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Accounting trends and techniques, 9th annual survey, 1955 edition

American Institute of Accountants

ACCOUNTING TRENDS AND TECHNIQUES

NINTH EDITION
1955

NINTH ANNUAL SURVEY BY THE RESEARCH DEPARTMENT OF THE
AMERICAN INSTITUTE OF ACCOUNTANTS

ACCOUNTING TRENDS AND TECHNIQUES

In Published Corporate Annual Reports • Ninth Edition • 1955

Ninth annual cumulative survey of the accounting aspects of the annual reports of 600 industrial and commercial corporations to which are added excerpts from and comments upon unusual accounting treatments found in 700 additional reports. The reports analyzed are those with fiscal years ending May 1, 1954 to April 30, 1955.

AMERICAN INSTITUTE OF ACCOUNTANTS

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PREFACE

ACCOUNTING TRENDS AND TECHNIQUES IN PUBLISHED CORPORATE ANNUAL REPORTS—NINTH EDITION—1955 incorporates the results of a study of the accounting aspects of financial reports issued annually by 600 industrial and commercial corporations to their stockholders. Over 41 varied industries are represented in the group although public utilities, insurance companies, banks and other companies whose accounting procedures are subject to regulatory bodies have been excluded. The financial statements of the 600 companies were accompanied by opinions from 73 firms of certified public accountants and covered fiscal years ending between May 1, 1954 and April 30, 1955. This edition, which is the ninth in the series of such surveys, represents a continuation of the long-range program initiated by the Council in 1946 for the analysis of annual corporate reports. The current survey has been conducted by Mrs. Helen T. Farhat, C.P.A., M.B.A., a member of the research staff of the American Institute of Accountants. Furthermore, special acknowledgment is due to cooperating accounting firms and their respective staff members for their assistance in the analysis of the financial reports.

SIGNIFICANT ACCOUNTING TRENDS, as revealed in the reports of the companies included in the survey, are presented in numerous comparative tabulations throughout the study. All of these tabulations, some of which contain comparative data for as many as nine years, are based upon an analysis of the reports of the same 600 companies for each of the years involved. Thus complete comparability is insured. The tables show the current trends in corporate reports in such diverse accounting matters as the various types of financial statements presented, the form thereof and the terminology employed therein, and the accounting treatment accorded the transactions and items reflected in such statements.

ACCOUNTING TECHNIQUES employed by the 600 survey companies are presented in the form of quotations and examples taken directly from the 1954 reports. Nearly 700 additional reports were informally reviewed and referred to, wherever appropriate, throughout the study.

THE 600 SURVEY COMPANIES included in this edition are listed in the Company Appendix Section. An identification number is assigned to each company (in alphabetical order) and these numbers are used for reference throughout the text in the discussion of pertinent information. The list of corporations included remains fairly stable from year to year with the exception of eliminations occurring as a result of corporate liquidations, mergers, etc., and the addition of new companies as substitutes.

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

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Section 1 FINANCIAL STATEMENTS

THIS SECTION OF THE SURVEY is concerned with the form, title, terminology and frequency of use of the various types of financial statements presented in the published annual reports of the 600 companies which were included in the survey. The financial statements as considered herein comprise not only the certified and uncertified statements, but also the summaries and supplementary schedules contained in the annual reports.

CERTIFIED FINANCIAL STATEMENTS

Customary Certified Statements

The customary certified financial statements are the balance sheet, the income statement, the retained earnings statement, the combined income and retained earnings statement, the capital surplus statement, the combined capital surplus and retained earnings statement, the unclassified surplus statement, the combined income and unclassified surplus statement, and the stockholders' equity statement.

Number of Customary Statements

The 1954 reports of the 600 survey companies contained 1,712 customary certified financial statements. The various types of such statements are summarized in Table 1, on a comparative basis, for the years 1946 through 1954. This tabulation discloses that during this period there has been a steady decrease in the use of separate statements of income, retained earnings, and capital surplus and a corresponding increase in the use of the combined income and retained earnings statement. There has also been a moderate increase in the number of companies presenting a separate statement of stockholders' equity, and a decrease in the use of an unclassified surplus statement.

Combination of Customary Statements

Each of the 600 companies in the survey included one or more of the customary certified financial statements in its annual report for 1954. The reports of 597 of the companies contained a balance sheet and an income statement and the majority of such reports also presented one or more other customary certified financial statements. There were, however, two companies that submitted a balance sheet only and one company that set forth only a balance sheet and a summary of changes in consolidated capital (Co. No. 574).

The most frequent combination of customary certified statements shown in the 1954 reports (197 companies) consisted of a balance sheet and a combined income and retained earnings statement. The use of this combination of statements has steadily increased each year since 1946. In that year, 140 of the survey companies presented this combination of statements. This increase is largely attribu-

TABLE 1: CUSTOMARY CERTIFIED FINANCIAL STATEMENTS

Number of Statements	1954	1953	1952	1951	1950	1949	1948	1947	1946
Balance Sheet	600	600	600	600	600	600	600	600	600
Income Statement	379	381	386	400	404	418	423	427	428
Combined Income & Retained Earnings	216	213	208	194	190	175	169	165	163
Combined Income & Unclassified Surplus	2	3	3	3	2	2	2	2	2
Retained Earnings	314	317	320	333	337	353	354	348	353
Combined Retained Earnings & Capital Surplus	14	13	18	19	17	20	29	33	32
Capital Surplus	158	150	154	142	162	167	187	203	218
Stockholders' Equity	22	21	21	21	18	17	11	9	9
Unclassified Surplus	7	8	7	11	13	14	15	15	15
Total	1712	1706	1717	1723	1743	1766	1790	1802	1820

TABLE 2: CUSTOMARY CERTIFIED FINANCIAL STATEMENTS

Combination of Statements	1954	1953	1952	1951	1950	1949	1948	1947	1946
A: Balance Sheet, Income, and Retained Earnings Satements	173	183	182	199	192	201	182	164	158
B: Balance Sheet, Income, Retained Earnings, and Capital Surplus Statements	139	132	136	132	143	150	170	182	195
C: Balance Sheet, Income, and Combined Capital Surplus & Retained Earnings Statements	14	13	18	19	17	20	29	33	32
D: Balance Sheet, Income, Retained and Stockholders' Equity Statements	2	2	2	2	2	2	2	2	—
E: Balance Sheet, Income, and Stockholders' Equity Statements	19	18	18	18	15	14	8	6	7
F: Balance Sheet and Combined Income & Retained Earnings Statements	197	195	191	175	171	158	152	145	140
G: Balance Sheet, Combined Income & Retained Earnings, and Capital Surplus Statements	19	18	17	19	19	17	17	20	22
H: Balance Sheet and Income Statements	25	25	22	18	22	18	18	25	21
I: Balance Sheet, Income, and Unclassified Surplus Statements	7	8	7	11	13	13	14	14	14
J: Balance Sheet and Combined Income & Unclassified Surplus Statements	2	3	3	3	2	2	2	2	2
K: Balance Sheet—alone or in other combinations of statements not mentioned above	3	3	4	4	4	5	6	7	9
	600	600	600	600	600	600	600	600	600

table to the greater use of the combined income and retained earnings statement. The next most frequently used combination of certified statements appearing in the 1954 annual reports (173 companies) consisted of a balance sheet, an income statement, and a retained earnings statement. The only other combination of certified statements which was extensively presented in the 1954 reports (139 companies) consisted of a balance sheet, an income statement, a retained earnings statement, and a capital surplus statement. The above three groups account for 509 of the 600 companies included in the survey. The various combinations of the customary certified financial statements presented by the remaining 91 of the 600 survey companies are set forth in Table 2. This tabulation also shows, on a comparative basis, the various combinations of customary certified financial statements presented by the 600 survey companies in their published annual reports for each of the nine years from 1946 through 1954.

TABLE 3: INCOME PRESENTATION IN REPORTS

Manner of Presentation	1954	1953	1952	1951	1950	1949	1948	1947	1946
As a separate statement of income	376	382	386	400	404	417	423	427	428
As a combined statement of income and retained earnings	219	212	208	194	190	176	169	165	163
As a combined statement of income and unclassified surplus (*Nos. *321, 464*)	2	3	3	3	2	2	2	2	2
As a section within the statement of stockholders' equity (*No. *574*)	1	1	1	1	1	1	1	1	1
As an item within the balance sheet (*No. *268*)	1	1	1	1	2	3	4	4	5
Set forth in uncertified supplementary schedule (*No. *438*)	1	1	1	1	1	1	1	1	1
	600	600	600	600	600	600	600	600	600

*See Company Appendix Section.

TABLE 4: RETAINED EARNINGS PRESENTATION IN REPORTS

Manner of Presentation	1954	1953	1952	1951	1950	1949	1948	1947	1946
As a separate statement of retained earnings	306	318	321	333	337	353	354	348	353
As a combined statement of retained earnings and capital surplus	16	13	18	19	17	20	29	33	32
As a combined statement of retained earnings and income	222	212	207	194	190	175	169	165	163
As a section within the statement of stockholders' equity (See Table 18)	20	19	19	19	16	15	9	7	6
As a section within the balance sheet (*Nos. *9, 10, 20, 52, 65, 106, 109, 166, 263, 268, 353, 362, 434, 443, 503, 504, 542, 545, 548*)	19	21	20	16	20	17	17	24	23
As an item within the balance sheet (*Nos. *60, 136, 336, 355, 438, 568*)	6	5	3	4	4	3	3	4	4
Set forth in footnote to the financial statements (*No. *216*)	1	1	2	1	1	1	2	2	—
Total retained earnings	590	589	590	586	585	584	583	583	581
Surplus not classified	10	11	10	14	15	16	17	17	19
	600	600	600	600	600	600	600	600	600

*See Company Appendix Section.

INCOME PRESENTATION IN REPORTS

As shown by Table 3, all except three of the 600 survey companies set forth either a separate statement of income, a combined statement of income and retained earnings, or a combined statement of income and unclassified surplus in their 1954 annual reports. A separate statement of income was presented by 376 of the companies. There were 219 companies that utilized a combined statement of income and retained earnings. Table 3 discloses a moderate trend over the past eight years in the annual reports of the 600 survey companies toward the adoption of the combined income and retained earnings statement with a corresponding decline in the use of a separate income statement.

RETAINED EARNINGS PRESENTATION IN THE REPORTS

The 1954 annual reports of 306 of the survey companies contained a separate statement of retained earnings. In 238 other reports there was presented either a combined statement of retained earnings and income (222 companies) or a combined statement of retained earnings and capital surplus (16 companies). As shown by Table 4, there has been a moderate trend over the past eight years toward the adoption of a combined income and retained earnings statement by the 600 companies included in the survey. There were 222 of the companies presenting this form of statement in 1954 as compared with 163 companies using it in 1946.

CAPITAL SURPLUS PRESENTATION IN THE REPORTS

Of the 455 companies that set forth capital surplus in their 1954 annual reports, 260 of such companies presented this information as an item within the balance sheet; any changes during the year were explained under this caption, in notes to the financial statements, or elsewhere in the report, except for 24 companies that did not explain the nature of changes reflected in the capital surplus account. The next most common practice (176 companies) was to use either a separate statement of capital surplus (160 companies) or a combined statement of capital surplus and retained earnings (16 companies). There were 16 companies that presented capital surplus as a section within the statement of stockholders' equity. The remaining three companies set forth this information elsewhere. The manner of presentation of capital surplus in the annual reports of the 600 survey companies, for the years 1946 through 1954, is set forth in Table 5.

TITLE OF THE CERTIFIED INCOME STATEMENT

The word "income" is the term most commonly used (344 companies in 1954) as the key word in the title of the income statements of the 600 survey companies. Table 6 shows, however, that there is a marked trend toward the use of the term "earnings" in the income statement title, with 131 companies using this terminology in 1954 as compared with only 9 companies employing it in 1946.

This tabulation also discloses a marked decrease in the use of the words "profit and loss" in the income statement title. In 1954 there were only 74 companies using this terminology as compared with 243 companies that used it in 1946.

Changes During 1954

During 1954 there were 24 of the survey companies that made changes in the terminology of the title of their certified income statements. These changes are summarized below:

The term "income" was *adopted* by 9 of the companies as the key-word in the title of their 1954 income statements. Six of these companies had formerly used the phrase "profit and loss" (See Company Appendix Nos. *23, 92, 422, 432, 482, 505*); two had used "earnings" (See Company Appendix Nos. *38* and *448*); and one other company had used the term "Loss" (See Company Appendix No. *4*). Ten companies *abandoned* the use of the term "income" in 1954, changing to "earnings" (See Company Appendix Nos. *16, 70, 93, 296, 355, 385, 420*); "profit and loss" (See Company Appendix Nos. *49* and *436*) and to "operations" (See Company Appendix No. *534*).

Eleven of the companies *adopted* the term "earnings" in their 1954 income statements. Of these eleven companies seven had used the term "income" (See Company Appendix Nos. *16, 70, 93, 296, 355, 385, 420*) and two had employed the phrase "profit and loss" (See Company Appendix Nos. *226* and *461*). Two other companies changed to "earnings," one from "Income and Expense" (See Company Appendix No. *138*), and one from "Profits and Income" (See Company Appendix No. *266*). Two companies *abandoned* the use of the term "earnings" in their 1954 income statements, changing to "income" (See Company Appendix Nos. *38* and *448*).

Examples

Examples of the various titles of the certified income statements contained in the 1954 annual reports of the survey companies are quoted below. These examples show how the key words, which are summarized in Table 6, are supplemented with additional words or phrases to form the complete titles of the income statements.

