertson Company presented comparative balance sheet, income, and retained earnings statements for the years 1949 and 1950. In 1950, Notes to Financial Statements included the following:

> "In 1950 the Company credited income with adjustments of provisions for prior years' income taxes whereas previously such adjustments were credited direct to earned surplus. The accompanying statement of consolidated income and earned surplus for 1949 has been restated to give effect to this change in practice."

Standard Oil Company of California initiated a comparative balance sheet and income statement in 1950 and, in connection therewith, commented in a footnote as follows:

> "In the comparative financial statements certain items for the year 1949 have been restated to conform to the basis of reporting for 1950. The net income for the year 1949 in the accompanying statements reflects a change adopted in 1950 with respect to accounting for charges in connection with retirement plans."

FORM AND TERMINOLOGY OF THE CERTIFIED BALANCE SHEET

Form of Certified Balance Sheet

Two forms of balance sheet, with variations within each form, were again used by the 525 companies included in the 1951 survey. These two forms were the customary form of balance sheet and the financial position form. The "customary" form of balance sheet either presents assets on the left-hand side of the statement with the liability and stockholders' equity sections on the right-hand side, or, shows the three sections in a downward sequence of assets, liabilities, and stockholders' equity. In either variation, the total of the assets will be equal to the total of the liabilities and stockholders' equity. (Forms A, B, and C). The more popular variation of the "financial position" form of balance sheet shows net assets as equal to stockholders' equity. (Form D). However, this form has variations in which the long-term debt is shown in the equity section (Form E), or, the stockholders' equity section is presented before net assets (Form F).

CERTIFIED BALANCE SHEET FORM

1950	1949	1948	1947	Form of Balance Sheet
465	477	484	490	(A) Assets equal liabilities (current items first) plus stockholders' equity
1	1	1	4	(B) Assets equal liabilities (noncurrent items first) plus stockholders' equity
3	3	3	3	(C) Assets less liabilities equal stockholders' equity
51	39	32	24	(D) Current assets less current liabilities, plus other assets, less other liabilities equal stockholders' equity
3	2	3	4	(E) Current assets less current liabilities, plus other assets, less other liabilities, equal stockholders' equity. (Long-term debt shown in the equity section)
2	3	2	0	(F) Stockholders' equity equals current assets less current liabilities, plus other assets, less other liabilities
525	525	525	525	

The 1951 survey shows an increase of 12 companies using the "financial position" type of statement in 1950. One of the companies making the change from the customary form of balance sheet, The Ruberoid Co., began its statement with the caption "Working capital, per statement on page 15" and, presented "Working Capital" details on the page referred to in the caption. (See Company Appendix Nos. 43, 102, 224, 265, 276, 277, 278, 280, 337, 428, 435, 438.)

Approximately 50% of the companies using the financial position form of balance sheet also used a combined income and retained earnings statement rather than separate statements of income and retained earnings. (See Company Appendix Nos. 43, 278, 281, 337.)

Balance sheets with the wording "balance sheet" in the descriptive title usually adhered to the customary form of presentation as indicated in the following comparative table. However, a wide variation of form was noted in statement titles using the wording "financial position" or "financial condition." Of the 79 titles in 1950 including such wording, 55 of these covered the financial position form (Form D, E, or F), but in 24 other titles this wording applied to the customary form of balance sheet (Form A, B, or C).

BALANCE SHEET TITLE TERMINOLOGY AND FORM

Number of Companies Using Terminology Below with Forms:*	(A)	(B)	(C)	(D)	(E)	(F)	Total
Balance sheet	438	1	0	0	0	0	439
Financial position	12	0	1	36	3	0	52
Financial condition	10	0	1	14	0	2	27
Other wording	5	0	1	1	0	0	7
	465	1	3	51	3	2	525

* See Table on Form

Terminology in Certified Balance Sheet Titles

The 1951 annual survey of the 525 published corporate reports discloses a continuation of the trend noted in earlier surveys towards the use of terminology other than "balance sheet" to describe the statement of assets, liabilities, and stockholders' equity. 13% of the companies tabulated have made a change in this terminology since 1946.

The following table shows the number of companies using various terminology for the certified balance sheet during the years 1946 through 1950:

TERMINOLOGY IN CERTIFIED BALANCE SHEET TITLES

1950	1949	1948	1947	1946	Balance sheet terminology
439	454	468	485	506	Balance sheet
52	40	32	23	9	Financial position
27	24	18	10	6	Financial condition
4	3	2	1	1	Assets and Liabilities
0	0	1	1	1	Assets, Liabilities and Net Worth
1	1	1	1	0	Assets, Liabilities and Capital Investment
1	1	1	1	1	Investment
1	1	1	1	0	Ownership
0	0	0	1	0	What the Company Owned and What it Owed
0	1	1	1	1	No title used
525	525	525	525	525	

The table discloses that 15 companies, during the year 1950, made a change from "balance sheet" to some other wording. Three companies adopted "financial condition." (See Company Appendix Nos. 265, 337, 442), and 12 companies changed to a heading using the term "financial position." (See Company

Appendix Nos. 43, 102, 251, 276, 277, 278, 280, 411, 428, 435, 438, 453.)

Of the 15 above mentioned companies, 11 of those making the title change did so in connection with a change from the usual form of balance sheet to the financial position form.

The Curtis Publishing Company formerly using the captions "Assets—Liabilities" without a title for the statement included a title on its 1950 balance sheet as follows: "Consolidated Statement of Assets and Liabilities at December 31st" with the respective sides of the balance sheet captioned as in prior years.

Titles of the balance sheet as used by various of the 525 companies during 1950, arranged in accordance with the frequency of use indicated by the tabulation "Terminology in Certified Balance Sheet Titles," included the following:

Balance sheet
"Balance Sheet"; "Comparative Balance Sheet"; "Comparative Consolidated Balance Sheet"; "Condensed Balance Sheet"; "Condensed Comparative Balance Sheet"; "Consolidated Balance Sheet." (See Company Appendix Nos. 2, 12, 15, 24, 35, 45, 47, 49, 50, 58, 61, 65, 68, 151, 182, 183, 207, 218, 223, 225, 227, 232, 259, 299, 334, 354, 356, 363, 368, 373, 374, 386, 461, 473, 483.)

Financial position
"Financial Position"; "Consolidated Financial Position"; "Consolidated Statement of Financial Position"; "Statement of Financial Position." (See Company Appendix Nos. 31, 57, 106, 112, 117, 217, 239, 241, 284, 290, 301, 349, 411, 424, 484, 499.)

Financial condition
"Comparative Statement of Financial Condition"; "Comparative Consolidated Statement of Financial Condition"; "Consolidated Statement of Financial Condition"; "Statement of Financial Condition." (See Company Appendix Nos. 18, 142, 174, 268, 282, 297, 313, 335, 377, 437, 455, 511, 520).

Assets and Liabilities
"Assets, Liabilities and Capital Investment"; "Consolidated Statement of Assets and Liabilities"; "Statement of Assets and Liabilities"; "Statement of Consolidated Assets and Liabilities"; "Statement of Ownership." (See Company Appendix Nos. 60, 93, 168, 274, 457, 514.)

Terminology for "Uncollectible Accounts"

Accounting Research Bulletin No. 34, "Use of Term 'Reserve,'" was issued by the Committee on Accounting Procedure, American Institute of Accountants, in October, 1948. The recommendation of the Committee on Terminology on the accounting usage of the term *reserve* in the balance sheet and in the income statement is set forth in this bulletin.

The Committee on Terminology, in discussing the accounting usage of the term *reserve* to describe *uncollectible* accounts in the balance sheet, stated that the use of such term to describe,

"A deduction which is made from the face amount of an asset in order to arrive at the amount which it is expected will be realized, as in the case of a reserve for uncollectible accounts,"

is clearly contrary to the commonly accepted meaning of the term *reserve.* The Committee recommended that the accounting usage of the term *reserve* in the balance sheet be limited "to indicate that an undivided portion of the assets is being held or retained for general or specific purposes," and it commented further on *uncollectible accounts* and depreciation in the balance sheet as quoted below:

"A so-called reserve for bad debts or for depreciation does not in itself involve a retention or holding of assets, identified or otherwise, for any purpose. Its function is rather to indicate a diminution or decrease in an asset due to a specified cause; the use of the so-called reserve in this area is essentially a part of a process of measurement."

In recommending the discontinuance of the use of the term *reserve* in the balance-sheet to describe *uncollectible accounts*, the Committee proposed that the term be replaced by such terms as "less estimated uncollectibles," "less estimated losses in collection," etc., which will "indicate the measurement process" of uncollectible accounts.

TERMINOLOGY FOR "UNCOLLECTIBLE ACCOUNTS"

1950	1949	1948	Terms for uncollectible accounts
138	109	70	Allowance for doubtful accounts (possible losses) (losses on collection)
35	31	25	Provision for doubtful accounts (accounts which may prove uncollectible) (bad debts) (possible losses) (uncollectibles)
12	11	8	Estimated doubtful accounts (balances)
11	16	13	Estimated uncollectible accounts (amounts)
7	7	8	Estimated losses in/on collection
3	3	1	Deduction for estimated doubtful receivables
2	2	1	Net of allowances
2	1	1	Accounts receivable considered collectible
2	2	4	Stated on basis of realizable values; and other term variations
212	182	131	
			Number of Companies:
212	182	131	Replacing *reserve* terminology
313	343	394	Continuing *reserve* terminology or showing asset net of deductions
525	525	525	

Terms indicating the "measurement process" of uncollectible accounts in the balance sheet were used by 212 of the 525 companies included in the survey in 1950 as compared to 131 companies in 1948. The tabulation above, covering a three-year period, shows an increase of approximately 62% in the use of such terms since 1948. The remaining 525 companies, 343 and 394 in 1950 and 1948, respectively, either continued the use of the term *reserve* to indicate uncollectible accounts or presented the accounts receivable total net of such accounts in the balance sheet without disclosure thereof.

Examples selected from the 1950 annual reports of the 525 companies which illustrate terms used by the companies to describe uncollectible accounts in the balance sheet are as follows:

"Accounts receivable, Considered Collectible" (Hudson Motor Car Company)

"After Deduction of $3,820,426 for Returns, Allowances, Discounts and Doubtful Accounts" (Burlington Mills Corporation)

"Deduction for Estimated Doubtful Receivables" (Blaw-Knox Company)

"Less Allowances for Discounts and Doubtful Accounts" (Lawrence Portland Cement Company)

"Less Allowance for Doubtful" (The Lambert Company)

"Less Allowance for Doubtful Accounts" (General Motors Corporation, Interchemical Corporation, Koppers Company, Inc.)

"Less Allowances for Doubtful Accounts and Cash Discounts" (Medusa Portland Cement Company)

"Less Allowances for Doubtful Accounts and Discounts" (Keystone Steel & Wire Company)

"Less Allowance for Doubtful Items" (The Yale & Towne Manufacturing Company)

"Less Allowance for Doubtful Notes and Accounts" (General American Transportation Corporation)

"Less—Allowance for Estimated Doubtful Accounts" (The National Cash Register Company)

"Less Allowance for Losses in Collection" (LeRoi Company)

"Less Allowances for Losses on Collection and for Deferred Carrying Charges" (Allied Stores Corporation)

"Less—Allowance for Losses" (The National Supply Company)

"Less Allowances for Possible Losses" (G. R. Kinney Co., Inc.)

"Less Allowance for Possible Losses in Collection" (S. S. Kresge Company)

"Less Allowance of $100,000 for Doubtful Accounts" (Lehigh Portland Cement Company)

"Less $20,000 for Possible Losses in Collection" (Miller Manufacturing Co.)

"Net of Allowances" (General Refractories Company)

"Less Estimated Amounts Not Collectible" (Pathé Industries, Inc.)

"Less Estimated Bad Debts" (United States Steel Corporation)

"Less Estimated Collection Losses" (The Ohio Oil Company)

"Less Estimated Losses in Collection" (Jones & Laughlin Steel Corporation)

"Less Estimated Doubtful Accounts" (West Virginia Pulp and Paper Company)

"Less Estimated Uncollectibles" (American Window Glass Company)

"Less Provision of $224,194 for Doubtful Accounts" (Nash-Kelvinator Corporation)

"Less Provision for Doubtful Accounts" (R. G. LeTourneau, Inc.)

"Less Provision of $340,000 for Losses in Collection" (Continental Motors Corporation)

"Less Provision for Possible Losses" (Worthington Pump and Machinery Corporation)

"Stated on Basis of Realizable Values" (Caterpillar Tractor Co.)

Terminology for "Depreciation"

Depreciation in the balance sheet was also discussed in Accounting Research Bulletin No. 34, "Use of the Term 'Reserve,'" referred to in the section above on uncollectible accounts. The Committee on Terminology commented therein upon the accounting usage of the term *reserve* to describe *depreciation* in the balance sheet and stated that:

"a deduction which is made from the cost or carrying value of an asset, representing the portion of the cost which has been amortized or allocated to income, in order to arrive at the amount properly chargeable to future operations, as in the case of a reserve for depreciation . . ."

is clearly contrary to the commonly accepted meaning of the term *reserve.* The Committee recommended that the use of the term *reserve* in the balance-sheet to describe depreciation be discontinued and replaced by terms which "indicate the measurement process, i.e., such terms as . . . "less amortization to date," etc."

TERMINOLOGY FOR "DEPRECIATION"

1950	1949	1948	Terms for Depreciation
90	61	34	Accumulated depreciation (and amortization)
87	78	63	Allowance for depreciation (and amortization)
57	54	52	Depreciation
10	11	5	Provision
7	5	1	Depreciation to date
6	3	2	Wear and exhaustion
5	5	2	Portion allocated to operations to date as depreciation
4	6	5	Accrued depreciation
3	3	4	Estimated depreciation and depletion
3	2	1	Reduced by the estimated cost of wear and tear (depreciation)
2	3	2	Depreciation provided
274	231	171	
			Number of Companies:
274	231	171	Replacing "reserve" terminology
251	294	354	Continuing "reserve" terminology
525	525	525	

Agreement with the recommendation of the Committee on Terminology that *depreciation* in the balance sheet be indicated by terms other than *reserve* is disclosed above in the tabulation of terms used by the 525 companies for such depreciation during the years 1948 through 1950. By 1950, as indicated in the table, 274 companies, or 52% of the 525 companies included in the survey, had replaced the term *reserve* with a term indicating the "measurement process" of *depreciation* in the balance sheet. The total of 274 companies for the year 1950 reflects an increase of 60% over the total of 171 companies replacing the term *reserve* in the year 1948.

Examples of terminology used for depreciation in the balance sheet which were selected from the 1950 annual reports of the 525 companies are as follows:

"Depreciation and Amortization" (Samson United Corporation)

"Less Accrued Depreciation" (Pittsburgh Screw and Bolt Corporation)

"Less Accumulated Depreciation" (Ainsworth Manufacturing Corporation, American Stores Company, Bendix Aviation Corporation, Doehler-Jarvis Corporation, Pathé Industries, Inc.)

"Less Accumulated Depreciation and Amortization" (Copperweld Steel Company, Curtiss-Wright Corporation, Struthers Wells Corporation, Vanadium-Alloys Steel Company)

"Less Accumulated Wear and Exhaustion" (Johnson & Johnson)

"Less Allowance for Depletion, Depreciation and Amortization" (The Ohio Oil Company)

"Less Allowance(s) for Depreciation" (Alaska Pacific Salmon Company, Beatrice Foods Co., General American Transportation Corporation, United Shoe Machinery Corporation)

"Less Allowances for Depreciation and Amortization" (Thompson Products, Inc.)

"Less Depreciation" (Addressograph-Multigraph Corporation, National Distillers Products Corporation, Radio Corporation of America)

"Less Depreciation" (Scott Paper Company)

"Less Depreciation to Date" (Interchemical Corporation)

"Less Depreciation Provided" (The National Cash Register Company)

"Less Depreciation and Amortization" (Pillsbury Mills, Inc.)

"Less Depreciation and Amortization to Date" (The Pittston Company)

"Less Estimated Depreciation" (A. E. Staley Manufacturing Company)

"Less Portion Allocated to Operations to Date" (Bayuk Cigars Incorporated)

"Less Portion Allocated to Operations to Date as Depreciation" (The Oliver Corporation)

"Less Provision for Depreciation" (G. R. Kinney Co., Inc.)

"Less Provision for Depreciation and Amortization" (Armstrong Cork Company)

"Less Provisions for Depreciation and Depletion" (The International Nickel Company of Canada)

"Less Reduction for Wear of Facilities—Depreciation and Amortization" (Baldwin-Lima-Hamilton Corporation)

Terminology for "Federal Income Tax"

In Accounting Research Bulletin No. 34, referred to above, the Subcommittee on Terminology recommended that the use of the term *reserve* in the balance sheet to describe provisions for particular liabilities be discontinued. The Subcommittee stated that such items might better be designated as "estimated liabilities" or "liabilities of estimated amount."

The table set forth below indicates the "key-word" around which the 525 companies formulated the balance sheet caption for the Federal income tax liability. As indicated by the table only a minority (8%), of companies continued the use of the word *reserve* for such liability in 1950.

FEDERAL INCOME TAXES—BALANCE SHEET CAPTION

1950	1949	1948	Liability Caption
148	127	115	Federal income taxes
116	115	127	Accrued
106	114	125	Provision
95	90	82	Estimated
3	4	1	Other
468	450	450	Total
44	55	66	Reserve
13	20	9	No Federal tax liability
525	525	525	

The following are typical examples of the balance sheet caption for the liability relating to Federal income taxes:

Federal income tax:

"Federal Income Taxes"—"Federal and state income taxes"—"Federal, State and Canadian taxes on income"—"Federal taxes on income"—"Federal and other taxes on income (estimated)"—"Federal and State taxes (including $437,500 for income taxes)"—"Federal income and excess profits taxes"—"Federal Income Tax Liability"—"Federal income tax payable"—"Federal taxes on income—estimated"—"Federal taxes on income, less refunds receivable." (See Company Appendix Nos. 381, 44, 190, 285, 459, 326, 164, 469, 453, 276, and 154, respectively.)

Accrued:

"Accruals for Federal and Canadian taxes on income and for maximum refunds on contracts subject to profit limitations—estimated, less U. S. Treasury Savings Notes."—"Accrual for Federal, state, and foreign taxes on income"—"Accrued liabilities: Federal taxes on income"—"Accrued accounts: Federal income taxes, current and prior years, estimated"—"Accrued Federal income and excess profits taxes ($3,400,000 in 1950 and . . . offset by U. S. Treasury Savings Notes)"—"Accrued taxes: U. S. and foreign taxes on income (estimated)"—"Accrued Federal taxes on income"—"Accrued taxes (less United States Treasury savings notes—1950, $2,400,000 . . .)"—"Taxes Accrued"—"Accrued Taxes"—(See Company Appendix Nos. 477, 363, 197, 225, 262, 39, 144, 15, 11, and 273, respectively.)

Provision:

"Provision for Federal and Canadian income taxes"—"Provision for Federal taxes on income"—"Provision for taxes accrued"—"Provision for taxes based on income"—"Provision for taxes on income"—"Provision for federal taxes on income and other corporate taxes for current and prior years, estimated"—"Provision for United States income and excess profits taxes (after deducting United States Government securities—1950, $12,700,000;. . .)"—(See Company Appendix Nos. 320, 419, 288, 137, 91, 156, and 136, respectively.)

Estimated:

"Estimated taxes on income"—"Estimated federal, state and Canadian income taxes"—"Estimated United States and foreign income and excess profits taxes; Less United States Treasury Savings Notes and accrued interest thereon." (See Company Appendix Nos. 435, 301, and 490, respectively.)

Reserve:

"Reserve for Federal and Canadian taxes on income"—"Reserves for United States and Cuban income taxes"—"Reserve for federal income and excess profits taxes; Less—U. S. Treasury Savings Notes Tax Series, at cost." (See Company Appendix Nos. 22, 41, and 14, respectively.)

Other variations:

"Income and excess profits taxes (less tax notes, 1951—$5,610,800 . . .)"—"Taxes payable—including federal taxes on income (less U. S. Treasury Savings Notes), taxes withheld and state and federal taxes on petroleum products collected from customers." (See Company Appendix Nos. 122 and 460.)

Terminology for the "Equity Section"

Wording for the caption of the stockholders' equity section in the balance sheet showed considerable variation by the 525 companies in the 1950 reports as indicated by the list of such captions shown below. The caption "Capital Stock and Surplus" was used by the majority of the companies, however, a high percentage thereof showed "Stockholders' Equity" or "Stockholders' Investment." Captions for the stockholders' equity section of the balance sheets in the 1950 reports included the following:

"Above Stockholders' Investment Represented By"

"Capital"; "Capital Invested"; "Capital Invested in the Business"; "Capital and Retained Earnings"; "Capital and Surplus."

"Capital and Accumulated Earnings"; "Capital and Accumulated Earnings Retained for Use in the Business."

"Capital and Earnings"; "Capital and Earnings Employed in the Business"; "Capital and Earnings Retained"; "Capital and Earnings Retained for Use in the Business"; "Capital and Earnings Retained in Business."

"Capital and Profit Retained and Employed in the Business"; "Capital Shares and Surplus."

"Capital Stock"; "Capital Stock and Earned Surplus"; "Capital Stock and Retained Earnings"; "Capital Stock and Surplus"; "Capital Stock, Surplus and Reserves"; "Capital Stock, Surplus and Surplus Reserves"; "Capital Stock and Retained Profits."

"Capital Stock and Accumulated Earnings"; "Capital Stock and Accumulated Earnings Invested in the Business"; "Capital Stock and Accumulated Income Retained for Use in the Business."

"Capital Stock and Earnings Invested in the Business"; "Capital Stock and Earnings Retained"; "Capital Stock and Earnings Retained for Use in the Business."

"Common Stock and Retained Profits Reinvested"; "Derived From"; "Earnings Employed in the Business"; "Equity of Stockholders"; "Equity Capital and Earnings Retained in the Business"; "Evidenced By"; "Funds Entrusted to the Management by the Stockholders."

"Investment"; "Investment Represented By"; "Investment of Stockholders"; "Investment of Stockholders, Represented By"; "Investors' Equities."

"Net Assets in Which Stockholders' Equity and Bank Borrowings were Invested"; "Net Worth"; "Net Worth—Shareholders' Equity."

"Ownership"; "Ownership Equity"; "Ownership Evidenced By."

"Paid in by Stockholders"; "Represented By."

"Shareholders' Equity"; "Shareholders' Equity Represented By"; "Shareholders' Interest"; "Shareholders' Investment"; "Shareholders' Ownership"; "Shareholders' Ownership Represented By."

"Source of Net Assets"; "Sources From Which Capital Was Obtained"; "Sources From Which Net Assets Were Obtained"; "Sources From Which the Above Net Assets Were Obtained."

"Stockholders' Equity"; "Stockholders' Equity (Net Worth)"; "Stockholders' Equity Evidenced By"; "Stockholders' Equity Represented By"; "Stockholders' Interest" "Stockholders' Interest Represented By"; "Stockholders' Investment"; "Stockholders' Ownership"; "Stockholders' Ownership Evidenced By."

"Stated Capital and Earnings Retained"; "Total Stockholders' Investment"; "Total Net Assets in Which Capital Was Invested."

"Retained Earnings" Caption in the Balance Sheet

Accounting Research Bulletin No. 39, issued by the Committee on Accounting Procedure in October, 1949, sets forth the recommendation of the Subcommittee on Terminology on the "Discontinuance of the Use of the Term 'Surplus.'" The Subcommittee refers therein to the September, 1941, bulletin in which it was recommended that "consideration be given to the feasibility of a general discontinuance of the use of the word "surplus" in accounting." In discussing the balance-sheet presentation of the stockholders' equity, the Subcommittee recommended that the term "earned surplus" be replaced by terms which will indicate *source* of proprietary capital representing accumulated earnings at the balance sheet date. The tabulation hereinbelow indicates the terminology used in the balance sheet caption by the 525 companies included in the 1951 survey during a four-year period to replace the term "earned surplus."

The table discloses that by 1950, 211, or 40%, of the 525 companies had replaced the "earned surplus" terminology with terms deemed to be "more nearly connotative of the ideas which are sought to be expressed." Of these 211 companies, there were 138 (65%) which included the word "retained" and 172 (81%) that included the word "earnings" in formulating the 1950 balance sheet caption representing accumulated earnings at the balance sheet date.

Retained earnings captions in the balance sheet, as formulated by 124 of the 211 companies replacing "earned surplus" in the 1950 reports, are quoted below:

Earnings—(104 companies):

"Earnings Retained for Use in the Business" (*Nos. 32, 152, 213, 335, 466); "Earnings Retained in the Business" (*Nos. 8, 291, 409, 445, 470); "Retained Earnings" (*Nos. 210, 351, 354, 419, 427); "Earnings Retained and Used in the Business" (*No. 276). The foregoing captions were used by 38, 27, 14, and 6 companies, respectively.

Nine companies selected the following captions: "Accumulated Earnings Retained in the Business" (*No. 320); "Accumulated Earnings Retained for Use in the Business" (*No. 293); "Accumulated Retained Earnings" (*No. 198); "Accumulated Earnings Retained and Used in the Business" (*No. 397).

"Earnings Retained and in Use in the Business" (*No. 270); "Earnings Retained for Requirements of the Business" (*No. 424); "Net Earnings Retained for Use in the Business" (*No. 61); "Earnings Retained in the Business Since January 1, 1938 . . ." (*No. 467); "Earnings Retained and Employed in the Business" (*No. 85); "Earnings Since April 3, 1934, Retained and Employed in the Business" (*No. 421). The foregoing captions were used by a total of ten companies in the 1950 reports.

Income—(17 companies):

"Net Income Retained for Use in the Business" (*No. 273); "Income Retained in the Business" (*No. 514); "Net Income Retained in the Business" (*No. 432); "Income Retained for Use in the Business" (*No. 296); "Accumulated Income Retained for Use in the Business" (*No. 259); "Accumulated Net Income Retained For Use in the Business" (*No. 342).

Profit—(3 companies):

"Profits Retained in the Business" (*No. 279); "Profit Retained and Employed in the Business (since April 1, 1936)" (*No. 304); "Retained Profits Reinvested" (*No. 478).

Other terms:

Some of the captions contained additional descriptions or disclosures as follows:

"Earnings Retained in Business less Amounts Transferred to Capital Stock Account" (United Fruit Company); "Earnings Retained in the Business Since January 1, 1938, less $1,364,312 transferred to Stated Value of Preferred Stock in 1949" (Struthers Wells Corporation); "Undistributed Earnings Employed in the Business (Including $25,000,000 Appropriated as a Reserve for Contingencies)" (The Texas Company); "Consolidated Earnings Retained and Invested in the Business for General Purposes" (Pet Milk Company).

Examples of balance sheet captions for retained earnings which were introduced or closed by *earned surplus* are as follows:

"Earned Surplus (Earnings Retained for Use in the Business)"; "Earned Surplus (Earnings Retained in the Business)"; "Earned Surplus (Accumulated Earnings Employed in the Business)"; "Earned Surplus—Past Earnings Retained for Use in the Business"; "Earned Surplus—representing Earnings Reinvested in the Business, after Deducting All Dividends." (See Company Appendix Nos. 92, 461, 479, 344, and 495, respectively.)

"Earnings Employed in the Business (Earned Surplus)"; "Earnings Reinvested in the Business (Earned Surplus)"; "Earnings Retained for Use in the Business, less Amounts Capitalized in Prior Years as Stock Dividends (Earned Surplus)"; "Income Retained in the Business (Earned Surplus)"; "Net Income Retained for Use in the Business (Earned Surplus)"; "Profits Retained in the Business less Amounts Transferred to Capital Stock Account (Earned Surplus)." (See Company Appendix Nos. 247, 295, 466, 30, 225, and 457, respectively.)

TERMINOLOGY REPLACING "EARNED SURPLUS"

1950	1949	1948	1947	Terminology
175	134	64	32	Earnings
30	28	20	15	Income
6	6	7	5	Profits
211	168	91	52	
124	93	43	20	Retained
14	11	7	4	Retained and Invested
20	18	9	6	Employed
18	18	12	5	Reinvested
12	8	6	3	Invested
8	8	6	6	Accumulated
5	2	2	1	Used
10	10	6	7	Other terms
211	168	91	52	
				Number of Companies
211	168	91	52	Replacing "earned surplus"
314	357	434	473	Continuing "earned surplus"
525	525	525	525	
				Percent of Companies
40%	32%	17%	10%	Replacing "earned surplus"
60	68	83	90	Continuing "earned surplus"
100%	100%	100%	100%	

Titles for the Statement of Retained Earnings:

Examples of titles for the separate statement of retained earnings have been selected from the 1950 reports of the 525 companies and are set forth below. Attention is directed to the omission therein of additional words or phrases such as "consolidated," "comparative," and "condensed" which are included in the majority of statement titles. Titles are as follows:

"Accumulated Earnings Retained for Use in the Business"; "Statement of Accumulated Earnings Retained in the Business"; and "Statement of Accumulated Retained Earnings." (*See Company Appendix Nos.* 198, 329, 385, 473, 516.) "Earnings Reinvested or Retained in the Business"; "Earnings Retained and Employed in the Business." (*See Company Appendix Nos.* 85, 395.)

"Accumulated Earnings Employed in the Business"; "Statement of Earnings Employed in the Business."

* See Company Appendix Section.

(*See Company Appendix Nos.* 26, 57, 146, 205, 367, 371, 469). "Earnings Invested for Use in the Business"; "Statement of Earnings Reinvested in the Business." (*See Company Appendix Nos.* 214, 372.)

"Accumulated Income Retained for Use in the Business"; "Income Invested in the Business"; "Income Retained for Use in the Business"; "Statement of Income Retained in the Enterprise." (*See Company Appendix Nos.* 87, 97, 239, 259). "Statement of Net Income Retained in the Business (Earned Surplus)" (*See Company Appendix No.* 30).

"Statement of Profit Retained and Employed in the Business"; "Undivided Profits." (*See Company Appendix Nos.* 168, 304.)

"Statement of Earned Surplus"; "Statement of Earned Surplus from Operations"; "Summary of Earned Surplus"; and "Earned Surplus." (*See Company Appendix Nos.* 33, 66, 71, 83, 119, 169, 174, 184, 206, 226, 234, 244, 319, 348, 404, 426, 429, 434, 458, 464, 488, 497.)

Terminology Replacing "Capital Surplus"

In Accounting Research Bulletin No. 39, referred to above, the Subcommittee on Terminology recommended the discontinuance of the term *surplus* in accounting whether standing alone or in such combinations as capital surplus, paid-in surplus, or appraisal surplus. The Subcommittee proposed that the contributed portion of proprietary capital be indicated by terms such as "Capital contributed for shares in excess of par or stated value," "Capital assigned to shares in excess of par or stated value," or "Capital received other than for shares." The Subcommittee stated further that in so far as practicable, there should be an "indication of the extent to which the amounts have been appropriated or are restricted as to withdrawal."

The tables below indicate the trend in discontinuance of the term *surplus* to indicate such portion of proprietary capital by the 525 companies over a five-year period. In 1946, the term *surplus* was used in 96% of the cases with only 4% thereof using other terms to describe capital contributed for shares in excess of par or stated value. By 1950, however, the percentage of cases in which the term *surplus* was used had declined to 70% while the percentage of cases replacing the term had increased to 30%.

TERMINOLOGY REPLACING "CAPITAL SURPLUS"

1950	1949	1948	1947	1946	Caption
202	226	255	274	301	"Capital Surplus" (*Nos. 1, 28, 50, 60, 85, 190, 275, 288, 389)
58	57	65	71	82	"Paid-In Surplus" (*Nos. 46, 86, 203, 237, 339, 298, 430, 504)
4	4	6	5	4	"Capital Surplus (Paid In)" (*Nos. 67, 184, 262)
264	287	326	350	387	
111**	112	72	56	17	All captions replacing "surplus." (See examples below)
375	399	398	406	404	

* See Company Appendix section.

** CAPTIONS REPLACING "SURPLUS" IN 1950.

1950	Caption
25	"Additional Paid In Capital" (See Company Appendix Nos. 8, 88, 89, 228, 260, 278, 302, 303, 321)
6	"Capital in Excess of Par Value" (See Company Appendix Nos. 93, 306, 378, 460)
31	". . . in excess of par value . . ."
15	". . . in excess of stated value . . ."
10	". . . arising from . . ."
8	". . . paid in . . ."
16	Other caption variations
111	

Balance Sheet Captions Replacing "Capital Surplus":

Examples of captions in the balance sheet of various of the 525 companies which indicated capital contributed for shares in excess of par or stated value have been selected from the 1950 reports and include the following:

"Amount in Excess of Par Value"; "Amount Paid In for Shares in Excess of Par or Stated Value"; "Capital Paid In, in Excess of Par Value of Common Shares." (*See Company Appendix Nos.* 442, 325, 268.)

"Capital Contributed by Stockholders in Excess of Par Value of Securities"; "Capital Contributed for Stock in Excess of Par Value"; "Capital in Excess of Par and Stated Value of Issued Shares"; "Excess of Amounts Contributed for Common Stock Over Par Value"; "Investment in Excess of Par Value of Common Stock"; "Stockholders' Investment in Excess of Par Value." (*See Company Appendix Nos.* 116, 399, 251, 505, 357, 149.)

"Capital Contributed and Earnings Capitalized in Excess of Stated Value of Common Stock"; "Capital Contributed in Excess of Stated Value of Capital Stock"; "Capital—in Excess of Stated Amount"; "Investment in Excess of Stated Value of Common Stock." (*See Company Appendix Nos.* 439, 264, 276, 223.)

"Excess of Amount Received Over Stated Value"; "Excess of Proceeds Received from Sale of Treasury Shares over the Cost Thereof"; "Premium Received on Capital Stock in Excess of Par Value." (*See Company Appendix Nos.* 279, 296, 413.)

"Capital Arising from Conversion of Cumulative

Second Preferred Stock, Series A"; "Capital Resulting from a Reduction of the Amount Assigned to Common Shares"; "Conversions, Retirements and Premium on Stock Issues"; "Earnings Segregated by Stock Dividends and Gains on Distribution of Capital Stocks Acquired." (*See Company Appendix Nos.* 262, 250, 191, 282.)

"Additional Amounts Paid In"; "Balance of Paid In Capital"; "Other Capital"; "Other Contributed Capital"; "Paid In by Stockholders." (*See Company Appendix Nos.* 475, 507, 87, 9, 395.)

Titles for the Statement of Capital Surplus:

The effect of the balance sheet terminology for the contributed portion of proprietary capital can be seen in the titles for the separate statements of such capital as indicated in the following title examples selected from the 1950 report of the 525 companies:

"Additional Capital"; "Capital"; "Consolidated Statement of Sundry Capital Credits"; "Other Contributed Capital"; and, "Shareholders Capital." (*See Company Appendix Nos.* 9, 106, 216, 380, 408, 467, 503.)

"Additional Paid-In Capital"; "Consolidated Statement of Additional Paid-In Capital"; "Consolidated Statement of Other Paid-In Capital"; "Paid In"; "Paid In by Stockholders"; "Statement of Additional Paid-In Capital"; "Statement of Consolidated Additional Paid-In Capital"; "Summary of Additional Capital Paid in"; and, "Summary of Consolidated Additional Paid-In Capital." (*See Company Appendix Nos.* 8, 102, 111, 186, 228, 278, 291, 303, 395, 422, 432, 437.)

"Amount Paid the Company for Capital Stock in Excess of Par Value"; "Capital Contributed by Stockholders in Excess of Par Value of Capital Stock"; "Capital in Excess of Par Value of Capital Stock"; "Capital in Excess of Par Value of Shares"; and "Statement of Capital in Excess of Par Value." (*See Company Appendix Nos.* 93, 138, 213, 306, 466, 514.)

The following examples of titles for the separate statement of the contributed portion of proprietary capital include the use of the term *surplus:*

"Appreciation Surplus"; "Initial Surplus"; "Other Capital (Capital Surplus)." (*See Company Appendix Nos.* 12, 59, 401.)

"Capital (Paid-In) Surplus"; "Capital and Paid-In Surplus"; "Paid-In Surplus"; "Statement of Consolidated Paid-In Surplus." (*See Company Appendix Nos.* 170, 65, 67, 237.)

"Capital Surplus"; "Consolidated Capital Surplus Account"; "Statement of Capital Surplus." (*See Company Appendix Nos.* 25, 38, 74, 107, 288, 310, 361, 403, 418.)

FORM AND TERMINOLOGY OF THE CERTIFIED INCOME STATEMENT

Form of Certified Income Statement

Although the data set forth in the tabulation below discloses the predominant use of the "multiple-step" form of income statement by the 525 companies during the four-year period, it also discloses that the "single-step" form has gained considerable prominence during the same period.

The single-step pattern presents an arrangement of all income items first, followed by a listing of all costs, losses, and expenses including taxes, with no intervening balances in either group. The totals of the two groups are then deducted from each other to arrive at net income or loss for the year. The multiple-step form of income statement arranges the items of income and expense in a more conventional grouping and presents frequent intermediate balances before arriving at the figure of net income or loss for the year.

INCOME STATEMENT FORM

1950	1949	1948	1947	Form of Income Statement
293	305	335	357	Multiple-step. (*Nos. 12, 142, 149, 170, 180, 184, 199, 256, 288, 334, 375, 407, 444)
113	103	95	81	Single-step. (*Nos. 10, 24, 43, 127, 276, 397, 421)
51	49	45	42	Single-step with income tax shown separately. (*Nos. 96, 229, 259, 298, 314, 438)
19	17	11	16	Single-step with other items shown separately. (*Nos. 17, 49, 74, 106, 318, 494)
17	14	8	7	Single-step with income tax and other items shown separately. (*Nos. 112, 206, 251, 254, 514)
28	32	24	14	Abbreviated, gross profit first, or unclassified. (*Nos. 19, 86, 132, 220, 385, 443)
4	5	7	8	No income statement. (*Nos. 188, 238, 370, 386)
525	525	525	525	

* See Company Appendix section.

Terminology in Income Statements

Titles of income statements and the "Income" portion of combined income and retained earnings statements appearing in the 525 annual reports included in the 1951 survey have been tabulated into groups revolving around a key-word in the various titles in order that a trend factor in income title terminology might be disclosed.

The tabulation on the next page discloses a continued trend since 1946 toward the use of the key-words "income," "earnings," and "operations" and a corresponding trend away from "profit and loss." The table also shows that the word "income" has been the predominate word in income titles during each of the years 1946 through 1950.

TERMINOLOGY IN INCOME STATEMENTS

1950	1949	1948	1947	1946	Terminology
291	281	279	274	248	Income
120	141	158	190	215	Profit and loss
72	63	41	22	6	Earnings
26	20	20	11	4	Operations
6	5	5	4	0	Income and expense
0	4	7	8	4	Income and profit and loss
6	6	8	9	42	Other
4	5	7	7	6	No statements presented
525	525	525	525	525	

Examples of titles used by various of the 525 companies for the statement of income have been selected from the 1950 reports and are presented below. Attention is directed to the omission of additional descriptive title words such as "condensed," "comparative," "consolidated," etc., which words were included in many of the income statement titles as they appeared in the annual reports. Titles in the list which follows are arranged in accordance with the "key-word" frequency of use pattern indicated by the tabulation, "Terminology in Income Statements."

Income:

"Income"; "Income Account"; "Income Statement"; "Statement of Income"; "Statement of Net Income"; "Summary of Income"; and "Summary of Net Income." (*See Company Appendix Nos.:* 15, 21, 30, 32, 40, 45, 47, 50, 62, 65, 66, 68, 71, 80, 107, 118, 145, 151, 166, 169, 180, 193, 197, 205, 219, 257, 261, 273, 287, 325, 344, 346, 367, 371, 421, 440, 462, 463, 469, 480, 487, 512, 517.)

Profit and loss:

"Profit and Loss"; "Profit and Loss Account"; "Profit and Loss Statement"; "Statement of Profit and Loss"; "Summary of Net Profit"; "Summary of Profit"; and "Summary of Profit and Loss." (*See Company Appendix Nos.:* 12, 17, 33, 38, 46, 72, 74, 98, 110, 130, 135, 158, 159, 165, 184, 226, 232, 233, 254, 304, 322, 333, 358, 369, 373, 375, 380, 381, 389, 394, 412, 433, 450, 456, 458, 464, 477, 479, 506, 510, 516.)

Earnings:

"Earnings"; "Earnings Statement"; "Statement of Earnings"; and "Summary of Earnings." (*See Company Appendix Nos.:* 10, 57, 58, 93, 152, 186, 198, 207, 214, 228, 291, 297, 329, 335, 347, 365, 395, 397, 415, 484, 524.)

Operations:

"Operations"; "Results of Operations"; and "Statement of Operations." (*See Company Appendix Nos.:* 106, 121, 224, 241, 255, 306, 435, 437, 500, 514.)

Other:

"Income, Profit and Loss Statement," "Statement of Gross Profits and Net Earnings," "Statement of Income and Expense," and "Statement of Net Loss." (*See Company Appendix Nos.* 55, 132, 168, 303.)

CONSOLIDATION OF SUBSIDIARIES

The 1950 annual reports of the 525 companies continued to show the great variations in policies and practices that exist as to the consolidation of the operations of subsidiary companies. Only about one-third of the companies which indicated that they had domestic subsidiaries disclosed any details as to the policies followed in determining which of such subsidiaries were included in the consolidation and which were excluded. About one-half of the companies showing foreign subsidiaries made such disclosures.

Domestic Subsidiaries

The following tabulation summarizes the various bases stated or indicated as being determinative of consolidation policy in connection with domestic subsidiaries:

CONSOLIDATION POLICY—DOMESTIC SUBSIDIARIES

1950	1949	1948	1947	Consolidation of Domestic Subsidiaries
				POLICY STATED
65	69	84	79	Based on 100% ownership. (*Nos. 30, 162, 247, 314, 502)
8	7	6	6	Based on a stated percentage of ownership applicable to all domestic subsidiaries. (*Nos. 32, 49, 287, 399, 462)
0	3	3	3	Based on stated percentage of ownership quoted for individual subsidiaries
2	3	4	4	Based on stated percentage of ownership of domestic subsidiaries with homogeneous operations. (*No. 525)
1	1	1	1	Based on 100% ownership but subsidiary with restricted earnings excluded from consolidation. (*No. 442)
1	1	1	1	Only voting controlled domestic subsidiaries consolidated. (*No. 481)
35	33	35	37	All domestic subsidiaries consolidated. (*Nos. 9, 108, 272, 316, 457)
2	2	2	2	Only domestic sales subsidiaries consolidated. (*No. 156)
14	11	8	7	Non-homogeneous operations of domestic subsidiaries determined exclusion from consolidation. (*Nos. 13, 75, 432, 438)
6	6	4	3	Only insignificant domestic subsidiaries excluded from consolidation. (*Nos. 64, 393, 478)
				POLICY INDICATED
179	179	186	189	By inclusion of all domestic subsidiaries. (*Nos. 59, 166, 220, 365)
24	25	30	28	By exclusion of all domestic subsidiaries. (*Nos. 96, 195, 269, 310, 425)
				POLICY NEITHER STATED NOR INDICATED
44	44	37	38	Some domestic subsidiaries consolidated. (*Nos. 76, 144, 213, 311, 479)
381	384	401	398	Total—Companies indicating domestic subsidiaries
144	141	124	127	Total—Companies not indicating domestic subsidiaries
525	525	525	525	

* See Company Appendix Section.

Foreign Subsidiaries

The table below sets forth the stated or indicated consolidation policies with regard to foreign subsidiaries, as shown in the 1950 reports of the 525 companies:

CONSOLIDATION POLICY—FOREIGN SUBSIDIARIES

1950	1949	1948	1947	Consolidation of Foreign Subsidiaries
				POLICY STATED
25	23	20	14	Based on percentage of ownership. (*Nos. 187, 291, 481)
18	19	18	21	Based on geographical location. (*Nos. 4, 92, 519)
9	8	10	11	Based on percentage of ownership and geographical location. (*Nos. 225, 380, 410)
22	23	13	7	All foreign subsidiaries consolidated. (*Nos. 51, 163, 316)
2	2	3	3	Some foreign subsidiaries consolidated in income statement only. (*No. 315)
33	31	23	18	No foreign subsidiaries consolidated. (*Nos. 35, 136, 282, 472)
				POLICY INDICATED
50	49	51	54	By inclusion of all foreign subsidiaries. (*Nos. 50, 129, 190, 279, 434)
43	40	43	48	By exclusion of all foreign subsidiaries. (*Nos. 27, 88, 269, 334, 514)
				POLICY NEITHER STATED NOR INDICATED
12	13	13	11	Some foreign subsidiaries consolidated. (*Nos. 260, 346, 444)
214	208	194	187	Total Companies Indicating Foreign Subsidiaries
311	317	331	338	Total Companies Not Indicating Foreign Subsidiaries
525	525	525	525	

* See Company Appendix Section.

In those cases where information was furnished as to consolidation policies, the scope of such information and the manner of its disclosure varied materially from company to company. The more common types of such disclosures (illustrated by the examples which follow the discussion below) were:

Statement of Policy of Consolidation

Although numerous companies probably consolidated all of their subsidiaries without affirmatively stating that such is their policy, other companies do so state in their annual reports. Such disclosure is usually in the form of a simple statement that, "the consolidated financial statements include all subsidiary companies," as in the case of the Burlington Mills Corporation.

In those cases where some but not all of the subsidiaries were consolidated, the statement of the policy followed varied from a complete description thereof to a partial disclosure only. The Standard Oil Company of California states that "the accounts of all wholly owned subsidiaries are included in the consolidated financial statements." The test of inclusion may be percentage of stock ownership, for example, 50% in the case of United States Rubber Company; 90% in the case of National Cylinder Gas Company. In other cases a geographical test is applied, such as the exclusion of all foreign subsidiaries (Pittsburgh Plate Glass Company) or the inclusion of subsidiary companies operating in the Western Hemisphere (Gulf Oil Corporation). An example of the exclusion of a domestic subsidiary because of its non-homogeneous operations is contained in the report of Bell Aircraft Corporation, wherein it is stated that:

"The income of Erie Insurance Company, a new subsidiary added during the year, is not included in our sales and billings nor are its assets and liabilities included in the consolidated balance sheet. It is impractical to combine the results of operations of an insurance company, whose accounts are kept in a specialized manner as required by law, with those of industrial companies. Instead, the money we expended to form the company is carried as an investment."

Two subsidiaries were excluded by United Merchants and Manufacturers, Inc., which were "not considered significant." In some cases only certain stated subsidiaries were included in the consolidation (Crown Zellerbach Corporation and Follansbee Steel Company) and, in such instances, it is not always disclosed whether the named subsidiaries constitute all of the subsidiary companies. The Lambert Company in discussing "Principles of Consolidation" stated that:

"All subsidiaries are consolidated in the statement of income and accumulated earnings. Australian and New Zealand subsidiaries, and foreign branches and agencies are not consolidated in the statement of financial position. These principles have been consistently followed by the Company."

The disclosures of consolidation policies are usually set forth in the footnotes to the financial statements. However, they may be disclosed in the president's letter (Struthers Wells Corporation) and in the case of Interchemical Corporation, they were set forth in the "Table of Contents" of the annual report.

Balance Sheet Presentation

In the case of subsidiaries which are not wholly-owned, the interest of the minority stockholders in such subsidiaries was usually set forth in the balance sheet immediately above the stockholders' equity section. Standard Oil Company (Indiana), however, showed the interest of minority stockholders within the equity section directly below the heading of "Stockholders' Ownership." American Wringer Company, Inc., also set forth in the stockholders' equity section of its balance sheet the interest of minority stockholders and separately presented the minority interest in the capital stock and in the surplus of the subsidiary company.

Conversion of Foreign Currencies

Frequently included in stated principles of consolidation relating to foreign subsidiaries was additional information disclosing the policies followed or methods employed in the translation of amounts representing assets, liabilities, losses or earnings of such foreign subsidiaries into United States dollars. Typical examples of the more complete disclosures of such information are contained in the reports of Crown Zellerbach Corporation, Gulf Oil Corporation, Kimberly-Clark Corporation, and Remington Rand Inc.

Geographical Location of Foreign Subsidiaries

The following tabulation shows the geographical location of those foreign subsidiaries for which such information was disclosed in the 1950 reports, together with comparative data for 1947:

Foreign Subsidiaries Consolidated		Foreign Subsidiaries Not Consolidated		Geographical Location
1950	1947	1950	1947	
102	54	53	34	Canada
41	24	35	15	Western Hemisphere (excluding Canada)
18	10	58	39	England
6	5	28	20	Continental Europe
10	7	20	11	Far East, Middle East, and West Africa
12	2	21	15	Other locations
189	102	215	134	

Consolidation Examples

The following examples (which include those referred to in the above discussion) illustrate the nature of information disclosed concerning the consolidation of foreign and domestic subsidiaries, the scope of such information, and the method of disclosure.

AMERICAN WRINGER COMPANY, INC.
and Consolidated Subsidaries

"*Consolidated Balance Sheet:*

"Capital Stock and Surplus:	$...
Capital stock	
Minority interest in outstanding capital stock of subsidiary	59.00
Earned surplus	...
Paid-in surplus	...
Minority interest in surplus of subsidiary	$1,891.98"

"*To the Stockholders:* RESERVE FOR FOREIGN EXCHANGE. Since the Canadian Company was formed twenty-four years ago, the value of its assets and liabilities have been included in the Consolidated Balance Sheet, and Consolidated Profit and Loss Statement in Canadian dollars. The values in Canada have never been changed to represent fluctuations in value of Canadian dollars in terms of the United States dollar. During the period the Canadian Company has been in operation, the Canadian dollar has varied from a low of eighty United States cents to a high of one-dollar and three cents.

The Company buys its raw materials in Canada, and sells its finished product there. It receives payments for its goods in Canadian dollars and there is no occasion to transfer Canadian dollars to the United States except for the payment of dividends. All of the stock of the Canadian Company is owned by The American Wringer Company. During the year, the Canadian Government officially released control of the Canadian dollar and on the foreign exchange its value arose to ninety-five United States cents. If the working capital of the Canadian Company were valued at the 95¢ rate in effect December 31, 1950, the stated current assets on the balance sheet would be reduced by $13,393.24. There were no charges to this reserve account during the year, therefore, it has not changed."

BIGELOW-SANFORD CARPET COMPANY, INC., and Subsidiaries
Note 1: "The consolidated financial statements for 1950 include the wholly owned subsidiary companies, Bristol Mills, Inc., and Georgia Rug Mills, Inc., with the exception of the income account of Georgia Rug Mill, Inc., which was acquired on December 22, 1950."

THE BORDEN COMPANY and Consolidated Subsidiaries
Note 1: "BASIS OF CONSOLIDATION: The financial statements include all Canadian subsidiaries and all domestic subsidiaries except one whose operations are not integrated with those of the Company. The Company's share (approximately $1,350,000 for 1950, and $600,000 for 1949) in the net income of unconsolidated foreign and domestic subsidaries is included in the Statement of Consolidated Net Income only to the extent of dividends received (in 1950—$200,000; in 1949—none).

In consolidating the accounts of Canadian subsidiaries, current assets and liabilities were converted at exchange rates prevailing at the close of each year; other net assets were included at parity of exchange; and net income was converted, generally, at exchange rates prevailing at the close of each month."

BURLINGTON MILLS CORPORATION AND SUBSIDIARY COMPANIES
Consolidated Balance Sheet:
(Above "Stockholders' Equity"):

"MINORITY STOCKHOLDERS' INTEREST in subsidiary companies	$877,550"

Note A: "The consolidated financial statements include all subsidiary companies. To avoid delays in closing the accounts it is the Corporation's practice to include the accounts of foreign subsidiary companies to their respective closing dates on June 30 or July 31. In consolidation all intercompany items are eliminated.

The accompanying consolidated balance sheet includes net current assets approximating $1,580,000, other assets approximating $1,880,000, and long-term debt of $385,802 in locations outside of the United States, substantially all in the Western Hemisphere. The assets and liabilities and operations have been translated at appropriate rates of exchange, principally current rates. The consolidated operations of companies in foreign countries resulted in a net profit of $844,251 for the current fiscal period."

CROWN ZELLERBACH CORPORATION and Its Subsidiaries
"*Consolidated Balance Sheet:*
(Above "Capital"):

MINORITY INTEREST:	
Capital stocks of Pacific Mills, Limited, a subsidiary, in the hands of the public and proportionate interest in income retained in the business	$1,573,112"

Note 1: "PRINCIPLES OF CONSOLIDATION. The accompanying consolidated balance sheet and related statements of consolidated income, other capital and income retained in the business represent, as heretofore, the consolidation of the accounts of Crown Zellerbach Corporation and all of its subsidiaries, including Pacific Mills, Limited (approximately 95% owned) and its wholly owned subsidiaries, all Canadian companies.

The official selling rate of exchange in Canada remained at 1.105 Canadian dollars to one United States dollar until

October 2, 1950, when the Canadian government permitted unrestricted trading in its currency. On that date the free market rate approximated 1.05 Canadian dollars to one United States dollar. On September 30, 1950, the net current assets of Canadian subsidiaries were converted to a United States dollar basis at the approximate free market rate in lieu of the official rate and the adjustment of $570,313 has been credited to other income. Subsequently the net current assets of Canadian subsidiaries were reduced by $4,000,000 (Canadian) invested in the capital stock of Elk Falls Company Limited which investment is stated at parity in the consolidated balance sheet; the conversion adjustment of $190,476 in respect of this reduction of Canadian net current assets has also been credited to other income, bringing the total credit to $760,789 as shown in the accompanying statement of consolidated income.

The current assets and liabilities of the Canadian subsidiaries are included in the consolidated balance sheet converted at the approximate free market rate of $1.065 at April 30, 1951, and other items are included at parity of exchange.

The statement of consolidated income includes items of income and expense of Canadian subsidiaries at the official rate of exchange to September 30, 1950, and, subsequent thereto, at the approximate free market rate excepting charges for depreciation, amortization and depletion, which are included at parity of exchange.

The consolidated financial statements include, in respect of the Canadian subsidiaries after adjustment of exchange necessary to convert working capital to equivalent United States dollars:

Working capital	$ 6,353,118
Investments	4,017,400
Properties	19,008,899
Other capital	1,403,735
Income retained in the business	15,888,341
Net income	4,449,623

and during the fiscal year $1,443,181, less a Canadian withholding tax of $216,477, was received as dividends by Crown Zellerbach Corporation."

FOLLANSBEE STEEL CORPORATION

"*Consolidated Balance Sheet:*

(Above "Net Worth"):

MINORITY INTEREST IN SUBSIDIARY COMPANY..... $32,214"

Note A: "The consolidated financial statements include the accounts of Follansbee Steel Corporation, Federal Enameling & Stamping Company, a 99.4% owned subsidiary at December 31, 1950, Kovalchick Industries, Inc., and the inactive Sheet Metal Specialty Corporation, subsequently dissolved.

"Intercompany profits in inventories were negligible. Intercompany sales and other intercompany transactions have been eliminated in the consolidated financial statements."

GULF OIL CORPORATION

"*Supplementary Financial Information:*

PRINCIPLES OF CONSOLIDATION: Accounts of wholly owned subsidiary companies operating in the Western Hemisphere (including one company having substantial assets and revenues applicable to the Eastern Hemisphere) have been consolidated, with the exception of a Brazilian marketing subsidiary. The wholly owned subsidiaries operating in the Eastern Hemisphere and the Brazilian subsidiary which are not consolidated are carried in investments and long-term receivables as shown in the table on page 32.

In preparing the consolidated accounts, intercompany items and transactions among the companies consolidated have been eliminated. The difference between the investment of the Corporation in subsidiary companies consolidated, after minor adjustments, and the underlying net assets of the companies, represents their undistributed earnings since acquisition and is included in consolidated earnings employed in the business.

Transactions which were completed in foreign currencies have been converted to United States dollars as follows: net current assets—at official year-end rates; fixed assets—at rates current on dates of acquisition; reserves against fixed assets and the related provisions against income—on the basis of dollar value of the corresponding fixed assets; and operating income and expenses—at monthly average rates."

INTERCHEMICAL CORPORATION AND SUBSIDIARY COMPANIES

(Above "Capital Stock and Surplus"):

"SUBSIDIARY COMPANY MINORITY INTEREST...... $129,406"

Note to "Table of Contents: This report generally uses the terms "the Company" and "Interchemical" to refer to Interchemical Corporation and its subsidiary companies as a group. There are two active subsidiaries whose accounts are included in Interchemical's consolidated financial statements: The Ault & Wiborg Company (Far East), wholly owned, and Cotan Corporation, wholly owned by Cliftex Corporation (92% owned by Interchemical Corporation). Another active subsidiary, Interchemical Corporation de Mexico, S. A., is wholly owned but its accounts are not included in the consolidated financial statements.

Ownership of slightly less than one-half of the Common Stock of Ault & Wiborg Proprietary Limited, a Canadian company (not a subsidiary), is reflected as an investment in the Consolidated Balance Sheet."

KIMBERLY-CLARK CORPORATION

Note 1: "The Canadian subsidiaries' property, plant, and equipment, related reserves for depreciation, and long-term debt are included in the consolidated balance sheet at rates of exchange prevailing on the various dates of acquisition; the remaining assets and liabilities of such subsidiaries have been included at the free market rate of exchange at April 30, 1951. Items in Canadian currency included in the earnings summary, except provisions for depreciation, have been stated in United States dollars for the year ended April 30, 1951, at the average of official rates of exchange to September 30, 1950, and of free market rates thereafter; provisions for depreciation have been stated in United States dollars on the same basis as the related property.

The current assets, current liabilities, and earnings retained in the business of the Canadian subsidiaries included in the consolidated totals amounted to $10,625,896, $3,350,-136, and $3,107,000, respectively, at April 30, 1951. Canadian transactions involving foreign exchange are subject to Canadian Government control."

THE LAMBERT COMPANY and Subsidiaries

"*Consolidated Financial Position:*

(Below "Net Assets"):

EQUITY OF MINORITY STOCKHOLDERS IN SUBSIDIARY (Lambert Pharmacal Company—Note 7)........... $-0-"

Note 1: "PRINCIPLES OF CONSOLIDATION. All subsidiaries are consolidated in the statement of income and accumulated earnings. Australian and New Zealand subsidiaries, and foreign branches and agencies are not consolidated in the statement of financial position. These principles of consolidation have been consistently followed by the Company.

Assets and liabilities in foreign currencies are stated in United States dollars based on rates of exchange current at December 31, 1950, except as to a building, and machinery and equipment, which are stated on the basis of rates prevailing at the dates of acquisition. Income and deductions in foreign currencies are based on rates of exchange prevailing during 1950."

Note 7: "ACQUISITION OF SHARES OF SUBSIDIARY: The Company, in 1950, issued 28,250 shares of Common Stock, and paid $183,625 in cash, for the minority interest in Lambert Pharmacal Company. Such interest in the subsidiary was taken into the Company's accounts at $799,828, comprising the market value ($616,203) of the 28,250 shares of the Company's Common Stock at the time of the transaction, and the cash payment of $183,625. The sum of $62,715 was fixed as capital in respect of the shares issued and the remainder ($553,488) of their market value was allocated to "Additional capital from issued shares." The difference ($574,417) between the cost ($799,828) of the minority interest and its book value ($225,411) as at May 31, 1950 was deducted from "Accumulated earnings." This is consistent with the Company's practice of not including in the statement of consolidated financial position more than a nominal amount for intangible assets."

NATIONAL CYLINDER GAS COMPANY and Subsidiaries

"*Note 1:* BASIS OF CONSOLIDATION. Following the Company's established practice, these financial statements represent a consolidation of the accounts of the Parent Company—National Cylinder Gas Company (Delaware)—and of all domestic subsidiaries 90% or more of whose voting capital stock is owned by the Parent Company.

The accounts of one wholly owned subsidiary (Midwest Building Company, 840 North Michigan Avenue, Chicago, Illinois) which has not been consolidated in previous years is included in the financial statements for the year 1950.

The accounts of foreign companies, 90% or more owned by the Parent Company or consolidated subsidiaries, are not consolidated because their businesses are conducted outside of the United States (Canada and Latin America).

The financial interests in the unconsolidated companies—including Tube Turns, Inc., and Midwest Carbide Corporation, 50% of whose capital stocks are owned by National Cylinder Gas Company—are carried in the accompanying consolidated balance sheet as investments at cost.

The net earnings reported in the accompanying statement of consoliated earnings include net income of the nonconsolidated affiliated companies only to the extent of dividends received from such companies. In 1950 dividends of $1,081,420 were received from the domestic companies in this group, and the Company's share of 1950 earnings of those companies, 50% or more of whose capital stock is owned, was about $550,000 more than the dividends received from them. No dividends were received from the foreign subsidiary companies in 1950, but as a group they had a profit for the year.

Unrealized intercompany inventory profits were eliminated."

NATIONAL DAIRY PRODUCTS CORPORATION and Domestic Subsidiary Companies

"*Consolidated Balance Sheet:*
(Above "Capital Stock and Earned Surplus")
MINORITY INTEREST IN SUBSIDIARIES........... $336,819"

"*Notes to Consolidated Financial Statements:*
PRINCIPLES OF CONSOLIDATION: All domestic subsidiary companies have been included in consolidation in the financial statements, except a mutual insurance company and three minor companies in which latter companies a majority but not more than sixty per cent of the voting stock is owned. All foreign subsidiaries have been excluded from consolidation in the financial statements."

PARAMOUNT PICTURES CORPORATION

"*Consolidated Balance Sheet:*
(Above "Capital stock and surplus"):
INTEREST OF MINORITY STOCKHOLDERS IN CAPITAL AND SURPLUS OF SUBSIDIARY COMPANIES.................................. $8,185,890"

"*Notes to Consolidated Financial Statements:* BASIS OF CONSOLIDATION: Included in the consolidated financial statements are the accounts of all subsidiary companies wholly owned directly or indirectly by Paramount Pictures Corporation which operate in the United States and Canada, and Famous Players Canadian Corporation Limited in which the common stock is owned 67½% and subsidiaries of that company which are owned 90% or more. The accounts of Canadian subsidiary companies have been converted at 94¢ U. S. to the Canadian dollar, with the exception of fixed assets and related depreciation reserves and investments in capital stocks of affiliated Canadian companies, which have been converted at 90¢ U. S. to the Canadian dollar."

PATHÉ INDUSTRIES, INC. and Subsidiaries

Note 1: "PRINCIPLES OF CONSOLIDATION:

(a) All subsidiaries have been included in the consolidated financial statements, except as follows:
   1. Three subsidiaries in foreign countries, the investment in which is carried in the consolidated balance sheet at $7,154.64.
   2. The Van Sweringen Company (which is in the process of reorganization under Section 77B of the National Bankruptcy Act) the investment in which is carried in the consolidated balance sheet at $38,888.26.
   3. Two domestic subsidiaries with substantial capital deficits, the investment in which is carried in the consolidated balance sheet at no value.

   None of the foregoing subsidiary companies has previously been included in the consolidated financial statements.

(b) Except for certain inter-company profits included in the inventories, which profits cannot be readily determined and are believed to be insignificant in relation to the total current and working assets, all inter-company transactions have been eliminated from the consolidated financial statements.

(c) While all of the subsidiaries which have been included in the consolidated financial statements are wholly owned, it is not possible to show the respective interests of creditors in the assets because of restrictions on their disposition imposed by the loan agreements."

PITTSBURGH PLATE GLASS COMPANY and Subsidiaries

Note 1: "It is the practice of the Company to exclude from consolidation all foreign subsidiary companies and to include in consolidation all domestic subsidiary companies in which the percentage of ownership is more than 51%."

REMINGTON RAND INC. and Consolidated Subsidiaries

"*Consolidated Balance Sheets:*
(Above "Capital Stock and Surplus"):
MINORITY INTERESTS IN SUBSIDIARIES CONSOLIDATED................................ $546,373"

"*Notes to Financial Statements:* PRINCIPLES OF CONSOLIDATION:

(1) The consolidated statements for the year ended March 31, 1951, include the accounts of the Company and all its active wholly owned subsidiaries except those in France and Germany (exclusion continued pending stabilization of operations and economic conditions), and all its active majority-owned domestic subsidiaries. The accounts of a former partly owned subsidiary in Brazil which became wholly owned as of August 1, 1950, have been included in the consolidation since that date.

(2) The amounts for assets and liabilities of foreign branches and foreign subsidiaries consolidated were translated at rates (free, official or controlled) of exchange prevailing at March 31, 1951, except that (i) amounts for inventories and rental machines shipped from the United States, Canada or England have been included at the lower of manufacturing cost or

market, plus foreign freight and duty translated at such rates of exchange, and (ii) amounts for properties and applicable mortgages and notes payable were translated at approximate rates of exchange which prevailed at dates of acquisition. The profit and loss accounts of the foreign branches and subsidiaries were translated each month on the basis of the month-end rates of exchange.

The amounts for assets included in the financial statements with respect to foreign branches and subsidiaries are as follows:

	Net current assets	*Total assets less liabilities*
Western Hemisphere........	$ 7,249,384	$13,434,532
British Isles and Continental Europe..................	3,098,313	6,109,770
Other Foreign Countries....	1,960,233	2,717,072
Total.................	$12,307,930	$22,261,374

Undistributed earnings of foreign subsidiaries consolidated amounting to $8,270,582, included in consolidated earned surplus at March 31, 1951, may be subject to legal or exchange restrictions and, upon distribution as dividends, to foreign and domestic taxes not provided for in the accounts. During the year ended March 31, 1951, net profit of such subsidiaries and of foreign branches included in consolidated income exceeded by $2,457,621 the dividends and profit remittances received therefrom.

(3) Inter-company sales and unrealized profit arising from transactions among the Company and its subsidiaries consolidated have been eliminated."

STANDARD OIL COMPANY OF CALIFORNIA

Note 1: "PRINCIPLES OF CONSOLIDATION: The accounts of all wholly owned subsidiary companies are included in the consolidated financial statements. Items recorded in foreign currencies have been expressed in United States dollars as follows: Current and working assets and liabilities have been converted at rates of exchange in effect at the close of the year, and investments and fixed assets at rates in effect when acquired. Income, costs and expenses have been converted at average rates of exchange during the year, except depreciation, depletion and amortization which have been calculated on the United States dollar cost of properties. Unrealized profits or losses from conversion of items as described above are included in the statement of income."

STANDARD OIL COMPANY (Indiana)

"*Consolidated Balance Sheets:*

(Within Equity Section)

STOCKHOLDERS' OWNERSHIP:

Minority stockholders of subsidiaries....	$ 38,879,103
Standard Oil Company (Indiana) stockholders—	
Capital stock—15,284,772 shares issued—	
Par value at $25 per share..........	$ 382,119,309
Capital in excess of par value.......	114,035,423
Earnings retained and invested in the business..........................	669,562,973
Book value—Total...............	$1,165,717,705
Per share......................	$76.27

"*The Company and Its Subsidiaries:*

... This report also covers the affairs and accounts of our subsidiary companies."

STRUTHERS WELLS CORPORATION and Subsidiary

"*A Letter from the President:* ". . . SUBSIDIARY COMPANY: In order to facilitate doing business in States other than those in which Struthers Wells Corporation is qualified, a wholly owned subsidiary, the Titusville Boiler Company, was orgaized during the year. The accounts of this company, with a paid-in capital of $50,000, have been consolidated with the accounts of the parent Corporation."

SUN OIL COMPANY AND SUBSIDIARIES

"*Consolidated Statement of Earnings:*

UNDISTRIBUTED EARNINGS OF SUSQUEHANNA PIPE LINE COMPANY—November 30, 1950 .... $3,037,511"

"*Financial Notes:* As of November 30, 1950, Sun Oil Company acquired the Class A stock of Susquehanna Pipe Line Company, which with the Class B stock previously owned effected the complete ownership of this company. The Class B stock had been entitled to all earnings of the pipeline company in excess of the limited dividends payable on Class A stock. Accordingly, the Susquehanna Pipe Line Company has been included as a consolidated subsidiary of Sun Oil Company for the first time in 1950 and its accumulated earnings applicable to the shares previously held, amounting to $3,037,511, have been added to the Consolidated Earnings Employed in the Business. Earnings of the Susquehanna Pipe Line Company since the acquisition of the Class A stock have been included in the Consolidated Statement of Income."

UNITED STATES RUBBER COMPANY
and Subsidiary Companies

Consolidated Balance Sheet:

(Above "Capital Stock and Surplus"):

MINORITY INTERESTS IN SUBSIDIARIES .... $388,583"

"*Financial Notes:* PRINCIPLES OF CONSOLIDATION: It is the practice of the Company to include in the consolidated statements all subsidiary companies which are more than 50 per cent owned. An exception to this practice has been the reporting of the Sumatra plantations since their recovery in December, 1948, as an investment instead of fully consolidating the detailed statements. This has been done because of the instability of the Indonesian economy and the difficulty of properly evaluating their unique currency. Only two subsidiary companies are not wholly owned. They have minority interests valued at $388,583."

UNITED MERCHANTS AND MANUFACTURERS INC.
and Subsidiary Companies

"*Notes to Consolidated Financial Statements:*

PRINCIPLES OF CONSOLIDATION. It has been the practice of the Corporation to consolidate its accounts with those of its domestic and foreign subsidiaries, except two subsidiaries which are not considered significant; however, in the accompanying consolidated financial statements the accounts of the previously consolidated Argentine operating subsidiary, Sudamtex, Sociedad Anonima Textil Sudamericana, have been stated separately and excluded from consolidation because of the continuing stringent exchange restrictions imposed by Argentina, which are briefly referred to in Note A. The accounts of another Argentine subsidiary, which operates as a holding company, have been included in consolidation, as formerly, since most of its assets are not located within Argentina."

"*To our Stockholders and Employees:* ... Consolidated Surplus and Fixed Assets: The elimination of the Argentine operating subsidiary from the consolidation as of July 1, 1949 resulted in reductions in surplus of $7,598,590 and net fixed assets of $3,715,111. Consolidated surplus, after giving effect to the elimination of the Argentine operating subsidiary, increased by $6,539,705 during the year and now amounts to $75,748,-910; and net fixed assets increased by $2,081,486."

PITTSBURGH PLATE GLASS COMPANY AND SUBSIDIARIES

Condensed Statement of Financial Position

December 31, 1949 and 1950

THIS IS THE SHAREHOLDERS' INVESTMENT

	1950	1949
COMMON STOCK, 9,030,182 shares; held by 14,526 shareholders in 1950; 13,943 in 1949; $10.00 par value (includes capital contribution in excess of par value)	$ 95,857,195	$ 95,857,195
INCOME REINVESTED IN THE BUSINESS	105,527,613	89,840,453
TOTAL SHAREHOLDERS' INVESTMENT	$201,384,808	$185,697,648

THIS IS HOW IT IS USED IN THE BUSINESS

	1950	1949
WE HAVE AVAILABLE TO CONDUCT OUR CURRENT BUSINESS:		
Cash and marketable securities	$ 65,496,313	$ 53,279,782
Accounts receivable *(money owed to the Company)*	30,259,227	21,768,695
Inventories *(raw materials, finished products, etc., in stock)*	65,434,542	55,065,010
TOTAL	$161,190,082	$130,113,487
WE OWE:		
In unpaid bills for wages, materials, services, etc.	$ 22,545,437	$ 18,501,260
Taxes	45,379,602	26,945,504
TOTAL	$ 67,925,039	$ 45,446,764
AVAILABLE WORKING CAPITAL	$ 93,265,043	$ 84,666,723
INVESTMENTS IN DOMESTIC SUBSIDIARIES	3,891,601	3,891,601
INVESTMENTS IN FOREIGN SUBSIDIARIES	11,707,489	5,824,789
INVESTMENTS IN OTHER COMPANIES	2,124,219	2,588,410
PROPERTY—At cost, reduced by the cost of wear and exhaustion (depreciation) of these facilities	110,404,802	101,153,898
OTHER ASSETS	7,219,817	8,070,001
NET ASSETS	$228,612,971	$206,195,422
DEDUCT:		
Provision for probable future expenditures, appropriations for replacements and losses, undetermined liabilities, etc.	27,228,163	20,497,774
TOTAL USED IN THE BUSINESS	$201,384,808	$185,697,648

NOTE—*Reference is made to the notes to the financial statements appearing on Page Nineteen.*

UNCERTIFIED STATEMENTS

The various types of uncertified statements found in the 1950 reports are summarized in the following tabulation:

1950	Types of Uncertified Statements
381	INCOME STATEMENTS—including condensed, comparative, detailed and supplemental income statements. (See Company Appendix Nos. 25, 32, 64, 136, 199, 217, 249, 262, 297, 384, 444, 463, 484.)
95	BALANCE-SHEETS—including comparative and simplified balance-sheets. (See Company Appendix Nos. 32, 64, 85, 116, 125, 136, 199, 241, 264, 354, 444, 457.)
93	CHARTS showing distribution of sales dollar. (See Company Appendix Nos. 41, 87, 108, 138, 202, 271, 353, 426, 484.)
65	STATEMENTS OF FINANCIAL AND OPERATING DATA—including various comparative income, balance-sheet, and other financial and statistical data. (See Company Appendix Nos. 64, 75, 92, 108, 118, 125, 163, 173, 199, 217, 309, 313, 366.)
64	SOURCE AND DISPOSITION OF FUNDS STATEMENTS. (See Company Appendix Nos. 64, 107, 241, 271, 346, 442, 482.)
24	STATEMENT OF CHANGES IN WORKING CAPITAL. (See Company Appendix Nos. 56, 122, 139, 163, 363, 459.)
90	OTHER UNCERTIFIED STATEMENTS—including sales summaries and analyses, property account changes, payments of dividends and wages, statements of subsidiaries and various other financial and statistical charts and statements. (See Company Appendix Nos. 25, 80, 137, 329, 335, 353, 357, 395, 453, 460, 482.)
812	
	Number of Companies:
352	Presenting uncertified statements.
173	Not presenting uncertified statements.
525	

The following five uncertified statements have been reproduced as examples of such statements contained in the 1950 annual reports. (See Index to Exhibits following Table of Contents for page numbers.)

1. *Review in Brief—Our Operating Record.* (National Dairy Products Corporation.) This simplified statement presents the income statement in narrative form and compares the operations for 1950 with those for 1949.

2. *Condensed Statement of Financial Position.* (Pittsburgh Plate Glass Company.) This condensed presentation sets forth the shareholders' investment and how it is used in the business.

3. *Source and Disposition of Funds (Working Capital) During 1950.* (West Virginia Pulp and Paper Company.) This is a combined statement of the source and disposition of funds and change in working capital during 1950.

4. *Highlights of the Year's Operations.* (Bristol-Myers Co.) This statement shows comparative selected data for the years 1949 and 1950.

5. *Annual Report of Retirement Funds.* (Owens-Illinois Glass Company.) This statement contains comprehensive data concerning the company's retirement plan funds.

For further examples of the various types of uncertified statements contained in the 1950 annual reports to stockholders, see the above tabulation and the companies referred to therein.

SECTION II

BALANCE SHEET

CURRENT ASSETS—INTERESTING AND UNUSUAL ITEMS

Cash

Cash was usually shown as one item in the current asset section of the balance sheet. In numerous instances, however, the balance sheet description explains the source or nature of the funds classified as cash. In many cases there are parenthetical statements in the balance sheet caption explaining the existence of restrictions applicable to cash. In still other instances, the balance sheet presentation shows, as a group, a number of items of cash which, however, are individually set forth and described. The following examples, taken from the 1950 balance sheets, illustrate the above described presentations:

ANCHOR HOCKING GLASS CORPORATION
"Bank balances and cash funds............. $9,779,721"

THE CLEVELAND BUILDERS SUPPLY COMPANY
"Cash:

Demand deposits and cash on hand.........	$576,469.92
Savings accounts........................	48,753.27
	$625,223.19"

CORN PRODUCTS REFINING COMPANY
"Cash on hand, demand and time deposits.... $13,067,554"

DEVOE & RAYNOLDS COMPANY, INC.
"Cash.................................... $4,711,761"

WALT DISNEY PRODUCTIONS

"FUNDS ON DEPOSIT IN UNITED STATES BANKS AND ON HAND, including $11,582 and $8,655 special funds at respective dates...............	$254,496
FUNDS ON DEPOSIT IN CANADIAN AND AUSTRALIAN BANKS at current exchange rates............	1,131"

THE GENERAL TIRE & RUBBER COMPANY
"Bank balances and cash funds (Note A)..... $13,941,200"

Note A: "After November 30, 1950, $5,066,000 (net) was expended in the acquisition of Thomas S. Lee Enterprises, Inc., a radio broadcasting company. Of that amount $650,000 represents the investment of The General Tire & Rubber Company in the entire capital stock of Thomas S. Lee Enterprises, Inc., and $4,416,000 represents a long term advance (in addition to the $450,000 advanced to November 30, 1950) to the General Tire Pension Fund for acquisition by the Fund of the principal Lee buildings and real estate."

HIGGINS INCORPORATED
"Cash in banks and on hand (including $7,672.40, 1950 restricted to use on Government contract)...................... $337,255.80"

INGERSOLL-RAND COMPANY

"CASH..................................	$5,979,799
CASH RECEIVED AS ADVANCE PAYMENTS ON ORDERS................................	3,034,853"

LOEW'S INCORPORATED
"Cash (Note A).......................... $22,528,036
Note A: Includes $3,425,860 cash in foreign countries, of which $2,215,917 has since been received in the United States"

THE GLENN L. MARTIN COMPANY
"CASH (includes $392,652 restricted as to use).................................. $4,281,535"

PENNSYLVANIA COAL AND COKE CORPORATION
"Cash in Banks and Working Funds........ $133,818.31"

PHILLIPS PETROLEUM COMPANY
"Cash................................. $50,029,582"

STRUTHERS WELLS CORPORATION

"Cash in banks and on hand..................	$815,176
Certificates of deposit........................	500,000"

WESTERN AUTO SUPPLY COMPANY
"Cash on hand, in transit, and unrestricted demand deposits...................... $7,360,705.33"

In the balance sheet of Union Oil Company of California, U. S. Government securities were shown under "Cash Resources" as follows:

"Cash resources:

Cash in banks and on hand................	$32,895,602
U. S. Government and marketable securities, at cost which is below market............	394,162
	$33,289,764"

Special Deposits and Funds

A number of companies set forth separately in the balance sheet, cash deposits for certain stated purposes or amounts designated for payment of specific corporate liabilities. A few examples of such special deposits and funds are shown as follows:

THE AMERICAN TOBACCO COMPANY INCORPORATED

"Current Assets:	
Demand deposits in banks and cash on hand	$22,156,721
Cash on deposit with sinking fund trustees for redemption of debentures	560,073"

AMERICAN WRINGER COMPANY, INC.

"Current:	
Cash	$1,382,154.77
Less—reserved for sinking fund	98,323.47
	$1,283,831.30
SINKING FUND FOR DEBENTURE RETIREMENT:	
Cash in hands of trustee	439.14
Cash reserved for deposit with trustee	98,323.47
Total sinking fund assets	$ 98,762.61"

ANDERSON-PRICHARD OIL CORPORATION

"Current Assets:	
Cash	$1,262,117.70
Special deposits on letter of credit for material purchases	480,749.00"

KENNECOTT COPPER CORPORATION

"Current Assets:	
Cash	$ 65,551,300
Special Cash Funds and Deposits:	
Foreign currency set aside for construction purposes	35,115"

P. LORILLARD COMPANY

"Current Assets:	
Cash in banks and on hand	$5,933,736.34
Special deposits—contra	1,126,785.34
"Current Liabilities:	
Dividends, etc.—funds on deposit, contra	1,126,785.34"

THE UNITED STATES FINISHING COMPANY

"Current Assets:	
Cash in banks and on hand	$ 796,172.10
Cash deposited for payment of dividends on preferred stocks, see contra	47,969.50
"Current Liabilities:	
Dividends payable January 2, 1951, see contra:	
On $4.00 convertible preferred stock	45,572.00
On 7% cumulative preferred stock	2,397.50
	$ 47,969.50"

WHEELING STEEL CORPORATION

"Current assets:	
Cash in banks	$ 3,043,059
Special deposits for purchase of U. S. savings bonds for employees (per contra)	141,139
"Current liabilities:	
Collections from employees for purchase of U. S. savings bonds (per contra)	141,139"

Cash Advances

The following examples of cash advances shown in current assets have been taken from the 1950 reports:

THE AMALGAMATED SUGAR COMPANY

"Advanced processing and refining costs (1950 crop of beets)	$1,316,369.95"

THE AMERICAN METAL COMPANY, LIMITED

"Advances against ores and smelting materials	$ 2,387,926"

COLLINS & AIKMAN CORPORATION

"Advance payments with respect to purchase of raw materials	$ 311,743"

HIGGINS INCORPORATED

"Advances to suppliers	$ 15,401.69
Deposits with suppliers under a government contract	53,000.00
Miscellaneous deposits	15,325.68
Central American logging operations:	
Advances in cash and machinery to log contractors (Note 2)	221,193.83

Note 2: This amount represents cash and machinery advanced against future delivery of logs."

Accounts Receivable

Selected examples of installment receivables and other miscellaneous receivables which were shown separately from regular trade accounts are set forth below:

ARMSTRONG CORK COMPANY

"Accounts Receivable from Foreign Subsidiaries	$169,270"

BORG-WARNER CORPORATION

"Officers' and employees' traveling advances and accounts receivable	$114,704.33"

COLONIAL STORES INCORPORATED

"Amounts receivable under sales agreements for properties under construction	$966,680"

CRANE CO.

"Due from foreign subsidiaries not consolidated	$474,051"

KEYSTONE STEEL & WIRE COMPANY

"Notes and accounts receivable:	
Note due from subsidiary	$ 100,000
Accounts (including $308,721 due from subsidiaries)	2,284,230
	$2,384,230
Less: Allowances for doubtful accounts and discounts	58,582
	$2,325,648"

MACK TRUCKS, INC.

"Installments receivable (Note A)	$11,359,175"

Note A: Installments receivable, of which $4,463,633 are due subsequent to 1951, are secured by chattel mortgages, conditional sales agreements or leases."

METAL & THERMIT CORPORATION

"Employees' subscriptions to company's common stock (paid in full by January 31, 1951)	$132,135.00"

MINNEAPOLIS-HONEYWELL REGULATOR COMPANY

"Due from foreign subsidiaries not consolidated	$375,421"

NATIONAL LEAD COMPANY

"Notes receivable from employees	$277,755"

SEARS, ROEBUCK AND CO.

"Customers' installment accounts	$517,755,131
Less accounts sold to banks (less Company's equity therein)	360,896,829
	$156,858,302"

SHELL OIL COMPANY

"Owing by affiliated companies	$4,297,597"

Other Current Asset Items

AMERICAN CAR AND FOUNDRY COMPANY

"Accrued Unbilled Escalation Charges	$801,879.19"

AMERICAN WRITING PAPER CORPORATION
"Silver bullion.................................... $4,321.86"

THE ARUNDEL CORPORATION
"Advances to, and amounts due from, joint ventures (a portion of which will be collected after a year).................... $884,656.10"

THE ARUNDEL CORPORATION
"Repair parts and materials, etc., at cost or market whichever lower................ $269,163.63"

THE BABCOCK & WILCOX COMPANY
"Unbilled shipments and installations, at contract prices........................ $12,933,673"

BOTANY MILLS, INC.
"Due from factor—subject to immediate withdrawal................................ $695,866.41"

BRIGGS MANUFACTURING COMPANY
"Cost of dies, jigs and fixtures collectible from customers............................. $1,479,283"

GENERAL RAILWAY SIGNAL COMPANY
"Contract work in process unbilled—at estimated billing amount........................... $697,634"

LONE STAR CEMENT CORPORATION
"Amount to be received under contract of sale for railroad properties.................... $1,196,256"

REYNOLDS METALS COMPANY
"Claimable for duty drawbacks, insured casualty losses, reimbursement of expenditures for improvement of plant facilities, etc.; insurance deposits and premium refunds..... $1,354,319"

SAFEWAY STORES, INCORPORATED
"Amounts due from sale of properties (principally Company occupied)............... $4,108,623
Properties to be offered for sale within one year under the Company's real estate program, covered by purchase commitments......... 39,746,449"

THE STUDEBAKER CORPORATION
"Sight drafts outstanding............... $5,833,312.94"

MARKETABLE SECURITIES (CURRENT ASSETS)—BASIS OF VALUATION

The prevailing practice of valuing investments in marketable securities at "cost" continued to be reflected in the 1950 annual reports. The tabulation on this page sets forth detailed, comparative information on cost and other bases of valuation of such securities.

As shown by this tabulation, it is common where cost is used as the basis of valuation to show also the market value or refer to the relationship of market value to cost. Congoleum-Nairn Inc. presented such information as follows:

"U. S. Government and Municipal Securities—at cost less amortization.................. $4,272,340
(Market Value 1950—$4,263,444)"

Standard Oil Company (Indiana), in using cost as the basis of valuation, referred to market value, as shown below:

"U. S. Government and other marketable securities—at cost, which approximates market.............................. $78,220,135"

MARKETABLE SECURITIES

1950	1949	1948	1947	1946	Basis of Valuation
132	130	111	110	145	At cost—Market value not stated. (*Nos. 75, 102, 248, 326, 439, 495, 514.)
32	57	50	63	89	At cost—Market value stated above cost. (*Nos. 79, 156, 256, 382, 466, 472.)
29	16	28	28	17	At cost—Market value stated below cost. (*Nos. 20, 135, 226, 385.)
48	39	37	31	18	At cost—Approximating market. (*Nos. 31, 53, 101, 241).
7	10	10	9	0	At cost—Not in excess of market. (*Nos. 3, 362, 502.)
4	3	6	7	7	At cost—Less reserve. (*Nos. 64, 360.)
3	3	3	2	0	At or below cost. (*No. 174.)
14	18	19	18	18	At lower of cost or market. (*Nos. 115, 163, 483.)
5	8	8	8	4	At Redemption Value. (*Nos. 242, 413.)
3	4	6	4	3	At Market Value. (*No. 23.)
2	4	4	4	6	At Par or Face Value. (*No. 55.)
2	2	2	2	1	At approximate Market or Redemption Value. (*No. 380.)
281	294	284	286	308	Valuation Basis Stated.
79	71	64	61	78	Valuation Basis Not Stated.
360	365	348	347	386	
					Number of Companies:
340	340	310	310	370	Showing marketable securities.
185	185	215	215	155	Not showing marketable securities.
525	525	525	525	525	

* See Company Appendix Section.

In some cases different bases were shown for different classes of securities, as in the balance sheet of American Car and Foundry Company:

"Marketable Securities (less reserve) at Market Value........................ $1,780,696.00
U. S. Government Securities at cost....... 500,000.00"

Of the seventy-nine companies that did not disclose the specific basis of security valuation, 13 either disclosed current market value or made parenthetical reference to the relationship between carrying value and market. The Pepsi-Cola Company set forth such information in its balance-sheet as follows:

"United States and Canadian Government obligations (market value—1950, $4,761,526)................................ $4,769,442"

An example of the reference to the relationship between market and carrying value, where the basis of valuation was not disclosed, is contained in the balance sheet of the National Biscuit Company:

"U. S. Government securities.............. $34,145,000
(Approximately equal to amounts at market quotations)"

BASIS OF INVENTORY PRICING

General principles applicable to the pricing of inventories of mercantile and manufacturing enterprises were discussed in Accounting Research Bulletin No. 29 issued by the Committee on Accounting Procedure of the American Institute of Accountants in July, 1947. The Committee made a series of ten formal statements (see below) in this bulletin and stated in its introductory comments that:

"Whenever the operation of a business includes the ownership of a stock of goods, it is necessary for adequate financial accounting purposes that inventories be properly compiled periodically and recorded in the accounts. Such inventories are required for the statement of financial position and for the periodic measurement of income.

This bulletin deals with the general principles applicable to the pricing of inventories of mercantile and manufacturing enterprises. Its conclusions are not directed to or necessarily applicable to non-commercial businesses or to regulated utilities."

The ten formal statements included by the Committee in its bulletin No. 29 are quoted below, however, reference should be made to the complete bulletin for "discussion" information, not quoted herein, but which appears under each of the statements in the bulletin:

INVENTORY. "Statement 1: The term "inventory" is used herein to designate the aggregate of those items of tangible personal property which (1) are held for sale in the ordinary course of business, (2) are in the process of production for such sale, or (3) are to be currently consumed in the production of goods or services to be available for sale."

ACCOUNTING OBJECTIVE. "Statement 2: A major objective of accounting for inventories is the proper determination of income through the process of matching appropriate costs against revenues."

COST. "Statement 3: The primary basis of accounting for inventories is cost, which has been defined generally as the price paid or consideration given to acquire an asset. As applied to inventories cost means in principle the sum of the applicable expenditures and charges directly or indirectly incurred in bringing an article to its existing condition and location."

COST DETERMINATION. "Statement 4: Cost for inventory purposes may be determined under any one of several assumptions as to the flow of cost factors (such as "first-in first-out," "average," and "last-in first-out"); the major objective in selecting a method should be to choose the one which, under the circumstances, most clearly reflects periodic income."

DEPARTURE FROM COST. "Statement 5: A departure from the cost basis of pricing the inventory is required when the usefulness of the goods is no longer as great as its cost. Where there is evidence that the utility of goods, in their disposal in the ordinary course of business, will be less than cost, whether due to physical deterioration, obsolescence, change in price levels, or other causes, the difference should be recognized as a loss of the current period. This is generally accomplished by stating such goods at a lower level commonly designated as "market."

MARKET: "Statement 6: As used in the phrase "lower of cost or market,"[4] the term "market" means current replacement cost (by purchase or by reproduction, as the case may be) except that:

(1) Market *should not exceed* the net realizable value (i.e., estimated selling price in the ordinary course of business less reasonably predictable costs of completion and disposal) and

(2) Market *should not be less than* net realizable value reduced by an allowance for an approximately normal profit margin."

RULE OF LOWER OF COST OR MARKET. "Statement 7: Depending on the character and composition of the inventory, the rule of "cost or market, whichever is lower" may properly be applied either directly to each item or to the total of the inventory (or, in some cases, to the total of the components of each major category). The method should be that which most clearly reflects periodic income."

CONSISTENT APPLICATION. "Statement 8: The basis of stating inventories must be consistently applied and should be disclosed in the financial statements; whenever a significant change is made therein, there should be disclosure of the nature of the change and, if material, the effect on income."

ABOVE COST. "Statement 9: Only in exceptional cases may inventories properly be stated above cost. For example, precious metals having a fixed monetary value with no substantial cost of marketing may be stated at such monetary value; any other exceptions must be justifiable by inability to determine appropriate approximate costs, immediate marketability at quoted market price, and the characteristic of unit interchangeability. Where goods are stated above cost this fact should be fully disclosed."

LOSS ON PURCHASE COMMITMENTS: "Statement 10: Accrued net losses on firm purchase commitments of goods for inventory, measured in the same way as are inventory losses, should be recognized in the accounts. The amounts thereof should, if material, be separately disclosed in the income statement."

Inventory Pricing

Valuation of inventories at the "lower of cost or market" continues to be the prevailing basis of pricing inventories by the 525 companies in the survey as shown by the tabulation set forth hereinbelow. The table shows that of the 677 bases of pricing inventories disclosed by the 525 companies in 1950; 419, or 62% were the "lower of cost or market"; 140, or 21%, "cost"; and the remainder, 118, or 17%, were other bases, including "market," "less than market," "contract or sales price," etc. The majority of companies maintained a policy of disclosure as to the basis of pricing inventories and only a small minority, 16 in number, did not do so.

The following are typical of the disclosures made in the 1950 reports of the 525 companies relating to the basis or bases used in pricing inventories:

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION

"Inventories of goods of the Corporation's own manufacture and of principal raw materials and supplies aggregating $17,400,000 at December 31, 1950 were priced at cost (not in excess of market) on a "last-in, first-out" basis which was first applied effective January 1, 1941. The Corporation, as permitted by the Internal Revenue Code in determining Federal income taxes, has included replacements of certain items involuntarily liquidated during World War II in these inventories at the cost of the items which were liquidated.

The remainder of the inventories aggregating $31,646,000 at December 31, 1950 were priced at cost or market, which-

BRISTOL-MYERS COMPANY

630 Fifth Avenue, New York 20, New York

HIGHLIGHTS OF THE YEAR'S OPERATIONS

	1949	1950
VOLUME OF BUSINESS		
Sales	$42,777,942	$52,266,448
PROFITS AND TAXES		
Profits before Federal Income Taxes	4,302,428	8,208,208
Less Provision for Federal Income Taxes	1,587,817	3,803,640
Net Profit for the Year	2,714,611	4,404,568
Net Profit per Common Share	1.78	3.01
Ratio of Federal Income Taxes to Profits	37%	46%
DIVIDENDS		
Dividends on Preferred Stock	258,014	251,675
Dividends on Common Stock	2,209,849	2,210,638
Dividends Per Common Share	1.60	1.60
WORKING CAPITAL		
Cash and Marketable Securities	11,430,223	10,642,267
Other Current Assets	11,209,398	13,392,112
Total Current Assets	22,639,621	24,034,379
Current Liabilities	2,173,119	3,542,476
Net Working Capital	20,466,502	20,491,903
Current Assets x Current Liabilities	10.4	6.8

ever is lower, cost being determined in part on a "first-in, first-out" basis and in part on an average cost basis."

BOND STORES, INCORPORATED
"*Note A:* Merchandise inventories are stated at or below the lower of cost (prime cost as to goods manufactured by the Corporation, retail inventory method as to furnishings and invoice cost as to other merchandise, substantially on the "first-in, first-out" basis) or replacement market. These methods for pricing the merchandise inventories are consistent with the practice of prior years."

THE HALOID COMPANY
"*Note A:* Inventories of finished goods and work in process are priced at the lower of cost or market on an average cost basis; inventories of raw materials and supplies are priced at the lower of cost or market on the first-in, first-out basis, except the silver nitrate inventory (included as $60,-626.09) which is priced on the last-in, first-out basis.

Included in inventories are photocopy and xerographic machines and machine parts as follows:

Finished goods	$244,271.94
Raw materials	260,701.42
Total	$504,973.36

The inventory of machines includes machines loaned or leased to purchasers of sensitized paper, but the Company believes that these machines are all salable."

LILY-TULIP CUP CORPORATION
"*Note A*—The merchandise inventories are stated at the lower of (1) average cost, which is lower than replacement cost after allowance for any decline in current market price of basic commodities, or (2) current selling prices on close-out or slow moving merchandise less allowance for selling expenses and a margin of profit. Cost of goods sold for the current year has been determined on the basis of merchandise inventories established as herein outlined."