TABLE 5: CAPITAL SURPLUS PRESENTATION IN REPORTS

Manner of Presentation	1954	1953	1952	1951	1950	1949	1948	1947	1946
As a separate statement of capital surplus	160	150	154	152	162	167	188	203	217
As a combined statement of capital surplus and retained earnings	16	13	18	19	17	20	29	33	32
Total	176	163	172	171	179	187	217	236	249
As a section within the statement of stockholders' equity (see Table 18)	16	17	17	17	14	14	8	7	6
As an item within the balance sheet and changes set forth:*									
A. Under balance sheet caption	23	17	27	26	28	19	14	15	13
B. In notes to financial statements	60	53	47	38	20	15	17	12	13
C. In additional certified statement	—	1	1	1	1	1	1	1	1
D. In uncertified statement	—	1	—	—	—	—	—	—	—
E. In letter to stockholders	2	6	2	4	2	2	1	2	—
F. Not set forth in report	24	11	6	10	6	3	7	8	5
As an item within the balance sheet:*									
G. Stated to be "Not changed during the year"	46	57	56	54	57	59	57	57	53
H. Indicated to be not changed during year	105	118	109	110	122	127	108	95	90
Total	260	264	248	243	236	226	205	190	175
Set forth within certified statement of capital (showing capital stock and capital surplus)—no details set forth (See Company Appendix No. *591*)	1	—	—	—	—	—	—	—	—
Set forth in note to certified statements (See Company Appendix Nos. *208, 217*)	2	3	3	2	2	1	1	—	—
Number of Companies									
Presenting capital surplus	455	447	440	433	431	428	431	433	430
Not presenting capital surplus	135	142	150	153	154	156	152	150	151
Not classifying surplus	10	11	10	14	15	16	17	17	19
	600	600	600	600	600	600	600	600	600

(*See Company Appendix Nos. A: 75, 111, 143, 230, 298, 351, 381, 434, 470, 490, 545; B: 13, 94, 100, 148, 198, 252, 299, 360, 456, 497, 532, 598; E: 478, 553; F: 87, 173, 218, 264, 273, 325, 331, 398, 460, 557; G: 34, 124, 153, 170, 217, 244, 302, 426, 474, 501, 548; H: 20, 97, 140, 175, 211, 280, 335, 380, 438, 476, 515, 577).

TABLE 6: INCOME STATEMENT TITLE

Terminology Used	1954	1953	1952	1951	1950	1949	1948	1947	1946
Income	344	345	336	328	326	320	332	325	308
Earnings	131	122	116	106	88	75	45	25	9
Profit and loss	74	80	97	112	131	153	170	204	243
Operations	35	34	33	32	32	26	22	16	10
Income and expense	6	7	7	9	9	10	8	7	6
Profit	3	3	3	4	4	3	3	2	1
Income and profit and loss	2	2	2	2	1	3	7	9	12
Operating results	1	1	1	1	3	3	3	3	3
Income, costs	1	1	1	1	1	1	1	1	—
Profits and income	—	1	1	1	—	—	1	1	1
Loss	—	1	—	1	1	1	2	1	—
Total	597	597	597	597	596	595	594	594	593
No income statement	3	3	3	3	4	5	6	6	7
	600	600	600	600	600	600	600	600	600

Income—(344 companies):

"Income Statement" (*Nos. *121, 471*); "Statement of Income" (*Nos. *79, 324, 417, 539*); "Statement of Income and *Earned Surplus*" (*Nos. *66, 232, 375, 554*); "Statement of Income and *Earnings Retained*" (*No. *196*); "Statement of Income and *Retained Earnings*" (*No. *203*); "Statement of Income and *Earnings Retained for Use in the Business*" (*Nos. *178, 477*); "Statement of Consolidated Income" (*Nos. *13, 53, 254, 447, 571*); "Statements of Consolidated Income and *Accumulated Earnings Retained in the Business*" (*No. *358*); "Income and *Earned Surplus Account*" (*No. *310*); "Summary of Income" (*No. *362*); "Profit and Loss Account" (*No. *410*).

"Consolidated Income" (*No. *238*); "Consolidated Income Account" (*No. *269*); "Consolidated Income Statement" (*Nos. *50, 459*); "Consolidated Statement of Income" (*Nos. *130, 163, 337, 374, 528*); "Consolidated Statement of Income and *Earned Surplus*" (*Nos. *23, 98, 119, 518*); "Consolidated Statement of Income and *Unappropriated Earnings Retained and Used in the Business*" (*No. *250*); "Consolidated Statements of Income and *Earnings Retained and Invested in the Business*" (*No. *280*); "Consolidated Statement of Income and *Retained Earnings*" (*Nos. *195, 278, 330*); "Consolidated Statements of Income and *Earnings Retained for Use in the Business*" (*No. *80*); "Statements of Consolidated Income and *Accumulated Earnings Retained in the Business*" (*No. *358*); "Summary of Consolidated Income" (*Nos. *136, 492*).

"Comparative Statement of Income" (*Nos. *52, 586*); "Comparative Statement of Income and *Earned Surplus*" (*Nos. *302, 303*); "Comparative Consolidated Statement of Income and *Earned Surplus*" (*Nos. *26, 556*); "Comparative Statements of Income and *Retained Earnings*" (*No. *146*); "Comparative Consolidated Statement of Income and *Earnings Employed in the Business*" (*No. *140*); "Comparative Consolidated Statements" (*No. *169*).

Earnings—(131 companies):

"Current Earnings" (*No. *252*); "Statement of Earnings" (*Nos. *16, 216, 297, 336, 363, 532*); "Statement of Net Earnings" (*Nos. *97, 266*); "Statement of Earnings and *Earned Surplus*" (*No. *89*); "Statement of Earnings and of Earnings *Retained*" (*No. *5*); "Earnings" (*Nos. *319, 439*); "Consolidated Statement of Earnings and Earnings *Reinvested in the Business*" (*No. *208*).

"Consolidated Earnings" (*Nos. *77, 246, 548*); "Consolidated Statement of Earnings" (*Nos. *24, 137, 164, 198, 202, 420*); "Consolidated Earnings Statement" (*No. *449*); "Consolidated Statement of *Net* Earnings" (*Nos. *142, 242, 434*); "Statement of Consolidated Earnings" (*Nos. *40, 101, 138, 332, 514, 596*); "Statement of Consolidated Earnings and Earnings *Reinvested in the Business*" (*No. *56*); "Consolidated Statement of Earnings and *Retained* Earnings" (*No. *75*); "Consolidated Earnings and Earnings *Retained for Use in the Business*" (*No. *352*); "Summary of Consolidated Earnings and Earnings *Retained for Use in the Business*" (*Nos. *456, 598*); "Summary of Consolidated Earnings" (*No. *332*); "Consolidated Earnings and Earned *Surplus* Statement" (*No. *177*).

"Comparative Statement of Earnings" (*Nos. *65, 489*); "Comparative Consolidated Statement of Earnings" (*No. *225*).

Profit and Loss—(74 companies):

"Profit and Loss" (*Nos. *63, 131*); "Profit and Loss Statement" (*No. *166*); "Statement of Profit and Loss" (*Nos. *78, 159, 249, 346, 411*); "Condensed Statement of Profit and Loss and *Surplus*" (*No. *321*); "Combined Profit and Loss and *Earned Surplus*" (*No. *524*).

"Consolidated Profit and Loss" (*No. *127*); "Consolidated Profit and Loss Statement" (*Nos. *151, 190, 353, 546*); "Consolidated Statement of Profit and Loss" (*Nos. *259, 407, 433, 443, 519*); "Statement of Profit and Loss and *Earnings Retained for Use in the Business*" (*No. *517*). "Statement of Consolidated Profit and Loss (*Nos. *179, 197, 313, 533*); "Consolidated Statements of Profit and Loss and *Earned Surplus*" (*Nos. *49, 377*); "Statement of Consolidated Profit and Loss and *Earned Surplus*" (*Nos. *57, 406, 475*); "Comparative Statement of Profit and Loss" (*Nos. *118, 416*); "Comparative Consolidated Profit and Loss" (*No. *262*).

Operations—(35 companies):

"Operations" (*No. *209*); "Statement of Operations" (*Nos. *87, 116, 395*); "Results of Operations" (*Nos. *253, 402*); "Statement of Operations and *Disposition of Profit*" (*No. *384*); "Consolidated Statement of Operations" (*Nos. *37, 285, 291, 331, 558*); "Consolidated Operating Statement" (*No. *21*); "Consolidated Results of Operations" (*Nos. *129, 148, 574*); "Statement of Operations and *Earnings Invested in the Business*" (*No. *244*); "Statement of Operations and *Accumulated Earnings Employed in the Business*" (*No. *132*); "Consolidated Statement of Operations and *Retained Income*" (*No. *559*); "Consolidated Operations and *Summary of Earnings Reinvested in the Business*" (*No. *500*).

Various Other—(13 companies):

"Condensed Comparative Statement of Income and Expense" (*No. *59*); "Statement of Consolidated Income and Expense and Consolidated Retained Earnings" (*No. *370*); "Consolidated Statement of Income and Expense" (*No. *186*); "Summary of Consolidated Net Profit" (*No. *205*); "Consolidated Statements of Income and Profit and Loss" (*No. *440*); "Comparative Consolidated Income Profit and Loss Statement" (*No. *279*); "Summary of Consolidated Net Profit" (*No. *205*); "Consolidated Statement of Results of Operations and Profit Retained in the Business" (*No. *317*); "Income Costs and Changes in Capital Investment" (*No. 523).

FORM OF THE CERTIFIED INCOME STATEMENT

In the published annual reports of the 600 survey companies, the form of the certified income statement falls into two general types, namely, the "multiple-step" form and the "single-step" form. The multiple-step form contains the conventional grouping of items with intermediate balances, whereas the single-step form consists of an income grouping over a single total and an expense grouping over a second total. As disclosed by Table 7, a substantial number of the survey companies presented a variation in the form of each of the above described types of certified

TABLE 7: INCOME STATEMENT FORM

Form of Statement	1954	1953	1952	1951	1950	1949	1948	1947	1946
Multiple-step form	256	249	256	278	301	295	299	271	254
Multiple-step form with a separate last section presenting:									
Nonrecurring tax items	35	49	65	47	41	59	39	41	61
Nonrecurring tax and non-tax items	31	29	23	19	12	18	21	36	59
Nonrecurring non-tax items	30	30	26	34	30	30	59	94	91
Total	352	357	370	378	384	402	418	442	465
Single-step form	202	198	178	183	177	164	131	107	79
Single-step form with a separate last section presenting:									
Nonrecurring tax items	19	17	25	16	12	6	12	12	14
Nonrecurring tax and non-tax items	11	9	10	6	7	6	7	10	19
Nonrecurring non-tax items	13	16	14	14	16	17	26	23	16
Total	245	240	227	219	212	193	176	152	128
No income statement presented	3	3	3	3	4	5	6	6	7
	600	600	600	600	600	600	600	600	600
Current year—Federal income tax estimate:									
Listed among operating items—									
Multiple-step form	14	14	17	19	21	22	28	32	36
Single-step form	123	120	120	122	137	121	111	93	66
Total	137	134	137	141	158	143	139	125	102
Presented in separate last section—									
Multiple-step form	313	325	337	346	350	352	372	389	399
Single-step form	113	115	101	93	71	61	58	50	47
Total	426	440	438	439	421	413	430	439	446
Current estimate not required	34	23	22	17	17	39	25	30	45
No income statement presented	3	3	3	3	4	5	6	6	7
	600	600	600	600	600	600	600	600	600

*Refer to Company Appendix Section.

TABLE 8: BALANCE SHEET TITLE

Terminology Applied	1954	1953	1952	1951	1950	1949	1948	1947	1946
Balance Sheet, used with:									
Customary form	470	472	477	484	494	513	530	552	579
Financial position form	1	1	1	—	—	—	—	—	—
	471	473	478	484	494	513	530	552	579
Financial Position, used with:									
Customary form	27	26	21	19	13	10	6	3	3
Financial position form	65	67	65	57	54	42	37	28	9
	92	93	86	76	67	52	43	31	12
Financial Condition, used with:									
Customary form	16	13	12	12	13	10	6	1	—
Financial position form	14	14	17	20	18	16	13	9	5
	30	27	29	32	31	26	19	10	5
Assets and Liabilities†	4	4	3	4	4	4	3	2	2
"Assets, Liabilities, and Capital Investment"† (No. *523*)	1	1	1	1	1	1	1	1	—
"Statement of Ownership"†	—	—	1	1	1	1	1	1	—
"Investment"‡ (*No. *319*)	1	1	1	1	1	1	1	1	1
"Assets, Liabilities and Capital"‡ (*No. *193*)	1	1	1	1	1	1	1	1	1
"Assets, Liabilities and Shareholders' Equity"‡	—	—	—	—	—	1	1	1	—
	600	600	600	600	600	600	600	600	600

*See Company Appendix Section; † Used with *Customary form.*
‡ Used with *Financial position* form.

income statements, in that they contained a separate last section in which there were set forth tax items or various non-tax items, or both.

Although the multiple-step form of income statement still predominates in the 1954 annual reports of the survey companies, Table 7 shows a continued trend over the past nine years toward the adoption of the single-step form.

Changes During 1954

There was a net increase of five survey companies using the single-step form of certified income statement in 1954, as compared with 1953, and a corresponding decrease in the number of companies using the multiple-step form. The changes during 1954 are set forth below in detail.

16 companies *adopted* the single-step form of income statement (See Company Appendix Nos. 1, 5, 31, 38, 70, 138, 140, 233, 259, 264, 298, 355, 448, 493, 516, 535). These companies had formerly used the multiple-step form.

11 companies *abandoned* the single-step form of income statement (See Company Appendix Nos. 86, 94, 102, 118, 202, 209, 226, 252, 370, 384, 420). These companies adopted the multiple-step form.

TITLE OF THE CERTIFIED BALANCE SHEET

The majority of the survey companies (471 in 1954) use the term "balance sheet" to describe the statement of assets, liabilities, and stockholders' equity. As shown in Table 8 there is, however, a trend toward the use of the terms "financial position" or "financial condition" in the balance sheet heading. This trend is in part due to the increased adoption of the "financial position" form of balance sheet (See the following section, "Form of the Certified Balance Sheet"). Table 8 also shows that the term "balance sheet" is almost invariably used in connection with the "customary" form of balance sheet. It was used only once in the 1954 survey reports to describe a "financial position" form of balance sheet. On the other hand, the terms "financial position" and "financial condition" were used not only in the title of the "financial position" form of balance sheet (79 companies in 1954) but were also frequently employed to describe the "customary" form of balance sheet (43 companies in 1954).

Changes During 1954

Six companies adopted the term "balance sheet" for the title of their 1954 statement of assets, liabilities, and stockholders' equity. All of these companies changed from "financial position" (See Company Appendix Nos. 49, 184, 189, 275, 293, 393). Five companies adopted the term "financial position" in 1954, all changing from "balance sheet" (See Company Appendix Nos. 1, 70, 154, 345, 369). Three companies adopted the term "financial condition" in 1954, all changing from "balance sheet" (See Company Appendix Nos. 145, 221, 461).

Examples

The terms "balance sheet," "financial position," "financial condition," and "assets and liabilities" set forth in the

BURROUGHS CORPORATION
Statement of Financial Condition

	December 31 1954	December 31 1953
STOCKHOLDERS' INVESTMENT		
$5 PAR VALUE COMMON STOCK—7,500,000 shares authorized—issued 5,012,300 shares in 1954; 5,000,000 shares in 1953	$ 25,061,500	$ 25,000,000
ADDITIONAL PAID-IN CAPITAL	189,113	—
INCOME INVESTED IN THE BUSINESS		
Parent company and subsidiary companies operating in the U.S. and Canada	40,188,322	37,388,898
Subsidiary companies operating in other countries	9,124,868	7,774,419
COST OF SHARES HELD BY COMPANY—9,510 shares in 1954; 2,610 shares in 1953	(153,535)	(40,547)
	$ 74,410,268	$ 70,122,770
USED IN THE BUSINESS AS FOLLOWS		
WORKING CAPITAL		
Assets required to carry on daily transactions:		
Cash	$ 10,720,669	$ 7,562,745
U.S. and Canadian Government bonds	2,871,147	1,504,586
Amounts receivable from customers and others, less estimated doubtful accounts	23,345,325	26,657,189
Amounts receivable from subsidiary companies operating outside the U.S. and Canada	6,340,860	3,994,976
Inventories of purchased materials and finished and partly finished products, less progress billings on uncompleted defense contracts	49,916,681	54,508,171
Expenses paid in advance	365,315	272,496
Current assets	$ 93,559,997	$ 94,500,163
Amounts owing by the companies to meet current obligations:		
Owing on loans to be repaid in one year	$ 1,375,000	$ 1,340,624
Unpaid bills for materials and services	4,295,207	3,169,339
Wages and commissions owing to employees	5,372,541	5,196,110
Estimated income taxes owing to U.S. and Canadian Governments	5,887,223	6,407,231
Owing for social security, property and other taxes	2,444,850	2,288,989
Payments by customers for products and services to be delivered in the future	14,179,209	15,302,083
Estimated cost of guaranteed maintenance on machines sold	368,937	425,500
Dividend payable to stockholders in January of following year	1,250,698	499,739
Current liabilities	$ 35,173,665	$ 34,629,615
Working capital	$ 58,386,332	$ 59,870,548
COST OF LAND, BUILDINGS, EQUIPMENT AND PATENTS used in connection with the production and sale of products, reduced by the estimated cost of wear and exhaustion (depreciation and amortization)	34,566,788	31,450,450
INVESTMENTS in and advances to subsidiary companies operating outside the U.S. and Canada, at equity in net assets	11,464,463	10,193,809
Less intercompany profits in inventories of such subsidiary companies	(1,630,141)	(1,621,256)
OTHER ASSETS	122,826	164,877
	$102,910,268	$100,058,428
OWING ON LONG-TERM LOANS	28,500,000	29,935,658
	$ 74,410,268	$ 70,122,770

BURROUGHS CORPORATION

Details of Items in Statement of Financial Condition

	December 31 1954	December 31 1953
INVENTORIES		
Finished machines, supplies and accessories	$ 21,769,579	$ 18,848,477
Machines and other products in various stages of completion and materials and factory supplies	18,224,367	19,557,966
Cost of uncompleted defense contracts, less estimated cost of shipments	10,256,417	17,211,424
Less progress billings on such contracts	(333,682)	(1,109,696)
	$ 49,916,681	$ 54,508,171
OWING ON LOANS		
3⅜% sinking fund debentures due June 1, 1977 (minimum annual retirement of $835,000 principal amount commencing with 1957)	$ 24,600,000	$ 24,600,000
2.9% and 3% installment notes payable $1,375,000 in 1955 and $3,900,000 in 1956	5,275,000	6,600,000
4½% mortgage loan	—	76,282
	$ 29,875,000	$ 31,276,282
Payable within one year	1,375,000	1,340,624
Payable after one year	$ 28,500,000	$ 29,935,658
COST OF LAND, BUILDINGS, EQUIPMENT AND PATENTS		
Land and land improvements	$ 1,701,197	$ 1,536,808
Buildings	13,555,081	10,341,877
Machinery and equipment	14,500,988	13,219,600
Tools, dies, fixtures and patterns	11,004,941	9,213,340
Furniture and fixtures	6,957,256	6,230,516
Construction in progress	962,631	3,313,336
	$ 48,682,094	$ 43,855,477
Less estimated cost of wear and exhaustion of facilities (depreciation)	17,709,637	16,255,797
	$ 30,972,457	$ 27,599,680
Patents at cost less amortization	2,380,401	2,554,725
Cost of improvements to sales and other offices leased by the company, less amortization	1,213,930	1,296,045
	$ 34,566,788	$ 31,450,450
OTHER ASSETS		
Secured interest-bearing loans to officers and employees for purchase of capital stock of the company	$ 62,499	$ 83,062
Sundry assets	60,327	81,815
	$ 122,826	$ 164,877

first four categories of Table 8 represent key-words in the balance sheet title. They are usually supplemented with additional descriptive words and phrases to form the full title. Listed below are various examples of complete balance sheet titles taken from the 1954 reports of the 600 survey companies:

Balance Sheet—(Customary form: 470 companies)
"Balance Sheet" (*Nos. 78, 83, 95, 103, 147, 159, 240, 300, 419, 510); "Comparative Balance Sheets" (*Nos. 146, 206, 438, 445, 485, 539); "Condensed Balance Sheet" (*No. 426); "Condensed Comparative Balance Sheet" (*No. 59); "Comparative Condensed Balance Sheet" (*No. 403); "Consolidated Balance Sheet" (*Nos. 2, 23, 69, 127, 164, 248, 347, 438, 525, 570); "Comparative Consolidated Balance Sheet" (*Nos. 91, 140, 320, 354); "Condensed Consolidated Balance Sheet" (*No. 574).

Balance Sheet—(Financial position form: 1 company)
"Consolidated Balance Sheet" (Philip Morris and Co. Ltd., Incorporated).

Financial Position—(Customary form: 27 companies)
"Financial Position" (*No. *483*); "Statement of Financial Position" (*Nos. *154, 203, 272, 430*); "Statement of Consolidated Financial Position" (*Nos. *56, 110, 424, 571*); "Consolidated Statement of Financial Position" (*Nos. *33, 269, 531*); "Consolidated Financial Position" (*No. *469*); "Condensed Statement of Financial Position (*No. *214*).

Financial Position—(Financial position form: 65 companies)
"Financial Position" (*Nos. *209, 253*); "Statement of Financial Position" (*Nos. *1, 16, 89, 149, 316, 494, 536*); "Comparative Statement of Financial Position" (*No. *222*); "Consolidated Financial Position" (*Nos. *47, 129, 162, 357, 496*); "Consolidated Statement of Financial Position" (*Nos. *24, 175, 322, 425*); "Statement of Consolidated Financial Position" (*Nos. *9, 344, 428, 596*); "Comparative Consolidated Statement of Financial Position" (*No. *452*).

Financial Condition—(Customary form: 16 companies)
"Statement of Financial Condition" (*Nos. *145, 173, 336, 504*); "Statement of Consolidated Financial Condition" (*Nos. *3, 60, 378, 390*); "Consolidated Statement of Financial Condition" (*Nos. *160, 291, 359, 376, 461*); "Consolidated Financial Condition" (*No. *370*).

TABLE 9: BALANCE SHEET FORM

Customary Form*	1954	1953	1952	1951	1950	1949	1948	1947	1946
A: Assets *equal* liabilities plus stockholders' equity	514	511	510	516	522	535	543	557	583
B: Property account followed by other assets *equal* liabilities plus stockholders' equity	—	—	1	1	1	1	1	1	1
C: Assets less liabilities *equal* stockholders' equity	4	5	4	4	3	3	3	2	—
Total	518	516	515	521	526	539	547	560	584
Financial Position Form*									
D: Current assets less current liabilities, plus other assets less other liabilities, less long-term indebtedness *equal* stockholders' equity	50	51	49	46	34	30	24	17	7
E: Current assets less current liabilities, plus other assets less other liabilities, *equal* long-term indebtedness plus stockholders' equity	8	8	8	5	6	6	7	5	—
F: Current assets less current liabilities plus other assets less other liabilities *equal* stockholders' equity (Long-term indebtedness not shown)	22	23	26	26	32	23	20	17	9
G: Stockholders' equity *equals* current assets less current liabilities, plus other assets less other liabilities	2	2	2	2	2	2	2	1	—
	82	84	85	79	74	61	53	40	16
Total	600	600	600	600	600	600	600	600	600

*See Company Appendix Section: A: Nos. 6, 53, 152, 191, 251, 329, 395, 464, 546, 600; C: 60, 252, 424, 588; D: 1, 15, 72, 175, 281, 357, 402, 478, 529, 568; E: 61, 113, 246, 311, 454, 496, 499, 583; F: 47, 77, 157, 302, 315, 330, 383, 444, 521; G: 105, 116.

Financial Condition—(Financial position form: 14 companies)
"Statement of Financial Condition" (*Nos. *105, 116, 311, 562, 585*); "Consolidated Statement of Financial Condition" (*Nos. 72, 195, 478, 521, 595); "Comparative Statement of Financial Condition" (*No. *302*); "Comparative Consolidated Statement of Financial Condition" (*No. *351*).

Assets and Liabilities—(Customary form: 4 companies)
"Statement of Consolidated Assets and Liabilities" (*Nos. *101, 183, 312*); "Consolidated Statement of Assets and Liabilities" (*No. *186*).

Various Other—(3 companies)
See Table 8, "Balance Sheet Title."

FORM OF THE CERTIFIED BALANCE SHEET

The certified balance sheets presented by the survey companies in their annual reports are of two general forms, with certain variations within each form. The two forms are the "customary" form and the "financial position" form. The customary form usually shows the assets on the left-hand side of the statement with liabilities and stockholders' equity on the right-hand side. This form may, however, set forth the three sections thereof in a downward sequence of assets, liabilities, and stockholders' equity. In either variation, the total of the assets equals the total of the liabilities plus the total of the stockholders' equity (Forms A and B in Table 9). In a few instances (four companies in 1954) the customary form of balance sheet is varied to show *total* assets less *total* liabilities equaling stockholders' equity (Form C in Table 9). In the 1954 reports, 518 of the survey companies presented the customary form of balance sheet.

The remaining 82 survey companies presented a financial position form of balance sheet in their 1954 annual reports. In this form of balance sheet, net assets are shown as being equal to stockholders' equity (Form D in Table 9). Variations in the financial position form of balance sheet are shown in Forms E, F, and G in Table 9.

Changes During 1954

Twelve of the survey companies changed or modified the form of their 1954 statements of assets, liabilities, and stockholders' equity. Six of these companies adopted the customary form (See Table 9, Form A, Company Appendix Nos. 49, 110, 189, 275, 393, 598) and four of the companies adopted the financial position form (See Table 9, Form D, Company Appendix Nos. 1, 70, 281, 369). The remaining two companies, although retaining the customary or financial position form, modified their 1954 balance sheet presentations as discussed below.

Gulf Oil Corporation continued its use of the customary form of balance sheet. However, the 1954 statement is arranged to show "assets *equal* liabilities plus stockholders' equity" (Table 9, Form A), whereas, in 1953, the arrangement "assets *less* liabilities *equal* stockholders' equity" was employed.

Blaw-Knox Company changed its 1954 "financial position" form of balance sheet to Form D (Table 9). The company had formerly employed Form F (Table 9).

*Refer to Company Appendix Section.