MELVILLE SHOE CORPORATION
"*Inventories:* Inventories have been determined on the basis of physical inventories taken principally during the latter part of the year and adjusted to the end of the year. A substantial part of the physical inventories was observed by the Companies' independent public accountants who also tested the inventory prices and computations. The Companies continued the policy of determining inventories by the elective method ("last-in, first-out") provided for in the Revenue Act of 1939 except as to approximately $1,937,000 at December 31, 1950 and $1,871,000 at December 31, 1949 stated at the lower of cost or replacement market (cost being computed principally on the basis of current average by classes, with some materials on the basis of specific invoice cost)."

OTIS ELEVATOR COMPANY
"*Note 1: Inventories:* Priced as follows: Specific items of raw materials at lowest of standard cost, actual cost or replacement market; work in process and finished parts at standard cost of labor, factory overhead, and material adjusted to market price of basic component materials."

UNITED MERCHANTS AND MANUFACTURERS, INC.
"*Note B:* The merchandise inventories are stated by groups or classes of merchandise substantially at the lowest of (1) average cost, (2) replacement market or (3) selling market after deducting for selling expenses and profits. Merchandise stated at cost on the last-in, first-out basis aggregated $704,-832, which is less than market replacement value. Intercompany profits on goods in inventories have been eliminated."

INVENTORIES

1950	1949	1948	1947	1946	Basis of Pricing
419	423	446	437	428	Lower of cost or market. (*Nos. 82, 127, 175, 201, 272, 307, 355, 408, 470, 488).
140	124	112	113	111	Cost. (*Nos. 35, 126, 168, 221 309, 359, 434, 474, 511).
40	37	37	37	37	Cost or less—Market not mentioned. (*Nos. 70, 73, 133, 247, 316, 393).
9	11	11	11	11	Cost or less—Not in excess of market. (*Nos. 113, 484).
2	2	3	3	3	Cost or less—Not above replacement cost. (*No. 23.)
10	8	8	9	11	Cost—Not above amount realizable (estimated). (*Nos. 106, 235, 268, 430, 484).
17	18	20	19	23	Market. (*Nos. 119, 140, 184, 397, 451).
16	16	17	17	13	Less than market—Cost not mentioned. (*Nos. 49, 64, 166, 236).
6	7	11	10	14	Less than the lower of cost or market. (*Nos. 227, 338).
7	7	6	6	7	Contract or sales price. (*Nos. 165, 248, 498).
11	18	8	8	14	Miscellaneous. (*Nos. 50, 73, 207, 326).
677	671	679	670	672	
					Number of Companies
509	511	509	506	508	Disclosing pricing basis
16	14	16	19	17	Not disclosing pricing basis
525	525	525	525	525	

* See Company Appendix Section.

The following group includes companies which used more than one basis in pricing their different classes of inventories at the close of the year:

ALLIED STORES CORPORATION
"*Note:* The amounts for inventories of merchandise on hand at January 31, 1951 were generally stated on the basis of cost or market, whichever is lower, as determined by the retail inventory method, net of discounts; using, as to certain inventories, the last-in, first-out (lifo) method based on published indexes of price changes since January 31, 1941, or the later date on which the method was adopted. The inventories based on the last-in, first-out principle are stated at $5,415,983 less than if the principle had not been followed. During the year the method was extended so that merchandise inventories of certain departments of all the stores are now carried on the last-in, first-out method, the change having no significant effect upon the net earnings for the year."

AMERICAN MAIZE-PRODUCTS COMPANY
"*Note A:* Raw materials, goods in process and finished stock are stated at cost which is lower than market. The cost of corn and corn content of these inventories is based on the last-in, first-out method adopted in 1939. The valuation of such inventories was substantially less than the replacement cost at December 31, 1950. Stores and supplies are stated at the lower of cost or market."

BOTANY MILLS, INC.
"*Note (1):* Inventories at December 31, 1950 were priced at the "lower of cost or market" values, except that certain materials used in the manufacture of hand knitting yarns were valued at January 1, 1950 cost prices. This method of inventory valuation resulted in a reduction of $145,926.00 from the "lower of cost or market" basis, reducing the net income for the year by that amount. Although this amount was charged against 1950 operations, it was not deducted for income tax purposes."

GULF OIL CORPORATION
"Inventories of crude and refined oils are valued at average cost applied on the "last-in, first-out" basis (excluding inter-division and intercompany profit) which in the aggregate is lower than market value. Tires, tubes, batteries and accessories with minor exceptions are valued at average cost applied on the "last-in, first-out" basis. Materials and supplies are valued at cost or less, depending on the condition of the items."

HAMILTON WATCH COMPANY
"*Note:* The inventories are priced at cost or market, whichever the lower. In determining cost the individual items are priced at standard cost and the aggregate of such costs is adjusted at the end of the year to actual cost. Under the procedure followed, effect is given to the first-in, first-out method of determining cost."

INTERNATIONAL PAPER COMPANY
"Inventories of finished products, raw materials and fuel at December 31, 1950 generally were priced as follows: Quantities on hand at December 31, 1950 to the extent of quantities on hand at the beginning of the year were priced at the December 31, 1949 book cost or at the market value at December 31, 1950, whichever was lower. Quantities on hand at December 31, 1950 in excess of those on hand at the beginning of the year were priced at cost for 1950 or at market value at December 31, 1950, whichever was lower. The same policy has been followed in each of the years since December 31, 1936 and is based generally on the "last-in, first-out" theory of inventory valuation.

Inventories of repair materials and other operating supplies generally were priced at cost (first-in, first-out or average) or market value at December 31, 1950 whichever was lower.

Inventories of foreign subsidiaries are stated at their U.S. dollar equivalent."

LOCKHEED AIRCRAFT CORPORATION
"Inventories of materials and spare parts are based on perpetual inventory records, which are adjusted to reflect the results of inventory counts taken systematically during each year, and are priced at average cost, which, in the aggregate, is substantially at or below market value. Inventories of work in process, in addition to material, labor and overhead, include tooling and engineering costs applicable to models in process of production. It is the policy of the Company that as deliveries under fixed-price and incentive contracts are made, a proportionate part of the estimated total profit for the contract or program is taken into income on the basis of the relationship which aggregates sales to date bear to the estimated total sales of all airplanes under the contract or program."

A. E. STALEY MANUFACTURING COMPANY
"*Note A:* Inventories at December 31, 1950, were priced on the basis of the lower of cost or replacement market. In pricing inventories of finished products and products in process in the amount of $2,487,467 and of corn and soybeans in the amount of $17,544,942 at December 31, 1950, the Company has followed for accounting and income tax purposes the last-in, first-out method of determining cost instead of the methods previously used. This change had the effect of decreasing the inventory amounts at December 31, 1950, by $1,842,000 and net profit for the year then ended by $1,011,000. Other finished products and products in process were priced, as in prior years, at cost determined generally by the first-in, first-out method."

WESTINGHOUSE ELECTRIC CORPORATION
"Physical count of substantially all inventories was made during 1950. The majority of the inventories are valued (before deduction of valuation reserves) at standard material, labor and indirect manufacturing cost, with minority at actual cost.

As of December 31, 1950, the standard values in effect are based generally on material prices paid and current labor and other costs. Inactive and obsolete materials are carried at estimated realizable values. Where adjustments are necessary to reduce inventories to replacement market they are made.

In determining costs applicable to products sold, standard cost is applied to a majority of the items; to a minority actual cost is applied. Variance from standards is included in costs at the time of purchase or production. Any difference shown by physical count of inventory is the basis of an appropriate adjustment to costs."

The following explanations of inventory pricing bases were submitted by companies using the more unusual methods:

ANDERSON, CLAYTON & CO.
"*Note (3):* Inventories consist principally of cotton which is valued for U. S. growths at the market price quoted as of July 31, 1950 on the New York Cotton Exchange for October futures and for foreign growths on the basis of world market, with adjustments for the various growths and qualities, and allowances for freight, compression, carrying charges and other items.

Valuations of other inventories are as follows: finished products on the basis of market after deducting allowances for selling costs and other items; growing crops and work in process at cost; raw material at the lower of cost or market; and supplies at cost or less."

THE AUTOCAR COMPANY
Balance Sheet

"Current Assets:	
Inventories, including supplies, at cost or market, whichever the lower (Note J)	$9,018,737
Other Assets:	
Inventories in excess of one year's expected requirements at estimated realizable value	629,547"

ELECTRIC BOAT COMPANY
Balance Sheet

"Current Assets:	
Inventories—	
Expenditures and estimated profits on ship and aircraft contracts in process, less billings	$2,505,416
Other work in process, less billings, and materials and supplies at lower of cost or market	4,405,280"

FRUEHAUF TRAILER COMPANY
Balance Sheet

"Current Assets:	
Inventories— at lower of cost (first-in, first-out method) or market:	
New trailers	$3,818,434
Production and service parts, work in process, and raw materials	26,934,292
Used trailers—at appraised values, less estimated disposal costs	1,526,715"

Examples of inventory pricing basis disclosure, which included an explanation or definition of the term "market" as used in the company's pricing basis for valuation of inventories in 1950, are as follows:

BALDWIN-LIMA-HAMILTON CORPORATION
"*Note (3):* Inventories of raw materials and bulk supplies are priced at the lower of average cost or replacement market.

Miscellaneous materials and parts and sundry supplies (upon a first-in first-out basis) and work in process and finished products (upon the basis of specific items) are priced at cost or less. A large part of the inventory at December 31, 1950, was covered by sales orders at prices in excess of inventory value, the remainder being valued conservatively in the opinion of the management by the provision of reserves considered adequate for obsolescence or other deficiency."

BELDING HEMINWAY COMPANY, INC.
"*Note A:* Merchandise inventories as at December 31, 1950 are stated at the lower of cost (as outlined below) or market, representing replacement market after making allowance for any significant decline in prices of basic commodities, or selling market after making allowance for estimated selling expense and normal margin of profit.

(a) Cost of raw yarns and raw yarns in process, amounting to 28% of the inventories, is determined on the basis of last-in, first-out.

(b) Cost of finished threads, finished piece goods, and greige goods, amounting to 66% of the inventories, is determined essentially on the basis of last-in, first-out computed on a monthly basis.

(c) Other items, principally labor and overhead on in-process inventories, represent average cost."

BLAW-KNOX COMPANY
"*Supplementary Financial Information:* Inventories are valued at the lower of cost or market prices for each commodity, product or contract. Cost represents average costs, first-in, first-out costs, and latest standard costs as computed under the cost systems in use, depending on the particular class of inventories. Market prices for raw materials and supplies are replacement prices, and market prices for work in process and finished products are selling prices less estimated expenses of delivery.
Inventories do not include interdivision or intercompany profit.
Sales and related cost of products and services sold are recorded on the basis of completed units of contracts."

INTERNATIONAL HARVESTER COMPANY
"*Note 1:* Inventories and cost of goods sold and other operating charges: Inventories were adjusted on a consistent basis to the lower of cost or market, market having been considered generally as replacement values; such replacement values with respect to labor and overhead were based on estimated normal operating conditions. Cost of goods sold was computed generally on a "first-in, first-out" basis."

McKESSON & ROBBINS, INCORPORATED
"*Note 2:* The opening and closing inventories, reflected in cost of goods sold in the accompanying consolidated statement of income for the year ended June 30, 1950, were determined by actual count by employees of the Companies and are priced, after adequate provision for slow moving and obsolete merchandise, at the lower of cost, representing invoice cost on a first-in, first-out basis, or market based on current replacement cost. The examination of these inventories by . . . [public accountants] . . . . included a general review of inventory-taking procedure and test checks of physical quantities, prices and mathematical accuracy thereof.
The inventories in bonded warehouses are exclusive of duty and/or excise taxes which must be paid to obtain the release thereof.
The inventories include whiskey, which is aging in storage, valued at approximately $12,509,000."

PITTSBURGH STEEL COMPANY
"Supplementary Financial Information: The basis of valuing inventories is cost or market, whichever is the lower. With minor exceptions, cost is represented by average cost. Market is considered to be quoted prices or replacement market on individual commodities in the case of raw materials and supplies, and the average net selling price of each class of commodity in the case of semifinished and finished products, without making any allowance for selling and administrative expenses. The method of computing cost of goods sold is average cost."

INVENTORY COST DETERMINATION METHODS

The following tabulation of methods used in the determination of inventory cost discloses that a marked increase in the use of the last-in, first-out method of cost determination occurred in 1950, and for the first time in the five-year period, such method of cost determination was used more often than any other method. Prior to 1950, average cost was most frequently used, with first-in, first-out and last-in, first-out alternating in second and third place during the years 1946 through 1949. The above three methods continued in 1950 to account for the great majority (348 out of a total of 421 instances) of the inventory cost determination methods used as disclosed in the 525 reports.

INVENTORY COST

1950	1949	1948	1947	1946	Method of Cost Determination
124	89	91	86	79	Last-in, First-out. (See "LIFO" Costing by Industrial Groups.)
119	113	110	107	100	Average cost. (*Nos. 81, 190, 314, 418.)
105	96	87	92	102	First-in, First-out. (*Nos. 93, 127, 271, 360, 363, 407, 435.)
22	25	26	24	23	Standard cost. (*Nos. 60, 197, 374, 486.)
12	9	6	3	3	Retail—LIFO. (See Last-in, First-out above.)
10	12	6	5	5	Retail. (*Nos. 13, 296.)
4	5	6	4	4	Retail—FIFO. (*No. 90.)
5	7	6	6	6	Base stock. (*Nos. 198, 338.)
7	7	8	7	0	Actual cost. (*Nos. 398, 402, 447.)
7	9	10	9	0	Invoice cost. (*Nos. 305, 388.)
4	4	5	3	0	Estimated cost. (*No. 227.)
2	2	2	1	0	Production value; and Market plus manufacturing cost (*Nos. 379, 413.)
421	378	363	347	322	Total
					Number of companies:
222	207	226	237	234	Disclosing cost method
303	318	299	288	291	Not disclosing cost method
525	525	525	525	525	

* See Company Appendix Section.

Initial disclosures relating to inventory cost determination methods were made by 21 of the 222 companies in 1950 while eight of the 207 companies disclosing such information in 1949 did not do so in 1950. (See Company Appendix Nos. 10, 109, 137, 230, 303, 435, 517, and Nos. 111, 125, 308, 432, respectively.

The degree of disclosure in the 1950 annual reports relating to methods of inventory cost determination ranged from a brief parenthetical reference in the balance sheet to an explanation set forth in footnotes to the financial statements, or a discussion in the letter to the stockholders.

Representative examples selected from 1950 reports which showed information pertaining to the cost method employed and which were included as footnotes to the financial statements are as follows:

CRADDOCK-TERRY SHOE CORPORATION
"*Note C*—Finished stock is priced at the lower of cost or market values, after the elimination of factory gains applicable to unsold shoes, with further allowance for discontinued patterns and damaged, slow-moving and obsolete items; goods in process are priced at estimated production cost; and raw materials are valued at invoice prices reduced by applicable discounts. . ."

CORN PRODUCTS REFINING COMPANY
"INVENTORIES: *Note 1:* Raw material, finished and in process goods are priced at cost on the basis of first in—first out. The companies use the normal base stock inventory method with respect to corn, finished and in process goods manufactured from corn. This was effected by establishing normal stock requirements at fixed prices based upon the lowest monthly cost of corn which has prevailed since the inception of the method, and a reserve has been provided to reduce the established normal base stock inventory quantities of corn to the fixed base price. Manufacturing and mechanical supplies are priced at the lower of cost or market."

GENERAL ELECTRIC COMPANY
"*Note 6:* Inventories were verified by physical count during the latter part of the year. They were carried in accordance with long established practice, at the lower of cost (exclusive of certain indirect manufacturing expenses) or market values of individual items or groups of items on a "first-in, first-out" basis, less reserves which (a) make provision for possible losses on inactive and excess stocks; (b) have the effect of accounting for the inventory of copper substantially in accordance with the base stock principle; and (c) eliminate unrealized intercompany profits."

HAZEL-ATLAS GLASS COMPANY
"*Note:* The inventories of raw materials, supplies, and work in process are valued at average cost, not in excess of prevailing market. Finished products are valued in part at approximate cost, and in part at prices ascertained by deducting certain percentages from the lowest selling prices in group classifications. The foregoing basis of valuation is consistent with that used in the preceding year. Cost of products sold is determined on the inventory basis, i.e., actual operating costs incurred adjusted by physical inventories valued as stated above."

THE OHIO OIL COMPANY
"*Note*—Inventories of crude oil are included at accumulated average price per barrel based upon cost of oil purchased and posted price of oil produced; quantities at refineries are priced at market at date of transfer to refineries. Refined products are priced at approximate cost to refineries, and materials and supplies are priced at or below cost. The amounts included for inventories, in the aggregate, did not exceed market."

J. C. PENNEY COMPANY
"*Notes:* Inventories are stated at the lower of cost or market determined as follows:
Merchandise in stores—lower of cost or market determined by the retail method. Stocks in warehouses and with manufacturers, including raw materials shipped to manufacturers—cost determined by the first-in first-out method and market on the basis of replacement cost."

THE RUBEROID CO.
"*Note 6:* Inventories: . . . . Inventories are valued at the lower of cost or market. Cost or market, as it applies to individual products of (a) finished products and products in process of manufacture, represents approximate cost based on standard costs or net selling prices, and (b) raw materials and factory supplies, represents average cost or quoted prices."

WILLYS-OVERLAND MOTORS, INC.
"*Note 1:* . . . . "Inventory costs, in general, are determined on the basis of latest cost if lower than other recent purchases but otherwise at a weighted average of recent purchases, with due allowance for obsolescence and lack of usefulness. A foundry subsidiary prices its raw materials at cost and its supplies at a moving average cost."

The Westinghouse Air Brake Company reported adjustments arising from major revisions in standard costs in the letter to the stockholders as follows:

"To Our Stockholders: . . . . favorable inventory adjustments of approximately $4,400,000 which, after taxes, amounted to about $.71 per share. A substantial portion of the inventory adjustments arises from major revisions in our standard costs, which relate in part to prior years, and were made upon the recommendations of . . . . Certified Public Accountants, to include increased labor rates and increased material costs."

Two examples of inventory cost determination methods disclosed in the balance sheet are:

The Autocar Company
"Inventories, including supplies, at cost or market, whichever the lower"

Emerson Radio & Phonographic Corporation
"Inventories, generally at standard cost (not in excess of market)"

"LAST-IN, FIRST-OUT" METHOD OF DETERMINING INVENTORY COST

The table "Inventory Cost Determination Methods" reveals that 136 companies disclosed the use of the "last-in, first-out" method of determining inventory cost in the year 1950. Of this number, 38 companies indicated the adoption of the LIFO method in the year 1950 and 30 companies stated that this method of inventory cost determination had been adopted in the years 1932 through 1949, while 68 companies did not disclose the year of adoption.

Examples of disclosures relating to the use of the LIFO method in the determination of inventory costs were selected from the 1950 reports disclosing the use of this method. Several of these examples indicate that it is not uncommon for a company to apply the LIFO method to one class of stock and different methods to other classes. Included in the group are several which discuss the tax effect of the LIFO method as compared with other methods. Other examples indicate the use of LIFO for both accounting and tax purpose or for accounting purposes only. The examples are as follows:

THE BORDEN COMPANY
Balance sheet:

"Inventories (Note 2):	
Finished Goods	$32,011,545
Materials and Supplies	28,364,261
Total (certain products at Income Tax Lifo basis adopted as of January 1, 1950)	$60,375,806
Less excess as of January 1, 1950 of Tax Lifo basis over book Lifo basis previously adopted	5,469,633"

"*Note 2:* In valuing inventories and in determining the cost of goods sold, average costs (reduced to market if lower) were used, except as to certain products for which the last-in, first out (LIFO) method was used. For the years from 1939 to 1949, inclusive, the LIFO method was so used for accounting but not for income tax purposes. As of January 1, 1950 the Lifo method was adopted for income tax purposes for all of the products previously on the book Lifo basis plus certain other products. This necessitated restatement of inventory values as of December 31, 1949 on the Income Tax Lifo basis, resulting in Income Tax Lifo values which were $5,469,633 more than the book Lifo values previously adopted. In the Consolidated Balance Sheet this latter amount has been deducted from the inventories, including those on the Income Tax Lifo basis, and can be utilized, for accounting but not for income tax purposes, if market prices of products on the Income Tax Lifo basis decline below values as of January 1, 1950."

CATERPILLAR TRACTOR CO.

"*Note 7:* On January 1, 1947, the so-called "last-in, first-out" method of inventory accounting was, with minor exceptions, adopted for general reporting purposes. This is a generally accepted accounting method designed to permit the allocation of incurred costs in such a manner as to relate them to revenues more nearly on the same price level basis than would the "first-in, first-out" method formerly used by the Company. The general effect is to exclude from reported profits the major portion of increases in inventory costs, since these increases are deemed to be merely the result of rising cost levels. The major portion of the inventories was, therefore, stated at cost levels prevailing at January 1, 1947, when the method was adopted for general reporting purposes.

This "last-in, first-out" method of inventory accounting was not adopted at that time for federal income tax purposes. Instead income taxes payable for 1947, 1948 and 1949 were computed upon profits determined by accounting for inventories on the "first-in, first-out" basis and the excess of income taxes paid on that basis over the income taxes computed on reported profits was carried forward as a deferred charge in the statement of financial position.

Effective January 1, 1950, however, the "last-in, first-out" method of inventory accounting was, with minor exceptions, also adopted for federal income tax purposes. Since a requirement of such adoption is that the same inventory accounting be used for general reporting purposes as for federal income tax purposes, it was necessary to restate the inventory at January 1, 1950, to the basis used at that date for tax purposes (approximate cost levels at January 1, 1950) and eliminate the deferred federal income tax carried during 1947, 1948 and 1949. As of January 1, 1950, inventory was therefore increased $10,177,371 and deferred charges were decreased $3,867,401. The net adjustment of $6,309,970 increased "profit employed in the business" as shown in the statement "Results of Operations" (statement 1). In view of the significance now given by the excess profits tax act of 1950 to taxable earnings for the base period 1946 through 1949, these adjustments have been retroactively applied to the years 1947, 1948 and 1949 on statements 3 through 7 and have the effect of restating the profits and inventories for those years on the "first-in, first-out" basis which was used for federal income tax purposes. These changes increase the profit previously reported for 1947 by $3,519,148, increase the profit previously reported for 1948 by $3,677,432, and decrease the profit previously reported for 1949 by $886,610.

The Company's inventories are now stated on the "last-in, first-out" basis adopted as of January 1, 1950, and are therefore carried substantially at the cost levels prevailing at that time."

CENTURY ELECTRIC COMPANY
Balance Sheet:

"Inventories—Note A:	
Finished Products	$ 250,652
Products in Process	1,389,656
Raw materials	875,193
Manufacturing supplies	423,871
	$2,939,372
RECOVERABLE FEDERAL TAXES ON INCOME—ESTIMATED	
Claimed for the nine years ended December 31, 1949 as a result of the re-adoption of LIFO—Note A	$ 758,000"

"*Note A:* The Company adopted the last-in, first-out (LIFO) basis for pricing principal items of inventory during the year ended December 31, 1941. At that time the Bureau of Internal Revenue took the position that the use of the LIFO basis, as applied by the Company, could not be used by taxpayers with inventories of the type owned by the Company. During the latter part of 1949, for the first time the Commissioner of Internal Revenue issued regulations wherein the method of applying the LIFO basis, as used by the Company, was recognized for reporting taxable income. As a result of these regulations the Company has re-adopted the LIFO basis retroactive to December 31, 1941 and will file claims for refund of taxes paid in prior years in the aggregate amount of $758,000. Because the Treasury Department regulations require that when the LIFO basis is used for reporting taxable income the same basis be used for reporting earnings to stockholders, the effect of the re-adoption of LIFO and the related claims for refund of taxes for prior years are being reflected in the Company's financial statements. Ordinarily such a procedure would not be followed until a determination had been made with respect to the Company's claims for the refund of taxes. Any adjustment in the Company's claims for tax refunds in final settlement would result in a restatement of financial reports.

Had the inventories for the year ended December 31, 1950, been determined on the basis of the method used in the Company's report for 1949, net income for 1950 would have amounted to $1,122,383 instead of $1,019,372 as shown by the statement of operations and accumulated earnings used in the business.

A summary setting forth the effect of the change in inventory basis and applicable federal taxes on income and the elimination of the provision for inventory price decline, follows:"

[See December 31, 1950 annual report for detailed summary referred to in the above paragraph.]

CRANE CO.

"*Note 1:* The major portion of the inventory is priced on the "last-in, first-out" (LIFO) basis of valuation which was first applied January 1, 1941, and extended as of January 1, 1947 and January 1, 1950. The remaining inventory is priced at the lower of cost or market but has been reduced (except as to special order products aggregating $1,228,265) by a reserve (not deductible for income tax purposes) which has the effect of stating such inventory on a basis substantially equivalent to the LIFO basis.

As of January 1, 1950, Crane Co. and its Subsidiaries in the United States extended the "last-in, first-out" (LIFO) basis of valuation to certain of the inventories previously stated on the above-mentioned "LIFO equivalent" basis. The adjustment of such "LIFO equivalent" inventories to

WEST VIRGINIA PULP AND PAPER COMPANY

AND SUBSIDIARY COMPANY

SOURCE AND DISPOSITION OF FUNDS (WORKING CAPITAL) DURING 1950

Source:		
Income for the year	$12,262,000	
Portion of cost of property and plant allocated to current operations (depreciation and depletion) which did not require an outlay of funds	4,146,000	
Proceeds from sale of property and plant equivalent to undepreciated cost thereof (profit on sales credited to income)	374,000	
Proceeds from redemption of United States Government securities segregated for expenditures on properties	7,851,000	
		$24,633,000
Disposition:		
Additions to property and plant	$15,051,000	
Dividends	5,110,000	
Purchase of preferred stock for retirement (premium on purchase charged to income)	372,000	
Miscellaneous	28,000	
		$20,561,000
Increase in Working Capital		$ 4,072,000
Working capital as shown on statement of financial condition:		
October 31, 1950	$32,295,000	
October 31, 1949	28,223,000	
Increase		$ 4,072,000

January 1, 1950 cost had the effect of (a) increasing the valuation thereof at that date by $1,760,000, which amount has been credited to earned surplus and (b) decreasing the net profit for the year ended December 31, 1950 by approximately $310,000 from what it would have been had the basis of valuation used in the preceding years been continued."

"LIFO" COSTING BY INDUSTRIAL GROUPS

Total Reports Examined	Total Reports Disclosing "Lifo" Used 1950	1949	Industrial Group and Company Appendix Reference Number With 1950 "Lifo" Adoption Indicated In Bold Face Type
17	0	0	Aircraft.
11	0	0	Automobile.
14	1	0	Auto Parts. (No. **192.**)
6	1	1	Beverage (No. 359.)
20	6	6	Building Material. (Nos. 35, 58, 159, 234, 281, 399.)
16	6	5	Chemicals. (Nos. 26, 65, 253, **271**, 295, 346.)
22	7	6	Food. (Nos. 79, 92, 95, 112, 309, **354**, 522.)
6	0	0	Grain.
33	4	3	Machinery. (Nos. 117, 259, 363, **418.**)
12	7	7	Meat Packing. (Nos. 57, 292, 330, 349, 414, 474, 518.)
16	11	9	Metal. (Nos. 32, 39, 49, **96**, 126, 151, 221, 288, **360**, 421, 436.)
13	7	4	Paper. (Nos. **122**, 275, 291, 335, **435, 482**, 511.)
26	17	17	Petroleum. (Nos. 64, 128, 153, 247, 378, 396, 407, 426, 445, 459, 460, 461, 462, 463, 469, 478, 484.)
7	0	0	Printing.
8	1	1	Railway Equipment. (No. 226.)
31	12	9	Retail. (Nos. 13, 62, **109**, 130, 205, 207, 232, **237**, 242, **298**, 321, 329.)
5	4	1	Rubber. (Nos. **206**, 229, **239**, **240.**)
4	0	0	Shipbuilding.
7	3	2	Shoes. (Nos. 276, **293**, 337.)
22	14	5	Steel. (Nos. **8, 10**, 84, **154, 210, 270**, 284, **318**, 362, 420, **439**, 499, **501, 525.**)
13	8	6	Textile. (Nos. 43, 80, 85, 115, **137**, 344, **376**, 491.)
8	1	1	Tobacco. (No. 146.)
8	0	0	Wholesale.
200	26	15	Unclassified. (Nos. 31, **33, 48**, 53, 60, **72, 120**, 132, 172, 196, 202, 249, 280, 282, **301**, 400, **404, 437**, 443, 444, **457, 458, 479, 489**, 510, 515.)
525	136	98	

THE FIRESTONE TIRE & RUBBER COMPANY

"To the Stockholders: Effective as of November 1, 1949, the last-in, first-out method of computing cost of domestic inventories of rubber and the rubber content of in-process and finished goods inventories was adopted for accounting purposes, but not for federal income tax purposes pending changes which may be made in the present tax law. As a result of this change in method, inventories at October 31, 1950 and net income for the year 1950 are $8,970,000 less than would have been reported under the method used heretofore."

FIRST NATIONAL STORES INC.

Balance Sheet:

"Inventories (Note 1)	$31,356,697
CLAIMS FOR REFUNDS OF FEDERAL TAXES ON INCOME—NET (Note 1)	210,833
Stockholders' Equity:	
Earnings used in the business:	
Appropriated for—	
Future price declines of inventories in retail stores, not valued on basis of last in, first out	4,400,000"

"*Note (1)*: Merchandise in retail stores was valued at approximate average cost (on the basis of first in, first out) which did not exceed market; other merchandise, materials and supplies (aggregating $19,034,985 at March 31, 1951 and $14,229,970 at April 1, 1950) were valued at cost on the basis of last in, first out, or at market where lower in the case of individual items.

Partial replacement has been made of inventories which were involuntarily liquidated in prior years and, as permitted by the Internal Revenue Code, the company has elected to value the items replaced at their original inventory prices. The excess cost of replacing a portion of the inventories which were involuntarily liquidated, less estimated refunds of $100,000 of federal taxes resulting therefrom, has been charged to profit and loss for the current year. The refund claims aggregating $2,950,000 shown in the accompanying balance sheet cover the fiscal years ending March 30, 1946 to March 31, 1951, inclusive.

The use of the last in, first out method and the application of the involuntary liquidation and replacement provisions of the tax law are subject to review and acceptance by the Bureau of Internal Revenue."

JOHNS-MANVILLE CORPORATION

"*Note 2:* Inventories are stated at the lower of cost or market. In order that the Company might, should it so elect, return income for tax purposes on the last-in, first-out principle, inventories are stated on such basis effective January 1, 1950. In the years 1948 and 1949, reserves of $823,549 were applied to revalue inventories from the then current costs to costs as of January 1, 1948 which reserves are continued at December 31, 1950."

THE RATH PACKING COMPANY

"Current Assets:	
Inventories: (see notes)	
Product and livestock	$ 8,762,458.92
Materials and supplies	2,612,692.76
Total inventories	$11,375,151.68
Income Statement:	
Federal income taxes	$ 1,580,000.00
Less net amounts refundable for prior years due to replacement of inventories (see notes)	471,000.68
Federal income taxes, net	$ 1,108,999.32"

Notes: "Pork inventories, including live and dressed hogs, are valued at cost on the last-in, first-out (LIFO) method of pricing first adopted for the fiscal year 1941. At December 31, 1949 the Company had completely replaced (under the provisions of Section 22(d)(6) of the Internal Revenue Code) the liquidations of LIFO inventories during the war period and such replacements are valued on the basis of costs in years prior thereto. Products other than pork products are valued on the basis of approximate market prices less distributing and selling expense allowances. All other inventories are valued on the basis of cost under the first-in, first-out method.

Federal income taxes refundable include amounts resulting from restatement of inventories for the fiscal years 1941 to 1944, to conform with amended Treasury Department Regulations relative to the application of the last-in, first-out (LIFO) method of pricing. Also included are amounts resulting from application of Section 22(d)(6) of the Internal Revenue Code relative to replacement of inventories valued on the LIFO basis. The Bureau of Internal Revenue has made examinations of tax returns filed for the fiscal years 1941 to 1948, has issued reports covering those years, and has made partial refunds under Section 22(d)(6) of the Code on account of replacements of inventories to December 31, 1949.

The provisions for income taxes reflected in the financial statements give consideration to the effect of the Bureau of Internal Revenue authorization for the Company to file a separate Federal income tax return for the last two months of 1949 and to file subsequent returns on the basis of the calendar year."

SCOVILL MANUFACTURING COMPANY

Balance Sheet:

"Inventories (Note A).................... $18,145,163

(Above "Capital Stock" section):

"RESERVES for inventory write-down to be taken when "lifo" metals are replaced (Note C).............................. 480,000

Income Statement:

"Provision for inventory-write-down to be taken when "lifo" metals are replaced (Note C).................................... 480,000"

"*Note A:* Inventories are stated substantially at cost on the "last-in, first-out" method. This method was adopted by the Company for determining profits, as well as for federal income tax purposes, beginning with the year 1939 with respect to principal non-ferrous metals and beginning with the year 1950 with respect to most other inventories in theUnited States. As a result, the amount of earnings for the year 1950 is approximately $267,000 less than would have been shown by the use of the "last-in, first-out" method of computation applied in the preceding year. The remaining inventories are stated at the lower of cost or market."

"*Note C:* This reserve was provided from earnings for the estimated replacement cost over "last-in, first-out" cost of metals involuntarily liquidated in 1950 less related tax deduction."

INVENTORY RESERVES—POSITION

1950	1949	1948	1947	Position of Reserve
				Deducted from asset:
41	45	44	34	Purpose stated
12	13	12	19	Purpose not stated (See Company Appendix Nos. 88, 190, 259, 372, 443, 520 and 29, 333, 509, respectively.)
8	5	4	4	Shown in current liabilities. (All relating to replacement of basic LIFO inventories.) (See Company Appendix Nos. 53, 349, 474.)
40	53	99	114	Shown above stockholders' equity section. (See Company Appendix Nos. 107, 154, 198, 242, 436, 515.)
31	25	15	9	Shown in stockholders' equity section. (See Company Appendix Nos. 12, 57, 151, 251, 347, 421.)
132	141	174	180	
				Number of Companies:
121	128	157	165	Indicating inventory reserves
404	397	368	360	Not indicating inventory reserves
525	525	525	525	

INVENTORY RESERVES—INDICATED PURPOSE AND BALANCE SHEET POSITION

Inventory reserves have declined in use by the 525 companies during the last four years as shown by the two tables, "Inventory Reserves—Purpose" and "Inventory Reserves—Balance Sheet Position" set forth below. In 1947, 30% of the 525 companies disclosed the use of inventory reserves, with the majority of such reserves relating to inventory price uncertainties. In 1950, the percentage of companies showing inventory reserves had declined to 21%, with reserves relating to future price uncertainties still constituting the greatest number of such reserves.

INVENTORY RESERVES—PURPOSE

1950	1949	1948	1947	Purpose of Reserve
				Reserves for possible future inventory price decline:
38	38	51	50	With varying titles not clearly indicating above but probably intended for that purpose.
28	38	57	69	Purpose above specifically indicated. (*Nos. 27, 85, 168, 204, 410 and 12 151, 293, 474, respectively.)
17	12	12	13	Reserve for inventory replacement, mainly LIFO). (*Nos. 96, 154, 309, 518.)
16	17	18	10	Reserve for inventory obsolescence. (*Nos. 88, 269, 477.)
9	7	7	6	Reserve to reduce inventory to LIFO basis. (*Nos. 60, 281, 465.)
5	7	5	5	Reserve for normal stock basis. (*Nos. 156, 223.)
3	3	5	4	Reserve for unrealized intercompany profit and discount. (*No. 287.)
1	1	0	0	Valuation reserve for containers and supplies. (*No. 140.)
1	1	1	1	Surplus reserve based on inventory overhead. (See examples.)
2	4	5	4	Reserves for various inventory purposes. (See examples.)
120	128	161	162	
				Number of Companies:
109	115	145	146	Stating purpose of reserve.
12	13	12	19	Not stating purpose but reserve deducted from related asset. (*Nos. 4, 284, 506.)
404	397	368	360	Not showing inventory reserves.
525	525	525	525	

* See Company Appendix Section.

The balance sheet position of inventory reserves has changed materially during this same period. There has been a shift toward the inclusion of these reserves in the stockholders' equity section. In 1947, only 5% of these reserves were presented in that section of the balance sheet, while in 1950 the percentage had increased to 24%. The trend toward placing inventory reserves in the stockholders' equity section is even more evident from the fact that 63% of inventory reserves were placed above the equity section in 1947, whereas in 1950, this position showed only 30% of such reserves.

Approximately one-half of the reserves specifically stated to have been provided for possible future inventory price declines were shown in the stockholders' equity section and about one-fourth of these reserves were placed above the stockholders' equity section. A small minority were shown on the asset side of the balance sheet with the inventory amount shown net of such reserves.

The following examples of balance sheet presentation of reserves for possible future inventory price declines were selected from the 525 reports analyzed in the 5th annual survey:

AMERICAN CYANAMID COMPANY
Current Assets:

"Inventories (Note 1):	
Finished stock	$23,437,453
Work in process	7,567,348
Raw materials and supplies	15,005,426

"*Note (1):* The inventories are stated on the basis of the lower of cost or market, less a reserve of $436,469 provided in prior years for possible decline in prices of certain materials and products of a Canadian subsidiary. In general, cost is determined by either the "first-in first-out" or "average cost" methods, apart from certain inventories aggregating approximately $3,045,000 the cost of which is computed in accordance with the "last-in first-out" method."

ART METAL CONSTRUCTION COMPANY
Above "Capital Stock and Surplus":

"SURPLUS RESERVES	
For doubtful accounts and general contingencies	$570,000.00
For possible inventory price decline	225,000.00
For possible loss on foreign investment	175,000.00"

BUFFALO-ECLIPSE CORPORATION
Above "Capital Stock and Surplus":

"RESERVE:	
For possible future decline in inventory values	$800,000.00"

MARSHALL FIELD & COMPANY

"Current Assets:	
Merchandise inventories, priced at the lower of cost or market, less reserve for possible future decline in market value of inventories ($6,000,000 in 1950; $3,706,817 in 1949)	$32,196,895"

RAYBESTOS-MANHATTAN, INC.
Above "Capital Stock and Surplus":

"RESERVES:	
For contingencies	$ 3,079,502.86
For possible decline in inventory values	1,500,000.00
	$ 4,579,502.86"

AMERICAN HIDE AND LEATHER COMPANY
In "Stockholders' Equity":

"Accumulated earnings used in the business:	
Appropriated for future inventory price declines	$ 700,000.00
Unappropriated (per accompanying statement)	4,728,242.92
Total stockholders' equity	$ 9,472,136.08"

BEATRICE FOODS CO.
Below "Surplus":

"Capital	$ 439,823.03
Earned:	
Appropriated for possible future inventory price decline	500,000.00
Unappropriated	21,510,435.47
	$45,232,863.10"

FIRST NATIONAL STORES INC.
In "Stockholders' Equity":

"Earnings used in the business:	
Appropriated for—	
Future price declines of inventories in retail stores, not valued on basis of last in, first out	$ 4,400,000
Contingencies, etc.	704,258
Unappropriated, per accompanying statement	36,648,439
	$ 41,752,697"

THE SCRANTON LACE COMPANY
In "Stockholders Investment":

"Earnings used in the business:	
Appropriated for possible price decline in inventories	$ 200,000
Unappropriated	1,233,534"

UNIVERSAL-CYCLOPS STEEL CORPORATION
In "Shareholders' Equity":

"Accumulated Earnings Employed in the Business	$ 7,160,198
Appropriated for Inventory Price Adjustments and Contingencies	485,000"

Examples of inventory reserves, other than those above with regard to possible inventory price declines, including the related inventory or footnote information, are set forth below.

CALIFORNIA PACKING CORPORATION
Statement of Financial Position:

"Inventories of merchandise, materials and supplies (details on page 11)	$ 45,189,842
Details of Items in Accounts:	
Inventories:	
Merchandise, valued on bases used for the preceding year:	
Cost on the basis of "last-in, first-out" (Note A)	$ 23,870,736
Lower of cost or market, on the basis of "first-in, first-out"	5,422,533
Reserve for unrealized inventory losses based on market valuations.	(80,000)
Materials and supplies, at the lower of cost or market	$ 29,213,269 15,976,573
	$ 45,189,842"

LERNER STORES CORPORATION
Balance sheet:

"Current Assets:	
Merchandise inventories—Note A	$16,059,967.59
Merchandise at contractors—Note A.	195,969.34
Merchandise in transit—Note A	1,098,795.74

"Note A—The finished goods inventories at the beginning and end of the year are stated at the lower of cost or market based upon the retail method of inventory calculations, less a reserve of $100,000.00 for future markdowns. . . ."

LOEW'S INCORPORATED

Current Assets:

"Film Production Inventories—At Cost: (Note B)		
Film Productions in Process	$	30,396,935
Film Productions Completed—Not Released		19,799,979
Film Productions Released, Less Amortization		24,378,707

"*Note B:* Amortization table same as last year, by which cost allocated 75% to United States and Canada and 25% to foreign distribution, is written off at end of 12 weeks 44.8%; 24 weeks 70.7%; 36 weeks 85.1%; 52 weeks 95%; 78 weeks 100%. However, while delay existed in release of pictures in Great Britain, amortization of film cost of each picture applicable to that territory did not begin until actual release of such picture in Great Britain."

THE SHERWIN-WILLIAMS COMPANY

Current assets:

"Inventories—raw materials and supplies, in process and finished merchandise, at lower of cost or market, less allowance of $1,523,000.00 to reduce inventory of certain materials to a last-in, first-out basis, computed at 1945 prices . . . . . $ 36,905,304.31"

UNITED STATES RUBBER COMPANY

Current Assets:

"Finished goods	$	47,042,951
Goods in process of manufacture		18,508,041
Raw materials		49,032,811
Supplies		7,061,456
Total Inventories	$	121,645,259

Financial Notes: "All inventories of raw materials and supplies, goods in process of manufacture and finished goods are carried at "cost or market, whichever is lower." Reserves for inter-company profits have been provided in all instances. The annual average cost method was used in computing cost of goods sold."

WAGNER ELECTRIC CORPORATION

"Current assets:

"Inventories at the lower of average cost or market	$	19,847,973
Above "Stockholders' Investment:		
"Surplus Reserve—Based on Inventory Overhead Increase		2,084,683"

NATIONAL LEAD COMPANY

Current Assets:

"Inventories (Note 2) . . . . . $48,824,480"

Note 2: During 1950 the company adopted the "Lifo" (last-in, first-out) method of pricing with respect to certain of its basic inventories and proposes to elect such method for federal income tax purposes commencing with 1950. In accordance with income tax requirements, such inventories as of December 31, 1949 have been increased by the amount of $1,399,177; compensating credits of $632,901 and $766,276 have been made to the normal stock reserve and to earned surplus, respectively. Other inventories continue to be carried on average or first-in, first-out bases.

As a result of the adoption of the Lifo method of inventory pricing net income for 1950 before provision for federal taxes on income is $2,317,496 less and provision for federal taxes on income is $3,843,948 less than would otherwise have been the case.

The normal stock reserve has been maintained on the basis of the following quantities and prices:

	Normal Quantities (Short Tons)	Fixed Inventory Price per Pound
Lead	49,687½	$.03
Tin	1,124½	.21
Antimony	1,400	.05
Linseed oil	3,125	.06
Flaxseed	5,600	.0348

The inventory reserves include, in addition to the normal stock reserves, general inventory reserves of $800,000 at both December 31, 1950 and 1949.

Intercompany profits in inventories are not considered to be material in amount."

UNITED STOVE COMPANY

Current Assets:

"Inventories—at lower of cost (first-in, first-out method) or market—Note A	
Finished products	$ 76,962.55
Work in process	127,050.94
Purchased parts and raw materials	557,050.84
Manufacturing supplies	27,933.62
	$ 788,997.95
Less allowance for possible loss on excess quantities	75,000.00

"Note A—[Placed within the balance sheet directly within the stockholders' equity section]: The inventories contain quantities of certain purchased parts and materials which are in excess of estimated current production requirements. An allowance of $75,000.00 was provided in 1949 for losses which might be incurred in the disposal of such items. Utilization of these parts and materials in 1950 reduced the quantities considered to be excessive, but the allowance has been retained at its original amount pending further liquidation and clarification of future production requirements."

THE NATIONAL SUPPLY COMPANY

Current Assets:

"Inventories—$35,792,147.70 stated at cost on "last-in, first-out" basis (with a current replacement cost of approximately $8,000,000 in excess of the stated value), and $3,912,027.71 stated at cost (on bases approximating "first-in, first-out") or market, whichever is lower.

Raw materials and supplies	$11,136,151.59
Work in process	8,850,742.38
Resale merchandise and finished products	19,717,281.44
Total inventories	$39,704,175.41
Less—Allowance for obsolescence	2,630,620.17
	$37,073,555.24

Current Liabilities:

"Estimated cost to replace involuntarily liquidated "last-in, first-out" inventories (less tax credit) . . . . . $ 306,100.79"

P. R. MALLORY & CO., INC.

Current Assets:

"Inventories—Note 2	$	6,087,781
Above "Capital and Surplus":		
"Reserve for Inventory Obsolescence and Product Warranties		500,000

Note 2: ". . . . Inactive and obsolete materials are priced at estimated salvage value."

INDUSTRIAL BROWNHOIST CORPORATION
Current Assets:

"Inventories, at lower of cost or realizable amounts, less costs applicable to advance billings on uncompleted orders	$	2,740,346
In "Shareholders' Ownership Represented By":		
Income retained in the business—		
Appropriated for possible inventory adjustments and other contingencies		500,000
Appropriated for replacement of machinery		100,000
Unappropriated balance		2,662,969"

PROPERTY—BASIS OF VALUATION

The Committee on Accounting Procedure, American Institute of Accountants, stated in its Accounting Research Bulletin No. 5 that "accounting for fixed assets should normally be based on cost." The Securities and Exchange Commission in its Regulation S-X, governing the form and content of financial statements filed with the Commission, requires that additions to fixed assets be stated at cost. These two factors probably account for the predominance of the cost basis over other bases of property valuation set forth in the tabulation, "Property—Basis of Valuation." The table covers a total of 531 instances of property valuation bases disclosed by the 525 companies in the 1950 reports. Of this total, 500 instances, or 94%, relate to cost (including cost and appraisal, revised, book, and acquisition values, etc. with subsequent additions at cost, as well as other modifications of cost). Only 31 instances, or 6%, of bases other than cost for property valuation were disclosed by the 525 companies included in the tabulation. The table also reveals that 463 companies, or 88% of the 525, disclosed one or more bases of property valuation and that a small minority, 62 in number, or 12%, did not state the basis used in the balance sheet presentation of property.

PROPERTY

1950	Valuation Basis of Property
	Cost
383	At actual or approximate cost. (*Nos. 11, 89, 194, 295, 355, 422, 441, 480, 496, 521)
55	At appraisal with subsequent additions at cost. (*Nos. 28, 256, 397, 421, 468, 500)
21	At or below cost. (*Nos. 71, 277, 304, 350, 488)
15	At cost or recorded value of capital stock issued therefor. (*Nos. 49, 235, 297, 453)
14	At revised value with subsequent additions at cost. (*Nos. 130, 317, 393, 524)
6	At book value with subsequent additions at cost. (*Nos. 19, 513)
4	At cost less write-down. (*Nos. 227, 495)
2	At acquisition value with subsequent additions at cost. (*No. 133)
500	
	Other bases
14	At appraisal. (*Nos. 97, 99, 149, 221, 402)
6	At appraisal to determine reproductive value. (*Nos. 1, 465)
4	At nominal value. (*Nos. 275, 333)
7	At reinstated value; and, all other bases. (*Nos. 324; and 14, 158; respectively)
31	
531	
	Number of Companies:
463	Stating basis of property valuation
62	Not stating basis of property valuation
525	

* See Company Appendix Section.

Informative disclosures relating to the basis used for property valuation in 1950 were selected from the annual reports of the 525 companies and are quoted below:

ALLEGHENY LUDLUM STEEL CORPORATION
Note 3: "FIXED ASSETS. The fixed assets are stated at cost to the corporation and subsidiaries and to predecessor or merged constituent companies. Such amounts include the cost of constructing and equipping certain facilities under agreements made in 1948 with certain customers providing for contributions by them to the corporation aggregating $1,625,000. Such payments have been considered as contributions to capital and, as such, have been included in fixed assets and capital surplus in 1950."

ALLIS-CHALMERS MANUFACTURING COMPANY
"*Note 8:* The major portion of the properties at December 31, 1950, is stated at cost. Factory sites, buildings, machinery, and equipment are stated on the following bases: (1) properties acquired on formation of the company in 1913, at amounts assigned thereto at that time; (2) properties acquired by purchase since 1913 at estimated sound values or at amounts assigned thereto at date of purchase; (3) other additions at cost. Small tools (including jigs and dies) that are not an integral part of machine tools, are included at the amounts assigned thereto in 1913, plus additions on acquisitions of new properties and on the development of certain new lines; renewals and replacements thereof, considered to be in lieu of depreciation are charged to operations currently."

AMERICAN BAKERIES COMPANY
Balance Sheet:

"Property, Plant and Equipment—at depreciated cost as of June 30, 1927, plus subsequent additions at cost	$11,846,592
Less allowance for depreciation	5,255,638
	$ 6,590,954"

ART METAL CONSTRUCTION COMPANY
"*Note A:* Except for property, plant, and equipment of Security Steel Equipment Corporation, a subsidiary, the amounts for such assets located in the United States are substantially equivalent to cost less accumulated allowance for depreciation. The accounts for property, plant, and equipment of the subsidiary named include $442,268.29, the balance of a write-up made in 1934, the residual of which at December 31, 1950, after adjustments for provision for de-

preciation amounted to $269,781.65. In accordance with the consistent practice of the Company, amounts for plants, equipment, and leasehold premises located in Great Britain represent cost thereof in British funds, less accumulated allowances for depreciation, translated into U. S. dollar equivalents at the prevailing rate of exchange at December 31, 1950.

Incomplete construction contracts in process on a new office building in Jamestown, New York amounted to approximately $550,000.00 at December 31, 1950."

BRIGGS MANUFACTURING COMPANY

"*Details of Certain Items in Statement of Financial Condition*":

LAND, BUILDINGS AND EQUIPMENT:

Land	$ 3,500,160
Buildings, machinery and equipment	80,325,727
Total, stated at reproductive cost as independently appraised in 1924 with subsequent additions at cost	$83,825,887
Accumulated depreciation, as reflected in the 1924 appraisal, with subsequent provisions for depreciation and amortization	$44,918,252
Balance of reserve provided in 1932 for decrease in property values	6,845,026
	$51,763,278
Property accounts (net)	$32,062,609"

CRADDOCK-TERRY SHOE CORPORATION

"*Note B:* Land, buildings and cash donated to the Corporation in connection with the manufacturing operations at Farmville, Victoria and Halifax, Virginia, are included in the property and capital surplus accounts and represent an investment value of $68,319.68 to the donors after allowances for depreciation to the dates of transfer; subsequent charges for depreciation have been absorbed by the earned surplus account."

INTERNATIONAL PAPER COMPANY

"*Schedule B—Plants and Properties, including Intangibles:* At cost of acquisition or construction on a consolidated basis representing cash paid or stated value of securities issued therefor, less subsequent sales and write-offs to adjust the value of certain of the properties to nominal or estimated realizable values. Woods plant and equipment is less amortization and depreciation credited to the assets.

Plants and properties of Canadian subsidiaries acquired or constructed prior to December 31, 1939 are stated generally at $1 for the Canadian dollar; subsequent additions have been converted to the U. S. dollar values at the rates prevailing at the time of acquisition or construction."

"*Schedule C—Woodlands and Estimated Pulpwood Resources:* At cost of acquisition on a consolidated basis representing cash paid or stated value of securities issued therefor after deducting (1) sales of property and stumpage and (2) depletion and write-offs which, in the case of some holdings, reduced the book value to a nominal amount or to estimated realizable values.

Woodlands of Canadian subsidiaries acquired prior to December 31, 1939 are stated generally at $1 for Canadian dollar; subsequent additions have been converted to the U. S. dollar values at the official rates prevailing at the time of acquisition."

RADIO-KEITH-ORPHEUM CORPORATION

"*Note E:* In prior years, it has been the practice of a producing subsidiary to apply the accumulated reserves for depreciation to the appropriate asset accounts in respect of fully depreciated studio buildings and equipment. Since such facilities are still in use and have productive value, it was deemed appropriate to reinstate assets having a book value of $3,835,863.66 as of December 31, 1950. Such reinstatement has had no effect upon the net value at which these assets are stated in the accompanying consolidated balance sheet inasmuch as both the asset and the reserve accounts have been increased by the same amount."

THE RUBEROID CO.

"*Note 3:*

PROPERTIES, PLANTS AND EQUIPMENT:

At reproductive values as appraised by The American Appraisal Company in 1927, 1932 and 1936; subsequent additions at cost	$28,101,885
Other assets at sale or useful values as determined by The American Appraisal Company, December 31, 1938	703,867
	$28,805,752
Less: Reserves to reduce reproductive values to sound values as appraised, together with subsequent depreciation and depletion	11,683,666
	$17,122,086"

SWIFT & COMPANY

Balance Sheet:

"FIXED ASSETS:

Property, plant and equipment, at appraised value January 1, 1914, plus subsequent additions at cost, less retirements—

Land	$ 21,811,823
Buildings, machinery and equipment, etc.	288,821,348
	$310,633,171
Less: Reserve for depreciation	147,586,387
	$163,046,784"

"*President's Report to Shareholders:*

.... The fixed assets accounts (less reserves for depreciation) increased $12,024,964. Of this amount, approximately $7,150,000 was accounted for by a restatement of property values to conform with present income tax procedure."

STANDARD OIL COMPANY OF CALIFORNIA

"*Note 4:* PROPERTIES, PLANT AND EQUIPMENT

Properties, plant and equipment are carried at values approved by the Directors at organization in 1926, plus subsequent additions at cost (less reserves).

Exploration expenditures resulting in the acquisition or retention of properties are capitalized, while the remainder is charged to expense. Costs of wells capable of producing are capitalized, and costs of unproductive wells are charged to expense."

WILSON & CO., INC.

Balance Sheet:

"FIXED ASSETS:

Property, plant and equipment, at acquisition values from predecessor company as of February 27, 1926, plus additions since at cost, less adjustments made as of October 31, 1932—

Land		$ 6,742,469
Buildings	$33,316,501	
Machinery	35,500,424	
Refrigerator cars, delivery equipment, etc.	8,679,899	
Small tools and equipment	609,834	
	$78,106,658	
Less—Reserve for depreciation	33,086,480	45,020,178
Leaseholds, less reserve for amortization		166,205
		$51,928,852"

TIDE WATER ASSOCIATED OIL COMPANY
"Table (B) PROPERTIES AND EQUIPMENT: The gross book figures of properties and equipment substantially represent the cost in cash, bonds, capital stocks or investments given in exchange. Oil tankers acquired in 1947 are, however, shown at cost less recoveries from vessels lost by the Company during the war and less the profit on vessels sold in 1947. The net effect of other exceptions, which include the reduction of the book figures of certain properties and equipment at January 1, 1932, is relatively unimportant."

NON-CURRENT ASSETS—INTERESTING AND UNUSUAL ITEMS

The following examples of interesting items or unusual treatments or presentations have been selected from the 1950 balance sheets of the 525 companies:

Foreign Assets:

THE AMERICAN TOBACCO COMPANY INCORPORATED
"Receivables from unconsolidated subsidiaries (including in 1950, $581,214 . . . from French subsidiary) .... $ 2,881,214"

THE FIRESTONE TIRE & RUBBER COMPANY
"Other Assets:
Miscellaneous Assets, including Restricted Excess Foreign Cash .... $ 9,047,644"

LIGGETT & MYERS TOBACCO COMPANY
"Other Assets:

Stocks in foreign tobacco companies	$4,476,164.08
Less reserve	4,473,163.08
	$ 3,001.00"

LOEW'S INCORPORATED
"Net Assets in Continental Europe (less Liabilities of $258,531 in 1950) .... $ 1,071,894"

LONE STAR CEMENT CORPORATION
"Other Assets:
Cash deposited with government banks in Argentina and Brazil for transfer to United States .... $ 237,581"

MARATHON CORPORATION
"Other Receivables and Sundry Assets:
Receivables from Canadian housing corporations .... $ 2,982,231"

NATIONAL PAPER AND TYPE COMPANY

"Foreign Currency Deposits Pending Issuance of Dollar Exchange	$ 266,918.51
Amount Due from Foreign Government	7,272.24"

THE PARKER PEN COMPANY
"RECEIVABLES FROM CUSTOMERS IN COUNTRIES WITH CURRENCY RESTRICTIONS, LESS RESERVE OF $105,000 .... $ 106,358"

Plant and Equipment:

AMERICAN COLORTYPE COMPANY OF NEW JERSEY
"Advance Payment on Equipment Purchase Contracts .... $ 27,123.50"

ARMSTRONG CORK COMPANY
"Paid-up Licenses and Rentals on Leased Machinery, less Amortization .... $ 445,939"

CONTAINER CORPORATION OF AMERICA
"Cash and U. S. Government Securities Set Aside for Improvements .... $ 3,500,000"

CONTINENTAL STEEL CORPORATION
"United States Government Securities, set aside for plant additions and betterments .... $ 4,453,173"

DIXIE CUP COMPANY
"Miscellaneous Assets:
Funds (U. S. Government securities) appropriated for acquisition of fixed assets .... $ 5,000,000"

TIME INCORPORATED
"Other Assets

Printing and other equipment for resale—at cost less allowance of $600,000 for loss on sale	$ 2,427,855
Less allowance for depreciation	260,212
	$ 2,167,643"

Funds:

AIR REDUCTION COMPANY, INCORPORATED
Non-Current Asset:
"INSURANCE AND PENSION FUNDS (cash, and securities at approximate market value) .. $ 299,296
Above "Capital and Surplus":
"RESERVES: Insurance and pension funds .. 299,296"

ALLIED MILLS, INC.
"OTHER ASSETS:

Escrow Fund—U. S. Government Securities and Cash	$ 500,000.00
Grain Exchange Memberships, etc.	1,002.00
	$ 501,002.00"

THE AMERICAN AGRICULTURAL CHEMICAL COMPANY
Non-Current Asset:
"CASH AND U. S. GOVERNMENT SECURITIES SEGREGATED AGAINST RESERVES FOR INSURANCE, RETIREMENT PAYMENTS, AND OTHER CONTINGENCIES $1,820,248.31
Above "Capital and Surplus":
"RESERVES:

For Insurance	970,248.31
For Retirement Payments	550,000.00
For Other Contingencies	300,000.00
	$1,820,248.31"

THE ATLANTIC REFINING COMPANY
"Special Trust Funds .... $ 59,608"

COLONIAL STORES INCORPORATED
Non-Current Asset:
"Special funds:

Cash in self-insurance fund	$ 114,377
Sinking funds for retirement of cumulative preferred stock (note 1)	24,716
	$ 139,093

Above "Stockholders' Equity":
"Reserve for Self-Insurance of Minor Risks (funded, per contra) .... 114,377"
Note 1: "(a) Holders of the preferred stock are entitled to preference in the event of liquidation to the extent of par value plus accrued dividends and, if such liquidation (or redemption) be voluntary, maximum per share premiums as follows: 4% series, $2.00; 5% series, $2.50. (b) The company is obligated to set aside sinking funds in specified amounts for the redemption of the preferred stock, which may be called for this purpose at par value plus accrued dividends

and maximum per share premiums as follows: 4% series, $1.00; 5% series, $1.25. Maximum payments to such sinking funds required during the fiscal year 1951 aggregate $91,560, which is after deduction of the cost ($20,476) of 452 shares of the 4% series held in the sinking fund for such series at December 30, 1950 for retirement in 1951; the remainder of the sinking funds consists of cash."

ELGIN NATIONAL WATCH COMPANY

"OTHER ASSETS:	
Escrow deposit (U. S. Treasury Bonds) under terms of agreement with Illinois Industrial Commission	$ 20,000"

GENERAL AMERICAN TRANSPORTATION CORPORATION

"FUNDS HELD BY TRUSTEES	
Cash ($304.97) and United States Treasury certificates of indebtedness held pending completion and delivery of rolling stock	$671,246.35
Sinking fund for redemption of preferred stock	145,724.90
	$ 816,971.25"

Funds not appearing on the balance sheet of Grumman Aircraft Engineering Corporation were disclosed in a footnote as follows:

"The accompanying balance sheet does not include cash deposited in separate bank accounts representing amounts deducted from payrolls for employees' income taxes and subscriptions to United States Savings bonds."

THE INTERNATIONAL NICKEL COMPANY OF CANADA, LIMITED

Non-Current Asset:	
"ASSETS HELD AGAINST RETIREMENT SYSTEM RESERVE:	
Government and Other Marketable Securities at or below cost (market at December 31, 1950, Governments 925,000, Others $3,900,000) and Cash	$ 4,825,731
Below Current Liabilities:	
"RETIREMENT SYSTEM RESERVE	4,825,731"

JONES & LAMSON MACHINE COMPANY

"OTHER ASSETS:	
Fund for replacement of property—cash	$ 138,901.74"

THE PITTSTON COMPANY

"Special Deposits as Self-insurer, etc.:	
Federal and Municipal securities (quoted value $475,359)	$ 450,718.10
Cash	59,023.33
	$ 509,741.43"

UNITED FRUIT COMPANY

Non-Current Asset:	
"INSURANCE FUND:	
United States Government securities at par (cost, less amortized premium $13,325,968.63; market value $13,375,187.50)	$13,200,000.00
Cash	89,803.69
	$13,289,803.69"
Within "Stockholders Equity":	
"Earnings retained in business less amounts transferred to capital stock account:	
Appropriated:	
Self-insurance	$13,289,803.69"

THE RUBEROID CO.

"Funds for improvement of plant facilities (Note 2)	$ 3,450,000

Note 2: "Pursuant to a resolution of the Board of Directors, cash in the amount of $1,799,000 and U. S. Government securities aggregating $1,651,000 in par value have been segregated as of December 31, 1950 for payment of improvements to plant facilities authorized by the Board but not completed as of that date."

WALWORTH COMPANY

"Investments and miscellaneous assets:	
Cash and U. S. Savings Bonds for account of employees	$13,591
Non-current Liabilities:	
"Employees' deposits for purchase of U. S. Savings Bonds	13,591"

Investments:

HUDSON MOTOR CAR COMPANY

"Investment held for operating purposes at cost	$ 156,171.81"

JONES & LAUGHLIN STEEL CORPORATION

"Real estate sales contracts, long-term receivables and sundry securities, less estimated losses	$ 2,411,000"

MELVILLE SHOE CORPORATION

"Investments:	
Cash and United States Government securities, at cost, held by bank as security for store managers' deposits	$ 142,000
Less store managers' security deposits	119,456"

THE STUDEBAKER CORPORATION

"Non-Current Investments and Receivables	$ 400,000.00"

UNITED STATES LINES COMPANY

"Miscellaneous investments, including stock and notes of wholly owned agency companies abroad less $3,938,800 notes and accounts payable to such companies	$ 41,617"

THE S. S. WHITE DENTAL MFG. CO.

"Investments—at written-down cost	$ 67,255"

Receivables:

AMERICAN CAN COMPANY

"Deferred accounts and bills receivable, less allowance for doubtful items of $425,000 at December 31, 1950	$ 1,503,817"

THE AMERICAN METAL COMPANY, LIMITED

"Deferred accounts receivable, loans, claims and charges	$ 399,582"

BALDWIN-LIMA-HAMILTON CORPORATION

"Receivables not due within one year	$ 2,717,744
Renegotiation rebates receivable arising from additional amortization of war emergency facilities	301,160"

EX-CELL-O CORPORATION

"Receivables with Extended Maturities	$4,729,994"

LIBBEY-OWENS-FORD GLASS COMPANY

"OTHER ASSETS:	
Notes and accounts receivable from employes	$ 87,117.42"

MACFADDEN PUBLICATIONS, INC.

"INSTALLMENT RECEIVABLES DUE AFTER ONE YEAR	
(less reserves)	$ 86,173"

PEOPLES DRUG STORES, INC.

"Loans to employees for pharmaceutical education	$	43,559.17
Less reserve for possible losses		15,000.00
	$	28,559.17"

UNITED FRUIT COMPANY

"PLANTERS LOANS AND OTHER LOANS AND RECEIVABLES, less allowance for possible losses ($999,340.22) .... $8,004,977.05"

Miscellaneous Non-Current Assets:

AMERICAN CAR AND FOUNDRY COMPANY

Non-Current Assets:

"INTEREST IN CAR LEASE RENTAL PAYMENTS DUE AFTER ONE YEAR (See Note 1) $1,194,492.60

Non-Current Liability:

"SECURED LONG TERM NOTES PAYABLE (See Note 1) .... 1,180,478.00"

Note 1: "During the fiscal year the parent company sold 1,500 freight cars to an insurance company to be leased to a railroad company. Under the terms of the sales contract 80 per cent of the purchase price was paid upon delivery of the cars, the balance to be paid in sixty equal monthly installments from rentals received by the insurance company from the leasing railroad. At April 30, 1951, the unpaid balance receivable under the sales contract amounted to $1,507, 692.60, of which payments due within one year in the amount of $313,200.00 are included in notes and accounts receivable under current assets; payments due after one year, amounting to $1,194,492.60, have been excluded from current assets.

Amcar Corporation, a subsidiary corporation, was formed for the purpose of acquiring the foregoing interest in car lease rental payments held by the parent company. Funds to finance the purchase of such interest in car lease rentals were loaned to Amcar Corporation by a New York bank without recourse to the parent company. The unpaid balance of this loan at April 30, 1951 amounted to $1,490,006.00. This indebtedness is evidenced by Amcar's serial note payable to the said bank in monthly installments through March, 1956. Installments payable within one year and amounting to $309,528.00 are included in notes payable to banks under current liabilities. As collateral security, Amcar has assigned its interest in the said car lease rentals to the said bank, together with United States Government obligations and cash (deposited in escrow) amounting to $304,602.44. The latter amount, which is subject to quarterly reduction, is included in deposits of cash and securities."

AMERICAN SMELTING AND REFINING COMPANY

"MISCELLANEOUS ASSETS:

Mine examination and development expenditures, principally on properties under lease or option .... $2,352,746"

THE AUTOCAR COMPANY

"Inventories in excess of one year's expected requirements at estimated realizable value .... $ 629,547"

COLUMBIA RIVER PACKERS ASSOCIATION, INC.

"Other Assets: Inventories of repair parts, etc. .... $ 108,229.95"

THE FLORSHEIM SHOE COMPANY

"DUE FROM EMPLOYEES FOR PURCHASE OF CLASS "A" SHARES OF COMPANY'S CAPITAL STOCK COLLATERALIZED BY 9,816 SHARES OF SUCH STOCK):

Amount originally due	$	141,837.00
Deduct—Payments received thereon		72,371.50"

THE INTERNATIONAL NICKEL COMPANY OF CANADA, LIMITED

"Other Assets: Account Receivable Due 1950–1951 arising from transfer of nickel properties in Finland .... $ 4,666,600"

THE HARSHAW CHEMICAL COMPANY

"INVESTMENTS AND OTHER ASSETS

Deposit under contract for raw material purchases—Note C .... $ 78,334.50

Note C: This amount represents the balance of funds deposited with a certain vendor by the Company, as security for its performance under an agreement relating to the purchase of raw materials from that vendor, which are to be realized through credits based on quantities purchased. The agreement provides that if the Company fails to order or accept delivery of a specified quantity before April 1, 1951, subject to certain conditions, the vendor has the right to retain the deposit, or balance thereof, as liquidated damages."

THE GLIDDEN COMPANY

"Other Assets:

Advance payment on account of possible federal income tax assessment .... $1,000,000.00"

R. G. LeTOURNEAU, INC.

"Balance due from officer of the corporation arising from sale of investment in December 1947 .... $ 44,681"

THE GLENN L. MARTIN COMPANY

"COMMERCIAL TYPE AIRPLANES, TEMPORARILY LEASED TO A CUSTOMER	$	4,936,038
Less reserve for depreciation		366,089
		$4,569,949"

THE MASTER ELECTRIC COMPANY

"OTHER ASSETS:

Contract receivable, arising from sale of manufacturing facilities of discontinued products .... $ 46,494.40"

PEPSI-COLA COMPANY

"MISCELLANEOUS ASSETS:

Cost of 16,000 shares of capital stock of the Company acquired for an officer (payment to be received by March 21, 1954) .. $ 171,420"

PULLMAN INCORPORATED

"Interest in car lease rental payments due after one year (Note B) .... $ 2,708,998"

Note B: "During the year 1950 Pullman-Standard Car Manufacturing Company sold 10,550 freight cars to an insurance company (to be leased by it to various railroads) under contracts whereby the purchaser agrees to pay 80 per cent of the contract price on delivery of the cars, the balance to be paid in sixty equal monthly installments. These sales contracts provide that in the event of a default in the payment of rentals by the leasing railroad, (1) the purchaser's obligation to make further monthly payments is suspended during the period of default, and (2) if default continues for more than thirty days, the purchaser is relieved of its obligation to make further monthly payments by offering to sell the cars back to the manufacturing company (together with all lease rights) at a price equal to the aggregate of all payments made to the company thereon, plus interest, minus the aggregate of all rental payments received by the puchaser, plus interest.

The payments due within one year under these contracts for cars delivered prior to January 1, 1951, amounting to $666,971 are included in domestic accounts receivable under current assets. The payments due after one year on these cars amounting to $2,708,998 have been classified as noncurrent under the caption of Investments and Other Assets."

SINCLAIR OIL CORPORATION
"Other Assets:
Due from officers and employees under Stock Purchase Plan.................. $ 2,017,507"

UNITED FRUIT COMPANY
"EMPLOYEES' STOCK PURCHASE ACCOUNTS
(secured by 5,352 shares of Company stock—market value, $318,444.00)...... $ 108,725.00"

DISCLOSURE OF LONG-TERM LEASES IN FINANCIAL STATEMENTS OF LESSEES

The Committee on Accounting Procedure of the American Institute of Accountants, in Accounting Research Bulletin No. 38, issued in October 1949, stated that "the growth in recent years of the practice of using long-term leases as a method of financing has created problems of disclosure in financial statements." The Committee pointed out that the question of disclosure in financial statements of the fixed amounts payable annually under such leases has been raised by the fact that "one of the effects of the long-term lease as a substitute for ownership and mortgage borrowing is that neither the asset nor any indebtedness in connection with it is shown on the balance sheet." It was the opinion of the Committee that where the rentals, or other obligations, under long-term leases are material in the circumstances,

"(a) disclosure should be made in financial statements or in notes thereto of
 (1) the amounts of annual rentals to be paid under such leases with some indication of the periods for which they are payable, and
 (2) any other important obligation assumed or guarantee made in connection therewith;
(b) the above information should be given not only in the year in which the transaction originates but also as long thereafter as the amounts involved are material; and
(c) in addition, in the year in which the transaction originates, there should be disclosure of the principal details of any important sale-and-lease transaction."

The Bulletin states that the foregoing principles of disclosure apply not only to the so-called "sell-and-lease" arrangements, but also to conventional long-term leases. They are not intended, however, to apply to short-term leases or to those customarily used for oil and gas properties.

LONG-TERM LEASES

Statements	Footnotes	President's Letter	Total	Information Disclosed
3	35	1	39	Annual rental and term of lease (and, in some cases, other conditions such as purchase options, renewals, etc.).
3	12	3	18	Annual rental only.
0	1	0	1	Term of lease only.
4	5	11	20	No details disclosed.
10	53	15	78	Total lease disclosures
			447	No lease disclosures
			525	

The foreging tabulation shows the frequency, scope, and method of disclosure in the 525 selected reports of information relating to long-term leases.

Typical examples in the annual reports of the disclosure of information concerning long-term leases are shown below:

Financial Statements:

ARDEN FARMS CO.
Balance Sheet:
"Long Term Lease Commitments (substantially secured): Minimum annual rentals of approximately...................... $950,000.00"

DISTRICT THEATRES CORPORATION
Balance Sheet:
"LONG-TERM LEASE COMMITMENTS (Note G)...
Note G: "The minimum annual rentals upon real property leased for terms expiring after December 30, 1950, aggregate $157,230.00 as follows:

Years of Expiration	Number of Leases	Minimum Annual Rentals
1951–1953.........	2	$ 10,800.00
1954–1956.........	6	41,660.00
1958–1959.........	7	32,820.00
1963–1965.........	6	71,950.00
	21	$157,230.00

One of the lease agreements provides for additional rental based on a percentage of receipts."

S. H. KRESS & CO.
(Presented within the balance sheet, directly below "Total capital stock and accumulated earnings"):
"*Note:* At December 31, 1950 the Company was obligated under 143 leases expiring after December 31, 1953, some of which require, in addition to the minimum rentals now being paid, payments of additional rentals based on sales, and payments of real estate taxes, maintenance and insurance. The aggregate amount charged against operations for the year 1950 under all leases was $2,818,664."

ASSOCIATED DRY GOODS CORPORATION
"*Consolidated Statement of Income and Earned Surplus:*
Cost of goods sold and selling and general expenses, exclusive of expenses shown below (Note 8)............................ $135,869,748"

Note 8: "The aggregate annual rentals for all real property leased to the companies were approximately $1,404,000 for the fiscal period, excluding applicable realty taxes, insurance and maintenance and additional rentals based upon percentage of sales. Approximately $578,000 of such amounts relates to leases, the unexpired terms of which exceed 20 years."

BARKER BROS. CORPORATION
"*Consolidated Statements of Profit and Loss:*
Operating, selling and administrative expenses including in the respective years $306,732 and $287,485 for depreciation and amortization and $487,000 and $449,000 guaranteed minimum annual rentals under long term leases................ $ 9,225,397"

BEATRICE FOODS CO.
"*Statement of Consolidated Profit and Loss:*
COST AND EXPENSES,
Rents—Real property (a)............. $ 774,035.28"

Note: "(a) Rents—Real Property, $774,035.28 represents rentals paid under approximately 470 leases, of which 79% relate to leases expiring within ten years and the balance, $165,603.69, to 30 leases expiring more than ten years after February 28, 1951. Under certain leases the companies also pay taxes, maintenance, insurance, etc.

The companies also lease various motor vehicles and ice cream cabinets used by dealers for refrigerating the companies' products at costs deemed to be substantial. The greater portion of such costs pertaining to motor vehicles includes, without allocation operating expenses as well as rentals."

FEDERATED DEPARTMENT STORES, INC.
"*Consolidated Statement of Income:*
Rentals (Note 4) .... $3,854,590"

Note 4: "LONG-TERM LEASES of the Company at February 3, 1951 comprised 48 leases with terms of more than three years after that date. In addition to fixed rentals, most of these leases require the Company to pay real estate taxes (recorded as taxes) and other expenses, and as to some of the leases, additional rentals based on a percentage of sales. In so far as any of the main stores of the Company's eight divisions are in whole or in part on leased sites, no one of these is a percentage lease, the earliest expiration date on any of these leases is 1966, and all contain renewal provisions excepting two which expire in 2008 and 2010, respectively."

GIMBEL BROTHERS, INC.
"*Comparative Consolidated Profit and Loss:*
Rents paid (See Note 4) .... $1,762,384"

Note 4: "The Company had thirteen leases in effect at January 31, 1951 for terms of more than three years. These provide for aggregate minimum annual rentals of about $1,380,000 plus real estate taxes (these amounts are included with taxes) and, in certain instances, other expenses and additional amounts based on percentages of sales. Of these thirteen leases, the three more important ones are for three major stores and these provide for annual rentals of $1,145,000; these leases expire from 1963 to 1966 and each of them has several renewal terms."

GOLDBLATT BROS., INC.
"*Statement of Consolidated Income:*
Rental expense (including in 1951, $960,000 on long-term leases) .... $1,048,389"

S. S. KRESGE COMPANY
"*Income and Income Retained:*
Note: "The aggregate minimum amount of rentals, exclusive of taxes and other expenses, for the year ending December 31, 1951 on all real property now leased to the company and its subsidiaries for terms expiring after December 31, 1953 will approximate $8,670,461 (including an estimated amount of $89,000 for certain leases under which no minimum annual rentals are specified). Such rentals are stipulated in 756 leases of which 160 leases provide for some increase in annual rental after 1951. The leases for the most part provide for payment by the lessee of taxes, repairs and insurance. The amount of rentals and expenses paid for the year 1950 on properties covered by the aforementioned leases aggregated approximately $9,542,871 for rentals, $2,577,122 for taxes and $1,152,636 for repairs and insurance."

R. H. MACY & CO., INC.
"*Statement of Earnings:*
Rent expense less rent income (Note 7) .... $3,925,160"
Note 7: "At July 29, 1950, the Corporation held 32 properties under 74 leases having terms of more than three years from that date, the rentals under which, for the year ending July 28, 1951, amount to a minimum of $3,750,000 plus, in certain instances, real estate taxes and increased amounts based on percentages of sales. Leases which require the payment of annual rentals in excess of $100,000 each expire from 1964 to 1982 and most of them have renewal privileges. Real estate taxes under the lease agreements are included with other taxes in the accompanying Statement of Earnings.

During the year the Corporation sold the addition to the main store building in San Francisco and the Lasalle & Koch branch store building in Sandusky, Ohio. Continued use of the properties was secured under long-term leases. The San Francisco lease has an initial term of 31 years with a renewal term of 35 years, and with option to repurchase at the end of the 25th and 66th years. The Sandusky store was leased for 35 years with renewal privileges aggregating 40 years and option to repurchase at the end of the 20th, 35th, 55th and 75th years. The rentals under these leases are included in the long-term lease figures referred to in the preceding paragraph."

THE MAY DEPARTMENT STORES COMPANY
"*Consolidated Statement of Net Earnings:*
COSTS AND EXPENSES:
Rentals (Note G) .... $2,169,451"
"*Note G:* The Company had sixty-four leases in effect at January 31, 1951 having terms of more than three years after that date. These leases, plus four leases expiring in 1953, provide for aggregate minimum annual rentals of approximately $2,350,000 plus, in certain instances, real estate taxes (such amounts being included in taxes) and other expenses, and in respect of some of the minor leases, additional amounts based on percentages of sales. Of these sixty-eight leases, seven of the principal ones providing for aggregate annual rentals of $1,222,620 pertain to three major stores; these leases expire in 1953, 1972 and 1996. The Company is in the process of exercising options to extend the maturities of the leases expiring in 1953 to 1958."

Footnotes to Financial Statements:

ALLIED STORES CORPORATION
Note E: "At January 31, 1951, the Corporation and its consolidated subsidiaries had 177 leases having terms of more than three years from that date. The rentals under these leases for the year ending January 31, 1952 amount to a minimum of $7,502,314 (of which $2,858,270 is payable to Alstores Realty Corporation and subsidiary company), plus, in most cases, real estate taxes and other expenses and, in certain instances, increased amounts based on percentages of sales. Of the leases which have annual rentals in excess of $100,000 each, all expire between 1969 and 1985, except for one expiring in 1954, and one expiring in 2027."

COLONIAL STORES INCORPORATED
Note 6: "Leased Premises: The company leases the majority of its warehouse and store locations. At December 30, 1950, there were in effect 203 leases extending beyond three years from that date, including those referred to in the following paragraph. Such leases provide for minimum annual net rentals aggregating $1,302,650, of which approximately 69% relates to leases expiring within ten years and the balance to leases expiring in from ten to twenty-five years.

During the year ended December 30, 1950, the company completed the construction of four store buildings and substantially completed a warehouse building under a build-sell-lease agreement with an insurance company. Such properties were sold for $1,592,597 and leased back to the company for initial periods of twenty years at annual net rentals aggregating $121,340. In addition, the company has contracted for the construction of warehouse, headquarters and store facilities estimated to involve additional expenditures of approximately $4,250,000 which, under existing sales agreements, are to be sold to insurance companies under long-term lease-back arrangements."

CONTINENTAL CAN COMPANY, INC.
"FINANCING: (Page 17) No new financing was necessary in 1950. Since 1946 the Company has sold 7 new plants (land and building only) at an aggregate sales price of $13,705,700 representing approximate cost under "sale and lease" arrangements made with insurance companies and others. In each case the plants were leased back to the Company for an initial term varying from 20 to 25 years with options to extend the leases for additional periods of substantially reduced rentals. The aggregate rentals for 1950 under these leases amounted to $954,500. In addition, the Company is also liable for upkeep, taxes and insurance on the properties. It is not expected that any further plants will be sold under these "sale and lease" arrangements."

FOREMOST DAIRIES, INC.
Note 7: "The Company is lessee on twenty-seven leases of land and buildings for periods expiring more than three years after December 31, 1950, under which the current annual rentals aggregate $175,930.

The properties occupied under lease include five plants which were formerly owned by the Company; the current annual rentals of these properties aggregate $73,950, with taxes, insurance, and maintenance expenses payable by the lessee. Of these leases, expiring in 1970 or later, three provide for reduced rentals during the latter portion of the periods of lease and four grant options to the lessee to repurchase the properties at times and prices stated in the leases."

FRUEHAUF TRAILER COMPANY
Note D: "*Long-Term Leases.* Since 1945 the Company or one of its consolidated subsidiaries has entered into long-term leases (25 to 35 years) for 35 factory sales and service branches. The companies have the right to purchase the properties after certain specified periods (generally five years from the date of the lease).

The rental payments in most cases and purchase prices in all cases decline gradually over the terms of the leases. The annual rentals on such properties will amount to $548,933 in 1951, exclusive of taxes, insurance, maintenance, and repairs which are also payable by the companies. If all of the rights to purchase were exercisable at the present time, the aggregate purchase price would amount to approximately $7,500,000.

In addition, at December 31, 1950, the companies were lessees under 17 leases having terms extending more than three years (but not more than ten years) from that date. The maximum annual rental requirements thereunder aggregated $98,750."

W. T. GRANT COMPANY
Note F: "At January 31, 1951, the Company was lessee of real property owned by persons other than its subsidiary, under 476 leases expiring subsequently to January 31, 1954, at aggregate annual minimum rentals of approximately $7,760,000 (exclusive of taxes and other expenses payable under terms of certain of the leases). This amount includes approximately $2,114,000 minimum annual rentals under 110 leases which were on a percentage of sales basis with specified minimum annual rentals, but does not include any amount for three leases which were on a percentage of sales basis without any specified minimum annual rentals."

THE HARSHAW CHEMICAL COMPANY
Note G: "Rentals to be paid in subsequent years under two long-term leases aggregate approximately $72,000.00 annually. One lease terminates December 31, 1963, with the right of termination on or before July 1, 1958, upon the payment by the Company of liquidated damages, and the other lease terminates May 1, 1964. Other long-term leases are not significant as to annual rentals."

REGAL SHOE COMPANY
Note 3: "*Long-term leases*: At December 31, 1950 the total minimum annual fixed rentals payable under leases expiring after December 31, 1955 were $230,625.00 per annum. Leases covering about 90% of this amount expire on various dates prior to December 31, 1960."

SAFEWAY STORES, INCORPORATED
"*Note 5:* The leases in effect as to all companies for stores, warehouses and other properties number 2,690. Of these, 1,471 contain options to cancel which, if exercised, might involve the purchase of 881 properties. The minimum annual rentals for the year 1951 under all leases (some of which contain percentage of sales clauses) and excluding any taxes, insurance and maintenance payable by the lessee, amount to approximately $8,138,000 on properties in the United States and $417,000 (Canadian) on properties in Canada; these aggregate amounts decrease annually until the year 2000 as leases expire."

SHELL OIL COMPANY
Note 7: ". . . Neither Shell Oil Company nor any of its subsidiary companies had any contingent liabilities, claims or guarantees at December 31, 1950, which, in the judgment of the Management, would result in the sustaining of losses which would materially affect their financial positions; nor were there any commitments of material amount under long-term lease agreements, except those common to the petroleum industry."

WESTERN AUTO SUPPLY COMPANY
Note 6: "LEASE COMMITMENTS: The approximate minimum annual rental on real property occupied under leases is $2,176,146.03. The number of such leases is 347. A summary by periods of expiration is as follows: (1) 1951 through 1953, 186 leases amounting to $1,105,752.90, (2) 1954 through 1958, 153 leases amounting to $946,277.13, (3) 1959 through 1980, 8 leases amounting to $124,116.00."

President's Letter:

EMERSON RADIO & PHONOGRAPH CORPORATION
"TO OUR STOCKHOLDERS: ". . . To complement this additional manufacturing capacity and to increase our cabinet supply, Emerson's wholly-owned subsidiary, Jefferson-Travis Incorporated, acquired cabinet manufacturing facilities in Brooklyn, New York, in July 1950. The purchase included equipment and machinery needed to produce television cabinets as well as an inventory of lumber and cabinet materials. The operations of the plant, occupying approximately 90,000 square feet of space, are conducted in premises held under a long term lease. This plant is now producing console television cabinets exclusively for Emerson and is one of our major suppliers."

NATIONAL BISCUIT COMPANY
"TO OUR STOCKHOLDERS AND EMPLOYERS: ". . . It has never been our policy to own distributing branch properties. They are usually leased from local individuals. In recent years the difficulty of procuring buildings of a suitable type has caused us in a few instances to build what we needed and then enter into a sale and lease-back arrangement with an insurance company."

NATIONAL DAIRY PRODUCTS CORPORATION
"*The President's Statement:* ". . . Kraft has also leased new sales and distribution branches built for its use at Charlotte, N. C., Syracuse, Allentown, Houston, Miami, Jacksonville

and Albany. Additional sales branches are being built by Kraft at Denver, Fargo, N. D., Peoria, Providence, Salt Lake City, Sacramento, Sioux City, Iowa, and Waterloo, Iowa. Under construction for lease by our Consolidated Products Company are plant-warehouses at Sacramento and Des Moines."

THE SUPER-COLD CORPORATION
"*To the Stockholders:* . . . Leases on the various properties occupied by the parent company expired December 31, 1950, with one minor exception. At a meeting of the Board of Directors on July 25, 1950 a lease was agreed upon in principal between the Board and . . . President and landlord on a new rental basis in the amount of $102,664 per year. This represents an increase of $38,198 net to the company per year. . . ."

WILSON & CO., INC.
"The President's Report:" . . . We have entered into a long-term lease for a modern packing plant at Memphis, Tennessee, which will enable us to serve that area and the South with greater efficiency and economy. . . ."

CASH SURRENDER VALUE OF LIFE INSURANCE

No significant change occurred in 1950 relating to the presentation of the item, Cash Surrender Value of Life Insurance, in the balance sheet, as indicated in the table below. The prevailing practice by the 525 companies continued to be the exclusion of such resources from the category of current assets, in accordance with Accounting Research Bulletin No. 30, "Current Assets and Current Liabilities—Working Capital," issued by the Committee on Accounting Procedure, American Institute of Accountants, in August 1947.

CASH SURRENDER VALUE—LIFE INSURANCE

1950	1949	1948	1947	1946	Balance Sheet Presentation
					Non-Current Assets:
39	39	..	..	..	Other Assets. (See Company Appendix Nos. 33, 230, 237, 279, 303, 453, 479, 500)
24	26	..	..	..	Investment. (See Company Appendix Nos. 10, 37, 122, 413, 433, 447, 473)
25	18	..	..	..	Separately shown. (See Company Appendix Nos. 175, 333, 337, 353)
1	1	..	..	..	Deferred Asset. (See Company Appendix No. 294)
89	84	82	85	82	Total Non-Current
3	6	9	13	19	Current Assets. (See Company Appendix Nos. 189, 283)
					Number of Companies:
92	90	91	98	101	Showing item
433	435	434	427	424	Not showing item
525	525	525	525	525	

CLAIMS FOR REFUND OF TAXES

There were 116 companies of the 525 included in the 5th annual survey that referred to tax refund claims of various kinds. These claims are summarized in the following tabulation:

1950	Nature of Tax Refund Claim
	CLAIMS FOR REFUND OF FEDERAL INCOME OR EXCESS PROFITS TAXES BASED ON:
14	(A) Loss Carry back. (See Company Appendix Nos. 9, 121, 281, 381)
8	(B) Adoption of LIFO Inventory. (See Company Appendix Nos. 232, 242)
8	(C) Replacement of basic LIFO Inventory. (See Company Appendix Nos. 95, 335, 337, 510)
38	(D) Sections 721 and 722. (See Company Appendix Nos. 65, 70, 138, 149, 280, 367, 454)
57	(E) Other, including those cases where no explanation is given. (See Company Appendix Nos. 35, 60, 104, 113, 132, 283, 349, 447, 480)
2	CLAIMS FOR REFUND OF STATE TAXES. (See Company Appendix No. 367)
8	CLAIMS FOR REFUND OF FOREIGN TAXES. (See Appendix Nos. 180, 281, 380)
135	
	STATEMENT PRESENTATION OF TAX REFUND CLAIMS:
42	Current Assets
55	Non-Current Assets
38	Footnotes to financial statements
135	

The following examples illustrate the nature and degree of disclosure and the accounting treatment with regard to tax refund claims:

Claims Based on Loss Carry-Backs:

ALPHA PORTLAND CEMENT COMPANY
Balance Sheet:
"DEFERRED ITEMS:
Claims for refund of income and excess profits taxes for prior years based on carry-back of unused excess profits credit from 1943 and net loss for 1944. . . . . $126,650"
"*To the Stockholders:* . . . The Balance Sheet also shows a reduction of $445,966 in our claims for refund of income and excess profits taxes for prior years based on the carry-back of unused excess profits credit from 1943 and net loss for 1944. This reflects the payment of our adjusted claims in full but with interest allowed for only part of the intervening period. We believe that we are entitled to additional interest in a substantial amount, and negotiations with the Commissioner of Internal Revenue are being continued."

AMERICAN CAN COMPANY
Balance-Sheet (Non-Current Asset):
"Refundable portion of prior years' federal taxes, principally under carry-back provision of Internal Revenue Code. . . . . $120,669"

MILLER AND HART, INC.
Balance-Sheet (Current Assets):
"Federal income tax refund receivable—estimated. . . . . $ 41,800.00"
"*Statement of Income:*
Net loss (before refund of income taxes). $101,739.93
INCOME TAXES
Refund of Federal income taxes due to "carry-back" of operating loss—estimated. 41,800.00
Net loss. . . . . $ 59,939.93"

Adoption of Lifo Inventory:

ASSOCIATED DRY GOODS CORPORATION
Balance Sheet (*Non-Current Asset*):
"Claims for refund of federal and state taxes
on income of prior years (Note 1)........ $ 2,789,000"

Note 1: "The Internal Revenue Code provides an elective method of determining inventories, known as last-in, first-out, or Lifo.

For retail stores using the retail method of computing inventories the only practicable means of using the Lifo method has been to employ statistical price indices in conjunction with the retail method. Up to March 4, 1948, the Treasury Department denied the use of the Lifo method based upon such use of statistical price indices. At that date the Treasury Department by the issuance of regulations acquiesced in a decision by the Tax Court of the United States that taxpayers using the retail method of inventory may elect the Lifo method and use retail price indices satisfactory to the Commissioner of Internal Revenue. The Commissioner has approved certain indices issued by the U. S. Bureau of Labor Statistics.

The regulations of the Treasury Department require that taxpayers using the Lifo method must also use that method for reporting earnings to stockholders.

The retail store subsidiaries of this corporation, in 1948, adopted the Lifo method retroactively for all years not closed for federal income tax purposes, commencing with the year ended January 31, 1942, for Lord & Taylor and with the year ended January 31, 1943, for other store subsidiaries. The companies also elected retroactively to follow the involuntary liquidation procedures of the Internal Revenue Code in respect of certain reductions in inventory quantities. The companies filed amended tax returns claiming an overpayment of federal taxes on income, which, together with adjustments of state taxes, amounts to $2,789,000 for the years up to and including January 31, 1947. For the four fiscal years since such retroactive adoption of the Lifo method, the balance sheet provisions for federal and state taxes on income are approximately $550,000 less under the Lifo method than under the inventory method used formerly.

Present Treasury Regulations do not provide for retroactive application of the Lifo method and in February, 1951 the Treasury Department rejected the basic claims for refund of taxes. The companies intend to contest such rejection.

If the aggregate tax reductions of $3,339,000 under the Lifo method should not be realized they would be offset, except for $110,000, by restatement of inventories on the basis formerly used."

R. H. MACY & CO., INC.
Balance-Sheet (*Non-Current Assets*):
"OVERPAYMENTS OF FEDERAL TAXES ON INCOME claimed for the six years ended January 1947 as a result of the re-adoption of Lifo (Note 2).................................... $6,916,000"

Note 2: "The inventories are stated at July 29, 1950 at $9,-804,995 less than they would have been if the First-In, First-Out principle had been applied in determining cost.

The accompanying Statement of Financial Condition continues to show as a non-current asset the Corporation's claim of $6,916,000 for overpayments of federal taxes on income for the six years ended January 1947 as a result of the retroactive re-adoption of the Lifo method of inventory valuation. The decision in the Hutzler Bros. case established in 1947 the right of retailers to use the Lifo method. The Treasury Department has not taken final action upon our specific claims nor has Congress adopted any remedial legislation for retailers who were erroneously and unjustly denied the right to use the Lifo method during the years 1941–47. The Corporation continues to be active in its efforts to obtain a favorable determination of its Lifo claims and discussions are currently being held with officials of the Treasury Department in an effort to secure an equitable decision. It may be necessary, however, for the Corporation to have recourse to the courts to establish its right to the retroactive use of the Lifo method of inventory computation."

Replacement of Basic Lifo Inventory:

CALIFORNIA PACKING CORPORATION
"*Details of Items in Accounts:*
Refundable Federal taxes in income for prior years, estimated (Note A)..................... $809,281"
Consolidated Statement of Earnings:
COSTS AND EXPENSES:
Excess of reduction in inventory valuations over related refund of Federal taxes on income (Note A)......................... $ 6,851"

Note A: "INVENTORIES: Under Section 22(d) of the Internal Revenue Code pertaining to "last-in, first-out" inventory method, basic inventory valuations applicable to inventories which have been liquidated because of war conditions may be restored when such inventories are replaced. The adjustments in respect of inventories replaced in 1951 were not significant. Claims for refundable Federal taxes on income with respect to inventories replaced in 1951 and prior years amount to $3,041,902 and interim allowances of $2,232,621 have been received thereon; all of the refunds claimed are subject to final review by the Treasury Department."