TERMINOLOGY FOR "UNCOLLECTIBLE ACCOUNTS"

Table 10 discloses that there has been a steady decline in the use by survey companies of the term "reserve" in the balance sheet to describe *uncollectible accounts.* "Allowance" is the usual term which is used as a substitute for "reserve." This trend is in accordance with the recommendation of the committee on terminology of the American Institute of Accountants, set forth in *Accounting Terminology Bulletin Number 1, Review and Résumé.*

The first section of Table 10 summarizes the primary descriptive terms, such as "allowance," "reserve," "provision," etc., used in the balance sheet to describe *uncollectible accounts.* The second section of this tabulation sets forth the various secondary terms used in such balance sheet description. The third section of the table shows, for 1954, the various combinations of the above primary and secondary terms and the frequency of their use.

Examples

The following examples of the various types of balance sheet terminology for *uncollectible accounts* shown in Table 10 have been selected from the 1954 survey reports:

Allowance—(235 Companies):
"Allowance" (*Nos. *78, 151, 257, 377, 477, 544*); "Allowance for doubtful accounts" (*Nos. *9, 35, 139, 199, 254, 334, 380, 427, 454, 541, 579*); "Less Allowance for doubtful accounts and discounts" (*Nos. *24, 411*); "Less Allowance for doubtful accounts, returns and discounts" (*No. *130*); "Less $582,908 for doubtful accounts and cash discounts" (*No. *355*).

"Allowances for doubtful balances, claims, etc." (*No. *308*); "Allowances for doubtful items" (*Nos. *25, 154, 180*); "Allowances for doubtful notes and accounts" (*Nos. *108, 196, 592*); "Allowances for doubtful receivables" (*Nos. *68, 220, 436, 442*); "Allowance for doubtful items and unearned finance charges" (*No. *464*); "Allowance for loss" (Nos. *87, 181, 255, 324*). "Allowances for losses and discounts" (*No. *425*); "Allowances for losses in collection" (*Nos. *125, 285, 458*); "Allowance for collection losses" (*No. *320*); "Allowance for possible losses" (*Nos. *38, 131*); "Allowance for losses on receivables" (*No. *88*); "Allowance for bad debts" (*Nos. *92, 307*); "Allowances for bad debts, returns and discounts" (No. *164*); "Allowance for doubtful accounts and deferred carrying charges" (*No. *368*); "Allowance for discounts and possible losses" (*No. *288*).

Reserve—(186 Companies):
"Reserve" (*Nos. *13, 67, 153, 213, 318, 413, 476, 537*); "Reserve for bad debts" (*Nos. *396, 410*); "Reserve for worthless accounts (*No. *438*); "Reserve for doubtful ac-

TABLE 10: UNCOLLECTIBLE ACCOUNTS

Primary Descriptive Term*	**1954	1953	1952	1951	1950
"Allowance"	32	21	21	19	170
Allowance, etc.	203	206	189	181	
"Reserve"	115	116	124	127	247
Reserve, etc.	71	76	89	100	
Provision, etc.	39	38	39	38	36
Estimated, etc.	29	35	35	33	35
Deduction, etc.	3	4	3	3	3
Other terms	6	4	3	3	4
Total	498	500	503	504	495
No "uncollectible account"	102	100	97	96	105
	600	600	600	600	600

*Combined with:	1954	1953	1952
Doubtful accounts	207	210	206
Doubtful amounts	2	2	1
Doubtful balances	2	3	3
Doubtful collection	1	1	1
Doubtful items	12	16	16
Doubtful receivables	22	21	20
Doubtful	6	3	4
Uncollectible accounts	6	9	7
Uncollectible amounts	4	3	3
Uncollectible items	1	1	1
Uncollectibles	5	6	6
Not collectible	0	1	1
Loss—losses	28	25	25
Collection losses	13	16	15
Carried forward	309	317	309

	1954	1953	1952
Brought forward	309	317	309
Credit losses	2	2	2
Receivable losses	1	1	1
Possible losses	17	21	20
Possible collection losses	7	8	7
Possible future losses	1	1	1
Bad debts	12	11	16
Worthless accounts	1	1	1
Realizable value	1	1	1
"Allowance"—used alone	32	21	21
"Reserve"—used alone	115	116	124
Total	498	500	503
No "uncollectible account"	102	100	97
	600	600	600

	Primary Descriptive Term Above:					
**1954 Descriptive Terms Combined As:	Allowance	Reserve	Provision	Estimated	Other	Total
Doubtful	154	62	19	12	5	252
Uncollectible	4	—	—	11	1	16
Losses	40	5	17	5	2	69
Bad debts	5	3	3	1	—	12
With other phrases	—	1	—	—	1	2
Used alone	32	115	—	—	—	147
Total	235	186	39	29	9	498

counts" (*Nos. *31, 249, 343, 445, 577*); "Reserves for doubtful accounts and discounts" (*No. *124*); "Reserves for customers' discounts and doubtful accounts" (*No. *176*); "Reserves for doubtful items and cash discounts" (*No. *51*); "Reserve for doubtful items (*No. *382*); "Reserve for doubtful notes and accounts" (*No. *144*); "Reserves for doubtful notes and accounts, cash discounts and sales returns and allowances" (*No. *188*).

"Reserve for cash discounts and accounts doubtful of collection" (*No. *423*); "Reserves for cash discounts, returns and allowances, and doubtful receivables" (*Nos. *192, 289*); "Reserve for losses" (*Nos. *311, 500*); "Reserve for losses in collection, discounts and allowances" (*No. *325*).

Provision—(39 Companies):

"Provision for doubtful accounts" (*Nos. *28, 114, 241*); "Provision for doubtful accounts, discounts, and returns and allowances" (*No. *430*); "Provision for doubtful notes and accounts" (*No. *242*); "Provision for bad debts" (*No. *95*); "Provision for discounts and losses" (*No. *62*); "Provision for losses" (*No. *222*); "Provision for possible losses" (*Nos. *27, 112*); "Provided for discounts and possible collection losses" (*No. *191*).

Estimated—(29 Companies):

"Estimated doubtful accounts" (*Nos. *33, 116*); "Estimated doubtful amounts" (*No. *359*); "Estimated uncollectibles" (*No. *48*); "Estimate of uncollectible accounts" (*No. *105*); "Estimated losses, allowances, etc." (*No. *456*) "Estimated collection expenses and losses" (*No. *499*).

Miscellaneous other—(9 Companies):

"Deduction of $4,563,726 for returns, allowances, discounts and doubtful accounts" (*No. *115*); "After deducting $947,249 for doubtful accounts and for reserves for other items" (*No. *309*); "Less $22,500 for possible losses in collection" (*No. *386*).

*Refer to Company Appendix Section.

TERMINOLOGY FOR "ACCUMULATED DEPRECIATION"

Table 11 reveals that there has been a continuing decrease in the number of companies which use the term "reserve" in reference to accumulated depreciation. In 1948, 396 companies used the term reserve as compared with 170 companies in 1954. Increased usage of the term "accumulated" is evident, with a total of 176 companies using this term in 1954 as compared with 42 companies in 1948. The term "allowance" was used in 1954 by 123 companies, and in 1948 by 74 companies. This trend reflects the recommendation of the committee on terminology of the American Institute of Accountants that the use of the word "reserve" should be avoided in connection with valuation accounts such as accumulated depreciation.

The first section of Table 11 summarizes the primary descriptive terms, such as "reserve," "accumulated," "allowance," etc., used in the balance sheet to describe accumulated depreciation. The second section of this tabulation sets forth the various secondary terms used in such balance sheet descriptions, together with the various combinations of these primary and secondary terms and the frequency of their use in 1954.

Examples

The following examples of various types of balance sheet terminology for accumulated depreciation have been selected from the 1954 survey reports:

Reserve—(170 Companies):

"Reserve for depreciation" (*Nos. *51, 249, 453*); "Reserves" (*Nos. *99, 167*); "Reserve for depreciation and amortization" (*Nos. *117, 234, 461*); "Reserves for depreciation, amortization and retirement" (*No. *553*); "Reserve for depreciation, (including $528,862 applicable to emergency facilities)" (*No. *367*); "Reserve for depreciation, amortization, and obsolescence" (*Nos. *45, 390*); "Reserve for depreciation, amortization and depletion" (*Nos. *43, 67, 144, 303*); "Reserve for depreciation and depletion" (*No. *59*); "Reserve for depreciation and obsolescence" (*No. *124*); "Reserve for depreciation and obsolescence" (on liability side of balance sheet), (*Nos. *210, 476*); "Reserves for depreciation, depletion and intangible development costs" (*No. *171*); "Reserves for depreciation and depletion and other property reserves" (*No. *354*); "Reserve for depreciation and obsolescence charged to operations" (*No. *33*).

TABLE 11: ACCUMULATED DEPRECIATION

Primary Descriptive Term:	1954	1953	1952	1951	1950
A—"Reserve"	9	10	10	16	276
Reserve, etc.	161	187	195	215	
B—Provision, etc.	17	17	20	21	17
C—Accumulated, etc.	176	157	139	122	98
D—Allowance, etc.	123	122	124	118	107
E—"Depreciation"	45	43	49	48	80
Depreciation, etc.	43	35	37	32	
F—Accrued, etc.	4	5	4	4	4
G—Estimated, etc.	3	4	4	4	2
H—Wear and exhaustion	3	3			
Wear of facilities	1	1			
Wear and tear	1	1			
Portion allocated to operations	5	6			
Portion charged to operations	1	1			
Depreciation charged to operations	1	1	18	20	16
Amount charged to operations	1	1			
Amount charged to expense	1	1			
Amount charged to past operations	2	2			
Cost applied to past operations	1	1			
Depreciated cost	1	1			
Depreciated Ledger Values	1	1			
	600	600	600	600	600

*1954 Term Used With:	A	B	C	D	F	G	H	None Used	1954 Total
	Primary Term Shown Above:								
Depreciation	87	9	85	53	2	1	6	45	288
Depreciation—amortization	40	5	63	50	1	1	3	23	186
Depreciation—amortization—depletion	14	1	13	12	1	—	—	9	50
Depreciation—amortization—obsolescence	2	—	2	1	—	—	—	—	5
Depreciation—depletion—obsolescence	—	—	1	—	—	—	—	1	2
Depreciation—depletion	14	2	10	6	—	1	—	8	41
Depreciation—obsolescence	4	—	2	1	—	—	—	2	9
Other phrases used alone	—	—	—	—	—	—	10	—	10
"Reserve" used alone	9	—	—	—	—	—	—	—	9
	170	17	176	123	4	3	19	88	600

Provision—(17 Companies):
"Provision for depreciation" (*Nos. *95, 418, 430*); "Less depreciation provisions" (*No. *225*); "Depreciation provided" (*No. *402*); "Provision for depreciation and amortization" (*Nos. *62, 68*); "Provision for depletion and depreciation" (*No. *143*); "Provision for depreciation, depletion and amortization, and less property written off" (*No. *567*).

Accumulated—(176 Companies):
"Accumulated depreciation" (*Nos. *159, 202, 385, 481*); "Accumulated depreciation and revaluation" (*No. *374*); "Accumulated depreciation and amortization" (*Nos. *88, 306, 420, 511*); "Accumulated depreciation and amortization; Regular facilities, Current defense facilities" (*No. *173*); "Accumulated depreciation, amortization and obsolescence" (*Nos. *162, 269*); "Accumulated depreciation and depletion" (*Nos. *65, 79, 149*); "Accumulated depreciation and obsolescence" (*No. *254*); "Accumulated wear and exhaustion" (*No. *320*); "Accumulated portion of cost allocated to operations as depreciation" (*No. *428*); "Accumulated depletion, depreciation, amortization and other charges to cover exhaustion of oil and gas reserves, wear and tear on facilities and obsolescence" (*No. *551*).

Allowance—(123 Companies):
"Allowance for depreciation" (*Nos. *46, 119, 255, 401*); "Allowances for depreciation and amortization" (*Nos. *63, 197, 416*); "Allowances for depreciation, amortization and obsolescence" (*No. *477*); "Allowances for depreciation, depletion and amortization" (*Nos. *36, 377, 412*); "Allowances for depreciation, depletion, amortization, and revaluation" (*No. *479*); "Allowance for depletion, depreciation, etc." (*No. *212*); "Allowances for depreciation and obsolescence" (*No. *328*); "Allowance for wear and exhaustion" (*No. *9*); "Allowance for depreciation, Emergency facilities World War II less allowance for amortization, Current emergency less allowance for amortization" (*No. *321*); "Allowances for depreciation, depletion, amortization, and loss on abandonments and replacements, as annexed" (*No. *257*).

Depreciation—(88 Companies):
"Depreciation" (*Nos. *35, 200*); "Depreciation to date" (*No. *357*); "Depreciation and amortization to date" (*No. *366*); "Depreciation and amortization" (*No. *595*); "Depreciation, amortization and depletion" (*Nos. *308, 528*); "Depreciation and depletion to date" (*Nos. *56, 459*); "Depreciation and depletion" (*Nos. *237, 322*); "Depreciation and obsolescence" (*No. *141*).

Accrued, Estimated, or Various Other Terms—
(26 Companies):
"Estimated depreciation" (*No. *523*); "Estimated depreciation and amortization" (*No. *191*); "Estimated depreciation and depletion" (*No. *319*); "Estimated cost of wear and exhaustion (depreciation and amortization)" (*No. *116*); "Estimated cost of wear and tear (depreciation)" (*No. *444*); "Accrued depreciation" (*No. *288*); "Accrued depreciation and amortization" (*No. *457*); "Accrued depreciation, depletion and amortization" (*No. *11*); "Reduced for wear of facilities" (*No. *588*); "At depreciated cost" (*No. *318*); "At depreciated ledger values" (*No. *492*).

"Portion allocated to operations to date" (*No. *80*); "Portion allocated to operations to date as depreciation" (*No. *425*); "Amounts applied to past operations" (*No. *148*); "Amounts charged to operations as depreciation and amortization" (*No. *218*); "Depreciation charged to operations" (*No. *75*); "Portion charged to operations to date as depreciation and amortization" (*No. *590*); "Amount charged to expense to date" (*No. *372*); "Amount charged to operations to date" (*No. *77*).

TABLE 12: INCOME TAX LIABILITY

Primary Descriptive Term:	*1954	1953	1952	1951	1950
Estimated, etc.	131	136	133	142	112
Provision, etc.	100	104	118	120	129
Reserve, etc.	23	27	31	36	48
Accrued, etc.	107	105	108	111	125
None Used With—					
Federal income taxes	198	196	180	165	
Income taxes	15	15	14	12	173
Taxes	8	9	8	8	
Total	582	592	592	594	587
No income or tax liability	18	8	8	6	13
	600	600	600	600	600

*1954 Descriptive Term Used With:	Estimated	Provision	Reserve	Accrued	Used Alone	1954 Total
Federal income tax	63	55	12	40	129	299
Federal income—excess profits tax	—	2	—	—	10	12
Federal and state income tax	30	14	2	14	27	87
Federal and foreign income tax	20	13	7	10	32	82
Income taxes	17	11	1	8	15	52
Taxes	1	5	1	35	8	50
Total	131	100	23	107	221	582

*Refer to Company Appendix Section.

TERMINOLOGY FOR "INCOME TAX LIABILITY"

In 1954 there were 582 of the 600 survey companies that disclosed in their balance sheets a liability for income taxes. Of these companies, 361 used such descriptive terms as "estimated," "provision," "reserve," and "accrued" in describing such liability. The remaining 222 companies merely set forth the type of tax without any further descriptive terminology. There has been a material increase (222 companies in 1954 as compared with 173 in 1950) in the number of companies following this procedure.

Table 12 shows a steady decrease in the use of the terms "reserve" and "provision" in the descriptive terminology for the liability for income taxes. This decline is in accordance with the recommendation of the committee on terminology of the American Institute of Accountants, as set forth in *Accounting Terminology Bulletin Number 1, Review and Résumé.*

Examples

The following examples of balance sheet terminology for the Federal and other income or tax liability have been taken from the 1954 survey reports.

Estimated—(131 Companies):

"Federal taxes on income—estimated" (*Nos. *42, 147, 245, 346, 422*); "Federal and state taxes on income—estimated" (*Nos. *12, 150, 398*); "Federal, state, and foreign taxes on income—estimated" (*Nos. *93, 207*); "Federal and foreign taxes on income estimated" (*No. *74*); "Federal and Canadian taxes on income—estimated" (*Nos. *293, 358*); "Liability for estimated United States and Canadian taxes on income" (*No. *394*); "Estimated federal income taxes and renegotiation" (*No. *33*); "Estimated federal income taxes and renegotiation, for the current year, for prior years" (*No. *334*); "Reserve for estimated Federal and Canadian taxes on income and for renegotiation" (*No. *443*); "United States and British taxes on income and estimated provisions for renegotiation refunds" (*No. *63*); "Estimated federal and other taxes on income" (*No. *454*); "Federal and other taxes based on income (estimated)" (*No. *525*).

"Taxes on income—estimated" (*No. *3*); "Estimated taxes on income" (*Nos. *200, 496*); "Accrued estimated taxes on income" (*No. *502*); "Estimated income taxes and renegotiation" (*No. *113*); "Estimated income and excess profits taxes" (*No. *573*). "Accrued federal, state and municipal taxes, estimated" (*No. *214*).

Provision—(100 Companies):

"Provision for federal income taxes and for contingencies" (*No. *32*); Provision for federal taxes on income" (*Nos. *104, 381*); "Provision for federal and state taxes on income and for renegotiation" (*No. *533*); "Provision for income taxes—Federal, Wisconsin" (*No. *106*); "Provision for federal and state taxes on income" (*No. *339, 403*); "Provision for federal, state and Canadian income taxes" (*No. *361*); "Provision for United States and foreign taxes on taxable net income" (*No. *36*); "Provision for taxes: Federal and foreign income taxes" (*No. *144*).

"Federal taxes on income and provision for renegotiation refund—estimated" (*No. *37*); "Provision for U. S. and Canadian taxes on income and for renegotiation" (*No. *101*); "Provision for federal and foreign income and excess profits taxes" (*No. *518*); "Provisions for estimated federal and state income and other taxes" (*No. *419*); "Accrued taxes, including provision for federal income taxes" (*No. *171*); "Provision for federal excess-profits tax, normal tax and surtax, and tax contingencies" (*No. *51*); "Provision for taxes on income" (*Nos. *154, 435*); "Provisions for income, social security, property and sundry taxes" (*No. *471*); "Provision for taxes payable" (*No. *461*); "Provision for income and excess profits taxes, etc." (*No. *127*).

Reserve—(23 Companies):

"Reserve for federal taxes on income" (*No. *85*); "Reserve for Federal Income tax—1954" (*No. *570*); "Reserves for federal, state and local taxes" (*No. *480*); "Reserves for U. S. and Cuban taxes on income" (*No. *45*); "Reserve for federal and foreign taxes on income" (*No. *401*); "Reserve for estimated Federal and Canadian taxes on income and for renegotiation" (*No. *443*); "Reserve for taxes on income" (*No. *161*); "State and Federal taxes (Reserve)" (*No. *186*).

Accrued—(107 Companies):

"Accruals: Federal income taxes" (*No. *41*); "Accrued Liabilities: Federal taxes on income" (*No. *114, 224*); "Taxes payable and accrued: Federal taxes on income" (*No. *304*); "Accrued Federal and state taxes on income" (*No. *263*); "U. S. Federal and State income tax accruals" (*No. *313*); "Accrual for federal, state and foreign taxes on income" (*No. *414*); "Accruals: Federal and Canadian income taxes" (*No. *201*); "Accrued liabilities: U. S. and foreign taxes on income" (*No. *55*); "Accrued Federal income taxes and renegotiation of defense business" (*No. *566*).

"Accrued taxes, including federal income" (*No. *537*); "Taxes payable and accrued: Income taxes, other" (*No. *231*); "Accrued Liabilities: Federal income and other taxes, and renegotiation" (*No. *550*); "Accrued taxes" (*Nos. *53, 211*); "Accrued taxes (income, franchise, and personal property)" (*No. *311*); "Taxes payable and accrued" (*No. *121*); "Accrued taxes (including provision for interest thereon)" (*No. *90*); "Federal, state and local taxes accrued" (*No. *252*); "Accrued federal and state taxes" (*No. *455*).

Federal income tax—(198 Companies):

"Federal income taxes" (*Nos. *15, 125, 410*); "Federal taxes on income" (*Nos. *221, 323, 522*); "Federal income and excess profits taxes" (*Nos. *190, 299*); "Federal and state income taxes and renegotiation" (*No. *383*); "Federal and state income taxes" (*Nos. *19, 436*); "Federal and state taxes on income" (*Nos. *136, 255, 376*); "Federal, state and Canadian taxes on income" (*Nos. *219, 373*); "Federal and Canadian taxes on income" (*Nos. *25, 205*); "United States and foreign taxes on income" (*Nos. *119, 434*); "Taxes on income payable to United States and Canadian Governments" (*No. *521*); "Federal income taxes and renegotiation" (*No. *34*); "Federal, state, and territorial taxes on income" (*No. *159*); "United States and Canadian income and excess profits

TABLE 13: STOCKHOLDERS' EQUITY SECTION

Balance Sheet Title	1954	1953	1952
Capital stock and surplus	138	139	147
Capital stock and earned surplus	2	1	2
Capital stock (shares) and surplus	1	1	1
Capital and surplus	11	12	13
Capital stock and retained earnings	12	13	11
Capital stock and accumulated earnings	1	2	2
Capital stock and accumulated (earnings, income) (retained, invested)	2	2	3
Capital stock and (earnings, retained profits) (invested, reinvested)	2	2	2
Capital and retained earnings	10	9	8
(Equity, stated) capital and retained earnings	1	2	2
Capital and (accumulated earnings, profit retained and employed)	2	2	2
Capital	70	73	76
Capitalization	1	1	1
Capital (accounts, invested, investment, structure)	5	6	6
Investment represented by	1	2	1
Net worth	3	5	7
Ownership	2	2	2
Ownership evidenced by	4	4	4
Ownership (equities, interest)	2	2	2
Ownership of net assets	1	—	—
Source of net assets	—	—	1
Source from which capital was obtained	3	4	5
Sources from which net assets were obtained	1	2	4
Sources from which capital was derived	1	1	1
Represented by	15	15	15
Derived from	4	4	5
Provided by	1	1	1
Stockholders' equity	122	113	102
Stockholders' investment	49	50	49
Stockholders' ownership	7	7	8
Stockholders' interest	3	3	3
Stockholders' capital	1	2	1
Shareholders' equity	41	33	25
Shareholders' investment	10	8	9
Shareholders' ownership	1	1	1
Shareholders' interest	3	6	3
Shareholders' capital	1	1	—
Derived from shareholders	1	1	1
Shareowners' equity	5	3	2
Shareowners' investment	3	3	4
Investors' equities	1	1	2
Total	544	539	534
No title set forth	56	61	66
	600	600	600

taxes" (*No. *54*); "Federal and other taxes on income" (*No. *128*); "State excise and Federal income taxes" (*No. *122*); "Federal income and other taxes" (*No. *276*); "Federal taxes on income and contingencies" (*No. *562*).

Income Tax—(15 Companies):
"Taxes on Income" (*Nos. *73, 153, 431*); "Income Taxes" (*Nos. *215, 347*); "Income and excess profits tax" (*No. *134*); "Income and social security taxes" (*No. *176*); "Taxes based on income (including $14,118,086 balance of Canadian taxes)" (*No. *312*).

Taxes—(8 Companies):
"Accounts payable, taxes" (*No. *21*); "Taxes payable" (*No. *357*); "Federal, state and sundry taxes" (*No. *350*); "General and federal taxes" (*No. *596*); "Domestic and foreign taxes" (*No. *353*).

*Refer to Company Appendix Section.

TITLE OF THE 'STOCKHOLDERS' EQUITY' SECTION

Table 13 discloses the diversity among the titles used by the 600 survey companies in describing the stockholders' equity section of the balance sheet in their published annual reports. It also reveals that an increasing number of companies are giving a title to this section of the balance sheet, with greater preference for *stockholders' equity* (122 companies), or *shareholders' equity* (41 companies). The terms *capital,* and *capital stock and surplus,* although used by more than one-third of the companies, are being used less frequently each year. Almost half of the companies which use a title include in the caption the word *stockholders'* or *shareholders'* combined with the words equity, investment, ownership or interest.

Examples

The following examples of titles appearing over the stockholders' equity section of the balance sheet have been selected from the 1954 annual reports of the survey companies:

"Capital stock and surplus" (*Nos. *27, 78, 165, 213, 295, 367, 442, 510, 594*); "Capital stock and earned surplus" (*Nos. *29, 550*); "Capital shares and surplus" (*No. *599*); "Capital and surplus" (*Nos. *20, 166, 354*); "Capital stock and retained earnings" (*Nos. *185, 308, 471*); "Capital stock and earnings retained in the business" (*Nos. *247, 467*); "Capital stock and accumulated earnings" (*No. *540*); "Capital stock and retained profits reinvested" (*No. *545*).

"Capital and retained earnings" (*Nos. *47, 355*); "Capital and accumulated earnings" (*No. *103*); "Equity capital and earnings retained in the business" (*No. *246*); "Capital and profit retained and employed in the business" (*No. *342*); "Capital and earnings retained in the business" (*No. *71*).

"Capital" (*Nos. *41, 257, 403*); "Capitalization" (*No. *485*); "Capital invested in the business" (*Nos. *492, 539*); "Capital structure" (*No. *186*).

"Net worth" (*Nos. *438, 441, 591*); "Ownership" (*Nos. *243, 452*); "*Ownership evidenced by . . .* Net capital" (*No. *193*); "Ownership of net assets" (*No. *216*); "Ownership equities" (*No. *129*); "Ownership interest" (*No. *277*); "Sources from which net assets were obtained" (*No. *413*); "Sources from which capital was obtained" (*Nos. *120, 351*); "Sources from which capital derived" (*No. *500*); "Investment represented by . . ." (*No. *363*); . . . *Represented by* . . . "Net assets, as shown above" (*No. *149*); "Amount employed in the business . . . *Derived from* . . ." (*No. *559*); "Total assets less current liabilities . . . *Provided by* . . . Shareholders' investment" (*No. *496*).

"Stockholders' equity" (*Nos. *12, 94, 164, 244, 320, 402, 533*); "Equity of common stockholders'" (*No. *298*); "Stockholders' investment" (*Nos. *91, 202, 293, 332, 405, 531*); "Investment of stockholders" (*Nos. *125, 562*); "Represented by stockholders' investment" (*No. *506*); "Stockholders' ownership" (*Nos. *135, 398*); "Stockholders' interest represented by" (*Nos. *585, 592*); "The stockholders' capital was divided as follows" (*No. *384*).

"Shareholders' equity" (*Nos. *38, 162, 221, 396, 528*); "Shareholders' investment" (*Nos. *219, 487*); "Shareholders' ownership" (*No. *366*); "Shareholders' interest" (*No. *301*); "Shareholders' capital" (*No. *284*); "Excess of assets over liabilities . . . *Derived from shareholders*" (*No. *222*).

"Shareowners' equity" (*Nos. *16, 251, 555*); "Shareowners' investment" (*Nos. *160, 400*); "Represented by shareowners' investment" (*No. *450*); "Investors' equities" (*No. *61*).