FIRST NATIONAL STORES INC.
Balance Sheet (*Non-Current Assets*):
"CLAIMS FOR REFUNDS OF FEDERAL TAXES ON INCOME—NET (Note 1).................. $2,950,000"

"*Comparative Statement of Earnings*:
Deduct:
Net adjustment resulting from replacement of inventories valued on last in, first out basis, involuntarily liquidated in prior years (Note 1)...................... $ 78,000
Net earnings for the year............ $6,134,530"

Note 1: "...Partial replacement has been made of inventories which were involuntarily liquidated in prior years and, as permitted by the Internal Revenue Code, the company has elected to value the items replaced at their original inventory prices. The excess cost of replacing a portion of the inventories which were involuntarily liquidated, less estimated refunds of $100,000 of federal taxes resulting therefrom, has been charged to profit and loss for the current year. The refund claims aggregating $2,950,000 shown in the accompanying balance sheet cover the fiscal years ending March 30, 1946 to March 31, 1951, inclusive.

The use of the last in, first out method and the application of the involuntary liquidation and replacement provisions of the tax law are subject to review and acceptance by the Bureau of Internal Revenue."

Section 721 Claim:

SPRAGUE ELECTRIC COMPANY
Note 1: ". . . The Federal tax liability of Sprague Electric Company has been settled through the year ended December 31, 1940. With respect to the years 1941 to 1946, inclusive, the Bureau of Internal Revenue, late in 1950, alleged a net additional tax amounting to $1,709,968.54, which included a disallowance of relief claims under Sections 721 and 722 of the Internal Revenue Code. The company has filed a petition with the Tax Court of the United States alleging that it is not

liable for said net additional tax and, in addition, that the company is entitled to net refunds of Federal income and excess profits taxes under Section 721 of the Internal Revenue Code, for the years 1941 to 1945, inclusive, in the amount of $2,483,302.24. No action on such petition has been taken as yet.

In the opinion of the company's tax counsel, a large portion of said alleged net additional tax for the years 1941 to 1946 inclusive, can be successfully protested, and the company's claims for refund for the years 1941 to 1945, inclusive, under Section 721 of the Internal Revenue Code should result in substantial refunds. However, since many complex and technical questions are involved in the petition which has been filed with the Tax Court of the United States, no accurate estimate of the final result of the litigation can be made. . . ."

Section 722 Claims:

THE HALOID COMPANY
Balance Sheet:
". . . TOTAL ASSETS (Note B) . . . . $6,455,644.63"

Note B: "Contingent Asset: The Company has filed applications for excess profits relief under the provisions of Section 722 of the Internal Revenue Code for the years 1940 through 1945. The processing of the claims has been completed by the United States Treasury Department, resulting in a net refund of taxes paid of $166,936.72 plus interest of $36,601.11, aggregating an amount of $203,537.83, for which cash was received January 15, 1951 from the United States Treasury Department. No provision has been made in the Company's financial statement at December 31, 1950 to reflect this refund."

PEPSI-COLA COMPANY
Note 3: ". . . The Excess Profits Tax Council has approved an increase in the excess-profits credit, under relief provisions (Section 722) of the Internal Revenue Code, which would result in a refund of approximately $2,100,000 of prior years' taxes. Pending approval by the Chief Counsel for the Bureau of Internal Revenue and review by the Joint Congressional Committee on Internal Revenue Taxation, no effect has been given in the financial statements to the proposed refund, to interest thereon, or to the legal and accounting fees and expenses in connection therewith."

TIME INCORPORATED
"*Note C:* . . . *Section 722 Claim:* Under provisions of Section 722 of the Internal Revenue Code, the Company has filed claims for relief as regards excess profits taxes for the six years 1940–1945 and has filed a claim for refund based on carry-back of unused excess profits credit for 1946. These claims are for substantial sums but the amounts recoverable thereon are not presently determinable, and, accordingly, these claims are not reflected in the financial statements. As permitted by the Code, the Company withheld payments of excess profits taxes for the years 1943–1945 in amounts equivalent to 33% of the claims for these years, and the amounts so withheld are included in the provision for income taxes under Current Liabilities but without provision for interest thereon. The delay in the final determination of Federal income and excess profits taxes is due to the extended time required to obtain a decision upon the claims for relief under Section 722."

Claims for Refund of State Taxes

THE RYAN AERONAUTICAL CO.
Balance Sheet:
"CURRENT ASSETS:
Claims for refund of Federal and State taxes based on income (Note 1) . . . . $226,070"

Note 1: "The claims for refund of Federal and State taxes based on income embrace the years 1943 through 1948. Although the Bureau of Internal Revenue has completed its review of the Federal claims, no settlement has been reached with the Company. It is the opinion of the management and tax counsel that the amount shown will be eventually recovered in full."

HOOKER ELECTROCHEMICAL COMPANY
Balance Sheet (Non-Current Assets):
"INVESTMENTS AND OTHER ASSETS:
Estimated recovery of New York State Franchise Tax, arising through renegotiation refunds . . . . $159,216"

War Loss Claims:

GILLETTE SAFETY RAZOR COMPANY
Balance Sheet:
"CURRENT ASSETS:
Post war refund of United States excess profits taxes . . . . $285,916"
(Non-Current Assets):
"ESTIMATED TAX REFUND from United States government on account of 1941 war losses . . . . . 500,000"

Note 1: "In February 1951 the Company, based on its 1941–1943 tax returns and the revenue agent's reports thereon, received refunds of federal income and excess profits taxes, interest thereon, and postwar refunds of excess profits tax aggregating $2,252,528. The excess of that amount over the amounts previously carried in the accounts with respect to those items and the estimated 1951 federal taxes on the interest portion of the refunds (such excess being $1,117,905) has been credited to the reserve for federal taxes pending final determination of the amount of the tax due on account of war loss recoveries which question is the only substantial one remaining open. No assessment of the tax on such recoveries has been made, the agent's report for the year 1945 having merely stated recoveries at the amounts which would produce the maximum tax in order to protect the government's interests. In the Company's opinion, existing reserves are adequate."

OTIS ELEVATOR COMPANY
Balance Sheet:
"OTHER ASSETS:
Claim for Refund of 1941 Income Taxes (War Losses) $1,597,041
"RESERVES (Below Current Liabilities):
For War Loss Claim . . . . $3,097,041"

"*To the Stockholders and Employees:*
Reserve for War Loss Claim: Our investments in subsidiary companies in enemy held territory were charged off in 1941 against a reserve provided out of income and surplus. The saving in Federal Income Taxes ($3,097,041) resulting from a war loss claim covering these investments is represented by a claim for refund of $1,597,041 taxes paid on 1941 income and a reduction of $1,500,000 in taxes on 1942 income. However, to the extent to which this loss has not been sustained, or is not allowed, this claim will be reduced and the full amount of the tax saving has, therefore, been set aside as a reserve. No change in this Reserve for War Loss Claim was made in 1950."

INTANGIBLE ASSETS

The balance-sheet presentation and treatment of intangible assets as set forth in the 1950 reports of the 525 selected companies is summarized in the following tabulation:

1950 Total	At Nominal Value	At Value in Excess of Nominal	In Fixed Assets—Value Not Shown	Type of Intangible Asset
184	114	70	..	Patents
147	127	20	..	Goodwill
8	...	8	..	Goodwill represented by excess of parent company's investment over equity in net assets on subsidiary's books at time of acquisition
99	79	20	..	Trademarks, trade names and brands
40	2	17	21	Leaseholds
19	3	16	..	Licenses
16	...	5	11	Rights: (Water, Land, and Water-power)
10	7	3	..	Copyrights
7	6	1	..	Processes
7	2	4	1	Development Costs
5	3	2	..	Formulae
4	3	1	..	Franchises
3	3	...	..	Designs and devices
11	7	2	2	"Intangibles"—Unspecified
560	356	169	35	

At Nominal Value

The above tabulation discloses that in the majority of instances, intangible assets were shown in the balance sheet at nominal value, which was usually in the amount of one dollar. One company, however, carried its "Goodwill, License Agreements, etc." at no value and "Patents, Copyrights and Trade-Marks, less, reserve for amortization" at the amortized value. (Cory Corporation). In those cases where the carrying value of the intangibles was written down during the year from a substantial amount to a nominal amount, it was customary to explain the write-down either in a footnote to the balance sheet or in the president's letter. The report of The American Tobacco Company Incorporated disclosed such information as follows:

"*Consolidated Balance Sheets:*
Brands, trade-marks, patents, goodwill, etc............ $1
"*Consolidated Statements of Income and Earned Surplus:*
Deduct: Write-off of brands, trade-marks, patents, goodwill, etc.................... $54,099,430"
"*To our Stockholders:* In June 1950 the Board of Directors, in accordance with what has come to be regarded as modern accounting practice, authorized the reduction to $1 of the item "Brands, trade-marks, patents, good will, etc.," which had been carried in the Company's Balance Sheet since 1913 at $54,099,431. The amount of the write-down has been charged against Earned Surplus. In the opinion of the Board, the actual value of the brands and other intangibles is far greater than the figure at which this item had been carried."

Another example of the write-down of intangibles is contained in the report of the Atlas Powder Company:

"*Comparative Consolidated Balance Sheet:*
Goodwill, Patents, etc......... [1950]................ $1
[1949]........ $4,052,682"

"*Earned Surplus:*
Deduct: Write-down of Goodwill, including that carried by Darco Corporation, to a nominal value of $1..................... $4,475,386"
"*To the Stockholders:* Effective July 31, 1950, the Darco Corporation was merged with Atlas Powder Company. . . . The combined Goodwill of Atlas Powder Company and Darco Corporation, amounting to $4,475,387, was written down to a nominal value of $1.00 by a charge to Earned Surplus . . . This write-down of Goodwill . . . [is] in accord with modern accounting practice."

At Valuation in Excess of Nominal

The data contained in the above table as to those instances where intangible assets were shown in the balance sheets at "values in excess of nominal" have been further analyzed as follows:

Per Cent	Balance-Sheet Presentation
	Shown at valuation in excess of nominal:
37%	At cost
24	At valuation other than cost
39	Basis of valuation not disclosed
100%	

In those instances where the method of valuation was disclosed, "cost" was the basis most frequently used, which is in accordance with the principles set forth in Accounting Research Bulletin No. 24 issued December 1944 by the Committee on Accounting Procedure. The Coca-Cola Company, in its balance sheet, showed:

"Formulae, Trade-Mark and Goodwill—at cost.............................. $41,432,816.42"

R. H. Macy & Co., Inc. set forth intangible assets as follows:

"Leases, Copyrights, Trade Marks, Goodwill, etc.—at cost, less accumulated amortization of $564,208............................ $2,127,102"

Excess of cost over underlying book value of subsidiaries at dates of acquisition was disclosed as follows by General American Transportation Corporation:

"Cost of Investments in Subsidiaries Over Underlying Net Assets at Dates of Acquisition—less amortization of $184,005.99.... $735,185.21"

An example of the valuation of intangible assets on the basis of a revaluation thereof by the Board of Directors is contained in the report of Macfadden Publications, Inc.

"*Consolidated Balance Sheet:*
GOODWILL AND TRADE-MARKS (Note 3)....... $4,500,000"
Note 3: "Goodwill and trade-marks carried on the books of Macfadden Publications, Inc. and shown in the accompanying consolidated balance sheet in the amount of $4,500,000 represents the revaluation established by the Board of Directors on December 16, 1935, less $1,000,000 written off in connec-

tion with the merger and recapitalization as of December 31, 1943. The amount at which such intangibles are stated arose prior to 1929, mainly from the issuance of the Company's stock in the acquisition of assets of predecessor or affiliated companies, and through the increase of par value of stock formerly outstanding."

The balance sheet of McGraw-Hill Publishing Company, Inc. contains the following information as to intangibles:

"*Consolidated Balance Sheet:*
PUBLICATION TITLES, COPYRIGHTS, SUBSCRIPTION LISTS AND GOODWILL—At book value.......................... $7,782,161.16"
Auditor's Certificate: "No attempt is made in the balance sheet to reflect actual present value of fixed assets, publication titles, copyrights, subscription lists and goodwill."

The following example of balance-sheet presentation of intangible assets has been taken from the report of Sterling Drug Inc.:

"*Consolidated Balance Sheet:*
TRADE-MARKS AND GOODWILL, LESS RESERVE (Note B).............................. $10,500,000"
"*Consolidated Statement of Profit and Loss and Earned Surplus:*
Earned surplus, January 1, 1950........... $44,803,858
Deduct: Appropriation to reserve for reduction of trademarks and goodwill.......... 1,411,541"

Note B: "Trade-marks and goodwill accumulated since formation of the Company in 1933 have been reduced to a net carrying value of $10,500,000 at December 31, 1950 by applying the balance in the reserve therefor. This reserve has been provided by charges of $13,322,557 to capital surplus and contingency reserve and $12,838,922 to earned surplus, and has been adjusted for disposals and for expired patents."

Shown in Fixed Assets—Value Not Disclosed

As shown by the above tabulation, a few companies included such intangible assets as leaseholds, water rights, land rights, and water power rights in fixed assets without separately disclosing the amount of such intangibles. The following examples illustrate such presentation:

AMERICAN WOOLEN COMPANY, INCORPORATED
"Fixed assets (a):
Mill properties, plants and equipment (including land, water rights and privileges $1,690,649.52)... .... $56,775,173.03"
Note (a): "Additions to fixed assets since July 1, 1931 stated at cost, other fixed assets at values determined by engineers as of July 1, 1931, representing . . . the estimated cost of the water rights and privileges. . . ."

ANACONDA COPPER MINING COMPANY
"PROPERTY, PLANT AND EQUIPMENT:
Mines and mining claims, water rights and lands for metal producing and manufacturing plants .... $261,074,021.38"

CITIES SERVICE COMPANY
"PROPERTIES:
Petroleum, natural gas, and other properties, including intangibles (amount undetermined) and expenditures on undeveloped properties and projects .. $949,084,611"

MARSHALL FIELD & COMPANY
"FIXED ASSETS:
Land, leaseholds, buildings and equipment, at cost...................... $ 72,736,826"

Amortization Policy

Although a substantial number of companies showed the amount of accumulated amortization applicable to intangible assets or in some other manner indicated that the intangibles were being amortized, relatively few disclosed the policy that was being followed in regard to such amortization. The A. B. Farquhar Company in its report stated its amortization policy as set forth below:

"*Balance Sheet:*
INTANGIBLE ASSETS:
Noncompetitive Rights (Note 4)............ $29,750.00"

Note 4: "NONCOMPETITIVE RIGHTS. The original cost of $35,000.00 for the noncompetitive rights is being amortized over the ten year life thereof starting March 31, 1949."

General Motors Corporation, in the following footnote to its balance sheet, stated that it was not the Corporation's practice to amortize its goodwill, patents, etc.:

"*Condensed Consolidated Balance Sheet:*
GOODWILL, PATENTS, ETC................... $63,214,330"
Note: "The Corporation's goodwill and patents account includes a nominal amount of $1 for patents. Goodwill is recognized only in connection with the acquisition of a going business, in which case it represents the difference between the purchase price and the value ascribed to the net tangible assets acquired. It is not the Corporation's general practice to amortize items carried in this account."

¶PREPAID EXPENSES AND DEFERRED CHARGES

In August, 1947, the Committee on Accounting Procedure, American Institute of Accountants, issued Accounting Research Bulletin No. 30, "Current Assets and Current Liabilities—Working Capital," and stated therein in relation to prepaid expenses as follows:

"For accounting purposes, the term *current assets* is used to designate cash and other assets or resources commonly identified as those which are reasonably expected to be realized in cash or sold or consumed during the normal operating cycle of the business. Thus the term comprehends in general such resources as . . . (g) prepaid expenses such as insurance, taxes, unused royalties, current paid advertising service not yet received, and other items which, if not paid in advance, would require the use of current assets during the operating cycle."

The table below sets forth the balance sheet presentation of "prepaid" and "deferred" items by the 525 companies since 1946. In 1946, as indicated by the tabulation, only 3 companies displayed such items in the current asset section of the balance sheet while 506 companies (96%) placed these assets below the current asset section thereof. By 1950, however, the current asset section of the balance sheet was utilized by 108 companies (21%) for presentation of prepaid expenses and deferred charges while the number of companies presenting such items below current assets had declined to 343 companies (65%). In each of the years tabulated, a number of the 525 companies, 64, or 12% in 1950, followed the practice of presenting prepaid expenses and deferred charges in the current asset section of the balance sheet as well as in the non-current section thereof. The tabulation follows:

PREPAID EXPENSES AND DEFERRED CHARGES IN THE BALANCE SHEET

1950	1949	1948	1947	1946	Terminology Used
					(*A.*) *Current Assets:*
93	86	81	58	3	"Prepaid." (*Nos. 12, 88, 178, 222, 368, 418, 511)
8	8	2	1	0	"Unexpired Insurance" and "Deferred." (*Nos. 1, 282, 421)
4	2	1	1	0	"Prepaid and Deferred." (*Nos. 31, 309, 366, 427)
3	1	1	0	0	"Costs applicable to future operations." (*No. 112)
108	97	85	60	3	Total Current Assets
					(*B.*) *Non-Current Assets:*
101	113	121	134	157	"Deferred" with detailed items described "Prepaid." (*Nos. 3, 80, 133, 272, 483)
82	86	86	91	114	"Prepaid" and "Deferred." (*Nos. 64, 122, 173, 384)
75	82	90	98	133	"Deferred." (*Nos. 172, 319, 513)
51	45	65	73	79	"Prepaid." (*Nos. 140, 244, 521)
34	31	25	24	23	Miscellaneous terminology. (*Nos. 99, 201, 362, 498)
343	357	387	420	506	Total Non-Current Assets
					(*C.*) *Current & Non-Current Assets:*
50	47	40	32	0	"Prepaid" in (A) with "Deferred" in (B). (*Nos. 32, 148, 342, 413)
6	8	1	0	0	"Prepaid" in (A) with miscellaneous terminology in (B). (*Nos. 162, 349)
8	8	3	4	3	"Deferred"; "Prepaid and Deferred"; and miscellaneous terminology in both (A) and (B). (*Nos. 176, 208, 517)
64	63	44	36	3	Total Current and Non-Current Assets
					Number of Companies:
515	517	516	516	512	Presenting prepaid or deferred items
10	8	9	9	13	Not presenting such items
525	525	525	525	525	

DEFENSE CONTRACTS—RENEGOTIATION AND PRICE REDETERMINATION

The increasing demands made by the defense effort are gradually being reflected in the financial statements of companies performing work under war contracts for the United States Government.

Almost all of the aircraft companies included in this survey mentioned in one way or another the possible effect of renegotiation upon their current year's profits. In many cases, these companies indicated that subsequent refunds would not be necessary, and, therefore, no provision for refunds was reflected in their financial statements. In other cases, some attempt was made to provide for the future possibility of refunds of profits to the Government, as determined by renegotiation proceedings.

In addition to the inclusion of data pertaining to renegotiation, information relating to cost-plus-fixed-fee contracts, price-redetermination, and the effect of the Vinson-Trammell Act was often set forth. Examples of such disclosures in the 1950 annual reports are shown below:

BEECH AIRCRAFT CORPORATION

BALANCE SHEET:

CURRENT LIABILITIES:

"Estimated Refund on Government Contracts (Note "B")................................ $250,000

"*Note B:* A substantial portion of the Company's business for the fiscal years ended September 30, 1949 and 1950, represents work performed for the Government under contracts which are subject to the Renegotiation Act of 1948. A report relative to the operations of the 1949 fiscal year has been filed with the renegotiation authorities. Clearance on this report has not been received but Company officials do not anticipate any refund in connection therewith.

During the fiscal year 1950 work was also performed on contracts which provide for a redetermination of original target prices. Based upon profits realized against billings during the year on these contracts the Company has made provision at September 30, 1950, for a refund to the Government of an estimated $250,000.00.

As of the date of this report, renegotiation or price redetermination proceedings have not been started for the fiscal year ended September 30, 1950; therefore the ultimate result cannot be determined at this time."

BELL AIRCRAFT CORPORATION

Balance Sheet

CURRENT ASSETS:

"Accounts receivable
Defense contracts........................ $9,697,533

Expenditures to be reimbursed under cost-plus-fixed-fee contracts, less reserve........ 3,227,987

Inventories:
Work in progress at lower of cost or market, $16,607,122, less partial payments of $7,885,591 (Note 1).................... 8,721,531
(Title to work in progress of approximately $12,125,000 on which partial payments have been received, is held by U. S. Government)"

CURRENT LIABILITIES:

"Reserve for renegotiation or additional costs on contracts completed in prior years............................... 2,500,000"

"*Notes:* (1) A substantial portion of the Company's contracts in progress is subject to price redetermination. Negotiations were completed on several of such contracts subsequent to December 31, 1950, and the accompanying statements reflect the result of such negotiations. It is the opinion of the management that the redetermination of the prices of other contracts in progress will have no material effect on the financial statements as of December 31, 1950.

(2) A major portion of the income under military contracts is

subject to the provisions of the Renegotiation Act of 1948. No provision has been made for possible refunds, since it is the opinion of the management that renegotiation will have no material effect on the financial position of the Company or on the results of operations for the year 1950."

BUCYRUS-ERIE COMPANY
"*Note C*—Shipments billed for the year include amounts totaling $336,855 which are considered renegotiable under the provisions of the Renegotiation Act of 1948. Based on a review of the earnings with respect to these sales, it is expected that no refund will be required."

CONSOLIDATED VULTEE AIRCRAFT CORPORATION
Balance Sheet:

CURRENT ASSETS:		
"...Unreimbursed expenditures and fees under United States Government cost-plus-fixed-fee contracts (Note 1)........		$25,128,398
Inventories (at lower of average cost or estimated realizable value):		
Finished goods..........	$ 1,174,880	
Work in process.........	11,352,424	
Materials, parts and supplies.................	3,498,317	
	$16,025,621	
Less: Progress payments received.............	4,610,381	11,415,240"

"*Statement of Income:*

NET SALES (Includes reimbursable expenditures and fees under cost-plus-fixed-fee contracts) (Notes 1 and 5)....	$255,860,703"

Note 1: "The Company obtained permission from the Commissioner of Internal Revenue to change its method of accounting for cost-plus-fixed-fee Government contracts effective as of the beginning of the fiscal year 1950. Under this approved method, which is used by most of the aircraft industry, sales under this type of contract and profit or loss thereon are recorded as expenditures are made and work is performed, whereas under the Company's previous method such costs and fees, although billed to the Government currently, were not taken into the income account until the time of delivery of the finished products.

The effect of this change on the income account with respect to cost-plus-fixed-fee contracts for the fiscal year 1950 was as follows:

	Increase in Net Sales	Increase in Costs and Expenses	Increase in Net Income
Representing work on products undelivered at beginning of year	$ 70,560,809	$ 68,307,229	$2,253,580
Representing net increasing during year in work on products undelivered	67,811,984	64,532,040	3,279,944
	$138,372,793	$132,839,269	$5,533,524

If the above described change in accounting method had been accomplished in a prior year, the net income for the fiscal year 1950 would have been shown as $7,988,064 instead of $10,241,644."

Note 5: "A major portion of the sales for the year was under Government contracts subject to the Renegotiation Act of 1948. While the results under these contracts have not as yet been reviewed by the Government agency handling renegotiation, management is of the opinion that profits were not excessive and, therefore, no provision for refund to the Government has been made in the financial statements."

EX-CELL-O CORPORATION
"*Note (3)*: Certain of the companies' business is subject to the Renegotiation Acts of 1948–1950. It is the opinion of the management that price adjustments, if any are requested, should not be material and no provision has been made therefor in the accounts."

GRUMMAN AIRCRAFT ENGINEERING CORPORATION
Balance Sheet:

"CURRENT LIABILITIES:	
Estimated liability under incentive fixed price contracts with the United States Government and under the Vinson-Trammel Act (Note 3)...............	$ 8,928,397
"*Statement of Income and Earnings Retained for use in the Business:*	
Sales, including costs and fees under cost-plus-a fixed fee contracts (Note 3).....	$102,312,498
Deduct: Provision for estimated refund of profits to United States Government under Vinson-Trammell Act...........	280,000"

"*Note 3:* Approximately 67% of the 1950 sales are subject to the Renegotiation Act of 1948. Renegotiation proceedings for the year 1949 have not been completed. As no basis is known for estimating the Corporation's liability, if any, under this Act, no provision has been made therefor. Contracts from which a substantial portion of the Corporation's income for the year was derived provide for the redetermination of prices. Price redeterminations with respect to contracts in process at December 31, 1950 were made by the Corporation at that date and, although the redetermined prices have not been ratified by contract amendments, it is the opinion of the management that the amount of $8,928,397 is sufficient to provide for refunds to the United States Government under incentive fixed price contracts and to comply with the Vinson-Trammell Act, based on the status of the contracts at December 31, 1950."

LOCKHEED AIRCRAFT CORPORATION
"*Note 3:* A substantial portion of the Company's Government contracts is subject to some form of profit limitation and an amount of $3,400,000 had been provided therefor at December 31, 1949. This provision was reduced during the year ended December 31, 1950 to $2,600,000 because additional costs under certain contracts were recorded in 1950 which served to reduce the liability for payment to the Government under profit limitations. This reduction, in the amount of $800,000, has been applied against charges to income for wages, salaries, materials and other costs under the respective contracts. In view of the fact that the percentage of profit earned in 1950 on contracts subject to the Renegotiation Act of 1948 was not in excess of the percentage or profit the Company was allowed to retain in renegotiation during World War II, it is believed that no refund of 1950 profits will be required; hence no provision therefor has been made. It is impossible, however, at the present time to determine definitely whether a refund will be required for the year 1950, or to determine accurately the amount which may have to be refunded for prior years."

W. L. MAXSON CORPORATION
"*Note 2:* "Certain of the Corporation's U. S. Government contracts and subcontracts are subject to the profit limitation provisions of the Vinson Act. Of the Corporation's profits on such contracts and subcontracts approximately $110,000 for the year ended September 30, 1949 and approximately $18,000 for the year ended September 30, 1950 are refundable to the Government based on the U. S. Treasury Department's interpretation of the Act. No provision has been made for

such refund since, in the opinion of the Corporation's tax counsel, the Treasury Department's interpretation is not in accordance with the provisions and intent of the Act.

Other of the Corporation's U. S. Government contracts and subcontracts are subject to the provisions of the Renegotiation Act of 1948. Renegotiation proceedings covering the year ended September 30, 1949 are now in process and it is not anticipated that any renegotiation refund will be required in respect of that year. Renegotiation proceedings covering the year ended September 30, 1950 have not been started and, since it is not possible at this time to determine the outcome thereof, no provision has been made for any renegotiation refund although substantial profits were realized on renegotiable business."

NORTH AMERICAN AVIATION, INC.
Balance Sheet:

CURRENT ASSETS:	
"Accounts receivable:	
United States Government departments	$11,194,059
Inventories—Generally at lower of cost or market:	
Contracts and work in progress:	
Title held by United States Government (less progress payments: 1950, $53,125,788; 1949, $64,015,970)	22,517,405
CURRENT LIABILITIES:	
"Accrued liabilities:	
Excess of United States Government contract billings over allocated sales value of deliveries, after provision for estimated price revision (net) (Note 1)	1,817,131"
"*Statement of Income and Earned Surplus:*	
SALES AND OTHER INCOME:	
Net sales of airplanes, parts, etc. (Note 1)	$143,032,357"

"*Note 1:* The remarks on page 5 relating to "price revision" contracts and the Renegotiation Act of 1948 are to be considered in connection with these statements."

Page 5: "Most of the company's 1950 sales were under contracts which provide for retroactive revision of prices either upward or downward on the basis of negotiation subsequent to actual production cost experience. Many of these contracts are of the incentive type, wherein final target costs and prices are set by negotiation after actual cost experience, with the Government and the contractor thereafter sharing in any saving or extra cost which may be experienced in the remainder of production. As stated in previous annual reports, it is the company's practice under these price revision contracts to record deliveries, in accounts receivable and sales, at cost plus estimated profit. The estimated profit is determined on the basis of the percentage of profit expected to be realized on the contract as indicated in the bid estimate or by subsequent studies and price-revision proceedings.

Approximately $84,200,000 of the company's 1950 sales are subject to the potential profit limitations of the Renegotiation Act of 1948, as amended. However, it is not expected that final determination will result in any substantial refunds, and no provision therefor has been made in the accounts. The Government has determined that no refund is required under the Act for the business of the 1948 fiscal year. No determination has been made yet concerning 1949 business."

PUROLATOR PRODUCTS, INC.
"*Note (4)*: Under the applicable Federal statutes, a portion of the sales of the Company for 1949 and 1950 are subject to renegotiation. It is not practicable at this time to estimate the amount of refunds, if any, which may be required."

THE RYAN AERONAUTICAL CO.
"*Note 2:* Sales under contracts subject to the Renegotiation Act of 1948 resulted in a percentage of profits not in excess of the percentage of profits which the Company was allowed to retain under the Renegotiation Acts of 1942 and 1943. As the contracts have not been reviewed by any renegotiation board, it cannot be determined at this time what liability, if any, may exist for refunds."

UNCONSOLIDATED SUBSIDIARIES—VALUATION BASIS

Cost continues to be the most commonly indicated basis for carrying investments in and advances to unconsolidated subsidiary companies. The following tabulation shows the various bases of valuation employed and the frequency with which they have been used by the 525 companies.

VALUATION BASIS—UNCONSOLIDATED SUBSIDIARIES

1950	1949	1948	1947	Basis of Valuation
97	95	94	92	At cost. (See Company Appendix Nos. 63, 127, 281, 508)
26	23	19	18	At or below cost. (See Company Appendix Nos. 128, 288, 362, 462)
23	25	25	28	At net equity (or related thereto). (See Company Appendix Nos. 232, 387, 397)
14	12	12	11	At cost, less reserve. (See Company Appendix Nos. 84, 144, 207)
9	9	8	9	At nominal value. (See Company Appendix Nos. 4, 110, 200)
7	9	7	8	At appraised values, or at values of a specific date, with subsequent additions at cost. (See Company Appendix Nos. 35, 380)
2	3	3	3	At par value of capital stock. (See Company Appendix No. 13)
2	1	1	1	At estimated realizable value. (See Company Appendix No. 457)
180	177	169	170	Total
				Number of Companies:
157	154	152	150	Stating valuation basis
50	46	44	46	Not stating valuation basis
318	325	329	329	Not showing unconsolidated subsidiaries
525	525	525	525	

The basis of valuation, the method of disclosure thereof, the balance sheet presentation, and various other types of information shown in the 1950 reports concerning unconsolidated subsidiaries are discussed below. The company examples referred to therein are set forth at the end of the discussion.

Bases of Valuation

As stated above, cost was the most commonly used basis of valuing investments in or advances to subsidiary companies. An example of a more detailed disclosure of the cost of such investments is contained in the report of the National Cylinder Gas Company. An example of the disclosure of the company's equity in the book value of the subsidiary, where cost was used as the basis of valuation in the balance sheet, is contained in the report of Elastic Stop Nut Corporation of America. Investments in the capital stock of subsidiaries were shown in the balance sheet of Nash-Kelvinator Corporation at cost and the Corporation's share of undistributed earnings of unconsolidated subsidiaries from date of acquisition was shown in a footnote. Pullman Incorporated, in its balance sheet, showed the investment in its Canadian subsidiary at cost, and in a footnote furnished the following supplementary information.

"The net assets of the Canadian subsidiary at December 31, 1950, were $388,081, as compared with the carrying value of the investment of $2,500. . . ."

The next most frequently used basis of valuation for unconsolidated subsidiary companies was "at or below cost." (National Lead Company and Standard Oil Company of California.) In its balance sheet, the Bendix Aviation Corporation stated that its investments in non-consolidated subsidiaries and associated companies were "at cost, less certain dividends credited to the investment accounts." In a footnote, detailed information was set forth as to the Corporation's equity in the net assets and in the net income of its non-consolidated subsidiaries.

Examples of valuation of non-consolidated subsidiaries at "net equity (or related thereto)" are to be found in the reports of Yale and Towne Manufacturing Company and McKesson & Robbins, Incorporated. In a footnote to the balance sheet of Radio Corporation of America, the method of valuing the investment in certain wholly-owned foreign subsidiaries is set forth as follows:

"Capital stocks carried at value of net assets at December 31, 1940, less reserves of $1,000,000	$2,577,812
Long term receivables	1,121,316
Carrying value	$3,699,128"

National Dairy Products Corporation and General Refractories Company valued their investments in non-consolidated subsidiaries on a "cost, less reserve" basis. Copperweld Steel Company used this method of valuation and in a footnote further stated that:

"The Company's equity in net assets of subsidiaries not consolidated was $7,356 in excess of net book value of the investments. . . ."

An example of a "nominal valuation" for investments in subsidiaries is contained in the balance sheet of National Dairy Products Corporation wherein the "Continental European" non-consolidated subsidiaries are carried at a value of one dollar.

Paramount Pictures Corporation in a footnote to the balance sheet stated that:

"Investments in and receivables from affiliated companies not consolidated are carried at cost to the predecessor company . . . with subsequent additions at cost."

and with regard to wholly-owned foreign subsidiary companies not consolidated, the Corporation stated that such investments in and receivables from such foreign subsidiary companies were carried "at values approved by the Board of Directors as of December 31, 1949, with subsequent additions at cost."

In its balance sheet, Radio-Keith-Orpheum Corporation valued its investment in certain subsidiary companies, which are not consolidated, on the basis of the equity in net assets "less estimated loss of $500,000 on realization."

Investments and Advances —Balance Sheet Presentation

The following tabulation shows the balance-sheet treatment in the 1950 reports as to the disclosure of investments in and advances to unconsolidated subsidiary companies:

INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES

1950	How Shown in the Balance Sheet
97	Investment only
84	Investment and advances combined
26	Investment and advances separately shown
207	
	Number of Companies:
207	Presenting investment in and/or advances to unconsolidated subsidiaries
318	Not showing unconsolidated subsidiary investments
525	

Examples of balance-sheet presentation wherein it is indicated that there are both investments in and advances to unconsolidated subsidiaries, but without showing separate amounts for each, are contained in the reports of Metal & Thermit Corporation and The Superior Oil Company. Separate presentation for investments and advances, showing the amount of each, is to be found in the balance sheet of the A. B. Farquhar Company. A similar disclosure was made by National Cylinder Gas Company.

How Basis of Valuation was Disclosed in the Reports

Generally, the basis of valuation was set forth in the balance-sheet description of the investment in the unconsolidated subsidiaries. (Bendix Aviation Corporation and Copperweld Steel Corporation.) In a substantial number of cases, however, such information was disclosed only in a footnote to the balance sheet. (Harnischfeger Corporation and McKesson & Robbins, Incorporated.)

Disclosure of Percentage of Ownership of Subsidiaries

In the great majority of cases, there was some disclosure as to the Company's percentage of ownership in its unconsolidated subsidiaries. Such disclosures ranged from statements that subsidiaries were "wholly-owned" (Bell Aircraft Corporation) or "100% owned" (Nash-Kelvinator Corporation) to statements that such companies were "partially owned" (Bendix Aviation Corporation) or were "affiliated companies" (National Distillers Products Corporation).

The percentage of ownership was stated in a number of instances, either for groups of subsidiaries (Standard Oil Company of California) or for individual companies (Nash-Kelvinator Corporation). In the footnote to the balance sheet of the Elastic Stop Nut Corporation of America, the percentage of ownership in a subsidiary is disclosed by stating the number of shares of the subsidiary owned and the total number of its shares issued and outstanding.

Examples from 1950 Reports

Typical examples illustrating the treatment of investments in and advances to unconsolidated subsidiaries (including those referred to in the above discussion) are shown below:

BELL AIRCRAFT CORPORATION
And Subsidiary Companies
"*Consolidated Balance Sheet:*
INVESTMENT IN ERIE INSURANCE COMPANY, not consolidated (Note 3).................... $1,000,000"
Note 3: "The consolidated financial statements do not include the accounts of Erie Insurance Company, a wholly owned subsidiary organized in 1950, and operating under the insurance laws of the State of New York.

The net assets underlying the investment at December 31, 1950, aggregated $760,033. Such subsidiary company reported a loss of $239,967 for its operations for the period from January 5, 1950 (date of organization) to December 31, 1950, due mainly to the insurance accounting requirement of charging off immediately costs and expenses and deferring related income."

BENDIX AVIATION CORPORATION
And Wholly-Owned Domestic Subsidiaries
"*Consolidated Balance Sheet:*
INVESTMENTS AND MISCELLANEOUS ASSETS:
Investments in non-consolidated subsidiaries and associated companies—at cost, less certain dividends credited to the investment accounts (see Note 1):
Partly-owned domestic subsidiary.......... $306,000
Wholly-owned Canadian subsidiary........ 500,000
Partly-owned French companies........... 844,194"
Note 1: "The Corporation's equity in the net assets of its non-consolidated domestic and Canadian subsidiaries, as shown by their audited financial statements, was in excess of the Corporation's investment in the subsidiaries by $3,874,571 at September 30, 1950 and by $3,804,790 at September 30, 1949. The Corporation's equity in the combined net income of its non-consolidated domestic and Canadian subsidiaries exceeded dividends received from those companies by $69,781 for the year ended September 30, 1950. In the preceding year dividends received exceeded the Corporation's equity in such combined net income by $120,836. The Canadian subsidiary's assets, except plant property accounts, and liabilities were converted at $.95 which was the quoted free rate of exchange on October 2, 1950 immediately following a change in Canadian foreign exchange control regulations, and the property accounts were converted at approximate rates pertaining at dates of acquisition.

The Corporation's equity in the net assets of its French subsidiaries and associated companies at December 31, 1949, based on audited financial statements, was approximately $1,590,000 in excess of its investments in these companies. The determination of the Corporation's equity in the net assets of the French companies was made at approximately the rate of exchange prevailing at September 30, 1950. There are exchange restrictions affecting the transfer of funds from France to the United States. The net dividends received from the French companies during the year ended September 30, 1950 amounted to $69,642 as compared with $15,139 for the preceding year."

COPPERWELD STEEL COMPANY
"*Statement of Financial Condition:*
INVESTMENTS IN STOCKS OF SUBSIDIARIES—At cost (less reserve of $20,440) in 1950—Note 2... $34,060"
Note 2: "The Company's equity in net assets of subsidiaries not consolidated was $7,356 in excess of net book value of the investments at December 31, 1950...."

ELASTIC STOP NUT CORPORATION OF AMERICA
"*Balance Sheet:*
INVESTMENT IN ASSOCIATED COMPANY—At cost (see note).............................. $195,000.00"
Note 3: "Investment in stock of Buchanan Electrical Products Corporation, a subsidiary which is not consolidated, is stated at cost of $195,000 for 2,600 shares of no par value stock of which a total of 4,744 shares is issued and outstanding.

The company's equity in the book value of the subsidiary at December 31, 1949, was $111,038.38. The pro-rata share in the estimated net profit for the year ending December 31, 1950, amounts to $49,000."

A. B. FARQUHAR COMPANY
"*Balance Sheet:*
OTHER CURRENT ASSETS:
Accounts Receivable, Subsidiary—Not Consolidated (Note 2)...................... $66,554.57
SUBSIDIARY COMPANY—NOT CONSOLIDATED:
Investment in Capital Stock (Note 2)...... 13,638.64
Note 2: The A. B. Farquhar Company (Canada) Limited was incorporated September 8, 1949. The accounts receivable of $66,554.57 represents the amount due for shipments. The investment in Capital Stock of $13,638.64 represents the cost of the entire outstanding Capital Stock of the Canadian Company."

GENERAL REFRACTORIES COMPANY
"*Condensed Comparative Balance Sheets:*
Investment in wholly owned subsidiaries located in Austria, Germany, etc., at cost, less $391,000 allowance for reduction in value (Note 1)....................... $2,614,730.84"
Note 1: "Based upon the most recent audited financial statements available, December 31, 1949, and other financial information on file, the equity of the company in wholly owned subsidiaries located in Austria, Germany, etc., was in excess of the book value of the investment at December 31, 1950."

HARNISCHFEGER CORPORATION
and Subsidiary Company (Note)
"*Consolidated Balance Sheet:*
OTHER ASSETS:
Investment in wholly-owned subsidiary company (Note)............................ $200,000"

CONSOLIDATED BALANCE SHEETS

CROWN ZELLERBACH CORPORATION
and its subsidiaries

ASSETS: April 30,	1951	1950
CURRENT ASSETS:		
Cash on hand and demand deposits in banks	$ 15,202,042	$ 13,459,562
Government securities at lower of cost or market:		
United States Treasury Savings Notes	28,000,000	16,000,000
Canadian Bonds, expressed in United States dollars	920,188	3,390,611
	28,920,188	19,390,611
Less, United States Treasury Savings Notes to be applied in payment of United States taxes on income—see contra	23,757,127	9,678,208
	5,163,061	9,712,403
Notes and accounts receivable, net of allowances for losses:		
Trade	22,631,161	15,534,181
Other	1,519,720	1,232,519
	24,150,881	16,766,700
Inventories at lower of cost or market:		
Finished products	20,960,275	17,934,476
In process	1,713,319	1,265,804
Raw materials	8,950,293	7,131,793
Supplies	7,616,016	5,656,311
	39,239,903	31,988,384
TOTAL CURRENT ASSETS	83,755,887	71,927,049
INVESTMENTS, LONG TERM RECEIVABLES AND SPECIAL FUNDS:		
Investment in Fibreboard Products Inc. at cost (note 2)	5,186,131	5,186,131
Investment in Elk Falls Company Limited, at cost in Canadian funds (note 2)	4,000,000	—
Other investments at cost or less and receivables, net of allowances for losses	1,719,793	1,031,013
Funds set aside for plant improvements, invested in United States Treasury Savings Notes	—	5,000,000
Retirement fund for $4.20 preferred stock	—	196,295
	10,905,924	11,413,439
PROPERTIES (note 3):		
Buildings, machinery and equipment	138,856,692	133,625,365
Less allowances for depreciation	69,840,340	65,673,389
	69,016,352	67,951,976
Construction in progress (see page 14)	6,428,290	1,797,373
Land and timberlands, including pulp leases, logging rail- and truck-roads and camps, less depletion and amortization	24,268,020	22,964,945
Intangibles, consisting mainly of water power leases and licenses, less amortization	3,433,662	3,581,120
	103,146,324	96,295,414
DEFERRED CHARGES:		
Insurance and taxes	1,725,851	1,334,528
Miscellaneous	360,803	343,556
	2,086,654	1,678,084
	$199,894,789	$181,313,986

CROWN ZELLERBACH
CORPORATION
and its subsidiaries

CONSOLIDATED BALANCE SHEETS

LIABILITIES: April 30,	**1951**	**1950**
CURRENT LIABILITIES:		
Trade accounts payable	$ 10,031,180	$ 5,989,602
Accrued taxes on income (note 4):		
United States $23,757,127 (1951) and $9,678,208 (1950) less securities—see contra	—	—
Canada, net of payments	2,079,909	852,877
Accrued expenses	4,687,858	3,662,967
Other current liabilities	1,391,114	1,265,154
TOTAL CURRENT LIABILITIES	18,190,061	11,770,600
NOTES PAYABLE—LONG TERM (note 5)	20,000,000	23,000,000
TOTAL LIABILITIES	38,190,061	34,770,600

CONTINGENT LIABILITIES (note 7)

MINORITY INTEREST:

Capital stocks of Pacific Mills, Limited, a subsidiary, in the hands of the public and proportionate interest in income retained in the business	1,573,112	1,427,739

CAPITAL:

CAPITAL STOCKS (see page 12):		
Cumulative preferred stock:		
No par value, $100 liquidation and stated value		
Authorized 579,031 shares, issuable in series		
Initial series $4.20 stock, authorized and outstanding 332,134 shares at April 30, 1951	33,213,400	33,921,600
$4 cumulative second preferred stock:		
No par value, stated value $100	—	1,897,500
Common stock:		
$5 par value. Authorized 7,500,000 shares, outstanding 2,908,097 shares at April 30, 1951	14,540,485	14,260,406
	47,753,885	50,079,506
OTHER CAPITAL (details on page 21)	19,325,932	17,738,811
INCOME RETAINED IN THE BUSINESS (details on page 21)	93,051,799	77,297,330
TOTAL CAPITAL AND INCOME RETAINED IN THE BUSINESS	160,131,616	145,115,647
	$199,894,789	$181,313,986

Note: (Below Balance Sheet): "The Company organized a new subsidiary in 1950 to finance the sales of houses manufactured in the Company's Houses Division and acquired all of the subsidiary's outstanding capital stock consisting of 2,000 shares of no par value for a cash consideration of $200,000. The subsidiary's operations were commenced in the latter part of 1950 and resulted in a small profit. The net assets of the subsidiary as at December 31, 1950 (excluding inter-company account) consisted principally of short-term mortgage notes receivable ($189,278), cash ($9,486), and miscellaneous payables ($203). The accounts of this subsidiary are not included in the accompanying consolidated financial statements."

McKESSON & ROBBINS, INCORPORATED
"*Balance Sheet:*
INVESTMENTS AND ADVANCES—Note 3:

Investments in and advances to non-consolidated wholly-owned subsidiary companies..	$650,446
Investment in non-consolidated partly-owned subsidiary company....................	253,906

Note 3: "The investments in non-consolidated wholly-owned and partly-owned subsidiary companies are reflected at the underlying book values, as indicated by the books of account of the respective subsidiary companies, except that investments in two non-consolidated wholly-owned foreign subsidiaries located in England and Canada are carried at cost, which is $82,705 less than the underlying book values."

METAL & THERMIT CORPORATION
"*Balance Sheet:*
INVESTMENTS in and advances to subsidiary and affiliated companies (Note 2)....... $1,393,913.59"
Note 2: "Based upon the financial statements of its subsidiary and affiliated companies (most of which were examined by independent accountants), the company's equity in the net assets of such companies was approximately $2,270,000 at December 31, 1950."
Note: "The reported 1950 net income applicable to the company's investment in these subsidiary and affiliated companies exceeded dividends received by approximately $207,400."

NASH-KELVINATOR CORPORATION
and Subsidiaries
"*Consolidated Balance Sheet:*
INVESTMENTS IN CAPITAL STOCKS OF SUBSIDIARIES (Note A):

Domestic subsidiaries—at cost:	
Refrigeration Discount Corporation (100% owned)............................	$ 7,000,000
Ranco Incorporated (61.69% owned).....	281,806
Foreign subsidiaries—at cost:	
Kelvinator Limited, England (100% owned)............................	1,281,556
Kelvinator of Canada Limited (75.81% owned)............................	65,943
Nash Motors of Canada Limited (100% owned)............................	1,846,796
	$10,476,101"

Note A: (Shown below "Stockholders' Investment")
"The Corporation's share of undistributed earnings of unconsolidated subsidiaries from date of acquisition amounts to $5,551,096 for domestic subsidiaries and to $2,823,599 for foreign subsidiaries."

NATIONAL CYLINDER GAS COMPANY
and Subsidiaries
"*Consolidated Balance Sheet:*

INVESTMENTS—at cost (Note 3).............	$3,379,449
SUNDRY ASSETS:	
Advances to affiliated companies (Note 3)....	477,331"

"*Note 3:* INVESTMENTS. The cost of investments in non-consolidated affiliates and other companies is tabulated below:

	This Year	*Last Year*
Domestic companies—50% owned:		
Tube Turns, Inc..............	$1,986,000	$1,736,000
Midwest Carbide Corporation..	520,000	520,000
Other domestic companies—less than 50% owned............	256,145	156,145
Affiliated companies in Canada and Latin America...........	617,304	544,433
Subsidiary consolidated in 1950 but not in 1949—		
Midwest Building Company....		300,000
Total......................	$3,379,449	$3,256,578

Advances made to affiliated companies are shown in the accompanying balance sheet among sundry assets.

National Cylinder Gas Company is contingently liable under a "continuing guaranty" to the National City Bank of New York that all interest and principal, not exceeding 350,000 Colombian pesos, of borrowings from said bank by a nonconsolidated Latin American subsidiary will be paid at maturity. At December 31, 1950, the principal amount of bank loans subject to this guaranty amounted to 315,000 Colombian pesos ($160,650)."

NATIONAL DAIRY PRODUCTS CORPORATION
and Domestic Subsidiary Companies
"*Consolidated Balance Sheets:*
INVESTMENTS AND OTHER ASSETS:

Foreign subsidiaries—	
Canadian..............................	$5,671,032
English, Australian and Argentine..........	3,969,319
Continental European..................	1
	$9,640,352
Less—Reserve for investments............	3,503,935
	$6,136,417
Domestic subsidiaries, not consolidated......	10,722"

"*Notes to Consolidated Financial Statements:*
FOREIGN SUBSIDIARIES: The net sales of subsidiaries located in Canada, England, Australia and Argentina aggregated $39,280,232 for the year 1950 and $32,756,475 for the year 1949. The Company's equity in the net profits of such subsidiaries for the years 1950 and 1949 was $1,558,756 and $1,249,837, respectively. The amounts shown are stated at the rates of exchange prevailing at the end of the respective years. However, the profits shown for 1949 are before deducting charges aggregating $1,167,603 resulting from the translation of net current assets of such foreign subsidiaries into terms of U. S. dollars at the rates of exchange prevailing after the currency devaluation which took place in 1949. The Company's equity in the net tangible assets of such foreign subsidiaries amounted to $12,929,958 at December 31, 1950.

Dividends of $686,782 in 1950 and $458,022 in 1949 were received from foreign subsidiaries and credited to profit and loss."

NATIONAL DISTILLERS PRODUCTS CORPORATION
and Wholly Owned Domestic Subsidiary Companies
"*Consolidated Balance Sheet:*
INVESTMENTS in and advances to affiliated companies and miscellaneous investments—at cost, less reserve........................ $8,638,837"

Notes: "The Corporation's equity in companies controlled but not consolidated has been increased since dates of acquisition as a result of net earnings, less dividends received, by approximately $1,600,000 to December 31, 1950. . . ."

"The Corporation's proportion of the net earnings of companies controlled and not consolidated, less dividends received, was as follows: 1950—$352,000. . . ."

NATIONAL LEAD COMPANY and Its Wholly-Owned-Domestic Subsidiaries

"*Consolidated Balance Sheets:*

Investments (at cost or below) in and advances to unconsolidated subsidiaries, less reserves of: 1950, $5,196,385; 1949, $5,076,385 (Note 3)	$9,516,930"

Note 3: "Unconsolidated subsidiaries comprise domestic subsidiaries more than 50, but less than 100 per cent owned and foreign subsidiaries.

Based upon financial statements as of the close of their respective fiscal years, National Lead Company's equity in the net tangible assets of unconsolidated subsidiaries (other than those in Continental Europe) approximated $23,210,000 at December 31, 1950 and $22,935,000 at December 31, 1949. Such equities exceeded the company's investments in and advances to these subsidiaries, after deducting applicable reserves on the books of National Lead Company, by approximately $13,829,000 at December 31, 1950 and $13,680,000 at December 31, 1949, representing increases in such excesses of approximately $149,000 in 1950 and $3,560,000 in 1949. These increases reflect various adjustments, including a sizable adjustment in 1949 upon attaining a majority interest in Baker Castor Oil Company, as well as current earnings of the unconsolidated subsidiaries (other than Continental European), and are after dividends of $2,596,477 in 1950 and $964,969 in 1949 paid by the subsidiaries and included in consolidated net income, and foreign exchange adjustments.

Total equities of $23,210,000 and $22,935,000 shown in the preceding paragraph include $10,021,000 and $10,540,000, respectively, represented by foreign net tangible assets, translated into U. S. dollars at appropriate rates of exchange. The realization of foreign assets and foreign earnings is subject to various exchange and other restrictions imposed by the respective foreign governments.

During 1950 certain domestic unconsolidated subsidiaries adopted the "Lifo" (last-in, first-out) method of inventory pricing. As a result of this change National Lead Company's equity at December 31, 1950 in the net tangible assets of unconsolidated subsidiaries is $850,000 less than would otherwise have been the case.

Unaudited financial statements as of September 30, 1950 and 1949 received from the Continental European subsidiaries (other than the German subsidiary) indicate that National Lead Company's equity in the net assets thereof approximated the following foreign currency amounts at the respective dates:

	September 30	
	1950	1949
Norwegian kroner	14,110,000	13,510,000
Belgian francs	27,240,000	20,210,000
Dutch florins	590,000	210,000
French francs	17,750,000	8,930,000

National Lead Company's investments in and advances to Continental European subsidiaries, less reserves, approximated $136,100 at December 31, 1950 and $136,000 at December 31, 1949. Dividends (U. S. dollar amounts) were received from a Norwegian subsidiary and are included in consolidated net income: 1950, $97,729; 1949, $70,265."

PARAMOUNT PICTURES CORPORATION

"*Consolidated Balance Sheet:*

Investments, less reserves (see Note A):	
Affiliated companies—capital stocks and receivables	$2,942,463
Wholly owned foreign subsidiary companies not consolidated—investments and receivables	5,581,613
Allen B. DuMont Laboratories, Inc. common stock (560,000 shares Class B and 43,200 shares Class A)	164,000"

"*Note A*—INVESTMENTS:

Investments in and receivables from affiliated companies not consolidated are carried at cost to the predecessor company, Paramount Pictures Inc., or its subsidiaries, with subsequent additions at cost.

Investments in and receivables from wholly owned foreign subsidiary companies not consolidated are carried at values approved by the Board of Directors as of December 31, 1949, with subsequent additions at cost. These investments in foreign companies, many of which operate in countries where currency restrictions prevail, aggregate $5,581,613, of which approximately $3,343,000 represents investments in England, $750,000 in the Western Hemisphere and $1,488,000 in other foreign countries. Based on accounts of such foreign companies as of December 2, 1950, converted into U. S. dollars at rates based on remittances or at then official rates, the net assets underlying such investments and receivables, the major portion of which consists of theatre and other properties of the English companies, are in excess of the carrying values mentioned herein.

The investment in Allen B. DuMont Laboratories, Inc., consisting of 560,000 shares of Class B common stock and 43,200 shares of Class A common stock, is carried at $164,000, the cost to the predecessor company, Paramount Pictures Inc. The Class A common stock, which is traded on the New York Curb Exchange, closed on December 30, 1950 at $14 5/8 per share and closed on April 4, 1951 at $17 per share. As the Company holds all outstanding shares of Class B common stock, no market quotations are available with respect to such shares. The two classes of stock have identical rights and preferences except as to the election of directors and officers, and no action requiring stockholders' approval may be taken without the vote of a majority of both classes of stock."

PULLMAN INCORPORATED and Domestic Subsidiaries

"*Consolidated Balance Sheets:*

INVESTMENTS AND OTHER ASSETS

Investment in Canadian subsidiary, at cost (Note A)	$2,500

Note A: "The Canadian Kellogg Co., Ltd. The net assets of the Canadian subsidiary at December 31, 1950, were $388,081, as compared with the carrying value of the investment of $2,500. Earnings of this subsidiary for the year ended December 31, 1950, were $152,335. Dividends paid to the parent company during 1950 amounted to $141,510. All of these amounts are stated in U. S. currency."

RADIO-KEITH-ORPHEUM CORPORATION and Subsidiary Companies

"*Consolidated Balance Sheet*:

INVESTMENTS IN AFFILIATED AND OTHER COMPANIES (Note B):	
Equity in net assets of certain subsidiary companies not consolidated operating in foreign territories, per supplementary statement attached, less estimated loss of $500,000 on realization	$ 564,366.74
Securities of unconsolidated subsidiary, affiliated and other companies, at cost or less	1,033,530.11
Advances to unconsolidated subsidiary and affiliated companies, less $156,848.66 for estimated doubtful items	171,958.79"

Note B: "In accordance with its usual practice, the Corporation has included in the accompanying consolidated accounts the accounts of its wholly owned Canadian companies as at December 31, 1950 and for the year ending on that date.

The accounts of other companies operating in foreign territories have not been included in the consolidated accounts; however, there are included the Corporation's investments in such companies. Details of equity in net assets of certain of such companies and the basis upon which the equity was determined are set forth in the supplementary statement attached. [Omitted herein]."

RADIO CORPORATION OF AMERICA
"*Consolidated Financial Position:*

INVESTMENTS IN WHOLLY-OWNED FOREIGN SUBSIDIARIES (Note 1) .... $3,699,128"

Note 1: "Wholly-owned foreign subsidiaries have been excluded from the consolidated financial statements since December 31, 1940. The investments in these subsidiaries, which are located in Canada, Mexico, Brazil, Argentina, Cuba, England and Australia, consist of:

Capital stocks carried at value of net assets at December 31, 1940, less reserves of $1,000,000	$2,577,812
Long term receivables	1,121,316
Carrying value	$3,699,128

The net assets of these subsidiaries converted at year-end exchange rates, except for fixed assets which are converted at rates in effect when the expenditures were made, total $14,046,701 at December 31, 1950 or $10,347,573 in excess of carrying value.

Products and services of $29,575,978 sold by these subsidiaries during 1950 resulted in a net profit of $2,170,702. Dividends of $617,211 paid to the parent company in 1950 are included in consolidated earnings."

STANDARD OIL COMPANY OF CALIFORNIA
"*Consolidated Balance Sheet:*

INVESTMENTS IN COMPANIES NOT WHOLLY OWNED (AT OR BELOW COST):

Operating in foreign countries:	
Companies over 50% owned (Note 3)	$ 438,558
Companies owned 50% or less	15,563,544
Operating in the United States:	
Companies over 50% owned (Note 3)	2,862,486
Companies owned 50% or less	7,120,641"

Note 3: "COMPANIES NOT WHOLLY OWNED: The Company's interest in undistributed profits of unconsolidated companies over 50% owned has increased $1,937,522 (net) since acquisition; dividends of $1,045,013 received during the year from these companies exceeded the Company's interest in their 1950 profits (net) by $201,878.

The Company's interest in the estimated 1950 profits (net) of (a) Arabian American Oil Company and (b) companies (principally the Bahrein-Caltex group) which are owned 50% by the Company and, in each case, 50% by another single interest, exceeded dividends received from such companies during the year by $15,677,785.

Undistributed profits which may be received as dividends from the above companies will be subject to taxes under laws prevailing at the time of distribution."

THE SUPERIOR OIL COMPANY
Balance Sheet:

"INVESTMENTS AND ADVANCES:

Investments in and advances to subsidiaries (all wholly owned), at cost (Note B):	
Canadian Superior Oil of California, Ltd., less reserve of $3,547,056.04 in 1950 and $1,219,439.79 in 1949	$2,938,964.87
Other companies, less reserve of $4,102,122.93 in 1950 and $3,382,095.93 in 1949	388,104.80"

"*Note B:* SUBSIDIARY COMPANIES: The company does not consolidate the accounts of its four wholly owned subsidiary companies which are engaged in oil exploration in Canada and other foreign countries but provides reserves out of income in an amount approximately equivalent to the subsidiaries' exploration and preproduction expenditures.

At August 31, 1950, the company's investment in 2,300,000 common shares of Canadian Superior Oil of California, Ltd. was carried at $2,590,000 (representing cost of $6,137,056 less reserve of $3,547,056) and advances to that subsidiary aggregated $348,965—a total of $2,938,965. Canadian Superior Oil of California, Ltd. ceased to be a wholly owned subsidiary on September 13, 1950 when that company sold publicly in the United States and Canada 2,150,000 of its unissued common shares for $19,350,000 less estimated expenses of $140,000. After giving effect to this sale and the payment of expenses a pro forma balance sheet (expressed in United States currency) of Canadian Superior Oil of California, Ltd. as at August 31, 1950 shows net worth of roundly $25,300,000 represented by 4,450,000 common shares and net tangible assets of $21,800,000 after excluding intangible development and other exploration and preproduction expenditures which are capitalized by Canadian Superior Oil of California, Ltd. The interest (51.7%) of The Superior Oil Company in the net tangible assets of Canadian Superior Oil of California, Ltd. after such public financing in September 1950 amounted to roundly $11,200,000."

UNION CARBIDE AND CARBON CORPORATION
and Subsidiaries Operating in the United States and Canada
"*Consolidated Balance Sheet:*

INVESTMENTS (Cost or less)	
Affiliated Companies	$ 6,532,778
Foreign Subsidiaries	18,538,461"

Note 1: "The principles applied in preparing the accompanying consolidated statements for the year 1950 are as follows:

All subsidiary companies that are one hundred per cent owned, and operate in the United States and Canada, are consolidated.

Current assets, deferred charges, and current liabilities of Canadian subsidiaries consolidated are converted at the rate of exchange in effect at December 31, 1950. Other assets and liabilities of Canadian subsidiaries consolidated are converted at the prevailing rate at time of acquisition or assumption. Income of Canadian subsidiaries consolidated is converted at the rates of exchange prevailing during the year.

Foreign subsidiary companies one hundred per cent owned, and affiliated companies less than one hundred per cent but not less than fifty per cent owned, are shown as investments. As of the date of latest financial statements received, some of which are unaudited, the Corporation's equity in these companies exceeded the amount at which the investments are carried by $13,600,970. The Corporation's equity in these companies increased $3,312,428 between January 1, 1938 (or date of acquisition, whichever is later), and the date of latest financial statements received. Of this increase, $2,409,448 is applicable to the current period.

Income includes dividends paid by foreign subsidiaries and affiliated companies out of surplus earned since date of acquisition."

THE YALE & TOWNE MANUFACTURING COMPANY
"*Balance Sheet:*

Investments in and Advances To Subsidiaries and Other Companies (Note 3) .... $286,620.57"

Note 3: "*Investments in and Advances to Subsidiaries and Other Companies:* The Company's aggregate investment at December 31, 1950 in its non-consolidated subsidiary companies is stated at the net asset values of the subsidiary companies. Investments in other companies are stated at nominal values."

CURRENT LIABILITIES—INTERESTING AND UNUSUAL ITEMS

Taxes

In the 1950 reports of the 525 companies, the provision for Federal taxes on income was separately displayed in the current liability section of the balance sheet by 512 companies. 117 of the companies showed Government securities held as an offset in full or part of the Federal income tax provision. Numerous instances of disclosure of liability for taxes other than Federal income tax were also shown in the balance sheets of various of the 525 companies.

Representative examples taken from the 1950 balance sheets are set forth below:

ALLIS-CHALMERS MANUFACTURING COMPANY

"Reserve for federal income and excess profits taxes	$25,981,178
Less—U. S. Treasury Savings Notes Tax Series, at cost	20,000,000
	$ 5,981,178"

AMERICAN CHAIN & CABLE COMPANY, INC.

"Provision for federal and Canadian taxes on income	$ 6,784,521
Less, United States Treasury Savings Notes	6,439,636
	$ 344,885"

W. T. GRANT COMPANY

"Federal taxes on income—estimated (Note B)	$ 8,283,757
Less United States Savings Notes, at redemption value	8,283,757

Note B: ". . . At January 31, 1951 the amount of approximately $1,030,000 for deferred Federal taxes on installment sales is included in current liabilities."

THE NATIONAL SUPPLY COMPANY

"Accrual for Federal, state and foreign taxes on income	$ 7,428,917.28
Less—United States Treasury Savings Notes and accrued interest	2,607,200.00
	$ 4,821,717.28"

THE UNITED STATES FINISHING COMPANY

"Provision for Federal and state taxes on income	$ 900,000.00
Less United States Treasury Savings Notes	508,431.00
	$ 391,569.00"

UNITED STATES GYPSUM COMPANY

"Federal and Canadian taxes on income. $26,578,761"

WESTINGHOUSE ELECTRIC CORPORATION

"Federal income and excess profits taxes.. $ 77,229,910"

WORTHINGTON PUMP AND MACHINERY CORPORATION

"Federal taxes on income.............. $ 4,890,000"

Examples of presentations which separately set forth prior years' tax liability are as follows:

ARTLOOM CARPET CO., INC.

"U. S. Normal, Surtax and Excess Profits Taxes Prior Years 1940 to 1948, inclusive	$ 24,739.75
Year 1950 (Estimated)	607,489.16
	$ 632,228.91
Less—U. S. Treasury Notes Series "D"	350,234.87
	$ 281,994.04"

INGERSOLL-RAND COMPANY

"Federal taxes on income (including $3,040,017 for prior years in process of settlement).......... $ 16,549,377"

Chicago Pneumatic Tool Company included its estimated renegotiation liability with its Federal income tax liability, as follows:

"Liability for estimated renegotiation and Federal taxes on income, less U. S. Treasury Notes, Series "D"—$3,049,180........ $1,316,082"

Examples showing separately the liability for taxes other than Federal income taxes are:

THE BABCOCK & WILCOX COMPANY

"Accrued liabilities including payrolls, commissions and taxes other than federal income.......... $ 5,510,094"

FOLLANSBEE STEEL CORPORATION

"Collections from employees for withholding tax.......... $ 86,210"

HUDSON MOTOR CAR COMPANY

"Excise, social security and withheld taxes.......... $4,739,683.74"

R. H. MACY & CO., INC.

"Other taxes (including taxes collected from customers and employees).......... $ 2,255,176"

PEPSI-COLA COMPANY

"Accrued taxes—estimated:	
United States and foreign income taxes (less United States Treasury tax notes—1950, $1,028,600)	$ 969,000
Other taxes	530,203"

THE PITTSTON COMPANY

"Accrued liabilities Social security and other taxes.......... $ 325,130.09"

PULLMAN INCORPORATED

"Provision for other taxes.......... $ 1,144,789"

STANDARD BRANDS INCORPORATED

"Accrued state income and other taxes.... $ 950,819"

UNION OIL COMPANY OF CALIFORNIA

"Gasoline and other sales and excise taxes collected from customers for governmental agencies.......... $ 3,244,601"

Employee Benefits:

The following current liabilities displayed in the 1950 balance sheets of various of the 525 companies were related to employee services and benefit plans:

AMERICAN BOX BOARD COMPANY

"Contributions to employees' profit-sharing incentive retirement plan.......... $ 145,333"

BENDIX AVIATION CORPORATION

"Employees' supplemental compensation (including amounts payable after one year).......... $ 3,438,140"

CAMDEN FORGE COMPANY

"Accrued salaries and wages, including vacation wages accrued under union contract.......... $ 57,283.24"

CLARK EQUIPMENT COMPANY
"Accrued liabilities—salaries, wages and vacation pay........................ $ 1,750,970"

THE CLEVELAND BUILDERS SUPPLY COMPANY
"Amount payable to trustee of profit sharing trust................ .... $ 44,809.42"

ENDICOTT JOHNSON CORPORATION
"Accrual for retirement plan............. $2,253,566"

NATIONAL STEEL CORPORATION
"Vacation pay and miscellaneous items ... $ 4,038,456"

TIME INCORPORATED
"Under savings and profit sharing plans for officers and employees.............. $ 1,343,763"

Long-Term Debt

The balance sheet treatment in current liabilities of the current portion of long-term debt under sinking fund provisions is illustrated by the following examples from the 1950 reports:

COLONIAL STORES INCORPORATED
"*Balance Sheet:*
Current Liabilities:

	$ ...
Current sinking fund instalments on debentures	285,000
Total Current Liabilities	$8,192,337
Sinking Fund Debentures (instalments due annually increasing from $285,000 in 1951 to $395,000 in 1962; balance $1,970,000, due April 1, 1963):	
3% Series A	$5,350,000
3½% Series B	715,000
	6,065,000
Less current instalments included among current liabilities	285,000
	$5,780,000"

REMINGTON RAND INC.
"*Consolidated Balance Sheets:*
CURRENT LIABILITIES:

	$ ....
Funded debt to be paid within one year	2,369,143
Dividends payable	1,295,794
Total Current Liabilities	$45,917,716
FUNDED DEBT:	
3% Sinking Fund Debentures, due April 1, 1967 (less annual payment due March 31, 1952)	38,600,000
Building purchase contract, mortgages payable, etc. (less payments due within one year)	1,523,100
	$40,123,100"

THE CHAMPION PAPER AND FIBRE COMPANY
"*Consolidated Balance Sheet:*
CURRENT LIABILITIES:

	$ ....
Long-term funded debt—Current portion (Note 4)	550,000
Total current liabilities	$12,684,314
Long-Term Funded Debt (Note 4) (Less current portion shown above):	
3% debentures	$11,350,000
3¼% sinking fund debentures	3,680,000
Total long-term funded debt	$15,030,000

Note 4: "The 3% debentures are redeemable $550,000 annually with final maturity July 15, 1965. The 3¼% sinking fund debentures are redeemable beginning January 15, 1954 in annual amounts of not less than $335,000 or more than $670,000. The Company borrowed $5,000,000 on April 3, 1951 on long-term notes payable under a loan agreement dated March 30, 1951. The notes are payable in installments as follows: $800,000 on March 31, 1954 and $700,000 semiannually thereafter to and including March 31, 1957."

STAHL-MEYER, INC.
"*Consolidated Balance Sheet:*
CURRENT LIABILITIES:

Purchase Money Obligations—instalments due within one year	$ 26,555.56
TOTAL CURRENT LIABILITIES	$ 1,793,531.15
PURCHASE MONEY OBLIGATIONS (exclusive of instalments due within one year)	51,166.99"

UNITED STATES PLYWOOD CORPORATION
"*Consolidated Balance Sheets:*
CURRENT LIABILITIES:

Current installments of long-term indebtedness	$ 521,956
	...
Total current liabilities	18,288,702"
LONG-TERM INDEBTEDNESS (Excluding current installments):	
Fifteen year 3¼% sinking fund debentures, Series A, due February 1, 1963	3,440,000
Fifteen year 3% sinking fund debentures, Series B, due October 1, 1965	2,850,000
3% debentures of Canadian subsidiary (secured by pledge of capital stock of Hay & Company Limited)	227,272
Notes payable under timber purchase contracts ($454,296 secured by liens on timberlands in 1951)	603,293
Other long-term debt	137,090
	$7,257,655"

Miscellaneous Current Liabilities

ADAM HAT STORES, INC.
"Unredeemed gift certificates......... $ 460,292.14"

ALLIS-CHALMERS MANUFACTURING COMPANY
"Reserve for guarantees and completion of contracts billed............ $ 5,097,086"

AMERICAN BANK NOTE COMPANY
"Advances on account of customers' orders*........................... $ 1,854,802
*Of which $1,618,759 is held by the Company against determination of the amount due it under a contract, notice of termination of which has been received."

THE AMERICAN METAL COMPANY, LIMITED
"Unearned treatment charges, etc., on metals in process including metals being treated on a toll basis for others. $ 6,010,670"

ARCHER-DANIELS-MIDLAND COMPANY
"Reserve for commitment losses....... $ 1,010,000"

ARTLOOM CARPET CO., INC.
"Customers' Accounts—Credit Balances.......................... $ 1,692.86"

BALDWIN-LIMA-HAMILTON CORPORATION
"Dividends declared on common stock.. $ 641,100"

BARBER OIL CORPORATION
"Dividend payable January 2, 1951.... $ 235,848.34"

BOTANY MILLS, INC.
"Employees' contributions for purchase of savings bonds.................. $ 44,624.88"

CALIFORNIA PACKING CORPORATION
"Short-term loans of foreign subsidiaries............................ $ 2,818,136"

CENTRAL SOYA COMPANY, INC.
"Estimated construction liabilities (Note 2) .... $ 1,785,000
Note 2: Estimated construction liabilities represent estimated cost to complete and equip facilities in process of construction based on contracts with construction companies, on purchase commitments and on estimates by the company's engineering and purchasing departments."

CITY STORES COMPANY
"Reserve for purchase discounts on merchandise in inventories............. $ 854,424"

CRADDOCK-TERRY SHOE CORPORATION
"Accrued payrolls, commissions and unclaimed wages.................... $ 135,175.58"

DOEHLER-JARVIS CORPORATION
"Liability for Replacement of Customers' Dies .... $ 613,567"

THE FLORSHEIM SHOE COMPANY
"Accounts payable, etc. (including liability for merchandise in transit)... $ 1,116,915.77"

SAFEWAY STORES, INCORPORATED
"Unexpended portion of proceeds received for properties sold prior to completion, after deducting costs incurred to date, $3,584,127.......... $ 2,156,667"

HUDSON MOTOR CAR COMPANY
"Accrued expenses.................. $ 5,273,801.23"

S. H. KRESS & COMPANY
"Accounts payable—merchandise in transit .... $ 1,836,469"

LERNER STORES CORPORATION
"Customers' deposits and unredeemed credits.......................... $ 1,578,545.58"

THE GLENN L. MARTIN COMPANY
"Net amounts refundable under price revision clauses of United States Government contracts—estimated....... $ 4,348,648"

THE GLENN L. MARTIN COMPANY
"Reserve for modification costs on delivered commercial airplanes........ $ 350,000"

MONSANTO CHEMICAL COMPANY
"Deposits for returnable containers.... $ 1,421,071"

MONTGOMERY WARD & CO.
"Accrued expenses and insurance reserve............................ $ 20,897,936"

NASH-KELVINATOR CORPORATION
"Five-year warranty on refrigerators... $ 4,803,914"

PHELPS DODGE CORPORATION
"Liability to customers for deposits on returnable reels—estimated......... $ 2,524,030.03"

REPUBLIC AVIATION CORPORATION
"Provision for refund to United States Government of contract price adjustments............................ $ 4,628,618"

HEARST CONSOLIDATED PUBLICATIONS, INC.
"Deposits to secure circulation accounts, etc. (see Note 4)............ $ 1,683,714.70"
Note 4: This balance sheet does not include securities deposited by newsdealers with the companies as collateral to circulation accounts receivable, nor the corresponding liability therefor."

THE STUDEBAKER CORPORATION
"Customers' deposits and credit balances............................ $ 2,322,485.64"

F. W. WOOLWORTH CO.
"Accounts Payable—Merchandise in Transit........................... $ 3,409,741.11"

DEFERRED CHARGES AND NON-CURRENT LIABILITIES

The following examples of interesting items or unusual treatments or presentations have been selected from the 1950 reports of the 525 companies:

AMERICAN SMELTING AND REFINING COMPANY
"DEFERRED CREDITS.................... $ 1,862,860"

THE AUTOCAR COMPANY
"DEFERRED INCOME: Unearned finance charges on customers' notes............ $ 407,817"

BETHLEHEM STEEL CORPORATION
"Accident Compensation Payable after One Year.......................... $7,750,000"

BOTANY MILLS, INC.
"Reserve for Losses on Accounts Receivable Aggregating $498,942.25 at December 31, 1950 and . . . sold to the factor and guaranteed by Botany Mills, Inc.... $ 65,546.69"

CAMDEN FORGE COMPANY
"Non-Current Liability:
Liability as former self-insurer for workmen's compensation, payable after end of ensuing year...................... $ 14,586.50"

CITY PRODUCTS CORPORATION
"Notes and contract payable (with mortgage on real estate and capital stocks of ubsidiaries as collateral), due 1952 to 1958.............................. $ 107,063"

CITY STORES COMPANY
"DEFERRED INCOME
Unrealized gross profit on installment sales, and carrying charges .... $ 1,677,732"

DIANA STORES CORPORATION
"Unrealized Profit in Customers' Balances on Layaway Merchandise Sales........ $ 152,092.85"

ALLEN B. DuMONT LABORATORIES, INC.
"Deferred Income from Royalties......... $ 114,442"

GENERAL ELECTRIC COMPANY
"Accounts payable and accruals—not current.............................. $ 22,913,086"

THE GENERAL TIRE & RUBBER COMPANY
"Payable for Purchase of Plant and Equipment (1952–1958 payments)............ $ 225,651"

HAZEL-ATLAS GLASS COMPANY
Note—inserted between Current Liabilities and "Capital":

"Funds for dividend of $651,613.50 payable January 2, 1951 were held by dividend disbursing agent on December 30, 1950."

HEARST CONSOLIDATED PUBLICATIONS
"Deferred Credits:

Discount on reacquired securities	$	85,989.33
Advance billings, reserves for earned rate rebates, and miscellaneous		719,421.43
Total deferred credits	$	805,410.76"

HIGGINS INCORPORATED
"DEFERRED INCOME—UNFINISHED VOYAGES .... $ 1,625.99"

LIBBEY-OWENS-FORD GLASS COMPANY
"DEFERRED INCOME:
Unrealized profit on sale of real estate .... $ 83,712.98"

LOEW'S INCORPORATED
"Securities From Tenants, Film Rentals, and Other Deferred Credits .... $ 1,536,718"

MACFADDEN PUBLICATIONS, INC.
"Unexpired magazine subscription income (less procurement expenses) .... $ 843,985"

McCALL CORPORATION
"Deferred Credits:
Magazine subscriptions .... $ 3,908,126"

MID-CONTINENT PETROLEUM CORPORATION
"DEFERRED LIABILITIES AND DEFERRED CREDIT ITEMS .... $ 234,766"

MONSANTO CHEMICAL COMPANY
"Employes Bonus Awards Payable Beyond One Year .... $ 1,036,456"

MONSANTO CHEMICAL COMPANY
"Advances on Government Contracts .... $ 1,633,624"

PENNSYLVANIA COAL AND COKE CORPORATION
"Contracts Payable for Equipments Purchases (Note 2) Instalments due beyond one year .... $ 142,887.50"
Note 2: "Equipment costing $693,077.00 was pledged to secure the liability of $403,788.49 at December 31, 1950, for equipment purchases under conditional sales contracts."

PEPSI-COLA COMPANY

"Total current liabilities (exclusive of customers' deposits on bottles and cases shown below)	$	4,373,861
OTHER LIABILITIES:		
Customers' deposits on bottles and cases	$	1,143,759"

REYNOLDS METALS COMPANY
"UNREALIZED INTERCOMPANY PROFITS:
On products (in year-end inventories of respective companies) sold to, or purchased from wholly owned subsidiaries .... $ 2,215,700"

SHARON STEEL CORPORATION
"Pension payments due after one year and provision for possible future payments .... $ 975,000"

SOCONY-VACUUM OIL COMPANY, INC.
"DEFERRED CREDITS (Note 3) .... $ 8,848,664"
Note 3: "On January 1, 1950 a consolidated subsidiary sold a portion of its interest in future gas production from certain properties. The consideration received therefor, after deducting applicable Federal income tax, has been treated as a deferred credit ($6,715,284 at December 31, 1950) and is being credited to income over the period of production."

A. G. SPALDING & BROS., INC.
"Provision for future pensions—unfunded plan .... $ 136,130"

THE SUPER-COLD CORPORATION
"Deferred income—unearned interest on installment contracts .... $ 334,362"

A. G. SPALDING & BROS., INC.
"Debentures called for redemption December 1, 1950 .... $ 82,800"

TIME INCORPORATED
"DEFERRED INCOME

Unearned portion of paid subscriptions	$24,942,699
Other (advertising and newsstand—future issues, etc.)	1,124,314
	$26,067,013"

RESERVES SHOWN BELOW CURRENT LIABILITIES

The *reserves* discussed herein are those shown below the current liability section of the balance-sheet (exclusive of inventory reserves discussed elsewhere) together with all segregations or appropriations of retained earnings shown in the equity section. In the 1950 reports, there were 520 of such *reserves* of which 440 were shown in the balance sheet between the current liability and equity sections and 80 were included in the stockholders' equity section.

The term *reserve* was quite generally applied in those instances where the balance sheet presentation was below the current liability section. In this regard, it is of interest to note that in Accounting Research Bulletin No. 34 entitled, "Use of Term 'Reserve,'" which was issued in October, 1948, by the Committee on Accounting Procedure of the American Institute of Accountants, it was recommended that the use of the term *reserve* be limited "to indicate that an undivided portion of the assets is being held or retained for general or specific purposes. . ." In Accounting Research Bulletin No. 39, "Discontinuance of the Use of the Term "Surplus," it was stated that, "retained income appropriated as a reserve nevertheless remains part of retained income, and any reserves which are clearly appropriations or segregations of retained income, such as reserves for general contingencies, possible future inventory losses, sinking fund, etc., should be included as a part of the stockholders' equity."

The tables set forth below show the various classifications of the above-described reserves and indicate the balance sheet presentation thereof. Following each of the tabulations are typical examples of the types of reserves referred to therein. Each of the examples includes all reserves displayed in the balance sheet below current liabilities by the particular company.

Contingency Reserves:

The tabulation below shows the balance sheet presentation of contingency reserves by the 525 companies in 1950. Approximately 71% of such reserves were

Exhibit 5: Harbison-Walker Refractories Company

HARBISON-WALKER REFRACTORIES COMPANY
AND SUBSIDIARIES

Source and Disposition of Consolidated Working Capital

for the Year ended December 31, 1950

SOURCE:		
From operations:		
Net income for the year	$ 6,682,207	
Provisions for depreciation and depletion	2,731,220	
	$ 9,413,427	
Book value of property sold	175,055	
Minority interest in undistributed net income of subsidiaries	176,164	
Miscellaneous	18,265	$ 9,782,911
DISPOSITION:		
Dividends declared	$ 3,517,487	
Expenditures for property additions and replacements	3,173,204	
Purchase of portion of subsidiary's stock from minority interest	161,089	
Decrease in term bank loans of subsidiaries through payments and instalments due in 1951	578,000	
Investment in notes receivable due after 1951	23,006	7,452,786
Net increase		$ 2,330,125
WORKING CAPITAL:		
At December 31, 1950:		
Current assets	$27,795,087	
Current liabilities	11,342,574	$16,452,513
At December 31, 1949:		
Current assets	$20,499,068	
Current liabilities	6,376,680	14,122,388
Net increase		$ 2,330,125

presented between the current liability and equity sections while 39% were shown within the stockholders' equity section as an appropriation of retained earnings. The table further discloses a total of 272 contingency reserves tabulated in 1946 and substantial decreases in totals for each of the subsequent years, until 1950, when only 136 of such reserves were tabulated, representing a decline of 50% since 1946.

CONTINGENCY RESERVES

1950	Position of Reserves for Contingencies
97	BETWEEN CURRENT LIABILITY AND EQUITY SECTION. (See Company Appendix Nos. 11, 52, 94, 123, 165, 187, 228, 266, 275, 281, 315, 330, 360, 391, 418, 426, 443, 493, 513, 516; and, companies indicating reserve to be an appropriation of Retained Earnings: Nos. 45, 171, 206, 229, 240, 399, 517)
39	WITHIN THE EQUITY SECTION. (See Company Appendix Nos. 51, 130, 177, 207, 215, 268, 277, 327, 354, 410, 440, 501)
136	

Reserves for Contingencies—Extent of Use:

Year:	1950	1949	1948	1947	1946
Total:	136	182	222	243	272

A substantial number of the 525 companies eliminated all or part of contingency reserves in 1950 or reclassified the appropriations of retained earnings under the stockholders' equity section. Examples of transfers to retained earnings from contingency reserves are shown in Section IV, herein, "Retained Earnings" under "Retained Earnings Credits." Special comments as to these eliminations and reclassifications of contingency reserves contained in the 1950 reports are discussed below.

The Borden Company discontinued the term *reserve* with regard to contingency and inventory price decline provisions and, in its 1950 annual report, presented the following:

(*Above* "Capital Stock and Surplus"):

"RESERVES:	
Insurance Reserves	$ 7,435,296
Other Reserves	3,815,788
Total Reserves	$11,251,084
(*Within* "Capital Stock and Surplus"):	
"Earned Surplus (Earnings retained for use in the business:	
Appropriated (Note 4)	
For Contingencies	$ 2,000,000
For Possible Inventory Price Declines	5,000,000
For Losses on Unusual Property Disposals	5,000,000
Total Appropriated	$12,000,000
Unappropriated	$77,326,831"

Note 4: "These appropriations, previously designated "Surplus Reserves," were re-classified as of January 1, 1950."

Rexall Drug, Inc. eliminated its contingency reserves in 1950 and the President's letter contained the following comment with respect thereto:

"*To the Stockholders:* In accordance with accounting principles now generally accepted, we have transferred the reserves for contingencies, amounting to $741,000 directly to the accounts for stockholders' equity—$100,000 to paid-in capital and $641,000 to earnings retained and used in the business. This transfer did not affect our reported net profit for the year but it does increase stockholders' equity by $741,000."

The "Consolidated Balance Sheet" of Food Machinery and Chemical Corporation for 1950 contained the following in its "Capital Stock and Surplus" section:

"Earned surplus	
Appropriated as a reserve for contingencies	$ 3,353,186
Unappropriated	33,299,822
	$77,714,532"

The "Report by the President" discussed the reclassification of the reserve for contingencies under the equity section as follows:

"*Earned Surplus Appropriated as a Reserve for Contingencies.* No charges have been made during the current year to our Reserve for Contingencies, which amounts to $3,353,186. However, at the request of the Securities and Exchange Commission, we have this year, for the first time, reflected it in the Net Worth section of our Balance Sheet as "Appropriated Surplus.

This reserve has been accumulated from earnings in past years as a protection to our stockholders against inventory losses, obsolescence of leased machinery, and other unforseen contingencies."

The Best Foods, Inc., in its 1950 report, indicated an elimination of the reserve for contingencies formerly presented under "Capital Stock, Surplus and Reserve" and with respect to this elimination, the Chairman of the Board and President stated in his letter "To the Stockholders of the Best Foods, Inc." that,

"The Statement of Earned Surplus reflects the decision, made in the light of currently recommended accounting practice, to transfer to earned surplus the reserve for contingencies in the amount of $1,696,800. The elimination of the reserve does not mean that inventory risks are at an end, for, as the section on Raw Materials and Inventories indicates, vegetable oil prices are still unstable."

Sun Oil Company presented a "Reserve for Contingencies—$2,350,844" above "Stockholders Equity" in 1949. A footnote to the 1950 financial statements, quoted below, explains the decrease in the reserve and the disposition of the remaining balance:

"*Financial Notes:* During 1950 the Company disposed of an investment, the full amount of which had been provided for by a valuation reserve maintained since 1941 as a part of the Reserve for Contingencies. Accordingly, the disposal loss of $1,671,508 was charged to the contingency reserve and the remaining balance of $106,802 was transferred to Earnings Employed in the Business."

Atlas Powder Company eliminated its "Reserve For Contingencies—$928,787" carried above "Capital Stock and Surplus" prior to 1950 and the president of the company, in his "Financial" review reported that

". . . the sum of $928,787 was transferred from Reserve for Contingencies to Earned Surplus . . . the elimination of the

Reserve for Contingencies [is] in accord with modern accounting practice."

General Refractories Company included a "Reserve for Contingencies—$972,104.01" in its 1949 report above the equity section of the balance sheet and, in a footnote to the financial statements for 1950, stated:

"Reserves unapplied appearing in the balance sheet at December 31, 1949 have been reclassified at December 31, 1950. . . . The reserve for contingencies has been restored to earned surplus by a direct credit thereto."

International Harvester Company discussed the elimination of a "Reserve for General Contingencies" in a footnote to its 1950 balance sheet, as follows:

"*Note 5:* Net income retained for use in the Business: In previous annual reports the balance in this account was divided into two parts termed "Reserved for General Contingencies" and "Balance Not Reserved." This division is no longer considered necessary."

Relatively few increases in reserves for contingencies were noted in the 1950 reports of the 525 companies. California Packing Corporation, however, stated in notes to financial statements as follows:

". . . In recognition of unsettled political and economic conditions in the world, an additional $3,150,000 of earnings retained for use in the business was appropriated in 1951 for contingencies in respect of assets and obligations in foreign countries; the total of such appropriations at February 28, 1951 was $5,000,000."

Hygrade Food Products Corporation transferred an amount of $500,000.00 from "Earned Surplus" to its "Reserve for Tax Contingencies" and included the following in notes to financial statements:

"Federal income and excess profits tax liability for all years through 1943 has been settled and paid. The Bureau of Internal Revenue has completed its examination for the years 1944 through 1949, inclusive, and has proposed the assessment of additional income and excess profits taxes aggregating $2,883,000, substantially all of which is in dispute. Pending final determination, an additional $500,000 was transferred during the year from surplus to increase the reserves for these taxes to an amount of approximately $2,000,000 which the management believes should be adequate provision for this contingency."

The balance sheet presentation of the Hygrade Food Products Corporation's reserves for 1950 was as follows:

(Above "Capital Stock"):
"RESERVES:

Reserve for Self-Insurance—Workmen's Compensation	$ 100,000.00
Reserve for Tax Contingencies (Note 1) [quoted above]	1,500,000.00
	$1,600,000.00"

Contingency Reserves in 1950

Typical examples of reserves for contingencies appearing in the 1950 balance sheets of the 525 companies are presented below:

ALLIS-CHALMERS MANUFACTURING COMPANY
(*Within* "Capital Stock")
"EARNED SURPLUS

Appropriated for inventory and other *contingencies* (no change during year)	$ 5,000,000
Unappropriated	61,774,671"

THE AMERICAN AGRICULTURAL CHEMICAL COMPANY
(*Above* "Capital and Surplus"):
"RESERVES:

For Insurance	$ 970,248.31
For Retirement Payments	550,000.00
For Other Contingencies	300,000.00
	$1,820,248.31"

"*To the Stockholders:* During the fiscal years 1946 to 1949 inclusive, a total amount of $500,000 was set up from earnings and added to the Reserve for Contingencies, with the understanding that this sum was earmarked for support of the retirement plan. The amount of $500,000 has now been transferred from the Reserve for Contingencies and set up and identified as Reserve for Retirement Payments."

AMERICAN CAN COMPANY
(*Above* "Capital"):
"Other reserves:

Compensation insurance	$ 5,000,000
Possible future inventory price declines and other *contingencies*	12,294,031"

THE AMERICAN HARDWARE CORPORATION
(*Below* "Current Liabilities"):

"RESERVE FOR CONTINGENCIES	$ 262,801"

AMERICAN WOOLEN COMPANY, INCORPORATED
(*Above* "Capital Stock")

"General reserve for contingencies (appropriated earned surplus)	$5,884,762.30"

BIGELOW-SANFORD CARPET COMPANY, INC.
(*Within* "Capital Surplus"):
"SURPLUS RESERVES

(Inventories, $1,000,000; *Contingencies*, $800,000)	$ 1,800,000"

BOTANY MILLS, INC.
(*Below* "Current Liabilities"):

"Reserve for contingencies, Note (5)	$1,452,985.26"

Note 5: RESERVE FOR CONTINGENCIES: The reserve for contingencies, in the amount of $1,452,985.26, is to cover any losses which may be sustained in the future through unforeseen circumstances. It is not the intention of the company to use this reserve to absorb any future charges which would ordinarily be charged in the income account."

CONTINENTAL OIL COMPANY
(*Above* "Capital Stock"):
"RESERVES:

For insurance	$250,000
For annuities	369,796
For contingencies (Note 2)	.....
	$619,796"

Note 2: "The reserve for contingencies was provided for certain oil and gas royalties in dispute. During 1950 it was determined that the amount due was $449,323. The balance of the reserve provided in prior years amounting to $411,480 has been credited to income."

DICTAPHONE CORPORATION
(*Within* "Capital"):

"Earnings reinvested	$3,770,451
Reserve for contingencies	300,000
	$4,070,451"

ENDICOTT JOHNSON CORPORATION
(*Within* "Stockholders' Equity"):

"Accumulated retained earnings —of which $2,000,000 is restricted pursuant to preferred stock charter provisions:	
Appropriated for:	
Contingencies	$ 1,500,000
Construction of new plant facilities	875,000
	$ 2,375,000
Balance of accumulated retained earnings	11,939,926
	$14,214,926"

THE GOODYEAR TIRE & RUBBER COMPANY
(*Above* "Capital Stock"):

"RESERVES:	
For rubber inventory liquidation less federal taxes	$ 5,000,000
For sundry liabilities	11,740,515
For foreign investments	19,029,169
For contingencies (*surplus reserve*)	28,900,000
	$64,669,684"

HUDSON MOTOR CAR COMPANY
(*Above* "Capital and Surplus"):
"Reserve for Contingencies................$ 816,314.13"

G. R. KINNEY CO., INC.
(*Within* "Stockholders' Equity")

"Retained earnings from July 1, 1936	
Appropriated for:	
Future inventory price declines	$ 660,000
Increased cost of replacement of fixed assets	407,000
General contingencies	500,000
	$1,567,000
Unappropriated	3,888,085
Total Retained Earnings	$5,455,085"

LOEW'S INCORPORATED
(*Above* "Funded Debt"):
"Reserve for General Contingencies (Note H).. $1,568,265"
Note H: "Reserve for general contingencies has been reduced during the year by $453,508 paid for settlements, legal fees and expenses of certain litigation, for which this reserve was partly intended. No addition has been made to this reserve since the balance is considered adequate to provide for known contingencies."

MACFADDEN PUBLICATIONS, INC.
(*Above* "Capital Stock and Surplus"):
"RESERVE FOR CONTINGENCIES. (Note 4)....... $150,000"
Note 4: "At December 31, 1950, there were various legal actions pending against the Company. In the opinion of the Company, the reserve for contingencies is adequate to cover any loss which may be sustained as a result of any litigation pending at December 31, 1950, in which the Company is involved as a defendant."

McGRAW-HILL PUBLISHING COMPANY, INC.
(*Below* "Deferred Liabilities"):

"RESERVES:	
Reserve for contingencies	$ 2,012,300.21
Reserve for unexpired subscriptions	3,092,939.53
Reserve for pensions	1,200,000.00
	$ 6,305,239.74"

PHILLIPS PETROLEUM COMPANY
(*Above* "Net Worth"):

"RESERVES:	
Retirement Annuities—Note 4	$ 161,617
Insurance	2,000,000
Contingencies—Note 5	8,399,886
	$10,561,503"

Note 4: "The Company has had a contributory retirement income plan since 1938 which, except for a relatively minor portion, is administered by the Metropolitan Life Insurance Company. Total estimated cost of past service annuities has been provided for except for certain guaranteed minimum annuities, the cost of which is not considered material. The reserve for retirement annuities, amounting to $161,617 at December 31, 1950, is in respect of annuities not covered under the Metropolitan plan.
Note 5: "RESERVE FOR CONTINGENCIES. Changes in the reserve for contingencies during 1950 are summarized as follows:

Balance, December 31, 1949	$7,598,615
Additions: Charge to Income	1,110,142
	$8,708,757
Deductions: Payments for which the Reserve was established	308,871
Balance, December 31, 1950	$8,399,886"

NATIONAL BISCUIT COMPANY
(*Within* "Capital"):

Retained earnings:	
Appropriated:	
Insurance and *contingent* reserve	$ 3,726,188
Reserve for high-cost plant additions	12,000,000
Inventory reserve	5,000,000
Unappropriated	39,706,535"

THE PURE OIL COMPANY
(*Below* "Long-Term Debt"):

"RESERVES:	
For replacement of inventories	$ 627,000
For contingencies, including possible additional income taxes for prior years	1,500,000
	$2,127,000"

RICE-STIX, INC.
(*Within* "Capitalization"):

"Income retained for use in the business—	
Appropriated for general contingencies	$3,000,000
Unappropriated, statement attached	9,638,975"

THE SAFETY CAR HEATING AND LIGHTING COMPANY, INC.
(*Within* "Stockholders' Equity"):

"Reserves:	
For higher replacement cost of machinery and equipment	$ 100,000.00
For contingencies	675,000.00
Accumulated earnings—unappropriated	3,164,476.82"

SCOVILL MANUFACTURING COMPANY
(*Above* "Capital Stock"):

"RESERVES	
For contingencies	$1,215,483
For inventory write-down to be taken when "lifo" metals are replaced (Note C)	480,000
	$1,695,483"

Note C: "This reserve was provided from earnings for the estimated replacement cost over "last-in, first-out" cost of metals involuntarily liquidated in 1950 less related tax deduction."

SHARPE & DOHME, INCORPORATED
(*Within* "Capital"):

Capital stock . . .	......
Reserve for contingencies	$ 1,000,000.00
Earned surplus (including $837,737.32 undistributed earnings of foreign subsidiaries)	15,433,769.10"

SPENCER KELLOGG AND SONS, INC.

(*Above* "Capital and Surplus"):

"RESERVES:	
For Insurance, etc.	$ 718,005.86
For Contingencies	2,572,516.03
	$ 3,290,521.89"

STANDARD OIL COMPANY (KENTUCKY)

(*Within* "Capital Stock and Surplus")

"Earned surplus (earnings retained in business):	
Unappropriated	$ 35,374,149
Appropriated as a reserve for contingencies including fire, flood, and storm	800,000"

THE TEXAS COMPANY

(*Above* "Stockholders' Equity"):

"RESERVES:	
Employes' pension plan	$ 13,728,027
Incentive compensation plan	2,929,123
Foreign exchange fluctuations	1,766,883
Total reserves	$ 18,424,033
(*Within* "Stockholders' Equity"):	
"Undistributed earnings employed in the business (*including $25,000,000 appropriated as a reserve for contingencies*)	$ 651,832,565"

UNION CARBIDE AND CARBON CORPORATION

(*Above* "Capital Stock"):

"RESERVE FOR CONTINGENCIES	$ 6,381,098"

WAGNER ELECTRIC CORPORATION

(*Above* "Stockholders' Investment"):

"Surplus Reserve—Based on Inventory Overhead Increase	$ 2,084,683"
(*Within* "Stockholders' Investment"):	
"Income retained for use in the business—	
Appropriated for contingencies	1,000,000
Unappropriated (under the 1951 bank loan agreement $10,000,000 is not available for dividends)	18,216,786"

THE WESTINGHOUSE AIR BRAKE COMPANY

(*Above* "Capital Stock and Earned Surplus"):

"RESERVES:	
Workmen's compensation	$ 722,601
Contingencies (appropriated from income in prior years)	2,914,960
Total reserves	$ 3,637,561"

Insurance Reserves

The following tabulation of insurance reserves sets forth the number of such reserves as well as the type and balance sheet positions thereof in the 1950 reports of the 525 companies. As the table discloses, a sizeable majority of insurance reserves were presented between the current liability and stockholders' equity section of the balance sheet and only a small minority of reserves involving insurance were shown within the stockholders' equity section. The total number of insurance reserves, 143 in 1950, tabulated from the reports of the 525 companies has remained constant over the five-year period, 1946 to 1950, inclusive.

INSURANCE RESERVES

Between Current Liability and Equity Sections	Within the Equity Section	Type of Insurance Reserves
47	1	WORKMEN'S COMPENSATION. (See Company Appendix Nos. 22, 63, 165, 281, 388, 428, 446; and, No. 215 in the equity section)
20	3	SELF-INSURANCE. (See Company Appendix Nos. 136, 168, 224, 295, 321, 365, 422, 458, 484, 519; and, Nos. 7 and 490 in the equity section)
14	0	PUBLIC LIABILITY and/or ACCIDENT. (See Company Appendix Nos. 128, 330, 446, 499, 500)
8	1	FIRE LOSSES. (See Company Appendix Nos. 38, 183, 387; and No. 392 in the equity section)
6	1	CASUALTY and/or OTHER RISKS. (See Company Appendix Nos. 195, 206, 388; and No. 251 in the equity section)
38	4	GENERAL INSURANCE. (See Company Appendix Nos. 15, 84, 171, 260, 349, 363, 418, 451, 462, 498; and Nos. 34 and 222 in the equity section)
133	10	

Reserves for Insurance—Extent of Use:

Year:	1950	1949	1948	1947	1946
Total:	143	145	144	142	143

In a footnote to its balance sheet, Jones & Laughlin Steel Corporation explained the elimination of its "Reserve for Fire Insurance" in 1950 as follows:

"During 1950, the Corporation obtained insurance against fire on its properties not heretofore insured. The reserve for fire insurance is therefore no longer required and the balance, $1,605,000, of the reserve has been transferred to other capital and income retained in the business."

Set forth below are typical examples of insurance reserves as noted in the 1950 balance sheets of the selected companies:

ANACONDA COPPER MINING COMPANY

(*Above* Minority Interests):

"RESERVES:	
For Workmen's compensation insurance	$ 1,658,646.32
For contingencies	2,350,000.00
Total reserves	$ 4,008,646.32"

BETHLEHEM STEEL CORPORATION

(*Above* "Capital Stock and Surplus"):

"RESERVES:	
Contingencies	$ ......
Insurance	30,000,000"

"*To the Stockholders:* During the year 1950 the balance in the Reserve for Contingencies ($10,299,448) was transferred to Surplus, and your Board of Directors, believing that some additional provision should be made for the increase in risk of losses, has approved an increase of $10,000,000 in the Insurance Reserve. The amount so added to that Reserve was charged to Surplus."

SOCONY-VACUUM OIL COMPANY, INC.

(*Above* "Stockholders' Equity"):

"RESERVES:	
For insurance (fire, flood, marine, liability, etc.)	$40,804,810
For general contingencies	15,000,000"

HERCULES POWDER COMPANY
(*Above* "Stockholders' Investment"):

"RESERVES:	
Insurance (Including estimated liability on claims: 1950—$155,328)..........	$ 1,706,939
Pensions..............................	10,662,744
Contingencies..........................	1,582,840
Miscellaneous..........................	219,426
Total Reserves......................	$14,171,949"

S. S. KRESGE COMPANY
(*Above* "Stockholders' Equity")

"RESERVES:	
For fire and casualty losses, public liability and compensation claims..............	$ 4,362,000
For post-war re-employment adjustments............................	116,051
	$ 4,478,051"

(*Below* "Stockholders' Equity")

"Income appropriated for possible adjustments of merchandise values..........	2,927,821"

J. J. NEWBERRY CO.
(*Above* "Capital Stock and Retained Earnings"):

"RESERVE FOR SELF-INSURANCE (fire and burglary)...........................	$ 434,679"

RALSTON PURINA COMPANY
(*Within* "Stockholders' Equity"):

"Earnings retained for use in the business:	
Appropriated for self-insurance..........	$ 238,564
Not specifically appropriated...........	40,214,469
	$40,453,033"

REMINGTON RAND INC.
(*Below* "Funded Debt"):

"RESERVES:	
For insurance, etc.....................	$ 577,560
For foreign exchange fluctuations........	262,561
For contingencies	1,023,154
	$ 1,863,275"

UNITED SHOE MACHINERY CORPORATION
(*Above* "Capital and Surplus"):

"Reserves:	
For self-insurance $3,527,288.85; and contingencies $6,163,892.89...........	$ 9,691,181.74"

UNITED FRUIT COMPANY
(*Within* "Stockholders Equity"):

"Earnings retained in business less amounts transferred to capital stock account:	
Appropriated:	
Self-insurance....................	$13,289,803.69
Abnormal construction and increased replacement costs...............	28,000,000.00
Adjustments in materials and supplies..........................	1,000,000.00
Earnings of European subsidiaries at December 30, 1939 not realized in U. S. dollars..................	7,902,010.31
	$50,191,814.00
Not specifically appropriated.........	57,405,200.92"

Tax Reserves:

The table set forth below indicates the number, type, and balance sheet position of 35 reserves relating to taxes as tabulated from the 1950 reports of the 525 companies. The tabulation also discloses changes in the total number of such reserves in each of the years 1946 through 1950.

TAX RESERVES

1950	Type of Reserve for Taxes
	(*All shown between the Current Liability and Equity sections*)
15	TAX CONTINGENCIES. (See Company Appendix Nos. 52, 118, 165, 168, 216, 247, 267, 406, 456, 479, 482)
10	PRIOR YEARS' TAXES. (See Company Appendix Nos. 155, 205, 275, 362, 407, 459, 504)
10	TAXES. (See Company Appendix Nos. 48, 71, 130, 142, 258, 340, 372, 453, 478)
35	

Reserves for Taxes—Extent of Use:

Year:	1950	1949	1948	1947	1946
Total:	35	30	32	31	26

The following examples of balance sheet presentation and footnote discussion of tax reserves have been taken from the 1950 reports of the 525 companies:

AMPCO METAL, INC.
(*Above* "Capital Stock and Surplus"):

"SPECIAL TAX RESERVE (representing estimate for Federal income taxes which may arise from nondeductibility of depreciation on certain plant facilities fully amortized for tax purposes but subject to depreciation on the books of account)...........................	$ 20,000.00"

ANDERSON, CLAYTON & CO.
(*Within* Equity Section):

"RESERVES:	
Employees' Retirement Plan—prior service cost.......................	$ 673,795.00
Contingencies (*Note 4*)..............	11,538,642.18
Total Reserves.......................	$12,212,437.18"

Note 4: "The Company and its subsidiaries have made full provision as of July 31, 1950 for all known liabilities in respect of U. S. and local foreign taxes on income to which they are subject. In addition, there is included in Reserve for Contingencies a reserve for theoretical tax liability which would have been incurred by the Company had it received in dividends during the year the distributable earned surplus of all subsidiaries. Such reserve has been provided from, and is adjusted annually through, Earned Surplus. As of July 31, 1950, this reserve for theoretical tax liability amounted to $4,453,452.74 as compared with $3,926,542.65 as of July 31, 1949, an increase of $526,910.09 during the current year. However, no such tax liability has been incurred; it may never be incurred, depending on the needs of the particular subsidiary; and the amount, if ever incurred, is presently indeterminable, being dependent upon income tax rates in effect at the actual time of transfer.
In addition to the reserve for theoretical tax liability of $4,453,452.74 referred to above, the Reserve for Contingencies includes as of July 31, 1950, a reserve for general contingencies of $6,000,000.00 provided by the Company and reserves for tax claims, fire losses, lawsuits, etc. aggregating $1,085,189.44 provided by foreign subsidiaries."

BARBER OIL CORPORATION
(*Above* "Capital"):

"RESERVES FOR TAXES, PAST SERVICE ANNUITIES, GUARANTEES, CONTINGENCIES, ETC..................................	$ 632,805.61"

CELANESE CORPORATION OF AMERICA
(*Below* "Funded Debt"):
"RESERVES: Contingencies (*Note 3*)....... $ 3,590,675"
Note 3: ". . . The tax returns of the Corporation and subsidiary companies for the years 1943 through 1947 are currently being examined. The Reserve for Contingencies is believed to be sufficient to meet any liabilities in excess of the above provision."

THE CURTIS PUBLISHING COMPANY
(*Above* "Capital Structure"):

SELF INSURANCE FUND.................	$ 850,259.27
RESERVE FOR INVENTORY LOSSES.........	790,000.00
Reserve for Contingent Tax Liability (See Note Page 10)......................	3,758,795.21
(*Below* "Capital Structure")	
"Contingent Reserve (earned) and Undivided Profits to December 31, 1940..	$12,383,015.91
Undivided Profits after December 31, 1940..............................	11,449,269.87"

Note Page 10: "A reserve has been established to substantially provide for liability for additional income and excess profits taxes (totalling $4,336,000.00, exclusive of interest) claimed by Treasury Department for years 1945, 1946 and 1947 in accordance with notice of deficiency received in December 1950. The Company is contesting this claim."

GENERAL CABLE CORPORATION
(*Above* "Capital Stock and Surplus"):
"RESERVES:

Reserve for self insurance (workmen's compensation)................................	$ 483,775
Reserve for tax contingencies (*Note 6*).........	1,304,675
Reserve for unfunded pensions (Note 4)......	218,190
	$2,006,640

Note 4: "The reserve for unfunded pensions, $218,190, was provided in past years as partial coverage against present and future liability for pension payments, the amount of which is indeterminate, under the pension plan of the Corporation which was discontinued as of April 1, 1932."
Note 6: "Federal income tax liability for all years through 1946 has been finally determined and all deficiencies have been paid. It is believed that the reserve for tax contingencies contains more than adequate provision for any deficiencies which might be assessed for subsequent years."

LONE STAR CEMENT CORPORATION
(*Above* "Capital and surplus"):
"Reserves for general contingencies............ $782,169"
Note 5: "Charges during the year 1950 to reserves for general contingencies included $110,000 for payments of additional foreign income taxes of prior years and $285,000 for the write-off of an amount carried under "Other assets" as "Estimated adjustments of Federal income taxes," such write-off being deemed advisable in view of progress made during the year toward settlement of prior years' Federal income taxes; provision for both of these items had previously been made in such reserves."

THE W. L. MAXSON CORPORATION
(*Below* Current Liabilities):
"RESERVE FOR FEDERAL TAX CONTINGENCIES (Note 3)................................ $343,516"
Note 3: "The reserve for Federal tax contingencies represents provision made in a prior year for a deficiency proposed by the Internal Revenue Bureau which has not been agreed to by the Corporation. This reserve has been classified as a non-current liability as it is anticipated that the matter at issue will not be finally settled for a considerable period of time."

MID-CONTINENT PETROLEUM CORPORATION
(*Above* "Capital Stock and Surplus"):
"RESERVES:

Taxes and contingencies (Note 3)...........	$4,500,000
Workmen's compensation insurance..........	533,146
Total reserves..........................	$5,033,146"

Note 3: "FEDERAL income taxes for the year 1946 and subsequently are subject to final settlement by the Internal Revenue Service. The Reserve for Taxes and contingencies is considered adequate to provide for any additional assessments for the open years."

PACIFIC MILLS
(*Above* "Capital Stock"):

"RESERVE FOR SELF INSURANCE—WORKMEN'S COMPENSATION..........................	$ 49,779
"*Reserve for Tax Contingencies* (*Note B*).......	2,000,000"

"*Note B:* . . . In its federal income and excess profits tax return for the year 1944, the company deducted as an expense the amount of $2,065,842 paid in settlement of a claim of the Office of Price Administration. The deductibility of payments of this character has not been finally determined by the courts. The company intends to charge additional tax liability with respect to this item, if any such additional tax liability should be finally determined, to the reserve for tax contingencies."

PARAMOUNT PICTURES CORPORATION
(*Below* "Other liabilities"):
"Reserve for contingencies (see Note D)...... $6,325,398"
Note D: "The reserve is intended to provide for additional income and excess profits taxes, if any, settlements of antitrust litigation and other contingencies applicable to the period prior to December 31, 1949. The reserve was reduced during the year by $397,719 in respect of payments in settlement of certain litigation. The reserve was increased by a transfer of $3,236,024 from capital surplus, and by a transfer of prior years' income tax provisions no longer required amounting to $401,018."

SPRAGUE ELECTRIC COMPANY
(*Above* "Capital Stock and Surplus"):
"RESERVE FOR POST-WAR ADJUSTMENTS (Note 2).................................. $300,000.00"
Note 2: "This reserve has been provided in prior years for post-war contingencies, *principally Federal taxes*."

STANDARD OIL COMPANY OF CALIFORNIA
(*Above* "Capital Stock and Surplus"):
"RESERVES:

General insurance........................	$18,350,214
Contingencies—prior years' taxes on income, etc. (Note 5).........................	3,547,792
	$21,898,006"

Note 5: ". . . The amount of additional liability for Federal and other taxes on this and prior years' income, which may result from the final interpretation of tax laws and regulations, is not presently determinable. The reserve of $3,547,792 at December 31, 1950 together with $6,000,000 on deposit with the Collector of Internal Revenue (which deposit is not included in the balance sheet but may be applied by the Company to any Federal tax liability) should be more than sufficient to meet any additional liability for Federal and other taxes on income."

TIDE WATER ASSOCIATED OIL COMPANY
(*Below* Current Liabilities):
"RESERVES:
For additional Federal taxes and other contingencies (Note 3)............................ $830,103"
Note 3: "The reserve includes provision for prior years' taxes, which provision in the opinion of the Company's tax officials is adequate, less tax refundable as a result of the replacement of basic "Lifo" inventories."

LEHIGH PORTLAND CEMENT COMPANY
AND SUBSIDIARY COMPANY

DETAILS OF ITEMS IN BALANCE SHEET ACCOUNTS

SCHEDULE I

INVENTORIES

	December 31, 1950	*December* 31, 1949
Finished cement	$ 2,089,329	$ 2,149,304
Raw materials and clinker	2,629,774	2,024,594
Bags	952,522	949,436
Supplies and machinery parts	2,391,183	2,189,603
INVENTORIES, at cost or market, whichever is lower	$ 8,062,808	$ 7,312,937

SCHEDULE II

INVESTMENTS AND OTHER ASSETS

U. S. Government securities, at cost which is approximate market value, segregated for plant construction	$ 3,000,000	$ 3,000,000
Government securities on deposit under workmen's compensation laws	277,871	277,378
Miscellaneous investments and noncurrent receivables, less allowance for doubtful accounts	256,950	146,426
INVESTMENTS AND OTHER ASSETS	$ 3,534,821	$ 3,423,804

SCHEDULE III

PLANT ASSETS

Buildings	$17,579,495	$16,140,200
Machinery and equipment	47,350,761	41,756,018
	$64,930,256	$57,896,218
Less—Depreciation	33,875,476	32,301,068
	$31,054,780	$25,595,150
Construction in progress	776,181	1,373,289
Land (including mineral deposits, less depletion)	2,725,578	2,526,117
PLANT ASSETS, at or below cost, less depreciation and depletion	$34,556,539	$29,494,556

VANADIUM-ALLOYS STEEL COMPANY
(*Below* Current Liabilities):
"RESERVE FOR CONTINGENCIES (Note 2)
Provision for disputed prior years' income taxes................................ $475,035.25"
Note 2: "Income tax liability for years subsequent to June 30, 1940 has not been finally determined. Additional assessments proposed by the U. S. Bureau of Internal Revenue for the years ended June 30, 1941 to 1947, aggregating $467,191.84, plus interest, are being contested."

Property Reserves:

Property reserves, with increased cost of plant replacement provisions constituting the major category therein, are set forth in the tabulation below. The table, compiled from the balance sheets of the 525 companies, indicates also the statement presentation and states the total number of property reserves shown by the 525 companies in their annual reports for the years 1946 to 1950, inclusive.

PROPERTY RESERVES

Between Current Liability and Equity Sections	Within the Equity Section	Type of Property Reserve
9	13	INCREASED COST OF PLANT REPLACEMENT. (See Company Appendix Nos. 11, 159, 187, 311, 502; and, shown in the equity section, Nos. 18, 39, 99, 120, 293, 354, 431, 490)
12	0	FURNACE RELINING AND REBUILDING, etc. (See Company Appendix Nos. 44, 139, 270, 362, 401)
8	0	REPAIRS AND MAINTENANCE. (See Company Appendix Nos. 130, 242, 248, 516)
2	2	OBSOLESCENCE OF EXTRAORDINARY DEPRECIATION. (See Company Appendix No. 187; and, shown in the equity section, No. 470)
2	2	PROPERTY LOSSES. (See Company Appendix No. 140; and, shown in the equity section, No. 92)
33	17	

Reserves for Property—Extent of Use:

Year:	1950	1949	1948	1947	1946
Total:	50	63	83	87	51

The President of International Paper Company discussed the 1950 transfer to earned surplus of an amount of $6,000,000 appropriated in 1948 for "replacement of capital assets at current costs" in his letter "To Our Stockholders" as quoted below:

"The $6,000,000 "Reserve for Replacement of Capital Assets at Current Costs" appropriated out of net profit in 1948 was created in expectation that it could be applied to reduce the book values of high-cost replacements. As it has since been made clear that such application would not be in accord with general accounting practice, this reserve was cancelled in 1950 and the $6,000,000 transferred to Earned Surplus."

A deduction in the amount of $4,000,000 was shown in The B. F. Goodrich Company's "Consolidated Income Account" for 1950 for a "Special reserve: For increased replacement cost of facilities" and in the report to the stockholders, the Chairman of the Board and President commented thereupon as follows:

"The Inadequacy of Depreciation allowed for tax purposes has been recognized in the accounts for the period with appropriate charge to income and corresponding increase in the reserve established for increased replacement cost of facilities."

Mid-Continent Petroleum Corporation showed a "Restoration of reserve for replacement of capital assets" in an amount of $3,000,000 in its "Summary of Consolidated Surplus" statement for 1950.

Under the "Financial Review" section of the annual report "To the Shareholders" of Pittsburgh Plate Glass Company, the 1950 appropriation of retained earnings for an "Appropriation to increase charges for wear and exhaustion of facilities to a replacement cost rather than an original cost basis" is discussed as follows:

"NET INCOME for the year 1950 was $41,928,749, which was equivalent to $4.64 per share of outstanding stock, as compared with $38,135,088 for the year 1949, which was equivalent to $4.22 per share.

As has been emphasized in previous annual reports and as further stated on Page Three of this report, management does not consider all of this income as "real" income. Consequently a reserve of $3,666,134, in addition to normal depreciation, was appropriated to provide for replacement at current prices of obsolete and worn-out facilities. Therefore, "real" net income was $38,262,615 and not $41,928,749, which the Company was required to report. It is imperative that present accounting practices and Federal tax laws be revised so that depreciation on replacement cost can be allowed as a deductible item of cost by the Bureau of Internal Revenue, instead of the present inadequate allowance of depreciation on original cost."

The 1950 "Consolidated Statement of Income and Accumulated Earnings" of United Drill and Tool Corporation showed a restoration to accumulated earnings of an "Amount appropriated in prior years for increased cost of replacing operating properties—$500,000.00." In this regard, the President of the Corporation stated in his report to the stockholders:

"The $500,000 appropriation made in prior years to cover anticipated increased cost of replacing operating properties was eliminated at the end of the year 1950, because no satisfactory way had been developed by recognized principles of accounting to employ the appropriation as a means of reducing the carrying values of properties believed to have cost more than their supposed normal or pre-war costs. The entire sum was carried back into accumulated earnings invested in the business, which, in effect, stand as a general reserve against all contingencies, including the higher cost of replacing operating properties as compared with pre-war years. It is to be understood, of course, that this transaction had no effect whatsoever upon 1950 earnings."

The letter to the Stockholders of The Youngstown Sheet and Tube Company, which was signed by both the Chairman of the Board and the President, contained the following comment concerning a reserve for increased construction and replacement costs and contingencies:

"At December 31, 1950, the amount of $20,900,000 previously held in a reserve for increased construction and replacement costs and contingencies was transferred to surplus and is included therein instead of being stated separately as a reserve."

Property Reserves in 1950

Following are illustrative examples of property reserves as shown in the balance sheets of the 525 companies in the 1950 reports:

ALLIED CHEMICAL & DYE CORPORATION
(*Above* "Capital Stock and Surplus")

"RESERVES		
Depreciation, Obsolescence, etc.	$	273,388,575
Increased Cost of Replacements		40,000,000
Pensions and Contingencies		27,656,777
Insurance		1,786,364
Sundry		939,163
	$	343,770,879"

AMERICAN OPTICAL COMPANY
(*Below* "Current Liabilities"):

"Reserve for tax contingencies	$	500,000.00
(*Within* "Shareholder's equity"):		
"Earnings retained for use in the business:		
Appropriated for:		
Possible inventory losses	$	1,125,000.00
Replacement of fixed assets at higher than original costs		3,000,000.00
Insurance and other risks		13,360.00"

ANCHOR HOCKING GLASS CORPORATION
(*Below* "Current Liabilities"):

"RESERVES:		
For furnace repairs	$	902,278
For contingencies (surplus reserve)		425,000
	$	1,327,278"

CHICAGO RAILWAY EQUIPMENT COMPANY
(*Above* "Capital Stock and Retained Earnings"):

"RESERVE FOR CAPITAL EXPENDITURES	$	122,834.62"

CONTINENTAL STEEL CORPORATION
(*Above* "Capital Stock and Surplus"):

"*Reserves for Repairs,* Compensation Insurance, Replacement of Basic "Lifo" Inventories, etc.	$	671,539"

E. I. du PONT de NEMOURS & COMPANY
(*Above* "Capital Stock and Surplus"):

"RESERVES:	
Depreciation and Obsolescence	$502,054,449
Excessive Construction Costs	20,900,000
Insurance and Contingencies	31,927,674
Total Reserves	$554,882,123"

FOLLANSBEE STEEL CORPORATION
(*Above* "Net Worth"):

"RESERVES FOR REPAIRS, etc.	$	128,469"

G. R. KINNEY CO., INC.
(*Within* "Stockholders' Equity"):

"Retained earnings—from July 1, 1935		
Appropriated for:		
Future inventory price declines	$	660,000
Increased cost of replacement of fixed assets		407,000
General contingencies		500,000
	$	1,567,000
Unappropriated		3,888,085
Total Retained Earnings	$	5,455,085"

LIGGETT & MYERS TOBACCO COMPANY
(*Above* "Capital Stock"):

"SURPLUS RESERVES:		
Special reserves	$	1,383,580.33
Appropriation for excess costs of fixed assets		2,000,000.00
Total Surplus Reserves	$	3,383,580.33"

OWENS-ILLINOIS GLASS COMPANY
(*Above* "Capital Stock and Surplus"):

"RESERVE FOR REBUILDING FURNACES	$	4,051,382.74"

H. K. PORTER COMPANY
(*Above* "Capital Stock and Surplus"):

"Provision for relining furnaces and mill renewals	$	73,916.72"

SUNSHINE BISCUITS, INC.
(*Within* "Stockholders' Equity"):

"EARNINGS RETAINED IN THE BUSINESS:		
Appropriated for extraordinary depreciation	$	1,000,000.00
Appropriated for inventory decline		500,000.00
Unappropriated		25,549,656.23
	$	27,049,656.23"

UNITED FRUIT COMPANY
(*Within* "Stockholders Equity"):

"Earnings retained in business less amounts transferred to capital stock account:	
Appropriated:	
Self-insurance	$ 13,289,803.69
Abnormal construction and increased replacement costs	28,000,000.00
Adjustments in materials and supplies	1,000,000.00
Earnings of European subsidiaries at December 30, 1939 not realized in U. S. dollars	7,902,010.31
	$ 50,191,814.00
Not specifically appropriated	57,405,200.92"

"*To the Stockholders:* In view of the continued smaller purchasing power of the dollar, $7,000,000 was appropriated out of accumulated earnings for increased replacement costs."

THE YOUNGSTOWN SHEET AND TUBE COMPANY
(*Above* "Capital Shares and Surplus"):

"RESERVE:		
For relining and rebuilding furnaces	$	9,166,553"

Foreign Exchange and Foreign Operation Reserves:

Foreign exchange and foreign operation reserves displayed in the 1950 balance sheets of the 525 companies are shown in the table which follows. The tabulation indicates the total number, type and balance sheet position of such reserves in 1950 as well as the extent of use thereof in the years 1946 to 1950, inclusive.

The 1950 balance sheets contained the following typical examples of reserves for foreign exchange and foreign operations:

INTERCHEMICAL CORPORATION
(*Below* "Notes Payable"):

"RESERVES:	
For purchase of preferred shares	$ 49,064
For assets in foreign countries	500,000
	$549,064"

FOREIGN EXCHANGE AND FOREIGN OPERATIONS

Between Current Liability and Equity Sections	Within the Equity Section	Type of Reserve for Foreign Activity
9	0	FOREIGN EXCHANGE. (See Company Appendix Nos. 194, 291, 323, 382, 427, 475)
6	1	FOREIGN INVESTMENTS. (See Company Appendix Nos. 59, 240, 443; and, No. 112 within the equity section)
1	4	FOREIGN STATUTORY PROVISION. (See Company Appendix No. 361; and, within the equity section, Nos. 32, 316, 491)
3	0	FOREIGN OPERATIONS. (See Company Appendix Nos. 125, 497)
2	1	UNREMITTED FOREIGN PROFITS. (See Company Appendix No. 225; and, within the equity section, No. 490)
21	6	

Reserves for Foreign Exchange and Foreign Operations —Extent of Use:

Year:	1950	1949	1948	1947	1946
Total:	27	27	31	33	20

GENERAL MOTORS CORPORATION
(*Below* "Other Liabilities"):
"RESERVES:

Employes benefit plans	$ 29,500,090
Employes bonus (unawarded balance)	19,726,046
Deferred income	1,806,591
Unremitted foreign profits	90,352,506
Miscellaneous (substantially allocable to foreign operations)	27,228,531
Total Reserves	$169,613,764"

"*Notes to Financial Statements:* The reserve for unremitted foreign profits represents profits of consolidated operations in Canada and certain other foreign countries where exchange restrictions exist which have not been remitted to the United States. Such profits are included in consolidated income only when remitted. The reserve was increased during the year by $42,069,922 on account of the unremitted 1950 profit of these operations. However, the reserve was reduced during the year by $14,427,877, representing remittances to the United States of profits previously reserved, and also by the net effect of revaluing unremitted profits to current exchange rates."

MARATHON CORPORATION
(*Above* "Stockholders' Investment"):
"*Reserve for Canadian Exchange Fluctuation* ...... $342,464"

"*To the Stockholders*: The Canadian government's removal of its U. S. dollar exchange controls resulted in an increase in the value of our net current assets in Canada in terms of U. S. dollars amounting to $342,464. This increase is shown in our balance sheet as a reserve for Canadian exchange fluctuation."

STANDARD OIL COMPANY (NEW JERSEY)
(*Above* "Stockholders' Equity"):

"*Reserve for possible losses on foreign investments*	$105,000,000
Annuity, insurance, and other reserves	181,886,531"

"FINANCIAL REVIEW: Reserve for possible losses on foreign investments: War damage claims of limited amounts in France and Norway were realized during 1950, but claims for substantial amounts in various European countries are still outstanding. Despite some improvement in economic conditions in Europe and North Africa, and an easing of certain currency restrictions, the general situation remains uncertain. It has been deemed advisable, therefore, to retain unchanged the reserve of $105,000,000 which is believed adequate."

THE PARKER PEN COMPANY
(*Above* "Capital Stock and Surplus"):
"RESERVES:

For product guarantee costs	$ 400,000
For foreign exchange fluctuations	81,672
	$ 481,672

PEPSI-COLA COMPANY
(*Above* "Capital Stock and Surplus"):

"RESERVE FOR EXCESS OF EQUITY IN NET ASSETS OF A CUBAN SUBSIDIARY OVER ESTIMATED NET PROCEEDS FROM SALE, IN 1950, OF INVESTMENT IN SUCH SUBSIDIARY	$ 1,525,000"

THE TEXAS COMPANY
(*Above* "Stockholders' Equity"):
"RESERVES:

Employes' pension plan	$ 13,728,027
Incentive compensation plan	2,929,123
Foreign exchange fluctuations	1,766,883
Total reserves	$ 18,424,033

(*Below* "Stockholders' Equity"):

"Undistributed earnings employed in the business (including $25,000,000 appropriated as a reserve for contingencies	$651,832,565"

UNITED STATES RUBBER COMPANY
(*Below* "Long Term Debt"):
"RESERVES

Insurance	$ 2,250,000
Retirement allowances	3,182,875
Foreign activities	3,786,863
General reserves	283,793
Total reserves	$ 9,503,531"

Note: "In accordance with past practice, a reserve for retirement allowances has been provided in an amount equivalent to retirement allowances payable over a period of 2½ years, based on the retirement roll in effect at the end of the year."

"FINANCIAL REVIEW: In 1950, the reserves for foreign activities were augmented by a provision of $1,000,000 for loss on foreign assets. The reserves for foreign activities were $3,786,863 at the end of 1950 and $2,257,690 at December 31, 1949." [Charge of $1,000,000 shown in "Consolidated Income."]

Pensions—Employee Welfare, General, Guarantee, Warranty, and Miscellaneous Reserves:

Pension—employee welfare and general reserves constitute the major types of reserves included in the tabulation below. The table sets forth the number and balance sheet position of reserves in each category as tabulated from the 1950 reports of the 525 companies.

RESERVES—VARIOUS CLASSIFICATIONS

Between Current Liability and Equity Sections	Within the Equity Section	Type of Reserves
56	2	PENSIONS—EMPLOYEE WELFARE. (See Company Appendix Nos. 6, 23, 187, 225, 274, 374, 427, 485, 507; and, within the equity section, No. 51)
38	2	GENERAL RESERVES. (See Company Appendix Nos. 56, 70, 170, 240, 288, 485; and, within the equity section, No. 474)
13	1	PRODUCT GUARANTEE AND GUARANTEES. (See Company Appendix Nos. 71, 279, 350, 382, 428, 465; and, within the equity section, No. 18)
4	0	WARRANTY. (See Company Appendix Nos. 104, 322)
7	0	OPERATING RESERVES. (See Company Appendix Nos. 39, 128, 406, 420)
1	3	DIVIDENDS, CAPITAL STOCK, AND LONG-TERM DEBT. (See Company Appendix No. 23; and within the equity section, Nos. 57, 186)
1	1	RESEARCH OR EXPLORATION. (See Company Appendix Nos. 498 and 379, respectively)
120	9	

Various Reserves—Extent of Use:	1950	1949	1948	1947	1946
Pensions—Employee Welfare	58	74	70	68	..
General Reserves	40	38	38	46	46
Guaranty or Warranty	18	17	19	21	22
All Other	13	45	51	49	..
Total	129	174	178	184	68

Pensions—Employee Welfare Reserves

THE SHERWIN-WILLIAMS COMPANY
(*Above* "Capital Stock and Surplus"):
"RESERVES:

For pensions	$2,300,000.00
For investments in foreign subsidiaries	491,980.11
For contingencies, employers' liability insurance, etc.	2,134,579.37
	$4,926,559.48"

LIBBY, McNEILL & LIBBY
(*Above* "Stockholders' Investment"):
"RESERVE FOR VOLUNTARY PENSIONS......... $2,113,375"

Financial Notes: "Pensions: . . . As of March 3, 1951, the unfunded balance of past service credits, on the basis of a preliminary actuarial computation, is estimated at approximately $4,800,000 before taking into consideration the proposed changes in the Company's pension plan as mentioned in the president's letter. As an offset to this amount, which will be considerably reduced by applicable income taxes, the Company has on its books the Reserve for Voluntary Pensions in the amount of $2,113,375, provided out of earnings prior to 1943. . . ."

COLLINS & AIKMAN CORPORATION
(*Above* "Common Stock"):
"RESERVE FOR PENSIONS (Note 3)........... $ 300,161"

"*Note 3:* ". . . Pensions actually paid are charged to the pension reserve. The balance now in the reserve is sufficient to cover the total actuarial liability with respect to all pension employees still living."

MARSHALL FIELD & COMPANY
(*Above* "Capital Stock"):
"RESERVES: For net past service cost of Pension Plan........ $ 2,731,854"

MONSANTO CHEMICAL COMPANY
(*Below* "Debentures"):
"RESERVES:

Pensions	$ 8,491,951
Employes bonus—unawarded	289,328
Total	$ 8,781,279"

PEOPLES DRUG STORES, INC.
(*Above* "Net Worth"):
"RESERVES:

Employees' retirement reserve	$ 53,186.47
Reserve for possible losses on rental property	44,025.12
	$ 97,211.59"

PHELPS DODGE CORPORATION
(*Above* "Capital Stock and Surplus"):
"RESERVES:

For pensions—under plan discontinued in 1931 (included in miscellaneous accrued expenses in 1950)	$ —
For fire insurance (returned to surplus in 1950)	—
For contingencies (returned to surplus in 1950)	— "

PRATT & LAMBERT, INC.
(*Below* "Current Liabilities"):
"RESERVES FOR ESTIMATED COST OF PAST SERVICE BENEFITS UNDER PENSION PLAN, PAYABLE SUBSEQUENT TO DECEMBER 31, 1951.......... $ 576,351.18"

BUTLER BROTHERS
(*Above* "Capital Stock and Surplus"):
"RESERVES:

Past service pension cost (after deducting 1950 net payments of $167,092)	$1,340,188
Retail store painting, etc.	191,569
	$1,531,757"

General Reserves:

AMERICAN WOOLEN COMPANY, INCORPORATED
(*Above* "Capital Stock"):
"General reserve for contingencies (appropriated earned surplus)........ $5,884,762.30"

BALDWIN-LIMA-HAMILTON CORPORATION
(*Above* "Stockholders' Ownership"):
"Provision for probable future expenditures or losses:

Operating reserves	$ 1,266,022
General reserve	417,775
	$ 1,683,797"

GENERAL ELECTRIC COMPANY
(*Above* "Stockholders' Investment"):
"MISCELLANEOUS RESERVES.............. $ 69,152,844"

NATIONAL STEEL CORPORATION
(*Above* "Capital Stock and Surplus"):
"RESERVES:

Relining, rebuilding and repairs	$ 6,918,034
General contingencies, inventories, etc.	5,135,022
Operating, prior years' taxes and *general* reserves	17,985,583
	$ 30,038,639"

KENNECOTT COPPER CORPORATION
(*Above* "Capital"):
"Sundry Reserves and Deferred Credits... $ 2,934,404"

SWIFT & COMPANY
(*Within* "Capital Stock and Accumulated Earnings"):

"Accumulated Earnings (after providing following reserves)	$141,536,800
RESERVES—	
General reserve	$ 16,000,000
Reserve for high cost additions to fixed assets	27,000,000
Reserve for inventory price decline	5,767,000
	$ 48,767,000"

PULLMAN INCORPORATED
(*Above* "Capital Stock and Surplus"):
"GENERAL RESERVE (NOTE D)............. $ 22,020,389
Note D—GENERAL RESERVE. For the purpose of presenting more simplified financial statements, the following accounts have been consolidated into this one General Reserve:

Reserve for employe benefit plans	$ 460,705
Reserve for Federal and State tax contingencies (Net amount after eliminating credit arising from claims for refund of $5,227,923 formerly carried as an asset)	2,043,083
Reserve for manufacturing and other contingencies	1,500,000
General Reserve	2,009,961
Other Reserves	110,505
Deferred credit arising from sale of The Pullman Company	15,896,135
	$ 22,209,389"

Guarantee and Warranty Reserves:

AMERICAN ASPHALT ROOF CORPORATION
(*Within* "Stockholders Investment"):

"Income invested in the business	$1,867,229.13
Income reserved for the following purposes:	
For replacement of existing buildings and machinery in excess of original cost	250,000.00
To replace or repair products sold under a guarantee	138,085.02"

BORG-WARNER CORPORATION
(*Above* "Stockholders' Investment"):
"PROVISION FOR WARRANTIES AND SPECIAL PURPOSES........................... $2,538,668.81"

P. R. MALLORY & CO., INC.
(*Above* "Capital and Surplus"):
"Reserve for Inventory Obsolescence and *Product Warranties*.................. $ 500,000"

MOTOR PRODUCTS CORPORATION
(*Above* "Capital Stock and Surplus"):

"RESERVES:	
Workmen's compensation risks	$ 100,000.00
Product guarantee	339,776.95
	$ 439,776.95"

FOREMOST DAIRIES, INC.
(*Within* "Capital Stock"):

"RESERVES APPROPRIATED FROM EARNED SURPLUS:	
For guarantees of producers' notes (*Note 6*)	$6,638
For contingencies	74,555"

Note 6: "The contingent liability of the Company as guarantor or endorser of notes of milk producers and others amounted to $416,300 at December 31, 1950. . ."

JOHNS-MANVILLE CORPORATION
(*Above* Equity Section):
"Reserve for contingencies, etc. (Note 8)... $ 9,054,516"
Note 8:

"Reserves for contingencies, etc., include:	
Reserve for workmen's compensation self-insurance	$ 425,000
Reserve for product guarantees, etc.	967,606
Reserve for contingencies	7,661,910
	$ 9,054,516"

IRON FIREMAN MANUFACTURING COMPANY
(*Above* "Capital Stock"):

"RESERVES:	
For product guarantees	$ 25,000.00
For contingencies	15,027.00
	$ 40,027.00"

THE PERMUTIT COMPANY
(*Below* "Current Liabilities"):

RESERVE FOR GUARANTEES	$ 356,890.70
CONTINGENT RESERVE	185,000.00"

Operating and Various Other Reserves

AMERICAN LOCOMOTIVE COMPANY
(*Above* "Stockholders' Ownership Evidenced By"):

"RESERVES:	
Deferred credits and operating reserves	$ 579,102
Self insurance under Workmen's Compensation laws	1,618,266
Reserve for past service pension costs	859,884
Reserve for contingencies	873,000
	$3,930,252"

CITIES SERVICE COMPANY
(*Below* "Other Liabilities"):

"RESERVES:	
Injuries and damages, maintenance and *other operating reserves*	$ 2,929,508
Contributions for extensions—not refundable	1,948,811
Reserve for contingencies (prior years' taxes)	6,898,873
	$ 11,777,192"

AMERICAN SMELTING AND REFINING COMPANY
(*Above* "Capital Stock"):
"OPERATING RESERVES...................... $2,393,946"

"*To the Stockholders*: Accounting Changes: At the meeting of the Board of Directors held November 28, 1950, the Board directed that there be transferred to surplus the reserves for (1) metal stock, (2) investments, (3) extraordinary obsolescence, contingencies, etc. and (4) mine and new business investigations. These reserves, which totalled $26,637,624, had been created largely from surplus and were intended to absorb any substantial losses of the nature indicated by their titles. The first three of these reserves are no longer considered necessary, and if there are any losses they will be charged against earnings in the year when they occur. Expenditures for mine and new business investigations are charged off currently except in those cases where such investigations lead to the investment of capital funds."

ALLEN B. DuMONT LABORATORIES, INC.

(*Within* "Stockholders' Equity"):

"EARNINGS REINVESTED IN THE BUSINESS:	
Appropriated for the retirement of preferred stock	$ 150,000
Unappropriated	7,646,067"

PANHANDLE PRODUCING & REFINING COMPANY

(*Within* "Capital Stock and Surplus"):

"Earned surplus (Since July 31, 1938):	
Appropriated for exploration and acquisition of oil reserves	$1,000,000.00
Unappropriated	3,903,011.98
	$4,903,011.98"

CONTINENTAL CAN COMPANY, INC.

(*Below* "Current Liabilities"):

"RESERVES:	
Operating Reserves and Reserve for Contingent Liability (Note A)	$ 3,693,895
Reserve for Past Service Annuity Benefits	602,756
Reserve for Inventory Replacement	367,404
(*Within* "Capital Stock"):	
"EARNINGS APPROPRIATED FOR INVENTORY PRICE DECLINE OR OTHER CONTINGENCIES	4,200,000"

Note A: "This amount includes reserves for company insurance and claims and a reserve for contingent liability in respect of $2,202,995 long term notes receivable sold under a repurchase agreement."

AMERICAN CAR AND FOUNDRY COMPANY

(*Above* "Capital Stock"):

"RESERVE ACCOUNTS:	
For Employees' Welfare Plan (See Note 3)	$ 4,233,317.79
For Contingencies	7,729,208.90
For Dividends on Common Capital Stock to be paid when and as declared by Board of Directors	735,744.74
	$12,698,271.43

"*To the Stockholders:* On June 21st the Board declared a dividend of $2.00 per share upon the common stock payable July 16, 1951. Of this amount $1.2262 is to be paid from the "Reserve for Dividends on Common Capital Stock, to be paid when and as declared by the Board of Directors," thus closing out this account, and the balance is to be paid out of accumulated past earnings."

Note 3: [Quoted herein under "Allocation of Income Taxes," see Section III.]

NATIONAL CYLINDER GAS COMPANY

(*Above* "Stockholders' Investment"):

"RESERVE FOR RESEARCH AND DEVELOPMENT EXPENSES	$ 175,000"

CAPITAL STOCK

The following tabulation, which summarizes and compares the balance sheet presentation of capital stock in the 1950 and 1949 reports, shows a substantial increase in 1950 in the number of companies setting forth full and complete information relating to capital stock:

CAPITAL STOCK

1950	1949	Information Disclosed
370	335	Number of shares authorized and outstanding and par or stated value of each class of stock shown. (See Company Appendix Nos. 25, 186, 217, 236, 343, 354, 436, 484, 508, 524)
138	173	Par or stated value of common and/or preferred stock not shown. (See Company Appendix Nos. 14, 85, 177, 228, 243, 334, 335, 425)
11	11	Number of shares of common and/or preferred stock authorized not shown. (See Company Appendix Nos. 272, 286, 460, 483)
3	3	Preferred stock shown at liquidation value. (See Company Appendix No. 236).
3	3	Number of shares authorized and outstanding shown for each class of stock, but extended in a combined total. (See Company Appendix No. 168)
525	525	

The following examples of balance sheet presentation of capital stock have been taken from the 1950 reports:

GIMBEL BROTHERS, INC.

"CAPITAL STOCK AND SURPLUS:	
Preferred stock (See Note 2)	$13,999,600
Common stock—$5 par value per share: Authorized, 4,000,000 shares Issued and outstanding, 1,954,600 shares.	9,773,000
Paid-in surplus	9,674,840
Earned surplus (See Note 3)	40,371,685
	$73,819,125"

Note 2: The $4.50 cumulative preferred stock consists of shares as follows:

	January 31, 1951
Authorized and issued	156,796
Less shares reacquired	16,800
Outstanding	139,996

The stock is of no par value and it has a stated value of $100.00 per share. It is redeemable at the option of the Company at $101.00 per share on or before April 30, 1951, at $100.50 per share on or before April 30, 1952 and at $100.00 per share thereafter.

On or before August 1st in each year the Company is required to apply to the repurchase of preferred stock an amount equal to 10% of the balance of the consolidated net profit for the preceding fiscal year after deducting from such net profit the aggregate amount of dividends accrued on the preferred stock during such fiscal year. Prior to January 31, 1951 the Company had expended $193,608 in excess of requirements to August 1, 1951 for the repurchase of preferred stock."

Note 3: "Under the terms of the indentures relating to the sinking fund debentures, the Company has agreed not to declare any dividends (other than dividends payable solely in stock of the Company) on any class of its stock or authorize the making of any payment on account of the purchase, redemption or other retirement of any shares of such stock or the making of any distribution in respect thereof either directly or indirectly, unless after such payments the consolidated net working capital of the Company and all subsidiaries shall be at least $40,000,000 and then only from consolidated net profit after January 31, 1948 plus $8,000,000. The amount of earned surplus unrestricted as to dividends at January 31, 1951 is $17,406,155."

COLGATE-PALMOLIVE-PEET COMPANY

"CAPITAL STOCK AND SURPLUS

Capital stock	
$3.50 preferred stock, without par value, cumulative dividend, authorized 250,000 shares, issued 125,000 shares......	$12,500,000
Common stock, without par value, authorized 3,000,000 shares; 1950—issued 2,099,862 shares including 99,862 shares to be issued January 9, 1951 in payment of 5% stock dividend declared December 7, 1950, less 2,764 shares in treasury; 1949—issued 2,000,000 shares, less 2,237 shares in treasury..........................	26,213,725
	$38,713,725
Capital surplus..........................	5,927,990
Earned surplus...........................	53,863,177
	$98,504,892"

ALLEN B. DuMONT LABORATORIES, INC.

"Stockholder's Equity

CAPITAL STOCK:	
5% cumulative convertible preferred stock —par value $20 per share (Note 2):	
Authorized—131,623 shares.	
Issued and outstanding—129,243 shares at December 31, 1950; 143,906 shares at January 1, 1950......	$ 2,584,860
Class A common stock—par value 10 cents per share (Note 3):	
Authorized—2,440,000 shares.	
Issued and outstanding—1,801,054 shares at December 31, 1950; 1,597 shares at January 1, 1950.......	180,105
Class B common stock—par value 10 cents per share:	
Authorized, issued and outstanding—560,000 shares..................	56,000
	$ 2,820,965
ADDITIONAL PAID-IN CAPITAL...............	12,452,256
EARNINGS REINVESTED IN THE BUSINESS:	
Appropriated for the retirement of preferred stock.........................	150,000
Unappropriated.........................	7,646,067
Total stockholders' equity.........	$23,069,288"

Note 2: "5% Cumulative Convertible Preferred Stock: Each share of preferred stock is entitled to cumulative dividends at the rate of $1.00 per share per annum, and is redeemable at any time at $22.00 per share plus all dividends accrued or in arrears.

In the event of liquidation or dissolution, the holders of the preferred stock shall be entitled to receive $22.00 per share if such liquidation is voluntary, or $20.00 per share if involuntary, plus in either case all dividends accrued or in arrears, before any distribution is made to the holders of any other class of stock.

The preferred stock is convertible into Class A common stock of the Company. The initial conversion price is $18.19, subject to adjustment (or an initial conversion ratio of 1.1 shares of Class A common stock for each share of preferred stock).

The preferred stock shall be subject to purchase (at prices not in excess of $22.00 per share) through the operation of a retirement fund to be set apart on the Company's books, commencing June 30, 1949, in a quarterly amount equal to 2-1/2% of the net income of the Company after dividends on the preferred stock, for the preceding fiscal year. However, if on any installment date the amount required to be set apart, alone or together with any expended balance, shall equal or exceed $150,000, the Company shall be required to set apart only such portion, if any, of such installment as shall, when added to such balance, be sufficient to bring the total amount in the fund up to $150,000."

Note 3: Class A Common Stock Reserved: For effecting the conversion of 129,243 shares of outstanding preferred stock, there are reserved 142,167 shares of Class A common stock."

SHARP & DOHME, INCORPORATED

"CAPITAL:

Capital stock, without par value (see notes):	
Preference, $4.25 cumulative—authorized 500,000 shares; issued and outstanding 143,844 shares (preference on involuntary liquidation $100 per share, $14,384,400, plus accrued dividends)	
Common—Authorized, 2,000,000 shares; issued and outstanding, 1,079,923 shares	
Both classes represent capital to the extent of..........................	$14,825,627.39
Reserve for contingencies...............	1,000,000.00
Earned surplus (including $83,737.32 undistributed earnings of foreign subsidiaries)...........................	15,433,769.10
	$31,259,396.40

Notes: "No allocation as between capital applicable to the preference stock and capital applicable to common stock has been made on the books of the Company and, in the opinion of the Company's counsel, no such allocation can now be made except pursuant to action by the stockholders."

THE CHAMPION PAPER AND FIBRE COMPANY

"STOCKHOLDERS' INVESTMENT:

Capital assigned to stated value of capital stocks:	
Preferred stock, $4.50 Cumulative—authorized and outstanding, 100,000 shares without par value—stated value $100 a share (Note 6).........	$10,000,000
Common stock—authorized, 1,512,000 shares without par value; outstanding, 1,102,000 shares—stated value........	33,060,000
Capital contributed for common shares in excess of stated value (Note 7).........	
Total.........................	$43,060,000
Earnings retained in the business (excluding amounts transferred to common capital stock, 1951—$30,463,750; 1950—$5,440,000)...........................	20,302,206
Total stockholders' investment...	$63,362,206"

Note 6: "The articles of incorporation authorize 150,000 shares of cumulative preferred stock without par value and authorize the Board of Directors to issue such shares in series. The initial series authorized by the Board of Directors was for 100,000 shares and was designated as $4.50 Cumulative Preferred Stock. The remaining 50,000 shares have not been authorized or designated by the Board of Directors.

Note 7: "Capital contributed for common capital shares in excess of stated value, $164,821, was appropriated during the fiscal year 1951 and was included in the increase of $25,188,571 in the capital assigned to stated value of common capital stock."

TREASURY STOCK IN THE BALANCE SHEET

As can be seen from the following table, no significant change occurred in 1950 in the treatment of treasury stock by the tabulated companies:

TREASURY STOCK

1950	1949		Statement Presentation
120:	126:	(A)	DEDUCTED FROM ISSUED STOCK OF THE SAME CLASS:
84	102		At par or stated value. (Nos.* 2, 109, 256, 382, 524)
6	9		At cost. (*Nos. 14, 43)
2	2		At no value. (*No. 153)
2	2		Other bases. (*No. 517)
26	11		Basis not stated. (*Nos. 12, 142, 423)
107:	101:	(B)	DEUDCTED FROM TOTAL CAPITAL STOCK AND SURPLUS:
85	80		At cost. (*Nos. 8, 156, 313, 377, 504.)
7	7		At par or stated value. (*Nos. 131, 168.)
4	4		At reduced amount or below cost. (*No. 410)
11	10		Basis not stated. (*Nos. 65, 474)
13:	12:	(C)	DEDUCTED FROM RETAINED EARNINGS:
10	6		At cost. (*Nos. 297, 510)
2	4		At par or stated value. (*No. 20)
1	1		At book value. (*No. 519)
0	1		Basis not stated.
16	14	(D)	SHOWN AS AN ASSET. (*Nos. 231, 276, 374)
10	9	(E)	ALL OTHER METHODS. (*Nos. 31, 173, 392)
266	262		Total Presentations.
			Number of Companies:
250	247		Presenting Treasury Stock
275	278		Not presenting Treasury Stock
525	525		

* See Company Appendix Section.

Examples of some of the less frequently used methods of treasury stock presentation follow:

Group "A"

THE ELECTRIC AUTO-LITE COMPANY

"SHAREHOLDERS' INVESTMENT:

Common shares—$5 par:		
Authorized and issued.	1,500,000 shares	
In treasury..........	5,145 shares	
Outstanding.........	1,494,855 shares	$7,474,275"

WESTON ELECTRICAL INSTRUMENT CORPORATION

"CAPITAL STOCK AND SURPLUS (Note B):

Capital stock—par value $12.50 per share:	
Authorized 250,000 shares	
Outstanding 160,583 shares after deducting 3,417 shares held in treasury, the cost of which has been charged to earned surplus.......	$2,050,000.00"

GRANITE CITY STEEL COMPANY

"STOCKHOLDERS' EQUITY:

Common stock of no par value, less 300 shares held in treasury at $3,375.........	$11,027,243"

Group "B"

FIRST NATIONAL STORES INC.

"STOCKHOLDERS' EQUITY:

Common stock—	
Authorized—1,000,000 shares without par value	
Issued—827,634 shares..............	$ 6,977,422
Earnings used in the business:	
Appropriated for—	
Future price declines of inventories in retail stores, not valued on basis of last in, first out................	$ 4,400,000
Contingencies, etc................	704,258
Unappropriated, per accompanying statement.......................	36,648,439
	$ 41,752,697
Together......................	$ 48,730,119
Deduct—	
Common stock held in treasury—9,057 shares, at reduced amount carried on books..........................	241,143
Total stockholders' equity........	$ 48,488,976"

HARBISON-WALKER REFRACTORIES COMPANY

"SHAREHOLDERS' EQUITY:

Par value ($100 each) of 30,000 authorized and issued 6% cumulative, noncallable shares................................	$ 3,000,000
Stated value (15 each) of 1,380,000 authorized and issued common shares (including 45,005 shares in treasury deducted below)	$ 20,700,000
Capital in excess of par and stated value of issued shares..........................	572,091
Income retained in the business (earned surplus):	
Appropriated:	
For future inventory price decline.....	1,300,000
For risk not covered by insurance.....	708,109
Unappropriated (see statement herewith).	17,573,018
	$ 40,853,218
Less: 45,005 common shares in treasury—below cost...........................	655,866
Common shareholders' equity.........	$ 40,197,352
Total shareholders' equity............	$ 43,197,352"

SUN OIL COMPANY

"STOCKHOLDERS' EQUITY:

Class A Preferred Stock, $4^1/_2$% Cumulative, $100 Par Value: (	
Authorized—100,000 shares	
Issued—93,197 shares..................	$ 9,319,700
Common Stock, No Par Value:	
Authorized—7,000,000 shares	
Issued—1950—6,038,643 shares; 1949—5,489,997 shares...............	210,781,321
Earnings Employed in the Business.	57,602,416
	277,703,437
Less Treasury Common Stock (at cost): 1950—71,019 shares; 1949—62,514 shares...........................	3,003,711
	$274,699,726"

Exhibit 7: United Engineering and Foundry Company

UNITED Engineering and Foundry Company and Subsidiaries

Consolidated Statements of Financial Position

DECEMBER 31, 1950 and 1949

	1950	1949
Current Assets:		
Cash	$ 4,365,379	$ 6,263,575
United States Securities (At Lower of Cost or Market)	1,998,000	7,011,121
Accounts and Notes Receivable, Less $24,000 for Estimated Doubtful Accounts	9,583,303	11,478,592
Inventories	16,796,422	25,157,815
Prepaid Insurance and Expense	504,929	570,303
	$33,248,033	$50,481,406
LESS: Advance and Progress Billings on Contracts	10,579,952	30,009,259
Total	$22,668,081	$20,472,147
Current Liabilities:		
Accounts Payable	2,991,044	3,004,473
Local, State, and Federal Taxes	5,818,374	4,826,177
Wages and Vacation Liability	1,016,631	987,172
Commissions, Royalties, and Expense	367,850	118,990
Amounts Provided for Customer Allowances	745,000	695,000
Total	$10,938,899	$ 9,631,812
Net Current Assets	$11,729,182	$10,840,335
Cash Allocated for Construction Program	928,265	424,637
Accounts Receivable, Not Current	607,800	718,404
Receivables, Employees' Loans	89,306	73,792
Investment in Foreign Companies, Less Provision (Due to Prevailing Foreign Conditions) of $294,082	2	2
Other Investments	17,700	17,700
Land, Buildings, Machinery, and Equipment (Includes Appreciation, $114,795) Note 1	10,029,987	9,351,458
Patterns and Drawings	2	11,277
Amount Employed in the Business	$23,402,244	$21,437,605
Derived from:		
Capital Stock, Preferred, Seven Per Cent. Cumulative Noncallable Shares, Par $100 Each, Authorized and Issued 8,453 Shares, Less 1,130 Shares Held in Treasury	$ 732,300	$ 732,300
Capital Stock, Common, Par $5 Each, Authorized 1,000,000 Shares, Issued 832,236 Shares, Less 11,490 Shares Held in Treasury	4,103,730	4,103,730
Capital in excess of Par Value of Capital Stock (No Transactions in 1950 and 1949)	1,405,355	1,405,355
Income Retained in the Business	17,160,859	15,196,220
	$23,402,244	$21,437,605
NOTE 1:		
Land	$ 962,147	$ 909,948
Buildings, Machinery, and Equipment	17,653,975	16,603,515
Flasks, Chills, and Attachments	437,741	500,538
	$19,053,863	$18,014,001
LESS: Accumulated Depreciation and Amortization	9,023,876	8,662,543
	$10,029,987	$ 9,351,458

FOLLANSBEE STEEL CORPORATION

"NET WORTH:

Common stock, $10 par value per share: Authorized 650,000 shares; issued 444,358 shares	$ 4,443,580
Capital in excess of par value of common stock	5,754,025
Retained earnings	4,253,223
	$14,450,828
Cost of 2,130 shares of common stock in treasury	41,293
	$ 14,409,535"

Group "C":

THE ARUNDEL CORPORATION

"STOCKHOLDERS INVESTMENT:

Capital stock:	
Authorized, 500,000 shares of no par value, originally issued, 495,426 shares stated at $10.00 per share	$4,954,260.00
Net earnings retained for use in the business (under terms of promissory note, restricted to the extent of $3,451,365.19 . . .)	$5,266,918.17
Less stated value of 57,050.4 shares of capital stock reacquired and held in treasury	570,504.00
	$4,696,414.17"

GENERAL BAKING COMPANY

"CAPITAL STOCK AND EARNINGS RETAINED IN BUSINESS:

Preferred stock, $8 cumulative non-callable, no par value ($100 liquidating preference)		
Authorized—100,000 shares		
Issued — 90,775 shares		$ 9,077,500
Common stock, $5 par value		
Authorized—2,000,000 shares		
Issued —1,594,799 shares		7,973,995
		$ 17,051,495
Earnings retained in business		$ 15,405,470
Less—Treasury stock, at cost:		
Preferred— 5,682 shares	$659,530	
Common—25,002 shares	220,470	880,000"

Group "D":

THE AMERICAN SUGAR REFINING COMPANY

Balance Sheet:

ASSETS:

"*Pension fund*	
Cash	$ 98,991
U. S. Government, state and municipal securities	7,938,000
Company's own preferred stock, 5,000 shares at cost	632,650
	$8,669,641

Below CURRENT LIABILITIES:

"Pension fund reserve	$8,669,641"

GENERAL ELECTRIC COMPANY

Balance Sheet:

"Investments:

General Electric common stock (note 8)	$5,958,356

Note 8: "General Electric common stock in the portfolio was held for corporate purposes and was carried at its cost. There were 192,602 shares held on December 31, 1950, the aggregate quoted market value of which was $9,582,000."

Group "E":

D. EMIL KLEIN CO., INC.

Current Liabilities:

"Liability on Contract to Purchase Treasury Stock due January 10, 1951........ $60,000.00"

CAPITAL STOCK, SURPLUS AND SURPLUS RESERVE:

Capital Stock:—			
5% Cumulative Preferred Stock $50 par value, Authorized 19,640 Shares Outstanding		$ None	
Common Stock, No Par Value, Authorized and Issued 100,000 Shares; Reacquired and held in Treasury 28,250 Shares; Outstanding 71,750 Shares—At Stated Value of $12.50 per Share		896,875.00	
Total Capital Stock		$ 896,875.00	
Capital Surplus		127,770.00	
Earned Surplus and Surplus Reserve:			
Earned Surplus	$515,915.51		
Reserve for Contingencies.	250,000.00	765,915.51	
Total		$1,790,560.51	
Less:—Contract to Purchase 6,000 Shares of Treasury Stock		60,000.00	
Total Capital Stock, Surplus and Surplus Reserve			"1,730,560.51"

STOCK OPTIONS AND STOCK PURCHASE PLANS

The 1951 survey of the 525 companies discloses that 72 of the companies either had stock option or stock purchase plans in effect during 1950 or had inaugurated plans that were pending as of the end of the year and were awaiting approval by the stockholders. In 1950, there was a heightened interest in stock option plans which was undoubtedly brought about primarily by the liberalizing amendment to the Internal Revenue Code (Section 130A) by the Revenue Act of 1950, which granted more favorable income tax treatment to corporate officers or other employees receiving and exercising stock options under plans meeting the requirements set forth therein. Even though certain restrictive conditions (particularly with regard to the option price) must be met in order that a stock option will qualify as a "restricted" option under the new income tax provisions, it appears that such requirements are generally being considered and followed in the new plans so as to obtain the maximum tax benefits. Although the Revenue Act of 1950 was not passed until late in September, 17 of the companies indicated newly adopted plans as of the end of 1950, awaiting stockholder approval.

Stock Option Plans

There were 35 companies having stock option plans in effect during 1950, and, as stated above, 17 additional companies had inaugurated such plans at the end of the year, pending final approval. The existence of stock option plans was usually disclosed either in the financial statements or footnotes thereto, or in the president's letter to the stockholders.

Accounting Research Bulletin No. 37, "Accounting for Compensation in the Form of Stock Options," states that "the date on which the option right becomes the property of the grantee is the proper date as of which to measure the value of the option"; and, further, that "the entry on the books should be a charge against the income account for the value of the option and a credit to an account similar to the account to which subscriptions for capital stock should be credited." The bulletin also states that "the existence of option agreements and the rights outstanding under such agreements should be disclosed with appropriate explanation in the corporation's financial statements until the option is exercised or expires."

Stock Purchase Plans

The current survey shows that 20 companies currently had stock purchase plans. A review of these plans discloses that the major differences between such plans and stock option plans may be summarized as follows:

1. Generally stock purchase plans are open to a larger number of employees than in the case of stock option plans.
2. Usually the purchase price is the market price at time of entering into the contract of sale, whereas in stock option plans the option price may vary considerably from the market price at the date of the option.

Examples of Disclosure and Treatment of Stock Option and Purchase Plans:

The degree of disclosure with regard to stock option and purchase plans varies from comments in the president's letter to details in the financial statements, to footnotes which, in some cases, outline the major conditions of the plan and transactions to the balance sheet date.

The following are examples of the disclosures made by various of the 525 companies in their 1950 reports:

AVCO MANUFACTURING CORPORATION
Consolidated Balance Sheets:
"COMMON STOCK, PAR VALUE $3 PER SHARE:
Authorized............ 15,000,000 shares
Issued and outstanding.. 8,231,236 shares $24,693,708
Reserved:
For options to officers and supervisory executives (Note 6) "390,076 shares"
"*Statements of Consolidated Surplus:*
Capital (Paid-In) Surplus:
Excess of proceeds over par value of 3,633 shares of Common Stock issued on exercise of options.................... $14,761"

"*Note 6:* At November 30, 1950 there were outstanding options on 352,242 shares of Common Stock at prices varying between $5.75 per share and $8.42 per share and expiring at varying dates from November 30, 1951 to April 26, 1955. In addition 37,834 shares of Common Stock were reserved for options which may thereafter be granted by the Board of Directors. Options on 3,633 shares were exercised during the 1950 fiscal year. No options were exercised during the 1949 fiscal year."

BELDING HEMINWAY COMPANY, INC.
"Statement of Stockholders' Equity:
Common Stock—par value $1.00 per share (Note E)
"*Note E:* Subject to ratification by the stockholders, the company, pursuant to authorization of the Board of Directors, adopted a stock option plan on January 17, 1951 for key executives of the company. The plan contemplates the issuance of options to purchase not in excess of 40,000 shares of the Common Stock of the company to such executives of the company and in the amounts as may be determined from time to time by a Stock Option Committee. In accordance with the plan, the company, on January 17, 1951, initially granted restricted written options for the purchase of an aggregate of not more than 17,500 shares of Common Stock of the company at $17.3375 per share. The number of shares provided in the options initially granted are divided into four substantially equal parts and up to but not exceeding one such part may be purchased in each of the calendar years 1951, 1952 and 1953, and the final part, including any purchasable shares not purchased and paid for during 1951, 1952 and 1953, may be purchased during the balance of the term of the options which expires on May 1, 1956."

BELL AIRCRAFT CORPORATION
Consolidated Balance Sheet:
"Capital Stock and Surplus:
Common stock—par value $1 per share Authorized—500,000 shares (Note 4) Issued and outstanding—436,289 shares........ $436,289
Capital surplus—
Market value in excess of par value of stock sold to employes......................... 7,969"

"*Note (4):* Options to purchase 3,700 shares of common stock at $7.50 a share have been granted to certain eligible employes pursuant to an employes' stock purchase plan. These options are partially exercisable on November 1, 1951, and the remainder on November 1, 1952."

BIGELOW-SANFORD CARPET COMPANY, INC.
Consolidated Balance Sheet:
"Stockholders' Investment:
Common Stock—No par value
Authorized—627,218 Shares
Outstanding—1950, 621,518 Shares..... $15,542,950
Capital Surplus (Note 5)................ 510,579

"*Note 5:* At December 31, 1950, 5,500 shares of common stock were held in the Treasury subject to an option granted to the President of the Company in November, 1944 at $24.25 per share (average cost to the Company was $24.08 per share) and exercisable by him on or before January 2, 1955. On January 18, 1950, the President exercised this option to the extent of 500 shares. $137,500 of the capital surplus December 31, 1950 is applicable to the stock held in the Treasury with respect to the President's option."

BOND STORES, INCORPORATED
Footnote: "At the next Annual Meeting of Stockholders, action is intended to be taken upon a proposal to authorize the Board of Directors to grant options to officers, executives and key employees of the Company and its subsidiaries to purchase an aggregate of not exceeding 300,000 shares of Common Stock of the Company at a price representing 85% of the fair market value at the time the option is granted."

THE BORDEN COMPANY
Consolidated Balance Sheet:
"INVESTMENTS AND OTHER ASSETS:
Mortgages, Receivables, etc. (Note 5)..... $5,899,351
"Capital Stock and Surplus:
Less Treasury Stock—At Cost:
1950, 117,958 shares; ... (Note 5)....... 3,707,556
"*Note 5:* Capital stock of the Company held in the treasury at December 31, 1950 includes 39,500 shares reserved under the Officers and Employees Stock Option Plan as approved by the stockholders. Of the shares so reserved, 11,500 shares relate to options at $36.25 a share granted on March 31, 1945 and expiring on March 30, 1955, and 28,000 shares relate to options at $45.75 a share granted on January 3, 1946 and expiring on January 2, 1956. The option price in each case was $1.00 more than the last sale on the New York Stock Exchange preceding the date of the issuance of said options.
During the year 1950, 6,000 shares were sold under the stock option plan for a total of $269,750, of which $226,462 is outstanding at December 31, 1950 and is included with Mortgages, Receivables, etc."

BROWN SHOE COMPANY, INC.
Statement of consolidated financial position:
"Other Assets:
Stock purchase notes of employees—Brown Shoe Company, Inc. common stock held as collateral (aggregate quoted market of collateral $503,500)...................... $ 200,640"
"Capital stock:
Common stock—par value $15.00 a share; authorized 1,000,000 shares; reserved for options 64,700 shares—Note C:
Issued and outstanding 511,680 shares...... $7,677,000"
"*Summary of Additional Capital Paid In:*
Add excess of market price over par value of 3,100 shares and excess of option price over par value of 11,900 shares of common stock sold under the Company's stock option plan................................ $ 190,794"

"*Note C:* Ten year options to purchase an aggregate of 64,700 shares of the authorized but unissued common stock of the Company, at prices from $24 to $38 a share, are held by certain of the Company's directors, officers, and other employees."

CONTINENTAL OIL COMPANY
Consolidated Balance Sheet:
"Capital Stock:
Authorized—6,000,000 shares, par value $5 each
Outstanding (of which 56,041.3 shares are held in treasury and carried at no value) (Note 3):
1950—4,914,499.3 shares............ $24,572,497
Capital Surplus (Note 3).................. 56,384,756

"*Note 3:* Under the terms of an employment contract expiring December 1, 1957, the President of the Company was granted an option during the life thereof to purchase 50,000 shares of the Company's capital stock at $48.10 per share. During 1950 the option was exercised to the extent of 35,000 shares. The excess of the option price over par value in the amount of $1,508,500 was credited to capital surplus."

CLYDE PORCELAIN STEEL CORPORATION
Balance Sheet:
"Capital Stock and Surplus:
Common stock, par value 10¢ per share—Authorized 1,000,000 (25,000 reserved for officer's stock purchase option and 19,350 reserved for conversion of bonds) issued 909,200 shares.................................$ 90,920"

ELGIN NATIONAL WATCH COMPANY
Balance Sheet:
"Stated Capital and Earnings Retained:

Capital stock—authorized and issued—800,000 shares of a par value of $15 each.......	$12,000,000
Earnings retained and invested in the business—per attached statement...............	9,030,593
	$21,030,593
Less: Treasury stock—10,000 shares at cost (subject to option agreement for sale to officer at cost)..........................	131,839
	$20,898,754"

THE GOODYEAR TIRE & RUBBER COMPANY
Balance Sheet:
"Capital Stock
Common stock, no par value:
Authorized, 5,000,000; issued, 2,067,699 shares; in treasury, 2,396 shares; outstanding, 2,065,303 shares............. $11,502,024
(79,000 shares subject to options to employes)"
"*To the Shareholders and Employees:*
The Board of Directors has recently inaugurated an Employees' Stock Option Plan, fully described in the proxy statement now being mailed to common shareholders, under which restricted stock options are granted to officers and other key employees of the Company and its subsidiaries to purchase shares of the Company's no par common stock. The total number of shares now subject to such options is 79,000."

INTERCHEMICAL CORPORATION
"*Note 3.* Options to purchase an aggregate of 36,750 common shares are held by certain officers and key employees. Such options are exercisable, at $23 per share (subject to possible upward adjustment), over the period beginning July 1, 1952, and ending December 31, 1955, except that prior to July 1, 1953, each option is exercisable only to the extent of not more than one-half of the shares covered thereby. Such options, which were granted by the Board of Directors on December 21, 1950, provide that they shall terminate if they fail to be approved or ratified at the next annual meeting of shareholders."

LOCKHEED AIRCRAFT CORPORATION
Consolidated Balance Sheet:
"Capital Stock and Surplus:
Capital stock:
Authorized 1,500,000 shares, par value $1 per share (25,875 shares reserved at December 31, 1950 for exercise of employees' stock options at $22 per share—options expire May 24, 1953)
Issued and outstanding (at $1 per share)............................ $ 1,118,514
Capital surplus (Note 6)................ 11,525,591
"*Note 6:* During the year 1950 employees' stock options were exercised for 42,000 shares of the capital stock of the Company at a price of $22 per share. Of this price, the par value of $1 per share was added to the capital stock account and the premium of $21 per share, or a total of $882,000, was added to capital surplus."

MACK TRUCKS, INC.
Consolidated Balance Sheet:
"SUNDRY NOTES AND ACCOUNTS RECEIVABLE:
Due from officers for purchase of treasury stock (secured) .... $ 79,048"
"*Statement of Consolidated Operations and Accumulated Earnings Retained in the Business:*
Income Deductions:
Excess of cost of 20,000 shares of treasury stock sold to officers at $5 per share pursuant to terms of employment agreements over proceeds therefrom .... $136,794"

MARSHALL FIELD & COMPANY
Balance Sheets:
"Capital Stock:
Common Shares—
Authorized 4,000,000 shares of no par value, of which 180,000 shares may be sold to officers or employes without first offering such shares to the shareholders (see note); issued and outstanding 1,943,763 shares at stated value $16,818,815

"*Note:* On December 15, 1950 the Company entered into restricted stock option agreements providing that an aggregate of 53,800 Common Shares out of the 180,000 shares referred to above, may be purchased by 33 of its officers and executives at $29.00 per share which represented approximately 95 per cent of the highest market price on that date. Each such officer or executive may purchase on or after December 31, 1952 one-fifth of the shares allocated to him and another fifth on or after each December 31 from 1953 to 1956 inclusive."

THE W. L. MAXSON CORPORATION
"*Consolidated Balance Sheet:*

DUE FROM EMPLOYEES (secured by 7,500 shares of the Corporation's capital stock purchased by the Corporation and resold to employees) ..		$ 28,125
Less: Amount receivable within one year, included in current assets		5,625
CAPITAL STOCK AND SURPLUS:		
Capital stock, par value $3 per share:		
Authorized	500,000 shares	
Issued and outstanding	261,800 shares	$ 785,400
Reserved for options (Note 4)	10,000 shares	

Note 4: "There are outstanding options granted in prior years to officers of the Corporation to purchase 2,900 shares of the Corporation's unissued capital stock at $45 per share until December 31, 1950 and 7,100 shares at $15 per share until December 31, 1951."

MID-CONTINENT AIRLINES, INC.
Balance Sheet:
Assets:
"DEPOSITS WITH AGENT ON STOCK PURCHASE PLAN—contra (note 2) .... $ 6,964.91
Liabilities:
"STOCK PURCHASE PLAN DEPOSITS—contra (note 2) .... $ 6,964.91
"*Capital Stock and Surplus:*
"Common stock, par value $1.00 per share; authorized, 1,000,000 shares issued and outstanding, 416,657 shares (note 2) $416,657.00
"*Paid-In Surplus:*
"Excess of market value over par value of 11,382 shares of common stock sold to officers and employees (excess of market over selling price, $22,738.41, charged to expense as compensation) .... $ 79,648.41

"*Note 2*: In 1947, and renewed in 1949, the Board of Directors authorized the sale, at $6.00 per share, of 30,601.4 shares of the unissued common stock to officers and employees of the company. At December 31, 1950, 27,258.4 shares had been paid for and issued and deposits on 2,098 additional shares had been made with the agent under the plan. In connection with such plan the company agreed to make an annual distribution to eligible participants for three years, 1948–50 under the original offer, and 1949–51 under the renewed offer. The total amount of such annual distribution applicable to the 30,601.4 shares would equal 10% of the net income (as defined) and is distributed pro rata, on the basis of shares purchased, to participants who have not disposed of their stock or otherwise become ineligible under the plan. Such distribution for 1950 amounted to $27,631.39 applicable to 21,757 shares."

THE OLIVER CORPORATION
Note 1: ". . . Of the common stock in treasury, 5,266 shares are reserved until October 31, 1953, for sale to an officer at $21 per share."

THE QUAKER OATS COMPANY
"*Consolidated Balance Sheets:*

OTHER RECEIVABLES AND INVESTMENTS:		
Due from Officers and Employees (Note 3).		$ 836,771
"CAPITAL STOCK AND EARNINGS RETAINED IN THE BUSINESS:		
Common, no par value (Note 3)		16,591,719
Authorized	800,000 shares	
Issued at June 30, 1950..	715,761 shares	
Less 892 shares of preferred and 2,447 shares of common stock held in treasury and reserved for employees, at cost less reserve		347,149"

Note 3: "Under the employees' stock purchase plan approved by the stockholders in 1945 providing for offering stock options to managerial employees, including officers, which was placed into effect during the year, 13,761 shares of common stock were sold for $65.00 per share. The difference between the market value of the stock on the dates the stock was sold and $65.00 per share was charged to expense. Loans (payable over 10 years) were made to help finance such sales; at June 30, 1950 they amounted to $752,311 and were secured by 11,708 shares of stock. Unexercised options, which expire June 30, 1951, totalled 8,789 shares at June 30, 1950."

RADIO CORPORATION OF AMERICA
"*Consolidated Financial Position:*
STOCKHOLDERS' EQUITY:
Common Stock, no par, shares authorized 18,500,000 outstanding 13,881,016 (Note 5), at a stated value of .... $27,762,032"
Note 5: "On November 3, 1950 the Board of Directors granted, subject to stockholders' approval, options entitling two officers to purchase a total of 150,000 shares of common stock on or before November 3, 1955 at $17.75 per share, representing the market price on November 2, 1950."

REXALL DRUG, INC.
Consolidated Balance Sheets:
"Stockholders' Equity
Capital stock of Rexall Drug, Inc.
Authorized—5,000,000 shares, par value $2.50 each
Issued—3,501,120 shares $8,752,800
Less—Cost of capital stock of Rexall Drug, Inc. acquired and held by a subsidiary—20,570 shares in 1950. . .
(20,400 shares are optioned to executives at $6.375 per share)"

THE SAFETY CAR HEATING AND LIGHTING COMPANY, INC.
"TO THE STOCKHOLDERS:
. . . A goodly number of our employes have indicated their desire to own stock in this company. During the latter

part of 1950, the company purchased at various times in the open market, 3,172 shares of stock at a cost of $52,271.00. These shares were sold to the employes at cost on an installment payroll deduction plan over a three-year period; the stock being held by the company as collateral. The plan was received very favorably, and 21% of our employes are now stockholders. At the close of the year $48,128.10 was due the company on these purchases."

WILLYS-OVERLAND MOTORS, INC.
Balance Sheet:
"Capital Stock:
Common stock, par value $1.00 per share:
Authorized 4,100,000 shares:
At September 30, 1950—reserved for conversion 394,817 shares; for options, etc. 38,000 shares; outstanding, less 9 shares donated, 2,790,704 shares .... $2,790,704.00"
Statement of Surplus:
"Capital Surplus:
Additions:
Premium on 100,000 common shares issued under option .... $ 200,000.00"
"*Note 6:* Options outstanding for 19,000 shares are protected against dilution and may be exercised at $9.75 per share not later than January 1, 1953 but one-third of the shares may not be taken up until on or after October 1, 1951.

An additional 19,000 shares currently are reserved for future options or sale to officers and employees at not less than $3.00 per share."

CONTINGENT LIABILITIES

Major classifications of contingent liabilities reported by 216 of the 525 companies in the 1950 reports are as follows:

1950	Type of Contingent Liability
72	Lawsuits. (See Company Appendix Nos. 30, 182, 484)
32	Lawsuits—anti-trust. (See Company Appendix Nos. 57, 187)
53	Guaranties (Including subsidiary indebtedness). (See Company Appendix Nos. 51, 212, 336, 357, 499)
31	Construction Commitment. (See Company Appendix Nos. 56, 80, 202, 236, 525)
17	Purchase Commitment. (See Company Appendix Nos. 249, 288, 376, 394, 517)
28	Commercial Paper. (See Company Appendix Nos. 66, 306, 507)
28	Taxes. (See Company Appendix Nos. 31, 204, 225, 464)
25	Renegotiation. (See Company Appendix Nos. 67, 326, 367, 486, 521)
18	Miscellaneous. (See Company Appendix Nos. 258, 261, 380, 452)
304	

The examples of contingent liabilities as set forth below were selected from the 1950 reports of various of the 525 companies:

Lawsuits

GILLETTE SAFETY RAZOR COMPANY
"*Note 5:* The Company is the defendant in two patent suits and, although substantial damages are claimed, the Company's patent attorneys state that, in their opinion, the patents in question are unenforceable against the Company, are invalid and are not infringed. The Company does not consider it necessary to make any provision in the accounts with respect to possible liability in these cases."

INTERNATIONAL HARVESTER COMPANY
"*Note 6: Contingencies:*
"Litigation: On September 9, 1948, the United States Government filed suit against International Harvester Company charging that the Company is interfering with competition by selling its goods to dealers on condition that they sell only Harvester products. In this suit the Government seeks an injunction to restrain the Company from continuing the alleged practice. It is not believed that the charge will be sustained by the facts to be developed at the trial. Similar suits were filed by the Government against two other companies in the farm equipment industry.

At this time there are no other legal proceedings affecting the Company other than the ordinary routine litigation incident to the type of business conducted by it."

WILLYS-OVERLAND MOTORS, INC.
"To the Stockholders:
LITIGATION—The action filed in June, 1949, by a stockholder against the corporation, Charles E. Sorensen and certain officers and directors seeking cancellation of Mr. Sorensen's employment agreement and stock options granted to Mr. Sorensen in 1944 is still pending and no trial date has been set."

Guaranties:

GENERAL REFRACTORIES COMPANY
Balance Sheet:
(Above "Capital"):
Contingent liability (Note 6)
Note 6: "Under a loan agreement dated May 1, 1948, the company has guaranteed the payment of 40 pct. of the principal and interest of loans payable negotiated by Northwest Magnesite Company. At December 31, 1950 and 1949, the company was contingently liable for $840,000 and $960,000, respectively."

R. H. MACY & CO., INC.
Note 8: "Contingent liability—the Corporation has guaranteed Macy's Bank against decline in prices of securities held by the Bank."

Commitments:

THE HALOID COMPANY
"*Note E: Contingent Liabilities:*
(1) As at December 31, 1950, the Company had outstanding purchase commitments aggregating approximately $129,000.00 for property, plant and equipment."

KEYSTONE STEEL & WIRE COMPANY
"Note 2: Open purchase commitments for raw materials and supplies at June 30, 1950, at prices not in excess of market, amounted to approximately $4,438,000 for the company and $9,377,000 for the consolidated companies. Open bank letters of credit, amounting to $1,085,000 for the company and $3,072,800 for the consolidated companies, were outstanding in connection with these commitments. The company guaranteed $935,000 of the above letters of credit issued by a subsidiary."

P. R. MALLORY & CO., INC.
Note 6: "The Board of Directors has authorized the expenditure during 1951 of approximately $1,020,000 for the construction of a factory building adjoining the main plant at Indianapolis, Indiana, and commitments for a substantial

AVCO MANUFACTURING CORPORATION AND CONSOLIDATED SUBSIDIARIES

Statements of Investments In Associated Companies

AT NOVEMBER 30, 1950 AND NOVEMBER 30, 1949

	Number of shares or principal amount of debentures owned	*Per cent of total issue*	*Amount at which carried in balance sheets*	*Value based on market quotations at balance sheet dates*
At November 30, 1950:				
Securities, at cost:				
New York Shipbuilding Corporation (Note 7):				
Founders stock, par value $1 per share	109,200 shares	62.4 (*)	$ 2,562,615	$1,733,550
Participating stock, par value $1 per share	15,500 shares	4.8 (*)	264,544	253,813
ACF-Brill Motors Company (Note 8):				
Common stock, par value $2.50 per share	465,124 shares	48.6	3,557,990	1,569,794
Warrants to purchase common stock at $15 per share to December 31, 1954 when the warrants expire	160,464 warrants	58.1	581,682	180,522
6% income debentures due December 31, 1969	$100,000	2.3	92,500	62,000
			$ 7,059,331	$3,799,679
Notes receivable from ACF-Brill Motors Company (Note 8)			5,425,000	
			$12,484,331	
Less: Reserve against investments in ACF-Brill Motors Company (Note 8)			2,136,303	
			$10,348,028	
At November 30, 1949:				
Securities, at cost:				
New York Shipbuilding Corporation:				
Founders stock, par value $1 per share	107,700 shares	61.5 (*)	$ 2,534,954	$1,723,200
Participating stock, par value $1 per share	13,900 shares	4.3 (*)	233,933	229,350
ACF-Brill Motors Company:				
Common stock, par value $2.50 per share	465,124 shares	48.6	3,557,990	1,279,091
Warrants to purchase common stock at $15 per share to December 31, 1954 when the warrants expire	160,464 warrants	58.1	581,682	160,464
6% income debentures due December 31, 1969	$100,000	2.3	92,500	48,000
			$ 7,001,059	$3,440,105
Notes receivable from ACF-Brill Motors Company			5,550,000	
			$12,551,059	

(*) Equivalent at November 30, 1950 to 24.9% and at November 30, 1949 to 24.3% of total equity stock, i.e., founders stock (voting) and participating stock (non-voting).

Reference is made to the accompanying notes.

portion of this construction had been entered into at December 31, 1950."

Commercial Paper:

DRESSER INDUSTRIES, INC.
Balance Sheet:
"INVESTMENTS AND OTHER ASSETS
Trade notes receivable (not current) (Note A) $696,705
"*Note A:*

"At October 31, 1950, the Corporation and its subsidiaries were contingently liable to the extent of $909,611 for trade notes receivable discounted. This amount includes $627,217 representing notes receivable from one party which mature beginning January 1, 1951. Trade notes receivable (not current) includes $209,072 representing notes receivable of the same series from such party which were past due at December 9, 1950.

A subsidiary has agreed to purchase from banks, under certain conditions, a note payable of another company amounting to $300,000."

HARNISCHFEGER CORPORATION
Balance Sheet:
"CONTINGENT LIABILITY in 1950 under letters of credit.................................. $375,180"

Taxes:

BIGELOW-SANFORD CARPET COMPANY, INC.
Balance Sheet:
"Current Liabilities:

Reserve for Federal Taxes on Income (Note 4) $6,585,935
"*Note 4:* Federal income tax returns for the years 1944 through 1949 are currently under examination by the Bureau of Internal Revenue. The Bureau is contending for capitalization, and disallowance as deductions for tax purposes, of certain expenditures, principally items which the Company had classified as maintenance and repairs. Changes in taxable income for these years and additional taxes resulting from final settlement of these claims are not yet determinable and have therefore not been reflected in the financial statements. It is considered unlikely that the additional provision for Federal taxes will be material in amount."

THE CUNEO PRESS, INC.
Balance Sheet:
Federal income taxes (Note 3)............. $1,100,000"
Note 3: "The Government has delayed a previously proposed settlement of a proposed assessment of additional Federal income and excess profits taxes for the years 1941 and 1942 of substantial amounts. The matter is being further contested by the company and the ultimate liability, if any, in excess of reserves in the accounts with respect thereto, or with respect to its effect on other prior years subsequent to 1942, is not determinable at this time."

¶POST-BALANCE SHEET DISCLOSURES

292 of the 525 companies gave information in the annual reports for the year 1950 relating to events occurring subsequent to the date of the balance sheet. 457 separate disclosures were made and the following table shows those most frequently reported.

The great majority of post-balance sheet disclosures appeared in the president's letters. The footnotes to the financial statements were the next most common location of such disclosures while the statements themselves and the auditors' reports infrequently contained such information. Examples of typical post-balance sheet disclosures follow:

In the Presidents' Letters:

BYRON JACKSON CO.
"To the Stockholders: ". . . The Management believes that the Stockholders and the Company will benefit from a change in our Capital structure. Accordingly, on March 2, 1951, the Board of Directors authorized, subject to Stockholder approval at the April 24, 1951, Stockholder's meeting, the following changes: that the present authorized 600,000 shares of no-par value stock be increased to 1,750,000 shares of $10 par value; a stock split of the equivalent of four shares for each ten shares now held to be distributed in the form of a 40% stock dividend; and, in order to create a further incentive and proprietary interest in the company and its future, that a stock option purchase plan be provided for officers and administrative employees. The revised Capital structure will reduce the cost of transferring shares, should be more flexible in the future and should broaden the marketability of the stock. . . ."

DEVOE & RAYNOLDS COMPANY, INC.
"To the Stockholders: ". . . The Board of Directors at its meeting on January 17, 1951, declared a 10% stock dividend on the Company's Class A Stock and a 10% stock dividend on the Company's Class B Common Stock, both payable on February 5, 1951, to stockholders of record on January 29, 1951. Fractional shares will not be issued and, in lieu thereof, cash payments will be made."

THOMPSON PRODUCTS, INC.
"To our Stockholders: ". . . Proposed Merger with Perfect Circle Corporation: Stockholders were advised last October of the proposed merger of Perfect Circle Corporation into Thompson Products. Prior to its consumation we were advised by the Department of Justice that in its opinion the proposed merger would be in violation of the Anti-Trust Law and that if it were consummated the Department would institute litigation. Because of this the proposed plan was dropped and the agreement between the two companies was terminated on January 31, 1951."

In footnotes:

GRANITE CITY STEEL COMPANY
Note 3: "On February 1, 1951 the company executed a loan

1950	Post-Balance Sheet Disclosure
89	Declaration, payment or receipt of dividends. (See Company Appendix Nos. 23, 109, 396, 516)
80	Major property acquisitions, modernizations or sales. (See Company Appendix Nos. 35, 159, 296, 405)
42	Funds borrowed or repaid. (See Company Appendix Nos. 22, 140, 335, 477)
42	Sales, orders, contracts, and related statistics or trends. (See Company Appendix Nos. 5, 28, 316, 488)
40	Personnel changes (Officers and Directors). (See Company Appendix Nos. 31, 174, 388, 520)
27	Capital stock transactions (refinancing arrangements). (See Company Appendix Nos. 56, 262, 499)
27	Employee benefits contemplated or in effect. (See Company Appendix Nos. 5, 155, 473)

347

agreement in the amount of $12,250,000 with eight banks, and on February 2, 1951 the principal part of the proceeds of the loan was used to purchase the Missouri-Illinois plant and inventories of Koppers Company, Inc., located at Granite City, Illinois. Under the agreement, the company may borrow an additional $5,250,000 from the banks to be used to retire the notes payable to insurance companies. The loan agreement contains certain restrictive provisions relating, among other things, to maintenance of working capital, purchase of the company's stock, payment of dividends, and expenditure for properties."

HUDSON MOTOR CAR COMPANY
Balance Sheet:
"Current liabilities:
Provision for federal, state and foreign taxes on income (Note C)............. $9,897,282.40"
"*Note C:* The federal income and excess profits tax returns filed by the Company have been reviewed by the Treasury Department for all years prior to 1948. In February, 1951, the Company received $95,122.20 as refund and interest on the federal income and excess profits taxes for the years 1941 to 1946, inclusive."

LOEW'S INCORPORATED
Balance Sheet:
"Cash (Note A)......................... $22,528,036"
"*Note A:* Includes $3,425,860 cash in foreign countries, of which $2,215,917 has since been received in the United States."

In the financial statements:

AIR REDUCTION COMPANY, INCORPORATED
"*Consolidated Balance Sheet*" (*December 31, 1950*):
"Current Liabilities:
Dividends payable (*paid in January 1951*)....... $957,898"

DEVOE & RAYNOLDS COMPANY, INC.
"*Statement of Income and Earned Surplus for the Year Ended November 30, 1950:*

NET INCOME FOR THE YEAR................	$2,786,488
Earned Surplus, December 1, 1949....	6,734,192
Total..............................	$9,520,680
Less dividends declared (*including quarterly dividend declared December 6, 1950*)"	

GENERAL SHOE CORPORATION
"*Consolidated Balance Sheet:*
(As of October 31, 1950)
Non-Current Liability:
"3-1/8% Promissory Notes—*refinanced November 1, 1950* by 2.9% notes (principal $10,000,000) payable from May 1, 1954 (maximum annual installments $700,000)........ $7,472,048"

Unusual Disclosures:

ARTLOOM CARPET CO., INC.
"*General Notes:* The Company has arranged for the formation of a corporation to do commission spinning. The Company has an option to acquire the stock of this corporation for a nominal consideration. The Company is contingently liable as guarantor for this associated corporation under rent lease agreement in an aggregate amount of $235,666.68. The Company is contingently liable as guarantor for the purchase of machinery, supplies, etc., for this associated corporation which, under present defense conditions, is in an indeterminate amount. As of December 30, 1950, this associated corporation has received advances of $152,685.49, included on the Balance Sheet in Notes Receivable, Not Current. As of February 5, 1951, the advances to this associated corporation have increased to $390,033.40."

E. J. BRACH & SONS
Annual report, September 30, 1950:
"To Our Stockholders: . . .
Bank Loans: You will notice that as of September 30, 1950, our loans from the banks totaled $3,000,000. This is usually our peak time of borrowing when borrowing is necessary. As of December 31, 1950, all bank loans had been repaid."

CITIES SERVICE COMPANY
"To the Stockholders: On March 7, 1951, Cities Service common stock and debentures were admitted to trading on the New York Stock Exchange. Your Board of Directors believes that the listing of the Company's securities on this Exchange is in the best interests of the holders of those securities."

CROWN CORK & SEAL COMPANY, INC.
"TO THE STOCKHOLDERS: . . . The Company and its subsidiaries had no important commitments for the purchase of raw materials at prices in excess of current market values, either at December 31, 1950 or the date of this report."

GENERAL MOTORS CORPORATION
"EMPLOYES BONUS: ". . . The consolidated balance sheet at December 31, 1950 gives effect to the delivery on January 10, 1951 of cash in the amount of $18,460,620 and 162,224 shares of common capital stock in treasury, representing portions of bonus awards for the years 1947 through 1949 which were earned out during the year 1950 in accordance with the provisions of the Bonus Plan."