'CAPITAL SURPLUS' CAPTION IN THE BALANCE SHEET

The committee on terminology of the American Institute of Accountants, in *Accounting Terminology Bulletin Number 1, Review and Résumé,* reaffirms the recommendation made by the committee in 1949 that in the balance sheet presentation of stockholders' equity the use of the term "surplus" be discontinued. This recommendation is applicable not only to the term "surplus" standing alone but also in such combinations as "capital surplus," "paid-in surplus," "earned surplus," and "appraisal surplus." Although the term "surplus" continues to be extensively used in the descriptive caption for "capital surplus," there has been a marked trend toward its elimination. As shown by Table 14, only 278 of the survey companies used the term "surplus" in their balance sheet captions in 1954, as compared with 375 companies that used it in 1948.

Sources of Capital Surplus

In addition to its recommendation as to the discontinuance of the use of the term surplus the committee on terminology (*Accounting Terminology Bulletin Number 1, Review and Résumé*) stated that in adopting new terminology consideration should be given primarily to the *sources* from which the proprietary capital was derived. Table 15 shows the nature of the information disclosed in the balance sheet caption by the survey companies as to the *source* of "capital surplus."

*Refer to Company Appendix Section.

Examples

The following examples, taken from the 1954 annual reports of the survey companies, are illustrative of the various phrases used to describe "capital surplus."

Captions Retaining 'Surplus'—(278 companies)

'Source' Set Forth

Capital surplus (paid-in surplus, surplus arising from adjustments of capital, and surplus arising from revaluation of fixed assets) (no change during year) (*No. *287*).

Capital surplus—excess of par value over cost of capital stock acquired and cancelled (*No. *388*).

Capital surplus: "Paid in by stockholders" and "Earnings capitalized in connection with stock dividend in 1948" (*No. *492*).

Capital surplus (additional paid-in capital) (*No. *527*).

Capital in excess of par value (Capital Surplus) (*Nos. *553, 571*).

Capital surplus—principally the excess of book value of net assets of subsidiaries at acquisition over cost of investment (*No. *587*).

Capital surplus resulting from acquisitions and conversions of preferred stock (*No. *30*).

Amount paid the company for capital stock in excess of par value (capital surplus) (*No. *33*).

Capital surplus (Excess over stated value of Common Stock) (*No. *93*).

Capital surplus arising from consolidation (*No. *119*).

Capital surplus—chiefly the excess of net assets at July 1, 1936, the date of reorganization, over the stated value of capital stock issued (*No. *423*).

Capital surplus (from redemption of preferred stock) (*No. *490*).

Capital surplus (arising from the retirement of prior preferred stock) (*No. *522*).

Capital surplus (excess of sales price over cost of treasury stock sold since April 22, 1949) (*No. *546*).

Capital surplus (excess of approximate market value over par value of 639,681 common shares issued as a dividend) (*No. *545*).

'Source' Not Set Forth

Capital surplus (unchanged since January 1, 1953) (*No. *348*).

Capital surplus (*Nos. *1, 6, 11, 19, 20, 26, 27, 37, 40*).

Capital surplus (No Change During Year) (*Nos. *4, 150*).

Capital surplus, paid-in (*No. *13*).

Capital (Paid-in) surplus (*No. *17*).

Capital surplus, including, in 1954, adjustments relating to treasury stock, etc. (*No. *36*).

Paid-In Surplus (*Nos. *39, 99, 135, 175, 360*).

Surplus (*No. *43*).

Paid-in Surplus (no change during the periods) (*No. *52*).

Surplus: Capital (principally paid-in) (*No. *156*).

Capital Surplus (no change during the period) (*No. *98*).

Capital surplus (no transactions during year) (*No. *130*).

Paid-in surplus (no change during the year) (*Nos. *153, 347*).

Capital surplus (unchanged during year) (*No. *177*).

Capital surplus (no change during 1954 and 1953) (*No. *180*).

Surplus—Paid-In (*No. *188*).

Capital Surplus (no change during the fiscal years 1954 and 1953 (*No. *356*).

Captions Replacing 'Surplus'—(185 companies)

'Source' Set Forth

Capital in excess of par value (*Nos. *281, 284, 334, 398, 449, 516, 531, 576*).

Amounts received for stock in excess of par value (*No. *297*).

Capital contributed in excess of par value of common stock (*Nos. *296, 301*).

Amount in excess of par value (*Nos. *467, 504, 528*).

Additional stated capital in respect of common stock (*No. *282*).

Capital in excess of stated amount (*No. *314*).

Capital in excess of par value of capital stock (*Nos. *412, 529, 592*).

Excess of amount received over stated value (*No. *317*).

Earnings segregated by stock dividends and gains on

TABLE 14: CAPITAL SURPLUS CAPTION

Balance Sheet Captions	1954	1953	1952	1951	1950	1949	1948
Including term *surplus*—							
(a) Capital surplus	200	199	209	207	229	236	263
(b) Paid-in surplus	52	51	56	59	67	70	87
Capital surplus—paid-in	12	11	10	8	2	2	3
(c) Surplus (classified)	6	6	6	4	4	2	5
Surplus (unclassified) (*Co. Nos. *43, 90, 138*)	7	10	9	14	15	16	17
Surplus reinvested (unclassified) (*Co. No. *141*)	1	1	1	—	—	—	—
Total retaining term *surplus*	278	278	291	292	317	326	375
Total replacing term *surplus***	185	180	158	154	128	117	73
Total presenting accounts	463	458	449	446	445	443	448
Not presenting accounts	137	142	151	154	155	157	152
	600	600	600	600	600	600	600
Percentage of Companies							
Retaining term *surplus*	60	61	65	65	71	73	84
Replacing term *surplus*	40	39	35	35	29	27	16
	100%	100%	100%	100%	100%	100%	100%

(a) Includes six instances where "Capital surplus" and "Paid-in surplus" appeared with separate dollar amounts designated for each (Nos. *232, 422, 426, 460, 543, and 575;* also Co. *410* used both terms in 1951 only).
Includes one instance where "Capital surplus" and "Appreciation Surplus" appear with separate dollar amounts designated for each (No. *63*).

(b) Includes one instance where "Paid-in surplus" and "Appreciation Surplus" appear with separate dollar amounts designated for each (No. *404*).

(c) Includes the usage of "Recapitalization Surplus" since 1950 and the usage of "Initial Surplus" each year. (Nos. *14* and *455*).

*Refer to Company Appendix Section.

**The Various Balance Sheet Captions, Which Replaced the Term *Surplus,* Used the Following Types of Terminology:

	1954	1953	1952
Additional paid-in capital	41	36	34
Capital paid-in	1	—	—
Other paid-in capital	5	8	7
Paid-in capital	2	3	3
Additional capital	10	9	8
Other capital	10	9	9
Other contributed capital	2	3	3
Sundry capital credits	1	1	1
Capital in excess of par or stated values	49	49	36
Amount in excess of par value	3	2	2
Investment in excess of (par, stated) value	5	6	5
Capital (contributed, received) in excess of (par, stated, par or stated) values	13	13	13
Capital paid-in in excess of par value	9	9	8
Amount (paid-in, paid-in or assigned, realized, received) in excess of (par, stated, par or stated) values	13	10	7
Excess of (amounts received, amounts contributed, amounts paid-in, capital paid-in, net proceeds) over (par, stated) values	2	2	4
(Paid-in, premium received) in excess of par value	1	2	2
Capital arising from (conversion, retirement, stock dividend revision)	3	3	2
Capital resulting from reduction of amount assigned to shares	1	1	1
Conversion, retirements, premium on stock issued, and merger	1	1	1
Earnings (segregated, transferred, capitalized)	2	2	2
Excess of proceeds received from sale of treasury stock over cost thereof	1	1	1
Excess of (net assets, equity in net assets) of subsidiary	4	4	3
Earnings of subsidiary at acquisition	1	1	1
Retained earnings transferred to capital	1	1	1
Common shareholders' equity	1	1	1
Shareowners' equity	1	1	1
Excess of stockholders' investment over par value of common stock	1	1	1
Additional capital from premiums on issuance or conversion of shares	1	1	1
Total	185	180	158

distribution of capital stocks (*No. *320*).

Other capital—principally excess of net assets of subsidiaries at dates of acquisition over costs of investments (*No. *330*).

Capital arising from payment of stock dividends (*No. *333*).

Excess of proceeds received from sale of treasury shares over the cost thereof (*No. *335*).

Additional capital from issued shares (*No. *340*).

Capital contributed for shares in excess of par value (*No. *344*).

Capital contributed for stock in excess of par value (*No. *456*).

Additional paid-in capital (premiums less expenses on common stock issued) (*No. *355*).

Capital paid in in excess of par value of stock issued, etc. (*No. *361*).

Capital in excess of par value of stock (*No. *363*).

Amount paid in for shares in excess of par or stated value (*No. *364*).

Amounts received in excess of par value of capital stock (*Nos. *379, 579*).

Contributed capital (*No. *384*).

Capital paid in by shareowners in excess of par value of capital stock (*No. *400*).

Investment in excess of par value of common stock (*Nos. *69, 405*).

Capital in excess of par or stated capital of shares (*No. *416*).

Capital contributed or assigned in excess of stated or par value (*No. *436*).

Paid-in capital in excess of par value of capital stock (*Nos. *450, 549*).

Excess of net assets of a subsidiary over cost (*No. *451*).

Amount received in excess of par value of shares outstanding (*No. *454*).

Other capital contributed upon issuance of shares (*No. *457*).

Premium received on capital stock in excess of par value (*No. *470*).

Capital in excess of par value (no change during year) (*No. *474*).

Capital in excess of par value of common stock (*Nos. *16, 478*).

Capital in excess of par or stated value of capital stock (*No. *479*).

Capital arising from retirement of treasury stock in 1939 (*No. *493*).

Capital contributed and earnings capitalized in excess of stated value of common stock (*No. *502*).

Capital in addition to par or stated values of shares (*No. *523*).

Capital contributions in excess of par value of capital stock (*No. *539*).

Additional capital—excess of net assets over stated capital as of January 1, 1938 plus subsequent additions arising from retirements of preferred stock and issues of common shares as stock dividends (*No. *533*).

Capital paid-in in excess of par values of capital stock (*No. *532*).

Credits in excess of par or stated values of shares (*No. *551*).

Excess of equity in book value of net assets of subsidiary company at dates of acquisition, over purchase price of its capital stock (*No. *557*).

Capital in excess of stated value of stock (*No. *573*).

Amount paid the Company for capital stock in excess of par value (*No. *588*).

Other capital in excess of par value of shares (*No. *21*).

Paid-in capital in excess of par value (*No. *24*).

Capital paid in for common stock in excess of par value (*No. *25*).

Paid-in capital arising from reduction in par value of capital stock (*No. *221*).

TABLE 15: SOURCE OF CAPITAL SURPLUS

Source Set Forth in Caption	1954	1953	1952
Excess received over par value	32	37	34
Excess received over par or stated value	3	2	2
Excess received over stated value	6	10	11
Excess over par value	58	52	42
Excess over par or stated value	5	3	3
Excess over (stated amounts, value shown, stated value)	8	11	7
Earnings capitalized	6	10	8
Revision in capital structure	4	7	8
Retirement of capital stock	3	8	8
Conversion of preferred stock	3	2	2
Sale of treasury stock	2	2	3
Revaluation of capital assets	1	1	1
Subsidiary acquisition or merger	5	11	14
Arising in consolidation of subsidiary	2	2	3
Donated capital	—	—	1
Common Shareholders' Equity	1	—	—
Total*	139	158	147
Number of Companies			
Referring to source of capital surplus	139	141	127
Not referring to source of capital surplus	324	317	322
Not referring to capital or unclassified surplus	137	142	151
	600	600	600

*The 1954 total includes only the number of instances where the *source* of capital surplus appeared in the balance sheet caption, whereas the 1953 and 1952 totals include 17 and 20 occasions, respectively, where the source appeared within the accompanying statements of stockholders' equity. For comparison by total of instances of source of capital surplus appearing in the balance sheet caption, note: 1955—139, 1954—141, 1953—127.

'Source Not Set Forth'

Paid-in capital (*No. *56*).

Sundry capital credits (*No. *22*).

Other contributed capital, no change during the year (*No. *10*).

Additional capital—no change in year 1954 (*No. *285*).

Additional capital (*Nos. *18, 189*).

Other paid-in capital (*Nos. *12, 481, 509*).

Other paid-in capital (principally on common stock) (*No. *380*).

Balance of paid-in capital (*No. *580*).

Other capital (*Nos. *94, 277, 327, 583*).

Other capital (details on page 19) (*No. *181*).

Additional Paid-In Capital (*Nos. *9, 68, 70, 97, 112, 116*).

Additional capital paid in (*No. *110*).

'RETAINED EARNINGS' CAPTION IN THE BALANCE SHEET

Table 16 reveals that there has been a steady decrease in the use of the term "surplus" in describing the "retained earnings" account in the balance sheets in the published annual reports of the 600 survey companies. In 1948 there were 501 companies that used the term "surplus" in this connection in their balance sheets, whereas in 1954 there were only 265 survey companies that continued to use such terminology. This decline in the use of the term "surplus" is in accord with the recommendation made by the committee on terminology of the American Institute of Accountants (*Accounting Terminology Bulletin Number 1, Review and Résumé*) that:

> The term *earned surplus* be replaced by terms which will indicate source, such as *retained income, retained earnings, accumulated earnings,* or *earnings retained for use in the business.*

Table 16 shows that the 335 survey companies which in 1954 had replaced the term "earned surplus" in their balance sheets had done so with other words such as "retained earnings," "retained income," "accumulated earnings," "reinvested earnings," "earnings employed," etc., which more clearly indicate *source,* as recommended by the committee on terminology.