PIPER AIRCRAFT CORPORATION
"*Note:* "*Events Subsequent to September 30, 1950:* On November 25 and 26, 1950 flood waters from the Susquehanna River covered the airport where planes were stored and a portion of the plant floor space. Production was stopped entirely for one week and approximately 30 days will be required for salvage and rework operations. The direct cost of reworking the inventory damaged by the flood and cleanup of the premises, in excess of the insurance recovery, is estimated to be $80,000.

At a meeting of the Board of Directors on November 8, 1950, a dividend payable on January 15, 1951 was declared on Convertible Preferred Stock for the quarter ending October 15, 1947.

Purchase of 1,400 shares of Convertible Preferred Stock at a cost of $9,100 was made to December 22, 1950."

SECTION III

INCOME STATEMENT

SALES OR REVENUES—HOW STATED

Net sales or revenues introduced the income statements of a majority of the 525 companies for each of the years 1947 through 1950. This prevailing procedure is disclosed by the table below, which also indicates a minor increase since 1947 in the number of companies stating a sales or revenue figure in the income statement.

SALES OR REVENUES

1950	1949	1948	1947	How Stated In Income Statements
351	355	351	354	As net sales or revenues. (See Company Appendix Nos. 5, 22, 50, 96, 102, 127, 201, 240, 299, 343, 371, 413, 437, 505, 518)
28	27	29	29	As gross sales or revenues. (See Company Appendix Nos. 49, 128, 272, 340, 406, 469, 502)
14	10	13	12	As both gross and net sales or revenues. (See Company Appendix Nos. 15, 156, 260, 353, 420, 470, 503)
89	82	78	77	As sales or revenues without indication as to gross or net. (See Company Appendix Nos. 2, 65, 117, 169, 261, 380, 412, 431, 475, 514)
482	474	471	472	
				Number of Companies:
482	474	471	472	Stating sales or revenues
39	46	47	46	Not stating sales or revenues. (See Company Appendix Nos. 20, 86, 111, 200, 214, 294, 352, 405, 464, 492)
4	5	7	7	Omitting income statement
525	525	525	525	

Phraseology for the sales caption in the income statements frequently consisted of such brief terms as:

"Sales" (The Amalgamated Sugar Company and Atlas Powder Company);

"Gross Sales" (J. I. Case Company);

"Net Sales" (See Company Appendix Nos. 83, 158, 249, 308, 394, 395, 438, 440, 494);

"Gross Operating Income" (Cities Service Company and Mid-Continent Petroleum Corporation);

"Gross Profit on Sales" (Byron Jackson Co.).

Many companies, however, used more detailed captions such as:

"Sales, less returns and allowances" (Schenley Industries Inc.);

"Sales, net of discounts, returns and allowances" (Lukens Steel Company);

"Sales of products and services to customers" (General Electric Company);

"Sales, less discounts, returns and allowances, and Gross Income from Leased Machines" (Ex-Cell-O Corporation);

"Net Sales, after returns, allowances and cash discounts" (Pacific Mills);

"Net Sales and Other Operating Revenues" (Owens-Illinois Glass Company);

"Net Sales, after all returns, discounts, excise and sales taxes, transportation and allowances" (United States Rubber Company);

"Net Sales, Royalties, and Other Operating Income (less estimated refunds of excess profits on Government contracts)" (Bendix Aviation Corporation);

"Gross Income: From Tobacco Sales, Tobacco Order Sales, including Rehandling and Sundry Income" (Universal Leaf Tobacco Company, Inc.);

"Gross Revenues: From sales of products and services and from royalties" (Pullman Incorporated);

"Gross Profit from Sales—Excluding Depreciation" (The Billings & Spencer Company);

"Gross Sales, less returns, allowances and discounts" (Harnischfeger Corporation).

The following examples are illustrative of the presentation by the 525 companies of "sales or revenues" in their 1950 statements of income:

THE AMERICAN METAL COMPANY, LIMITED

"Profit from mining, smelting, refining and marketing operations, before items of income, expenses and charges shown separately below	$13,278,508"

ANDERSON-PRICHARD OIL CORPORATION

"Gross operating income	$28,764,690.56
Non-operating income	412,519.79
Profit from sale of capital assets—net	1,590,086.15
	$30,767,297.50"

BOEING AIRPLANE COMPANY

"Sales, less allowance ($2,500,000) for contract adjustments including renegotiation	$307,250,982
Other income	555,280
	$307,806,262"

BRIGGS MANUFACTURING COMPANY

"Net sales	$339,245,517
Dividend received from British subsidiary company	114,749
Interest, rentals, cash discounts and miscellaneous income	857,942
Total income	$340,218,208"

CORN PRODUCTS REFINING COMPANY

"GROSS SALES:	
To customers:	
Domestic	$190,886,908
Foreign	6,193,532
	$197,080,440
To subsidiary and affiliated companies:	
Domestic	$ 1,154,672
Foreign	1,377,485
	$ 2,532,157
Total	$199,612,597
Less transportation and other sales deductions	21,545,824
NET SALES	$178,066,773"

CROWN ZELLERBACH CORPORATION

"Sales, net of returns, discounts, allowances, outward freight, etc.	$225,768,803
Other operating income, net, exclusive of deduction for depreciation	514,905
	$226,283,708"

THE CUNEO PRESS, INC.

"GROSS PROFIT FROM OPERATIONS, before deducting depreciation, repairs and taxes	$ 7,236,998"

GAYLORD CONTAINER CORPORATION

"Sales of products and services, less discounts and allowances	$ 62,413,629
Gain from sales of timber and depreciable assets	1,124,273
Dividends, royalties, and miscellaneous income	311,239
	$ 63,849,141"

NASH-KELVINATOR CORPORATION

Sales		$452,144,506
Less excise taxes		24,941,399
NET SALES		$427,203,107
Other income:		
Dividends received from subsidiaries	$976,649	
Interest on United States Government securities	553,224	
Sundry other income	678,461	2,208,334
		$429,411,441"

COMBUSTION ENGINEERING-SUPERHEATER, INC.

"Earned billings on contracts and net sales of products (Note 3)	$103,164,921"

Note 3: "The Company follows the practice of recording income on long-term contracts on the basis of the estimated stage of completion, beginning with shipment of the equipment but not prior to billings to customers. The estimated profit on each contract is taken to income on the basis of the ratio of total accumulated actual cost of the contract to total estimated final cost of the contract. Many of the contracts extend over a period of from several months to two or more years, and revisions in cost estimates during the progress of the work under the contracts have the effect of including in subsequent accounting periods adjustments necessary to reflect the results indicated by the revised estimates of final cost."

THE OLIVER CORPORATION

"SALES AND OTHER INCOME:	
Net sales	$ 98,836,337
Other income	442,831
Total sales and other income	$ 99,279,168"

THE OHIO OIL COMPANY

"NET SALES AND OTHER INCOME	
Net sales	$192,342,605
Interest and dividends	1,235,582
Profit on disposal of assets	438,026
Reduction of reserve for investments	1,300,000
Miscellaneous and other income	1,351,679
TOTAL NET SALES AND OTHER INCOME	$196,667,892"

OTIS ELEVATOR COMPANY

"GROSS PROFIT FROM OPERATIONS—NOTE 3	$31,487,755"

Note 2: "COST OF CONTRACTS IN PROGRESS. Elevator contract installations and service costs in progress priced at standard cost of manufactured product plus actual cost of materials consumed in the field, field labor at actual cost and apportioned administrative and field overhead costs."

Note 3: "COST OF GOODS SOLD
(Used in determining Gross Profit from Operations):
Includes cost of completed elevator contract installations and service work, computed in the manner outlined above; cost of other sales at standard cost of labor and factory overhead, material at actual cost, and apportioned administrative costs; general costs not directly chargeable to job costs or factory overhead; inventory adjustments and variations from standard of labor, material and overhead for the year. The amount of administrative and field overhead costs absorbed during the year is deducted from the total costs of sales in order that such costs may be separately displayed on the Statement of Income."

PITTSBURGH PLATE GLASS COMPANY

"NET SALES	$337,186,034
INTEREST ON ADVANCES TO AND DIVIDENDS FROM SUBSIDIARIES NOT CONSOLIDATED	925,921
OTHER INCOME	1,328,433
TOTAL	$339,440,388"

RADIO CORPORATION OF AMERICA

"PRODUCTS AND SERVICES SOLD (Note 6)	$586 393 450"

Note 6: Products and services sold in 1950 include interest, dividends and other miscellaneous income of $1,968,329."

UNITED SHOE MACHINERY CORPORATION

"Gross Operating Income from Sales, Leased Machinery Revenue and Real Estate Rentals	$62,940,910.74"

WESTERN AUTO SUPPLY COMPANY

"Net Sales—Gross Sales, less Returns, Allowances, Freight Out and Certain Sales Taxes (Note 8)	
Retail	$ 81,970,603.17
Wholesale	74,122,540.24
Total Net Sales	$156,093,143.41"

Note 8: "NET SALES: The entire profit from installment sales is taken into income immediately upon consummation of sales; the majority of installment sales is made on deferred payments extending over not more than six months—the maximum period is twelve months, with the exception of certain major electrical appliances, which may be extended to fifteen months."

REMINGTON RAND INC.

"NET SALES AND OTHER INCOME:

Net Sales	$187,486,771
Other Income:	
Interest and discount	416,752
Dividends from non-consolidated partly owned corporations	290,630
Partial restoration of 1948 write-down of investment in partly-owned domestic corporation to reflect increase in indicated market value	148,617
Miscellaneous income	500,501
TOTAL	$188,843,271"

DEPRECIATION—HOW SHOWN

The following tabulation summarizes the methods employed by the 525 selected companies in disclosing the annual charge for depreciation in their income statements:

ANNUAL DEPRECIATION CHARGE

1950	Depreciation—How Shown
185	Shown as a separate item. (*Nos. 17, 75, 134, 237, 313, 406, 451, 485, 502)
55	Combined with amortization. (*Nos. 51, 227, 402, 488, 512)
49	Combined with depletion, retirements, replacements, write-offs. (*Nos. 44, 84, 251, 446, 511)
6	Combined with obsolescence. (*Nos. 126, 414)
2	Combined with other expenses. (*No. 19)
67	Set forth parenthetically. (*Nos. 27, 173, 269, 404, 510)
364	Total
131	Disclosed in a footnote. (*Nos. 12, 22, 73, 129, 202, 374, 391, 458, 513)
7	Mentioned in the President's letter. (*Nos. 218, 368)
502	Number of companies disclosing annual depreciation charge
23	Number of companies not disclosing annual depreciation charge, but setting forth accumulated depreciation in the balance sheet. (*Nos. 119, 160, 219, 370, 409)
525	

* See Company Appendix Section.

DEPRECIATION—HOW COMPUTED

Of the 502 companies that set forth the amount of the annual depreciation charge in their annual reports, only 23 of such companies disclosed the methods used by them in computing such depreciation. As would be expected, the straight line method was the one most frequently disclosed. Set forth below are typical examples of disclosures in the reports of the methods used in determining the annual depreciation charge:

Straight-Line Method

BRISTOL-MYERS COMPANY

Balance Sheet:

"FIXED ASSETS, at cost or appraised values, lower than cost:

Land		$ 323,359.09
Buildings	$ 8,059,702.39	
Machinery, equipment fixtures, etc.	11,238,378.67	
	$19,297,981.06	
Less: Reserve for depreciation	6,368,432.40	$12,929,548.66
Construction in progress		1,826,432.40
		$15,078,197.82

"Earned Surplus:
Appropriated:
Reserve for estimated increase in replacement cost of fixed assets .... $ 2,771,693.00"

Statement of Consolidated Income:

"Cost of sales, advertising, selling and administrative expenses including depreciation of $1,186,674.84"

Footnote: "Fixed assets are generally valued at cost, the exception being in the case of certain subsidiary companies whose assets were adjusted to appraised values at less than cost at the time of acquisition. All current additions are stated at cost. Depreciation was computed on the straight-line method."

JONES & LAMSON MACHINE COMPANY

Balance Sheet:

"FIXED ASSETS:

Plant and equipment—at cost		$4,336,292.19
Less: Reserve for depreciation		3,020,638.37
		$1,315,653.82
Emergency facilities—at cost	$1,193,171.74	
Less: Reserve for amortization (See note)	1,193,171.74	—

"*Condensed Statement of Profit and Loss and Surplus:*
Provision for depreciation and amortization (Note 2) .... $ 165,203.02

"Note 2: Depreciation and amortization ($165,203.02) of fixed assets, charged against operations for the year, reflect normal rates of depreciation and amortization of fixed assets not previously fully depreciated or amortized. No charge for depreciation is included in the above-mentioned amount with respect to machinery and equipment of an aggregate cost of $1,193,171.74 identified in the accompanying balance sheet as "Emergency Facilities," which were fully amortized during the war period and which continue to be used in the operation of the business."

Composite Rates:

AMERICAN WOOLEN COMPANY, INCORPORATED

Balance Sheet:

"Fixed assets (a)

Mill properties, plants and equipment (including land, water rights and privileges $1,690,649.52)	$56,775,173.03
New York real estate (land $1,175,000.00)	1,973,800.00
	$58,748,973.03
Less Depreciation reserves since July 1, 1931	28,304,004.39
	$30,444,968.64

Consolidated Statement of Income:

"Provision for depreciation (b)	$ 2,003,467.90
Other charges and income:	
Income from rentals (a) after depreciation $13,510.22 (b)	140,501.49

American Bank Note Company

AND SUBSIDIARY COMPANIES

PROFIT AND LOSS AND EARNED SURPLUS STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1950

	Company	Consolidated
Profit of the manufacturing and commercial business before deducting charges for maintenance and repairs and provision for depreciation and taxes	$ 1,714,402	$ 2,958,049
Maintenance and repairs	$ 165,827	$ 282,667
Provision for depreciation on buildings, machinery and equipment	184,862	319,451
Provision for taxes other than income taxes	327,616	395,048
	$ 678,305	$ 997,166
Profit from operations	$ 1,036,097	$ 1,960,883
Other income:		
Dividends received from subsidiaries	332,150	—
Interest	85,580	115,044
Miscellaneous	6,346	27,811
	$ 1,460,173	$ 2,103,738
Income deductions:		
Appropriation for pensions by subsidiaries	—	$ 96,500
Payment to Trustee under Employees' Pension Plan	$ 132,200	132,200
Dividends on preferred stock of foreign subsidiary held by public	—	24,500
	$ 132,200	$ 253,200
	$ 1,327,973	$ 1,850,538
Provision for Federal and foreign income taxes, estimated	400,000	840,748
Net profit	$ 927,973	$ 1,009,790
Special item — Profit (net) on sale of former plant of Canadian subsidiary	—	220,280
Net profit and special item	$ 927,973	$1,230,070
Earned surplus, December 31, 1949	7,542,980	9,345,731
	$ 8,470,953	$10,575,801
Dividends on capital stock:		
Six Per Cent. Cumulative Preferred	$ 269,739	$ 269,739
Common, $1 per share	649,941	649,941
	$ 919,680	$ 919,680
Earned surplus, December 31, 1950	$ 7,551,273	$ 9,656,121

NOTE — For purposes of the above consolidated statement, the results of operations (except depreciation) of the British and Canadian subsidiaries are stated respectively at the official rate for sterling and the market rate for Canadian currency at December 31, 1950.

Notes:
"(a) Inter-company lease rental of $100,000.00 not eliminated.
(b) Computed on a straight-line basis by groups or classes at composite rates which reflect the useful life of depreciable assets, as determined by engineers in 1940."
(a) (Fixed Assets): Additions to fixed assets since July 1, 1931 stated at cost, other fixed assets at values determined by engineers as of July 1, 1931 representing the assessed or reasonable value of the land; the estimated cost of the water rights and privileges; and the approximate depreciated cost of other assets owned at that date."

WHEELING STEEL CORPORATION

"*Supplementary Financial Information*

FIXED ASSETS:

Land, mineral properties, buildings, and machinery, equipment, etc. at cost......	$175,996,483
Less Depreciation, depletion and amortization....	73,653,939
	$102,342,544"

"*Statement of Profit and Loss:*
Costs and expenses:

Provision for depreciation, depletion, and amortization......	$ 6,423,727"

Note: "Provision for depreciation of depreciable steel plant assets is computed at an annual composite rate which, it is estimated, will provide amounts equal to the book values of the properties, less their estimated salvage value, when dismantled or retired from service in the normal course of business. The composite rate is also intended to provide for normal obsolescence of the depreciable steel plant assets as a group. Provisions for depreciation of certain minor properties, such as a fabricating plant, railroad bridge, automobiles and trucks, marine equipment, etc., are computed at annual rates separately determined therefor on the basis stated above.

The provision for depletion is computed by applying to the tonnages of coal removed during the year, rates per ton based upon the book value of coal deposits divided by the estimated tonnage recoverable.

No losses are recognized on retirements or sales of steel plant assets in the ordinary course of business, but the cost (net of salvage obtained) of such items is applied to reserve for depreciation. Losses are recognized on extraordinary retirements or sales of steel plant assets, occasioned by changes in or improvements to the art of manufacturing, which could not be foreseen at the time the depreciation rate was determined, which losses are considered to represent abnormal obsolescence not provided for in the composite depreciation rate.

Gains or losses are also recognized on retirements or sales of properties subject to depletion, amortization, or individual rates of depreciation."

Sliding-Scale:

UNIVERSAL-CYCLOPS STEEL CORPORATION

Balance Sheet:

"PROPERTY, PLANT, AND EQUIPMENT, Less Accrued Depreciation (page 7)......	$ 4,461,131

"*Statement of Income and Accumulated Earnings:*

"COSTS AND EXPENSES:

Cost of products sold, including repairs and maintenance of $1,595,269 and $1,118,849 in respective years..........	$23,989,447
Provision for depreciation and amoritization (page 7)........	443,120"

Page 7: "PROPERTY, PLANT, AND EQUIPMENT:
Property, plant, and equipment are stated substantially at cost, consisting of amounts shown on the books of constituent companies at date of merger, September 30, 1936, plus amounts of subsequent additions.

Depreciation on regular buildings, machinery, and equipment is provided by (1) computing an amount at fixed rates on the straight-line basis (as used for income tax purposes) plus (2) 5% per annum of gross additions to these properties in the year of installation and in the year following, and (3) increasing or decreasing the sum of the amounts determined under (1) and (2) according to a sliding scale which provides for a maximum increase or decrease of 50%. The sliding scale is based upon the rate of plant activity measured by comparing current year's sales with a ten-year moving average of dollar sales volume."

Based Upon Production:

ENDICOTT JOHNSON CORPORATION

Balance Sheet:

"PROPERTY, PLANT AND EQUIPMENT—at cost, except for assets with net depreciated value at November 30, 1950 of $912,843 which are stated at appraised value as of December 31, 1918 (Notes 2 and 3):

	Gross	Less depreciation provisions	Net
Land.........	$ 835,221	—	$ 835,221
Buildings.....	15,642,691	$ 8,468,423	7,174,268
Machinery....	5,874,471	3,262,977	2,611,494
Equipment....	12,846,254	4,737,265	8,108,989
	$35,198,637	$16,468,665	$18,729,972"

"Accumulated retained earnings—
Appropriated for:

Construction of new plant facilities..........	$875,000"

Note 2: "Cost of products sold, selling, general and administrative expenses, and miscellaneous income include: (a) Depreciation of $1,924,596, including $699,568 on wooden lasts and dies (Note 3)."

Note 3: "The Corporation follows a policy of depreciating factory machinery and equipment in relation to production. An annual production of 80% of capacity has been established as normal. The policy provides that 25% of normal depreciation is taken regardless of production; the remaining 75% is adjusted in direct relation to production, with no adjustments for less than 10% variation from normal. During the year a reduction in depreciation charges of $100,612 was made under this policy."

Unit Rates:

THE CHAMPION PAPER AND FIBRE COMPANY

Balance Sheet:

"PLANT PROPERTY—AT COST (Note 2) (Less contributions for plant facilities, 1951—$2,086,443; 1950—$1,357,245)...........	$80,325,323
Less reserves for depreciation and amortization..........	30,749,393
Plant property—Net..........	$49,575,930
TIMBERLANDS, CLAY AND SALT DEPOSITS—At Cost	
(Less depletion) (Note 3)........	$ 4,337,164"

Note to "Summary of Consolidated Income":
"Included in the above summary are the following charges: Depreciation, depletion and amortization (Notes 2 and 3) $3,084,634," "Maintenance and repairs $6,040,073"

Note 2: "Plant properties are valued at cost consisting of expenditures in the purchase, erection, and installation of units of property, and for related engineering services and transportation.

It is the policy of all of the companies to provide for depreciation of depreciable properties at unit rates which are designed to extinguish the cost of the properties, less salvage value, through uniform charges against operations and credits to reserves, over the estimated service lives of the properties."

Note 3: "Depletion of timber properties and clay deposits is provided, through charges against operations and credits to the property accounts, on the basis of estimates of the recoverable cordage of wood and tonnage of clay. Salt deposits have not been developed."

BOTANY MILLS, INC.

Balance Sheet:

PROPERTY, PLANT, AND EQUIPMENT, Notes (2) and (3)	
Land, buildings, machinery, and equipment—at cost	$14,920,312.55
Reserve for depreciation	9,786,830.84
	$ 5,133,481.71

"*Comparative, Consolidated Income Accounts:*
Note: Expenses reflected above include:
Depreciation............ $413,703.34"

Note (2): "PROPERTY, PLANT, AND EQUIPMENT—RESERVE FOR DEPRECIATION: Depreciation for accounting purposes is computed on unit rates determined by the company's engineers, applied to cost less accumulated depreciation to October 1, 1932 on items acquired prior to that date, and applied to cost on items acquired subsequent to October 1, 1932."

ACCELERATED DEPRECIATION AND PLANT REPLACEMENT CHARGES

Accelerated depreciation charges or charges for increased costs of plant replacements were disclosed by 28 of the 525 companies included in the annual survey. The table below indicates that of these 28 instances of depreciation charges in excess of normal charges, 24 were presented in the income statement with six companies presenting the item below the figure of net income for the year and designating the charges to be either an appropriation of net income for the year or a transfer of net income to a special reserve. Four companies presented the charge for accelerated depreciation or increased costs of plant replacements in the retained earnings statement.

ACCELERATED DEPRECIATION AND PLANT REPLACEMENT CHARGES

1950	1949	1948	1947	Where Shown
				Income Statement:
18	25	21	17	*Above* net income for the year and listed with other costs and expenses. (See Company Appendix Nos. 43, 60, 155, 187, 318, 362, 420)
6	4	14	22	*Below* net income for the year and designated as an appropriation of net income. (See Company Appendix Nos. 46, 159, 399)
4	9	10	5	*Retained Earnings Statement:* (See Company Appendix Nos. 99, 490)
28	38	45	44	

Examples selected from the 525 companies whose depreciation policies include provisions for accelerated depreciation in 1950 are as follows:

Charges shown in the income statement among other costs and expenses:

ALLIED CHEMICAL & DYE CORPORATION

Balance Sheet:

(Above Current Assets:)	
"PROPERTY ACCOUNT	
Real Estate, Plants, Equipment, Mines, etc. at cost	$432,504,164
(Above "Capital Stock and Surplus"):	
"RESERVES:	
Depreciation, Obsolescence, etc.	273,388,575
Increased Cost of Replacements	40,000,000
"*Income Account*":	
"Cost of sales and operating, selling and administrative expenses, including normal depreciation and depletion of $12,862,215	$334,524,249
Accelerated depreciation	1,420,641
"*Surplus Account*":	
"Transfers:	
From reserve for investments and securities	$ 10,000,000
To reserve for increased cost of replacements	10,000,000

Note: "Special provisions for accelerated depreciation, inventory reserve and other charges applicable to the year enumerated in above income statement total $3,887,204 and have not been included in deductions for purpose of arriving at the amount of Federal income and excess profits taxes for the year. The special provision of $1,500,000 covering other charges applicable to the year was credited to the Reserve for Pensions and Contingencies."

THE TIMKEN ROLLER BEARING COMPANY

Balance Sheet:

"PROPERTY, PLANT AND EQUIPMENT	
Land, buildings, machinery and equipment at cost exclusive of emergency facilities ($9,793,267) now fully amortized	$66,060,148
Less allowance for depreciation	38,842,587
	$27,217,561"

Income Statement:

Note: "Provisions for depreciation of plant and equipment included above amount to $3,713,030, including accelerated depreciation (not recognized for federal income tax purposes) in the amount of $1,669,402 on additions since January 1, 1948."

FIRST NATIONAL STORES INC.

Balance Sheet:

"FIXED ASSETS (at cost, after deducting fully depreciated assets):	
Land	$ 3,189,820
Buildings owned	18,559,204
Store fixtures, leased property improvements, machinery and equipment	20,414,897
Automotive equipment	1,704,438
	$43,868,359
Less—Accumulated depreciation to end of year	12,751,485
	$31,116,874

"*Comparative Statement of Earnings:*	
Costs and expenses:	
Provision for depreciation of fixed assets (including accelerated depreciation of $1,516,843 in 1951 and $1,382,734 in 1950—Note 3)	$ 4,486,841"

"*Note 3:* The company has continued the policy of providing accelerated depreciation at the rate of 7½% per annum during the first two years of use on completed additions to warehouses, store fixtures, machinery and equipment, and of providing accelerated depreciation on store buildings in amounts based on estimated normal rental costs. The accelerated depreciation, which has not been deducted in computing the provision for federal taxes on income is in addition to the normal depreciation on such facilities, but the total depreciation over their expected lives will not exceed the cost of the assets."

JOHNSON & JOHNSON

"*Consolidated Statement of Financial Condition:*

PROPERTY, PLANT AND EQUIPMENT, AT COST:	
Land and buildings	$25,973,000
Machinery and equipment	29,144,000
Construction in process	4,165,000
	$59,282,000
Less accumulated wear and exhaustion (Note 3)	22,285,000
	$36,997,000"

"*Consolidated Statement of Earnings:*

COSTS AND EXPENSES:	
Wear and exhaustion of property, plant and equipment:	
Normal provision (including wartime amortization)	$ 2,918,000
Accelerated provision (Note 3)	710,000"

"*Note 3:* Accelerated depreciation, equivalent to a full year's normal depreciation in the year of construction or installation and in each of the two succeeding years, has been calculated on the cost of new buildings and equipment acquired by domestic companies since December 31, 1945 in order to charge a larger proportion of such cost to the early years of operation when the economic usefulness of the facilities is greatest. The amount of accelerated depreciation is not deductible in determining current Federal income tax."

Sun Oil Company indicated in a footnote to the financial statements that the company's policy with respect to depreciation included accelerated depreciation but that "No accelerated depreciation was applicable to the year 1950." The footnote presented in the 1950 report is quoted below:

SUN OIL COMPANY

"Note: The Company's policy with respect to depreciation provides for an acceleration of depreciation of a portion of the cost of postwar facilities over the period when economic usefulness is greatest, with depreciation of the balance of the cost over the full operating life. Accordingly, there was included in operating expenses the amount of $6,500,000 in 1949 for additional depreciation required over and above the amount provided on the basis of normal rates; such additional depreciation expense, however, was not considered an income deduction in computing the annual provision for Federal income taxes. No accelerated depreciation was applicable to the year 1950."

Accelerated depreciation provision shown below net income and designated as an appropriation of income:

BUFFALO-ECLIPSE CORPORATION

Consolidated Balance Sheets:

"PROPERTY, PLANT AND EQUIPMENT (Note C):	
Land	$ 142,897.77
Buildings, machinery and equipment	8,097,555.30
	$8,240,453.07
Less: Provision for depreciation at normal rates	4,142,452.07
	$4,098,001.00
Less: Acceleration by amortization	594,219.92
	$3,503,781.08
Less: Accelerated depreciation (Note D)	157,149.86
	$3,346,631.22"

Consolidated Statement of Income:

"Net Income	$ 922,057.51
INCOME APPROPRIATED:	
For accelerated depreciation of fixed assets	85,037.58
UNAPPROPRIATED NET INCOME	$ 837,019.93"

Consolidated Statement of Earned Surplus:

Earned Surplus—January 1, 1950	
Add:	
Net income for seven months ended July 31, 1950	$ 922,057.51
Less: Appropriated for accelerated depreciation	85,037.58

"*Note C:* Property, Plant and Equipment. Land, buildings, machinery and equipment are valued at cost less provision for depreciation at normal rates, with a further reduction expressing the amount of accelerated amortization on emergency facilities certified for amortization not covered by depreciation at normal rates. At Buffalo Bolt Company Division the tools, machine parts, shop implements, automobiles and office equipment values are the results of physical inventories, with cost values reduced to give due consideration to wear and depreciation. Depreciation at normal rates was $126,938.85."

"*Note D:* Effective January 1, 1949, the Company adopted a policy of appropriating a portion of its net income for accelerated depreciation on current year plant and equipment additions. The amount of that appropriation, together with depreciation provided at the regular normal rates for a five-year period, will reduce the net book value of such additions to fifty percent of original cost at the end of the five-year period. The appropriation for the period of seven months ended July 31, 1950 amounted to $85,037.58, and for the year 1949 the appropriation was $72,112.28."

The following examples relating to provisions for increased costs for plant replacements were among those included in the annual reports for 1950:

Additional Provision for "Replacement of Buildings and Machinery" shown as an appropriation of retained earnings:

ARMSTRONG CORK COMPANY

Balance Sheet:

Assets:

"Property, Plant and Equipment, at Cost.	$ 92,963,662
Less provision for Depreciation and Amortization (including $1,291,468 remainder of 1933 revaluation adjustment)	35,217,565"

"Stockholders' Equity:

"Reserves:	
For Replacement of Buildings and Machinery	$ 6,974,000
"Earnings Reinvested in the Business	37,638,434"
"Statement of Stockholders' Equity":	
Footnote:	
"The net increase during the year was utilized thus:	
"Additional Provision for Replacement of Buildings and Machinery	$ 2,636,000
Reinvested in the Business	3,548,006
	$ 6,184,006"

Additional examples of companies which disclosed provisions to increase amounts provided in 1949 or earlier years for increased costs of plant replacements are contained in the 1950 reports of American Wringer Company, Inc.; Bristol-Myers Company; Crane Co.; Pittsburgh Plate Glass Company; and United Fruit Company.

Companies whose reports did not show an additional provision in 1950 to increase amounts provided in earlier years for increased costs of plant replacements included American Asphalt Roof Corporation; The Buckeye Steel Castings Company; G. R. Kinney Co., Inc.; The Safety Car Heating and Lighting Company, Inc.; and Swift & Company.

Shown in the income statement below the amount designated as "Income before special reserves":

THE B. F. GOODRICH COMPANY

Balance Sheet	
Assets:	
"PROPERTY:	
Land, buildings, machinery, equipment and leasehold improvements, at cost	$177,300,214
Less: Provision for depreciation, obsolescence and amortization	91,388,694
	$ 85,911,520
Below Current Liabilities:	
"Reserves:	
For increased replacement cost of facilities	$ 25,000,000"
"Income Account":	
Deduct:	
Provision for depreciation and leasehold amortization	$ 9,265,036
Income before special reserves	$ 43,708,355
Deduct—Special reserves:	
For increased replacement cost of facilities	4,000,000
Balance of income	$ 34,708,355"

Reversal of prior years' provisions for increased costs of plant replacement:

The Youngstown Sheet and Tube Company report for the year 1949 included a reserve "For increased construction and replacement costs and contingencies "surplus reserve" in the amount of $20,900,000. The "Consolidated Statement of Income and Earned Surplus" for the year 1950 showed a "Reversal of appropriations in prior years to reserve for increased construction and replacement costs and contingencies" in the amount of $20,900,000. In the letter to the shareholders of the company, the Board of Directors commented thereupon as follows:

"Provisions for depreciation reserves to replace worn-out and obsolete plants and equipment are based upon original costs of the units involved. This is in accord with what has been standard accounting practice for many years and with provisions of the present income tax law. The Company's records of costs of its plants and equipment built or acquired in past years establish that installation of the same units today would cost two and one-half to three times what they cost when originally acquired. The changes in the purchasing power of the dollar, brought about by the huge national debt, deficit financing, constantly increasing wage and other costs, plus other inflationary actions, have left manufacturers woefully underprovided in their depreciation reserves. It is understood generally in industry that legislation is required to repair this status but Congress thus far has given no heed to the obvious needs."

In the report to the stockholders of The Scranton Lace Company, the President discussed the "special plant reserve" as follows:

"During the year 1950 the company spent $248,667 on improvements and replacements at its three plants. The provision for depreciation totaled $249,602, compared with $247,950 in 1949. All of the current year's provision for depreciation was charged against current earnings, whereas last year $39,539 was charged to the special plant reserve and the balance or $208,411 was charged against earnings. This change in the method of handling annual depreciation is coincident to the elimination of the special plant reserve, details of which are given below.

A special plant reserve was created on July 1, 1934 from the additional paid-in capital account, as a part of a general plan of capital revision. The original amount of the reserve was $1,793,389, and its purpose was to reduce the plant values from a cost to a utility value basis. In the period from July 1, 1934 to December 31, 1949 amounts aggregating $1,165,584, representing portions of the provisions for depreciation and losses on dispositions on plant assets, were charged to this reserve. The balance remaining in the reserve at December 31, 1949 was $627,805. Since the end of World War II the cost of plant replacements has substantially increased and your Board of Directors feels that the full amount of annual depreciation charges should be against current net earnings, and that charging a portion to the special plant reserve should be discontinued. Effective January 1, 1950 the balance of $627,805 remaining in the special plant reserve was transferred to the additional paid-in capital account. In order to restate the earnings used in the business on the basis of absorbing full depreciation charges for the period July 1, 1934 to December 31, 1949, $1,165,584 was transferred to additional paid-in capital. The net effect of these changes is to restore the plant, earnings used in the business, and additional paid in capital accounts in the Statement of Financial Condition at December 31, 1950, to a basis which reflects all depreciation being charged against earnings."

¶EMERGENCY FACILITIES

In order to stimulate the construction or acquisition of "emergency facilities" for essential defense production, Congress amended the Internal Revenue Code in September, 1950, by adding a new Section 124A thereto which allows the amortization over a five-year period for Federal income tax purposes of the cost of such

REYNOLDS ALUMINUM

REYNOLDS METALS COMPANY AND ALL WHOLLY OWNED SUBSIDIARIES
STATEMENT OF CONSOLIDATED PROFIT AND LOSS AND EARNED SURPLUS
YEAR ENDED DECEMBER 31, 1950

NET SALES (including $5,326,437 to unconsolidated subsidiaries and affiliated companies; and after deducting returns, customer adjustments, discounts, etc.)		$166,925,510
COST OF PRODUCTS SOLD—Note M		122,612,068*
GROSS PROFIT		$ 44,313,442
EXPENSES:		
Selling, advertising, administrative, and general—Notes M and O	$ 15,157,448	
Experimental, research, patent, and exploration	353,848	15,511,296*
OPERATING PROFIT		$ 28,802,146
OTHER INCOME:		
Dividends ($1,021,915) and interest ($1,089,195 from unconsolidated subsidiaries and affiliated companies)—Note P	$ 1,125,027	
Service fees from unconsolidated subsidiaries and affiliated companies	158,114	
Profit (net) on disposals of property, plant, and equipment ($43,867); and sundry	101,245	1,384,386
		$ 30,186,532
OTHER DEDUCTIONS:		
Interest expense ($4,090,493), and sundry		4,220,211*
PROFIT BEFORE TAXES ON INCOME		$ 25,966,321
TAXES ON INCOME (estimated):		
On income of 1950 (federal normal and surtax $10,694,200, federal excess profits $1,926,000; other $791,186)	$ 13,411,386	
Less over-provision (net) for prior years	44,796	13,366,590
NET PROFIT FOR YEAR		$ 12,599,731
EARNED SURPLUS:		
Balance at January 1, 1950		35,151,866
		$ 47,751,597
Deduct dividends:		
On Preferred Stock (in cash—5½%)	$ 266,280	
On Common Stock:		
In cash—$1.20 per share	1,501,343	
In Common Stock of Reynolds Metals Company (10% — 126,377 shares)	3,033,055	4,800,678
EARNED SURPLUS AT DECEMBER 31, 1950—Notes A and J		$ 42,950,919

* Costs and expenses included:

Provision for depreciation of property, plant, and equipment	$6,494,293
Depletion of mining properties	66,947
Amortization of alterations and improvements to leased properties	90,854

(Notes referred to appear on following pages.)

facilities. This new provision for the amortization of emergency facilities which are acquired in 1950 and subsequent years is generally similar to that enacted for World War II purposes and which is contained in Section 124 of the Code.

Since the new legislation was enacted so late in the year, relatively few companies had received certificates of necessity by the year-end. The steel companies were among the first to obtain certification of substantial amounts of such facilities.

The disclosures in the 1950 reports concerning emergency facilities set forth such information as the aggregate amount of facilities for which certificates of necessity had been obtained, the percentage of the total cost of such facilities that had been certified, and the total amount of commitments for plant expansion or plant improvement projects. Such information was customarily contained either in a footnote to the financial statements or in the presidents' letters.

In the letter "To the Shareholders" in the Pittsburgh Steel Company report, it was stated:

"The Company has been granted Certificates of Necessity in the amount of $36,638,450 by the National Security Resources Board, which cover 65.1% of the estimated cost of the expansion program, and would permit the Company to take amortization of the facilities thereon over a period of five years."

The Universal-Cyclops Steel Corporation, under "Supplementary Financial Information," stated as follows:

"Property, Plant, and Equipment: Cost of defense facilities acquired under necessity certificates during 1950 is being amortized over a 60-month period to the extent (70–75%) allowed in the approved certificates. The portion of cost not subject to amortization is being depreciated at fixed rates on the straight-line basis."

An extensive discussion with regard to necessity certificates was contained in the president's letter in the annual report of H. K. Porter Company, Inc.:

"During the latter part of 1950 the Company secured two Necessity Certificates from the National Security Resources Board for defense facilities, subject to accelerated depreciation, totaling $2,505,523.59. One certificate is for expansion and improvements at the Quaker Rubber Corporation plant in Philadelphia, in the amount of $1,218,553.00, covering expenditures for a new mixing room, new belt presses, an office, etc. The other certificate is for an expenditure of $1,286,970.59 at the Connors Steel Company plant in Birmingham to increase capacity and to increase the numbers of sections produced. This expansion program includes an additional electric furnace, an 18″ breakdown mill, a billet heating furnace, and improvements in the Company's finishing equipment. At December 31, 1950, $228,934.43 of the $2,505,523.59 had been expended, and it is planned to expend the balance during 1951. Approximately 80% of such expenditures will be subject to depreciation at the rate of 20% a year."

The report of Lehigh Portland Cement Company contained the following information:

"*Report of the President:* PLANT MODERNIZATION PROGRAM. On November 8, 1950 we filed an application for a Certificate of Necessity with the National Security Resources Board requesting permission to accelerate the amortization of investment required for a new cement plant near Bunnell, Florida. This application was approved February 7, 1951. The Certificate issued by the Defense Production Administration provides that 70% of the cost of construction is attributable to defense purposes and that, if construction is begun within 120 days of the date of issuance, 70% of the estimated cost may be amortized for our Federal tax purposes over a 5-year period."

Further examples from the 1950 reports of disclosures concerning emergency facilities are:

ARMCO STEEL CORPORATION

Note 7: "The Company and its consolidated subsidiaries had commitments on contracts for plant expansion aggregating approximately $73,000,000 at February 16, 1951. Certificates of necessity have been obtained from Government agencies which permit the amortization over a five-year period for Federal income tax purposes of approximately 75% of the cost of these facilities."

CRUCIBLE STEEL COMPANY OF AMERICA

Note 2: "The Company and its consolidated subsidiaries have commitments for plant improvement projects approximating $2,175,000. Certificates of Necessity totaling $27,251,000 were granted to the Company in December 1950 covering improvements to be made at Midland Works and the coal mine."

THE DERBY OIL COMPANY

"*To the Stockholders:* Federal Taxes . . . The Company has been granted a Certificate of Necessity which provides for an acceleration of depreciation on 75% of the Cost of its refinery expansion program (see Refining Section of this report). The privilege of charging off 75% of these improvements over a period of five years will be a further cushion against Excess Profits Taxes and will return invested capital at a much earlier date than under normal depreciation procedure."

GENERAL REFRACTORIES COMPANY

Balance Sheet:

"Real estate, plant and equipment, at cost less allowances for depreciation, depletion, amortization, and loss on abandonments and replacements, as annexed (Notes 2, and 3) .... $12,493,946"

Notes 2 and 3: "Unexpended authorizations for additions to real estate, plant and equipment at December 31, 1950, aggregated approximately $3,575,000. Additional authorizations approximating $6,800,000 were approved in January, 1951. Certificates of necessity have been obtained for a substantial amount of the unexpended authorizations at December 31, 1950. Certificates of necessity have been granted or applications therefor are pending covering the plant expansion projects approved in January, 1951. At December 31, 1949, unexpended authorizations for real estate, plant and equipment aggregated approximately $1,018,000.

Real estate, plant and equipment at December 31, 1950, contains projects completed in 1950 aggregating approximately $650,000 covered by certificates of necessity. In accordance with the established depreciation policy of the company, amortization of these facilities will commence in 1951."

Dow Chemical Company, in the footnote quoted below, discusses not only recently acquired facilities but also the fully amortized facilities acquired under World War II certificates of necessity which have been reinstated:

Note A: "At May 31, 1951 the companies had acquired completed facilities under Government certificates of necessity and the portion of the cost of such facilities which had been certified and was subject to depreciation over a five-year period under current provisions of the Internal Revenue Code amounted to approximately $7,000,000. The companies have obtained or have made application for certificates covering substantial amounts of additional facilities.

Fully amortized facilities acquired under World War II certificates of necessity which were reinstated as of May 31, 1946 were shown in previously rendered balance sheets at their reinstated values as of that date less accumulated depreciation since reinstatement. The reinstated values represented cost less accumulated depreciation to May 31, 1946. In the accompanying balance sheet such facilities have been included at cost with other plant properties and the accumulated depreciation from dates of acquisition to May 31, 1951 and 1950 has been included in the total accumulated depreciation of plant properties, with no effect upon the net book value of the facilities or upon income."

The balance sheet of Giddings & Lewis Machine Tool Company contains the following presentation with regard to fully amortized World War II emergency facilities:

"FIXED ASSETS, at cost (Note 1):	
Land	$ 54,942
Buildings, machinery and equipment	5,052,045
Less: Reserves for depreciation and amortization	2,343,537"

Note 1: "Included in fixed assets are fully amortized war emergency facilities (currently in use) aggregating $1,478,055. Land, buildings and machinery with a net book value of $278,030 are subject to the terms of a land contract indicated under the caption of Long-Term Debt."

EMPLOYMENT COSTS—WAGES, SALARIES AND OTHER EMPLOYEE BENEFITS

As in prior years, a substantial proportion of the 525 companies (42% in 1950) specifically disclosed information with regard to employment costs. Such information ranged from setting forth the amount of wages and salaries to disclosing detailed information regarding other employee benefits, such as pensions, insurance, and social security taxes. In the great majority of cases, such information was included in uncertified statements, letters to stockholders, financial reviews, graphs, and other similar sources in the annual reports. Only in a relatively few instances was the disclosure made in the certified income statements. The tabulation on this page sets forth on a comparative basis the data as to employment costs contained in the reports of the 525 companies for years 1946 through 1950.

Examples from Income Statements:

The following examples taken from 1950 reports are representative of the disclosures as to employment costs, in those cases where such information is set forth in the income statement:

AMERICAN LOCOMOTIVE COMPANY

"Cost of products sold and operating expenses:	
Wages, salaries, life, health and unemployment insurance, pension and old age benefits, etc.	$ 37,612,725"

ARMCO STEEL CORPORATION

"COSTS AND EXPENSES	
Employment costs	
Wages and salaries	$110,134,923
Social Security taxes	1,991,745
Pensions and group insurance	7,629,556
Total	$119,756,224"

CATERPILLAR TRACTOR CO.

"Costs:	
Wages, salaries, company contributions for group insurance, pension plan, unemployment insurance and old age benefits	$ 90,000,855"

HARBISON-WALKER REFRACTORIES COMPANY

"COSTS:	
Wages, salaries, social security taxes, pensions and insurance	$ 19,873,505"

HERCULES POWDER COMPANY

"Costs:	
Wage and salary costs	$ 42,295,362"

MARATHON CORPORATION

"Costs:	
Employee costs—	
Wages and Salaries	$ 22,202,573
Social security taxes	376,103
Pensions and insurance	1,138,034
Total employee costs	$ 23,716,710"

MARSHALL FIELD & COMPANY

"Deductions:	
Wages, salaries and employe benefit costs	$ 60,770,455"

RADIO CORPORATION OF AMERICA

"COST OF OPERATIONS	
Wages and salaries	$173,798,227
Pensions, social security taxes, insurance and other benefits	10,387,303
TOTAL EMPLOYMENT COSTS	$184,185,530"

EMPLOYMENT COSTS

1950	1949	1948	1947	1946	Where Shown in Annual Report
193	193	198	184	122	Stated or shown in uncertified statements, letters to stockholders, financial reviews, graphs, etc. (See Company Appendix Nos. 18, 35, 43, 65, 77, 102, 114, 125, 178, 192, 199, 208, 222, 240, 249, 322, 339, 420, 478, 494, 497, 504, 513, 523, 524)
26	25	25	21	12	Stated or shown in income statements. (See Company Appendix Nos. 8, 10, 84, 91, 103, 106, 134, 332, 347, 457, 488, 499, 514)
219	218	223	205	134	
					Number of Companies:
219	218	223	205	134	Stating or showing Employment Costs
306	307	302	320	391	Not stating or showing Employment Costs
525	525	525	525	525	

Examples from Uncertified Statements, Letters to Stockholders, Financial Reviews, etc.:

In a "Simplified Statement of Operations 1950," Blaw-Knox Company showed employment costs as follows:

"Wages and salaries, pension provisions, social security taxes, unemployment insurance taxes, workmen's compensation insurance and group insurance applicable to employment amounted to	$28,428,386"

The General Tire & Rubber Company in a statement headed "The Year in Brief," set forth the following:

"Employment Costs $29,958,976
Salaries and wages paid to the men and women who make and sell our products and to those who manage the business. Included is the money used to pay for group insurance, social security costs and other employee benefits."

In the "Financial Review" section of its 1950 annual report, the Copperweld Steel Company presented ten-year comparative figures showing total wages, salaries and employee benefits; the average weekly wages of hourly employees; and the average number of employees.

P. R. Mallory & Co., Inc. disclosed the following supplemental information concerning employment costs:

"Employes' wages, salaries and benefits amounted to a grand total of $16,061,775, broken down as follows:

Wages and Salaries	$13,328,020
Profit Sharing	1,615,721
Vacations	315,038
Holidays	198,092
Social Security	244,777
Retirement Fund	209,697
Group and Compensation Insurance	150,430"

The following quotations are illustrative of the information concerning employment costs and related matters contained in president's letters in the 1950 annual reports:

LUKENS STEEL COMPANY

"*Industrial Relations*—Employment during the 1950 fiscal year, followed the same general trend as did production. Starting with a total of 3,938 men and women employees at the close of the 1949 fiscal year, the Company, at the close of the 1950 fiscal year had increased its personnel to 4,724—representing a gain of 786 employees.

"During the 1950 fiscal year, the average hourly earning was $1.813 as against an average for the 1949 fiscal year of $1.786. The average weekly wage or salary was $73.97 in 1950, an increase of $5.30 over the 1949 average of $68.67.

"In addition to the total dollars paid employees in wages and salaries, the Company also paid $1,024,290 into accounts for employee benefits which results in an additional indirect wage or salary payment of $4.63 a week for every employee.

"Included in these employee benefit accounts are Social Security, pensions, workmen's compensation, life insurance, hospitalization insurance, surgical insurance, and benefits for absences due to sickness or accidents.

"Exactly 30.5 cents of every dollar of sales were necessary to pay wages and salaries, totaling $16,135,126, during the 1950 fiscal year. But in addition, another 1.9 cents were necessary to pay for employee benefits, making a total of 32.4 cents of every sales dollar."

RADIO CORPORATION OF AMERICA

"Employment: Wages and salaries reached a 1950 total of $173,798,000, an increase of 29% over the previous year, representing approximately 30 cents out of each sales dollar. The number of employees increased from 41,972 on January 1, to 54,409 at the end of the year. An amount of $10,387,000 was provided in 1950 for employee pensions, social security, group insurance and other benefits."

ALLIS-CHALMERS MANUFACTURING COMPANY

"Employes, Pay Rolls, and Insurance.
There were 31,086 employes at December 31, 1950.
The total wages and salaries paid or accrued during the year was $100,593,706.
At the end of the year 1950 there were 27,988 employes insured for $99,756,000 under the Group Life Insurance Plan. Beneficiaries of 175 employes received death benefits amounting to $550,874 during the year. Since the inception of the Plan in May, 1930, death claims of $5,529,000 have been paid to beneficiaries of 2,202 employes and monthly benefits totaling $278,580 have been paid disabled employes under the total and permanent disability provisions.
In July, 1950, the Plan was amended to provide increased coverage of over $20,000,000 at a lower cost to the employes."

In the "President's Report of Operating and Financial Activities" contained in the report of Blaw-Knox Company, the following comments were made and information presented under the heading of "Employee Relations and Activities":

"Once again we are glad to report that excellent employee relations prevailed throughout the year. Employment, which dropped to a low of 5153 in February, 1950, steadily increased to 7130 in December.

Total employment costs in 1950 amounted to $28,428,386, compared to $27,113,846 in 1949. These costs include wages, salaries, group insurance premiums, provision for pensions, federal old age benefit taxes, unemployment insurance taxes and workmen's compensation insurance.

Wage negotiations have recently been concluded with labor organizations representing production and maintenance employees at the various plants. Current wage and salary rates are approximately eleven percent higher than one year ago.

The group insurance plan of life, sickness and accident, hospitalization and surgical benefits, financed by the Company, again proved valuable to many employees and their families. Payments of insurance benefits during the past two years [comparative figures for 1949 have been omitted herein] have been as follows:

	1950 Cases	1950 Amount
Death and total disability benefits	57	$254,000
Sickness and accident benefits	454	56,400
Surgical and hospitalization benefits	1430	123,141
Total	1941	$433,541"

PENSION PLANS

In 271 of the 525 annual reports included in the 5th annual survey, there were disclosures of pension plans, while the remaining 254 companies made no reference to the existence of such plans. In the case of the 271

SYLVANIA ELECTRIC PRODUCTS INC.

Statements of Income

YEARS ENDED DECEMBER 31, 1950 AND 1949

	1950	1949
Net sales	$162,514,814	$102,539,866
Cost of goods sold, other than depreciation and taxes	$123,763,525	$ 83,512,188
Depreciation	2,654,920	2,160,335
Taxes, other than federal taxes on income	3,009,539	1,712,829
Selling, general and administrative expenses	14,075,710	9,770,214
	$143,503,694	$ 97,155,566
Operating profit	$ 19,011,120	$ 5,384,300
Other income:		
Interest and dividends	$ 64,196	$ 80,772
Royalties and license fees	724,554	353,215
Profit (loss) on disposal of fixed assets	84,284	(162,452)
Net proceeds from life insurance policy on deceased officer	154,908	—
Miscellaneous	27,456	4,517
	$ 1,055,398	$ 276,052
	$ 20,066,518	$ 5,660,352
Deductions from income:		
Interest on debentures and, in 1949, on bank loans	$ 527,038	$ 534,484
Other interest	18,690	13,764
Past service benefits, employees' retirement plan	262,013	52,163
Miscellaneous	37,592	32,101
	$ 845,333	$ 632,512
Income before federal taxes on income	$ 19,221,185	$ 5,027,840
Provision for federal taxes on income:		
Normal tax and surtax	$ 8,900,000	$ 1,975,000
Excess profits tax	2,100,000	—
	$ 11,000,000	$ 1,975,000
Net income for the year	$ 8,221,185	$ 3,052,840

The notes appended to the Balance Sheets are an integral part of these statements.

companies making such disclosures, 231 set forth varying degrees of accounting and other information with regard thereto, and 40 companies merely indicated that such plans were in existence.

The more important types of information disclosed (see examples which follow the discussion herein) were:

1. The basic type of plan adopted by the company, such as a trusteed plan, Gulf Oil Corporation; an insured plan, Phillips Petroleum Company; or, some other type of pension plan as disclosed by Allied Chemical & Dye Corporation. Many companies had different types of plans for various groups of employees. For example, there might be a trusteed plan for hourly-rated employees and an insured plan for salaried employees. (See West Virginia Pulp and Paper Company).

2. A description of those groups of employees covered by the plans in effect. In some cases, as shown in the examples for Colonial Stores Incorporated and The Mead Corporation, all employees are covered by the pension plan. More often, however, as the pension plan of The Cudahy Packing Company indicates, only certain classes or groups are included and other employees are excluded.

3. Whether the plan is a contributory or non-contributory pension plan. Pension plans for hourly-rated employees were generally non-contributory, while those for salaried employees and officers were more apt to be contributory pension plans. For example, Doehler-Jarvis Corporation states in its footnote to the financial statements that "A non-contributory pension plan for hourly-wage employees, first adopted in 1947, was amended July 1, 1950 . . ." and regarding salaried employees, the company stated, "The Corporation has a contributory retirement plan for salaried employees. . . ." In some cases a distinction is made between contributions for the cost of past and future service benefits, as in the case of Celanese Corporation of America. In this respect, the company stated, "Under the Plan, the future service benefits are contributed in part by the employees but the cost of past service benefits is payable in its entirety by the Corporation. . . ."

4. Method of determining retirement age. The most common basis was the attainment of a certain age, usually 65 years (Bohn Aluminum & Brass Corporation), but in some pension plans a certain number of years of service was also required (Pittsburgh Steel Company), or, such service itself was a test of eligibility (Bigelow-Sanford Carpet Company, Inc.).

5. Method of computing amount of pension to be paid upon retirement. The most commonly mentioned methods were (a) the use of a formula based generally on the length of service and the compensation of the employee as illustrated in the plans of American Locomotive Company and General Refractories Company; and, (b) the use of a stated fixed amount to be paid on retirement. For example, Baldwin-Lima-Hamilton Corporation describes its plan as "providing pensions of $100 per month, less social security benefits, after either 25 or 30 years of service with proportionately smaller pensions for shorter service."

6. Whether pension costs are funded or whether they are on a "pay-as-you-go" basis. Generally, the companies stated that such costs were funded. Allis-Chalmers Manufacturing Company, for instance, stated that the "normal cost" of pensions and the past service cost would be funded over a 30-year period. Crucible Steel Company of America and Lukens Steel Company, however, indicated that it was their intention to finance the costs of the pension plans in effect on a "pay-as-you-go" basis without any funding thereof.

7. Annual cost. In some cases the cost for current and past service was shown separately. (Deere & Company).

8. Unfunded liability for past service costs. Celanese Corporation of America disclosed the "unfunded liability" and Tide Water Associated Oil Company the "unpaid portion" of past service costs.

9. Period over which past service costs are to be funded. The various companies have indicated periods ranging from five years (Jones & Laughlin Steel Corporation) to thirty years (Medusa Portland Cement Company). The latter company also stated that "past service costs may be funded over a period of more or less than thirty years and the estimated costs as stated would be affected accordingly."

10. Qualification of plan under income tax regulations. Crane Co. stated that the new program "has been approved by the Commissioner of Internal Revenue" and Blaw-Knox Company that the "Company's contributions for pensions are deductible for federal income tax purposes."

The following examples relating to pension plans disclosed in the annual reports of the 525 companies illustrate the nature and scope of the information presented in the financial statements, footnotes to the financial statements, or, in the presidents' letters to the stockholders. Companies referred to in the discussion above are also included in the examples below:

ALLIED CHEMICAL & DYE CORPORATION
Balance Sheet:
(Above Capital Stock and Surplus):
"RESERVES—Pensions and Contingencies.. $27,656,777"
To the Stockholders: "PENSIONS: The Company, and its predecessors prior to the Company's organization in 1920, have paid pension allowances to employees retired after long periods. of service. In connection with changes in conditions, the pension plans have been modified from time to time, and formalized at most locations. While some of the plans differ in minor

respects, under formalized plans employees with 15 or more years of service may retire on pension at age 65, or earlier if permanently disabled, and retirement is obligatory at age 70; monthly pension is equal to 1% of the average monthly pay during the last 10 years of employment multiplied by the years of service, less one-half of primary social security benefit, except that for employees retired before age 65, such years are reduced by one-half year for each year under 65; minimum monthly pension for employees 65 or over with 25 years of service is $100, including total primary social security benefit, and proportionately less if employee has had 15 years but less than 25 years of service; for employees retired under 65 minimum monthly pension is $50, including total primary social security benefit, if any, subject to increase when employee reaches 65 to minimum for employees retired at 65; maximum pension is $1250 per month. The plans are noncontributory.

It has been the Company's procedure to charge payments made currently for pension allowances against operating expense, which practice was continued during 1950. Remainder of estimated pension cost applicable to 1950, after allowing for anticipated tax credits when payments are made in future years, was provided for in charge to income of $1,500,000 and added to the Reserve for Pensions and Contingencies. This reserve was formerly designated Reserve for General Contingencies and has been accrued through charges to net income not deducted in computing income taxes. It is estimated that the amount of the reserve is sufficient to provide for accumulated pension liability to date computed on an actuarial basis less related tax credits anticipated in the years when pensions are paid."

ALLIS-CHALMERS MANUFACTURING COMPANY

"*To the Stockholders:* . . . A noncontributory retirement plan, which may be terminated at any time at the election of the Company, was established in 1942 for salaried employes. This plan, which is being continued, contains no specific provisions relating to past service credits.

Effective September 1, 1950, a five-year noncontributory retirement and pension plan was established for the benefit of all employes in continental United States. It was the subject of negotiation with all certified unions at our various plants. The plan provides, among other things, that employes with 25 years or more of credited service may, on reaching age 65, retire and receive monthly pensions of $100 less primary social security benefits and less the benefits, if any, from the plan established in 1942. The Company is required to pay, in each of the five years from September 1, 1950, to August 31, 1955, the "normal cost" of pensions and a sum (applicable to those five years) sufficient to fund the past service cost over a 30-year period. On the basis of present employment, the payment for the first plan year, as determined by an independent actuary, was $1,116,000, including a proportionate amount of the liability for past services. The amount required to fund the entire past service cost is estimated at $14,000,000 as of December 31, 1950. The Company may, at its option, complete the funding of the past service cost in less than 30 years. These estimates are of necessity based on a number of assumptions with respect to such factors as employe turnover, social security primary benefits, earnings of the fund, and mortality rates, all of which may change in the future."

ALPHA PORTLAND CEMENT COMPANY

Balance Sheet:

"DEFERRED ITEMS:

Unamortized payments under retirement plans...$709,075"

"*To the Stockholders:* As a result of prolonged negotiations incident to the renewal of labor agreements during the spring and summer of 1950 which unfortunately involved a month's strike at five of the Company's eight plants, new agreements were entered into with the various unions representing our employees providing for the establishment of a non-contributory Retirement Plan for Hourly Employees, effective April 1, 1950, subject to the approval of the stockholders of the Company. At a special meeting of the stockholders on October 25, 1950 there were present or represented by proxy 473,396 shares, or 81% of the total stock outstanding, and the proposed plan was approved by 99% in interest of the stockholders voting.

The Plan provides monthly pensions varying from $30 to $63 exclusive of Social Security benefits for service from 15 to 35 years and disability benefits in proportion thereto. Under the present agreements the Company's liability is limited to providing pensions for those employees who become eligible for retirement before April 1, 1955. It is administered solely by the Company under a trust agreement with the Chase National Bank of the City of New York into which funds necessary for the maintenance of the Plan will be paid.

The cost of the Plan for the five-year period ending March 31, 1955 covered by the labor agreements has been actuarially estimated to be approximately $984,000. For accounting purposes, the Company is amortizing this amount over the years 1950–1954. To December 31, 1950, the Company has paid $323,742 to the trustee under the Plan, leaving an unpaid balance of approximately $660,000 with respect to liability accruing during the contract period.

The accompanying Balance Sheet shows the amount of unamortized payments which have been made under the above described Retirement Plan for Hourly Employees together with those of the Retirement Plan for Salaried Employees which was adopted in 1947."

AMERICAN LOCOMOTIVE COMPANY

"*Consolidated Statement of Income*":

Cost of products sold and operating expenses:

Wages, salaries, life, health and unemployment insurance, pension and old age benefits, etc. . . . . $37,612,725"

"*Note 3*—A Company-paid pension plan for hourly-rated employees was approved by the stockholders and became effective on May 1, 1950. Under the plan employees reaching 65 years of age are entitled, upon retirement, to a pension of $100 per month, including Federal Social Security payments, after 25 or more years of service, and a proportionately lower pension for service between 15 and 25 years. The plan also provides a disability benefit of $50 per month, including primary Social Security benefits, for employees with at least 15 years of service who have not reached retirement age but have become totally and permanently incapacitated. Upon receiving approval of the Commissioner of Internal Revenue a trust fund will be established into which will be paid amounts equal to the annual cost of currently accruing service credits of covered employees plus interest on the cost of past service credits (estimated to be approximately $6,000,000) of such employees as of May 1, 1950. On the basis of actuarial studies, using the number of active employees at May 1, 1950, it is estimated that the annual cost of this plan will be approximately $388,000. The Company reserves the right to make such other or different provisions for payment into the trust fund as it may from time to time determine.

The Employees Retirement Plan for salaried employees, which was established effective January 1, 1944, is noncontributory. A salaried employee retiring at age 65 with at least 25 years of creditable service, as defined in the plan, is entitled to receive a normal retirement allowance in an amount which, including primary Social Security benefits, equals thirty per cent (30%) of his average annual compensation during the 5 years immediately preceding the date of his retirement. The Retirement Plan also contains certain provisions relative to (a) retirement allowances in the case of members retiring at age 65 with less than 25 years of continuous service, (b) early retirement allowances, (c) disability allowances, and (d) minimum retirement allowances. The maximum retirement allowance is fixed at $10,000 per annum. In 1950 the Company contributed $600,164 to the trust fund.

Of this amount $377,910 represented past service costs for which a reserve was provided in 1946."

BALDWIN-LIMA-HAMILTON CORPORATION

Note 5: "Non-contributory Pension Plans covering substantially all of the hourly rated employees of the Company and the hourly rated employees of certain of its subsidiaries have been made effective during the year 1950 or as of January 1, 1951. These plans follow a substantially similar pattern, in general providing pensions of $100 per month, less social security benefits, after either 25 or 30 years of service with proportionately smaller pensions for shorter service. Certain of the plans provide for funding of the past service cost over a period of not in excess of 30 years.

Salaried employees of the Lima-Hamilton Division continue to be covered by a contributory Pension Plan which was in effect prior to the acquisition of the assets and business of Lima-Hamilton Corporation. This plan provides for benefits at the rate of $^1/_2$% of the first $3,000 per year, and 1% of the balance of the employees earnings for the period of credited service. To the extent that this plan provides for credit for past service, the cost has been funded. The Company put into effect in 1950, a non-contributory Pension Plan for its other salaried employees and for the salaried employees of certain of its subsidiaries. This plan provides for pensions, including social security benefits, equal to 1% of the employees average base salary for the ten years prior to retirement multiplied by the years of continuous service.

The Pension Plans for hourly rated employees were negotiated with the Unions which represent the respective groups of employees and are subject to the collective bargaining process. In each case they include provisions permitting the Company to continue the Plans without change for a period of approximately five years, none of which five year periods expires before 1955. The Pension Plans for salaried employees are terminable at the option of the Company.

The lump sum amount which would be required to be paid on account of the unfunded past service cost of these Pension Plans as of December 31, 1950, has been estimated to be approximately $10,300,000. Based upon employment and payrolls at December 31, 1950 levels, upon certain assumptions as to retirement and other factors, and based also upon the funding of the past service cost on a 30 year basis, the total annual cost of meeting pensions under these plans is estimated at approximately $1,085,000, of which approximately $595,000 represents current cost, and $490,000 represents past service cost. These amounts are furnished as information only as the Company is presently meeting the cost of pensions at other than its Lima-Hamilton Division on a "Pay-As-You-Go" basis."

BEECH-NUT PACKING COMPANY

Balance Sheet:

(Above "Capital Stock and Surplus"):

"Reserve for Employees' Pensions (Note 3)..$796,058.37"

Note 3: "During 1950 payments of $630,045.00 were made to Bankers Trust Company, as trustee under the Retirement Pension Plan. This amount included $128,165.00 on account of past services that was charged to the Reserve for Employees Pensions. Pension payments during 1950 to individuals not covered by the Retirement Plan amounted to $47,638.18 and were charged to income instead of the Reserve for Employees' Pensions as in prior years. The balance of the Reserve for Employees' Pensions at December 31, 1950 of $796,058.37 appeared adequate to cover the unliquidated balance of that portion of the cost of pensions which was based on services prior to the inception of the plan."

BIGELOW-SANFORD CARPET COMPANY, INC.

Note 7: "PENSION PLANS—Pension transactions during 1950, as outlined below, were approved by stockholders at a special meeting held on June 29, 1950. The Company entered into a five-year pension agreement with Unions representing about 6800 employees. For the duration of this agreement, the Company is obligated to provide employees retiring during such period, after 30 years of service, with a pension equal to $100 per month including Federal social security benefits. In connection with this contract, which became operative January 1, 1951, the Company agreed to provide similar pension benefits for employees who retired during the 13 months ended December 31, 1950. The total actuarial cost to the Company of such life-time pensions for employees retiring during these 13 months is approximately $180,000, which amount has been charged to 1950 operations. The total actuarial future cost to the Company of providing the above life-time pensions to employees at dates of retirement during the five years beginning January 1, 1951, are estimated at an average of $400,000 per year.

During 1950, the group annuity contributory pension plan, for which a contract has been in existence with the Prudential Insurance Company of America for a number of years, was amended to integrate the Company's entire pension program in accordance with requirements of the U. S. Treasury Department. Due to this change, current service pension cost to the Company under the Prudential contract will be about $45,000 in excess of such costs during 1950. Past service obligations were also incurred through this amendment to the contract which will approximate $150,000 annually over the next $10^1/_2$ years, assuming annual payments of the maximum amounts allowable for tax purposes. A payment of $150,000 toward this past service was made and charged to operations during 1950."

BLAW-KNOX COMPANY

"*Supplementary Financial Information*":

Other Current Liabilities:

Pensions (see page 17) .... $ 792,732"

"*Statement of Operations*":

Costs and expenses:

Pension expense (see page 17) .... $1,125,232"

Page 17: "The accrued pension liability of $792,732 (paid in February 1951) represents the unpaid balance of the provision for pensions in 1950 in the amount of $1,125,232; the amount provided includes $436,441 for the total cost of pension benefits based on current services and $688,791 for 10% of the lump sum cost of benefits based on past service. The actuarially estimated cost of $6,200,000 for past service not provided for at December 31, 1950, is to be funded at rates determined from time to time by the Board of Directors. Based on present regulations, the Company's contributions for pensions are deductible for federal income tax purposes."

BROWN & SHARPE MANUFACTURING COMPANY

Balance Sheet (Below Current Liabilities):

"PROVISIONAL RESERVE FOR PAST SERVICE UNDER RETIREMENT PLAN, representing unfunded balance of past service cost calculated as of January 1, 1946, and reduced by allowance for federal income taxes .... $2,402,403"

"*To the Stockholders:* Employee Benefits. The Company's 1950 contribution to the Retirement Plan Trust Fund in accordance with requirements certified by the company's actuary, totaled $506,159 which, by reason of reduction in number of employees on the date that the actuary made his calculation, is less than the total contributed in prior years, $471,226, representing approximately one-tenth of the reserve established as at the effective date of the plan, has been charged to the Provisional Reserve for Past Service. The balance of contribution is included in selling, general and administrative expense."

CELANESE CORPORATION OF AMERICA

Note 6: "Retirement Income Plan. As of July 1, 1947 the Corporation inaugurated a retirement income plan for its employees. Under the Plan, the future service benefits are contributed in part by the employees but the cost of past service benefits is payable in its entirety by the Corporation and is being funded on a twenty year basis. The operations of the year ended December 31, 1950 include the payment of $567,-466 on account of past service benefits. The unfunded liability for such benefits as of June 30, 1950, as actuarially determined, amounted to approximately $7,500,000."

THE CHAMPION PAPER AND FIBRE COMPANY

Balance Sheet:
(Above "Stockholders' Investment"):
"RESERVES:
Past service payments under pension plan (Note 5) .... $1,670,228"

Note 5: "The Company provided in prior years a reserve to cover the cost of the past service portion of the retirement income plan for Company employees. Payments of not less than $100,000 for this portion of the pension plan are required at least every two years. The estimated annual cost of current service under the plan amounts to approximately $600,000. The Company has reserved the right to modify or discontinue the plan at any time."

Annual Message to our Stockholders: ". . . . The amount paid during the year for past service under our Retirement Income Plan came to $95,000. In addition, we transferred $713,000 from the reserve for past service payments to Accounts Payable, in anticipation of a further payment which we made in April, 1951. These two payments brought the total amount paid for past service since the inauguration of the plan to $2,296,000."

COLONIAL STORES INCORPORATED

Note 3: "*Employee Retirement Plan:* Under the trusteed retirement plan for employees (including officers) in effect at December 30, 1950, the unfunded cost of past service benefits payable entirely by the company over a remaining period of seventeen and one-half years is estimated on an actuarial basis to approximate $1,575,000. Prior to the year 1950, the computation of the estimated cost of past service benefits was based on the assumption that all eligible employees would retire at age 60; for the year 1950, because of the company's experience, the computation was based on the assumption that only 30% of the eligible employees will retire at age 60. The statement of profit and loss for the year ended December 30, 1950 includes charges amounting to $368,883 representing the company's contribution to the plan for the year; of such amount, $108,986 is in respect of past services and $259,897 relates to current services.

While the company expects to continue the plan indefinitely, the right to modify, amend or terminate the plan has been reserved. In the event of termination, the entire amount theretofore contributed under the plan must be applied to the payment of benefits to participants or their beneficiaries."

THE COLORADO FUEL AND IRON CORPORATION

Balance Sheet:
Non-Current Assets:
"DEFERRED CHARGES
Portion of estimated present liability under pension plan to be allocated against future operations (Note B) .... $1,374,395"

"*Current Liabilities:*
Payments to pension trust due within one year—estimated (Note B) .... $ 650,000"

Below Current Liabilities:
"Estimated Present Liability Under Pension Plan—portion due after one year (Note B) ... $1,500,000"

Note B: "PENSIONS AND SOCIAL SECURITY BENEFITS: A pension plan providing retirement and disability benefits to employees of the Corporation and certain subsidiaries (except those covered by previous agreements) became effective March 1, 1950 and is to continue in effect until December 31, 1951 and, unless terminated by the Corporation on or after that date, until October 31, 1954. Actuarial computations were made of the liabilities thereunder on the basis of the continuance of the plan to October 31, 1954 and certain assumptions as to dates of retirement, continuity of employment, future compensation and the continuance of present Federal old-age insurance benefits without increase. Based upon such computations the maximum liability for the five-year period to October 31, 1954 has been estimated to aggregate a gross amount of approximately $10,000,000, of which $4,300,000 relates to employees who had retired prior to December 31, 1949 or had already at that date met the age and service requirements of the plan.

Commencing as of January 1, 1950, provision is being made for such liability by a method which is designed to spread the entire cost, less anticipated income tax benefits, over the five-year period ending on December 31, 1954. For the six months ended June 30, 1950, the provision amounted to $1,012,549 before income taxes. Unpaid amounts in respect of employees who have been granted pensions, the actuarial liability in respect of employees who have applied for pensions, and a preliminary estimate, pending further experience under the plan, in respect of employees now eligible who may be expected to retire within the next twelve months have been provided for in the balance sheet. Except as to the amount included under current liabilities, the provision is on a basis net of anticipated future tax benefits. The amount by which such liabilities exceeded the provision for the six months ended June 30, 1950 has been set up as a deferred charge to future operations.

Increased Federal old-age benefits, enacted into law on August 28, 1950, will, under the terms of the pension plan, reduce the Corporation's liabilities for pensions in a substantial amount, which amount, however, is presently undetermined pending further actuarial study.

Provision has also been made during the six months ended June 30, 1950 for the Corporation's share of the cost of a contributory social insurance program for employees."

Note E: "*Restrictions on Surplus:* . . . . . As of February 14, 1950, it was provided, by written consents obtained from over 66²/₃% of the holders in principal amount of the bonds outstanding, that no effect shall be given in determining consolidated net income to any liabilities or indebtedness in respect of any employee insurance or pension plan payable more than twelve months after the end of the period for which the determination is made. . . ."

BOHN ALUMINUM & BRASS CORPORATION

Balance Sheet:
Note: (Directly below "Total Stockholders' Investment"): "The Corporation has established pension plans for all employees except hourly rated personnel at the Adrian Plant. Under the plans, employees may retire at age 65 with a maximum monthly pension of $125.00, including primary benefits under the present Social Security Act. For five years after October 1, 1950, the Corporation has agreed to make contributions to trust funds to cover (1) current service costs, and (2) past service costs funded over not more than 30 years. The annual cost of these plans will approximate $300,000. Unfunded past service costs at December 31, 1950, amounted to approximately $2,500,000."

CRANE CO.

Balance Sheet (Below Current Liabilities):
"RESERVES AND APPROPRIATIONS:
Reserve for pensions .... $3,383,935"

"*To the Shareholders:* . . . . During 1950 your Company adopted a formal retirement program to supersede its previous informal procedures. In general the new program, which has been approved by the Commissioner of Internal Revenue, is consistent with the current trend in pension plans. The entire cost of the new retirement program will be paid by the Company and the program will be administered under Pension Trusts.

THE TEXAS COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF INCOME AND UNDISTRIBUTED EARNINGS EMPLOYED IN THE BUSINESS

For the Years Ended December 31, 1950 and 1949

	1950	1949
Gross Income:		
Sales and services	$1,248,502,334	$1,077,270,246
Dividends, interest and other income	60,781,116	38,766,810
	$1,309,283,450	$1,116,037,056
Operating Charges:		
Costs, operating, selling and general expenses	$ 981,946,072	$ 830,117,530
*Taxes (other than income taxes)	34,273,822	31,838,351
Intangible development costs (amortization and dry holes)	33,640,663	32,915,353
Depreciation	50,864,957	46,136,901
Depletion and leases surrendered	11,298,245	13,175,424
	$1,112,023,759	$ 954,183,559
	$ 197,259,691	$ 161,853,497
Interest Charges:		
Interest and amortization of discount and expense on debentures	$ 3,760,164	$ 3,760,164
Other interest charges	1,627,784	1,150,174
	$ 5,387,948	$ 4,910,338
	$ 191,871,743	$ 156,943,159
Provision for Income Taxes	42,800,000	24,200,000
Net Income for the Year	$ 149,071,743	$ 132,743,159
Undistributed Earnings Employed in the Business at Beginning of Year**	578,556,179	500,955,448
	$ 727,627,922	$ 633,698,607
Deduct — Cash dividends declared	75,795,357	55,142,428
Undistributed Earnings Employed in the Business at End of Year**	$ 651,832,565	$ 578,556,179

*In addition, state and Federal gasoline and oil taxes were paid or accrued in the amounts of $198,406,704 during 1950 and $186,159,305 during 1949.

**Includes $25,000,000 appropriated as a reserve for contingencies.

Reference is made to the Financial Review section of this report on pages 11 to 14.

The cost for past services of employees under the new retirement program initially has been computed by independent actuaries to be approximately $30,500,000 against which a reserve of $5,500,000 previously had been provided. The cost for past and current service charged to operations for the current year was $1,936,986, based on amortizing the past service cost over a period of approximately 24 years. The future annual cost of the program will tend to vary with changes in pay, increase or decrease in the number of employees, interest, and other variable factors. During the year, $4,053,051 was deposited with the Trustees for the payment of pensions under the retirement program."

CRUCIBLE STEEL COMPANY OF AMERICA

Balance Sheet:
"RESERVE—Pension Plan (Note 3).......... $1,300,000"
"*Consolidated Income and Surplus:*
EMPLOYEES' PENSION AND RETIREMENT PLANS
(Note 3)............................... $1,796,403"
Note 3: "The Pension Plan adopted by the stockholders in 1950 covers all employees retiring after September 1, 1950 at age 65 or more with at least 15 years' service. The minimum pension is $60 per month and the maximum pension is $625 per month from which are deducted allowances under the Company's Retirement Plan and primary social security benefits. The entire cost of such pensions is to be borne by the Company. The Company may terminate or modify the Plan but not as to pensions already granted and not prior to midnight of September 1, 1952. The agreement with the Union which gave rise to the pension plan terminates October 31, 1954.

The Company intends to finance the costs of the Pension Plan on the "pay-as-you-go" basis. The estimated liability for those eligible to retire under the Plan at December 31, 1950, after an allowance for the reduction in income taxes when payments are made to pensioners, amounts to $1,354,-000. This amount has been charged to income in 1950; the portion expected to be paid in 1951, based on the present pension roll, $54,000, is included in current liabilities and $1,300,000 is carried as Reserve for Pensions. The estimated total pension liability, stated on the same basis, as of the end of future years is as follows:

December 31, 1951.................	$1,550,000
December 31, 1952.................	1,990,000
December 31, 1953.................	2,350,000
December 31, 1954.................	2,670,000

The Employees' Retirement Plan established in 1947, as subsequently amended, applies to salaried employees, except those represented by a union, with three or more completed years of service who receive a salary in excess of $3,000 a year. After 20 years' service an eligible employee is entitled to retire at age 65 with a retirement allowance of 25% of his "final salary" as defined in the Plan. The minimum normal retirement allowance is $240 per annum and the maximum is $7,500. The entire cost is borne by the Company. The Company reserves the right to modify or amend the Plan except that assets of the Plan may not be diverted to Company use. In 1950 payments to the Trustee under the Plan were $432,500. The estimated unfunded past service liability under the Plan at December 31, 1950 is $2,200,000."

THE CUDAHY PACKING COMPANY

"*Consolidated Statement of Income:*"
Cost and Expenses:
Contribution to employees' pension trust....... $79,754
Note (1): "Under the Cudahy pension plan in effect since 1927, certain employees are granted pensions from the pension fund which is independently administered; in the opinion of counsel the Company has no legal liability for future payments under the plan and accordingly no provision (other than amounts appropriated for or paid to the principal of the fund) has been made for future pension payments."

DEERE & COMPANY

Balance Sheet:
(Above "Capital Stock and Surplus"):
"RESERVES—Pensions (1950)............... $19,000,000
Note 1: "A non-contributory pension plan was established in 1908 by Deere & Company's predecessor company of the same name. This plan, with its latest amendments now largely in effect, covers all of the employees of Deere & Company and its subsidiaries. In the past, provisions for pensions in amounts determined annually by the management without actuarial computation have been charged to income and like amounts credited to the pension reserve. Pensions paid to retired employees have been charged to the reserve. During the 1950 fiscal year a pension trust was established for the purpose of funding the portion of the pension plan relating to existing and future employees. The pension trust and the related portion of the plan have been qualified under the appropriate provisions of the Internal Revenue Code.

At October 31, 1950 the unfunded past service cost of the revised pension plan aggregated approximately $33,000,000 including about $6,000,000 representing the estimated cost of pensions for employees who retired before that date, which latter amount is not to be funded. The book reserve for pensions, which had accumulated principally in prior years to provide for the lower pension benefits then in effect, amounted to $19,000,000 at the end of the fiscal year. Pensions paid during the 1950 fiscal year to retired employees amounted to $563,469. An initial contribution of $2,437,430 was made to the pension trust during the fiscal year. This contribution would have approximated $4,450,000 if negotiations with certain unions had been completed at the end of the 1950 fiscal year. Since that time agreements have been concluded with most of these unions. Income for the fiscal year was charged with $3,928,994 for pensions. Of this amount $2,008,-082 represented current service costs and $1,920,912 represented a portion of past service costs. The provisions for pensions to be charged to income and the contributions to the pension trust in each future year will vary in accordance with changes in a number of factors, among which are annual wages and salaries paid, number and age of employees, social security benefits, and the period of time over which past service cost is distributed."

DOEHLER-JARVIS CORPORATION

"*Statement of Operations and Earned Surplus:*
COSTS, EXPENSES AND OTHER CHARGES
Employees' Pensions and Retirement Plans... $980,933"
Note 1: "A non-contributory pension plan for hourly-wage employees, first adopted in 1947, was amended July 1, 1950 and made part of a five-year union agreement. It is intended that the plan will continue indefinitely but it may be terminated after five years. The Corporation is required to pay for benefits based on current service at an estimated annual cost of $440,000 of which $220,000 has been accrued during the last half of 1950. The Corporation is also required to pay before August 31, 1955 an amount equal to five yearly payments of the level amount required to fund benefits based on past service over a period of 30 years. The estimated yearly payment for past service is $220,000 but with credits available under the plan before amendment it is expected that past service payments will be required under the five-year agreement only in 1954 and 1955. The estimated cost of funding the total past service benefits by a single payment at December 31, 1950 would be approximately $4,000,000. In addition to the foregoing plan, a contributory insurance program, included in the union agreement, is estimated to cost $420,000 annually on the basis of premiums for the three-month period effective during 1950.

The Corporation has a contributory retirement plan for salaried employees, under which there is no past service liability, and a non-contributory insurance plan. The cost to the Corporation in 1950 was $733,000 for the retirement plan and $109,000 for the insurance plan. The Corporation also pays certain supplementary pensions which amounted to $27,000 in 1950."

GENERAL REFRACTORIES COMPANY

Note 8: "The retirement plan for full-time salaried employees, as amended during 1950, provides for their pensions at age 65, computed generally in relation to length of service and compensation. The estimated annual cost of the plan is approximately $255,000, which includes the annual cost of funding past service benefits, aggregating approximately $700,000 at December 31, 1950. The retirement plans for non-salaried employees, adopted during 1950, provides for their pensions at age 65, computed generally in relation to compensation during the 120 months preceding retirement and length of service. The estimated annual cost of the plans is approximately $555,000, which includes the annual cost of funding past service benefits, aggregating approximately $2,800,000 at December 31, 1950. It is the present intention of the management to fund the past service pension costs on an approximately 10-year basis.

On the basis upon which the retirement plan for full-time salaried employees was in effect at December 31, 1949, the amount required to fund the past service cost aggregated approximately $425,000 at that date."

GULF OIL CORPORATION

"*Consolidated Income Statement:*

EXPENSES:

Contribution to employees pension trust fund
(Refer to page 35) .... $12,226,411"

"*Page 35:* In 1950 the Corporation paid to the Trustee and charged to income $12,226,411 consisting of $6,724,142 representing the actuarially estimated cost of current service annuities and $5,502,269 representing the seventh annual payment of 10% of the actuarially estimated cost as of January 1, 1944 (the effective date of the Annuities and Benefits Plan) of annuities based on service prior thereto. As of January 1, 1944, the actuarially estimated cost of such prior service annuities was $55,022,691, assuming that the Corporation paid the entire amount into the Trust Fund on that date. So far during the intervening seven years the Corporation has contributed to the Trust Fund 70% of that amount and if future payments continue at the same annual rate, the said amount will have been paid by the end of 1953. However, to fund completely the liability for such past service annuities, it will be necessary to contribute an additional amount equaling the assumed earnings on the unpaid balances of the said January 1, 1944 cost. Such additional amount calculated to December 31, 1950 is $8,423,084. The Plan reserves to the Board of Directors the right to withdraw or modify the Plan at any time, but once an annuity has been granted by the Annuity Committee, the Corporation guarantees that it will be continued throughout the life of the annuitant, and a reserve of $5,910,000 has been provided for the unfunded portion of the annuities already granted.

The pension plan of the Venezuelan subsidiary for employees who are citizens of that country is not funded, but liability for future payments has been recognized by creation of a reserve of $3,871,955 provided from income. The charge to income in 1950 was $1,125,930 of which $682,002 is based upon prior services and $443,928 upon current services. Approximately $1,365,000 remains to be provided for pensions based upon prior services and at the present rate, will be provided from income over the next two years."

INGERSOLL-RAND COMPANY

Balance Sheet Footnote:

"Assets do not include Pension Fund assets in the amount of $11,143,538 represented by cash and United States Government securities set aside by the Board of Directors and in the custody of the Pension Committee for the purpose of paying pensions to retired employees pursuant to the Employee Pension Plan approved by the stockholders on December 28, 1948."

Accountant's Report:

"In the accompanying income statement there is included in cost of goods sold and other expenses the amount set aside by the Board of Directors for the Pension Fund. This amount is based on studies made by independent actuaries and represents their estimate of the normal annual cost of pensions for current service benefits and the interest cost on the unfunded portion of past service benefits."

JONES & LAUGHLIN STEEL CORPORATION

Note H: ". . . Pensions accrued under the Noncontributory Pension Plan—1923 in the amount of $3,331,000 represents the estimated liability for pensions granted voluntarily to employees who do not qualify under any other plan.

The noncontributory pension plan—1950 for wage earners resulted from agreements with unions representing the majority of hourly paid employes. A noncontributory plan with similar benefits was extended voluntarily to salaried employes. Under these plans the total estimated cost, $2,734,000 of all pensions granted has been reduced by anticipated future income tax credits of $1,640,000 realizable when the liability is funded (the difference, $1,094,000, being charged to income for 1950) and by payments of $600,000 into pension trust funds. The agreements with the unions pertaining to the pension plan for wage earners remain in effect until December 31, 1951, but may be continued at the will of the Corporation until October 31, 1954. Based upon an actuarial study, the liability for pensions that may be granted, under agreements to wage earners or voluntarily on a similar basis to salaried employes, over the remaining years of the agreements, 1951 to 1954 inclusive, is estimated to be $11,000,000 before consideration of income tax credits. The Corporation (and certain subsidiaries) is obligated to provide pensions for only those employes represented by agreements with the unions who will become eligible therefore during the terms of the present agreements and the plans do not require the accumulation of funds prior to retirement. If the present plans should be continued subsequent to 1954, it is estimated that the cost of pensions that may be granted, based upon an actuarial study and before consideration of income taxes, would average approximately $2,800,000 per annum for the nine years 1951 through 1959.

The cost of the Contributory Pension Plan for Salaried Employes, adopted in 1944, has been funded and charged to income in an amount equal to the current service cost for all eligible employes plus a portion of the estimated liability for prior service credits. It is estimated that the cost, before consideration of income taxes, of future contributions for prior service credits will be approximately $1,230,000, if paid in five annual instalments. No portion of this liability is included in the statement of financial position."

LUKENS STEEL COMPANY

Note 7: "PENSIONS: On February 14, 1950, the stockholders of the company approved a Union contract under which it was agreed, among other things, that pensions would be paid to all hourly rated employees covered by the collective bargaining agreement.

The pension program under which the payments are to be made is noncontributory and is effective until January 1, 1955. It is similar, in most respects, to the company's voluntary pension plan which has been in existence for many years and is being extended to all employees except those covered by the retirement plan established by the company in a prior year for certain salaried personnel.

It is the intention of the company to continue to meet the cost of pensions upon a pay-as-you-go basis without any funding. The cost of pensions for the fiscal years 1950 and 1949, aggregated $387,786 and $345,985, respectively, including payments of $205,000 and $197,000 to the trustee of the retirement fund for certain salaried employees."

R. H. MACY & CO., INC.

Note 3: "The cost of funding pensions, which are integrated with the Old Age Benefits payable under the Social Security Act, has been materially reduced by the recent revision of the Act. Revised actuarial studies indicate that funding in respect of past service is now complete and that no further payments in respect of current services need be made for the year 1950. Payments made to the Pension Trust Fund for the fiscal year ended July 29, 1950 amounted to $784,000 compared with $1,861,000 paid the previous year."

THE MEAD CORPORATION

Balance Sheet:
"Current Liabilities:
Employees' retirement plan (Note B)...... $1,160,788"
"*Consolidated Statement of Net Earnings*":
Costs and expenses:
Contributions to employees' retirement plan $1,508,807"
Note B: "*Employees' retirement plan:* The company and subsidiaries have in effect a voluntary contributory Retirement Plan available to all employees under age 65 with five or more years service. At December 31, 1950 the liability for past service for participating employees is estimated at $2,125,000 which the companies (including certain unconsolidated subsidiaries) have been funding at the rate of $125,000 per annum. The current service cost of the plan for 1950 (excluding unconsolidated subsidiaries) was $242,104.

In addition the Retirement Plan includes profit sharing provisions providing for a further contribution up to 10% of the compensation of participating employees, but in general any such contribution can not be more than 50% of net earnings in excess of the amount required to cover dividends on preference stocks outstanding, 6% on common shareholders equity capital, and the tax reduction resulting from a contribution. In 1950 the contribution under this provision was $1,138,246 and the total cost in respect of all provisions including trustees fees and other costs was $1,508,807."

MEDUSA PORTLAND CEMENT COMPANY

"*Note E:* "The Board of Directors has adopted, subject to the approval of the Company's shareholders, pension plans for employees of the Company and of certain of its subsidiaries, effective January 1, 1951. The plan for hourly compensated employees is non-contributory and will continue in effect for a minimum period of five years ending December 31, 1955, and may be continued in effect from year to year thereafter. The plan for salaried employees, including officers, provides basic pension benefits on a non-contributory basis, and supplemental pension benefits, if elected by the employee, on a contributory basis. The Company reserves the right to amend, modify, or terminate the plan for salaried employees at any time by action of its Board of Directors. The estimated total annual cost of the plans to the companies, on the basis of funding past service costs over a period of thirty years and providing annually for future service costs, is $332,200, of which $194,900 represents the estimated annual cost of the plan for hourly compensated employees and $137,300 for salaried employees, including officers. However, past service costs may be funded over a period of more or less than thirty years, and the estimated costs as stated would be affected accordingly."

PHILLIPS PETROLEUM COMPANY

Balance Sheet (*Above "Net Worth"*):
"RESERVES:
Retirement Annuities—Note 4............. $161,617"
Note 4: "RETIREMENT ANNUITIES: The Company has had a contributory retirement income plan since 1938 which, except for a relatively minor portion, is administered by the Metropolitan Life Insurance Company. Total estimated cost of past service annuities has been provided for except for certain guaranteed minimum annuities, the cost of which is not considered material. The reserve for retirement annuities, amounting to $161,617 at December 31, 1950, is in respect of annuities not covered under the Metropolitan plan."

PITTSBURGH SCREW AND BOLT CORPORATION

Note A: "PENSION PLAN: Under the noncontributory pension plan for hourly-paid employees entered into in 1950, the corporation is required to fund over a period of five years the cost of pensions granted. The corporation has provided by a charge to income for the estimated cost of (a) future pension benefits based on service since March 1, 1950 (current service), and (b) interest at 2½% for future pension benefits based upon service prior to March 1, 1950 (past service). The total of these amounts ($267,223) has not been reduced by estimated income tax deductions ($110,000), expected to be realized when future pension payments are made. $20,000 has been paid in 1950 and $247,223 has been included in current liabilities. The actuarially estimated cost at December 31, 1950, of pension benefits based upon services before December 31, 1950, but not provided for, is estimated at $2,350,000 before income tax reductions."

PITTSBURGH STEEL COMPANY

"*Statement of Income and Accumulated Earnings:*
Costs and Expenses:
Employees' insurance and pensions........ $1,049,032"
"*Supplementary Financial Information:*
Pensions: "Effective March 1, 1950, Pittsburgh Steel Company and certain of its subsidiary companies adopted noncontributory pension plans for employees represented by the United Steelworkers of America (C.I.O.) and plans for other employees not represented by the Union. All plans provide for minimum annual pensions of $1,200, less amounts from public pensions, upon retirement at age 65 or over, with 25 years' service.

The companies have provided for pension costs on the basis of covering the entire costs of pensions to employees who retire or one-fifth of the cost of pensions to those eligible to retire, whichever amount is greater. During 1950, the companies provided $612,000 by charges to income for the costs of pensions granted. This amount is composed of $511,000 paid to the Trustee and a further amount of $101,000 representing the excess of liability for pensions granted under one of the plans over the payment to the Trustee under that plan, after allowing for anticipated income tax reductions upon payment.

The actuarially estimated cost, for which no provision has been made, of pension benefits to present employees eligible at December 31, 1950, to retire under the plans is $1,734,000. No estimate has been made of possible costs of pensions for other employees not now eligible to retire under the plans."

RADIO CORPORATION OF AMERICA

"*Consolidated Earnings:*
COST OF OPERATIONS:
Pensions, social security taxes, insurance and
other benefits (Note 7)................ $10 387 303"
Note 7: "The contributions made by the Corporation under the RCA Retirement Plan are in two parts: for employee service before December 1, 1944, the date the plan started, and for employee service after that date. Contributions of $1,323,270 were paid by the Corporation in 1950 into a pension trust fund to provide retirement benefits based on employee service prior to December 1, 1944. At the end of 1950 payments into this fund were 63% of the estimated total cost of providing the past service benefits covered by this plan.

Current service contributions of $2,318,291 were paid by the Corporation in 1950 to an insurance company to provide retirement benefits based on employee service in 1950. During the year the contract with the insurance company was changed from a group annuity contract to a deposit administration contract. Under this arrangement the Corporation's contributions may exceed the amount of employee contributions. The scale of employee contributions and benefits under the plan remains unchanged except that the previous limitation on the purchase of annuities in excess of $1,666.67 per month for any individual has been removed."

REPUBLIC STEEL CORPORATION

Note J: "The Corporation and its consolidated subsidiaries charged against income of the year and paid into the Pension Trust created March 1, 1950, the sum of $8,487,673.00 to fund fully the estimated cost of pensions granted to December 31, 1950, and to provide an additional sum which will be applied to the extent available to the funding of pensions for employees who may become entitled to pension benefits after December 31, 1950. On the basis of certain assumptions and actuarial computations, the estimated remaining average annual cost of funding pensions which may be granted up to October 31, 1954, (termination date of labor agreement providing for pensions), will be approximately $3,800,000.00. If the Pension Plan is terminated at the option of the Corporation on December 31, 1951, a payment into the trust fund of approximately $6,200,000.00 would be required in lieu of any part of the aforesaid average annual cost. A charge of $4,379,237.27, was also made against income of the year 1950, by the Corporation and consolidated subsidiaries for pension plan costs under the Pension Plan for Eligible Salaried Employees dated December 15, 1943."

THE TEXAS COMPANY

Balance Sheet:
(Above "Stockholders' Equity"):

"RESERVES:	
Employes' pension plan (1950)	$13,728,027
(1949)	5,901,918"

"*REVIEW OF 1950—Financial Review—*. . . Employes' Pension Plan: On April 25, 1950, the stockholders ratified the action of the Board of Directors in liberalizing the benefits for services prior to July 1, 1937 under the Company's Employes' Pension Plan, which was originally established in 1937. It is estimated that the net cost, after taxes and carrying charges, of the increased retirement benefits will amount to $11,435,832. Accordingly, this amount was added in 1950 to the Reserve for Employes' Pension Plan by a charge to deferred expenses, which charge is being amortized against income in equal amounts annually over a 20-year period beginning July 1, 1950."

TIDE WATER ASSOCIATED OIL COMPANY

"*Income and Retained Profits Reinvested*":

Costs and operating expenses:	
Contributions to employees' contributory pension plan (Note 2)	$ 853,051"
"*Table E:*	
Reversal of reserve for retirement allowances upon adoption of contributory pension plan (Note 2)	$ 7,276,560
Amount deposited with Trustee in 1950 for past service liability under contributory pension plan (Note 2)	$ (5,694,166)"

Note 2: "EMPLOYEES' CONTRIBUTORY PENSION PLAN: A contributory pension plan for employees of the Company and certain subsidiaries became effective as of July 1, 1950. The Plan provides that employing companies will (1) in a period of not more than thirty years deposit into a Trust Fund established for that purpose amounts sufficient to fund the full cost of benefits payable in respect of past service credits, and (2) contribute amounts each year to cover the cost of benefits payable in respect of future service credits. Amounts totaling $5,694,166 were deposited with the Trustee in the year 1950 for past service costs and charged to Retained Profits Reinvested, and operations have been charged with $853,061 deposited with the Trustee for future service benefits. The reserve for "Employees' Retirement Allowances" amounting to $7,276,560 as of December 31, 1949, was cancelled by a resolution of directors on authority of the stockholders and the amount credited to Retained Profits Reinvested.

It is estimated by the Company's consulting actuary that as of December 31, 1950, based on the number of employees covered by the Plan on that date, the unpaid portion of the past service costs under the Plan approximated $20,508,000, and that the annual cost of funding such amount and future service benefits is $2,694,000. Members of certain organized groups of employees have not as yet elected to become participants, but should they subsequently choose to become participants, the foregoing unpaid portion of past service costs and the annual cost of funding it, together with the future service credits, may increase materially."

UNITED FRUIT COMPANY

(*Within the Balance Sheet, directly below "Stockholders Equity" section*): "Since 1940 the Company has had a voluntary contributory pension plan for salaried employees and at December 31, 1950 there were approximately 12,000 members.The Company contribution to the plan for 1950 was $648,821.19. At December 31, 1949, the liability under the plan was 91% funded based on cost of securities held by the plan."

UNION TANK CAR COMPANY

Balance Sheet:
(Above "Capital Stock and Surplus"):

"RESERVES:	
For Annuities	$313,421.06
(For retired employees whose annuity credits were not underwritten by insurance company under the Annuity Plan as now in effect)"	

UNIVERSAL-CYCLOPS STEEL CORPORATION

"*Statement of Income and Accumulated Earnings:*

COSTS AND EXPENSES:	
Provison for pensions (page 6)	$450,000"

Page 6: "PENSION PLAN: The corporation made payments totaling $450,000 to the trustee during 1950, all of which was charged to income. These payments are equivalent to the sum of (a) the estimated cost of future pension benefits based on service since March 1, 1950 (current service), (b) interest at $2^1/_2$% of future pension benefits based upon service prior to March 1, 1950 (past service), and (c) an additional amount of $165,000 on account of past service liability. The actuarially estimated cost at December 31, 1950, of pension benefits based upon service before March 1, 1950, but not provided for, is estimated at $3,000,000 before consideration of income taxes."

WEST VIRGINIA PULP AND PAPER COMPANY

Note E: "Pension and retirement plans covering past and current service benefits for hourly paid and salaried employees were adopted in prior years. Reserves to meet the liability under the plan for hourly paid employees have been accumulated under a trust agreement and at October 31, 1950 amounted to approximately $7,000,000. Actuarial studies are made regularly to determine if adjustments in addition to normal contributions for current service are advisable. The plan for salaried employees provides for the annual purchase of annuities under a group contract with an insurance company."

WHEELING STEEL CORPORATION

"*Supplementary Financial Information:*
RESERVES—Pensions—Corporation's plans... $2,708,353"
"*Statement of Profit and Loss:*
COSTS AND EXPENSES:
Provision for pensions—Corporations plans (see page 19)........................ $1,317,645"

Note: (Page 19) "The estimated amount payable in 1951 to employees who retired under the Plan in 1950 is included in current liabilities. It is estimated that the aggregate additional amount payable to such employees after 1951 is $900,000, and that the aggregate amount payable for employees who are now eligible for retirement or who will become eligible in 1951 is $3,200,000; both of these amounts have been computed on the assumption that social security old age benefits, which are deductible in determining the pensions payable, will remain unchanged. Also, these estimates give no recognition to anticipated reductions in income taxes if and when the pensions are actually paid. As shown above, the accounts at December 31, 1950 include a reserve for pensions amounting to $2,708,353, which represents provisions for pensions charged to income in the last several years ($1,317,645 in 1950), less pensions paid and charged to such reserve. It is presently intended that provision for pensions will be made in 1951 on the same basis as in 1950.

Prior to the adoption of the above-outlined Plan, the Corporation had in effect a Pension Plan which was terminated and discontinued for all employees retiring after March 1, 1950. Payments aggregating $412,304 were made under the old Plan in 1950, and at December 31, 1950, 701 former employees were receiving benefits under such Plan. If payments at the present rates are continued over the life expectancies of these former employees, the aggregate payments in the future will approximate $4,500,000, before giving recognition to reductions in income tax of the Corporation if and when such payments are made."

WESTINGHOUSE ELECTRIC CORPORATION

IMPROVED PENSION PROGRAM EFFECTIVE JANUARY 1, 1951:
"*To the Stockholders:* An improved pension program was adopted effective January 1, 1951. It will provide a minimum monthly pension of $100 (including Social Security) after 25 years of service. Higher earnings and longer years of service may increase the pension above the minimum. For example, an employe retiring with 40 years of service and average monthly earnings of $350 will receive monthly pension of $140 (40 per cent of $350) including Social Security. Pensions under this plan are provided without cost to employes on the first $4,800 of an employe's annual earnings. Contributions of 5 per cent of earnings above $4,800 are required to receive pensions on such earnings."
Note 4: "The Corporation has adopted an improved pension plan effective January 1, 1951 (referred to under "Employe Relations," page 7 of this report). The pensions under the new plan are inclusive of the benefits provided under the two prior plans mentioned above as well as "The Primary Insurance Benefit under the Federal Social Security Act or any Other Law," as defined in the plan. The Corporation has reserved the right to modify, amend or discontinue the plan at any time, but agreements have been made with various Unions, representing a majority of the eligible employes, that such right will not be exercised before September 30, 1955, in any manner which would adversely affect the rights of such employes under the plan. Negotiations with Unions representing some employes of the Corporation have not been completed. The benefits under this plan will be funded by the pension trust method, under trust agreements with two banks. While the plan continues the Corporation and the designated subsidiary companies intend to make deposits into the trust funds in amounts sufficient to fund currently the pensions accruing for service after the effective date, plus deposits each year which, if continued, will fund, over a period of not more than 30 years, the pensions for service prior to the effective date. The new pension plan will increase the annual cost of pensions and the amount necessary to fund past service benefits. Final computations cannot be made at this time but it is expected that the present value of the amount contingently payable for increased past service benefits will not exceed $85,000,000 and that total payments required during the next five years for past service benefits will not exceed $20,000,000. Federal income and excess profits taxes will reduce materially the effect of these payments on net income."

PAST AND CURRENT SERVICE PENSION COSTS

Accounting Research Bulletin No. 36, "Pension Plans—Accounting for Annuity Costs Based on Past Services," was issued by the Committee on Accounting Procedure, American Institute of Accountants, in November, 1948. In discussing the accounting for pension costs, the Committee stated as follows:

"(a) Costs of annuities based on past services should be allocated to current and future periods; provided, however, that if they are not sufficiently material in amount to distort the results of operations in a single period, they may be absorbed in the current year.
"(b) Costs of annuities based on past services should not be charged to surplus."

PAST AND CURRENT SERVICE COSTS

Charges for Past and/or Current Service	How Set Forth or Disclosed
	SEPARATELY PRESENTED IN INCOME STATEMENT:
62	(A) As an operating expense. (See Company Appendix Nos. 11, 26, 32, 77, 84, 89, 168, 181, 190, 195, 210, 222, 224, 268, 274, 337, 353, 395, 398, 413, 438, 518, 525)
16	(B) As an income deduction. (See Company Appendix Nos. 20, 69, 135, 163, 208, 253, 341, 444, 512)
	COMBINED IN INCOME STATEMENT:
20	(A) With other employee costs. (See Company Appendix Nos. 8, 60, 198, 214, 284, 325, 349, 401, 439, 457)
5	(B) With other expenses. (See Company Appendix Nos. 11, 27, 106, 301)
	SEPARATELY PRESENTED IN RETAINED EARNINGS:
1	(See Company Appendix No. 478)
	INDICATED IN:
1	(A) Accountant's Report. (See Company Appendix No. 269)
53	(B) Footnotes to Financial Statements. (See Company Appendix Nos. 30, 34, 85, 93, 118, 151, 155, 159, 171, 177, 187, 209, 231, 242, 262, 266, 329, 334, 363, 372, 394, 470, 520; and Pension Reserve Charged: Nos. 101 and 122)
27	(C) President's letter. (See Company Appendix Nos. 24, 51, 153, 240, 275, 304, 354, 399, 460 513)
185	Total
	Number of Companies:
185	Disclosing past and/or current service costs
46	Not disclosing past and/or current service costs
40	Mentioning pension plan but no details given
254	Not mentioning pension plans
525	

PARENT COMPANY–STATEMENT OF INCOME

STANDARD OIL COMPANY (NEW JERSEY)–FOR THE YEARS 1950 AND 1949

	1950	*1949**
INCOME		
Dividends from investments in companies consolidated	$219,127,854	$199,469,617
Dividends from other investments	38,417,267	24,429,083
Interest	5,788,852	3,553,346
Profit on disposal of securities	387,018	52,327
	263,720,991	227,504,373
DEDUCTIONS		
Administrative expenses	21,437,363	23,426,910
Taxes, other than income taxes	588,079	420,355
Depreciation and retirements	76,122	84,509
Interest on funded indebtedness	9,717,029	7,556,600
Other interest	2,696,439	1,493,242
Provision for loss on investments	3,144,321	5,076,972
Provision for estimated income taxes	7,000,000	5,500,000
	44,659,353	43,558,588
NET INCOME	$219,061,638	$183,945,785

PARENT COMPANY
STATEMENT OF STOCKHOLDERS' EQUITY

FOR THE YEAR 1950

	Capital		*Earnings Reinvested and Employed*	*Total Stockholders' Equity*
	Stock Issued	*Excess Over Par Value*		
Balances at December 31, 1949	$754,584,861	$145,581,099	$293,231,236	$1,193,397,196
Stock issued in exchange for shares of Creole Petroleum Corporation	2,553,825	3,958,428		6,512,253
Cancellation of expired scrip	(36)			(36)
Net income for 1950			219,061,638	219,061,638
Dividends paid—$5.00 per share			(151,027,988)	(151,027,988)
Balances at December 31, 1950	$757,138,650	$149,539,527	$361,264,886	$1,267,943,063

The financial review on pages 13 to 18 is an integral part of these statements.

*The marine operations were transferred to a subsidiary as of January 1, 1950, and, therefore, the net income of $171,707,453 previously reported for 1949 has been adjusted for purposes of comparison.

The examples cited in the discussion "Pension Plans" set forth hereinabove contain numerous illustrations of the various accounting treatments of past and current service pension costs summarized in the tabulation on page 118, which indicates how such costs were disclosed or set forth in the 1950 reports of the 525 companies.

ALLOCATION OF INCOME TAXES

In the 1950 reports, 63 of the tabulated companies indicated tax allocations in their financial statements. In the case of 12 of these companies, the allocations were not specifically set forth, although the tax effect of the transaction was explained. (See Company Appendix Nos. 14, 165, 349, 506.)

The following table summarizes the types of tax allocations made by the remaining companies:

Type of Tax Allocation	1950
(A) Income credited in income statement net of applicable taxes	18
(B) Expense charged in income statement net of tax benefit	5
(C) Income credited to retained earnings net of applicable taxes	10
(D) Expense charged to retained earnings net of tax benefit	4
(E) Provision for future expense charged in income statement net of tax benefit	10
(F) Expense, net of tax benefit, charged to reserve previously provided	4
(G) Various other tax allocations	6

(For further discussion of tax allocation principles, see Accounting Research Bulletin No. 23, issued by the American Institute of Accountants and Accounting series, Release No. 53, published by the Securities and Exchange Commission.)

Typical examples of each of the above categories are shown below:

Group "A":

COPPERWELD STEEL COMPANY

"*Summary of Income and Earned Surplus:*

OTHER INCOME:	
Adjustment of provisions for depreciation for prior years, $353,498, less resultant additional Federal and state income taxes of $100,627—Note 5	$252,871"

Note 5: "In accordance with the recommendations of an independent appraisal company, an adjustment was made in 1950 to reduce the provisions for depreciation of property of the Steel Division made in the years 1948 and 1949 by the amounts of $260,820 and $92,678, respectively. The application of the revised rates of depreciation resulted in a comparable reduction of $190,555 in the provision for depreciation for the year 1950."

AMERICAN-LaFRANCE-FOAMITE CORPORATION

"*Statement of Income and Earned Surplus:*

Provision for federal income tax	$315,000.00
Prior years' renegotiation rebates, less federal income taxes	21,133.51
Net income for the year	$515,772.71

THE ELECTRIC AUTO-LITE COMPANY

"*Statement of Consolidated Earnings:*

COSTS AND EXPENSES:	
Taxes on Income:	
Federal (including $1,550,000 excess profits tax)	$12,805,000
State	274,373
Canadian	595,719
EARNINGS FOR THE YEAR, before profit on sale of leased plant	$15,185,427
PROFIT ON SALE OF LEASED PLANT, less Federal Taxes of $495,000 applicable thereto	1,485,068
NET EARNINGS FOR THE YEAR	$16,670,495"

GULF OIL CORPORATION

"*Consolidated Income Statement:*

INCOME BEFORE TAXES AND SPECIAL CREDIT	$174,597,696
PROVISION FOR INCOME TAXES:	
Federal	$ 52,000,000
State and foreign	12,796,761
	$ 64,796,761
INCOME BEFORE SPECIAL CREDIT	$109,800,935
SPECIAL CREDIT:	
Gain on sales during 1950 of 27,000 shares of Texas Gulf Sulphur Company stock ($1,678,308) less Federal capital gains tax ($339,638); in 1949, 168,127 shares ($9,231,885) less tax ($1,813,856)	$ 1,338,670
NET INCOME FOR THE YEAR	$111,139,605"

CLEARING MACHINE CORPORATION

"*Comparison of Condensed Statements of Gross Profits and Net Earnings:*

Net profit before provision for Federal taxes on income	$1,041,775
PROVISION FOR FEDERAL TAXES ON INCOME	428,000
Net profit for the year	$ 613,775
ADD: SPECIAL ITEMS—PRIOR YEARS' ADJUSTMENTS:	
Increase in "Lifo" inventories to basis of valuation finally approved by the Treasury Department $177,576, miscellaneous adjustments $330, less net increase in Federal taxes on income $62,556	115,350
Total transferred to earnings retained in the business	$ 729,125"

Group "B":

AMERICAN WRITING PAPER CORPORATION

Comparative Condensed Statement of Income:

Income before federal taxes on income		$1,066,200.51
Provision for federal normal tax and surtax		$ 358,654.21
Add reduction in tax applicable to loss on sale of inactive mill property and equipment (see below)		110,800.00
		$ 469,454.21
NET INCOME FOR THE YEAR		$ 596,746.30
Additions and *deductions* of special items:		
Adjustment of prior years' federal taxes.		27,016.57
Loss on sale of inactive mill and equipment:		
Gross loss on sale	$184,184.15	
Less income taxes applicable	110,800.00	*73,384.15*
Net income or *loss*, after special items, transferred to earned surplus		$ 550,378.72"

GENERAL CABLE CORPORATION

"*Statement of Profit and Loss:*

Provision for Federal income taxes (no excess profits tax payable)	$2,000,000
Portion (10%) of cost of pension plan applicable to prior years' services, less Federal income tax reduction, $84,547, applicable thereto (Note 3).	116,756
NET INCOME	$3,354,673

"*Note 3:* On April 13, 1949 the stockholders approved the adoption of an insured contributory pension plan for salaried employees and officers of the Corporation which became effective June 1, 1949. Under this plan the Corporation made payments in 1949 aggregating $2,013,035 to cover past service benefits and this amount is being amortized over a ten year period by charges against income."

Group "C":

SKELLY OIL COMPANY

"*Consolidated Earned Surplus Statement:*

Add—Excess of state ordered minimum price over contractual sales price of natural gas sold in prior years, after deducting taxes on income and other related costs	$834,487"

THE BAY PETROLEUM CORPORATION

"EARNED SURPLUS:

Amount at December 31, 1949 (including earnings of subsidiary company subsequent to acquisition)		$9,477,609
Add adjustment applicable to prior years occasioned by Revenue Agents review of Federal income tax returns for years 1946 to 1948 inclusive:		
Capitalization of expenditures on property previously expensed	$ 42,771	
Depreciation disallowed (net)	60,587	
	$103,358	
Less additional Federal income taxes thereon	56,502	46,856
Amount at December 31, 1949, as adjusted		$9,524,465"

GENERAL RAILWAY SIGNAL COMPANY

"*Consolidated Statement of Earned Surplus:*

Earned Surplus at beginning of year	$4,190,164
Net Income for Year	1,500,258
Refund of Federal Taxes on Income of prior years	267,606
Gain on Sale of Emergency Facilities after provision for Federal and State income taxes	247,468"

THE NEW BRITAIN MACHINE COMPANY

"*Profit and Loss Statement:*

"Federal and state taxes on income (including federal excess profits tax of $155,000.00)—estimated	$1,295,000.00
Net Profit	$1,326,824.42
Excess of proceeds over carrying amount of properties sold, less federal income tax of $85,000.00	316,479.17
Net Profit and Special Item	$1,643,303.59"

"*Statement of Earnings Retained* . . .":

Amount at January 1, 1950	$4,116,821.87
Add retroactive adjustment of inventories as of January 1, 1950, due to change in method of determining costs to conform with revised method prescribed by Bureau of Internal Revenue, less applicable prior year income taxes thereon	546,235.89
Amount at January 1, 1950, as adjusted	$4,663,057.76"

Group "D":

MARMON-HERRINGTON COMPANY, INC.

"*Consolidated Statement of Earnings:*

Earnings before income taxes	$ 92,825.37
Provision for federal income taxes (Note A)	46,744.71
Net earnings for the year	$ 46,080.66
Earnings reinvested in the business as at the beginning of the year	3,837,258.27
Loss on disposal of plant assets, inventory, etc. of consolidated subsidiary, including $40,335.59 of income taxes (Note A)	(118,500.23)"

Note A: "The company's consolidated subsidiary sold its land, buildings, machinery and equipment as of February 28, 1950 and its inventories and certain other assets shortly thereafter. The greater portion of the plant assets were acquired under Necessity Certificates and had been fully amortized for tax purposes, as permitted by the Internal Revenue Code, during the war years. To that extent the assets sold had no cost basis for tax purposes and the sale of all the assets resulted in a taxable profit of $168,092.45, as compared with a book loss of $78,164.64.

Provision for consolidated federal income taxes for 1950 has been made in the amount of $87,080.30, of which $40,335.59 is allocable to the above-mentioned taxable profit on disposal of assets."

INTERSTATE BAKERIES CORPORATION

"*Statement of Earnings and Earnings Retained in the Business:*

PROVISION FOR FEDERAL TAXES ON EARNINGS:	
Normal tax and surtax (including $85,501, the amount equivalent to the reduction in normal tax and surtax for 1950 with respect to funded debt retirement expenses charged to earnings retained in business).	$1,926,000
Excess profits tax	224,000
NET EARNINGS FOR THE YEAR	$2,533,450
EARNINGS RETAINED IN BUSINESS AT BEGINNING OF YEAR (Note 3)	6,141,283
Unamortized debt expense, and premium and expense on retirement of $3,590,000 4% sinking fund debentures (less reduction of $85,501 in Federal income taxes resulting therefrom).	118,074"

Group "E":

ELASTIC STOP NUT CORPORATION OF AMERICA

"*Balance Sheet:*

Current Liabilities:	
Accrued liabilities:	
Possible renegotiation and Vinson Act adjustments for prior and current years, net of taxes—estimated	$ 65,570.32"

"*Statement of Income and Retained Earnings:*

Total Operating and Other Income.	$1,212,358.81
DEDUCT	
Provision for Federal taxes on income.	$ 543,000.00
Provision for possible renegotiation and Vinson Act adjustments, net of taxes	58,600.00
	$ 601,600.00
Net Income—Current Year	$ 610,758.81
Income Adjustments—Prior Year	5,028.67
TOTAL NET INCOME CREDITED TO EARNINGS	$ 615,787.48"

Note 1: "Federal income and excess profits tax returns to November 30, 1947, have been examined by the Bureau of Internal Revenue.

"Prior to November 30, 1950, an agreement had been reached between the United States Government and the Company relating to renegotiation of government contracts for the year ending November 30, 1948."

AMERICAN WINDOW GLASS COMPANY

"*Statements of Consolidated Income:*

Sales and Other Income:	
LESS:	
Provision for Furnace repairs and standby expenses...	$630,320
Federal and state income taxes (after allocating to future periods amounts applicable to provision for furnace repairs and standby expenses not deductible for taxes until spent: 1950—$51,000	523,549"

"*Statements of Consolidated Earned Surplus:*

Earned Surplus, Beginning of Year	...
Add:	
Net income for year	...
Adjustment of reserve for repairs and standby expenses provided in prior years by allocating to future years estimated income taxes applicable thereto	$118,652"

SCOVILL MANUFACTURING COMPANY

Balance Sheet: (*Above "Capital Stock"*)

"RESERVES for inventory write-down to be taken when "lifo" metals are replaced (Note C)	$ 480,000"

Income Statement:

"Costs, Expenses, and Estimated Taxes on Income:

"Provision for inventory write-down to be taken when "lifo" metals are replaced (Note C)	$ 480,000

Note C: "This reserve was provided from earnings for the estimated replacement cost over "last-in, first-out" cost of metals involuntarily liquidated in 1950 less related tax deduction."

Group "F":

STANDARD BRANDS INCORPORATED

"*Statements of Consolidated Profit and Loss:*

INCOME CHARGES:	
Portion of loss on sale of certain properties, etc., equivalent to the reduction in Federal income taxes resulting therefrom; the remainder was charged to reserves provided in prior years	$ 87,667
PROFIT BEFORE PROVISION FOR FEDERAL TAXES ON INCOME	$19,056,980
PROVISION FOR FEDERAL TAXES ON INCOME (including $561,000 for excess profits tax in 1950)	8,884,000
NET PROFIT FOR THE YEAR	$10,172,980"

AMERICAN CAR AND FOUNDRY COMPANY

"*Statement of Consolidated Income Account:*

Net Earnings before Provision for Federal Income Taxes	$4,937,912.15
Deduct—Provision for Federal Income Taxes (See Note 4)	2,261,998.46
Net Earnings Carried to Surplus	$2,675,913.69"

"*Note 3:* The Reserve for Employees' Welfare Plan (salaried employees) has, during the year, been charged with the net amount (after tax benefits) of $152,799.65 on account of employees' retirement cost applicable to past services.

Note 4: Federal taxes deducted from net earnings are shown before tax benefit of $119,246.55 as a result of charges made to the Reserve for Employees' Welfare Plan. This saving has been applied as a reduction in the charge to said reserve."

Group "G":

AMERICAN WOOLEN COMPANY, INCORPORATED

"*Consolidated Statement of Income:*

Other charges and income:	
Prior years' State and local tax adjustments (net)	$ 88,139.27
Income before items below	$8,661,760.11
Provision for Federal income taxes (c)	$3,490,000.00
Adjustment of Federal income tax provisions—prior years	(137,869.94)
Net provision and (credit)	$3,352,130.06
Net income for year	$5,309,630.05"

"*Note (c)*: In addition to other adjustments for tax purposes, the provision for taxes reflects a tax reduction of approximately $189,000.00 in 1950 . . . from allowable amortization of funded past service retirement benefits."

AMPCO METAL, INC.

Balance Sheet:

(Above "Capital Stock and Surplus):

"SPECIAL TAX RESERVE (representing estimate for Federal income taxes which may arise from non-deductibility of depreciation on certain plant facilities fully amortized for tax purposes but subject to depreciation on the books of account)	$ 20,000.00"

"*Statement of Profit and Loss:*

Profit before provision for income taxes	...
PROVISION FOR INCOME TAXES:	
Federal—	
Normal and surtax	$290,000.00
Excess profits tax	47,000.00
	$337,000.00
Less—Credit from special tax reserve	20,000.00"

WESTON ELECTRICAL INSTRUMENT CORPORATION

"*Statement of Profit and Loss:*

Profit Before Federal Taxes on Income	$1,023,278.54
Provision for federal taxes on income (no excess profits tax) estimated	300,000.00**
NET PROFIT	$ 723,278.54

**(*Footnote*) "Reference is made to first page of the President's letter to stockholders regarding the determination of the provision for federal taxes on income."

TO STOCKHOLDERS: ". . . Net profit of $723,278.54 as shown in the Statement of Profit and Loss was equivalent to $4.50 per share of capital stock outstanding. This compares with net profit of $313,503.88 ($1.95 per share) as reported for the previous year. The net profit for the year is stated after taking into consideration in the determination of the provision for federal taxes on income, a non-recurring deduction to be taken for tax purposes attributable to a loss on an unrealized account receivable from our former subsidiary, C. J. Tagliabue Corporation (N. J.). Losses of that subsidiary were reflected in consolidated statements of profit and loss of prior years. This deduction reduced Federal income tax for the year by approximately $105,000. If it were not for this reduction of tax liability, the net profit for the year would have amounted to $618,278.54 or $3.85 per share of capital stock outstanding."

EXCESS PROFITS TAX

The Excess Profits Tax Act of 1950, which was enacted on January 3, 1951, imposed an excess profits tax on corporations for taxable years ending after June 30, 1950.

Approximately 40% of the 1950 annual reports tabulated contained disclosures concerning excess profits taxes. In the majority of cases, such disclosures consisted merely of a brief reference in the income statement caption relating to taxes. In a few instances rather complete disclosures were made in footnotes or elsewhere, which set forth the method used in computing the excess profits credit, the amount of the credit, and other pertinent information.

The following are typical examples of the income statement captions relating to excess profits taxes:

ARMSTRONG CORK COMPANY

"*Statement of Consolidated Earnings:*

Earnings before taxes on Income	$23,555,851
Provision for Taxes on Income:	
Federal Normal Income Tax and Surtax	9,676,570
Federal Excess Profits Tax	1,046,000
Pennsylvania Income Tax	400,050
	11,122,620
Net Earnings of Domestic Companies	$12,433,231"

CONTINENTAL STEEL CORPORATION

"*Consolidated Statements of Income and Earned Surplus:*

Cost of Sales, Expense and Other Deductions:	
Provision for federal and excess profits taxes	$3,220,000"

THE CHAMPION PAPER AND FIBRE COMPANY

"*Summary of Consolidated Income:*

INCOME BEFORE PROVISION FOR INCOME AND EXCESS PROFITS TAXES	$22,436,195
PROVISION FOR INCOME AND EXCESS PROFITS TAXES (Excess profits taxes of $1,590,000 for 1951)	11,780,000"

GENERAL ELECTRIC COMPANY

"*Statement of Earnings:*

Earnings before provision for Federal taxes on income	$370,423,702
Deduct: Provision for Federal taxes on income (Note 3)	197,000,000
Net earnings	$173,423,702"

"*Note 3:* The amount shown for 1950 includes $30,282,000 as provision for excess profit tax."

KOPPERS COMPANY, INC.

"*Statement of Consolidated Income:*

INCOME BEFORE PROVISION FOR INCOME TAXES	$22,911,760
PROVISION FOR INCOME TAXES (Note 2):	
Federal income taxes	$ 9,175,000
Federal excess profits taxes	1,175,000
State and *foreign income taxes*	596,262
Tax contingencies	350,000
	$11,296,262
NET INCOME	$11,615,498"

THE PARKER PEN COMPANY

"*Summary of Consolidated Income:*

Income before provision for income taxes	$6,768,055
PROVISION FOR INCOME TAXES:	
Federal—	
Normal and surtax	$2,650,000
Excess profits tax	325,000
State	421,000
Canadian	109,000
	$3,505,000
Net income	$3,263,055"

TIME INCORPORATED

"*Consolidated Profit and Loss Statement:*

PROFIT BEFORE TAXES ON INCOME	$15,812,416
FEDERAL AND FOREIGN TAXES ON INCOME—Notes B and C:	
Federal income and surtax	$ 6,720,000
Federal excess profits	600,000
Foreign	6,778
Net adjustment for prior years	(15,055)
Total taxes on income	$ 7,311,723
NET PROFIT—Note D	$ 8,500,693"

INTERNATIONAL PAPER COMPANY

"*Statement of Consolidated Profit and Loss:*

COSTS AND EXPENSES:			
Provision for taxes based on income:			
U. S. Federal taxes—			
Normal and surtax	$41,411,302		
Excess profits	4,022,282		
State taxes	2,428,509		
Canadian and other foreign taxes	14,719,872	62,581,965	442,463,178
NET PROFIT			$ 66,647,151"

Examples of detailed excess profits tax disclosures included in the 1950 reports by various of the 525 companies are as follows:

Credit Based on Income:

"*General Average*" *Method*

SHARP & DOHME, INCORPORATED

"*Consolidated Statement of Income:*

Income before provision for Federal taxes on income		$8,828,707.74
Provision for Federal taxes on income:		
Federal normal tax and surtax	$3,307,650.00	
Federal excess profits tax	245,200.00	3,552,850.00
Net income		$5,275,857.74"

"To our Stockholders: . . . The increase in corporate tax rates decreased our reported earnings by approximately $570,000.

During the period 1940 through 1945, excess profits tax was determined by use of credit based on invested capital. Current year liability, by reason of favorable earnings during the base years 1946 through 1949, has been determined by use of a credit based on income.

The amount of $1,877,828 representing royalties net of related expenses, awarded the Company in arbitration in 1947 and credited to surplus in published reports, was included in taxable income for that year. Consequently, earnings for the last three of the four base period years were averaged in arriving at the available credit.

The retention of earnings during the latter half of the base period, together with the issuance of additional common stock during 1949, was also reflected in computation of the Company's credit."

COLGATE-PALMOLIVE-PEET COMPANY

"*Income Account:*

Provision for United States taxes on income (including $1,021,598 for excess profits tax in 1950)	$12,278,217
Net income from domestic operations	$13,952,464"

"COMMENTS ON 1950 OPERATIONS: Earnings and Dividends: ... Provision for United States taxes on income in 1950 was at the rate of 42% of taxable income, plus $1,021,598 for excess profits tax calculated at 15% of domestic taxable income in excess of an exemption based on 85% of earnings for the years 1946–1949. The total provision for income taxes in 1950 amounted to $12,358,824 as compared with $5,253,847 provided on the lower 1949 taxable income at the 38% rate then in effect. Based on the present tax law, 1951 income will be taxed at the rate of 47%, plus a tax of 30% on domestic income in excess of the exemption which at present is estimated at approximately $22,000,000. Dividends received are not subject to excess profits tax."

GENERAL MOTORS CORPORATION

"*Summary of Consolidated Income:*

LESS:

Provision for:	
United States and foreign income and excess profits taxes	$ 977,616,724
	$6,756,543,810
NET INCOME FOR THE YEAR	$ 834,044,039

Note: "Provision for United States Income and Excess Profits Taxes: The 81st Congress increased corporate income tax rates, and imposed an excess profits tax on corporate income retroactive to July 1, 1950. The effect of these increases was to subject 1950 income to a combined normal income tax and surtax rate of 42% and in addition to an excess profits tax of 30% on one-half of 1950 income in excess of a base period credit. In the case of General Motors the credit is based upon 85% of average earnings for the three years, 1947–1949, with certain adjustments as provided by law. The provision for United States taxes on income includes $155,244,161 for excess profits taxes in 1950."

"*Growth*" *Method:*

ALLEN B. DuMONT LABORATORIES, INC.

"*Statement of Earnings:*

Earnings before Federal Taxes on Income	$13,200,788
FEDERAL TAXES ON INCOME—ESTIMATED	6,300,000
Net earnings	$ 6,900,788"

"*To the Stockholders: Excess Profits Tax.* Your Company and others that had experienced extreme growth during the past few years were particularly vulnerable to the impact of the type of excess profits tax originally proposed by Congress during this past year, and so we were active in organizing a National Conference of Growth Companies. The purpose of the Conference was to point out inequities as well as the ill effects on the national economy which would have resulted from the concept that normal income after 1949 could not exceed that of 1949. We believe our testimony before the House Ways and Means Committee and the Senate Finance Committee was of assistance to the Congress in providing a much more equitable growth tax formula. The tax bill as originally proposed would have cost your Company *$3.04* per share during 1950 through the taxation of some normal profits at a confiscatory rate. As finally passed, however, the tax bill cost to your Company for 1950 was *$2.67* per share. This saving may continue to be reflected in subsequent years."

SPRAGUE ELECTRIC COMPANY

"*Statement of Consolidated Earnings:*

COSTS AND OTHER CHARGES:

Taxes, including Federal income and excess profits taxes of $3,380,500.00 (Note 1)	$4,365,059.12
NET EARNINGS AFTER ALL COSTS AND TAXES	$3,345,403.99"

Note 1: ". . . Provision for Federal excess profits tax liability of Sprague Electric Company for 1950 has been made in accordance with the belief of the company's officials that the company is entitled to compute its excess profits credit under the alternative method provided in Section 435 (e) of the Internal Revenue Code relating to growth during the base period years."

Credit Based on Invested Capital:

"*Asset*" *and* "*Historical*" *Methods:*

PULLMAN INCORPORATED

"*Consolidated Income and Surplus:*

DEDUCT:

Provision for Federal taxes on income (Note C)—	
Normal and surtax	$8,000,000
Excess profits tax	1,000,000
	$9,000,000
NET INCOME FOR THE YEAR	$9,842,262"

"*Note C:* The provision for Federal taxes on income of the year 1950 has been made in accordance with the provisions of the Revenue Act of 1950 and the related Excess Profits Tax Act. While these provisions are based on estimates they are believed to be adequate. The provisions for Excess Profits Tax is based on an excess profits tax credit of $12,500,000, arrived at through the historical invested capital method on a consolidated basis."

REPUBLIC AVIATION CORPORATION

"*Statement of Income and Retained Earnings:*

Income before provision for Federal taxes on income	$4,615,006
Provision for Federal taxes on income (including excess profits tax of $425,000)	2,260,000
Net income	$2,355,006"

"*To the Stockholders:* ". . . Net income after provision for Federal income and excess profits taxes and New York State franchise tax amounted to $2,355,006. Provisions for Federal normal and surtaxes for the year amounted to $1,835,000. The Excess Profits Tax Act of 1950 which took effect on July 1, 1950, imposes an additional tax on profits defined as excess profits by the terms of the Act. Based upon a credit computed under the adjusted invested capital method, an excess profits tax of $425,000 is imposed on the Company for 1950."

Disclosures in Reports Issues Prior to Availability of Excess Profits Tax Regulations:

AMERICAN CYANAMID COMPANY

"*Consolidated Statement of Earnings:*

EARNINGS BEFORE TAXES ON INCOME	$69,739,401
Provision for Federal and foreign taxes on income (Note 7)	36,000,000
NET EARNINGS	$33,739,401"

"*Note 7:* The provision for taxes on income includes $6,000,000 for Federal excess profits tax which was computed on the basis of the over-all ceiling rate applicable to the year 1950 under the "Excess Profits Tax Act of 1950." Such amount may be reduced upon determination of the extent of relief, if any, to which the Company may be entitled under certain provisions of the Statute and the related regulations to be issued."

FALSTAFF BREWING CORPORATION

"*Statement of Income:*

Income Before Provision for Income Taxes....	$5,608,522
Provision for Income Taxes................	2,376,000
Net Income for the Year...................	$3,232,522"

"*To the Stockholders:* [March 10, 1951]

The Revenue Act of 1950 increased the income tax rate from 38% to 45%, effective July 1, 1950. In January 1951 the income tax rate was increased from 45% to 47% and in addition a 30% tax was imposed on excess profits as defined by the Revenue Act. However, the effective rate of both taxes cannot exceed 62%. Based on the information available at this time, we estimate that our Company can earn in 1951 (after income tax of 47%) $3,700,000 before excess profits tax rates begin to apply."

No Provision for Excess Profits Tax Considered Necessary:

BARBER OIL CORPORATION

"*Consolidated Statement of Income:*

Income before taxes on income..............................		$1,856,199.32
Provision for Federal and foreign taxes on income, including foreign taxes of $19,-518.68 (No provision for Federal excess profits tax considered necessary)......	$534,518.68	
Less adjustment of foreign taxes on income provided in prior years..............	45,469.68	489,049.00
Net income transferred to earned surplus.....................		$1,367,150.32"

GLOBE STEEL TUBES CO.

"*Statement of Profit and Loss and Earned Surplus:*

Provisions for Estimated Income Taxes:		
Federal (no provision appears necessary for excess profits tax).............	$342,000.00	
Wisconsin................	36,000.00	$378,000.00
Add—Refund of federal excess profits tax under Section 722 of the Internal Revenue Code..................................		45,299.24
Profit for Year......................		$534,996.33"

THE GRUEN WATCH COMPANY

"*Consolidated Statement of Income and Earned Surplus:*

Provision for domestic and foreign taxes on income (no provision made or believed required for Federal excess profits tax).....	$ 822,086.88
Net income.........................	$1,086,745.67"

THE LAMBERT COMPANY

"*Consolidated Income and Accumulated Earnings:*

DEDUCTIONS

Estimated federal, state and foreign income taxes (Note 9)..........................	$1,775,762"

Note 9: "The consolidated credit of the Company and subsidiaries, as estimated by the Company on the invested capital basis, is of sufficient amount to preclude any excess profits tax for 1950."

MINORITY INTERESTS

Earnings applicable to the minority interests in consolidated subsidiary companies were ordinarily deducted in the consolidated income statements as the last item before "net income for the year." There were numerous variations, however, from this general practice. The examples set forth below show not only the customary method of presentation but also some of the variations therefrom.

ANDERSON, CLAYTON & CO. AND SUBSIDIARIES

"*Statement of Consolidated Income:*

Total Provision for Taxes on Income....	$ ...
Net Income before Minority Interest....	$15,340,602.84
Income applicable to Minority Interest in capital stocks of subsidiary companies.	434,977.67
Net Income.........................	$14,905,625.17"

AVCO MANUFACTURING CORPORATION AND CONSOLIDATED SUBSIDIARIES

"*Statements of Consolidated Income:*

Income deductions:	
Minority interest in net income of consolidated subsidiary.................	$ 293,772
Provision for Federal taxes on income...	...
Net income for the year...............	$ 12,635,633"

BURLINGTON MILLS CORPORATION AND SUBSIDIARY COMPANIES

"*Statement of Consolidated Profit and Loss:*

Less—Net profit of subsidiary companies applicable to minority interest........	$ 51,528
Net profit for the period..............	$ 27,941,305"

CALIFORNIA PACKING CORPORATION AND SUBSIDIARY COMPANIES

"*Consolidated Statement of Earnings:*

COSTS AND EXPENSES:	
Minority interest in net earnings of subsidiary company....................	$ 93,579
OTHER INCOME AND ADJUSTMENTS:	
Increase in equity in unappropriated earnings of Alaska Packers Association as a result of change in minority interest during the year....................	$ 78,030
Earnings for year................	$ 16,173,801"

THE LAMBERT COMPANY AND SUBSIDIARIES

"*Consolidated Income and Accumulated Earnings:*

NET INCOME FOR YEAR.................	$ 2,311,238
Equity of minority stockholders in net income of subsidiary (Note 10).........	33,309
NET INCOME APPLICABLE TO THE LAMBERT COMPANY..........................	$ 2,277,929"

"*Note 10:* The equity of the minority stockholders in the net income of Lambert Pharmacal Company was the amount applicable to their shares for the five months of 1950 preceding acquisition of their shares by the Company."

CROWN ZELLERBACH CORPORATION AND ITS SUBSIDIARIES

"*Statements of Consolidated Income:*

Minority stockholders' equity in earnings of Pacific Mills, Limited	$	224,353
NET INCOME	$	25,323,650"

THE W. L. MAXSON CORPORATION AND CONSOLIDATED SUBSIDIARY

"*Statement of Consolidated Income and Earned Surplus:*

PORTION OF LOSS OF CONSOLIDATED SUBSIDIARY APPLICABLE TO MINORITY INTEREST THEREIN (for the period from October 1, 1949 to January 12, 1950, when the minority interest was acquired by the Corporation	$	36,331
NET INCOME FOR THE YEAR	$	211,364"

DRESSER INDUSTRIES, INC.

"*Statements of Consolidated Income:*

INCOME BEFORE MINORITY INTEREST	$	4,409,470
DIVIDENDS ON PREFERRED STOCK OF SUBSIDIARY COMPANY HELD BY MINORITY INTEREST		26,427
NET INCOME	$	4,383,043"

INTERCHEMICAL CORPORATION AND SUBSIDIARY COMPANIES

"*Consolidated Statement of Profit and Loss and Earned Surplus:*

Other deductions:		
Subsidiary company minority interest in earnings	$	30,396
Profit before Federal taxes on income	$	...
Net profit from operations for the year	$	4,699,327"

THE MAY DEPARTMENT STORES COMPANY AND SUBSIDIARY COMPANIES

"*Consolidated Statement of Net Earnings:*

NET EARNINGS	$	21,418,190
DEDUCT portion of net earnings applicable to minority interest in the preferred stock of a subsidiary		46,839
NET EARNINGS APPLICABLE TO SHARES OF PARENT COMPANY	$	21,371,351"

McGRAW-HILL PUBLISHING COMPANY, INC. AND CONSOLIDATED SUBSIDIARIES

"*Consolidated Statement of Profit and Loss:*

Less MINORITY INTEREST IN EARNINGS OF SUBSIDIARY	$	9,300.00
PROVISION FOR FEDERAL INCOME AND EXCESS PROFITS TAXES		...
NET INCOME	$	3,058,841.37"

REMINGTON RAND INC. AND CONSOLIDATED SUBSIDIARIES

"*Statement of Consolidated Income:*

COST OF SALES AND OTHER CHARGES:		
Net income applicable to minority interest	$	185,905
United States and foreign income and excess profits taxes—estimated		...
INCOME TRANSFERRED TO EARNED SURPLUS	$	14,036,628"

STANDARD OIL COMPANY (INDIANA)

"*Consolidated Statement of Income and Expenses and Summary of Earnings Retained and Invested in the Business:*

(Deductions)		
Minority stockholders' interest in net earnings of subsidiaries	$	5,521,793
Total deductions	$	1,194,601,659
Net earnings	$	123,581,477"

UNITED STATES RUBBER COMPANY AND SUBSIDIARY COMPANIES

"*Consolidated Income:*

Less: Equity in earnings applicable to minority shareholders' interests in subsidiaries	$	237,910
NET INCOME FOR THE YEAR	$	24,657,647"

EXTRAORDINARY ITEMS SEPARATELY SHOWN

In Accounting Research Bulletin No. 35, "Presentation of Income and Earned Surplus" (issued October, 1948) and Bulletin No. 41, supplement thereto (issued July, 1951), the Committee on Accounting Procedure of the American Institute of Accountants dealt with the methods of displaying items excluded from the determination of net income. These items consist primarily of charges and credits with respect to:

(a) general purpose contingency reserves, discussed in Accounting Research Bulletin No. 28,

(b) inventory reserves, discussed in Accounting Research Bulletin No. 31,

(c) extraordinary items, which, if included, would impair the significance of net income, discussed in Accounting Research Bulletin No. 32, and

(d) excessive costs of fixed assets and annual appropriations in contemplation of replacement of productive facilities at higher price levels, discussed in Accounting Research Bulletin No. 33.

It was the conclusion of the Committee (Bulletin No. 35) that the items mentioned in parts (a), (b), and (d) above should be displayed in the retained earnings statement rather than in the income statement after the amount designated as net income. As to items described in part (c) above, although the Committee (Bulletin No. 41) stated as its preference that such items should also be displayed in the statement of retained earnings, it also expressed the opinion that such items may either be treated in the foregoing manner or may be shown at the bottom of the income statement, which is the treatment prescribed by the Securities and Exchange Commission in revised Regulation S-X issued in December, 1950. The Committee further concluded that it is permissible for a company to use one form in one statement and a different form in another like statement covering the same fiscal period. The Committee pointed out that, whenever

OWENS-ILLINOIS GLASS COMPANY

AND SUBSIDIARY COMPANIES

ANNUAL REPORT OF RETIREMENT FUNDS*

YEAR ENDED DECEMBER 31, 1950

Balance of Funds—December 31, 1949		$19,287,835.57
ADDITIONS TO FUNDS DURING 1950—		
Payments into Funds by Company and employees	$2,232,737.59	
Income, including gain on investments disposed of and net change in statutory reserve of Group Annuity Contract	545,115.34	
Total additions	$2,777,852.93	
PAYMENT OF ANNUITIES AND MISCELLANEOUS DISBURSEMENTS DURING 1950	249,183.88	
Net increase in Funds		2,528,669.05
Balance of Funds—December 31, 1950		$21,816,504.62
COMPRISED OF—		
Cash and accrued interest		$ 841,869.12
U. S. Government securities (amortized value)		14,864,052.53
Corporate securities (amortized value)		101,249.81
Real estate (net after depreciation)		2,837,612.50
Reserve value of annuity insurance policies (on lives of participants)		3,171,720.66
Total		$21,816,504.62

* Not including Fund established by American Coating Mills Division for its employees.

additions to or deductions from net income are displayed at the bottom of the income statement, care should be taken that the figure of net income is clearly and unequivocally designated so as not to be confused with the final figure in the income statement.

The Committee states (Bulletin No. 35) that its recommendation with regard to the method of displaying items excluded from the determination of net income is not intended to preclude or discourage the use of the combined statement of income and retained earnings provided the figure of net income is followed immediately by the surplus balance at the beginning of the period; nor is it intended to preclude the use of a separate statement showing the disposition of net income.

The following examples taken from the 1950 reports illustrate the treatment of the items under discussion in the various financial statements:

Income Statement

AMERICAN REPUBLICS CORPORATION

"*Statement of Consolidated Income:*

[Undesignated total]	$ 4,218,028
EXTRAORDINARY CREDITS TO INCOME:	
Profit on sale of the properties of Petroleum Navigation Corporation and other assets	881,467
	$ 5,099,495
PROVISION FOR FEDERAL INCOME TAXES (None believed necessary for Federal excess profits tax)	250,000
NET INCOME FOR THE YEAR	$ 4,849,495"

CITIES SERVICE COMPANY

"*Statement of Consolidated Income:*

Total Provision for Taxes on Income	$28,928,591
SPECIAL CHARGE equivalent to estimated reduction of Federal income taxes applicable to call premiums and other costs on retired debentures	1,704,000
	$30,632,591
NET INCOME	$56,659,025"

COMBUSTION ENGINEERING-SUPERHEATER, INC.

"*Statement of Consolidated Income:*

Net income before special credit	$ 8,173,335
PROFIT ON SALES OF SECURITIES, less applicable Federal income taxes	853,160
Net income for the year (including special credit)	$ 9,026,495"

THE B. F. GOODRICH COMPANY

"*Consolidated Income Account:*

Income before special reserves	$43,708,355
Deduct—Special reserves:	
For increased replacement cost of facilities	4,000,000
For inventories, purchase contracts and foreign losses	5,000,000
	$ 9,000,000
Balance of income	$34,708,355"

"*To the Stockholders:* . . . Net income amounted to $34,708,355 after provision for all expenses including taxes and depreciation and after providing reserves of $4,000,000 for increased replacement cost of facilities and $5,000,000 for inventories and purchase contracts. This amounted to $24.19 per share of common stock outstanding at year-end after deducting the dividends on the preferred shares. . . . The Inadequacy of Depreciation allowed for tax purposes has been recognized in the accounts for the period with appropriate charge to income and corresponding increase in the reserve established for increased replacement cost of facilities."

CRANE CO.

"*Consolidated Profit and Loss Statement:*

Net profit for the year	$16,745,171
Appropriation toward excess of future replacement cost of machinery and equipment over original cost	979,000
Amount of profit transferred to earned surplus	$15,766,171"

MONSANTO CHEMICAL COMPANY

"*Statement of Consolidated Income:*

NET INCOME BEFORE SPECIAL ITEMS	$ 25,820,392
ADD—Net refund of prior years Federal income taxes, including interest	2,410,941
Total	$ 28,231,333
DEDUCT—Special provision for obsolesence.	2,011,000
NET INCOME	$ 26,220,333"

VIRGINIA-CAROLINA CHEMICAL CORPORATION

"*Comparative Consolidated Statement of Net Income:*

Net income	$5,053,907.05

Disposition of Net Income

Net income	$5,053,907.05
Deduct:	
Special provision for increased cost of replacement of plant and equipment	750,000.00
Balance of net income transferred to Surplus	$4,303,907.05"

Combined Income and Retained Earnings Statements

ADAMS-MILLIS CORPORATION

"*Statement of Earnings and of Earnings Retained:*

Net earnings for year	$ 868,790.09
Overprovision for disputed royalties in prior years, settled in 1950	113,296.93
Net earnings and special item	$ 982,087.02
Earnings Retained—January 1, 1950	6,859,107.42
	$7,841,194.44
Dividends paid, $2.50 per share	390,000.00
Earnings Retained—December 31, 1950	$7,451,194.44"

THE SPERRY CORPORATION

"*Consolidated Statement of Income and Earned Surplus:*

Net Income	$ 9,588,718
Earned Surplus, January 1st	43,595,413
	54,684,131
Deduct:	
Dividends paid ($2 per share in 1950)	$ 4,063,130
Write-off of intangibles of companies previously acquired	5,400,000
	$ 9,463,130
Earned Surplus, December 31st	$ 45,221,001"

S. S. KRESGE COMPANY

"*Consolidated Statement of Income and Income Retained for Use in the Business:*

Net income before special credits	$ 18,943,955
Special income credits:	
Canadian exchange adjustment	155,138
Reduction in prior years' depreciation as agreed to with Bureau of Internal Revenue	604,308
NET INCOME FOR THE YEAR	$ 19,703,401
Income retained for use in the business at beginning of year	100,446,138
	$120,149,539
Deduct—Cash dividends paid—$2.25 a share in 1950	12,415,212
	$107,734,327"

GIDDINGS & LEWIS MACHINE TOOL COMPANY

"*Statement of Consolidated Income and Earned Surlus:*

NET INCOME BEFORE SPECIAL CREDITS		$ 386,765
SPECIAL CREDITS (CHARGES):		
Gain on sale of Cincinnati Planer company plant and other related assets.	$585,453	
Moving and other expenses in connection with consolidation of operations in Fond du Lac, Wisconsin	(470,581)	
Excess of fire insurance proceeds over net depreciated value of property destroyed and replacement expenditures	64,626	169,498
		$ 556,263
PROVISION FOR INCOME TAXES:		
Federal income (capital gains) tax	$184,556	
Wisconsin income taxes	10,264	194,820
NET INCOME FOR YEAR, INCLUDING SPECIAL CREDITS		$ 361,443
EARNED SURPLUS, December 31, 1949		$3,152,637
Dividends paid during year, 60¢ per share		180,000
EARNED SURPLUS, December 31, 1950		$3,334,080"

Note: "Manufacturing operations of the subsidiary Company, The Cincinnati Planer Company, were discontinued on June 30, 1950. All of its fixed assets, inventories, etc. were either transferred to the Company's plant at Fond du Lac, Wisconsin, or disposed of to outside interests before December 27, 1950 when the subsidiary was dissolved."

CONTINENTAL STEEL CORPORATION

"*Consolidated Statements of Income and Earned Surplus:*

NET INCOME FOR THE YEAR	$2,660,153
Add or (Deduct):	
Balance of earned surplus unappropriated at beginning of year	7,194,404
Amount restored from reserve for future inventory price decline	615,000
Amount restored from reserve for contingencies	150,000
Dividends paid or accrued—$3.30 per share in 1950	(1,654,492)
BALANCE OF EARNED SURPLUS UNAPPROPRIATED AT END OF YEAR	$8,965,065"

THE AMERICAN TOBACCO COMPANY INCORPORATED

"*Consolidated Statements of Income and Earned Surplus:*

[Undesignated total]		$ 39,270,339
Add, Refund and adjustment of prior years' federal and state taxes including interest, less related expenses		2,462,377
NET INCOME		41,732,716
Deduct, Cash dividends on preferred stock, $6 per share		3,161,982
Balance added to earned surplus		38,570,734
Earned surplus, beginning of year		141,933,217
		179,933,217
Deduct:		
Write-off of brands, trademarks, patents, good will, etc.	$54,099,430	
Cash dividends on common stock, $4 per share	21,513,700	75,613,130
EARNED SURPLUS, end of year		$104,320,087"

UNION CARBIDE AND CARBON CORPORATION

"*Consolidated Income and Surplus Statement*

NET INCOME	$ 124,111,851
Net Income Per Share—On 28,806,344 shares outstanding $4.30	
SPECIAL ITEMS	
Add: Adjustment of Valuation Reserve for Government and Other Marketable Securities	1,434,648
Adjustment arising from revaluation of Canadian Dollar	659,934
	$ 2,094,582
NET INCOME AND SPECIAL ITEMS	$ 126,206,433
EARNED SURPLUS AT JANUARY 1	279,156,385
	$ 405,362,818
DIVIDENDS DECLARED	72,015,860
EARNED SURPLUS AT DECEMBER 31	$ 333,346,958"

Retained Earnings Statements

COLONIAL STORES INCORPORATED

"*Earnings Retained and Invested in the Business:*

Amount at Beginning of Year (including $600,000 appropriated to reserve for possible future inventory price declines and other contingencies, restored during year 1950 to unappropriated earnings retained)	$ 6,990,481
Net Profit for the Year	2,763,446
	$ 9,753,927
Deduct Cash Dividends Paid:	
Cumulative preferred stock:	
4%	109,238
5%	97,736
Common stock	1,501,468
	$ 1,708,442
Amount at End of Year	$ 8,045,485"

SUN OIL COMPANY

"*Consolidated Statement of Earnings:*

EARNINGS EMPLOYED IN THE BUSINESS AT JANUARY 1, 1950		$52,254,581
TRANSFERRED FROM RESERVE FOR CONTINGENCIES		106,802
UNDISTRIBUTED EARNINGS OF SUSQUEHANNA PIPE LINE COMPANY—NOVEMBER 30, 1950		3,037,511
NET INCOME FOR THE YEAR 1950		36,291,498
		$91,690,392
DIVIDENDS DECLARED:		
Cash:		
Preferred Stock	$ 419,392	
Common Stock	5,424,997	
Common Stock:		
10% Stock Dividend	28,243,587	34,087,976
EARNINGS EMPLOYED IN THE BUSINESS AT DECEMBER 31, 1950		$57,602,416"

INGERSOLL-RAND COMPANY

"*Earned Surplus Account:*

Earned surplus, January 1, 1950		$32,785,407
Net income for the year		18,729,010
Transfer of reserves set up in prior years:		
For inventories	$ 3,000,000	
For contingencies	2,000,000	5,000,000
		$56,514,417
Dividends declared in 1950:		
Preferred at 6%	$ 151,518	
Common at $5.75 per share	11,547,100	11,698,618
Earned surplus, per balance sheet		$44,815,799"

BRIDGEPORT BRASS COMPANY

"*Earned Surplus:*

Balance, January 1	$ 9,029,549
Transfer of reserve for decline in market value of basic metal inventories (Note A)	1,574,220
	10,603,769
Net income for the year	3,968,687
	14,572,456
Deduct: Cash Dividends:	
On preferred stock $5.50 per share	64,290
On common stock: 1950, $1 per share	942,990
Excess of cost over par value of preferred stock acquired for retirement	5,554
	1,012,834
Balance, December 31 (Note F)	$ 13,559,622"

GENERAL REFRACTORIES COMPANY

"*Comparative Statements of Earned Surplus:*

Balance, January 1	$ 6,771,751.12
Reserve for contingencies restored	972,104.01
Net income for the year ended December 31, 1950, as annexed	3,518,210.29
	$11,262,065.42
Dividends paid in cash	1,175,707.50
Balance, December 31	$10,086,357.92"

AIR REDUCTION COMPANY, INCORPORATED

"*Statement of Consolidated Earned Surplus:*

Balance at beginning of the year	$ 26,439,193
Net income for the year	8,625,003
Transfer from Reserve for Investments	2,827,000
Transfer from Reserve for Contingencies	1,600,000
Total	$ 39,491,196
Deduct:	
Dividends on common stock (1950—$1.10 per share	$ 3,010,537
Balance at end of the year	$ 36,480,659"

SECTION IV

RETAINED EARNINGS

RETAINED EARNINGS CHARGES EXCLUDING CASH DIVIDEND DECLARATIONS

The following tabulation presents the total and nature of transactions resulting in charges to the retained earnings account for the years 1946 through 1950:

CHARGES TO RETAINED EARNINGS

1950	1949	1948	1947	1946	Transactions
87	36	42	60	62	Capital Stock Transactions
24	36	60	39	27	Transfers to Reserves
22	27	40	60	65	Prior Years' Adjustments
12	16	17	31	32	Write-off of Intangibles
...	...	...	3	8	Bond discount write-off
8	8	7	2	3	Unusual losses
2	3	9	9	6	Consolidation and Merger Adjustments
2	1	3	4	7	Recapitalization expenses
16	34	41	40	17	Miscellaneous Transactions
173	161	219	248	227	
					Number of Companies:
129	134	167	185	...	Showing Retained Earnings Charges
396	391	358	340	...	Not showing Retained Earnings Charges
525	525	525	525	525	

Entries presented by the 525 companies in the 1950 reports to state charges to the retained earnings account are quoted below:

CAPITAL STOCK TRANSACTIONS

"Excess of cost over par value of $4^1/_2\%$ preferred stock retired, 1859 shares in 1950"—*The American Metal Company, Limited*

"Excess of cost over par value of preferred shares called for retirement"—*American Viscose Corporation*

"Premium on Capital Stock Purchased (Amount in Excess of Par) during the Year"—*Argo Oil Corporation*

"Premium of $5.00 per share paid upon redemption of 1,037 shares of 4% Series A Preferred Stock"—*The Atlantic Refining Company*

"Excess of Cost of Treasury Common Stock over Par Value on 35,775 shares retired December 29, 1950"—*The Atlantic Refining Company*

"Premium on preferred stock redeemed"—*Baldwin-Lima-Hamilton Corporation*

"Excess of cost over par value of preferred stock acquired for retirement"—*Bridgeport Brass Company*

"Premium on preferred stock purchased"—*Bristol-Myers Company*

"Excess of cost over par value of Company's Common Stock reacquired"—*City Stores Company*

"Excess of cost over par value of preferred stock reacquired by subsidiary, less minority interest"—*City Stores Company*

"Charge resulting from purchase and redemption of Class "A" stock"—*The Coca-Cola Company*

"Premium on treasury stock purchased"—*Crown Central Petroleum Corporation*

"Excess of cost over par value of company's preferred and common shares purchased during the year"—*The Cuban-American Sugar Company*

"Premium paid on redemption of preferred shares of the company in excess of paid-in surplus applicable thereto"—*The Cuneo Press, Inc.*

"Amounts appropriated for the retirement of preferred stock, less cost of preferred stock repurchased"—*The Dow Chemical Company*

"Premium paid on retirement of preferred stock (held by minority interest) of subsidiary company"—*Dresser Industries, Inc.*

"Amounts appropriated for the retirement of preferred stock, less cost of preferred stock repurchased"—*Allen B. DuMont Laboratories, Inc.*

"Transferred to capital on account of 180,000 shares of Common Stock issued pursuant to the reclassification of the 6% Cumulative Participating Preferred Stock"—*The Diamond Match Company*

"Capital adjustment in June 1950 (Note 3)"—*Emerson Radio & Phonograph Corporation*

"Excess of cost over stated value of 2,000 shares of $4.80 preferred stock purchased and canceled"—*Interstate Bakeries Corporation*

"Premium on redeemed preferred stock"—*Johns-Manville Corporation*

"Premium on retirement of second preferred stock series A 4%, equal to amounts previously credited to this account for said stock"—*Johnson & Johnson*

Consolidated Surplus: "Premium on repurchase of first preferred stock"—*Geo. E. Keith Company*

"Excess of cost over stated value of $5 prior preferred stock purchased—1950, 390 shares"—*G. R. Kinney Co., Inc.*

"Premium on purchase of cumulative preferred stock"—*Kuhlman Electric Company*

"Cost of 1,200 shares of preferred stock of McGraw-Hill International Corporation purchased and held in treasury, in excess of the amount in capital"—*McGraw-Hill Publishing Company, Inc.*

"Excess of cost over par value of prior preferred stock purchased for treasury"—*Miller and Hart, Inc.*

"Portion of charge due to increase in stated value of capital stock from $5 per share to $10 per share (Note 4)"—*Niles-Bement-Pond Company*

"Less Premium Paid on $4.00, $62.50 Par Value Preferred Stock Retired for Cash"—*Otis Elevator Company*

"Excess of redemption price of 373 shares of preferred stock redeemed and canceled during the year over par value thereof"—*The Patterson-Sargent Company*

"Premium on preferred stock retired"—*Pillsbury Mills, Inc.*

"Premium paid on retirement in 1950 of balance of total issue of 5¼% Preferred Stock—Less Portion thereof equal to discount on purchases of said stock added to Capital Surplus in prior years"—*Revere Copper and Brass Incorporated*

"Amount transferred to additional paid-in capital, equal to the excess of redemption value over par value of 182,513 shares of 5% preferred stock, less the premium received thereon included in the additional paid-in capital"—*Safeway Stores, Incorporated*

"Dividend adjustment from December 1, 1950 to April 1, 1951 on 182,513 shares of 5% preferred stock called for redemption, or exchanged for 4% preferred stock"—*Safeway Stores, Incorporated*

"Premium (net) on 4,452 shares of 5% preferred stock retired through sinking fund"—*Safeway Stores, Incorporated*

"Redemption price of common scrip certificates in excess of amount charged to capital stock"—*Sharp & Dohme Incorporated*

"Redemption price of $3.50 series A preference stock in excess of amount charged to capital stock"—*Sharp & Dohme Incorporated*

"Cost of $4.25 preference stock issue, February, 1950"—*Sharp & Dohme Incorporated*

"Premium on preferred stock called for redemption"—*The Sherwin-Williams Company*

"Premium on 4½% preferred stock purchased for treasury or redeemed through sinking fund in 1950"—*Southern Advance Bag & Paper Co., Inc.*

"Premium on redemption of $3.75 cumulative preferred stock: 38,803 shares (1950) at $6 per share"—*Tide Water Associated Oil Company*

"Transfer to Additional Paid-in Capital—Note B"—*The Scranton Lace Company*

"Cost of shares (1,008 in 1950) of Common Stock purchased for treasury"—*Time Incorporated*

"Cost of acquiring 40,000 common shares (treasury shares) subsequently reissued as described above"—*Union Oil Company of California*

"Adjustment arising from the sale of the Corporation's Common Stock and from the purchase of minority interest in stock of a subsidiary company"—*United Merchants and Manufacturers Inc.*

"Premium on preferred stock redeemed, including amount equal to accured dividends at date of redemption"—*Walgreen Co.*

"Cost of common stock warrants purchased and retired"—*Ward Baking Company*

"Excess of cost over recorded value of preferred stock retired"—*Wilson & Co., Inc.*

UNDERWRITING COMMISSIONS AND EXPENSES

"Underwriting commissions and expenses on issuance of Cumulative Preferred Stock, Series B, in excess of premium received"—*American Cyanamid Company*

"Underwriters' commissions and other expenses in connection with issuance and sale of 60,000 shares of 4¼% Convertible Preferred Stock"—*City Stores Company*

"Expenses in connection with sale of 110,000 shares of 4% preferred stock"—*Safeway Stores, Incorporated*

"Expenses (net) in connection with redemption or exchange of 182,513 shares of 5% preferred stock"—*Safeway Stores, Incorporated*

TRANSFERS TO RESERVES

Reserves for Contingencies, Insurances, or Taxes:

"Appropriation of Surplus to Reserve for Contingencies"—*Anderson, Clayton & Co.*

"Provision for Insurance Reserve"—*Argo Oil Corporation*

"Appropriated for contingencies in respect of assets and obligations in foreign countries (Note B)"—*California Packing Corporation*

"Amount transferred to Reserve for Tax Contingencies"—*Hygrade Food Products Corporation*

"Transferred to reserve for contingencies"—*Moore Drop Forging Company*

"Increase in Provision for Contingencies (Note B)"—*Park & Tilford Distillers Corporation*

"Transfer to Earnings Reserved for Insurance and Other Contingencies"—*The Quaker Oats Company*

"Consolidated Surplus: "Transfer to Insurance Reserve"—*Bethlehem Steel Corporation*

Reserves for Inventories:

"Appropriated during year for crop hazards and other contingencies"—*Consolidated Cigar Corporation*

"Appropriation for possible future price declines and obsolescence in inventories"—*Deere & Company*

"Additional provision for the year to give effect to normal base stock method of inventory in an amount equivalent to approximate federal income taxes at current rates applicable thereto"—*Endicott Johnson Corporation*

"Surplus appropriated to Reserve for Inventory Obsolescence and Product Warranties"—*P. R. Mallory & Co., Inc.*

"Amount appropriated to Reserve for Metal Price Fluctuations equal to the above gain or loss from fluctuations of metal prices subsequent to production or purchase of ores"—*United States Smelting Refining and Mining Company*

Reserves for Increased Replacement Costs:

"Additional Provision for Replacement of Buildings and Machinery"—*Armstrong Cork Company*

"Reserve for est. increase in replacement cost of fixed assets"—*Bristol-Myers Company*

"Appropriated during year for abnormal construction and increased replacement costs"—*United Fruit Company*

Statutory Reserves:

"Increase in segregated earnings:
For statutory reserves of foreign subsidiaries
For Metal inventories"—*The American Metal Company, Limited*

BROWN • FORMAN DISTILLERS CORPORATION AND ITS WHOLLY OWNED SUBSIDIARIES

COMPARATIVE CONSOLIDATED STATEMENT OF EARNINGS RETAINED IN THE BUSINESS

Years Ended April 30th	1951	1950
Balance, beginning of period	$7,778,248.72	$5,517,371.97
Net income for the year	4,674,514.35	3,242,611.95
	12,452,763.07	8,759,983.92
Dividends paid:		
Cash:		
On preferred $4 cumulative stock, per share, $4	39,376.80	39,376.80
On junior preferred 40¢ cumulative stock, per share, 40¢	471,179.20	471,179.20
On common stock, per share, 80¢	471,179.20	471,179.20
	981,735.20	981,735.20
Balance, end of period (Notes 1, 2 and 3)	$11,471,027.87	$7,778,248.72

CONTRIBUTED CAPITAL IN EXCESS OF PAR AND STATED VALUES OF CAPITAL STOCK

Years Ended April 30th	1951	1950
Balance, beginning of period	$88,343.87	$ 120,903.49
Miscellaneous net charges		32,559.62
Balance, end of period	$88,343.87	$ 88,343.87

Notes to Financial Statements

1. The parent Company has received reports from the Bureau of Internal Revenue proposing additional tax assessments for the fiscal years 1942 through 1950, and denying relief under Section 722 for the fiscal years 1942 through 1946. The Company has provided the estimated maximum liability for additional taxes payable and related interest based upon the Bureau's contentions, including tax payments (33%) previously withheld as permitted by relief sections of the Internal Revenue Code, together with estimated amounts payable for subsequent years through April 30, 1951, if the Bureau's contentions are finally determined as being applicable to the subsequent years.

Of the total amount of $4,274,860.90 provided for these tax contingencies and related interest, the amount of $165,000.00 was provided in the year ended April 30, 1950, and $85,000.00 has been provided during the current year. Substantially all of the disallowances made by the Bureau are being contested by the Company but, because of the uncertainties of the interpretation of the provisions of the Internal Revenue Code, tax counsel for the Company is unable to predict the ultimate amount of tax liability, or the resultant portion of the provision which may ultimately be returned to consolidated earnings retained in the business.

2. Certain provisions of agreements pertaining to long-term debt, restrict payments of cash dividends without consent of parties to the agreements. Earnings retained in the business so restricted amounted to approximately $7,800,000 at April 30, 1951.

3. The Company has been named defendant in a suit involving a substantial sum. However, in the opinion of counsel for the Company, the ultimate liability, if any, will be inconsequential.

"Amounts transferred to statutory surplus of subsidiary companies in Argentina and Brazil"—*Lone Star Cement Corporation*

"Appropriation to statutory reserve"—*United Merchants and Manufacturers Inc.*

Miscellaneous Types of Reserves:

"Increase in reserve for unexpired subscriptions"—*McGraw-Hill Publishing Company, Inc.*

"Appropriated to Reserve for Foreign Exchange"—*National Paper and Type Company*

"Reserved for retirement of preferred stock"—*O'Sullivan Rubber Corporation*

"Net income for the year ended December 31, 1950, of which $260,000.00 has been appropriated for exploration and acquisition of oil reserves"—*Panhandle Producing & Refining Company*

Balance Sheet: "Appropriation as a sinking fund for repurchase of preferred stock (20% of consolidated net income for the year)"—*United Artists Theatre Circuit, Inc.*

¶PRIOR YEARS' TRANSACTIONS

Taxes:

"U. S. income tax deficiency claimed (Page 30)"—*The American Metal Company, Limited*

"Additional Income Tax Prior Years"—*Argo Oil Corporation*

"Adjustment arising from settlement of federal income taxes of one subsidiary for prior years"—*Atlantic Company*

"Net adjustments to fixed assets and allowances for depreciation incident to settlement of taxes on income of prior years"—*Brown Shoe Company, Inc.*

"Provision for prior years' federal taxes"—*A. S. Campbell Co. Inc.*

"Sundry Prior Years Income and Tax Adjustments"—*The Cessna Aircraft Company*

"Net additional income taxes of prior years"—*Crown Cork & Seal Company, Inc.*

"Minority interest in above" (Balances returned to earned surplus of prior years' provision for taxes and certain asset liquidations)—*Curtiss-Wright Corporation*

"Adjustment of Sundry Taxes"—*M. H. Fishman Co.*

Re 721 claim: "Provision for (1) Federal and State taxes on taxable portion ($43,765.73) of the above addition to surplus and (2) certain tax adjustments applicable to prior years (Note 3)"—*Jones & Lamson Machine Company*

"Additional Pennsylvania 1947–48 Tax"—*The Moxie Company*

"Provision for possible Federal tax liabilities on income of former subsidiaries applicable to years prior to 1946 (Note 2)"—*H. K. Porter Company, Inc.*

"Federal taxes on income of prior years (1944–1947) $463,978 less marginal reserves of $95,105"—*Purity Bakeries Corporation*

"Additional Provision Reserve for taxes prior years"—*Samson United Corporation*

"Adjustment of prior years' Federal Income Taxes less Reserve for Contingencies"—*Universal Match Corporation*

Miscellaneous Adjustments for Prior Years:

"Accrued vacation costs as of December 31, 1949"—*Atlas Powder Company*

"Sundry Adjustments to Prior Years' Income"—*Beech Aircraft Corporation*

"*Prior Years' Adjustments:* Applicable to years prior to 1949—$113,457, reflected in transfer for 1949—$1,893"—*Clearing Machine Corporation*

"Less adjustments applicable to prior years as a result of the readoption of the LIFO basis of inventory—Note A"—*Century Electric Company*

"Provision for contingencies, deducted in 1943 from additional paid-in capital"—*The Dow Chemical Company*

"Provision for contingencies, deducted in 1943 from additional paid-in capital"—*Allen B. DuMont Laboratories, Inc.*

"Adjustment of prior year—note 2"—*Jantzen Knitting Mills Inc.*

¶WRITE-OFF OF INTANGIBLE ASSETS

"Write-off of brands, trade-marks, patents, good will, etc."—*The American Tobacco Company*

"Goodwill of subsidiary acquired in 1950"—*Arden Farms Co.*

"Write-down of Goodwill, including that carried by Darco Corporation, to a nominal value of $1"—*Atlas Powder Company*

"Write-off of Good-will Purchased during the Year"—*The Borden Company*

"Write-off of goodwill on books of Penberthy Injector Company"—*Buffalo-Eclipse Corporation*

"Cost of patent agreement and related rights acquired in 1950"—*Byron Jackson Co.*

"Write-off of goodwill acquired during the year"—*Foremost Dairies, Inc.*

"Deduct special charge to write off goodwill resulting from increase during current year in investment in The Toni Company."—*Gillette Safety Razor Company*

"Write-off of goodwill arising in connection with acquisition of certain assets"—*Minneapolis-Honeywell Regulator Company*

"Amortization of intangible assets"—*O'Sullivan Rubber Corporation*

"Write-off of Trade-marks, Trade Rights and Goodwill"—*The Quaker Oats Company*

"Write-off of intangibles of companies previously acquired (Note 5)"—*The Sperry Corporation*

¶UNUSUAL LOSSES:

"U. S. income tax deficiency claimed (Page 30)"—*American Metal Company, Limited*

"Adjustment of book values of property, plant, and equipment and certain marketable securities to cost (Note 1)"—*American Republics Corporation*

"Cost of defending alleged violation of Sherman Anti-trust Act—years 1927 to 1949"—*Atlantic Company*

"Charge resulting from liquidation of subsidiary (reflected in credit to capital surplus)"—*Bausch & Lomb Optical Company*

"Cost of the surrender and release of the contractual rights of the Drs. Dreyfus (Note 7)"—*Celanese Corporation of America*

"Loss on disposal of plants not required in operations"—*Hygrade Food Products Corporation*

"Federal income taxes applicable thereto" (Disposition of subsidiary and associated company profit)—*Joslyn Mfg. and Supply Co.*

"Loss on disposal of plant assets, inventory, etc. of consolidated subsidiary, including $40,355.59 of income taxes (Note A)"—*Marmon-Herrington Company, Inc.*

"Losses sustained in 1949 by two British subsidiaries, The

Gregg Publishing Company, Ltd. and The Gregg Schools, Ltd. These companies were not included in the consolidation at December 31, 1949, but are so included at December 31, 1950. The 1949 loss shown here includes a loss of $97,413.85 from revaluation of the pound sterling in that year"—*McGraw-Hill Publishing Company, Inc.*

CONSOLIDATION AND MERGER ADJUSTMENTS:

"Expenses of merger"—*Buffalo-Eclipse Corporation*

"Adjustments pertaining to exchange of stock related to merger"—*The Colorado Fuel and Iron Corporation*

RECAPITALIZATION EXPENSES:

"Recapitalization and Refinancing Expenses—1950 Portion"—*The Drackett Company*

"Charge off organization and financing expenses"—*O'Sullivan Rubber Corporation*

ADJUSTMENT OF INVESTMENT IN SUBSIDIARIES:

"Excess of cost over equity applicable to securities of consolidated subsidiaries acquired from minority interests"—*Anderson, Clayton & Co.*

"Reduction in Penberthy Injector Company net fixed asset values adjusted by agreement with Treasury Department prior to acquisition"—*Buffalo-Eclipse Corporation*

"Excess of minority stockholders' interest in subsidiary companies over the book values thereof at date of acquisition"—*Burlington Mills Corporation*

"Excess of cost over book value of subsidiary stock acquired"—*Columbian Carbon Company*

"Cost of 28,250 shares of Lambert Pharmacal Company acquired as of June 7, 1950, in excess of book value as at May 31, 1950; and expenses incidental to acquisition of such shares (Note 7)"—*The Lambert Company*

"Adjustment incident to change in equity in Canadian subsidiary company"—*Monsanto Chemical Company*

"Deficit (surplus) at beginning of the year of subsidiaries not then consolidated"—*National Cylinder Gas Company*

"Adjustment of a subsidiary's leasehold coal properties, less portion applicable to minority stockholders (Note 7)"—*The Pittston Company*

MISCELLANEOUS:

"Other charges"—*The Creamery Package Mfg. Company*

"Transfer to capital surplus of certain 1949 employe stock plan benefits—*Libbey-Owens-Ford Glass Company*

"Wisconsin privilege dividend tax paid for stockholders"—*Nash-Kelvinator Corporation*

"Earnings retained and employed in the business has been charged with the following:

"Accumulated earnings to Jan. 1, 1950 of foreign subsidiaries and branches in the Western Hemisphere (exclusive of Canada)

Less—Amount appropriated for contingencies in prior years"—*The National Cash Register Company*

"Replacement of standing timber including $1,900,000 added during the year"—*The Ohio Match Company*

"Amount deposited with Trustee in 1950 for past service liability under contributory pension plan (Note 2)"—*Tide Water Associated Oil Company*

"Miscellaneous non-operation adjustments"—*Universal Match Corporation*

"Miscellaneous-net"—*Westinghouse Electric Corporation*

No charges or credits to retained earnings, other than for dividends and net income for the year, were reported by 316 out of the 525 reports tabulated for 1950. This number compares with 297 companies in 1949 and 263 companies in 1948 which reported no such charges or credits to retained earnings.

RETAINED EARNINGS CREDITS EXCLUDING NET INCOME FOR THE YEAR

The number and nature of credits to the retained earnings account for the years 1946 through 1950 are presented in the following tabulation:

CREDITS TO RETAINED EARNINGS

1950	1949	1948	1947	1946	Transactions
70	101	96	98	92	Transfers from Reserves
44	40	73	53	69	Prior Years' Adjustments
15	7	5	4	4	Capital Stock Transactions
10	7	5	7	5	Adjustment of Investment in Subsidiaries
9	3	16	17	18	Unusual gains
4	6	17	8	17	Consolidation and Merger Adjustments
4	25	25	20	21	Miscellaneous Transactions
156	189	237	207	226	
					Number of Companies:
128	148	170	153	...	Showing Credits to Retained Earnings
397	377	355	372	...	Not showing Credits to Retained Earnings
525	525	525	525	525	

The credits to retained earnings by the 525 companies in 1950 were described in the annual reports as quoted below:

CAPITAL STOCK TRANSACTIONS

"Excess of par value over cost of preferred stocks reacquired by subsidiaries during year, less minority interest"—*City Stores Company*

"Profit on sale of treasury stock"—*Craddock-Terry Shoe Corporation*

"Excess of par value over cost of 3,257 shares of $3^3/_4\%$ cumulative preferred shares cancelled in connection with sinking fund requirements"—*Crane Co.*

"Premium paid on redemption of preferred stocks (see page 12)"—*Crown Zellerbach Corporation*

"Amounts appropriated in accordance with the provisions of the certificate of incorporation, as amended, less cost of preferred stock repurchased"—*The Dow Chemical Company*

"Amounts appropriated in accordance with the provisions of the certificate of incorporation, as amended, less cost of preferred stock repurchased"—*Allen B. DuMont Laboratories, Inc.*

"Excess of issue price over par value of Common Stock issued to employes under Bonus Plan "B" (Note 9)"—*E. I. du Pont de Nemours & Company*

"Excess of stated value over cost of 600 and 2,200 shares of treasury preferred stock purchased"—*Electric Boat Company*

"Premium on Preferred Stock Retired"—*The Firestone Tire & Rubber Company*

"Excess of par value over cost of capital stock retired: 1875 shares of 4¼% cumulative preferred, less portion, $22,020, allocated to capital surplus"—*The General Tire & Rubber Company*

"625 shares of 3¾% cumulative preferred"—*The General Tire & Rubber Company*

"Excess of market quotations over cost of acquired capital stock distributed to employees, less provision for income tax"—*Johnson & Johnson*

"Premium on preferred stock redeemed February 1, 1950"—*Melville Shoe Corporation*

"Excess of amount received over par value of Treasury Preferred Stock sold"—*Remington Rand Inc.*

"Portion of premium paid on retirement in 1945 of balance of total issue of 7% Preferred Stock, equal to discount on purchases of said stock added to Capital Surplus in 1942 and 1943. (The total premium was charged to Earned Surplus in 1945; this entry is to correct the balance of Earned Surplus.)" ($42,072)—*Revere Copper and Brass Incorporated*

"Recovery of cost of shares (11,890 in 1950) of treasury stock sold—Note E"—*Time Incorporated*

TRANSFERS FROM RESERVES

From Reserves for Contingencies:

"Amount Transferred from Reserve for Contingencies"—*Artloom Carpet Co. Inc.*

"Transfer from Reserve for Contingencies"—*Atlas Powder Company*

"Transferred from reserve for contingencies"—*The Best Foods, Inc.*

"Consolidated Surplus: "Transfer of reserve for contingencies"—*Bethlehem Steel Corporation*

"Reserve for general contingencies restored to surplus"—*Butler Brothers*

"Reserve for contingencies restored"—*A. S. Campbell Co. Inc.*

"Reserve for contingencies transferred to surplus"—*Central Soya Company, Inc.*

"Transferred from surplus reserved for contingencies"—*City Products Corporation*

"Transfer from surplus appropriated for contingencies"—*City Stores Company*

"Transfer from Reserve for Contingencies"—*Congoleum-Nairn Inc.*

"Amount restored from reserve for contingencies"—*Continental Steel Corporation*

"Restored from reserve for contingencies"—*Craddock-Terry Shoe Corporation*

"Transfer from Reserve for General Contingencies"—*Dixie Cup Company*

"Restoration of Portion of Reserve for Contingencies"—*Doehler-Jarvis Corporation*

"Restorations to surplus of: Reserve for contingencies provided in the period 1942 to 1944—no longer considered necessary"—*Douglas Aircraft Company, Inc.*

"Transfer of surplus formerly appropriated for contingencies"—*General Box Company*

"Reserve for contingencies restored"—*General Refractories Company*

"Balance of reserve for contingencies"—*Hercules Motors Corporation*

"Transfer of reserves set up in prior years: For contingencies"—*Ingersoll-Rand Company*

"Credit for balance of Reserve for Contingencies"—*Kennecott Copper Corporation*

"Reserve for Contingencies Restored to Unappropriated Earned Surplus"—*The Parkersburg Rig and Reel Company*

"Balance transferred from reserve for contingencies"—*The Patterson-Sargent Company*

"Consolidated Surplus: Reserves for contingencies and fire insurance returned to surplus"—*Phelps Dodge Corporation*

"Transfer of reserves for contingencies provided by subsidiaries prior to acquisition in 1949"—*H. K. Porter Company, Inc.*

"Transfer of remainder of reserve for contingencies provided by charges to operations during years 1940 to 1943"—*The New Britain Machine Company*

"Amount appropriated for general contingencies—restored"—*Ralston Purina Company*

"Restoration of reserves for contingencies provided by charges to earnings in prior years"—*Rexall Drug, Inc.*

"Transfer from Reserve for Contingencies"—*The Scranton Lace Company*

"Portion of Reserve for Contingencies Transferred to Surplus"—*Spencer Kellogg and Sons, Inc.*

"Restoration of Reserve for Contingencies"—*The Sperry Corporation*

"Transferred from Reserve for Contingencies"—*Sun Oil Company*

"Reserve for contingencies restored to Earned Surplus"—*United Merchants and Manufacturers Inc.*

"Transfer from reserve for contingencies"—*Wilson & Co., Inc.*

From Reserves for Fixed Assets:

"Adjustment of reserve for repairs and standby expenses provided in prior years by allocating to future years estimated income taxes applicable thereto"—*American Window Glass Company*

"Restoration of portion of provision for depreciation not required"—*The Colorado Fuel and Iron Corporation*

"Transfer of balance of amount provided in prior years for Loss on disposal or liquidation of certain assets (Note 3)"—*Curtiss-Wright Corporation*

"Adjustment of reserve for valuation of other property—applicable to property sold in 1950 (loss on sale charged against income)"—*Jacob Ruppert*

"Adjustment of specific reserves for bottles and cases (net)"—*Jacob Ruppert*

"Reserves provided in prior years, eliminated as of January 1, 1950:
Blast furnace relining (Note F)
Other maintenance reserves (Note F)
Fire insurance (Note 1)"—*Jones & Laughlin Steel Corporation*

"Restoration of reserve for replacement of capital assets"—*Mid-Continent Petroleum Corporation*

Footnote: "Accumulated earnings at January 1, 1950, included $700,000.00 which had been appropriated in recognition of the increased cost of replacement of machinery and equipment. As of September 30, 1950, this amount was restored to the status of unappropriated accumulated earnings."—*E. J. Brach & Sons*

"Transfer of reserve for replacement of capital assets at current costs, appropriated out of net profit in 1948"—*International Paper Company*

"Amount appropriated in prior years for increased cost of replacing operating properties, now restored"—*United Drill and Tool Corporation*

"Reversal of appropriations in prior years to reserve for increased construction and replacement costs and contingencies"—*The Youngstown Sheet and Tube Company*

Transfers from other Capital:

"Reserves previously established from Earned Surplus no longer required"—*Anderson, Clayton & Co.*

"Amount Transferred from Appraisal Appreciation (Below)"—*Argo Oil Corporation*

"Transfer from appreciation surplus"—*Art Metal Construction Company*

From Inventory Reserves:

"Transfer to surplus of that portion of general reserve for inventories which was applicable to Corbin Screw Division"—*The American Hardware Corporation*

"SURPLUS STATEMENT: Reserve not required: Metal stock; Investments; Extraordinary obsolescence, contingencies, etc.; Mine and new business investigations"—*American Smelting and Refining Company*

"Earned surplus at December 31, 1949 adjusted as explained in the note below (accumulated since January 1, 1936).
Note: "On the basis of the considerations resulting in the adoption of the new method—(LIFO)—, the balance, $500,000, of the amounts appropriated in prior years for possible future decline of inventory values was restored to earned surplus account in 1950. For the purpose of these financial statements such amount has been included in earned surplus as of December 31, 1949."—*Barker Bros. Corporation*

"Transfer of reserve for decline in market value of basic metal inventories (Note A)"—*Bridgeport Brass Company*

"Amounts transferred from: Reserve for inventory price decline, Reserve for employer's liability and compensation insurance, Federal taxes on income for prior years"—*Brown Shoe Company, Inc.*

"Amount at Beginning of Year (including $600,000 appropriated to reserve for possible future inventory price declines and other contingencies, restored during year 1950 to unappropriated earnings retained)"—*Colonial Stores Incorporated*

"Amount restored from reserve for future inventory price decline"—*Continental Steel Corporation.*

"Transfer of reserve for possible inventory price decline"—*The Diamond Match Company*

"Transferred from reserve for unusual market conditions and other contingencies"—*Ely & Walker Dry Goods Company*

"Amount appropriated in prior years for possible future inventory price decline now restored"—*Inland Steel Company*

"Transfer of Reserve for Price Declines"—*Libby, McNeill & Libby*

"Transfer of portion of reserve for possible future decline in market value of inventories, etc., provided in years prior to 1945"—*Marshall Field & Company*

From Miscellaneous Reserves:

"Transfer from Reserve for Investments"—*Air Reduction Company, Incorporated*

"Surplus Account. Transfers:
From reserve for investments and securities
To reserve for increased cost of replacements"—*Allied Chemical & Dye Corporation*

"Reduction of appropriation for insurance and other risks"—*American Optical Company*

"Add amounts received representing realization of undistributed foreign earnings transferred to reserve January 1, 1949"—*Gillette Safety Razor Company*

"Transfer from Reserve for Estimated Cost of Employees' Past Service under IBM Retirement Plan"—*International Business Machines Corporation*

"Restoration of appropriations for conversion of old first preferred stock" (Consolidated Surplus)—*Geo. E. Keith Company*

"Transfer from reserves, per statement" (Reserves for insurance, unemployment taxes, etc.—amount transferred accumulated prior to October 28, 1944)—*Kingan & Co. Incorporated*

"Unused portion of insurance and contingent reserves transferred to surplus (these reserves have remained inactive for several years)"—*Medusa Portland Cement Company*

"Transfer from Reserve for Doubtful Accounts"—*Pennsylvania Coal and Coke Corporation*

"Adjustment of reserves for contingencies and renegotiation"—*Willys-Overland Motors, Inc.*

"Reversal of reserve for retirement allowances upon adoption of contributory pension plan (Note 2)"—*Tide Water Associated Oil Company*

PRIOR YEARS' ADJUSTMENTS

Taxes:

"Excess reserves set up in prior years for additional federal income taxes and commissions"—*Addressograph-Multigraph Corporation*

"Direct surplus adjustments" (Represents excess accruals of prior years' income taxes and provision for contingencies restored during year)"—*The Amalgamated Sugar Company*

"Portion of provisions made in prior years for income and excess profits taxes in excess of the amounts now estimated to be payable (Note 2)"—*American Smelting and Refining Company*

"Adjustment of reserve for tax claims which were substantially collected in 1950"—*Armour and Company*

"Overaccrual of Federal income and excess profits taxes applicable to prior years"—*Atlas Powder Company*

"Transfer to Earned Surplus of excess provision during prior years for Federal taxes on income"—*Bath Iron Works Corporation*

"Excess provision for Federal taxes on income in prior years"—*Beatrice Foods Co.*

"Net refunds of $1,086,971 received in final settlement of Federal income and excess profits taxes for the years 1940 through 1946, plus reversal of $3,760,154 of provisions for taxes in those years no longer required"—*Bendix Aviation Corporation*

"Net adjustments incident to Federal Tax liabilities for prior years"—*The Billings & Spencer Company*

"Adjustment of prior years income taxes: 1947, 1948, 1949"—*Buffalo-Eclipse Corporation*

"Federal, State and New York City tax adjustments for prior years"—*The Byrndun Corporation*

"Adjustment of prior years' Federal income taxes"—*Clyde Porcelain Steel Corporation*

"Transfer of balances of amount provided in prior years for Federal taxes on income, years prior to 1948 (Note 4)"—*Curtiss-Wright Corporation*

FAIRCHILD ENGINE AND AIRPLANE CORPORATION

FOR THE YEARS ENDED DECEMBER 31, 1950 AND 1949

STATEMENT OF EARNINGS

	1950	1949
INCOME:		
Sales of airplanes, engines, parts and other products (Note 1)	$59,854,066	$48,101,453
License fees and royalties	31,568	22,820
Other income:		
Discount on purchases	67,403	57,034
Interest earned	80,931	56,658
Prior years' adjustments	143,679	
Miscellaneous	59,150	80,778
	$60,236,797	$48,318,743
DEDUCT:		
Cost of sales	$50,262,980	$41,618,585
Depreciation, including amortization of improvements to government-owned property	384,704	137,546
Engineering and development costs and expenses not directly recoverable	536,645	606,490
General, administrative, sales and service expenses	3,056,710	3,158,187*
Other costs and expenses	97,590	64,749
Federal taxes on income:		
Normal tax and surtax	2,384,150	1,157,858
Excess profits tax	419,250	
	$57,142,029	$46,743,415
NET EARNINGS	$ 3,094,768	$ 1,575,328

* Includes $261,522 classified as proxy contest and annual meeting expense in the 1949 Annual Report.