Table 17 shows the frequency of use of the various combinations of words indicating the *status* and *source* of retained earnings as set forth in the 1954 balance sheets of the survey companies. This tabulation discloses that the

TABLE 16: TERMS REPLACING 'EARNED SURPLUS'

Earned Surplus Replaced:	1954	1953	1952	1951	1950	1949	1948
With *"source"* words—							
Earnings	289	279	257	223	205	156	69
Income	37	35	37	37	34	31	21
Profit	9	9	9	8	8	8	8
Deficit	—	—	—	1	1	1	1
	335	323	303	269	248	196	99
Combined with *"status"* words—							
Retained	240	226	204	175	150	112	57
Accumulated	36	35	37	38	38	33	6
Reinvested	26	29	30	24	24	24	14
Employed	20	18	16	16	18	14	9
Invested	9	10	11	10	12	8	8
Undistributed	1	2	1	2	2	2	2
Undivided	2	2	2	2	2	2	2
Used	1	1	2	2	2	1	1
	335	323	303	269	248	196	99
Earned Surplus Retained As:							
Earned Surplus	237	243	263	291			
Earned Surplus *combined* with—							
Earnings retained	6	9	8	9			
Earnings reinvested	1	2	2	4			
Earnings employed	1	1	1	1			
Earnings accumulated	1	1	1	1	336	387	481
Income retained	4	6	5	4			
Income reinvested	—	2	2	1			
Deficit	1	1	4	4			
Surplus from operations	—	1	1	1			
Surplus*	11	10	9	15	16	17	20
Surplus reinvested*	1	1	1	—	—	—	—
Deficit	2	—	—	—	—	—	—
	265	277	297	331	352	404	501
	600	600	600	600	600	600	600
Number of Companies:							
Replacing "earned surplus"	335	323	303	270	248	196	99
Retaining "earned surplus"	265	277	297	330	352	404	501
	600	600	600	600	600	600	600

*Surplus not classified.

words "retained" and "earnings" are those that have been adopted most often to replace the term "earned surplus."

Examples

Various examples, from the 1954 balance sheets of the survey companies, of the more commonly used phrases describing retained earnings are set forth below (See also Section 4, Retained Earnings and Capital Surplus):

Earnings—(289 Companies):

"Retained earnings" (*Nos. *37, 51, 114, 173, 185, 205, 238, 323, 396, 432, 466, 520, 522*); "Earnings retained" (*Nos. *195, 209*); "Earnings retained in the business" (*Nos. *24, 203, 215, 371, 514*); "Earnings retained for use in the business" (*Nos. *48, 242, 243, 355*); "Earnings retained for business needs" (*No. *214*); "Consolidated earnings retained for use in the business" (*No. *328*); "Earnings retained in the business, since November 2, 1941 (after transfer of $1,497,684.06 to capital incident to stock dividends)" (*No. *305*); "Retained earnings from January 1, 1935 after transferring $7,213,377 to capital accounts in 1952" (*No. *282*); "Earnings retained and invested in the business after transfer of $632,162 to capital stock" (*No. *135*); "Earnings employed in the business" (*Nos. *12, 125, 235*); "Accumulated earnings employed in the business" (*Nos. *30, 428*); "Accumulated earnings reinvested in the business" (*No. *73*); "Earnings retained and employed in the business" (*No. *446*); "Reinvested earnings" (*No. *69*); "Undistributed earnings" (*No. *94*).

Income—(37 Companies):

"Income retained in the business" (*No. *76*); "Income retained for use in the business" (*Nos. *67, 311, 544*); "Net income retained for use in the business" (*No. *534*); "Income retained for use in the business (after transfer to capital contributed accounts)" (*No. *479*); "Income retained for use in the business (less income transferred to capital accounts by reason of stock dividends)" (*No. *592*); "Income retained and invested in the business" (*No. *393*); "Accumulated net income retained for use in the business" (*No. *386*); "Income invested in the business" (*No. *234*).

Profit—(9 Companies):

"Undivided profits" (*No. *186*); "Profits retained in the business, less amounts transferred to capital accounts" (*No. *523*); "Profits reinvested in the business, since March 31, 1936" (*No. *189*).

Earned Surplus—(251 Companies):

"Earned surplus" (*Nos. *6, 83, 108, 197, 232, 292, 303, 325, 365, 468, 489, 518, 599*); "Earned surplus from January 1, 1933" (*No. *237*); "Earned surplus ($28,000,000 not available for dividends on common shares as long as 3¾% notes are outstanding)" (*No. *364*); "Earned surplus (deficit)" (*No. *512*); "Earned surplus—earnings retained in the business" (*No. *39*); "Earned surplus (earnings re-invested in Company since 1944)" (*No. *121*); "Earned surplus—representing earnings retained for use in the business, after deducting all dividends" (*No. *564*).

*Refer to Company Appendix Section.

TABLE 17: RETAINED EARNINGS TERMINOLOGY IN 1954

"Status" Words:	"Source" Words: Earnings	Income	Profit	Total
Retained	187	24	2	213
Retained—Invested	9	—	—	9
Retained—Used	9	—	—	9
Retained—Employed	6	—	1	7
Retained—Reinvested	1	—	1	2
Accumulated	8	—	—	8
Accumulated—Retained	13	2	—	15
Accumulated—Retained —Used	1	—	—	1
Accumulated—Used	3	—	—	3
Accumulated—Employed	6	—	—	6
Accumulated—Invested	1	—	—	1
Accumulated—Reinvested	2	—	—	2
Reinvested	19	3	2	24
Reinvested—Employed	1	1	—	2
Employed	17	2	1	20
Invested	4	5	—	9
Undistributed	1	—	—	1
Undivided	—	—	2	2
Used	1	—	—	1
Total	289	37	9	335
"Surplus" Words:				
Earned Surplus	—	—	—	237
Earned Surplus used with:				
Retained	6	4	—	10
Reinvested	1	—	—	1
Employed	1	—	—	1
Accumulated—Employed	1	—	—	1
Deficit	—	—	—	3
Surplus Reinvested*	—	—	—	1
Surplus*	—	—	—	11
Total				265
				600

*Surplus not classified.

Surplus not classified—(12 Companies):

"Surplus" (*Nos. *43, 90, 321*); "Surplus (deficit)" (*No. *138*); "Surplus, without deduction for depletion, reinvested in the business" (*No. *141*); "Surplus (without deduction for depletion of metal mines)" (*No. *53*).

TABLE 18: STOCKHOLDERS' EQUITY STATEMENTS

Including details of:	1954	1953	1952	1951	1950	1949	1948	1947	1946
Capital stock, capital surplus, and retained earnings (*Nos. *15, 85, 118, 227, 271, 277, 334, 384, 422, 440, 497, 513, 526, 528, 529, 544, 551*)	17	15	16	16	13	13	7	5	4
Capital stock, capital surplus, retained earnings and appropriated surplus reserves (*No. *121*)	1	1	1	1	1	1	1	1	1
Capital stock and capital surplus (*No. *113*)	1	1	1	1	1	1	1	1	1
Capital stock and retained earnings (*Nos. *157, 496*)	2	3	2	2	2	1	1	1	1
Capital stock, retained earnings, income, and only in 1947 and 1946, capital surplus (*No. *574*)	1	1	1	1	1	1	1	1	1
Capital stock and unclassified surplus	—	—	—	—	—	—	—	—	2
Total	22	21	21	21	18	17	11	9	10
Statement not presented	578	579	579	579	582	583	589	591	590
	600	600	600	600	600	600	600	600	600

*See Company Appendix Section.

STOCKHOLDERS' EQUITY STATEMENTS

Information in Stockholders' Equity Statements

Table 18 summarizes the various types of data found in the stockholders' equity statements presented in the 600 survey reports during the years 1946 through 1954.

Title

Table 19 discloses the terminology used by the survey companies in the titles for the stockholders' equity statement. The term most frequently used is "stockholders' equity" (5 companies in 1954). This tabulation shows that there were 22 stockholders' equity statements in the 1954 reports of the 600 survey companies.

Examples

Set forth below is the full title of each of the 22 stockholders' equity statements presented in the 1954 annual reports of the survey companies:

"Statement of Stockholders' Equity" (*No. 334); "Statement of Changes in Stockholders' Equity" (*No. 227); "Comparative Consolidated Statement of Stock-

TABLE 19: STOCKHOLDERS' EQUITY STATEMENT TITLE

Terminology Used	1954	1953	1952	1951	1950	1949	1948	1947	1946
Stockholders' equity	5	7	7	8	6	6	2	—	—
Stockholders' interest	1	1	1	1	1	1	1	1	1
Stockholders' ownership	2	1	1	1	1	1	1	1	—
Stockholders' capital	1	1	1	1	2	1	—	—	—
Shareholders' equity	4	3	3	2	1	1	1	1	1
Shareholders' capital	1	1	1	1	1	1	1	1	—
Shareholders' investment	2	1	1	1	1	—	—	—	—
Shareholders' ownership	—	—	—	—	1	1	—	—	—
Shareowners' equity	1	1	1	1	—	—	—	—	—
Capital	2	2	2	2	2	2	2	2	2
Ownership interest (net worth)	1	1	1	—	—	—	—	—	—
Net worth	—	—	—	1	—	1	1	1	1
Capital stock and surplus	2	2	2	2	2	2	2	2	5
Total	22	21	21	21	18	17	11	9	10
Statement not presented	578	579	579	579	582	583	589	591	590
	600	600	600	600	600	600	600	600	600

*See Company Appendix Section.

GERBER PRODUCTS COMPANY AND SUBSIDIARY

CONSOLIDATED STATEMENT OF SHAREOWNERS' EQUITY

	Year Ended March 31 1955	1954
4½% Cumulative Preferred Stock—$100 Par Value		
Balance at beginning of year	$ 1,243,400	$ 1,243,400
Less par value of 433 shares purchased for retirement	43,300	—0—
Balance at End of Year	$ 1,200,100	$ 1,243,400
Common Stock—$10 Par Value		
Balance at beginning of year	$13,237,860	$ 6,533,930
Additions:		
Par value of 8,500 shares in each year issued to Gerber Baby Foods Fund in part payment of liability for prior year's contribution	85,000	85,000
Par value of shares distributed to shareowners:		
1955 — 665,980 shares at rate of one share for each two shares outstanding; 1954 — 661,893 shares at rate of one share for each share outstanding	6,659,800	6,618,930
Balance at End of Year	$19,982,660	$13,237,860
Additional Paid-In Capital		
Balance at beginning of year	$ —0—	$ 2,425,870
Excess of market price over par value of Common Stock issued to Gerber Baby Foods Fund	208,250	238,000
	$ 208,250	$ 2,663,870
Transfers to Common Stock account in connection with share distributions described above	208,250	2,663,870
Balance at End of Year	$ —0—	$ —0—
Earnings Retained		
Balance at beginning of year	$ 7,702,868	$ 9,717,904
Net earnings for the year	5,453,585	3,452,144
	$13,156,453	$13,170,048
Deductions:		
Cash dividends paid:		
On 4½% Preferred Stock — $4.50 a share	$ 55,135	$ 55,955
On Common Stock: 1955 — $.85 a share; 1954 — $.73 a share (per share amounts based on shares outstanding at March 31, 1955)	1,696,074	1,456,165
Transfers to Common Stock account to record par value of shares distributed to shareowners as explained above, less amounts transferred from additional paid-in capital	6,451,550	3,955,060
Cash paid in lieu of issuing fractional shares	6,413	—0—
Excess of cost of Preferred Stock purchased for retirement over par value thereof	798	—0—
Total Deductions	$ 8,209,970	$ 5,467,180
Balance at End of Year	$ 4,946,483	$ 7,702,868
Total Shareowners' Equity at End of Year	$26,129,243	$22,184,128

See notes to financial statements.

holders' Equity" (*No. 85); "Statement of Common Stockholders' Equity" (*No. 15); "Consolidated Statement of Changes in Common Stockholders' Equity" (*No. 271).

"Statement of Stockholders' Interest" (*No. 529); "Statement of Stockholders' Ownership" (*No. 157); "Consolidated Statement of Stockholders' Ownership" (*No. 526); "Statement of Changes in Stockholders' Capital Invested in Business" (*No. 384).

"Consolidated Statement of Shareholders' Equity" (*No. 528); "Shareholders' Consolidated Equity" (*No. 513); "Shareholders' Capital" (*No. 113); "Shareholders' Investment" (*No. 496); "Analysis of Shareholders' Equity" (*No. 121); "Statement of Shareholders' Equity" (*No. 422); "Consolidated Statement of Shareholders' Investment" (*No. 544).

"Share Owners' Equity" (*No. 551).

"Analysis of Capital Invested" (*No. 497); "Summary of Changes in Consolidated Capital" (*No. 574); "Consolidated Statement of Ownership Interest (Net Worth)" (*No. 277).

"Capital Stocks and Surplus" (*No. 118); "Consolidated Statements of Capital Stock and Surplus" (*No. 440).

*Refer to Company Appendix Section.

COMPARATIVE CUSTOMARY CERTIFIED STATEMENTS

Number of Comparative Statements

Of the 1,712 customary certified statements included in the 1954 annual reports of the 600 survey companies, 1,129 were in comparative form. Table 20 shows the number of the various types of customary certified financial statements found in the 1954 survey reports and the number of each presented on a comparative basis. There is a continuing trend toward the use of comparative statements, with approximately 65 per cent of the customary certified financial statements being presented in that form in 1954 as compared with only 32 per cent in 1946.