ACCUMULATED EARNINGS USED IN THE BUSINESS

	1950	1949
UNAPPROPRIATED:		
Balance, at beginning of period	$ 9,199,825	$ 8,432,933
Net earnings for the year	3,094,768	1,575,328
	$12,294,593	$10,008,261
Dividends paid in cash:		
60¢ per share in 1950	1,386,124	
35¢ per share in 1949		808,436
Balance, at end of period	$10,908,469	$ 9,199,825
APPROPRIATED FOR GENERAL CONTINGENCIES:		
Balance, at beginning and end of year	$ 500,000	$ 500,000

SEE NOTES TO FINANCIAL STATEMENTS AND STATEMENT OF PRINCIPLES OF ACCOUNTING

"Restorations to surplus of: Approximate overprovision in prior years (principally from surplus) for federal income taxes"—*Douglas Aircraft Company, Inc.*

"Reduction of liability for excess profits taxes recorded in prior years in excess of requirements after settlement of claims for relief from such taxes under Section 722 of the Internal Revenue Code"—*Falstaff Brewing Corporation*

"Transfer of depreciation on war emergency facilities from capital surplus"—*The Federal Machine and Welder Company*

"Refund of prior years' federal taxes on income resulting from application of relief provisions of World War II excess profits tax law"—*Fruehauf Trailer Company*

"Refund of Federal Taxes on Income of prior years"—*General Railway Signal Company*

Surplus: "Refundable Federal income and excess profits taxes of prior years, under Section 721, and interest thereon, less legal fees"—*Jones & Lamson Machine Company*

"Net credit for refunds and adjustments of accruals for U. S. and foreign income and excess profits taxes of prior years."—*Kennecott Copper Corporation*

"Adjustment of 1948–49 Real Estate Tax"—*The Moxie Company*

"Adjustment of federal taxes on income for the years prior to 1948 and provision for interest thereon"—*O'Sullivan Rubber Corporation*

"Credit on Prior Years' Tax Adjustments"—*Polaroid Corporation*

"Escrow funds reverting to company in connection with prior years' tax settlement"—*Purity Bakeries Corporation*

"Release of portions of provisions for prior years' taxes and contingencies"—*Radio-Keith-Orpheum Corporation*

"Reduction in reserve for federal income taxes for prior years (Note C)"—*The Superior Oil Company*

"Refund of excess profits taxes paid in prior years"—*Western Auto Supply Company*

"Transfer of balances of amounts provided for federal taxes on income, years prior to 1948 (Note 3)"—*Wright Aeronautical Corporation*

INVENTORY ADJUSTMENTS

"Adjustment (net) of inventory at January 1, 1950, to cost basis adopted for federal income tax purposes (note 1)—*Caterpillar Tractor Co.*

"Adjustment of inventory January 31, 1950, less applicable federal income taxes, resulting from adoption of last-in, first-out principle of inventory valuation—Note A"—*City Stores Company*

"Adjustment resulting from change in method of valuing certain December 31, 1949 inventories (Note 1)"—*Crane Co.*

"Restoration of inventories at the beginning of the year to cost, less applicable taxes (Note 1)" (Re adoption of LIFO basis)—*G. R. Kinney Co., Inc.*

"Adjustment of December 31, 1949 inventory ($766,276) less applicable federal taxes on income incident to adoption of "last-in, first-out" valuation method (Note 2)"—*National Lead Company*

"Amount at January 1, 1950
Add retroactive adjustment of inventories as of January 1, 1950, due to change in method of determining costs to conform with revised method prescribed by Bureau of Internal Revenue, less applicable prior year income taxes thereon

"Amount at January 1, 1950, as adjusted"—*The New Britain Machine Company*

"Net adjustment resulting from restoration of markdowns on inventories now on Lifo, less related federal and state tax adjustment"—*Pacific Mills*

Miscellaneous Adjustments for Prior Years

"Adjustments Prior Years"—*Argo Oil Corporation*

"Capitalization of 1949 Drilling Costs"—*Argo Oil Corporation*

"Renegotiation refund (net after taxes)"—*Buffalo-Eclipse Corporation*

"Adjustment applicable to prior years occasioned by Revenue Agents review of Federal income tax returns for years 1946 to 1948 inclusive:
Capitalization of expenditures on property previously expensed
Depreciation disallowed (net)
Less additional Federal income taxes thereon"—*The Bay Petroleum Corporation*

"Adjustment of book value of marketable securities owned to the lower of cost or quoted market at December 31, 1949"—*Cannon Mills Company*

"Reduction of accumulated allowances for depreciation (provided in prior years) to conform with estimated useful lives of the related properties agreed upon with the Treasury Department."—*Crown Cork & Seal Company, Inc.*

"Transfer of gain on sale of war emergency facilities from capital surplus"—*The Federal Machine and Welder Company*

"Increases in plant asset accounts and decreases in reserves for depreciation and for bad debts pursuant to Treasury Department examination—Less—related additional Federal income taxes"—*Park & Tilford Distillers Corporation*

"War damage recoveries on assets in the Philippine Islands, written off against retained profits reinvested in 1941 when war damage was incurred"—*Tide Water Associated Oil Company*

ADJUSTMENT OF INVESTMENT IN SUBSIDIARIES

"Surplus arising from acquisition of additional interests in subsidiary company between January 1 and June 30, 1950"—*The Bay Petroleum Corporation*

"Profit on sale of a public utility subsidiary, less portion credited to Capital Surplus"—*Cities Service Company*

"Adjustment of excess of cost of capital stock of a subsidiary, acquired in prior year, over equity in its tangible net assets at date of acquisition, less minority interest"—*City Stores Company*

"Add: Undistributed earnings of Collins & Aikman of Canada, Limited at February 25, 1950 (Note 4)"—*Collins & Aikman Corporation*

"Surplus arising from acquisition of wholly owned subsidiary in a prior year, realized upon liquidation of the subsidiary"—*Ely & Walker Dry Goods Company*

"Reclassification of excess of book value of equity acquired (1949) over investment in subsidiary"—*Ex-Cell-O Corporation*

"Net undistributed earnings of nonconsolidated affiliates (Note 4)"—*General Electric Company*

"Profit on disposition of subsidiary and associated company"—*Joslyn Mfg. and Supply Co.*

"Transfer from Capital Surplus of increment realized from liquidation of subsidiary"—*Pennsylvania Coal and Coke Corporation*

"Undistributed Earnings of Susquehanna Pipe Line Company—November 30, 1950"—*Sun Oil Company*

UNUSUAL GAINS

"Properties acquired by gift, at cost to the transferrors less sustained depreciation to date of transfer"—*Craddock-Terry Shoe Corporation*

"Gain on Sale of Emergency Facilities after provision for Federal and State income taxes"—*General Railway Signal Company*

"Excess of state ordered minimum price over contractual sales price of natural gas sold in prior years, after deducting taxes on income and other related costs"—*Skelly Oil Company*

"Gain on sale of Kollsman Instrument Division (less applicable federal income taxes)"—*Square D Company*

"Valuation of investments to lower of cost or market—net"—*Westinghouse Electric Corporation*

Consolidated surplus: "Adjustment resulting from revaluation of Investment in General Motors Corporation (Note 1-d)"—*E. I. du Pont de Nemours & Company*

FOREIGN EXCHANGE

"Unrealized gain arising from conversion of foreign net asset to dollars"—*The Gruen Watch Company*

"Adjustment to restate U. S. dollar equivalent of foreign net working capital, deferred assets and certain reserves at September 30, 1950 (see note opposite)"—*International Paper Company*

"Net foreign exchange adjustments other than those charged above—see Note 2"—*Lone Star Cement Corporation*

CONSOLIDATION AND MERGER ADJUSTMENTS

"Excess of net worth of Darco Corporation as of July 31, 1950 over carrying value of Atlas Powder Company's investment therein, less merger expenses"—*Atlas Powder Company*

"Undistributed earnings of subsidiaries not previously consolidated"—*The Pure Oil Company*

"Adjustments (net) resulting from changes in ownership of various companies consolidated, etc."—*Standard Oil Company (New Jersey)*

Consolidated Surplus and Profit and Loss: "Net increase in Consolidated Surplus due to inclusion in this consolidation of the Greeneville Redrying Co., Inc., now a wholly owned subsidiary of Universal Leaf Tobacco Co. Inc."—*Universal Leaf Tobacco Co. Inc.*

CASH DIVIDENDS—WHERE CHARGED

The following comparative tabulation, setting forth the statement presentation for cash dividends declared, shows no significant changes in accounting treatment in 1950 as compared with prior years.

STATEMENT PRESENTATION OF CASH DIVIDENDS

1950	1949	1948	1947	Where Charged
474	461	462	465	Retained Earnings. (*Nos. 41, 122, 149, 158, 185, 223, 227, 357, 373, 407, 418, 506, 507, 516)
20	19	21	12	Combined Income and Retained Earnings Statement—before opening balance of Retained Earnings. (*Nos. 18, 24, 248, 260, 378, 460, 514)
7	8	17	15	Income Statement—at foot thereof. (*Nos. 56, 282, 297, 435, 508)
2	1	2	2	"Disposition of Net Income Statement." (*No. 399)
503	489	502	494	Total Dividend Declarations
22	36	23	31	No Dividend Indicated
525	525	525	525	

* See Company Appendix Section.

MISCELLANEOUS TRANSACTIONS:

"Sundry items, net"—*Curtiss-Wright Corporation*

"Miscellaneous"—*Tide Water Associated Oil Company*

"Miscellaneous additions—net"—*Westinghouse Electric Corporation*

"Sundry items, net"—*Wright Aeronautical Corporation*

RESTRICTIONS ON RETAINED EARNINGS FOR DIVIDEND PURPOSES

Of the 525 tabulated companies, 243 reported restrictions limiting the availability of retained earnings for dividend purposes. Twelve of the companies merely indicated the existence of such restrictions without disclosing the source or nature thereof. (See Company Appendix No. 109.) The remaining 231 companies reported and described one or more restrictions on retained earnings. These restrictions generally arose in connection with:

1. Borrowed funds—restrictions set forth either in loan agreements or in trust indentures. (See Company Appendix Nos. 92, 134, 176, 241, 319, 423.)
2. Preferred stock—restrictions set forth in the articles of incorporation or terms of issue, or caused by preferred stock preferences on liquidation or by dividend arrearages. (See Company Appendix Nos. 236, 392, 398, 407, 444, 492.)
3. Treasury stock—restrictions arising from ownership of treasury stock. (See Company Appendix Nos. 161, 336.)
4. Rules of regulatory bodies, or provisions of foreign and domestic laws. (See Company Appendix Nos. 247, 315.)

Limitations incident to borrowed funds were the source of over 50% of the restrictions and these, together with restrictions in connection with preferred stock, accounted for approximately 80% of the total restrictions reported on retained earnings for dividend purposes.

Typical examples of restrictions on retained earnings for dividend purposes are set forth below:

1. *Borrowed Funds:*

THE CHAMPION PAPER AND FIBRE COMPANY
Balance Sheet:
"STOCKHOLDERS' INVESTMENT:
Earnings retained in the business (excluding amounts transferred to common capital stock, 1951—$30,463,750; . . . (Note 8). . . . .$20,302,206"

Note 8: "Earnings retained in the business is restricted as to its availability for the payment of dividends (other than stock dividends) on account of the indentures relating to the Company's issues of debentures. At March 31, 1951, the amount of $11,149,550 was available for dividends but of this amount only $10,380,815 could be paid out of working capital."

THE ELECTRIC AUTO-LITE COMPANY
Balance Sheet:
"SHAREHOLDERS' INVESTMENT:

Common shares—$5 par:		
Authorized and issued	$1,500,000 shares	
In treasury..........	5,145 shares	
Outstanding........	1,494,855 shares	$ 7,474,275
Additional paid-in capital (no change during the year)...........................		16,671,560
Earnings retained for use in the business..		57,228,193
		$81,374,028"

"NOTE C—DIVIDEND RESTRICTIONS: Under the terms of the Loan Agreement dated December 30, 1946, and supplements thereto, the additional paid-in capital and $27,107,621 of the earnings retained for use in the business are not available for dividends in cash or kind until the loan is repaid."

FOOD MACHINERY AND CHEMICAL CORPORATION
Balance Sheet:
"Capital stock and surplus:
Earned surplus (Note 2):

Appropriated as a reserve for contingencies..	$ 3,353,186
Unappropriated........................	33,299,822

Note 2: "Provisions relating to issues of the debentures and preferred stocks now outstanding, in effect restrict the availability for dividends on common stock of $3,353,186 of consolidated earned surplus appropriated as a reserve for contingencies and $23,076,678 of consolidated earned surplus unappropriated so long as the present debentures or the present preferred stock series remain outstanding. Provision of the indenture relating to sinking fund debentures due March 15, 1976, proposed to be issued, in effect may further restrict the availability of the consolidated earned surplus for dividends on common stock."

GIDDINGS & LEWIS MACHINE TOOL COMPANY
Balance Sheet:
"LONG-TERM DEBT (Note 2):

First mortgage notes, 4% due annually to 1963 (less $170,000 due within one year included in current liabilities).........................	$1,990,000
"CAPITAL STOCK AND SURPLUS:	
Common stock...[...]....................	$ 600,000
Surplus:	
Paid-in (no change during year)..........	1,408,064
Earned since December 31, 1935 (See accompanying statement) (Note 2).	3,334,080

Note (2): "Earned surplus of $2,988,693 is restricted as to the payment of cash dividends under the provisions of the agreement relating to the first mortgage notes. This agreement also requires, among other things, maintenance at all times of net current assets in an amount equal to or in excess of $4,000,000. The net current assets at December 31, 1950 amounted to $4,392,287."

MACFADDEN PUBLICATIONS, INC.
Balance Sheet:
"6% SINKING FUND DEBENTURES (SUBORDINATED AS PROVIDED IN THE INDENTURE) DUE JULY 1, 1968 (*Note 2*)................................. $2,264,367

NOTE 2: "The Trust Indenture relating to the Company's 6% Debentures contains certain restrictions as to the payment of dividends, etc., and requires the Company to pay into the sinking fund annually 20% of the "net income" as defined in the indenture. In the event that payments made or debentures surrendered in any year amount to less than $50,000, the Company may not pay dividends in the succeeding sinking fund year ending April 30. Up to December 31, 1950, the aggregate principal amount of debentures surrendered for cancellation exceeded by $180,427 the amount required to be paid into the sinking fund in accordance with the "net income" and related provisions of the indenture to that date."

MOORE DROP FORGING COMPANY
Footnote: ". . . The agreements relating to the serial notes provide that the company will not, without the written consent of the holders of the notes, apply any sum to the redemption or purchase of its capital stock nor to the payment of dividends, except out of net income earned subsequent to October 31, 1946, plus $285,000."

H. K. PORTER COMPANY, INC.
Balance Sheet:
"Capital stock and surplus (Note 3):
"*Note 3:* The requirements to provide a sinking fund of $76,759.33 by May 1, 1951 have been met during 1950 by purchase and retirement of preferred stock.

Payments of cash dividends or other distributions (net) to common stockholders, unless out of earnings accumulated since July 1, 1945, plus $250,000.00, are subject to approval of the preferred stockholders."

2. *Preferred Stock:*

ARDEN FARMS CO.
Balance Sheet:
"CAPITAL AND SURPLUS:
Earned Surplus (See Note).............. $6,298,622.74"
Note: "Company's counsel has expressed the opinion that no statutory restriction on surplus exists by reason of the Preferred Stock's preference on liquidation exceeding its stated value. However, in June, 1947, the Company's Board of Directors adopted a resolution not at any time to declare a dividend on any junior stock which would reduce its surplus below an amount equal to such excess."

BOOTH FISHERIES CORPORATION
"CAPITAL STOCK AND SURPLUS:
"Earned surplus (Note 1)................... $4,106,328
Note 1: "Under preferred stock provisions, $1,647,990 of consolidated earned surplus at April 28, 1951, is not available for cash dividends on, or purchase, of, common stock. The company has also agreed that so long as the preferred stock is outstanding it will not make payments for cash dividends on, or purchase of, common stock, which would reduce consolidated current assets below consolidated total liabilities or which would reduce consolidated tangible assets minus consolidated current liabilities below 150% of the total of consolidated funded debt and the aggregate par value of the outstanding preferred stock."

CRANE CO.
Balance Sheet:
"Capital Stock and Surplus:
Earned surplus (Note 5)................ 58,293,503
Note 5: "Under the provisions of the Articles of Incorporation, as amended in connection with the issuance of the 3¾% cumulative preferred shares, earned surplus at December 31, 1950, in the amount of $20,775,754, is not available for the payment of dividends on the Company's common shares."

3. *Treasury Stock:*

BUCYRUS-ERIE COMPANY
"*Statement of Earnings Retained in the Business:*
Balance at December 31, 1950 (Unappropriated earnings retained in the business are restricted in the amount of $178,411 representing the cost of common stock in treasury)"

MEDUSA PORTLAND CEMENT COMPANY
Balance Sheet:
"Capital Stock and Surplus:

Capital stock	
Common—without par value:	
Authorized 250,000 shares;	
issued 22,417 shares . . . including treasury shares	$7,898,808
Earned surplus—Note C	5,205,959
	$13,104,767
Less common stock in treasury, 1308 shares	46,809
	$13,057,958

Note C: "A recent analysis and study of the consolidated unsegregated earned and acquired surplus account has disclosed that earned surpluses of two no longer existing subsidiaries were included therein from the time the subsidiaries were acquired until their dissolution in 1936. Losses of the subsidiaries during their ownership by the Company and prior to their dissolution in the aggregate, however, substantially offset the amounts of such acquired surpluses. Therefore, unsegregated earned and acquired consolidated surplus may appropriately be considered as consolidated earned surplus. There is a restriction on earned surplus, in the amount of $46,809, which represents the cost of common stock held in the treasury."

4. *Rules of Regulatory Bodies; and Provisions of Foreign and Domestic Laws:*

AMERICAN SMELTING AND REFINING COMPANY
Balance Sheet:
"SURPLUS (Note 3)...................... $77,990,753"
Note 3: "Includes $2,690,039 carried in special reserve accounts on the books of Mexican and South American subsidiaries to comply with the laws of the respective countries."

BORG-WARNER CORPORATION
"*Statement of Consolidated Assets and Liabilities:*
STOCKHOLDERS' INVESTMENT:

Earnings retained for use in the business		$104,231,863.
Less—Capital stock reacquired and held in treasury—		
At cost:		
Preferred—14,370 shares	$1,425,095.	
Common—125,184 shares	900,425.	2,325,520.

Note 3: "The amount of earnings retained for use in the business is subject to restriction of $2,325,520.89 under the Business Corporation Act of Illinois, 1933, due to the acquisition of Borg-Warner Corporation stock."

SHELL OIL COMPANY
[Re: Shell Pipe Line Company—Unconsolidated Subsidiary]
Note 3: "Under the Consent Decree which was entered December 23, 1941 in settlement of the Elkins Act controversy, the defendant pipe line carriers, which included Shell Pipe Line Corporation, may not pay, except as permitted under Paragraph V of the Decree, directly or indirectly, to any shipper-owner in any calendar year (commencing January 1, 1942) any earnings derived from transportation or other common carrier services which, in the aggregate, are in excess of such shipper-owner's share of seven per cent of the valuation of common carrier property determined in the manner indicated in the Consent Decree, or any earnings which although within seven per cent of the valuation have been invested in carrier property and included in the valuation. In view of this it has been considered desirable not to include the accounts of Shell Pipe Line Corporation in the consolidated financial statements.

The earnings of Shell Pipe Line Corporation for the year ended December 31, 1950 amounted to $4,064,545. No dividends were declared during the year. On the basis of the valuation of the pipe line properties of Shell Pipe Line Corporation, as estimated by responsible officials of that company, none of the earnings for the year 1950 is restricted under Paragraph V of the Decree. For the years since 1941, total earnings so restricted amount to approximately $2,500,000, and, in addition, approximately $2,900,000 of earnings within the seven per cent limitation have been invested in carrier property and included in the valuation. These amounts, totaling approximately $5,400,000, represent restricted earnings under the Decree."

TIDE WATER ASSOCIATED OIL COMPANY
Balance Sheet:
"COMMON STOCK AND RETAINED PROFITS REINVESTED:
Retained profits reinvested, per accompanying statement (Note 4)..................... $190,091,871"
Note 4: "Retained profits reinvested include approximately $1,838,000 profits of pipe line subsidiaries not distributable under Consent Decree in Elkins Act Suit."

STOCK DIVIDENDS, STOCK SPLIT-UPS, DIVIDENDS IN KIND, AND CAPITAL READJUSTMENTS

The year 1950 was an active one for stock dividends and split-ups, dividends in kind and capital readjustments. The following examples thereof have been selected from the 525 reports.

Stock Dividends:

COLGATE-PALMOLIVE-PEET COMPANY
Retained Earnings Charge.................... $4,194,204
"Stock dividend of 5% on common stock—99,862 shares of common stock at fair market value of $42.00 per share"
Capital surplus Credit...................... $2,945,929
"Excess of $42.00 per share over the $12.50 per share added to capital stock"
"EARNINGS AND DIVIDENDS: . . . The stock dividend was declared December 7, 1950 on the 1,997,236 shares then outstanding, payable on January 9, 1951 to holders of record December 13, 1950. The 99,862 shares distributed were recorded in the accounts as of December 31, 1950, and earned surplus was reduced by the fair market value of $42.00 per share or $4,194,204. Of this amount, $12.50 per share or $1,248,275 was added to the capital stock account, and the difference of $2,945,929 was added to capital surplus. The amount charged to earned surplus of $42.00 per share was determined in the light of various factors, including the sales price of the common stock on the New York Stock Exchange over a period of more than one year preceding the declaration of the dividend."

INTERNATIONAL PAPER COMPANY
Retained Earnings Charge................... $60,520,000
"Stock dividend (25%)—1,780,000 shares of Common Stock of the Company at assigned value of $34 per share"
Capital Surplus Credit...................... $47,170,000
"Excess of value assigned to 1,780,000 shares of Common Stock of the Company, declared as a stock dividend, over the par value thereof"
To our Stockholders: "Dividends: . . . The 25% stock dividend distributed September 22, 1950 raised outstanding Common Stock to a total of 8,900,000 shares. On September 22 and December 15 dividends of 75 cents each were paid on this larger number of shares.

"As a result of the stock dividend, a charge of $60,520,000 ($34 for each share issued to the public) was made against Earned Surplus; the Common Stock account was credited with $13,350,000 ($7.50 a share, the par value); and Capital Surplus with $47,170,000 ($26.50 a share)."

SHARON STEEL CORPORATION
Retained Earnings Charge.................... $8,795,698
"Dividends Paid: Stock—50% to shareholders of record September 15, 1950—308,621 shares at assigned value of $28.50 per share"
Capital Surplus Credit....................... $5,709,489
"Excess of assigned value ($28.50 per share) of stock dividend over stated value ($10 per share) of capital stock issued"
"REPORT TO SHAREHOLDERS: ". . . On August 25, 1950, the Board of Directors of the Corporation declared a stock dividend in common stock of the Corporation payable to shareholders of record at the close of business on September 15, 1950, at the rate of one-half (1/2) of one (1) share of such stock for each share held on the record date. As a result of this action the outstanding shares of the Corporation were increased from 617,242 shares to 925,863 shares. A value of $28.50 per share was placed on each share issued; of this amount, $10.00 per share was assigned to the stated value of the common capital stock and $18.50 per share was transferred to capital surplus, i.e., capital contributed and earnings capitalized in excess of stated value of common stock. This resulted in a reduction of accumulated earnings by $8,795,698 and an increase of $3,086,210 and $5,709,488 in the capital stock and capital surplus accounts respectively. The amount of accumulated earnings per share transferred to the capital stock and capital surplus accounts was substantially equivalent to the average existing capitalization per share in those accounts combined before the payment of the stock dividend, and approximated the average market value per share during the one-year period preceding the declaration of the stock dividend."

WHEELING STEEL CORPORATION
Retained Earnings Charge.................... $1,423,897
"Transfer to capital assigned to common stock"
Retained Earnings Charge.................... $7,119,475
"Dividends declared: Common Stock—in common stock—25% (284,779 shares)"
"*Supplementary Financial Information:*
Common Stock, without par value:
Authorized 2,500,000 and 1,100,000 shares; issued and outstanding 1,423,897* and 569,559 shares in the respective years"......................................$37,021,322*

" *Number of shares at December 31, 1950 is after giving effect to the two-for-one split of such shares effective April 28, 1950 and the 25% stock dividend paid on October 25, 1950. Such shares include 443 shares issuable in respect of outstanding scrip certificates. Increase of $8,543,372 in 1950 represents $7,119,475 transferred from accumulated earnings to capital stock account in connection with such stock dividend, plus an additional $1,423,897 so transferred pursuant to resolution of Board of Directors on November 29, 1950."

ALAN WOOD STEEL COMPANY
Retained Earnings Charge...................... $388,504
"Dividends declared—Common Stock—5% each, payable in Common Stock at July 1, 1949, January 1, 1950 and July 1, 1950 at approximate market value"
Capital Surplus Credit......................... $120,619
"Excess of approximate market value over par value of stock dividends"

THE AMERICAN METAL COMPANY, LIMITED
Retained Earnings Charge.................... $2,143,015
"Dividends on common stock: Payable in common stock, 5 per cent (61,229 shares at $35 per share)"

THE ATLANTIC REFINING COMPANY
Retained Earnings Charge................... $29,873,250
"Stock Dividend (20%) declared November 6, 1950 597,465 shares of Common Stock at assigned value of $50 per share"
Capital Surplus Credit..................... $14,936,625
"Excess of value assigned to 597,465 shares of Common Stock, declared as a Stock Dividend, over Par Value thereof"

CITIES SERVICE COMPANY
Retained Earnings Charge................... $13,882,500
"Dividends paid on common stock—5% in common stock at assigned value of $75 per share.
Capital Surplus credit...................... $12,031,500
"Excess of value assigned to common stock issued as a dividend over the par value thereof"

CONSOLIDATED CIGAR CORPORATION
*Retained Earnings Charge................... $1,388,636**
"Special dividend—20% in Common Stock, 55,401 shares issued at $25 per share ($1,385,025 in the aggregate) and $3,611 paid in cash in lieu of fractional shares" "(*The effect of the special dividend was to retain in the business the $1,385,025 which was added to the Common Stock outstanding)"

CORN PRODUCTS REFINING COMPANY
Retained Earnings Charge.................... $8,018,463
"Dividend payable in common stock: 5% on common stock, 126,275 shares at $63.50 per share—Note 4"
Capital Surplus Credit...................... $4,750,380
"Note 4: Represents the excess of the value assigned to the 5% common stock dividend, 126,275 shares at $63.50 per share, over the par value of 121,759 shares of common stock and the cost of 4,516 shares of reacquired common stock, issuable in connection with the stock dividend declared November 22, 1950 and payable January 25, 1950"

THE CUNEO PRESS, INC.
Retained Earnings Charge...................... $394,660
"Stock dividends of 39,466 common shares (2 dividends of 1 share for each 50 common shares outstanding; computed at $10 per share, representing approximate average market value for the preceding year)"
Capital Surplus Credit........................ $197,330
"Earned surplus capitalized with respect to stock dividends $394,660
Less: Portion thereof credited to capital (par value of the stock dividend shares) $197,330"

DOW CHEMICAL COMPANY
Retained Earnings Charge................... $10,127,969
"Common Stock (1951, 154,625 shares at an approximate market value of $65.50 per share)"
Capital Surplus Credit...................... $7,808,586
"Excess of approximate market value over par value of Common Stock issued as a stock dividend"

EMERSON RADIO & PHONOGRAPH CORPORATION
Retained Earnings Charge................. $1,040,682.50
"Stock dividend in December 1949"
Capital Surplus Credit...................... $638,440.00
"Credit in December 1949 Arising from Stock Dividend"
Retained Earnings Charge................. $2,464,183.60
"Appropriated for payment of stock dividend in December 1950"

EX-CELL-O CORPORATION
Retained Earnings Charge.................... $6,812,896
"Valuation assigned to 212,903 shares distributed April 1, 1950 as a stock dividend (making 638,709 shares outstanding)"
Capital Surplus Credit...................... $6,174,187
"Valuation assigned to 212,903 shares distributed April 1, 1950 as a stock dividend (making 638,709 shares outstanding)"

FRUEHAUF TRAILER COMPANY
Retained Earnings Charge.................... $4,742,225
"Stock dividend paid on Common Stock on December 28, 1950 (20%—243,191 shares)"
Capital Surplus Credit...................... $4,499,034
"Credit arising from stock dividend paid on Common Stock"

HERCULES MOTORS CORPORATION
Retained Earnings Charge.................... $937,500.88

NATIONAL DAIRY PRODUCTS CORPORATION
AND DOMESTIC SUBSIDIARY COMPANIES

Review in Brief

OUR OPERATING RECORD

OUR INCOME:

	1950	1949
The sale of our products amounted to	$906,641,000	$897,675,000
Our income from other sources was	3,298,000	2,445,000
This gave us a total income of	$909,939,000	$900,120,000

OUR COSTS AND EXPENSES:

	1950	1949
Milk and other products purchased from farmers and raw materials bought from other suppliers cost us	$500,573,000	$507,872,000
To process our products and serve our customers, we paid wages and salaries of	161,601,000	156,888,000
Operating services and supplies, and other miscellaneous costs of doing business totalled	79,115,000	78,271,000
To package our products in bottles, cans, cases, cartons, jars and other containers required	56,009,000	53,756,000
Our direct taxes to help support Federal, state and municipal governments were	40,924,000	32,110,000
Repairs and maintenance to keep our plants functioning efficiently cost	19,566,000	20,789,000
In addition to repairs and maintenance, we provided for depreciation on plant and equipment	17,286,000	14,944,000
We paid as interest to our bondholders	2,200,000	2,231,000
This brought our total costs and expenses to	$877,274,000	$866,861,000

OUR PROFIT:

	1950	1949
This left a profit of	$ 32,665,000	$ 33,259,000
or		
On each $1 of sales	3.6¢	3.7¢
or		
Per share	$5.14	$5.26
Which was divided as follows:		
Paid as dividends to stockholders	$ 17,737,000	$ 13,860,000
or		
Per share	$2.80	$2.20
Retained in business	$ 14,928,000	$ 19,399,000

(The statements of Consolidated Profit and Loss and Consolidated Earned Surplus will be found on page 22)

"Dividends declared and paid—twenty per cent dividends paid in common stock at assigned value of $15.00 per share."

INTERNATIONAL BUSINESS MACHINES CORPORATION
Retained Earnings Charge................ *$13,154,075.00*
"Stock Dividend—131,541 shares, involving transfer from Earned Surplus to Capital Stock Account of $13,154,075.00"

JANTZEN KNITTING MILLS INC.
Consolidated Surplus Charge.................... *$524,818*
"Dividends paid—Common—stock"

D. EMIL KLEIN CO., INC.
Retained Earnings Charge.................... *$18,870.30*
"Stock Dividend (from stock held in Treasury) of 1,960 shares at $9.00 per share and cash payments of $1,230.30 for fractional shares"
Capital Surplus Charge......................$ *
*Balance Sheet Footnote: "The cost of Common Stock in Treasury is $304,041.30; the difference between cost and the stated value ($12.50 per share) has been credited to Capital Surplus. Earned Surplus has been charged with 3% stock dividend on the basis of $9.00 a share of Treasury Stock issued for that purpose; the excess of stated value over $9.00 a share has been charged to Capital Surplus."

LIBERTY PRODUCTS CORPORATION
Retained Earnings Charge................... *$394,890.00*
"Stock dividend of one share of common stock for every ten shares held—fair market value of $7.50 per share on 52,652 shares issued December 27, 1950"
Capital Surplus Credit..................... *$368,564.00*
"Excess of fair market value over par value of 52,652 shares of common stock issued as a stock dividend on December 27, 1950"

LILY-TULIP CUP CORPORATION
Retained Earnings Charge................. *$3,523,388.00*
"Common Stock distribution (160,154 shares) to holders of Common Stock"

P. R. MALLORY & CO. INC.
Retained Earnings Charge.................... *$1,445,004*
"Dividends paid—in stock"
Capital Surplus Credit..................... *$1,364,726*
"Excess of average market value over stated value of 80,278 shares of common stock issued as a stock dividend"

MEDUSA PORTLAND CEMENT COMPANY
Consolidated Surplus Charge.................. *$1,668,112*
"Dividends paid in common stock—25% (44,483 shares), amount determined on basis of approximate market prices"

PHILIP MORRIS & CO. LTD., INCORPORATED
Retained Earnings Charge................... *$5,828,850*
"Dividends declared on common stock, in common stock, 116,577 shares"
Capital Surplus Credit...................... *$5,245,965*
"Excess of approximate market value over par value of common stock to be issued as a stock dividend."

THE NATIONAL CASH REGISTER COMPANY
Retained Earnings Charge................... *$6,625,960*
"Dividends—Stock—10%—179,007 shares at $37.00 (approximate market value) per share"

NATIONAL CYLINDER GAS COMPANY
Retained Earnings Charge...................... *$247,126*
"Dividends paid: Common stock—13/1000 of a share (cash paid in lieu of fractional shares)"

PACIFIC MILLS
Retained Earnings Charge.................... *$1,655,470*
"Dividends paid in Capital Stock—43,565 shares (at $38 per share)"
Capital Surplus Credit......................... *$566,344*
"Excess of market value above stated value of 43,565 shares issued as a stock dividend on November 15, 1950"

REMINGTON RAND INC.
Retained Earnings Charge.................... *$2,363,801*
"Stock Dividend on Common Stock: Dividend of 5% aggregating 225,124 shares of Common Stock resulting in a transfer of $112,562 to Common Stock account and $2,251,239 to capital surplus"
Capital Surplus Credit...................... *$2,251,239*
"Capitalization of Common Stock dividend in excess of par value of shares issued, transferred from earned surplus"

REYNOLDS METAL COMPANY
Retained Earnings Charge.................... *$3,033,055*
"Dividends on Common Stock:
In Common Stock of Reynolds Metals Company (10%—126,377 shares)"

THE RUBEROID CO.
Retained Earnings Charge.................... *$2,326,316*
"Stock dividend of 10% (Note 10)"
Note 10: "Stock dividends of 10% were declared in 1950 and 1949. Such dividends involved transfer of accumulated earnings to capital stock in the amounts of $48.33 and $44.90 per share in the respective years."

THE STANDARD OIL COMPANY (OHIO)
Retained Earnings Charge.................... *$2,691,787*
"Dividends payable in common stock—2% on common stock (71,495 shares)—amount transferred to capital"
Capital Surplus Credit...................... *$1,885,722*
"Portion of common stock dividend in excess of par value of shares issued"

SUN OIL COMPANY
Retained Earnings Charge.................. *$28,243,587*
"Dividends declared—Common Stock—10% Stock Dividend"

Dividends in Kind:

STANDARD OIL COMPANY (INDIANA)
"*Summary of Earnings Retained and Invested in the Business:*

Dividends paid by Standard Oil Company (Indiana)—	
Regular dividends paid wholly in cash—$2 per share............................	$ 30,563,032
Extra dividends paid in capital stock of Standard Oil Company (New Jersey)—165,325 shares in 1950 and 127,249 shares in 1949 at average carrying value—together with equalizing cash payments in lieu of fractional shares. Market values on dates of distribution were equivalent to $1.1353 in 1950 and $0.6865 in 1949 per share on Standard Oil Company (Indiana) stock..............................	10,643,939
Total dividends paid...............	$ 41,206,971"

"*To the Stockholders:* ". . . Dividends: Dividends paid during the year were the regular cash dividend of $2 per share and an extra dividend of one share of Standard Oil Company (New Jersey) stock for each 75 shares of our company's stock outstanding on November 10, the record date, except that no fractional shares were issued. A cash payment of $1.14 per share of our stock was made to holders of less than 75 shares. A like payment was made on any excess shares above a number evenly divisible by 75. This payment was based on the market value of Standard Oil Company (New Jersey) stock on the record date. By making the extra payment in this manner, our company conserved cash for corporate needs but gave stockholders owning 75 shares or more the option of retaining a valuable stock or of selling it to augment their cash income. The Standard Oil Company (New Jersey) stock distributed totaled 165,325 shares. It was a part of the stock acquired in the early thirties in connection with the sale to it of certain foreign properties."

CONSOLIDATED VULTEE AIRCRAFT CORPORATION
Retained Earnings Charge.................... *$2,133,302*
"Dividend paid in common stock of Airfleets, Inc. (Note 3)"
"*Note 3:* As a result of action taken by the Board of Directors on January 27, 1950, certain assets of the Company, comprised chiefly of inventory and property, plant and equipment, were transferred at net book value to Airfleets, Inc., then a wholly-owned subsidiary, in exchange for which the Company received notes and 235,000 shares of common stock of Airfleets, Inc., as follows:

Book value of assets transferred to Airfleets, Inc.	$8,990,742
Less: Notes received	6,825,000
Book value of Company's investment in 235,000 shares of common stock of Airfleets, Inc.	$2,165,742

Of these shares, the Company subsequently distributed as a dividend 231,480 shares on the basis of one-tenth of one share for each share of Consolidated Vultee Aircraft Corporation stock held. The charge to surplus for this dividend amounted to $2,133,302.

At November 30, 1950, the unpaid balance on the Airfleets, Inc., notes amounts to $2,701,240, of which $664,000 became due and was paid in December, 1950. The balance of $2,037,-240 will be due February 23, 1960, and is carried as a non-current receivable. These notes do not bear interest until February 23, 1952, at which time a rate of 4% per annum is effective."

Stock Split-Ups:

ALLIED CHEMICAL & DYE CORPORATION
Capital Surplus Charge..................... *$33,211,485*
"Account stock split (four-for-one) Issuance of 6,642,297 shares of common stock"

ATLAS POWDER COMPANY
Retained Earnings Charge...................... *$696,995*
"Amount transferred to Common Capital Stock account in connection with two-for-one stock split and change from no par $33^1/_3$ paid-in value to $20 par value"
Capital Surplus Charge...................... *$1,098,953*
"Amount transferred to Common Capital Stock Account in connection with two-for-one split and change from no par value $33^1/_3$ paid-in value to $20 par value"

M. H. FISHMAN CO.
Retained Earnings Charge.................... *$87,949.60*
"Transfer to Capital Stock*"
Capital Surplus Charge...................... *$72,682.40*
"Transfer to Capital Stock*"
Note:
"*On May 4, 1950 the Board of Directors directed the distribution in the nature of a stock split-up of 160,632 shares of Common Stock to the stockholders in the ratio of one additional share for each share held. As a result of such distribution the Paid in Surplus account was charged $72,682.40 and the Earned Surplus account the remainder of $87,949.60"

GENERAL MOTORS CORPORATION
"*Financial Review:*
Common stock split: "Effective October 2, 1950, General Motors common stock was reclassified and split on a two-for-one basis. This was accomplished by increasing the number of authorized shares from 75,000,000 to 150,000,000 and reducing the par value of each share from $10 to $5. Exchange of the old $10 par value certificates for the new certificates of $5 par value will have been virtually completed by the time stockholders receive this report.

The change had been recommended by the Board of Directors on July 10 as being in the best interests of the Corporation and the stockholders. It was stated that, "It is believed that the proposed two-for-one split . . . will broaden the market for the common stock of the Corporation. An increase in the number of stockholders is considered to be an advantage to the Corporation.

The amendment to the certificate of incorporation increasing the number of authorized shares and reducing the par value was adopted at the special meeting of stockholders on September 27 by affirmative vote of 99.4% of the shares represented.

The effect of the split was to increase the number of shares issued from 44,104,340 to 88,208,680. By the early part of 1951 the number of common stockholders had increased by 18,000."

GILLETTE SAFETY RAZOR COMPANY
Retained Earnings Charge.................... *$1,998,769*
"Deduct charge resulting from increase in common stock from 1,998,769 shares to 3,997,538 shares effective December 6, 1950"

NATIONAL STEEL CORPORATION
Capital Surplus Charge...................... *$12,269,630*
"Transfer to stated capital in connection with changing each issued share of capital stock of the par value of $25.00 per share into three shares of $10.00 par value (less sundry capital adjustments of $445)"

Voluntary Capital Readjustments:

AMERICAN VISCOSE CORPORATION
Retained Earnings Charge.................... *$61,589,000*
"Amount transferred to common capital account, see page 5 of Chairman's report"
Capital Surplus Charge..................... *$12,441,000*
[No separate statement presented. See letter to the stockholders below]
"*To the stockholders:* . . . The stockholders, at a special meeting on November 15, 1950, approved a plan of recapitalization to increase the authorized common stock from 2,500,000 shares of $14 par value to 4,000,000 shares of $25 par value and to change each share of old stock into two new shares. Pursuant to the recapitalization, the 2,056,411 issued shares, including 8,557 shares in the Treasury, were changed and reclassified into 4,112,822 new shares. The common stock capital account was increased $74,031,000 by transfers of $12,441,000 from capital surplus and $61,589,000 from retained earnings."

THE CHAMPION PAPER AND FIBRE COMPANY
Retained Earnings Charge.................. *$25,023,750*
"Appropriation to increase the capital assigned to stated value of common capital stock"
Capital Surplus Charge........................ *$164,821*
"*Footnote 7:* Capital contributed for common capital shares in excess of stated value, $164,821, was appropriated during the fiscal year 1951 and was included in the increase of $25,188,751 in the capital assigned to stated value of common capital stock."
"*Annual Message to our Stockholders:* . . . On October 31, 1950, the "stated value" of the Company's common stock was increased from $7,871,429 to $33,060,000, the new figure being equivalent to $30 per share outstanding. This change was effected primarily by the transfer of about $25,000,000 from Earnings Retained in the Business to the "stated value' of the common stock. The transfer of funds on our books has, of course, no effect whatever on the Company's earning power, or on the total value of the common stockholders' investment. But it does serve to remind us all that a very substantial portion of the earnings retained during past years has been permanently invested in property."

GRUMMAN AIRCRAFT ENGINEERING CORPORATION

Retained Earnings Charge.................... *$1,000,000*
"Distribution of 1,000,000 shares ($1.00 par value) capital stock"

Retained Earnings Charge.................... *$4,000,000*
"Amount transferred to capital stock"

"*To the Stockholders:* The number of shares of Grumman Aircraft Engineering Corporation outstanding was increased from 1,000,000 to 2,000,000 shares, by a distribution made in November, 1950, of an additional share for each share then outstanding.

At the same time the capitalization of the Company was increased, by action of the Board of Directors, from $5,000,000 to $10,000,000. The present value of the Fixed Assets of the Company (over $6,000,000) and the growth of the business during the past several years made this change desirable.

Altho the stock distribution, in itself, creates no additional value, it serves to broaden the stock ownership of the Company. As of the end of 1950, the Company had 5,336 registered holders of stock, compared to approximately 3,000 at the end of 1948."

EMERSON RADIO & PHONOGRAPH CORPORATION

Retained Earnings Charge................. *$3,304,337.50*
"Capital adjustment in June 1950 (Note 3)

Capital Surplus Charge.................. *$1,094,687.50*
"Charge in June 1950 Resulting from Capital Adjustment (Note 3)"

Note 3: "At a special meeting of the stockholders of the Company held on May 29, 1950, the stockholders approved and authorized an increase of the authorized capital stock of the Company from 1,000,000 shares par value $5 per share to 3,000,000 shares par value $5 per share. The stockholders also approved that each of the 879,805 outstanding shares of capital stock be changed into two shares of capital stock par value $5 per share. The resultant increase in the number of shares outstanding to 1,759,610 shares had the effect of increasing the aggregate par value of the issued stock of the Company from $4,399,025.00 to $8,798,050.00. The stockholders also approved that the additional amount of par value of $4,399,025.00 would be provided by a transfer, by resolution of the Board of Directors, of $4,399,025.00 from surplus to capital stock. The increase in the capital stock account was provided by the transfer of (i) $1,094,687.50 from capital surplus, being all of the then existing capital surplus, and (ii) $3,304,337.50 from earned surplus."

PITTSBURGH STEEL COMPANY

Retained Earnings Charge.................... *$2,650,725*
"Transfer to other capital (See statement)"

Capital Surplus Credit....................... *$2,650,725*
"Transfer from accumulated earnings equivalent in amount to dividends in arrears on Class A 5% Preferred Stock exchanged and retired under the Plan of Capital Readjustment."

Capital Surplus Credit...................... *$2,481,045*
"Excess of par value of 48,146 shares of Prior Preferred Stock, First Series, 5$^1/_2$% and 52,360 shares of Class A 5% Preferred Stock over par value of 55,489 shares of Prior Preferred Stock, First Series, 5$^1/_2$% and stated value of 404,131 shares of Common Stock issued in exchange under the Plan of Capital Readjustment dated June 26, 1950"

To the Shareholders: ". . . On June 26, 1950, the Board of Directors adopted a voluntary Plan of Capital Readjustment and presented it on July 14, 1950 to the shareholders, who were invited to exchange their holdings of Prior Preferred Stock, First Series, 5$^1/_2$% and Class A 5% Preferred Stock.

For each share of Prior Preferred Stock, First Series, 5$^1/_2$% surrendered, the holder was entitled to receive one-half share of the same stock and 3$^1/_2$ shares of Common Stock. For each share of Class A 5% Preferred Stock and dividend arrearages thereon, the holder was entitled to receive six-tenths of a share of Prior Preferred Stock, First Series, 5$^1/_2$% and 4$^1/_2$ shares of Common Stock.

The Plan limited the amount of Common Stock available for exchange to 450,000 shares and provided that the privilege of exchange was to expire at the close of business on September 8, 1950. The privilege of exchange was subsequently extended by the Board of Directors to the close of business on December 15, 1950, at which time the Plan was allowed to terminate.

During the operation of the Plan, 48,146 shares of Prior Preferred Stock, First Series, 5$^1/_2$% and 52,360 shares of Class A 5% Preferred Stock were exchanged."

SKELLY OIL COMPANY

Retained Earnings Charge.................. *$32,643,445*
"Par value of 1,305,737.8 shares of common stock issued to capitalize a portion of earned surplus (see note to balance sheet)"

Capital Surplus Charge..................... *$13,061,338*
"Increase in par value of 1,306,133.8 shares of common stock to $25 per share from $15 per share (see note to balance sheet)"

"*Note:* The stockholders of the Company approved on April 5, 1950, (1) the retirement of 27,208.8 shares of common stock of $15 par value held in treasury, at par, (2) an increase in the par value of common stock to $25 per share from $15 per share, and (3) an increase in the number of authorized common shares to 3,000,000 from 1,400,000. On April 11, 1950, the Board of Directors of the Company approved a permanent capitalization of a portion of earned surplus by the issuance of one share of the $25 par value common stock for each share held by stockholders of record May 1, 1950. In accordance with such authorizations, capital surplus was reduced $13,061,338, the total increase in par value of the shares previously outstanding, and earned surplus was reduced $32,643,445, the aggregate par value of the additional shares issued."

THOMPSON PRODUCTS, INC.

Reduction in stated capital and change from Common Stock, No Par Value (500,000 shares) to Common Stock, $5 Par Value (1,000,000 shares)

Retained Earnings Charge................. *$3,061,100.00*
"Transfer to capital surplus in connection with change in common stock"

Capital Surplus Credit................... *$7,485,685.00*
"Reduction in stated capital as a result of changing each share of common capital stock without par value (437,297 shares) into 1$^1/_5$ shares of common capital stock having a par value of $5.00 per share"

Capital Surplus Credit.................... *$3,061,100.00*
"Transfer from earned surplus in connection with above change in common stock"

Increase in Stated Capital and increase in authorized $5 Par Value Common Stock from 1,000,000 shares to 2,500,000 shares:

Capital Surplus Charge.................. *$2,623,785.00*
"Amount credited to common capital stock account for change of each of 524,757 outstanding shares of common stock of the par value of $5.00 into two shares of such common stock"

"*To our Stockholders: Capital Stock and Surplus:* Two changes were made in our capital structure during the year. On May 1, 1950 the authorized common stock was increased from 500,000 shares without par value to 1,000,000 shares of the par value of $5 each, and each share of outstanding common stock was changed into 1$^1/_5$ shares of the new $5 par value stock. This increased the number of outstanding common shares from 437,297 to 524,757.

On November 13, 1950 the authorized common stock was further increased to 2,500,000 shares, and each outstanding share of $5 par value stock was changed into two shares of such stock. This increased the number of outstanding shares from 524,757 to 1,049,514.

These changes were made for the purpose of broadening the market for the company's shares and bringing the price within a range more suited to the average investor. They have also provided additional shares that are available for future property acquisitions, financing and other purposes.

During the year 1,040 shares of preferred stock were purchased for retirement in anticipation of sinking fund requirements.

As of December 31, 1950 our capital structure consisted of 93,053 shares of 4% cumulative preferred and 1,049,514 shares of common stock."

AMERICAN SMELTING AND REFINING COMPANY
Surplus charge............................ *$52,813,020*
"Surplus transferred to common capital stock as directed by Board of Directors"

BATH IRON WORKS CORPORATION
Retained Earnings Charge.................... *$3,177,573*
"Transfer to common stock account (Note 3)"
Capital Surplus Charge...................... *$593,188*
"Note (3): As authorized at the Annual Meeting of Stockholders held on April 17, 1950, all of the capital surplus amounting to $593,188 and $3,177,573 of the earned surplus has been transferred to the common stock account in connection with the increase in par value from $1 to $10 per share."

BYRON JACKSON CO.
Capital Surplus Charge...................... *$414,699*
"Amount transferred to capital stock as authorized by the Board of Directors, December 1, 1950." (See section on post balance sheet disclosures.)

DEVOE & RAYNOLDS COMPANY, INC.
Capital Surplus Credits..................... *$5,959,077*
.... *1,133,333*
Parenthetical note in balance sheet:
"Capital surplus (increased during year by transfer of $5,959,077 and $1,133,333 from Class A and Class B Common capital stock accounts, respectively, to state capital stock at amounts equal to changed par value of shares issued)"

HARVILL CORPORATION
Capital Surplus Charge..................... *$45,000.00*
"Transfer to capital account—Note E"
Note E: "The Capital of the Company was increased during the year (1) by $105,000.00 representing the proceeds of the sale of 150,000 shares of stock at $.70 per share and (2) by $45,000.00 transferred from capital surplus."

INTERNATIONAL HARVESTER COMPANY
Retained Earnings Charge.................. *$90,548,444*
"Transfer to common stock account (Note 4)"
"*Note 4:* The balances in the Common Stock Account include all transfers by stock dividend or otherwise from Net Income Retained for Use in the Business. By action of the Board of Directors, the Company transferred as of October 31, 1950, $90,548,444 from Net Income Retained for Use in the Business to the Common Stock Account and increased the stated value of the outstanding common shares from $25 to $32 per share."

LIBBEY-OWENS-FORD GLASS COMPANY
Retained Earnings Charge............... *$28,258,272.50*
"Transfer to stated capital in accordance with Plan of Recapitalization—Note B"
Capital Surplus Charge.................. *$7,000,000.00*
"Transfer to stated capital in accordance with Plan of Recapitalization—Note B"
"*Note B*—Pursuant to a plan of Recapitalization adopted by the shareholders on August 23, 1950, the Company changed each outstanding common share without par value into two common shares with a par value of $10 each. The increase in stated capital resulting from this action amounted to $35,258,272.50 which was provided by charges of $7,000,000 to capital surplus and $28,258,272.50 to earned surplus."

NILES-BEMENT-POND COMPANY
Retained Earnings Charge...................... *$936,871*
"Portion of charge due to increase in stated value of capital stock from $5 per share to $10 per share (Note 4)"
Capital Surplus Charge.................. *$3,009,879.40*
"*Note 4:* During the year ended December 31, 1950 the authorized Capital Stock of the Company was increased from 800,000 shares to 1,000,000 shares of no par value. The stated value of the shares outstanding was increased from $5 to $10 per share by transfer from Capital Surplus of $3,009,879.40 and the remainder of $936,870.60 from Earned Surplus employed in the business."

CAPITAL SURPLUS CHARGES

Increased activity in sales or retirements of capital stock and an increase in the number of transfers to the stated capital account resulted in a greater number of charges to capital surplus for 1950 than were made by the 525 companies in 1949. Charges to the capital surplus account resulting from transfers to stated capital are displayed hereinabove in combination with related entries to the retained earnings account. Charges to the capital surplus account during the years 1946 through 1950 are tabulated as follows:

CHARGES TO CAPITAL SURPLUS

1950	1949	1948	1947	1946	Transactions
27	17	27	46	51	Sale, retirement, or repurchase of capital stock
15	5	12	5	18	Transfers to stated capital
4	4	6	19	21	Transfers to retained earnings
3	2	1	3	3	Appropriations
2	7	5	6	5	Consolidation, merger, or recapitalization
11	10	9	7	3	Miscellaneous
62	45	60	86	101	

Entries presented in the 1950 reports by the 525 companies to describe charges to capital surplus are quoted below:

SALE, RETIREMENT, OR REPURCHASE OF CAPITAL STOCK:

"Excess of cost over par value of common stock reacquired"—*American Writing Paper Corporation*

Footnote: "Excess of book amount over cost for capital shares acquired during year, of a subsidiary"—*Associated Dry Goods Corporation*

"Original premium received on sale of that portion of preferred stock retired during the year."—*Bristol-Myers Company*

"Deduct excess of cost over stated capital of 1,050 shares of preferred stock purchased for retirement"—*Brown Shoe Company, Inc.*

"Excess of cost over par value of common stock acquired for treasury, less excess of market value over par value of treasury shares issued to Employees' Profit Sharing Plan"—*Burlington Mills Corporation*

"Deduct—Paid-in surplus applicable to preferred shares of the company redeemed"—*The Cuneo Press, Inc.*

"Difference between par value and cost of 18,342 shares in 1950 and 8,341 shares in 1949 of $4\frac{1}{2}\%$ cumulative preferred stock purchased"—*Falstaff Brewing Corporation*

"Excess of cost over par value of common and preferred stock purchased for treasury"—*Federated Department Stores, Inc.*

"Adjustments arising from Treasury Stock Transactions"—*The Firestone Tire & Rubber Company*

"Less—Excess of cost over stated value of 17,418 shares of preferred stock retired"—*Goldblatt Bros., Inc.*

"Excess of cost over stated value of 2,000 shares of $4.80 preferred stock purchased and canceled"—*Interstate Bakeries Corporation*

"Premium on retirement of all outstanding shares of second preferred stock series A 4%, $304,000, less $52,000 charged to Earnings Segregated"—*Johnson & Johnson*

"Loss on sale of 7,700 shares repurchased from former officer and subsequently sold to employees"—*LeRoi Company*

"Excess of cost over stated value of 840 shares of common stock reacquired"—*P. R. Mallory & Co., Inc.*

Balance Sheet: "Capital paid in in excess of par value of stock issued decreased $2,250 for premium on preferred stock retired"—*Marathon Corporation*

"Cost of 135,600 shares of treasury stock which were retired during the year"—*McGraw-Hill Publishing Company, Inc.*

"Cost in excess of par value of treasury stock retired, and 1,989 single shares of stock of Paramount Pictures Inc."—*Paramount Pictures Corporation*

"Excess of the cost ($283,471.56) over the par value of 43,008 shares of convertible preferred stock reacquired"—*Piper Aircraft Corporation*

"Excess of cost over par value of capital stock acquired during 1950"—*H. K. Porter Company, Inc.*

"Premium on 4,452 shares of 5% preferred stock retired through sinking fund, less $33,034 charged to retained income"—*Safeway Stores, Incorporated*

"Premium of $10.00 per share paid on 57,758 shares of 5% preferred stock redeemed"—*Safeway Stores, Incorporated*

"Excess of purchase price over carrying value of 6,000 shares of treasury stock purchased during year"—*Stewart-Warner Corporation*

"Less excess of cost of 2,500 Preferred Shares retired in 1950 over stated value thereof"—*Union Oil Company of California*

(*Footnote:*) "During the years ended December 31, 1950 and 1949 there were charged to capital surplus, the amounts of $23,224 and $15,423, respectively, representing the excess of cost over the par value ($1.00 a share) of 1,138 shares in 1950, and 778 shares in 1949, of participating Preference Stock purchased and retired. There were no other changes in capital surplus during 1950 or 1949."—*Macfadden Publications, Inc.*

"Portion of premium paid on retirement in 1950 of balance of total issue of 5¼% Preferred Stock, equal to discount on purchases of said stock added to Capital Surplus in prior years"—*Revere Copper and Brass Incorporated*

CONSOLIDATION, MERGER, OR RECAPITALIZATION:

"Amount by which par value of new issue of 32,000 shares of cumulative second preferred stock series C 4% exceeded par value of 16,000 shares of 5% cumulative—preferred stock for which it was exchanged"—*Johnson & Johnson*

"Excess of the par value of 136,760 shares of 4% preferred stock issued, and cash in lieu of fractions for 428 shares, over the par value of 124,755 shares of 5% preferred stock surrendered in exchange therefor"—*Safeway Stores Incorporated*

TRANSFER TO RETAINED EARNINGS:

"Appreciation Surplus. Transfer to earned surplus"—*Art Metal Construction Company*

"Appraisal Appreciation. Amount transferred to earnings"—*Argo Oil Corporation*

"Transfer to Earned Surplus of increment realized from liquidation of subsidiary"—*Pennsylvania Coal and Coke Corporation*

"Portion of premium paid on retirement in 1945 of balance of total issue of 7% Preferred Stock, equal to discount on purchases of said stock added to Capital Surplus in 1942 and 1943" ($42,072) (Contra entry in Retained Earnings)—*Revere Copper and Brass Incorporated*

UNDERWRITING COMMISSIONS AND LEGAL EXPENSES:

"Portion of underwriting commissions and expenses on issuance of Cumulative Preferred Stock, Series B, equivalent to premium received"—*American Cyanamid Company*

"Legal and other expenses in connection with issuance and sale of above 250,000 shares of common stock" (250,000 shares Class A)—*Allen B. DuMont Laboratories, Inc.*

APPROPRIATION OF CAPITAL SURPLUS

"Provision of $100,000 for purchase of preferred shares less amount restored to surplus ($50,936 in 1950)"—*Interchemical Corporation*

"Deduct appropriations for preferred stock retirements based on 1950 earnings: Prior Preferred stock: Convertible preferred stock"—*Twentieth Century-Fox Film Corporation*

"Transfer to reserve for contingencies"—*Paramount Pictures Corporation*

MISCELLANEOUS CHARGES:

"Appraisal Appreciation. Adjustments (Leases Charged off"—*Argo Oil Corporation*

"Adjustment of book values of property, plant, and equipment and certain marketable securities to cost (Note 1)"—*American Republics Corporation*

Footnote: "Cancellation of note receivable held as part payment for 5,000 shares of common stock surrendered upon resignation of executive (see Note 4)"—*Associated Dry Goods Corporation*

"Excess of cost over book amount of assets acquired by subsidiary"—*City Products Corporation*

"Deduct—adjustment with respect to four shares of treasury stock issued at par on surrender of five shares of capital stock of Frazer & Jones Company, pursuant to merger agreement in the year 1945"—*The Eastern Malleable Iron Company*

"Capital Adjustment"—*The Goodyear Tire & Rubber Company*

"Excess of the amount of cancelled note receivable of former officer and the par value of the cancelled stock—note (6)"—*LeRoi Company*

"Less capital adjustments"—*Republic Steel Corporation*

"Amortization—Schutter appreciation 1947"—*Universal Match Corporation*

"Cost and expenses incidental to liquidation of Provincial Wood Products Co., Ltd."—*Universal Match Corporation*

CAPITAL SURPLUS CREDITS

Transactions in reacquired capital stock by the 525 companies occurred more frequently in 1950 than other types of transactions resulting in credits to the capital surplus account as disclosed in the table set forth on the next page. Interesting capital surplus credits in connection with transfers to the stated capital account, stock-splits, dividends payable in capital stock, etc. are also included in the tabulation. For purposes of this survey, however, these entries are displayed in the section above in combination with related entries involving retained earnings. The credits to capital surplus are as follows:

CREDITS TO CAPITAL SURPLUS

1950	1949	1948	1947	1946	Transactions
37	45	40	27	26	Treasury stock—purchase or retirement. (*1946 includes issuance thereof)
10	10	8	13	*	Treasury stock—sale or distribution
30	23	53	48	79	Premium at issuance of capital stock
21	16	18	17	26	Conversion from one class of capital stock to another class in the same company
7	5	3	4	13	Exchange of capital stock for stock in a different company
6	11	5	12	20	Stock options or warrants
18	16	20	8	5	Dividend declaration—payable in capital stock
15	4	5	8	6	Negative goodwill
7	5	10	6	7	Transfer from reserves
4	1	6	3	3	Transfer from retained earnings
1	3	6	6	11	Restoration or realization of assets previously written off
0	0	1	2	5	Change in equity in unconsolidated subsidiary
2	6	7	7	9	Merger or consolidation
10	6	18	18	8	Miscellaneous
168	151	200	179	218	

Entries presented by the 525 companies in the 1950 reports to state credits to the capital surplus account are quoted below:

TREASURY STOCK—PURCHASE OR RETIREMENT:

"Excess of par value over cost of shares 5% Cumulative Preferred Stock retired"—*Alan Wood Steel Company*

"Discount on repurchase of cumulative preferred stock during year"—*Allied Stores Corporation*

"Excess of stated value of $2.25 Cumulative Convertible Preferred Stock purchased over cost thereof (1950—6,840 shares; 1949—10,350 shares)"—*Avco Manufacturing Corporation*

"Excess of Par Value over Cost of 4% Cumulative Preferred Stock Retired"—*Avon Products, Inc.*

"Excess of par value of preferred stock retired over cost thereof"—*Borg-Warner Corporation*

"Other capital (increased by $116,335 discount on 17,994 preferred shares retired)"—*The Budd Company*

"Excess of par value over cost of cumulative preferred stock acquired for treasury"—*Burlington Mills Corporation*

"Shareholders' Capital statement: Increased by $116,335 discount on 17,994 preferred shares retired"—*The Budd Company*

"Discount on preferred stock purchased and retired"—*A. S. Campbell Co. Inc.*

Footnote: "The increase in paid-in surplus during 1950 represents the net discount on shares of preferred capital stock purchased for retirement."—*Copperweld Steel Company*

"Add Net Excess of Par value over Cost of Cumulative Preferred Stock Retired Through Sinking Funds (4% series; 1,200 shares in each year; 5% series: 745 shares in 1950, 698 shares in 1949)"—*Colonial Stores Incorporated*

"Capital Stock Purchase Discounts and Adjustments"—*Crucible Steel Company of America*

"Difference between par value and cost of capital stock purchased and canceled during the year"—*Dresser Industries, Inc.*

"Discount on 2,225 shares of $3^3/_4$% preferred stock purchased for retirement"—*Food Machinery and Chemical Corporation*

"Excess of par value over purchase price of 3,130 shares of 4% Preferred Stock acquired."—*Fruehauf Trailer Company*

"Portion of excess of par value over cost of 1875 shares of $4^1/_4$% cumulative preferred stock retired."—*The General Tire & Rubber Company*

"Excess of stated value over cost of cumulative preferred stock repurchased"—*Gimbel Brothers, Inc.*

"Surplus resulting from purchase of preferred shares"—*Interchemical Corporation*

"Discount on 1,040 preferred shares purchased in 1950 (1,020 in 1949) pursuant to articles of incorporation"—*Interchemical Corporation*

"Excess of par value of 985 shares of preferred stock retired over the purchase price thereof"—*LeRoi Company*

Balance Sheet: "Excess of stated value of 1,000 shares of preferred stock purchased and retired in 1950 over cost thereof."—*R. G. LeTourneau, Inc.*

"Excess of carrying value ($100 a share) over cost of cumulative preferred stock repurchased"—*The May Department Stores Company*

"Adjustment for difference between acquisition cost and par value of 1,626 shares of Preferred Stock retired during year"—*National Paper and Type Company*

Balance Sheet: "Capital surplus (increase of $28,807.56 since December 31, 1949, resulted from acquisition, at a discount, of 1,390 preferred shares for the sinking fund)"—*The National Supply Company*

Note: "During the year ended December 31, 1950, 410 shares of the outstanding preferred stock were retired and canceled through this sinking fund provision. The excess of the stated value of such shares over their cost, $102.50, was credited to capital surplus."—*The Parkersburg Rig and Reel Company*

"Excess of par value over cost of cumulative preferred stock redeemed during year, 19,151 shares of 3.60% Series in 1950 and 1,999 shares of 4% Series in each year."—*Philip Morris & Co. Ltd., Incorporated*

Surplus: "Excess of stated value of $40 per share over cost of capital stock purchased for retirement, 1950—83,731 shares"—*Pullman Incorporated*

Balance Sheet: "From redemption of preferred stock"—*Jacob Ruppert*

"Excess of par value over cost of 2,060 shares of 3.65% Cumulative Preferred Stock purchased and retired"—*Scovill Manufacturing Company*

Balance Sheet: "Arising from the retirement of prior preferred stock"—*Stahl-Meyer, Inc.*

"Excess of stated value over cost of 3,000 shares of preferred capital stock retired during the year"—*Spiegel, Inc.*

"Excess of par value over cost of preferred stock retired"—*Standard Oil Company (Ohio)*

"Excess of par value over cost of 11,405 shares of preferred stock retired"—*Struthers Wells Corporation*

"Difference between par value of 4% cumulative preferred stock redeemed and cost thereof (1950—1,040 shares)"—*Thompson Products, Inc.*

"Credit arising through retirement of 4,712 shares of prior preferred stock (certificate of reduction of capital stock for this amount filed with Secretary of State of New York in February 1951)"—*Twentieth Century-Fox Film Corporation*

"Difference between par value or principal amount and cost of stock and debentures acquired—net"—*Ward Baking Company*

"Discount on preferred stock acquired for sinking fund"—*Willys-Overland Motors, Inc.*

TREASURY STOCK—SALE OR DISTRIBUTION THEREOF:

"Excess of market value over cost of 2,979 shares of Common Treasury Stock included in "B" bonus awards to employes"—*Atlas Powder Company*

Balance Sheet: "Capital in excess of par value of shares (including $64,390 excess of net proceeds over cost of treasury stock sold in 1950)"—*Clark Equipment Company*

"Profit on sale of treasury shares of the corporation's capital stock"—*Eastern Stainless Steel Corporation*

"(Excess of market value over cost of reacquired common stock awarded as bonus, less U. S. capital gains tax: 1950—$138,494)"—*Hercules Powder Company*

"Excess of selling price over par value of 4,000 shares of treasury stock sold"—*Mid-Continent Airlines, Inc.*

"Excess, over average cost, of consideration received from exercise of options for 13,000 shares of Rexall Drug, Inc. capital stock held by a subsidiary"—*Rexall Drug, Inc.*

Balance Sheet: "Increase during the year of $1,256,902 resulted from sale of treasury stock to officers and employees under Stock Purchase Plan"—*Sinclair Oil Corporation*

"Excess of sales price over cost of treasury stock sold—Note E"—*Time Incorporated*

"Addition resulting from reissuance of 40,000 common shares (treasury shares) at $31.00 per share, based upon the amount determined to be the fair value of the capital stock of United Geophysical Company, Inc., acquired therewith"—*Union Oil Company of California*

PREMIUM AT IN~~SURANCE~~ Issuance OF CAPITAL STOCK:

"Excess of price received over par value of Common Stock issued"—*Alan Wood Steel Company*

"Excess of contract price ($32.00 per share) over stated capital applicable to 10,000 shares of common stock issued as partial consideration for security investment (Note 2)"—*Allegheny Ludlum Steel Corporation*

"Premium on 8,590 shares of Cumulative Preferred Stock, Series A, issued under employees' stock purchase contracts"—*American Cyanamid Company*

"Premium on issuance of 498,849 shares of Cumulative Preferred Stock, Series B"—*American Cyanamid Company*

"Excess of proceeds from sale to employes of 1,252 shares Atlas Powder Company "old" Common Stock of no par value and 1,408 shares "new" Common Stock of $20 par value over the paid-in or par value of such shares"—*Atlas Powder Company*

Balance Sheet: "Market value in excess of par value of stock sold to employes"—*Bell Aircraft Corporation*

"Add excess of market price over par value of 3,100 shares and excess of option price over par value of 11,900 shares of common stock sold under the Company's stock option plan"—*Brown Shoe Company, Inc.*

"Excess of the aggregate of the issued value over the stated value of 330,846 shares of Common Stock (Note 7)—*Celanese Corporation of America*

"Excess of proceeds from issue of 30,619 shares of common stock under the stock purchase plan over the par value thereof (Note 4)"—*Consolidated Vultee Aircraft Corporation*

Balance Sheet: "Value attributed to Common stock issued, over par value thereof"—*Continental Can Company, Inc.*

"Excess of market value at dates of delivery over par value of Common Stock sold to employees"—*The Dow Chemical Company*

"Excess of proceeds from the sale of 250,000 shares in 1950 of Class A common stock over the par value thereof"—*Allen B. DuMont Laboratories, Inc.*

"Credit resulting from payments in cash and issuance of common stock under corporate simplification plan"—*Federated Department Stores, Inc.*

"Excess of proceeds ($1,200,000) from sale of 100,000 shares of additional capital stock over the par value ($500,000) thereof, net of $163,610.52 expenses of issuance"—*Eastern Stainless Steel Corporation*

"Additions: Excess Over Par Value of 200 shares of the Corporation's Common Stock sold to employees"—*M. H. Fishman Co.*

"Excess of value of equipment acquired over par value of common stock issued therefor"—*Foremost Dairies, Inc.*

"Add excess of proceeds over par value of 5,345 shares of common stock issued under subscription agreements"—*General American Transportation Corporation*

"Amount realized through sale and purchase of preference and common shares"—*General Shoe Corporation*

"Add proceeds of sale of 178,535 shares of common stock in excess of stated value of shares issued"—*The Glidden Company*

"Excess of net proceeds from sale of common shares over stated value (equal to $11.62 per share)"—*Granite City Steel Company*

"Paid-in surplus, premium received on sale of 12,700 shares of common capital stock to officers and employees"—*The Gruen Watch Company*

"Premium on issue of 47,183 shares of Common Stock less issue expense of $76,113.74"—*The Haloid Company*

"Premium on common stock issued"—*Jantzen Knitting Mills Inc.*

"Excess of market value over par value of 11,382 shares of common stock sold to officers and employees (excess of market over selling price, $22,738.41, charged to expense as compensation)"—*Mid-Continent Airlines, Inc.*

"Excess of aggregate subscription amount over aggregate par value of 113,850 shares of common stock issued under Stock Purchase Plan (Note 4)"—*National Lead Company*

"Excess of proceeds over par value on sales of 333,077 shares of common stock and 130,610 shares of cumulative preferred stock, 3.90% Series, less financing expenses."—*Philip Morris & Co. Ltd., Incorporated*

"Excess of proceeds of sale during the year of 257,064 shares of common stock over the par value thereof, less $244,420 expenses of issuance"—*Safeway Stores, Incorporated*

"Premium on sale of 3,000 shares of $2.50 par value common stock"—*Sprague Electric Company*

Footnote: "The increase in capital surplus for 1950 of $317,151 is the excess of the net consideration for 14,600 shares of capital stock issued during the year over the assigned value thereof."—*Union Bag & Paper Corporation*

"Adjustment arising from the sale of the Corporation's Common Stock and from the purchase of minority interest in stock of a subsidiary company"—*United Merchants and Manufacturers, Inc.*

"Sale of common stock to employes (1950, 80,675 shares)"—*Westinghouse Electric Corporation*

CONVERSION FROM ONE CLASS OF CAPITAL STOCK TO ANOTHER CLASS IN THE SAME COMPANY:

"Stated capital applicable to 7,098 shares of $4.50 cumulative preferred stock surrendered for conversion into common stock, less stated capital applicable to 21,820 shares of common stock issued in exchange, together with $650.00 cash in lieu of fractional shares."—*Allegheny Ludlum Steel Corporation*

"Excess of par value of Cumulative Preferred Stock (338,585 shares of Series A and 1,520 shares of Series B) converted over par value of 798,760 shares of Common Stock issued upon conversion"—*American Cyanamid Company*

"Excess of conversion price over Par Value of Common Stock issued upon conversion of 4% Series A Preferred Stock"—*The Atlantic Refining Company*

"Excess of stated value of 32,475 shares of $2.25 Cumulative Convertible Preferred Stock over par value of 192,818 shares of Common Stock into which converted"—*Avco Manufacturing Corporation*

"Excess of: Par value of second preferred stock converted into common stock over the par value of common stock issued therefor"—*Burlington Mills Corporation*

"Surplus arising from conversion of 45,731 shares of 5% Cumulative Convertible Preferred Stock of a par value of $20 per share to a like number of shares of Common Stock without par value—stated value $5 per share"—*The Colorado Fuel and Iron Corporation*

"Capital resulting from conversion of $4 cumulative second preferred stock into common stock (see page 12)"—*Crown Zellerbach Corporation*

"Excess of conversion price over par value of Common Stock issued on conversion of Second Preferred Stock"—*The Dow Chemical Company*

"Excess of the par value of 5% cumulative convertible preferred stock over the par value of Class A common stock issued in exchange therefor."—*The Dow Chemical Company*

"Excess of the par value of 5% cumulative convertible preferred stock over the par value of Class A common stock issued in exchange therefor."—*Allen B. DuMont Laboratories, Inc.*

"Excess of par value of 4% preferred stock over par value of common stock issued therefor through conversion"—*Foremost Dairies, Inc.*

Balance Sheet: "Additional paid in capital, including $125 representing excess of par value of 50 shares of Class 'A' stock over par value of 125 shares of common stock issued during the year in conversion thereof"—*Miller Manufacturing Co.*

"Excess of the par value of preference stock converted into common stock over the par value of such common stock and the related cash adjustments"—*Minneapolis-Honeywell Regulator Company*

"Excess of stated value at $100 a share of preference stock without par value over the par value of common stock into which it was converted:

Series A: 79,726 shares of preference stock converted into 159,452 shares of common stock"

Series B: 155,060 shares of preference stock converted into 268,713 shares of common stock, less cash adjustment in lieu of issuance of fractional shares"—*Monsanto Chemical Company*

"Capital Surplus resulting from exchange of 284 shares of Convertible Preferred carried at $710.00 for 879 shares of Common Stock carried at $439.50, less $27.07 paid for fractions by Transfer Agent."—*The Moxie Company*

"Fractional 1/4 share cancelled."—*The Moxie Company*

"Excess of par value of 2,475 shares of cumulative preferred stock over par value of 3,712-50/100 shares of common stock issued upon conversion thereof"—*Samson United Corporation*

"Excess of par value of 4.30% Cumulative Preferred Stock converted over par value of Common Stock issued upon conversion"—*Scovill Manufacturing Company*

Balance Sheet: "Capital Contributions in Excess of Par Value of Capital Stock (increase in 1950 arising from conversion of preferred stock $10,830)"—*Sutherland Paper Company*

"Conversion of 2.65% debentures into 965,460 shares of common stock"—*Westinghouse Electric Corporation*

"Capital arising from conversion of preferred stock"—*Worthington Pump and Machinery Corporation*

EXCHANGE OF CAPITAL STOCK IN ONE COMPANY FOR CAPITAL STOCK IN A DIFFERENT COMPANY:

"Excess of equity value of minority interest in Darco Corporation over paid-in value of 3,560 shares newly issued Atlas Powder Company "old" Common Stock and cost of 956 shares "new" Common Treasury Stock issued in exchange for such minority interest"—*Atlas Powder Company*

"Excess of assets acquired from subsidiary over par value of capital stock issued therefor (less difference between cost and par value of treasury stock acquired in liquidation of subsidiary)"—*Bausch & Lomb Optical Company*

"Excess of average market price over par value of Company's Common Stock issued in exchange for preferred and common stocks acquired from minority shareholders in subsidiaries"—*City Stores Company*

"Excess of consolidated net assets (as shown by books) of acquired company and its subsidiary applicable to its common stock at November 1, 1949 over the aggregate of the cost of its common shares purchased for cash and the par value of 17,515 shares of common stock of the Corporation issued in exchange for 35,030 common shares of acquired company"—*Dresser Industries, Inc.*

"Excess of net worth of subsidiaries acquired over cost or par value of common stock issued therefor"—*Food Machinery and Chemical Corporation*

"Stock issued in exchange for shares of Creole Petroleum Corporation (Excess Over Par Value)"—*Standard Oil Company (New Jersey)*

"Capital Surplus arising in connection with the issuance of Common Stock in exchange for securities of predecessor corporation"—*The Studebaker Corporation*

MERGER AND CONSOLIDATION:

"Excess of value assigned ($7 per share) over par value of 1,416,466 shares of Common Stock issued in exchange for 708,233 shares of common stock of Bendix Home Appliances, Inc. (less expenses of $286,646 in connection therewith) (Note 1)"—*Avco Manufacturing Corporation*

"Excess of net assets acquired from Lima-Hamilton Corporation over par value of common stock issued in exchange therefor"—*Baldwin-Lima-Hamilton Corporation*

NEGATIVE GOODWILL:

"Excess of increase in equity over cost of additional shares of capital stock of a subsidiary acquired during the year"—*Atlantic Company*

"Excess of equity in net worth at date of acquisition over cost of stock of subsidiary consolidated"—*Armour and Company*

"Surplus arising from acquisition of additional interests in subsidiary company between January 1 and June 30, 1950"—*The Bay Petroleum Corporation*

"Excess of book value of a subsidiary company over cost of investment therein as of date of acquisition"—*Burlington Mills Corporation*

"Excess of book amount over cost of minority interests acquired"—*City Products Corporation*

"Excess of equity in net tangible assets applicable to preferred and common stocks of subsidiaries acquired from minority shareholders over cost thereof"—*City Stores Company*

"Reclassification of excess of book value of equity acquired (1949) over investment in subsidiary"—*Ex-Cell-O Corporation*

"Adjustment incident to change in equity in Canadian subsidiary company"—*Monsanto Chemical Company*

"Increase in equity in The Davis Coal and Coke Company arising from acquisition by that company of 3,201 shares of its own stock formerly held by minority interests"—*The Pittston Company*

"Excess of book equity over carrying value of a subsidiary's investment in Big Sandy Fuel Corporation, a former associated company which became wholly-owned during 1950, less portion applicable to minority stockholders"—*The Pittston Company*

"Excess of book value of subsidiaries acquired in 1950 over costs of investments to company"—*H. K. Porter Company, Inc.*

"Adjustments for minority shares acquired during the year"—*Stokely-Van Camp, Inc.*

"Adjustment of capital surplus arising out of acquisition of a subsidiary in a prior year."—*Food Machinery and Chemical Corporation*

"Excess of book value of minority interest acquired over cost thereof"—*Food Machinery and Chemical Corporation*

STOCK OPTIONS OR WARRANTS:

"Excess of proceeds over par value of 3,633 shares of Common Stock issued on exercise of options"—*Avco Manufacturing Corporation*

"Excess of warrant price over stated value of 10 shares of Common Stock issued"—*The Colorado Fuel and Iron Corporation*

Footnote entry: "Note 3: Under the terms of and employment contract expiring December 1, 1957, the President of the Company was granted an option during the life thereof to purchase 50,000 shares of the Company's capital stock at $48.10 per share. During 1950 the option was exercised to the extent of 35,000 shares. The excess of the option price over par value in the amount of $1,508,500 was credited to capital surplus."—*Continental Oil Company*

Note 6: "During the year 1950 employees' stock options were exercised for 42,000 shares of the capital stock of the Company at a price of $22 per share. Of this price, the par value of $1 per share was added to the capital stock account and the premium of $21 per share, or a total of $882,000, was added to capital surplus"—*Lockheed Aircraft Corporation*

"Excess of proceeds over par value of common stock issued upon exercise of warrants"—*Ward Baking Company*

"Premium on 100,000 common shares issued under option"—*Willys-Overland Motors, Inc.*

TRANSFER FROM RESERVES:

"Reserve for purchase of preferred shares at beginning of the year restored to surplus pursuant to articles of incorporation"—*Interchemical Corporation*

"Surplus Credit—Transfer of Reserve for Contingencies"—*Pratt & Lambert, Inc.*

"Release of portions of provisions for prior years' taxes and contingencies (Note H)"—*Radio-Keith-Orpheum Corporation*

"Restoration of reserve for contingencies created on acquisition of a subsidiary in 1933"—*Rexall Drug, Inc.*

"Unused balance of appropriation for convertible preferred stock based upon 1947 and 1948 earnings"—*Twentieth Century-Fox Film Corporation*

"Transfer from reserve for contingencies"—*The United States Finishing Company*

"Reinstatement of amount previously reserved against cost of Cash Bros. Drug Company and Pure Drug Products, Inc."—*Universal Match Corporation*

TRANSFER FROM RETAINED EARNINGS:

"Provision for contingencies deducted from additional paid-in capital in 1943, now deducted from earnings reinvested in the business"—*Allen B. DuMont Laboratories, Inc.*

"Transfer from earned surplus of certain 1949 employe stock plan benefits"—*Libbey-Owens-Ford Glass Company*

"Transfer from Earnings Used in the Business—Unappropriated—Note B"—*The Scranton Lace Company*

RESTORATION OR REALIZATION OF ASSETS PREVIOUSLY WRITTEN OFF:

"Credits arising through disposal or utilization of properties previously written off against Capital Surplus"—*The Borden Company*

MISCELLANEOUS TRANSACTIONS:

"Surplus arising from conversion of funded debt into capital stock"—*A. P. W. Products Company, Inc.*

"Contributions received from customers under agreements for construction of certain plant facilities (Note 3)"—*Allegheny Ludlum Steel Corporation*

"Dividends received from subsidiary companies paid out of surplus accumulated prior to December 31, 1937"—*Cities Service Company*

"Portion of profit on sale of a public utility subsidiary equivalent to undistributed earnings prior to December 31, 1937"—*Cities Service Company*

"Footnote: Goodwill and *Capital Surplus.* During the year the formulae, trade-mark and goodwill account was increased $2,616,146.47 and the *capital surplus* account was increased $4,331.78. These changes resulted principally from the Company's acquisition of capital stock in subsidiaries."—*The Coca-Cola Company*

"Amount arising through acquisition of W. L. Douglas Shoe Company, June 29, 1950"—*General Shoe Corporation*

"Credits arising from 1950 transactions under employe stock plan"—*Libbey-Owens-Ford Glass Company*

"ADD—Amount received under Section 16(b) of the Securities and Exchange Act of 1934 ($21,737.35) less related legal fees paid ($8,404.02)."—*Park & Tilford Distillers Corporation*

"Reduction in par value of preferred stock from $10.00 to $5.00 per share"—*Piper Aircraft Corporation*

"Adjustments (net) resulting from changes in ownership of various companies consolidated etc."—*Standard Oil Company (New Jersey)*

SUBSIDIARIES OF STANDARD BRANDS INCORPORATED OPERATING OUTSIDE THE UNITED STATES

[INTERNATIONAL DIVISION SUBSIDIARIES]

Statements of Combined Profit and Loss and Earned Surplus

	Year Ended November 30 1950	1949
NET SALES	$35,830,382	$32,644,000
COST OF PRODUCTS SOLD	23,730,240	21,442,882
GROSS PROFIT	$12,100,142	$11,201,118
SELLING AND ADMINISTRATIVE EXPENSES	8,131,478	7,670,310
	$ 3,968,664	$ 3,530,808
INCOME CHARGES—NET	121,102	79,310
PROFIT BEFORE PROVISION FOR TAXES ON INCOME	$ 3,847,562	$ 3,451,498
PROVISION FOR TAXES ON INCOME	1,412,618	1,158,535
PROFIT FROM OPERATIONS	$ 2,434,944	$ 2,292,963
SPECIAL CHARGE:		
Decrease in certain assets and liabilities (net) in terms of U. S. dollars, arising from revaluations of foreign currencies	24,571	1,015,698
GAIN FOR THE YEAR TRANSFERRED TO SURPLUS	$ 2,410,373	$ 1,277,265
EARNED SURPLUS, AT BEGINNING OF YEAR	7,589,441	7,441,353
	$ 9,999,814	$ 8,718,618
DIVIDENDS (Paid to Standard Brands Incorporated)	1,034,408	1,129,177
EARNED SURPLUS, AT END OF YEAR	$ 8,965,406	$ 7,589,441

NOTES:

(1) Foreign exchange transactions were generally subject to controls imposed by various foreign governments and the transfer of profits is subject to such controls.

(2) The net profit for the year from operations in foreign countries, except as to provisions for depreciation and amortization of goodwill, has been translated monthly in U. S. dollars at average quoted rates of exchange. The provisions for depreciation and amortization of goodwill are based on the approximate U. S. dollar equivalent at the time of acquisition or construction.

(3) Provision for depreciation was $496,313 in 1950 and $419,633 in 1949.

(4) The parent company's interest in net income is subject to U. S. taxes on income when received as dividends.

SECTION V

ACCOUNTANT'S REPORT

RECOMMENDED SHORT-FORM ACCOUNTANT'S REPORT

The Committee on Auditing Procedure of the American Institute of Accountants in its Statement on Auditing Procedure No. 24, dated October 1948, "Revision in Short-Form Accountant's Report or Certificate," recommended the use of the following revised short-form accountant's report:

"We have examined the balance-sheet of X Company as of December 31, 19— and the related statement(s) of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

"In our opinion, the accompanying balance sheet and statement(s) of income and surplus present fairly the financial position of X Company at December 31, 19—, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year."

Recommended Form Adopted

An analysis of the accountant's reports accompanying the financial statements included in the 525 annual reports tabulated for the 1951 survey discloses the following information relative to the adoption of the recommended short-form accountant's report.

ACCOUNTANT'S REPORT

452	Recommended short-form accountant's report adopted in full or with minor word variations.
61	Recommended short-form accountant's report modified by stating the opinion in the opening sentence of a single paragraph form.
10	Recommended short-form accountant's report not adopted.
1	Canadian form of accountant's report.
1	No accountant's report.
525	

The foregoing tabulation discloses that 452 reports, or approximately 86 per cent of the total analyzed, have followed the short-form in full or with only minor variations, (See Company Appendix Nos. 6, 120, 171, 280, 384, 455, 472.) while in 73 cases, the accountants' report was not presented in the recommended short-form. (See Company Appendix Nos. 94, 288, 294, 370, 493.) In 61 of these cases, the recommended two paragraph short-form accountant's report was modified by stating the accountant's opinion in the opening sentence of a single paragraph form. In one instance, the Canadian form of accountants' report was used. (The International Nickel Company of Canada, Limited.) Only one of the 525 annual reports tabulated presented financial statements not accompanied by an accountant's report. (The Buckeye Steel Castings Company.)

Recommended Form Not Adopted

One of the changes in 1948 in the short-form accountant's report was the elimination of reference to the examination of the system of internal control. With reference to the exclusion thereof, the Committee commented as follows:

"The committee believes that it is no longer necessary or desirable to mention the examination of the system of internal control inasmuch as one of the generally accepted auditing standards is stated to be:

"There is to be a proper study and evaluation of the existing internal control as a basis for reliance thereon and for the determination of the resultant extent of the tests to which auditing procedures are to be restricted."

Another revision in 1948 in the short-form report was the elimination of reference to the omission of a detailed audit of the transactions. Commenting on this change, the Committee stated:

"The test character of examinations by independent accountants has been made clear in the special report on auditing standards and in other literature published during the past several years. Therefore, it is the view of the committee that the words "and accordingly included such tests of the accounting records" in the second sentence of the first paragraph of the report or certificate as revised, is sufficient declaration of the test nature of the examination."

Of the accountants' reports which did not follow the recommended short-form, five continued to mention the examination of the system of internal control and the detailed audit of the transactions. (See Company Appendix Nos. 25, 204, 261, 352, 403.)

The third change in the short-form report was proposed in a special report by the Committee on Auditing Procedure, "Tentative Statement of Auditing Standards—Their Generally Accepted Significance and Scope," published by the American Institute of Accountants in 1947. The summarized statement of auditing standards, appearing on page 11 of the special report, was approved by the council of the American Institute of Accountants in May, 1948, and by members attending the annual meeting of the Institute in September, 1948. In this report, the Committee distinguished between auditing "standards" and "procedures" by referring to the former as "broad statements of governing principles" to be viewed as covering all circumstances and to the latter as "applicable to one case but not to another."

The Statement on Auditing Procedure No. 24, referred to above, incorporated the following sentence in its recommended revised short-form accountant's report to correct the inconsistent expression relating to auditing standards and auditing procedures:

"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."

Four of the accountants' reports referred to auditing "standards applicable in the circumstances" rather than auditing "procedures applicable in the circumstances," as recommended by the Committee. In the report accompanying the financial statements in The Moxie Company annual report, the accountants refer to "methods and to the extent we deemed appropriate." The first paragraph of this report is quoted below:

"We have examined the Balance Sheet of The Moxie Company as at September 30, 1950, and the Statements of Income, Capital Stock and Surplus for the fiscal year ended on that date, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records and other supporting evidence by methods and to the extent we deemed appropriate."

Single Paragraph Form

An interesting variation of the recommended short-form accountant's report was introduced by a public accounting firm in 1949. This form usually follows the practice of stating the opinion in the opening sentence as follows: "In our opinion, the accompanying statements present . . . . " Generally, the form is limited to a single paragraph. Occasionally, an additional paragraph is added to set forth supplemental information, to comment upon changes in accounting principles, etc. One such example is as follows:

"In our opinion, the accompanying statements present fairly the financial position of Rexall Drug, Inc., and its subsidiary companies at December 31, 1950, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change, which we approve, in treatment of Canadian exchange adjustment explained below. Our examination of such statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In order to conform to current practice, the exchange adjustment (a credit of $184,430) arising from expressing in United States dollars the net assets of the Canadian subsidiaries entering into the consolidation has been included in the determination of net earnings for the year 1950 whereas in prior years such exchange adjustments were excluded from the determination of net income and charged or credited to the statement of earnings retained in the business."

An example of the single paragraph form containing an exception to the opinion is quoted below:

"Subject to the adequacy of the reserve for additional federal taxes on income referred to in Note A to the financial statements, in our opinion the accompanying balance sheet and statement of profit and loss and earned surplus present fairly the financial position of Nesco, Inc. (formerly named National Enameling and Stamping Company) at December 31, 1950, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of such statement was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances."

As indicated in the foregoing tabulation covering the accountants' reports analyzed in the 1951 survey, 61 annual reports contained the single paragraph form of accountant's report in 1950 as compared with 43 in 1949. Although only one public accounting firm used this form of report in 1949, it was used by two accounting firms in 1950. Further examples of 1950 annual reports containing the single paragraph form of accountant's report are as follows: (See Company Appendix Nos. 4, 116, 124, 189, 240, 279, 350, 356, 377, 380, 453, 464, 510, 525.)

¶EXCEPTIONS AND EXPLANATIONS AS TO SCOPE OF AUDIT

The following examples relating to auditing procedures omitted and auditing procedures followed were included in the auditors' reports accompanying the financial statements in annual reports for 1950. These examples were taken, not only from the 525 reports tabulated, but also from hundreds of other 1950 reports which were reviewed in this regard.

Examples of Omission of Certain Auditing Procedures:

Accounts Receivable

ADAMS-MILLIS CORPORATION: ". . . . Certain chain-store companies, in reply to our requests for confirmation of accounts receivable, reported that they could not verify balances owing by them at any specific date. As to these balances, however, we satisfied ourselves by means of other auditing procedures."

AMERICAN BANK NOTE COMPANY: ". . . . Our examination of the financial statements was made in accordance with generally accepted auditing standards except that owing to special conditions no confirmations were obtained from customers in certain foreign countries; however, our test check of the records supporting these balances indicated that they were stated properly."

ARCHER-DANIELS-MIDLAND COMPANY: "It was impracticable to confirm by direct communication accounts receivable from United States Government departments and agencies and certain foreign accounts, as to which accounts we satisfied ourselves by other auditing procedures."

AVON PRODUCTS, INC.: "We did not confirm accounts receivable from sales representatives of Avon Products, Inc. and Avon Products of Canada, Limited, by correspondence with the individual debtors of those companies. These accounts, aggregating approximately 99% of the total consolidated trade accounts receivable, consist of a large number of small balances, and it was not considered practicable or reasonable to verify balances by direct correspondence. However, we satisfied ourselves by other auditing procedures as to their substantial correctness."

BELL AIRCRAFT CORPORATION: ". . . . We were unable to confirm accounts receivable arising from defense contracts but we have applied other auditing procedures with respect thereto."

ELECTRIC BOAT COMPANY: ". . . . Except that it was not practicable to confirm United States and Canadian Government receivables, as to which we have satisfied ourselves by means of other auditing procedures, our examination was made in accordance with generally accepted auditing standards, and accordingly included . . . . other auditing procedures as we considered necessary in the circumstances."

ELY & WALKER DRY GOODS COMPANY: ". . . . Our examination of such statements was made in accordance with generally accepted auditing standards except that, in accordance with instructions we did not obtain confirmation of accounts receivable of the parent company and certain subsidiaries direct from the debtors; however, with respect to these receivables we have satisfied ourselves by means of other auditing procedures."

INTERNATIONAL TELEPHONE AND TELEGRAPH CORPORATION: ". . . . except that it was not practicable to confirm receivables from certain governments, as to which, however, we have satisfied ourselves by other auditing procedures, and except that we were unable to confirm investments in and receivables from nationalized companies. We had previously made a similar examination for the year ended December 31, 1949. Financial statements of certain foreign subsidiaries included in the consolidated statements were not examined by us but we were furnished with reports of other auditors thereon."

KNOTT HOTELS CORPORATION: ". . . . Except that it was not practicable to confirm by direct communication with the debtors, the current accounts due from hotel guests, as to which we have satisfied ourselves by other auditing procedures, 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."

PAN AMERICAN WORLD AIRWAYS, INC.: ". . . . it was not practicable to obtain confirmation of certain accounts receivable from United States and other government departments or agencies, but we reviewed and tested available records and obtained information from individuals acquainted with the accounts to satisfy ourselves that they were fairly stated."

THE SPERRY CORPORATION: "Confirmations of certain accounts with United States Government Departments and Agencies were not obtainable, but we followed such other auditing procedures as we deemed appropriate in respect of such accounts."

WILLYS-OVERLAND MOTORS, INC.: ". . . . The response to requests for confirmation of Government receivables was not satisfactory but we have otherwise satisfied ourselves as to these items."

Inventories

AMERICAN SEATING COMPANY: "Inventory quantities and pricing were independently determined and certified by The American Appraisal Company in respect to inventories totaling $4,491,941 at December 31, 1950. We did not deem it reasonable or practical to duplicate the work of The American Appraisal Company, and so we limited our examination of that part of the inventories to a review of the related perpetual inventory records and their underlying control procedures. As to the remainder of the inventories of $1,578,784, our examination included observation of inventory-taking procedures and tests of inventory quantities and pricing.

"As of December 31, 1950, the company changed its method of pricing inventories of finished products, work in process, raw materials and manufacturing supplies, from the lower of cost or market, to "last-in, first-out" cost. This change had the effect of reducing net income for the year 1950 by approximately $400,000. Pursuant to federal income tax requirements, a restatement of the corresponding inventories at the beginning of the year, to cost, was also made, with resulting credit to earned surplus of $272,889. We approve of these changes and the accounting treatment accorded them.

"In our opinion, the accompanying consolidated balance sheet and statements of income and surplus together with the related notes, present fairly . . . . in conformity with generally accepted accounting principles which, except as described in the preceding paragraph, were applied on a basis consistent with that of the preceding year."

AMERICAN WRINGER COMPANY, INC.: ". . . . Except that we were not represented at the physical inventory counting, our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records of the companies and such other auditing procedures as we considered necessary in the circumstances."

CHECKER CAB MANUFACTURING CORPORATION: "The Corporation and its subsidiaries did not make a physical determination of quantities as of December 31, 1949, as to a major portion of the amount stated for inventories at that date, but our tests of the accounting and cost records for the year 1950 and of the physical inventory as of December 31, 1950, satisfied us that the inventories at the beginning of the year had been fairly stated."

CROWN CENTRAL PETROLEUM CORPORATION: "Physical inventories of crude oils, finished products and work in process other than those located in independent pipe line transportation systems were taken by E. W. Saybolt and Company and Chas. Martin and Company, independent petroleum inspectors, and the quantities thereof were certified directly to and accepted by us. Quantities in independent pipe line transportation systems were confirmed to us directly. We have tested the clerical accuracy of the inventory records and reviewed the basis of inventory pricing.

In our opinion, the accompanying balance sheet and statements of income and surplus present fairly the consolidated financial position of Crown Central Petroleum Corporation and its subsidiaries at December 31, 1950, ..."

GEO. E. KEITH COMPANY: ". . . . and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except that the scope of our examination did not include verification of inventory quantities and values; such quantities and values are as stated by the companies.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of income and surplus, subject to the limitation of the scope of our examination, present fairly the financial position . . . . in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year."

Mac ANDREWS & FORBES COMPANY: ". . . . We have received reports of chartered accountants upon their examinations of financial statements of the company's foreign branches as of September 30, 1950 and of its wholly owned subsidiaries as of December 31, 1950. Opinions expressed in the reports of the chartered accountants are qualified as to scope of their examinations which omitted generally accepted auditing procedures of confirming accounts receivable and making physical tests of inventories. Our examination at the domestic offices of the company 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.

Assets and liabilities of the company's foreign branches have been included in the accompanying financial statements based upon unaudited branch reports as of December 31, 1950. Changes in assets, liabilities and results of operations of these branches during the three months ended December 31, 1950 reflected in such reports were not material in relation to the consolidated totals.

In our opinion, based upon such examination, foreign branch reports and reports of chartered accountants, the accompanying . . . . present fairly . . . ."

MARCHANT CALCULATING MACHINE COMPANY: "Finished machines inventories located at Company field offices throughout the United States were not established by physical examination, but we satisfied ourselves by other auditing tests of the substantial accuracy of these inventories."

THE OHIO MATCH COMPANY: "We did not examine inventories at the beginning of the year, which we were informed did not include certain labor and overhead costs. However, with our approval, inventories at the year-end did include such labor and overhead costs amounting to approximately $500,000.

"In our opinion, the accompanying . . . . presents fairly the financial position . . . . and, subject to the remarks in the preceding paragraph with respect to inventories at December 31, 1949, the amount of income, dividends, and appropriations for the year, in conformity with generally accepted accounting principles."

WARNER COMPANY: "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. Because of the manner of storing bulk materials (stone and sand and gravel, etc.) in extensive and irregular piles, no one of which represented a relatively significant portion of the total, it was impracticable to take physical inventories of such items by weight or measurement, but we satisfied ourselves with respect to these materials by means of other auditing procedures, including inspection of substantial quantities at various locations."

Reliance on Others

AMERICAN SAFETY RAZOR CORPORATION: ". . . . Our examination, which embraced all companies except the British subsidiaries, 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 accounts of the British subsidiaries, which have been examined by other independent public accountants, are incorporated in the consolidated statements on the basis of amounts shown in the reports of such accountants."

COMBUSTION ENGINEERING-SUPERHEATER, INC.: ". . . . The financial statements of a subsidiary company have been incorporated in the accompanying consolidated financial statements on the basis of a report of other certified public accountants.

"In our opinion, based upon our examination and upon the report of other certified public accountants for the subsidiary company examined by them, the accompanying . . . . present fairly . . . ."

JOHNSON & JOHNSON: "We have also examined the consolidated statement of financial condition and the related consolidated statement of earnings for foreign subsidiaries. Our examinations included the parent company, all domestic subsidiaries and certain foreign subsidiaries, and we have reviewed statements for all other foreign subsidiaries as examined and reported upon by independent public accountants in the respective countries . . . ."

In our opinion, based upon our examinations and the reports of other accountants referred to above, ... present fairly . . . ."

SCOVILL MANUFACTURING COMPANY: "Statements of the English branch, which were not examined by us, have been incorporated in the accompanying financial statements on the basis reported by . . . . chartered accountants in England."

SHOE CORPORATION OF AMERICA: "The accounts of one of the subsidiaries consolidated were examined by other independent public accountants, and its financial statements have been incorporated in the accompanying financial statements in reliance on the report of such accountants, which states the scope of their examination and gives their opinion of the financial statements and the accounting procedures of this subsidiary.

"In our opinion, based on our examination and on the report of other public accountants referred to above, ... present fairly . . . ."

THE SPERRY CORPORATION: "In the case of certain subsidiaries and divisions, we were furnished with financial statements and the reports thereon of another firm of certified public accountants . . . . In our opinion, based upon our examinations and the reports of such other certified public accountants, ... present fairly . . . ."

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION: "We have made similar examinations of the financial statements of subsidiaries not consolidated located in United States, Canada, Mexico, and France and have received reports from other independent public accountants as to the financial statements of subsidiaries located in Belgium, England, Holland, Italy, Sweden, and Switzerland."

ARMSTRONG CORK COMPANY: "We have examined the accounts of all foreign subsidiaries for the year except those of the Spanish and Portuguese subsidiaries which have been examined by . . . ., Chartered Accountants."

THE FIRESTONE TIRE & RUBBER COMPANY: ". . . . We have received reports of other accountants who examined the financial statements of all other major subsidiaries except those operating in Liberia and have received financial statements prepared by the subsidiaries operating in Liberia."

INTERCONTINENTAL RUBBER COMPANY (INC.): ". . . . as to the foreign branches and subsidiaries such procedures comprised review of monthly accounting reports received therefrom by the Company and also review of the reports of other independent public accountants on their audits of the accounts of such branches and subsidiaries."

UNITED FRUIT COMPANY: ". . . . We have been furnished with reports of other independent public accountants on the accounts of the European subsidiaries not examined by us.

"In our opinion the accompanying . . . . and statement of net investment in Europe, present fairly the financial position of United Fruit Company and subsidiaries, including the net investment in Europe, at December 31, 1950, ..."

BRISTOL-MYERS COMPANY: "We accepted, after review, and assumed responsibility for, the financial statements of the Canadian subsidiary companies as certified by independent auditors."

COLUMBIAN CARBON COMPANY: "The accounting records of the Canadian subsidiaries were not examined by us, but we have reviewed their financial statements and the reports thereon of other public accountants, and our opinion given below also covers these statements.

"In our opinion, the accompanying . . . . (together with notations) present fairly . . . ."

INTERNATIONAL BUSINESS MACHINES CORPORATION: "We accepted, after review, available reports of independent auditors on the accounts of IBM World Trade Corporation's foreign subsidiaries and branches supplemented by the companies' own statements and cabled information."

LOEW'S INCORPORATED: "The accounts of foreign subsidiaries were examined or tested by Independent Public Accountants in the respective foreign countries as of August 31, 1950 in accordance with program which we prepared. We have reviewed their reports relating to such examinations, have had no exceptions to take to the adequacy and sufficiency of the examinations and tests made by such other accountants, have accepted such work in the same manner as if it had been done by us, and have accepted such reports as a proper basis for consolidating the accounts of foreign subsidiaries with the accounts of the domestic companies as of August 31, 1950. Current asset and current liability accounts of foreign subsidiaries and other current accounts in foreign moneys have been included at prevailing exchange rates, at rates lower than nominally quoted, or at rates of current remittances or sales of futures.

. . . . "In our opinion, the accompanying . . . . present fairly . . . ."

FRANK G. SHATTUCK COMPANY: ". . . . included such tests of the accounting records of the constituent companies, except W. F. Schrafft & Sons Corporation . . . . The accounts of W. F. Schrafft & Sons Corporation, a wholly owned subsidiary, were examined by another firm of independent public accountants. We have reviewed their report thereon and have accepted the figures in the accounts for inclusion in the accompanying financial statements.

"In our opinion, ... present fairly . . . ."

STERLING DRUG, INC.: ". . . . With respect to certain foreign subsidiary companies, we have accepted for inclusion in the consolidated statements reports signed by other independent public accountants.

"In our opinion, ... present fairly . . . ."

F. W. WOOLWORTH CO.: "We accepted, after review, the financial statements of the Canadian subsidiary as certified by independent auditors. The value of net current assets reported therein was converted into U. S. dollars at the official rate of exchange, while the value of land and buildings was converted at the prevailing rate of exchange during the year such assets were acquired."

BENEFICIAL INDUSTRIAL LOAN: ". . . As to Commonwealth Loan Company, we examined the report of . . . and the accounts of that company have been included in the accompanying statements as shown by such report. The total assets of this subsidiary amount to approximately 11% of the consolidated total, and its net income (included for the period owned by the Corporation, November 1, 1950 to December 31, 1950) amounts to approximately 1.4% of the aggregate consolidated net income for the year.

In our opinion, which as to Commonwealth Loan Company is based upon the report of . . . the accompanying . . . ."

THE CHAMPION PAPER AND FIBRE COMPANY: "As to the three subsidiary companies, we examined reports of other accountants, and the accounts of those companies have been included in the accompanying statements as shown by such reports. The total assets of these subsidiary companies amount to approximately 3% of the consolidated total, and their sales and net income aggregate approximately 11% and 3%, respectively, of the consolidated totals.

In our opinion, which as to the three subsidiary companies is based upon the reports of other accountants, the accompanying . . . ."

HEARST CONSOLIDATED PUBLICATIONS, INC.: "As to Halifax Power & Pulp Company Limited, we examined the report of other independent accountants, and the accounts of that company have been included in the accompanying statements as shown by such report. The total assets of Halifax Power & Pulp Company Limited amount to approximately 1.7% of the consolidated total assets; its operating results for the year were not substantial.

In our opinion, which as to Halifax Power & Pulp Company Limited is based upon the report of other independent accountants, the accompanying . . . . present fairly . . . ."

PEPSI-COLA COMPANY: "As to the Canadian subsidiary, we examined a report of chartered accountants and the figures for that company included in the accompanying statements are derived from such report. The total assets of this subsidiary and its gross profit on sales for the year are approximately

7% and 6%, respectively, of the consolidated totals; its operations for the year resulted in a loss.

In our opinion, which as to the Canadian subsidiary is based upon the report of other accountants as above mentioned, ... in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year."

TWENTIETH CENTURY-FOX FILM CORPORATION: "The consolidated financial statements for the same period of National Theatres Corporation and its voting-controlled domestic subsidiaries have been examined by . . . . The net assets of such companies represent approximately 27% of the consolidated net assets at December 30, 1950.

From the aforementioned financial statements there have been prepared the accompanying consolidated balance sheet and memorandum of foreign assets and liabilities of Twentieth Century-Fox Film Corporation and voting-controlled subsidiary companies . . . .

In our opinion, accepting the financial statements of National Theatres Corporation and its voting-controlled domestic subsidiaries, relying upon the report of the independent public accountants who examined such financial statements, ..."

H. H. ROBERTSON COMPANY: "As to the Company's English branch and the Canadian subsidiaries, we examined reports of other accountants, and the accounts of the branch and the subsidiaries have been included in the accompanying statements as shown by such reports. The total assets of the branch and the subsidiaries amount to approximately 25% of the consolidated total and their sales and net income aggregate approximately 29% and 27%, respectively, of the consolidated totals.

In our opinion, which as to the English branch and the Canadian subsidiaries is based upon the reports of other accountants, present fairly . . . ."

UNITED MERCHANTS AND MANUFACTURERS, INC.: "The accounts of foreign subsidiary companies (consolidated) were examined by other independent public accountants, and have been included in the accompanying consolidated balance sheet and related consolidated statements of income and surplus on the basis of the reports of such accountants. Foreign currencies are converted into United States dollars on the basis set forth in Note A of notes to consolidated financial statements.

The accounts of the Argentine operating subsidiary, Sudamtex, Sociedad Anonima Textil Sundamericana and its subsidiary company, which in previous years were included in the consolidation, have been excluded for the current year because of continuing exchange restrictions. We approve of this change. A consolidated balance sheet of this company expressed in terms of Argentine currency was examined and reported on by other independent public accountants, and is submitted herewith after conversion into United States dollars on the same basis as is described in Note A.

In our opinion, based upon the examination made by us and upon the reports of other independent public accountants referred to above, ... in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except as to the matter commented upon in the preceding paragraph."

Examples of Explanation of Auditing Procedures Followed:

Detailed Audit Report

AERO SUPPLY MFG. CO. INC.: "We have examined the Balance Sheet of Aero Supply Mfg. Co. Inc. at December 31, 1950, and the Statements of Income and Surplus for the year then ended. We verified the cash, securities and accounts receivable balances. We were present while the inventories were taken by their employees and through substantial tests of the count, pricing and extensions, have satisfied ourselves that the valuations, which are on the basis of the lower of average cost or market, are sound. We have examined all charges to property accounts, satisfied ourselves that adequate provision has been made for all reserves deemed necessary, and that the insurance coverage is ample. Provision has been made for all ascertainable liabilities and all known contingent liabilities. 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."

CLAYTON SILVER MINES: "We have made a verification of amount of cash on hand and in banks and have checked the accuracy of all other assets shown on the balance sheet. We were not present at the taking of inventories, but have carefully examined the detailed inventory taken and believe it was accurately taken at the lower of cost or market. Your fixed assets are carried at cost and have been properly depreciated or amortized. We found your liabilities to consist of accrued taxes and current accounts payable. We found no past due obligations.

During the year 1950, the balance of ore on or above the 300′ level was mined, and most of the mining in 1950 was on the 400′ level, which was opened at the beginning of the year. Gross income from ore was $366,479.66 and, after making allowance for depreciation, amortization, depletion and all taxes based on income, a net of $91,941.12 remained.

During the year 1950, dividends of $180,000.00 were paid and, as these dividends exceeded the income, the opening deficit of $11,789.08 was increased to $99,847.96 at the end of the year. Due to adjustments of the Revenue Department on prior years, certain dividends were held to be paid from capital prior to 1950 and, after taking this into consideration, determination was made that 22.881647% of the dividends paid in 1950 were paid from capital.

Subject to the above comments, we certify that in our opinion the attached balance sheet and income statement are correct and fairly present . . . ."

GENERAL MILLS, INC.: "We have examined the statement of financial position of General Mills, Inc. and subsidiaries as of May 31, 1950, and, for the year then ended, the related statements of operations and earnings retained for use in the business. 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 cash was confirmed by certificates obtained from the depositaries and custodians or by count. Tests were made of the validity of receivables by communication with the debtors, except that it was not practicable to so confirm receivables from U. S. Government Departments and Agencies, as to which we satisfied ourselves by means of other auditing procedures. We made test checks of prices and computations of all inventories and confirmed by actual inspection the quantities of the principal inventories at locations selected by us; in addition, we made test checks of the grades of grain inspected by obtaining independent confirmation of the grades of samples taken by us.

Expenditures charged to the land, buildings and equipment accounts during the year, in our opinion, were properly capitalized as representing additions or improvements. The provision for depreciation for the year appears to be adequate based on the original cost of the properties.

All ascertained liabilities have been included in the accounts.

In our opinion, the accompanying statement of financial position and statements of operations and earnings retained for use in the business present fairly the position of General Mills, Inc., and its subsidiaries at May 31, 1950 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year."

QUINCY MARKET COLD STORAGE AND WAREHOUSE COMPANY: "We have examined the consolidated balance sheet of Quincy Market Cold Storage and Warehouse Company and its subsidiary companies as of March 31, 1951 and the related consolidated statement of profit and loss and earned surplus for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The cash, securities and notes were accounted for by inspection or by acknowledgments received from the depositaries or custodians. Notes and accounts receivable balances were compared with the companies' records and were reviewed and discussed from the standpoint of collectibility; a comprehensive test confirmation of the receivable balances was made by correspondence direct with the debtors. Purchase invoices covering the major portion of additions during the year to the companies' fixed asset accounts were inspected. We satisfied ourselves by the examination of records, invoices and agreements, by inquiry and other tests, including correspondence direct with banks and attorneys, that all ascertained liabilities of material amounts were recorded on the companies' books as at March 31, 1951 and are reflected in the accompanying balance sheet.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of profit and loss and earned surplus present fairly the financial position of Quincy Market Cold Storage and Warehouse Company and its subsidiary companies at March 31, 1951 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year."

UNITED SHOE MACHINERY CORPORATION: "We have audited the accounts of the United Shoe Machinery Corporation for the fiscal year ended February 28, 1951.

We have verified the cash on hand by actual count and the balances on deposit with the banks by direct correspondence; have examined by physical inspection marketable securities owned by the Corporation as well as those owned by associated companies and held for their account; have also verified by actual inspection, or by satisfactory evidence thereof if deposited elsewhere, the stocks representing the investments in associated companies.

We have examined in detail the accounts receivable, and we consider them good and collectible, except those for which adequate reserves have been set up. Requests for confirmation of accounts receivable representing a large proportion of the Corporation's receivables were sent to debtors chosen by us, including those with overdue accounts, the percentage of replies received showing very satisfactory results.

Inventories of merchandise, finished parts, stock in process, finished machines, and supplies, at the district offices and manufacturing branches have been taken by employees of the Corporation under the direction and supervision of the officials of the Corporation, and have been submitted to us for our inspection. We are satisfied with the methods of internal control which are used to check the correctness of these inventories, such as, analysis of production, sales records, and complete cost systems, and their resulting insurance against inaccuracies, and we have made tests of items chosen at random. Proper provision has been made for slow-moving and obsolete machines, parts and merchandise, in the taking of the inventories. All inventories, as certified to by the Auditor of the Corporation, have been priced at the lower of cost or market.

Outstanding accounts payable on February 28, 1951 have been verified, and the Auditor has certified that all liabilities of the Corporation at the close of the year were entered on the books of the Corporation.

In our opinion, the accompanying unconsolidated balance sheet and statements of income and surplus account, with explanatory notes thereon, present fairly the position of the Corporation at February 28, 1951, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year."

Inventories and Accounts Receivable

AMERICAN COLORTYPE COMPANY OF NEW JERSEY: "Our examination included tests of accounts receivable by direct correspondence with debtors and tests by count of the inventories and a review of the adequacy of the company's check and control of book inventories and of the procedures followed in the taking of the physical inventories.

In our opinion the accompanying consolidated balance sheet and related statements of consolidated income and surplus fairly present the consolidated financial position of American Colortype Company of New Jersey at December 31, 1950 . . . ."

AMERICAN HIDE AND LEATHER COMPANY: "The inventory quantities at June 30, 1950 were based upon continuous book records verified from time to time by physical inventories taken by employees of the companies. We have reviewed the book records and the related inventory procedures and have satisfied ourselves that the methods of inventory taking were satisfactory and that they were carried out effectively. We also made by inspection substantial test checks of the inventory quantities. The basis of pricing and the clerical accuracy of the inventories were thoroughly tested by us and, in addition, the quantities and condition of the inventories were certified to us by responsible officials of the companies. We also communicated with a majority of the companies' customers having open balances at June 30, 1950, and received replies confirming about 90% of the total of receivables as of that date.

In our opinion, the accompanying consolidated balance sheet and related statement of income and unappropriated accumulated earnings present fairly the financial position of American Hide and Leather Company and its wholly-owned subsidiary company combined at June 30, 1950 . . . ."

DUREZ PLASTICS & CHEMICALS, INC.: "In connection therewith we verified the outstanding accounts receivable by direct confirmations from customers, we made comprehensive tests of the quantities, pricing, and computation of the inventories, we examined or tested accounting records and other supporting evidence and obtained information and explanations from officers and employees; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of all of the transactions . . . ."

GOTHAM HOSIERY COMPANY, INC.: "Accounts receivable were tested by communication with the debtors. We were present at the taking of inventories at the year end, observed the procedures, and test checked the quantities determined by employees of the Companies; we also reviewed inventory prices and computations.

In our opinion, the accompanying balance sheet and statements of profit and loss and surplus present fairly the consolidated financial position of GOTHAM HOSIERY COMPANY, INC. and its subsidiaries at December 31, 1950, ..."

KENNECOTT COPPER CORPORATION: "We have examined or tested the accounting records and other supporting evidence of the parent corporation and its consolidated subsidiaries except four small foreign subsidiaries whose reports we have examined. Such examination has included review of records and accounts at all the major mining or other properties and plants, confirmation of cash and securities and confirmation or tests of inventories and accounts receivable, to the extent we deemed appropriate."

NEWMONT MINING CORPORATION: ". . . . including confirmation of cash, notes receivable, and securities by inspection or other supporting evidence."

BOTANY MILLS, INC.: "Our verification of the inventories included attendance of our representatives in departments constituting 96% of the total. A comprehensive test-check was made in these departments of items selected at random as reflected on detailed inventory sheets. Total quantities shown on the detailed sheets were traced to the final inventories. Merchandise out of the mill was verified by examination of correspondence. The mathematical accuracy of the inventories was extensively test-checked. Cost prices of many of the items were checked against the cost records. Market values of finished fabrics were test-checked against sales billed subsequent to the close of the year.

In pricing certain materials used in the manufacture of hand knitting yarns, the company deviated from its usual "lower of cost or market" valuation and used January 1, 1950 cost prices due to the length of time required to process these yarns. This method of inventory valuation resulted in a reduction of $145,926.00 from the "lower of cost or market" basis, reducing the net income for the year by that amount.

In our opinion, based upon such examination, the accompanying consolidated balance sheet and related statements of income and surplus, with the notes appended thereto, present fairly the position of Botany Mills, Inc. and subsidiary companies at December 31, 1950, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except that a portion of the inventories applicable to hand knitting yarns was valued at January 1, 1950 prices."

JONES & LAMSON MACHINE COMPANY: "The inventory of materials, supplies, work in process and finished parts and machines, valued by the company's officials at cost or standard cost, is based as to quantities upon the company's stock records, checked at intervals by the company during the year. With respect to finished machines and assemblies, the quantities were also checked in December, 1950. We were present at the company's plant during that month and by observation and physical tests of inventory quantities, satisfied ourselves as to the reliability of the company's stock records. We also tested inventory prices and computations.

In our opinion, the accompanying balance sheet and related statement of profit and loss and surplus, with the explanation set forth in the notes thereon, present fairly . . . ."

NAUMKEAG STEAM COTTON COMPANY: "We were present at the plants of the Company when inventories were being checked physically and observed the work of the Company's employees in that connection. We reviewed the methods used in taking and compiling the inventories and made physical tests sufficient to satisfy ourselves as to the substantial accuracy of the inventory quantities. We made tests of the pricing of the merchandise inventories and satisfied ourselves as to the substantial accuracy thereof.

In our opinion, the accompanying balance sheet and statements of profit and loss and surplus, together with comments and notes to financial statements, present fairly the financial position of Naumkeag Steam Cotton Company at December 2, 1950, ..."

PARK & TILFORD DISTILLERS CORPORATION: "Inventories located at the companies' local warehouses were verified by physical count at the close of the year; inventories located at the company's out-of-town distillery warehouses were verified by physical count in the latter part of the year, and were reconciled with the inventories at the year end; and inventories located in outside public warehouses were confirmed to us by the warehouses. Inventories were certified by the management as to quantities and condition, and the clerical accuracy and evaluation thereof have been verified by us.

In our opinion, the accompanying Consolidated Balance Sheet and Consolidated Profit and Loss Statement and Consolidated Surplus Accounts, as supplemented by the notes appended thereto, present fairly the consolidated financial position of the companies at December 31, 1950 . . . ."

R. J. REYNOLDS TOBACCO COMPANY: "We were present when inventories were taken by the Company and checked procedures followed in determining quantities and valuation."

TEXTRON INCORPORATED: "We were present at the several plants of the companies when the inventories were being checked physically and observed the work of the companies' employees in that connection. We reviewed the methods used in taking and compiling the inventories and made physical tests sufficient to satisfy ourselves as to the substantial accuracy of the inventory quantities. Goods at outside finishing plants and other locations were confirmed by direct correspondence. We made extensive tests of the pricing of the inventories and satisfied ourselves as to the substantial accuracy thereof."

VERNEY CORPORATION: "We were present at the several plants of the Company when the inventories were being checked physically and observed the work of the company's employees in that connection. We reviewed the methods used in taking and compiling the inventories and made physical tests sufficient to satisfy ourselves as to the substantial accuracy of the inventory quantities. Goods at outside finishing plants and other locations were confirmed by direct correspondence. We made extensive tests of the pricing of the merchandise inventories and satisfied ourselves as to the substantial accuracy thereof."

UNITED ENGINEERING AND FOUNDRY COMPANY: "In the preparation of the consolidated statements, the domestic subsidiaries have been consolidated.

Inventories were tested by us as to physical quantities and pricing. In general, the companies maintain perpetual inventory records which are adjusted periodically to physical inventories of individual items taken by the companies' employees. Raw materials and supplies are generally valued at average cost, purchased materials for contracts controlled through job orders are valued at actual cost of specific items, and work in process controlled through job orders is valued at standard cost; all not in excess of replacement market. Finished product is valued at the lower of standard cost or estimated realizable value.

As the amount is not presently determinable, no provision has been made with reference to pending litigation relating to the Steckel patent instituted against the company by Cold Metal Process Company.

In our opinion, the accompanying consolidated statement of financial position and consolidated statement of operations, together with the foregoing explanatory comments, present fairly the financial position of United Engineering and Foundry Company and its subsidiaries at December 31, 1950, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year."

Registered Investment Companies

Section 30 of the Investment Company Act of 1940, which covers periodic and other reports of registered investment companies, reads as follows under subsection (e):

"Financial statements contained in annual reports required pursuant to subsections (a) and (d), if required by the rules and regulations of the Commission, shall be accompanied by a certificate of independent public accountants. The certificate of such independent public accountants shall be based upon an audit not less in scope or procedures followed than that which independent public accountants would ordinarily make for the purpose of presenting comprehensive and dependable financial statements. . . . . Each such report shall state that such independent public accountants have verified securities owned, either by actual examination, or by receipt of a certificate from the custodian, as the Commission may prescribe by rules and regulations."

Section 32 of the Act, under subsection (4) with reference to accountants and auditors, sets forth an additional requirement relating to the independent public accountant's certificate as follows:

"Such certificate or report of such accountant shall be addressed both to the board of directors of such registered company and to the security holders thereof;"

Accountants' reports accompanying financial statements of regulated investment companies for the year 1950 included the following:

THE EQUITY CORPORATION: "To the Security Holders and the Board of Directors of The Equity Corporation:

We have examined the balance sheet of The Equity Corporation (a Delaware corporation) as of December 31, 1950, and the statements of surplus and income and expenses for the year then ended, together with supporting schedules. Our examination was made in accordance with generally accepted auditing standards, and accordingly included confirmation of securities by obtaining certificates from the custodian banks, and such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have also examined the financial statements of the subsidiary companies as of December 31, 1950.

In our opinion, the accompanying balance sheet and statements of surplus and income and expenses and supporting schedules present fairly the financial position of The Equity Corporation as of December 31, 1950, and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year."

GENERAL PUBLIC SERVICE CORPORATION: "To the Board of Directors and Stockholders of General Public Service Corporation:

We have examined the accompanying financial statements of General Public Service Corporation as shown on pages 7–15. 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 amount of cash, and securities owned by the corporation as shown on the Investment List, at December 31, 1950, were substantiated by confirmations received from the depositaries and the custodian.

In our opinion, the aforesaid financial statements present fairly the position of General Public Service Corporation at December 31, 1950, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year."

TRI-CONTINENTAL CORPORATION: "To the Board of Directors and Security Holders, TRI-CONTINENTAL CORPORATION, NEW YORK, N. Y.

We have examined the balance sheet of Tri-Continental Corporation (a Maryland corporation) as at December 31, 1950, and the related statements of income and surplus. Our examination was made in accordance with generally accepted auditing standards and included a detailed audit of the transactions and such other auditing procedures as we considered necessary in the circumstances. We inspected and counted all securities owned by the Corporation at December 31, 1950, other than securities loaned, in respect of which we obtained confirmations, and found them to be in agreement with the books of the Corporation and with the accompanying portfolio of investments.

In our opinion, these financial statements, together with the notes thereon, present fairly the financial position of Tri-Continental Corporation at December 31, 1950 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

In accordance with instructions we have prepared the accompanying summary of assets and liabilities as at December 31, 1950, on the basis stated."

EXCEPTIONS AND QUALIFICATIONS AS TO OPINION EXPRESSED

The following examples, relating to the adherence to generally accepted principles of accounting in the presentation of the financial statements and to the observance of consistency in the application of such principles in the current period in relation to the preceding period, are taken from the auditor's reports accompanying the financial statements in annual reports for 1950. These examples are not only from the 525 reports tabulated but also from hundreds of other 1950 reports which were reviewed in this regard.

Examples Relating to Generally Accepted Accounting Principles and the Consistency of Their Application:

AMERICAN WRINGER COMPANY, INC.: "In our opinion, the accompanying consolidated balance sheet and related consolidated statements of income and surplus present fairly (except that Canadian currency has been included at the former official rate of $1.00 Canadian for $1.00 United States) . . . ."

CERRO de PASCO COPPER CORPORATION: "In the accompanying statement of income and earned surplus, depletion is charged on the basis of percentage of income as computed for United States income tax purposes in respect of the parent corporation and on the basis of amounts per ton of ore extracted during the year in respect of the portion of the reappraisal amount for mines allocated to a Peruvian subsidiary.

In our opinion, ... in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except that the parent corporation's percentage depletion procedure above described is not generally followed."

CHICAGO NORTH SHORE AND MILWAUKEE RAILWAY COMPANY: "The miscellaneous physical property accounts of Chicago North Shore and Milwaukee Railway

Company have not been segregated to show separately the costs allocable to land and buildings. Consequently, it is impossible to review the adequacy of provisions for depreciation thereon.

Subject to the net value at which the respective miscellaneous physical property accounts are carried, it is our opinion . . . ."

CHICAGO SOUTH SHORE AND SOUTH BEND RAILROAD: "In our opinion, the accompanying balance sheet and statements of income and surplus present fairly the financial position of Chicago South Shore and South Bend Railroad as of December 31, 1950, and the results of its operations for the year then ended, in conformity with principles of accounting prescribed by the Interstate Commerce Commission, applied on a basis consistent with that of the preceding year. However, in our opinion, the aggregate amount classified in the accompanying balance sheet of the company as reorganization adjustments of capital and as paid-in surplus arising from the reduction in capital stock, should preferably be classified as a general property reserve."

CHIEF CONSOLIDATED MINING COMPANY: " . . . . in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except as follows:

No provision is made for depletion of the mine property which has been sustained in an unascertainable amount. If the amount of it were ascertainable, generally accepted accounting principles would require that depletion sustained to December 31, 1950 be provided for in the balance sheet and that depletion sustained in 1950 be provided for in the statement of income."

THE CUNEO PRESS, INC.: "As stated in Note 1 to the balance sheet, certain receivables owing by debtors having net current asset positions which do not justify treating such receivables as current assets, are classified as current receivables on the basis of the company's opinion that they will be realized within one year. While we have no information that would lead us to question such opinion, we are not in a position to confirm it. In the opinion of the company, the reserves for losses on both current and deferred receivables are adequate. However, it is our opinion that generally accepted accounting practice requires substantially larger reserves.

In our opinion, except for the matters mentioned in the preceding paragraph, ..."

"56" PETROLEUM CORPORATION: " . . . . in our opinion, subject to the comments contained in our respective audit reports . . . . The principal qualifications in our comments in connection with the above stated assets and liabilities are that the value of recoverable oil in the Montana fields is estimated while the oil Properties in the Texas fields are included at cost of the lease plus actual development cost without any increase for discovery value."

GIDDINGS & LEWIS MACHINE TOOL COMPANY: "During 1950 the Company's subsidiary, The Cincinnati Planer Company, was dissolved and all operations consolidated in Fond du Lac. There is shown in the statement of consolidated income and earned surplus under Special Credits (Charges) $470,581 of moving and other expenses in connection with the consolidation of operations in Fond du Lac. Of this amount, $140,069 represents identifiable direct expenses incurred in connection with the consolidation of operations in Fond du Lac, and $330,512 represents the Management's estimate of additional costs attributable to the consolidation of operations. This latter amount consists of unabsorbed manufacturing burden in the amount of $215,707 and selling and administrative expenses of $114,805, which the Management believes to be the approximate amount of such expenses attributable to the consolidation of operations based on certain assumptions as to normal operations. While we take no exception as to the net income for the year, we are not in a position to judge the reasonableness of the Management's estimate which results in the amount of $330,512 being included in Special items instead of in Operating Charges.

Subject to the foregoing, it is our opinion . . ."

GILLETTE SAFETY RAZOR COMPANY: "Except as to the subsidiary companies indicated in the succeeding paragraph, our examination was made in accordance with generally accepted auditing standards and included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We have not examined the accounts of the German subsidiary companies, the investments in which have been segregated in the consolidated balance sheet.

In our opinion, subject to the exception indicated in the preceding paragraph regarding the accounts of subsidiary companies not examined by us, . . ."

THE HARTFORD ELECTRIC LIGHT COMPANY: "As explained in Note 1 to financial statements, effective January 1, 1950 the Company changed to a straight-line method of determining its depreciation accrual, adopting a $1^3/_4\%$ composite rate. We concur in the change to the straight-line method, but are not in a position to express an opinion as to the rate.

In our opinion, as qualified in the preceding paragraph, . . ."

HERCULES POWDER COMPANY: "The reserve for depreciation includes approximately $1,300,000 representing the portion of the provision for depreciation in 1947 equivalent to construction costs in that year which were deemed excessive. Inasmuch as charging this amount to income in 1947 is considered by us not to be in accordance with generally accepted accounting principles, this portion of the reserve for depreciation, in our opinion, should not be deducted from fixed assets but should be treated as a surplus reserve and included in the reserve section of the company's consolidated statement of financial condition.

In our opinion, subject to the exception noted in the preceding paragraph, . . ."

THE LUCKY TIGER-COMBINATION GOLD MINING COMPANY: "Our examination of the balance sheet of the Mexican subsidiary not consolidated, The Tiger Mining Company, S. A., attached hereto as Appendix I, was limited to the inspection of available records maintained in the Kansas City, Missouri office of The Lucky Tiger-Combination Gold Mining Company.

Subject to the valuation of the investment in the Mexican subsidiary explained in Note 1, in our opinion, . . ."

MARMON-HERRINGTON COMPANY, INC.: "In our opinion, interest and commission adjustments of approximately $110,000 included in other income, less $29,000 federal income tax thereon, should not have been considered in the determination of net earnings for the year but should have been credited directly to earnings reinvested in the business. Otherwise, in our opinion, the accompanying statement of financial position and statement of earnings present fairly the consolidated financial position of Marmon-Herrington Company, Inc. and its subsidiary at December 31, 1950, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year."

MARSHALL-WELLS COMPANY: "In our opinion, subject to the exception set forth in Note "1" regarding the basis for converting Canadian currency into U. S. currency, . . ."

PARK UTAH CONSOLIDATED MINES COMPANY: ". . . . in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except as follows:

No provision is made for depletion of the mine property which has been sustained in an unascertainable amount. If the amount of it were ascertainable, generally accepted accounting principles would require that depletion sustained to December 31, 1950 be provided for in the balance sheet and that depletion sustained in 1950 be provided for in the statement of operations."

TAMPA ELECTRIC COMPANY: "In our opinion, except as to the adequacy of the accumulated reserve for depreciation of utility plant, . . ."

THE TOLEDO EDISON COMPANY: "As indicated in Note 1 to the financial statements, inasmuch as the utility plant account has not been classified with respect to cost of properties acquired as entireties so as to allocate such cost to units of tangible property and to intangibles, it is not known to what extent, if any, subsequent credits for property sold or retired on the basis of estimates, have been different in amount from the portion of total cost attributable to such properties.

Except for the effect of the matters described in the preceding paragraph (the amounts of which are not known), in our opinion . . ."

ARTLOOM CARPET CO., INC.: "During the year 1950 the Company revised its method of Last-in—First-out inventory accounting by expanding their accounting procedures to include all Raw Materials, Labor and Burden.

"In our opinion, the accompanying . . . . present fairly . . . . in conformity with generally accepted accounting principles applied, subject to the foregoing comments, on a basis consistent with that of the preceding year."

BARKER BROS. CORPORATION: ". . . . Except for the change, which we approve in the method of pricing inventories which is explained in the note appended to earned surplus account, the accounting principles were applied on a basis consistent with that of the preceding year. . . ."

"*Note:* As explained on page 2 of the president's letter, effective as of January 1, 1950 the company adopted the last in, first out (commonly known as "Lifo") method of pricing substantially all of its inventories. This change affected the 1950 statement of profit and loss by relatively unimportant amounts.

"On the basis of the considerations resulting in the adoption of the new method, the balance, $500,000, of the amounts appropriated in prior years for possible future decline of inventory values was restored to earned surplus account in 1950. For the purpose of these financial statements such amount has been included in earned surplus as of December 31, 1949."

BIGELOW-SANFORD CARPET COMPANY, INC.: "Effective January 1, 1947 the company with our approval changed its policy regarding depreciation so that, without change in estimated useful lives of the assets and resulting average rates of depreciation, it recognized variations in the annual rate of activity. The excess, which has been reported each year, of such depreciation above that calculated on the straight line basis, has not been allowed as a deduction in determining taxable income. Effective January 1, 1950 the company is eliminating the recognition of depreciation varying with the annual rate of activity and is adopting the straight line method, which also conforms with generally accepted accounting principles. Accelerated depreciation charged in 1949 was $421,416, and the similar charge in 1950 would have been somewhat larger if the previous policy had been continued.

"In our opinion, ... in conformity with generally accepted accounting principles applied each year, with the exception noted in the preceding paragraph, on a basis consistent with that of the preceding year."

BOEING AIRPLANE COMPANY: "In our opinion, the accompanying . . . . present fairly the financial position . . . . in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except with respect to the change in the policy of accruing fees referred to in Note A, which change we approve.

"Also in our opinion the action of the Board of Directors on March 14, 1951, in setting aside from the earnings of the year 1950 a sum of $1,400,000 under the Incentive Compensation Plan for Officers and Employees, is in conformity with the provisions contained in the first paragraph of Section 2 of such plan."

THE BORDEN COMPANY: ". . . . in conformity with generally accepted accounting principles, which, except for the extensions, which we approve, of the Lifo inventory method as referred to in Note 2 to the Financial Statements, were applied on a basis consistent with that of the preceding year."

CATERPILLAR TRACTOR CO.: "In our opinion, the accompanying financial statements present fairly the position of . . . . in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year other than the changes, which we approve, explained in note 1.

". . . . and, in our opinion, statements 3 through 7 (which have been retroactively adjusted as described in note 1) present fairly the historical financial data included therein. Had the "first-in, first-out" basis of stating the inventories been used in 1950, profit in that year would have been approximately $2,475,000 greater than the amount reported."

CONSOLIDATED VULTEE AIRCRAFT CORPORATION: ". . . . in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in accounting for cost-plus-fixed-free contracts as explained in Note 1 to the financial statements, which change we approve."

CONTINENTAL STEEL CORPORATION: "As of the close of the year 1950 the company changed its method of valuing a substantial portion of its inventories from "average cost or market, whichever lower" to cost determined on the basis of last-in, first-out. This change, which we approve, had the effect of reducing the inventories at December 31, 1950 by approximately $900,000 and the net income for the year 1950 by approximately $540,000.

". . . . in conformity with generally accepted accounting principles which, except for the change referred to in the preceding paragraph, have been applied on a basis consistent with that of the preceding year."

THE DETROIT EDISON COMPANY: ". . . . in conformity with generally accepted accounting principles applied, except for the change mentioned in Note 2 of Notes to Financial Statements, on a basis consistent with that of the preceding year."

"*Note 2:* In 1950 the company discontinued estimating the amount of certain unbilled electric accounts receivable. It is the present intention to use at December 31, 1950 and in the future the fixed amount of $3,800,000 for unbilled electric accounts receivable. This was the amount of the estimate at December 31, 1949. Such change resulted in reducing income for the year 1950 by approximately $400,000."

THE FAIRBANKS COMPANY: ". . . . in conformity with generally accepted accounting principles applied on a basis consistent in all material respects with that of the preceding year."

Note under "Statement of Earned Surplus": "The accounts of the foreign subsidiaries, which are inactive, are not now included in the financial statements but such change has no material effect thereon."

GOLDBLATT BROS.: INC.: "During the year, the Company changed its method of pricing inventories from a "first-in, first-out" basis to a "last-in, first-out" basis. This change in accounting policy had the effect of reducing the inventories at January 31, 1951, by approximately $635,000 and reducing net income for the year (after recognizing the effect of Federal income taxes) by approximately $240,000.

". . . . and were prepared in conformity with generally accepted accounting principles applied, except for the change in method of pricing inventories described above, on a basis consistent with that of the preceding year."

THE GREYHOUND CORPORATION: "The accounts of the companies and the accompanying financial statements have been classified in accordance with the uniform system of accounts prescribed for motor carriers by the Interstate Commerce Commission.

"In our opinion, the accompanying financial statements Nos. 1 to 6, inclusive, present fairly the financial position of The Greyhound Corporation and the consolidated financial position of the Corporation and its subsidiaries at December 31, 1950, and the respective results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except as to the method followed, as ordered by the Interstate Commerce Commission, of reflecting in the accounts the acquisition of the property of Southeastern Greyhound Lines as described in the last paragraph of the notes applicable to the financial statements."

HOUSTON OIL COMPANY OF TEXAS: "In our opinion, the accompanying consolidated . . . . present fairly the financial position. . . . . During the year the Company, with our approval, changed the rate of depletion on oil and gas rights owned in fee as explained in Note 2 to the financial statements; with this exception the financial statements have been prepared on a basis consistent with that of the preceding year."

"*Note 2:* Oil and gas rights owned in fee represents the Company's undivided mineral interest (largely one-half) in approximately 845,000 acres in Southeast Texas and Louisiana. This fee interest is an ownership of a perpetual nature, enabling the Company to hold the property indefinitely without the expense of rentals and without the necessity of hasty exploration and development of oil and gas reserves found or to be found within its area. At the present time less than five per cent of the acreage has been tested by drilling.

In view of these facts an exact depletion rate is not determinable. During 1950, however, the Company's depletion policy was reexamined in the light of exploratory work to date, oil and gas reserves discovered and prospects for further discoveries in the future. On the basis of estimates by Company geologists of presently proven reserves and with due regard to the geologists' evaluation of the likelihood of further discoveries, the depletion rate was increased retroactively to the date of first production, and a charge made to earned surplus in the amount of $5,646,093. Had this change in depletion rate not been made, net income for the year 1950 would have been approximately $385,000 greater than the amount reflected in the accompanying statement of income."

JONES & LAUGHLIN STEEL CORPORATION: ". . . in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the changes, which we approve, in accounting for blast furnace linings and certain maintenance expenditures described in note F."

"*Note F:* Prior to January 1, 1950, the Corporation included in its building and equipment accounts the cost of the original blast furnace linings. The cost of subsequent linings and certain major maintenance expenses that occur at periodic intervals were charged to reserves which had been provided out of income in advance of the actual expenditures. For federal income tax purposes, the cost of new blast furnace linings is added to the buildings and equipment accounts and depreciated by charges to income over their productive lives, and all maintenance expenditures as incurred are charged against income. Beginning January 1, 1950, the Corporation's accounting practices with respect to these items were changed to conform to those followed for federal income tax purposes. The balances, $8,666,000, in the reserves at January 1, 1950, are therefore no longer required and have been transferred to other capital and income retained in the business. Without these changes in accounting practices net income for 1950, would have been approximately $960,000 less.

In addition, effective January 1, 1950, the Corporation changed the classification of certain expenses between maintenance, other operating costs and depreciation. The most significant changes were (1) instead of provisions for blast furnace relining being charged to maintenance, the depreciation of blast furnace linings is charged to depreciation, (2) the cost of molds, stools, caps and rolls, heretofore charged to income as provisions for maintenance reserves, are now charged to other operating costs as incurred, and (3) maintenance labor permanently assigned to producing units and formerly charged to other operating costs is now charged to maintenance. These changes in classification had no effect on net income. Maintenance expense was $52,883,000 in 1950 and $51,345,000 in 1949."

JOHNSON & JOHNSON: "As at January 1, 1950 the parent company and two domestic subsidiaries, with our approval, adopted the last-in, first-out method of valuing inventories. The effect of this change in method is to reduce 1950 net earnings by approximately $500,000 . . . . all in conformity with generally accepted accounting principles applied on a consistent basis for all the years except for the change in 1950 as noted in the preceding paragraph."

KOPPERS COMPANY, INC.: ". . . . in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change in treatment of capital gains and losses as explained in Note 6 to the financial statements, which change we approve."

"*Note 6:* Under a policy adopted effective January 1, 1950 the statement of consolidated income for the year 1950 includes profits of $482,157 on sales of fixed assets. Until December 31, 1949 it had been the Companies' policy to reflect such profits and all other capital gains and losses directly in earnings reinvested in the business (earned surplus)."

LIBBY, McNEILL & LIBBY: ". . . . in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the changes during the year as indicated in the accompanying notes, which changes have our approval."

"*Note:* During the current fiscal year the Companies:

(a) revised their basis for computing current depreciation, so as to give recognition to changes recently made in depreciation for income tax purposes; (b) extended the use of the "LIFO" method to include certain raw material product inventories; (c) adjusted the basis of accounting for growing crops (pineapple) so as to spread all costs and expenses over the harvest cycle on a tonnage basis, and thus eliminated an inequity which the unusual climatic conditions of 1949 and 1950 would have produced under the previous method of writing off certain of these expenses on an annual basis. The change in depreciation reduced the write-off for the year by approximately $500,000. The net effect on earnings of the remaining changes was not material."

P. R. MALLORY & CO., INC.: ". . . . in conformity with generally accepted accounting principles applied on a basis consistent, except for the inclusion of the accounts of P. R.

Mallory Plastics, Inc., for the first time (see Note 1), with that of the preceding year."

THE NATIONAL CASH REGISTER COMPANY: "In our opinion, the accompanying financial statements fairly present . . . . including net assets of foreign subsidiaries and branches . . . . in conformity with generally accepted accounting principles which have been applied on a basis consistent with that of the preceding year except for the change, which we approve, in the basis of recording income from certain foreign operations as explained in the note on statement of results of operations."

NAUMKEAG STEAM COTTON COMPANY: "In our opinion, ... in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in basis of merchandise inventory valuation as described in Note A."

"*Note A:* The merchandise inventories were valued at cost with the material content valued on the last-in, first-out method, which method was adopted during the current fiscal year. On a cost or market basis the value at December 2, 1950 would have been increased by approximately $734,000.00 and the income after provision for federal and state taxes on income would have been approximately $406,000.00 greater.

Supply inventories were valued at cost."

PHELPS DODGE CORPORATION: "The Company has changed its practice in respect to the amortization of the book value of mines as follows: (a) the method of computing the depletion charge has been changed as set forth in note H to the financial statements; and (b) in the year 1950 depletion has been shown as a deduction in the Income Account, whereas for many years the practice of showing depletion as a deduction in the Surplus Account was followed. In these changes we concur.

"In our opinion, the accompanying consolidated . . . . present fairly . . . . in conformity with generally accepted accounting principles applied on a basis consistent, except as set forth above, with that of the preceding year."

THE REXALL DRUG, INC.: ". . . . in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change, which we approve, in treatment of Canadian exchange adjustment explained below. . . .

"In order to conform to current practice, the exchange adjustment (a credit of $184,430) arising from expressing in United States dollars the net assets of the Canadian subsidiaries entering into the consolidation has been included in the determination of net earnings for the year 1950 whereas in prior years such exchange adjustments were excluded from the determination of net income and charged or credited to the statement of earnings retained in the business."

H. H. ROBERTSON COMPANY: ". . . . present fairly the financial position of the companies at December 31, 1950 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in practice in accounting for adjustments of provisions for prior years' income taxes as described in Note 3 to the financial statements, which change we recommended."

"*Note 3*—In 1950 the Company credited income with adjustments of provisions for prior years' income taxes whereas previously such adjustments were credited direct to earned surplus. The accompanying statement of consolidated income and earned surplus for 1949 has been restated to give effect to this change in practice."

SCOVILL MANUFACTURING COMPANY: ". . . . in conformity with generally accepted accounting principles, which, except for the extension, which we approve, of the use of the "last-in, first-out" method of inventory valuation referred to in Note A of Notes to Financial Statements, have been applied on a basis consistent with that of the preceding year."

SHELLMAR PRODUCTS CORPORATION: "In our opinion, the . . . . in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except that, with our approval, the foreign subsidiaries have been excluded from the consolidation."

A. E. STALEY MANUFACTURING COMPANY: ". . . . in conformity with generally accepted accounting principles which, except for the change (approved by us) in the method of pricing a portion of the inventories as described in Note A to the financial statements, have been applied on a basis consistent with that of the preceding year."

STANDARD OIL COMPANY OF CALIFORNIA: ". . . . in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change (which we approve) explained in Note 2 in the financial statements. . . ." (See section on Comparative Statements.)

SWIFT & COMPANY: ". . . . in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the changes made with respect to the depreciation provisions and accrued vacation pay referred to in the accompanying notes which changes have our approval."

"*Note:* During the current year the company and a Canadian subsidiary adjusted certain accounts to state them on the basis established for income tax purposes. The portion of such adjustments applicable to prior years, which is reflected in the income statement as a net credit of $730,721, comprises (1) an increase in the property accounts (net after depreciation reserves) of $7,149,522 less (2) a net increase of $6,418,801 in liabilities, principally accrued vacations. As a result of such adjustments and in conformity with the policy adopted this year of maintaining these accounts hereafter on an income tax basis, the depreciation, provisions and vacation expenses for the current year were greater by $322,000 and $397,500 respectively than they would have been had no change been made."

UNITED DRILL AND TOOL CORPORATION: "In our opinion the accompanying statements present fairly . . . . in conformity with generally accepted accounting principles which, except for the change referred to in the following paragraph, were applied on a basis consistent with that of the preceding year. . . .

"As of December 31, 1950 the company changed the method of valuing its inventories from "approximate cost or market, whichever lower" to cost determined on the basis of "last-in, first-out." This change, which we approve, reduced the inventories at December 31, 1950 by approximately $230,000 and net income for the year 1950 by approximately $100,000."

UNITED STATES SMELTING REFINING AND MINING COMPANY: ". . . . in conformity with generally accepted accounting principles which, except for the change in reporting gains or losses from metal price fluctuations explained in note 4 and approved by us, have been applied on a basis consistent with that used in the annual report of the preceding year."

"*Note 4:* Reserve for Metal Price Fluctuations has been built up from profits resulting from sales of metals at prices in excess of the average inventory values of the respective metals. In accordance with the Company's long established practice, metals produced are taken into Gross Value of Production for determination of operating profit, and into Inventory, at prices prevailing at the time of production at the mines (or for custom materials, at time of purchase). Gains resulting from the sale of metals at prices higher than the average price of the respective metals in Inventory are added to this Reserve and losses resulting from sales at less than inventory prices are deducted from this Reserve. If at the end of the year, the market prices of metals are lower than the average price of the respective unsold metals in Inventory, the amount necessary to write down the value of unsold metals to market prices is also deducted from this Reserve. The net effect of this method of accounting is to report net operating profit unaffected by gains or losses resulting from fluctuations in metal prices subsequent to production or purchase of the metal-bearing materials. However, commencing with the accompanying Comparative Statement of Consolidated Profit and Loss and Earned Surplus the net gain or loss due to metal price fluctuations for the year is included following net operating profit to show the results from operations for the year together with the net gain or loss due to metal price fluctuations. The effect of this inclusion on surplus and on the Reserve for Mètal Price Fluctuations is offset in each year by appropriation from surplus to the reserve, or restoration to surplus from the reserve, of an equal amount."

WESTERN AUTO SUPPLY COMPANY: ". . . . in conformity with generally accepted accounting principles applied on a basis consistent (except for the change, which we approve, referred to in Note 2 to the financial statements) with that of the preceding year."
"*Note 2:* RESERVE FOR COLLECTION EXPENSES: A reserve amounting to $627,103.83 was created out of current year's earnings to provide for collection expenses applicable to customers' balances as of December 31, 1950."

YUBA CONSOLIDATED GOLD FIELDS: "We have audited the accounts of the Treasurer of Yuba Consolidated Gold Fields for the years ended February 28, 1950 and 1951, and its affiliate for the years ended December 31, 1949 and 1950.

These audits are complete and cover among other items the examination of securities; the verification of bank accounts with independent confirmation with the depositaries; the analysis of plant assets; and the determination of proper charges for depreciation and depletion.

The Company has adopted a change in its accounting practice for the fiscal year ended February 28, 1951, by deducting for depletion only the amount credited to cost of the asset. The figures for the prior year, as stated herein, had to be adjusted both as to income and surplus accounts, in order to reflect a comparable statement for the two years.

In our opinion, subject to the above notations. . . . present fairly . . . . in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year."

Examples Relating to Uncertainties

BEECH AIRCRAFT CORPORATION: "In our opinion, subject to any adjustment arising from renegotiation and price redeterminations as explained in Note "B" to the Financial Statements, the effect of which cannot be determined at this time. . . ."

CONSOLIDATED VULTEE AIRCRAFT CORPORATION: "In our opinion, subject to the effect of refunds, if any, as may be due to the United States Government under the Renegotiation Act of 1948, as explained in Note 5 to the financial statements, ... in conformity with generally accepted accounting principles . . . ."

GISHOLT MACHINE COMPANY: "In our opinion, subject to any adjustment arising from renegotiation, referred to in Note 1 to the financial statements, the accompanying . . . . present fairly the financial position of . . . .
"*Note:* (1) Under the Renegotiation Act of 1948, as amended, certain of the Company's sales, directly or indirectly to the United States Government are subject to renegotiation if "excessive profits" are considered to have occurred. It is impossible to state at this time the reduction in profit, if any (which will be after deduction of Federal taxes on income applicable to any reduction of the gross proceeds of the sales), that will result from such renegotiation. No reserve has been provided in the accounts for any such adjustment."

GRUMMAN AIRCRAFT ENGINEERING CORPORATION: "In our opinion, subject to adjustments, if any, which may be required in the amount of profit on contracts subject to the Renegotiation Act of 1948 (see Note 3), ..."

THE GLENN L. MARTIN COMPANY: "In our opinion, subject to adjustment, if any, under the Renegotiation Act of 1948, as amended (see Note D), ..."

LOCKHEED AIRCRAFT CORPORATION: "In our opinion, subject to the effect of such adjustments, if any, which may be necessary in connection with profit limiting provisions of United States Government contracts as explained in Note 3 to the financial statements, . . ."

W. L. MAXSON CORPORATION: "In our opinion, subject to any refunds which may be required under the profit limitation provisions of the Vinson Act and the Renegotiation Act as explained in Note 2, ..."

THE RYAN AERONAUTICAL CO.: "In our opinion, subject to the effect of such refunds (if any) as may be due to the United States Government under the Renegotiation Act of 1948, as explained in Note 2 on the balance sheet, ..."

NORTH AMERICAN AVIATION, INC.: "In our opinion, subject to such adjustments, if any, as may be necessary under contract price-revision proceedings and the Renegotiation Act of 1948, as amended (see Note 1), ..."

COLONIAL AIRLINES, INC.: "It was not practicable to confirm the amount due from the U. S. Post Office Department, as to the substantial accuracy of which, based on temporary rates for the domestic routes and a permanent rate for the Bermuda route (see Note 1), we satisfied ourselves by other auditing procedures.

"In our opinion, subject to the retroactive adjustment (which is not now determinable—see Note 1) in compensation for mail carried, the . . . ."

PAN AMERICAN WORLD AIRWAYS, INC.: "As outlined in Note 2, there is included among non-current assets in the accompanying Balance Sheet, an estimated balance (less a reserve) for prior-year carriage of United States mail, for which rates have not yet been established. The estimates reflected in the balance have been made on bases which appear to us to be reasonable, but the effect upon the financial statements of final settlement of mail rates for prior years cannot now be determined, nor can the effect now be determined for the year 1950, for which temporary rates have been used.

"Except for the reservations expressed in the preceding paragraph, in our opinion, ... in conformity with generally accepted accounting principles which, except as to changes in which we concur and regarding which further information is given in Notes 1 and 2, have been applied on a basis consistent with that of the preceding year."

TRANS WORLD AIRLINES, INC.: "In our opinion, subject to final determination of international mail rates covered by Note 1 in notes to financial statements, ..."
"*Note 1:* The Civil Aeronautics Board has issued show-cause orders proposing reductions in rates of compensation to Trans World Airlines, Inc. for carriage of mail on its international routes. Should these orders become final, mail revenue for the years 1949 and 1950 would be reduced by approximately $1,815,000 and $1,564,000, respectively, or a total of $3,379,000. Of this amount, the Company has collected from the Post Office Department a total of $1,546,000, which includes repayment of deductions made by the Post Office Department

in 1950 to recoup alleged overpayments. The balance of $1,833,000 of the alleged excessive billings remains in accounts receivable from the United States Government as of December 31, 1950. The Company is opposing the proposed reduction in mail pay rates, but final outcome is not determinable at this time.

"Domestic and international mail rates presently in effect are temporary rates which are subject to determination of final rates by the Civil Aeronautics Board and such final rates may be higher or lower than the temporary rates now in effect."

UNITED AIR LINES, INC.: "In our opinion, subject to the final determination of mail rates referred to in the note to the statements of earnings, ..."

"*Note:* The Company filed a petition on July 1, 1947, with the Civil Aeronautics Board for an increase in air mail compensation. Mail revenues for the years 1950 and 1949 are stated on the basis of temporary rates established by the Civil Aeronautics Board on February 21, 1949."

AIR REDUCTION COMPANY, INCORPORATED: "In our opinion, subject to additional Federal income taxes for the year 1938 and to the possibility of additional Federal income taxes for the years 1939 to 1942, ..."

AMERICAN FURNITURE COMPANY, INC.: "Subject to any additional income or excess profits taxes that may be due under pending legislation opinion is expressed . . . ."

DI GIORGIO FRUIT CORPORATION: "In our opinion, subject to the uncertainties as to final determination of Federal taxes on income, ..."

FOLLANSBEE STEEL CORPORATION: "In view of the circumstances stated in Note G of the notes to accounts, we are unable to express an opinion on the federal and state income tax liabilities of a subsidiary company for certain years prior to 1948.

"In our opinion, which is reserved with respect to the liabilities referred to in the preceding paragraph, ... in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in method of valuing certain inventories (explained in Note B) which has our approval."

STOKELY-VAN CAMP, INC.: "In our opinion, except for such additional provision, if any, for federal taxes on income as may be required upon final determination of a subsidiary's tax liability (see Note 3), ..."

TELAUTOGRAPH CORPORATION: "Note 2 describes certain tax controversies which exist with respect to the years 1942–1946. The Corporation believes it impracticable at this time to estimate to what extent liability in respect of such contingencies may finally be determined to exist, and accordingly has made no provision therefor.

In our opinion, except that no provision has been made for the possible tax liability, described above, which may be substantial, ..."

TENNESSEE PRODUCTS & CHEMICAL CORPORATION: "In our opinion, except for the effect of such adjustments as may be required upon final determination of the parent company's liability for federal taxes on income for years through 1946 and of the values to be assigned to certain nonoperating properties, see Notes 1 and 2, the accompanying consolidated balance sheet and related statements of consolidated profit and loss and surplus present fairly . . . ."

TEXTRON INCORPORATED: "In our opinion, subject to the determination of the liability for Federal income and excess profits taxes, commented upon in Note F to the Financial Statements, the accompanying. . . . present fairly the consolidated financial position . . . ."

"*Note F:* In determining taxable income during prior years the Company or its subsidiaries claimed certain deductions, the allowability of which has not been passed upon by the United States Treasury Department. The management believes all deductions were properly claimed in determining taxable income. Should any disallowances by the Treasury Department of such deductions be made and sustained, additional taxes would be assessed in an amount which cannot be estimated at this time; in consequence no specific reserve therefor has been provided in the accounts. The reserve for contingencies at the close of the year ($2,500,000) is considered by the management to be more than sufficient to cover possible additional Federal income and excess profits taxes and other contingencies."

ELECTRIC BOAT COMPANY: "Except for the effect, if any, of the matter set forth in Note 2 of the notes to the financial statements, in our opinion . . . ."

A brief explanation of the matter referred to in "Note 2" which appears in the letter to the stockholders is quoted below:

"On March 24, 1949 Douglas Aircraft Company, Inc., filed proceedings, subsequently amended, in the Superior Court, District of Montreal, Province of Quebec, against Canadair Limited, requesting injunctive relief in respect of a number of issues under present and past licensing arrangements of Canadair Limited with Douglas Aircraft Company, Inc., together with royalties and damages of approximately $1,600,000, with a reservation of the latter's rights to claim additional amounts.

Canadair Limited has denied all liability and is contesting this suit vigorously. However, since the matters in controversy arise from interpretations of contracts and since it is impossible to determine the outcome of such litigation prior to its conclusion, the independent accountants of the Company have considered it necessary to qualify their certification of the Company's financial statements at December 31, 1950 in this respect."

GRANITE CITY STEEL COMPANY: "In our opinion, with reservation as to the effect of the settlement of the suit referred to in the succeeding paragraph, ...

"The company is a defendant in one of the many patent infringement suits filed by Cold Metal Process Company, the ultimate outcome of which cannot be determined at the present time."

UNITED ARTISTS THEATRE CIRCUIT, INC.: "In our opinion, subject to the effect of the Government's anti-trust litigation mentioned in Note E to the consolidated balance sheet, ... in conformity with generally accepted accounting principles (except with respect to accruing undistributed profits of partly-owned companies) applied on a basis consistent with that of the preceding year."

Examples Relating to Uncertainties—Public Utilities

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.: "As explained on page 9, the Public Service Commission has questioned the adequacy of the reserve for depreciation of utility plant which, as has been stated in previous Annual Reports, does not purport to measure the amount which would have been accumulated if, prior to January 1, 1938, the companies had followed depreciation accounting rather than the "retirement reserve" method of accounting prescribed by the Commission up to that date.

In our opinion, except for the possible ultimate effect of the matter referred to above, . . ."

MIDDLE SOUTH UTILITIES, INC.: "The practice of the subsidiary companies with respect to provisions for property depreciation or retirement is set forth in Note 2 to the financial statements. The reserve and current provisions for property retirements of New Orleans Public Service Inc. (a subsidiary company) comply with and fulfill the pertinent regulatory requirements of the City of New Orleans. Furthermore, in our opinion, the current property retirement provisions of that company would be adequate to meet depreciation accounting requirements. New Orleans Public Service Inc. has not made a detailed study to ascertain the amount, if any, by which a reserve balance calculated on a straight-line, age-life basis might exceed the company's property retirement reserve, but, in the company's opinion, in which we concur, such a straight-line, age-life computation as of December 31, 1950, would exceed the accumulated balance in such property retirement reserve on that date.

In our opinion, except for the effect of the matters set forth in the preceding paragraph and subject to the adjustments, if any, arising from matters now in dispute between Arkansas Power & Light Company (a subsidiary company) and the Federal Power Commission (referred to in Note 2 to the financial statements), the accompanying . . . . present fairly the financial position of . . . ."

THE MONTANA POWER COMPANY: "As indicated by Note 1 to the financial statements, the Company keeps its corporate accounts in accordance with the order of the Montana Public Service Commission dated December 21, 1944, and has not given effect in such accounts to the adjustments specified in the order of the Federal Power Commission, dated February 13, 1945. If such adjustments were required to be recorded in the Company's corporate accounts, certain balance sheet accounts would be affected and the net income for each year starting with 1945 would be reduced in the amount by which amortization of plant acquisition adjustments, as specified in said order, would exceed such amortization as required by the Montana Public Service Commission, and earned surplus would be reduced by the cumulative amount of the reductions in net income.

In our opinion, subject to the remarks in the preceding paragraph, the accompanying balance sheet and statement of income and surplus, with notes to financial statements, present fairly the financial position . . . ."

NEW ORLEANS PUBLIC SERVICE, INC.: "The Company's reserve and current provisions for property retirements comply with and fulfill the pertinent regulatory requirements of the City of New Orleans as indicated by Note 2 to financial statements. Furthermore, in our opinion, the current property retirement provisions would be adequate to meet depreciation accounting requirements. The Company has not made a detailed study to ascertain the amount, if any, by which a reserve balance calculated on a straight-line, age-life basis might exceed the Company's property retirement reserve, but, in the Company's opinion, in which we concur, such a straight-line, age-life computation as of December 31, 1950 would exceed the accumulated balance in such property retirement reserve on that date.

In our opinion, subject to the comments in the preceding paragraph, the accompanying . . . . present fairly the financial position . . . ."

PENNSYLVANIA WATER & POWER COMPANY: "As set forth in the notes to the financial statements and in the accompanying report of the Board of Directors which should be read in conjunction with the financial statements included herein, certain matters are in litigation and in dispute before various courts and regulatory commissions. The earnings to which the company will ultimately be entitled for the year 1950 and certain prior years cannot be ascertained until final determinations are made in these matters. The outcome of certain of these matters may also affect some of the accounts shown on the accompanying balance sheet, particularly the property and earned surplus accounts.

In our opinion, except that the ultimate effect on the accounts of the matters referred to in the preceding paragraph cannot presently be determined, ..."

Examples Relating to Miscellaneous Qualifications

AMERICAN-LaFRANCE-FOAMITE CORPORATION: "Except for the loss which may be sustained on the investment in and advances to International Meters, Inc. (see balance sheet Note B), in our opinion . . . ."

BLAIR HOLDINGS CORPORATION: "As explained in Note 1 to the financial statements, the reasonableness of the carrying value of investments in certain subsidiaries is dependent upon the settlement of various claims, the outcome of litigation and other factors. The valuations of these investments are therefore not susceptible to independent verification.

"In our opinion, the accompanying financial statements, together with the notes thereto, when considered in the light of the circumstances described in the preceding paragraph, ..."

LANSTON MONOTYPE MACHINE COMPANY: "In our opinion, subject to the eventual realization of foreign investments and advances to subsidiaries operating in foreign countries which is not now determinable. . . ."

THE MARYLAND DRYDOCK COMPANY: "Subject to the loss, if any, which may ultimately result from the transactions referred to in Note 1 to the balance sheet, it is our opinion. . . ."

"*Note 1:* The S. S. "San Francisco," an immigrant carrier, was purchased by the Company at a cash cost of $724,000 on June 30, 1949 at a public sale conducted by the U. S. District Court for the District of Maryland. The sale resulted from legal proceedings initiated by the Company against the ship to collect the Company's claim for payment for conversion work performed on the ship by the Company. The net proceeds of the sale were remitted to the Company by the Court and were applied by the Company in settlement of its claim against the ship and its former owners. The ship has been tied up at the Company's yard since June 30, 1949 and provision for depreciation has been made since that time. At this date, it is not known whether the ship will be operated by the Company, chartered to others or disposed of, and no provision, other than for depreciation, has been made for the loss, if any, which may result."

VANADIUM-ALLOYS STEEL COMPANY: "In our opinion, subject to the undetermined liability for future pension payments. . . ."

EXPLANATORY MATTER AND INFORMATORY REMARKS

In the special report *Tentative Statement of Auditing Standards—Their Generally Accepted Significance and Scope*, referred to herein above, the Committee on Auditing Procedure of the American Institute of Accountants stated that "Explanatory matter or informatory remarks, preferably given in footnotes to the financial statements, may, however, also be given in the auditor's certificate." Examples of such explanations and remarks taken from the 525 reports tabulated and also from the other reports reviewed are set forth below.

Examples of Explanatory Matter and Informatory Remarks

AERO SUPPLY MFG. CO. INC.: "There is included in the fixed asset accounts expenditures in the amount of $33,160.02

with an offsetting reserve for amortization of $971.81 for machinery and equipment which is necessary for national defense during the emergency period. The Company has received a Certificate of Necessity with respect to those expenditures which permit it to amortize the cost for income tax purposes over a sixty month period."

AMERICAN SMELTING AND REFINING COMPANY: "During 1950, with our approval, the company simplified the balance sheet by transferring to surplus certain reserves set up in previous years which are no longer considered necessary. Such transfers had no effect upon income in 1950 or 1949, and charges made to such reserves in 1949, and in 1950 prior to the transfers, were not material in amount."

AMERICAN ASPHALT ROOF CORPORATION: "Construction in progress includes $166,362.85 expended on construction of a felt mill at Kansas City, Missouri, which is scheduled for completion in 1951. The additional cost to complete the mill has been estimated at $550,000.00."

ANDES COPPER MINING COMPANY: "The practice of the Company in computing consolidated net income or net loss without deduction for depletion of metal mines is in accordance with accepted accounting procedures in industries engaged in the mining of copper, silver and gold, and is in agreement with long established and consistently maintained accounting practices and procedures of this Company and others similarly situated, and the Company is advised by counsel that such procedure is in accordance with legal requirements."

AVONDALE MILLS OF ALABAMA: "As a part of our regular examination, we have reviewed the procedures followed in the computation of the employees' wage bonus and find that they are in conformity with the Employees' Bonus Plan as authorized by the stockholders.

The total inventories of raw cotton and all cotton products, both finished and in process, have been reduced below the quantities on hand at July 31, 1941, when the present Lifo method of valuation was established."

CLIFF MINING COMPANY: "The United States Securities and Exchange Commission has requested that the Company's assets be shown at an amount which more closely represents the fair value thereof. In response to this request and due to difficulties encountered in arriving at a value acceptable for all purposes, the Company has, in the interests of conservatism, placed a nominal value of one dollar on its real estate holdings."

"*Note:* Real Estate consists of 7610 acres of mineral lands in Keweenaw County, Michigan, formerly carried at $645,382.26, which amount the Securities and Exchange Commission requested "be written down to an amount more closely representing the fair value." The present book value is not intended to imply that these lands are worthless but only that in the opinion of the Board of Directors the actual present value cannot be ascertained."

CONSOLIDATED ROYALTY OIL COMPANY: "We have made a balance sheet audit of The Consolidated Royalty Oil Company and its two subsidiaries, The Western Exploration Company and the Grass Creek Oil and Gas Company, as of December 31, 1950.

Verification was made of cash on hand and in banks, all bonds and securities and lands and leases. Examination was made of the minute books of the three companies, which disclosed the authorization of one dividend declared to stockholders of The Consolidated Royalty Oil Company subsequent to the date of this audited balance sheet in the amount of $55,306.54. Operating accounts have been test checked in accordance with approved accounting procedure and found to be correct.

WE HEREBY CERTIFY, in our opinion, the accompanying Balance Sheet and Consolidated Income Statement correctly states, respectively, the financial condition of the company at December 31, 1950, and the income and expense of operation for the year ended that date and that the books and records of the company are in agreement therewith."

CRADDOCK-TERRY SHOE CORPORATION: "More than eighty (80%) per cent of the trade receivables are not yet due for payment, and less than five (5%) per cent, for which adequate reserves have been provided, are more than thirty days past due.

"The pension trust contains no restrictive covenants; the funds and securities so designated are therefore available for general corporate purposes at the pleasure of the board of directors."

FAJARDO SUGAR COMPANY: "In anticipation of the proposed retirement income plan becoming effective, the companies have deposited $175,000 with an insurance company, being the total provided out of earnings of the current and prior year.

The crops for the fiscal years ended in 1944 to 1950, inclusive, were ground under temporary rates which may be subject to adjustment when permanent rates are fixed by the Public Service Commission of Puerto Rico. The effect on the annexed accounts of any adjustments which may arise when such permanent rates are fixed is not presently determinable.

Approximately one-third of the consolidated earned surplus at July 31, 1950 is earned surplus of a subsidiary company, which, under present Puerto Rican tax laws, would be subject to Puerto Rican income tax if and when received as dividends by the parent company."

FALL RIVER GAS WORKS COMPANY, HAVERHILL GAS LIGHT COMPANY: "In connection with this opinion it is noted that, due to the cycle method of billing, there is a substantial amount of unbilled revenue at the close of each year which, in effect, acts as a reserve against uncollectible consumers' accounts."

GENERAL REFRACTORIES COMPANY:
Balance Sheet:
"Inventories (see accountants' report) . . . . . $6,169,222.61"
Accountant's report: "The inventories of brick finished and in process, amounting to $1,678,286.85 at December 31, 1950, and $1,571,440.61 at December 31, 1949, are valued at estimated cost calculated by the management on the basis of cost for 1932 with production estimated at seventy per cent of plant capacity. This procedure, which has been consistently followed since January 1, 1933, results in the inventories being valued at less than current cost or market. Raw materials and supplies are stated at cost or market, whichever the lower, cost being computed generally on the first-in, first-out method."

GENERAL SHOE CORPORATION: "The companies operate at various locations under long term leases, the major portion of which expire successively to 1960. Minimum annual rentals on leases expiring after October 31, 1953 aggregate $1,263,000."

INTERNATIONAL PRODUCTS CORPORATION: "Paraguayan currency was devalued on March 5, 1951, as mentioned in Note (C) to the balance sheet."

LOEW'S INCORPORATED: "Adequacy of provision for domestic and foreign tax liability is dependent upon examination by and final determination with the tax authorities."

LONG ISLAND LIGHTING COMPANY: "In our opinion, the accompanying balance sheet and related statements of income and surplus present fairly the financial position . . . . (see explanation in following paragraph), in conformity with generally accepted accounting principles applied on a basis consistent with those of the preceding year. . . .

On October 24, 1950, pursuant to the plan of consolidation approved by regulatory commissions and the federal courts, Long Island Lighting Company, Queens Borough Gas and

Electric Company and Nassau & Suffolk Lighting Company (the constituent companies) were consolidated under the laws of New York State, Long Island Lighting Company surviving the consolidation under the same name (referred to hereafter as "the consolidated corporation"); on December 29, 1950, pursuant to approvals from appropriate regulatory commissions, Long Beach Gas Company, Inc. (a subsidiary) was merged into the consolidated corporation. The consolidation and merger became effective as of June 30, 1950. The accompanying financial statements, for the period prior to June 30, 1950 represent the consolidated accounts of the constituent companies and Long Beach Gas Company, Inc., and, for the period subsequent to June 30, 1950, represent the accounts of the consolidated corporation."

MARCHANT CALCULATING MACHINE COMPANY: "An estimated provision of $305,000.00 has been made for excess profits tax on 1950 income. The computations are believed to be in accordance with the various provisions of the Excess Profits Tax Act recently passed by the Congress, although the estimate may be subject to change when the Treasury Department Regulations and other clarifying interpretations become available."

McGRAW-HILL PUBLISHING COMPANY, INC.: "These consolidated statements include for the first time The Gregg Publishing Company, Ltd., and The Gregg Schools, Ltd., wholly owned British subsidiaries of Gregg Publishing Company, all of whose stock is owned by McGraw-Hill Book Company, Inc., which in turn is wholly owned by McGraw-Hill Publishing Company, Inc. Final payment for purchase of the Gregg foreign subsidiaries has not been made. However, adequate provison for this liability has been included in the consolidated balance sheet.

The minority interest in McGraw-Hill International Corporation at December 31, 1950 consisted of 2,500 shares of $3.00 cumulative preferred stock without par value. This stock is redeemable at $75.00 per share and accumulated dividends.

No attempt is made in the balance sheet to reflect actual present value of fixed assets, publication titles, copyrights, subscription lists and goodwill."

NEW PARK MINING COMPANY: "Under the method of accounting established and consistently followed from year to year by the company, net income has been taken into the accounts and added to earned surplus without provision for depletion. This practice is in accordance with accepted accounting principles in the nonferrous metal mining industry. Since January 1, 1940, at which time the property first reached a production status, depletion has been computed for federal income and state franchise tax purposes on a percentage of income basis. Federal income tax returns have been examined through the year 1946. Utah franchise tax returns have been examined through the year 1948."

THE PATTERSON-SARGENT COMPANY: "Reference is made to the President's letter relative to a pension plan which has been approved by the Board of Directors, but is subject to approval by the Shareholders and the Bureau of Internal Revenue."

PLOUGH, INC.: "Insurance on the lives of executives of the companies amounting to $1,105,000 is in force, all policies being payable to Plough, Inc., or its subsidiaries."

SOCONY-VACUUM OIL COMPANY, INCORPORATED: "The amounts at which such of the Company's foreign subsidiaries and branches, as are not audited by us or by other independent accountants, are carried in the accompanying balance sheet, represent approximately one percent of the Company's consolidated net assets."

SPENCER KELLOGG AND SONS, INC.: "Commercial letters of credit outstanding at the date of the balance sheet amounted to $50,687.99, as reported to us."

THE SUPERIOR OIL COMPANY: "The company has followed the practice of charging to income account intangible development expenditures on wells completed as producing wells. This practice is sometimes followed in the oil industry in lieu of capitalizing such expenditures and providing for amortization by a unit of production or similar method.

In our opinion . . . . in accordance with the method described in the preceding paragraph and in conformity with accepted accounting principles applied on a basis consistent with that of the preceding year."

UNION STOCK YARDS COMPANY OF OMAHA (LIMITED): "Our audit has revealed no irregularities in the accounts for the period reviewed. We found the books and records were well maintained and we wish to acknowledge our appreciation of the cooperation of your entire staff."

COMPANY APPENDIX

LIST OF 525 CORPORATIONS ON WHICH TABULATIONS WERE BASED

1. A. P. W. Products Company, Inc.
2. Adam Hat Stores, Inc.
3. Adams-Millis Corporation
4. Addressograph-Multigraph Corporation
5. Ainsworth Manufacturing Corporation
6. Air Reduction Company, Incorporated
7. Alabama Fuel and Iron Company
8. Alan Wood Steel Company
9. Alaska Pacific Salmon Company
10. Allegheny Ludlum Steel Corporation
11. Allied Chemical & Dye Corporation
12. Allied Mills, Inc.
13. Allied Stores Corporation
14. Allis-Chalmers Manufacturing Company
15. Alpha Portland Cement Company
16. The Amalgamated Sugar Company
17. The American Agricultural Chemical Company
18. American Asphalt Roof Corporation
19. American Bakeries Company
20. American Bank Note Company
21. American Box Board Company
22. American Can Company
23. American Car and Foundry Company
24. American Chain & Cable Company, Inc.
25. American Colortype Company of New Jersey
26. American Cyanamid Company
27. The American Hardware Corporation
28. American Hide and Leather Company
29. American-LaFrance-Foamite Corporation
30. American Locomotive Company
31. American Maize-Products Company
32. The American Metal Company, Limited
33. American Metal Products Company
34. American Optical Company
35. American Radiator & Standard Sanitary Corporation
36. American Republics Corporation
37. American Safety Razor Corporation
38. The American Ship Building Company
39. American Smelting and Refining Company
40. American Stores Company
41. The American Sugar Refining Company
42. The American Tobacco Company
43. American Viscose Corporation
44. American Window Glass Company
45. American Woolen Company, Incorporated
46. American Wringer Company, Inc.
47. American Writing Paper Corporation
48. Ampco Metal, Inc.
49. Anaconda Copper Mining Company
50. Anchor Hocking Glass Corporation
51. Anderson, Clayton & Co.
52. Anderson-Prichard Oil Corporation
53. Archer-Daniels-Midland Company
54. Arden Farms Co.
55. Argo Oil Corporation
56. Armco Steel Corporation
57. Armour and Company
58. Armstrong Cork Company
59. Art Metal Construction Company
60. Artloom Carpet Co., Inc.
61. The Arundel Corporation
62. Associated Dry Goods Corporation
63. Atlantic Company
64. The Atlantic Refining Company
65. Atlas Powder Company
66. The Autocar Company
67. Avco Manufacturing Corporation
68. Avon Products, Inc.
69. The Babcock & Wilcox Company
70. Baldwin-Lima-Hamilton Corporation
71. Barber Oil Corporation
72. Barker Bros. Corporation
73. Bath Iron Works Corporation
74. Bausch & Lomb Optical Company
75. The Bay Petroleum Corporation
76. Bayuk Cigars Incorporated
77. Beatrice Foods Co.
78. Beech Aircraft Corporation
79. Beech-Nut Packing Company
80. Belding Heminway Company, Inc.
81. Bell Aircraft Corporation
82. Bendix Aviation Corporation
83. The Best Foods, Inc.
84. Bethlehem Steel Corporation
85. Bigelow-Sanford Carpet Company, Inc.
86. The Billings & Spencer Company
87. Blaw-Knox Company
88. Boeing Airplane Company
89. Bohn Aluminum & Brass Corporation
90. Bond Stores, Incorporated
91. Booth Fisheries Corporation
92. The Borden Company
93. Borg-Warner Corporation
94. Botany Mills, Inc.
95. E. J. Brach & Sons
96. Bridgeport Brass Company
97. Briggs Manufacturing Company
98. Briggs & Stratton Corporation
99. Bristol-Myers Company
100. Brockway Motor Company, Inc.
101. Brown & Sharpe Manufacturing Company
102. Brown Shoe Company, Inc.
103. The Brunswick-Balke-Collender Company
104. The Buckeye Steel Castings Company
105. Bucyrus-Erie Company
106. The Budd Company
107. Buffalo-Eclipse Corporation
108. Burlington Mills Corporation
109. Butler Brothers
110. The Byrndun Corporation
111. Byron Jackson Co.
112. California Packing Corporation
113. Camden Forge Company
114. A. S. Campbell Co. Inc.
115. Cannon Mills Company

116. J. I. Case Company
117. Caterpillar Tractor Co.
118. Celanese Corporation of America
119. Central Soya Company, Inc.
120. Century Electric Company
121. The Cessna Aircraft Company
122. The Champion Paper and Fibre Company
123. Chicago Pneumatic Tool Company
124. Chicago Railway Equipment Company
125. Chicago and Southern Air Lines, Inc.
126. Chile Copper Company
127. Chrysler Corporation
128. Cities Service Company
129. City Products Corporation
130. City Stores Company
131. Clark Equipment Company
132. Clearing Machine Corporation
133. The Cleveland Builders Supply Company
134. Clyde Porcelain Steel Corporation
135. The Coca-Cola Company
136. Colgate-Palmolive-Peet Company
137. Collins & Aikman Corporation
138. Colonial Stores Incorporated
139. The Colorado Fuel and Iron Corporation
140. The Colorado Milling & Elevator Company
141. Columbia River Packers Association, Inc.
142. Columbian Carbon Company
143. Combustion Engineering-Superheater, Inc.
144. Commercial Solvents Corporation
145. Congoleum-Nairn Inc.
146. Consolidated Cigar Corporation
147. Consolidated Paper Company
148. Consolidated Vultee Aircraft Corporation
149. Container Corporation of America
150. Continental Baking Company
151. Continental Can Company, Inc.
152. Continental Motors Corporation
153. Continental Oil Company
154. Continental Steel Corporation
155. Copperweld Steel Company
156. Corn Products Refining Company
157. Cory Corporation
158. Craddock-Terry Shoe Corporation
159. Crane Co.
160. The Creamery Package Mfg. Company
161. Crown Central Petroleum Corporation
162. Crown Cork & Seal Company, Inc.
163. Crown Zellerbach Corporation
164. Crucible Steel Company of America
165. The Cuban-American Sugar Company
166. The Cudahy Packing Company
167. The Cuneo Press, Inc.
168. The Curtis Publishing Company
169. Curtiss-Wright Corporation
170. Cutler-Hammer, Inc.
171. Deere & Company
172. The Derby Oil Company
173. Devoe & Raynolds Company, Inc.
174. The Diamond Match Company
175. Diamond T Motor Car Company
176. Diana Stores Corporation
177. Dictaphone Corporation
178. The Di-Noc Company
179. District Theatres Corporation
180. Dixie Cup Company
181. Doehler-Jarvis Corporation
182. Douglas Aircraft Company, Inc.
183. The Dow Chemical Company
184. The Drackett Company
185. Dresser Industries, Inc.
186. Allen B. DuMont Laboratories, Inc.
187. E. I. du Pont de Nemours & Company
188. The Eastern Malleable Iron Company
189. Eastern Stainless Steel Corporation
190. Eaton Manufacturing Company
191. Elastic Stop Nut Corporation of America
192. The Electric Auto-Lite Company
193. Electric Boat Company
194. The Electric Storage Battery Company
195. Elgin National Watch Company
196. Ely & Walker Dry Goods Company
197. Emerson Radio & Phonograph Corporation
198. Endicott Johnson Corporation
199. Ex-Cell-O Corporation
200. The Fairbanks Company
201. Fairbanks, Morse & Co.
202. Falstaff Brewing Corporation
203. A. B. Farquhar Company
204. The Federal Machine and Welder Company
205. Federated Department Stores, Inc.
206. The Firestone Tire & Rubber Company
207. First National Stores Inc.
208. M. H. Fishman Co., Inc.
209. The Florsheim Shoe Company
210. Follansbee Steel Corporation
211. Food Machinery and Chemical Corporation
212. Foremost Dairies, Inc.
213. Fruehauf Trailer Company
214. The Garlock Packing Company
215. Gaylord Container Corporation
216. General American Transportation Corporation
217. General Aniline & Film Corporation
218. General Baking Company
219. General Bottlers, Inc.
220. General Box Company
221. General Cable Corporation
222. General Cigar Co., Inc.
223. General Electric Company
224. General Mills, Inc.
225. General Motors Corporation
226. General Railway Signal Company
227. General Refractories Company
228. General Shoe Corporation
229. The General Tire & Rubber Company
230. Giddings & Lewis Machine Tool Company
231. Gillette Safety Razor Company
232. Gimbel Brothers, Inc.
233. Gleaner Harvester Corporation
234. The Glidden Company
235. Globe Steel Tubes Co.
236. Godchaux Sugars, Inc.
237. Goldblatt Bros., Inc.
238. Good Humor Corporation
239. The B. F. Goodrich Company
240. The Goodyear Tire & Rubber Company
241. Granite City Steel Company
242. W. T. Grant Company
243. The Great Western Sugar Company
244. The Griess-Pfleger Tanning Co.
245. The Gruen Watch Company
246. Grumman Aircraft Engineering Corporation
247. Gulf Oil Corporation
248. W. F. Hall Printing Company
249. The Haloid Company
250. Hamilton Watch Company
251. Harbison-Walker Refractories Company
252. Harnischfeger Corporation
253. The Harshaw Chemical Company
254. Harvill Corporation
255. Haskelite Manufacturing Corporation
256. Hayes Manufacturing Corporation
257. Hazel-Atlas Glass Company
258. Hearst Consolidated Publications, Inc.
259. Hercules Motors Corporation
260. Hercules Powder Company
261. Higgins Incorporated
262. Hooker Electrochemical Company
263. Geo. A. Hormel & Company
264. Houdaille-Hershey Corporation
265. Howell Electric Motors Company
266. Hudson Motor Car Company
267. Hygrade Food Products Corporation
268. Industrial Brownhoist Corporation
269. Ingersoll-Rand Company
270. Inland Steel Company
271. Interchemical Corporation
272. International Business Machines Corporation
273. International Harvester Company
274. The International Nickel Company of Canada, Limited
275. International Paper Company

276. International Shoe Company
277. The International Silver Company
278. Interstate Bakeries Corporation
279. Iron Fireman Manufacturing Company
280. Jantzen Knitting Mills, Inc.
281. Johns-Manville Corporation
282. Johnson & Johnson
283. Jones & Lamson Machine Company
284. Jones & Laughlin Steel Corporation
285. Joslyn Mfg. and Supply Co.
286. The E. Kahn's Sons Company
287. Geo. E. Keith Company
288. Kennecott Copper Corporation
289. Keystone Steel & Wire Company
290. Walter Kidde & Company, Inc.
291. Kimberly-Clark Corporation
292. Kingan & Co. Incorporated
293. G. R. Kinney Co., Inc.
294. D. Emil Klein Co., Inc.
295. Koppers Company, Inc.
296. S. S. Kresge Company
297. S. H. Kress & Company
298. The Kroger Co.
299. Kuhlman Electric Company
300. Kuner-Empson Company
301. The Lambert Company
302. Lawrence Portland Cement Company
303. Lear, Incorporated
304. Lehigh Portland Cement Company
305. Lerner Stores Corporation
306. LeRoi Company
307. R. G. LeTourneau, Inc.
308. Libbey-Owens-Ford Glass Company
309. Libby, McNeil & Libby
310. Liberty Products Corporation
311. Liggett & Myers Tobacco Company
312. Lily-Tulip Cup Corporation
313. Link-Belt Company
314. Lockheed Aircraft Corporation
315. Loew's Incorporated
316. Lone Star Cement Corporation
317. P. Lorillard Company
318. Lukens Steel Company
319. Macfadden Publications, Inc.
320. Mack Trucks, Inc.
321. R. H. Macy & Co., Inc.
322. P. R. Mallory & Co., Inc.
323. Marathon Corporation
324. Marmon-Herrington Company, Inc.
325. Marshall Field & Company
326. The Glenn L. Martin Company
327. The Master Electric Company
328. The W. L. Maxson Corporation
329. The May Department Stores Company
330. Oscar Mayer & Co., Inc.
331. McCall Corporation
332. McGraw Electric Company
333. McGraw-Hill Publishing Company, Inc.
334. McKesson & Robbins, Incorporated
335. The Mead Corporation
336. Medusa Portland Cement Company
337. Melville Shoe Corporation
338. Metal & Thermit Corporation
339. Mid-Continent Airlines, Inc.
340. Mid-Continent Petroleum Corporation
341. Miller and Hart, Inc.
342. Miller Manufacturing Co.
343. Minneapolis-Honeywell Regulator Company
344. Mohawk Carpet Mills, Inc.
345. The Mohawk Rubber Company
346. Monsanto Chemical Company
347. Montgomery Ward & Co., Incorporated
348. Moore Drop Forging Company
349. John Morrell & Co.
350. Motor Products Corporation
351. Motor Wheel Corporation
352. The Moxie Company
353. Nash-Kelvinator Corporation
354. National Biscuit Company
355. The National Cash Register Company
356. National Company, Inc.
357. National Cylinder Gas Company
358. National Dairy Products Corporation
359. National Distillers Products Corporation
360. National Lead Company
361. National Paper and Type Company
362. National Steel Corporation
363. The National Supply Company
364. The New Britain Machine Company
365. J. J. Newberry Co.
366. Newport News Shipbuilding and Dry Dock Company
367. Niles-Bement-Pond Company
368. North American Aviation, Inc.
369. Northrop Aircraft, Inc.
370. The Ohio Match Company
371. The Ohio Oil Company
372. The Oliver Corporation
373. O'Sullivan Rubber Corporation
374. Otis Elevator Company
375. Owens-Illinois Glass Company
376. Pacific Mills
377. Packard Motor Car Company
378. Pan American Petroleum & Transport Company, Inc.
379. Panhandle Producing & Refining Company
380. Paramount Pictures Corporation
381. Park & Tilford Distillers Corporation
382. The Parker Pen Company
383. The Parkersburg Rig and Reel Company
384. Pathé Industries, Inc.
385. The Patterson-Sargent Company
386. Peden Iron & Steel Co.
387. J. C. Penney Company
388. Pennsylvania Coal and Coke Corporation
389. Peoples Drug Stores, Incorporated
390. Pepsi-Cola Company
391. The Permutit Company
392. Pet Milk Company
393. Phelps Dodge Corporation
394. Philadelphia Dairy Products Company, Inc.
395. Philip Morris & Co. Ltd., Incorporated
396. Phillips Petroleum Company
397. Pillsbury Mills, Inc.
398. Piper Aircraft Corporation
399. Pittsburgh Plate Glass Company
400. Pittsburgh Screw and Bolt Corporation
401. Pittsburgh Steel Company
402. The Pittston Company
403. Polaroid Corporation
404. H. K. Porter Company, Inc.
405. Pratt & Lambert, Inc.
406. Pullman Incorporated
407. The Pure Oil Company
408. Purity Bakeries Corporation
409. Purolator Products, Inc.
410. The Quaker Oats Company
411. Radio Corporation of America
412. Radio-Keith-Orpheum Corporation
413. Ralston Purina Company
414. The Rath Packing Company
415. Raybestos-Manhattan, Inc.
416. Rayonier Incorporated
417. Regal Shoe Company
418. Remington Rand Inc.
419. Republic Aviation Corporation
420. Republic Steel Corporation
421. Revere Copper and Brass Incorporated
422. Rexall Drug, Inc.
423. Reynolds Metals Company
424. R. J. Reynolds Tobacco Company
425. Rice-Stix, Inc.
426. Richfield Oil Corporation
427. H. H. Robertson Company
428. The Ruberoid Co.
429. Jacob Ruppert
430. The Ryan Aeronautical Co.
431. The Safety Car Heating and Lighting Company, Inc.
432. Safeway Stores, Incorporated
433. Samson United Corporation
434. Schenley Industries, Inc.
435. Scott Paper Company
436. Scovill Manufacturing Company
437. The Scranton Lace Company
438. Sears, Roebuck and Co.
439. Sharon Steel Corporation
440. Sharp & Dohme, Incorporated

441. Frank G. Shattuck Company
442. Shell Oil Company
443. The Sherwin-Williams Company
444. Simmons Company
445. Sinclair Oil Corporation
446. Skelly Oil Company
447. A. O. Smith Corporation
448. Socony-Vacuum Oil Company, Incorporated
449. Southern Advance Bag & Paper Co., Inc.
450. A. G. Spalding & Bros. Inc.
451. Spencer Kellogg and Sons, Inc.
452. The Sperry Corporation
453. Spiegel, Inc.
454. Sprague Electric Company
455. Square D Company
456. Stahl-Meyer, Inc.
457. A. E. Staley Manufacturing Company
458. Standard Brands Incorporated
459. Standard Oil Company of California
460. Standard Oil Company (Indiana)
461. Standard Oil Company (Kentucky)
462. Standard Oil Company (New Jersey)
463. Standard Oil Company (Ohio)
464. The Standard Stoker Company, Inc.
465. Stewart-Warner Corporation
466. Stokely-Van Camp, Inc.
467. Struthers Wells Corporation
468. The Studebaker Corporation
469. Sun Oil Company
470. Sunshine Biscuits, Inc.
471. The Super-Cold Corporation
472. The Superior Oil Company
473. Sutherland Paper Company
474. Swift & Company
475. The Texas Company
476. Texas Gulf Sulphur Company
477. Thompson Products, Inc.
478. Tide Water Associated Oil Company
479. Time Incorporated
480. The Timken Roller Bearing Company
481. Twentieth Century-Fox Film Corporation
482. Union Bag & Paper Corporation
483. Union Carbide and Carbon Corporation
484. Union Oil Company of California
485. Union Tank Car Company
486. United Aircraft Corporation
487. United Artists Theatre Circuit, Inc.
488. United Cigar-Whelan Stores Corporation
489. United Drill and Tool Corporation
490. United Fruit Company
491. United Merchants and Manufacturers, Inc.
492. The United Piece Dye Works
493. United Shoe Machinery Corporation
494. The United States Finishing Company
495. United States Gypsum Company
496. United States Potash Company
497. United States Rubber Company
498. United States Smelting Refining and Mining Company
499. United States Steel Corporation
500. United Stove Company
501. Universal-Cyclops Steel Corporation
502. Universal Leaf Tobacco Co., Inc.
503. Universal Match Corporation
504. Vanadium-Alloys Steel Company
505. Wagner Electric Corporation
506. Walgreen Co.
507. Walworth Company
508. Ward Baking Company
509. Warner Bros. Pictures, Inc.
510. Wesson Oil & Snowdrift Co., Inc.
511. West Virginia Pulp and Paper Company
512. Western Auto Supply Company
513. The Westinghouse Air Brake Company
514. Westinghouse Electric Corporation
515. Weston Electrical Instrument Corporation
516. Wheeling Steel Corporation
517. Willys-Overland Motors, Inc.
518. Wilson & Co., Inc.
519. F. W. Woolworth Co.
520. Worthington Pump and Machinery Corporation
521. Wright Aeronautical Corporation
522. Wm. Wrigley, Jr. Company
523. The Yale & Towne Manufacturing Company
524. York Corporation
525. The Youngstown Sheet and Tube Company