Combination of Comparative Statements

Table 21 summarizes the various combinations of comparative certified statements and sets forth the frequency of their use by the 600 survey companies. This tabulation also reveals the continued increase since 1946 in the number of the survey companies presenting comparative customary certified statements in their published annual reports. The companies that have thus adopted the comparative form of statement have almost invariably done so as to all of the customary certified statements contained in their reports.

TABLE 20: COMPARATIVE CUSTOMARY CERTIFIED STATEMENTS

Number of Statements	1954	1953	1952	1951	1950	1949	1948	1947	1946
Comparative Presentation:									
Balance Sheet	426	417	400	382	350	318	284	250	210
Income Statement	279	268	264	267	255	245	222	204	183
Combined Income & Retained Earnings	158	159	149	130	115	95	87	77	58
Combined Income & Unclassified Surplus	1	2	2	2	2	1	1	—	—
Retained Earnings	176	163	160	159	149	141	128	110	98
Combined Retained Earnings & Capital Surplus	2	2	3	3	2	1	—	—	—
Capital Surplus	72	64	57	60	64	63	60	57	45
Stockholders' Equity	12	11	11	12	11	9	7	5	1
Unclassified Surplus	3	3	3	5	7	8	5	5	5
Total	1129	1089	1049	1020	955	881	794	708	600
Noncomparative Presentation:									
Balance Sheet	174	183	200	218	250	282	316	350	390
Income Statement	100	113	122	133	149	173	201	223	245
Combined Income & Retained Earnings	58	54	59	64	75	80	82	88	105
Combined Income & Unclassified Surplus	1	1	1	1	—	1	1	2	2
Retained Earnings	136	154	160	174	188	212	226	238	255
Combined Retained Earnings & Capital Surplus	14	11	15	16	15	19	29	33	32
Capital Surplus	86	86	97	82	98	104	127	146	173
Stockholders' Equity	10	10	10	9	7	8	4	4	8
Unclassified Surplus	4	5	4	6	6	6	10	10	10
Total	1712	1706	1717	1723	1743	1766	1790	1802	1820
Number of Companies Presenting									
All statements in comparative form	351	344	325	306	281	250	225	190	155
Some statements in comparative form	93	93	96	101	97	97	93	100	94
No statements in comparative form	156	163	179	193	222	253	282	310	351
	600	600	600	600	600	600	600	600	600

TABLE 21: COMPARATIVE CUSTOMARY CERTIFIED STATEMENTS

Combination of Comparative Statements	1954	1953	1952	1951	1950	1949	1948	1947	1946
A: Balance Sheet, Income, and Retained Earnings Statements	110	106	108	105	93	83	71	52	50
B: Balance Sheet, Income, Retained Earnings, and Capital Surplus Statements	61	52	46	48	48	49	49	46	38
C: Balance Sheet, Income, and Combined Capital Surplus & Retained Earnings	2	2	3	3	2	1	—	—	—
D: Balance Sheet in Combination with Other Various Statements	3	5	5	5	5	4	4	3	0
E: Balance Sheet, Income, and Stockholders' Equity Statements	10	9	8	9	8	6	4	2	1
F: Balance Sheet and Combined Income & Retained Earnings Statement	145	145	134	114	96	81	75	67	50
G: Balance Sheet, Combined Income & Retained Earnings, and Capital Surplus Statements	9	9	8	10	13	10	8	6	4
H: Balance Sheet, Income, and Unclassified Surplus Statements	3	3	3	5	6	7	4	4	4
I: Balance Sheet and Income Statement	78	80	81	77	75	73	63	63	55
J: Balance Sheet	5	6	4	6	4	4	6	7	8
K: Income Statement in Combination with Other Various Statements	4	3	5	5	8	9	8	13	11
L: Combined Income & Retained Earnings Statement	4	5	7	6	6	4	4	3	4
M: Income Statement	10	12	9	14	14	16	22	24	24
Total	444	437	421	407	378	347	318	290	249
Number of Companies Presenting									
All statements in comparative form	351	344	325	306	281	250	225	190	155
Some statements in comparative form	93	93	96	101	97	97	93	100	94
No statements in comparative form	156	163	179	193	222	253	282	310	351
	600	600	600	600	600	600	600	600	600

Cents Omitted or Presented

In the 1954 annual reports, only 93 of the 600 survey companies continued to include cents in their statements. There has been a continuing increase in the number of companies which eliminate cents from their statements; in 1946, 251 companies did so (42% of the total) and in 1954, 507 companies did so (84% of the total). Of these companies, 321 presented all statements on a comparative basis, 80 presented some statements on a comparative basis and 106 did not present comparative statements.

Additional Certified Statements and Supplementary Schedules

The preceding discussions in this section have been concerned solely with the *customary* certified statements presented in the annual reports of the survey companies. In addition to the customary certified statements, the annual reports contain numerous additional certified statements and supplementary schedules. In their 1954 annual reports, 205 survey companies included *additional* certified statements and supplementary schedules. Such statements and schedules are considered to be certified: (a) when they are mentioned in the accountant's report, (b) when they are referred to within or at the foot of the customary certified statements, (c) by their position in relation to the customary certified statements and the accountant's report or, (d) by inclusion in the footnotes to the customary certified financial statements.

ADDITIONAL CERTIFIED STATEMENTS

The additional certified statements contained in the 1954 annual reports of the survey companies, in the order of the frequency of their presentation, were applicable to (a) the reporting company, (b) foreign subsidiaries, (c) domestic subsidiaries, (d) affiliated companies, and (e) the parent company. The types of additional certified statements most frequently included in the 1954 survey reports were statements of source and application of funds of the reporting company, balance sheets of domestic subsidiaries, and balance sheets of foreign subsidiaries. Table 22 summarizes the various types of additional certified statements presented in the annual reports of the 600 survey companies for the years 1950 through 1954. There were 68 companies that included 117 such additional certified statements in their 1954 annual reports, examples of which are described below.

Reporting Company Statements

Sixty "additional certified statements" applicable to the reporting company were presented by 43 of the 600 survey companies in their 1954 annual reports. In addition to the customary certified statements contained in the 1954 report of *Bell & Gossett Company* there were presented also a certified "Summary of Sources and Uses of Funds" and a "Pro Forma Balance Sheet." In addition to the customary comparative financial statements for 1954 (and 1953), *Bristol-Myers Company* and North American Subsidiaries included in its report a comparative statement

TABLE 22: ADDITIONAL CERTIFIED STATEMENTS

Statements Applicable To:	1954	1953	1952	1951	1950
*A: Reporting Company**					
Balance sheet	4	5	5	5	6
Income statement	4	4	4	3	3
Combined income & retained earnings	—	1	1	1	1
Capital surplus statement	2	1	—	—	—
Stockholders' equity statement	1	1	1	1	1
Statement of working capital	7	6	5	3	4
Source & application of funds	18	13	12	11	9
Financial operating data	8	7	4	5	5
Pro forma statement	2	4	1	2	—
Employee bonus—retirement	8	8	9	8	8
Geographical statement	4	4	4	4	4
Branch store—Investment	1	1	1	1	2
Long-term indebtedness	1	1	—	—	—
*B: Parent Company**					
Balance sheet	3	3	4	4	4
Income statement	3	3	3	3	3
Retained earnings statement	1	1	1	1	1
Capital surplus statement	—	—	1	1	1
Stockholders' equity statement	1	1	1	1	1
*C: Domestic Subsidiary**					
Balance sheet	12	12	13	14	12
Income statement	—	2	3	6	5
Combined income & retained earnings	6	8	6	6	4
Retained earnings	—	1	2	2	2
Financial data	1	1	—	—	—
*D: Foreign Subsidiary**					
Balance sheet	9	11	10	11	9
Income statement	3	6	5	5	6
Combined income & retained earnings	4	3	3	4	3
Retained earnings statement	1	2	1	1	1
Financial data	3	4	3	3	3
Assets and liabilities	1	2	2	2	2
Minority interests	1	1	1	1	1
Long-term indebtedness	1	1	1	1	1
*E: Affiliated Company**					
Balance sheet	4	5	1	1	1
Income statement	3	2	—	—	—
Retained earnings statement	—	1	—	—	—
Capital surplus statement	—	1	—	—	—
Total	117	127	108	111	103

Year	Number of Companies Presenting Additional Certified Statements: Type A	Type B	Type C	Type D	Type E	Number of Companies With: Additional certified statements	No additional certified statements	Total
1954:	43	3	12	13	3	68	532	600
1953:	42	2	12	14	4	66	534	600
1952:	39	3	12	13	1	61	539	600
1951:	37	3	13	14	1	64	536	600
1950:	36	3	12	13	1	60	540	600

Year	Comparative Presentation of Additional Certified Statements: 2 Yrs.	3 Yrs.	4 Yrs.	5 Yrs.	6 Yrs.	7 Yrs.	8 Yrs.	9 Yrs.	10 Yrs.	11+ Yrs.	Total	Not comparative	Grand Total
1954:	42	2	3	1	—	1	—	—	10	2	61	56	117
1953:	48	1	3	2	—	—	—	—	7	1	62	65	127
1952:	45	1	—	2	—	—	—	2	3	3	56	52	108
1951:	42	1	1	3	—	—	2	—	4	3	56	55	111
1950:	39	1	1	2	—	—	—	2	1	4	50	53	103

*See Company Appendix—A: 2, 11, 39, 45, 57, 60, 68, 86, 87, 88, 90, 117, 118, 127, 129, 149, 181, 190, 209, 210, 242, 254, 261, 279, 281, 310, 311, 342, 359, 391, 414, 440, 441, 445, 476, 477, 489, 526, 528, 564, 583, 584, 585, 588; B: 143, 410, 528; C: 1, 15, 66, 145, 146, 241, 254, 287, 324, 359, 499; D: 36, 39, 55, 116, 152, 270, 315, 320, 324, 524, 561, 583, 593; E: 47, 182, 390.

of financial condition for the years 1948 to 1954 inclusive and a condensed ten year statement of consolidated earnings for the years 1945 to 1954 inclusive. The report of *United States Gypsum Company* included a certified "Statement of Money Provided from Operations and Its Disposition" for the year 1954, and the report of *Crown Zellerbach Corporation* contained "Statements of Sources and Uses of Working Capital" for the years ended April 30, 1955 and 1954. The 1954 financial statements of *Textron, Incorporated, American Woolen Company,* and *Robbins Mills, Inc.,* were each included in the report issued by Textron American, Inc. as of February 24, 1955, on which date the former companies were merged with and into Textron American, Inc.

Parent Company Statements

Three of the survey companies provided certified statements with regard to the accounts of the parent company in addition to consolidated statements (*Co. Nos. 143, 410, 528). In addition to a Comparative *Consolidated* Balance Sheet, *National Presto Industries, Inc.* presented a comparative balance sheet (1954 and 1953) for that company as parent, and "Profit and Loss" and "Surplus" accounts showing separate figures for the "parent company" and "wholly owned subsidiaries consolidated."

The 1954 report of *Foremost Dairies, Inc.* included not only the customary certified statements of that company but also those of *Philadelphia Dairy Products, Inc.,* for the year ended December 31, 1954. The report also included an *uncertified* "Pro Forma Combined Balance Sheet" and "Pro Forma Combined Statement of Income" of "Foremost Dairies, Inc., Philadelphia Dairy Products Company, Inc., American Dairies, Inc., and Blue Moon Foods, Inc. including all subsidiaries (as it would have been if the companies had been combined at the end of the year 1954)."

Domestic Subsidiary Statements

The 1954 survey reports contained 19 "additional certified statements" applicable to domestic subsidiaries. *Clark Equipment Company,* the parent company of Equipment Finance Company and Subsidiary Company, included in its 1954 report a consolidated balance sheet for the latter company, mentioned in the accountant's report by reference to the examination of Clark Equipment Company "and its subsidiaries." *City Stores Company* included with its customary financial statements a "Combined Statement of Financial Condition"—"Unconsolidated Real Estate Subsidiaries." The annual report of *ACF Industries, Incorporated* included the consolidated statements of a wholly owned subsidiary, SHPX First Corporation and subsidiaries.

Foreign Subsidiary Statements

Twenty-three "additional certified statements" applicable to foreign subsidiaries were included by 13 survey companies in their 1954 reports.

The 1954 report of *Remington Rand, Inc.* included a "Summary of amounts included in consolidation with respect to foreign branches and subsidiaries March 31, 1955."

The annual report of *The International Silver Company* included the financial statements of The International Silver Company of Canada, Limited, a wholly owned subsidiary. *Johnson & Johnson* included in its 1954 report "Ten Year Comparative Financial Statements of Foreign Subsidiaries"; the accompanying accountants' report referred to the statements as follows:

"The accompanying consolidated statements and the notes thereto present fairly the financial condition of Johnson & Johnson and domestic subsidiaries, and of foreign subsidiaries as at December 31, 1954 and December 31 of each preceding year to 1945."

Exhibits—Customary Certified Statements

Examples of various "certified" statements have been selected from the 1954 annual reports and reproduced as exhibits. (Refer to Index to Exhibits, following the Table of Contents, for page numbers.)

1. *Statement of Financial Condition* (Burroughs Corporation). This statement is presented in comparative form for the years 1954 and 1953 and uses the financial position form with the stockholders' investment presented first in a downward sequence as the equivalent to net assets.
2. *Consolidated Statements of Income* (General Time Corporation). This statement is given in comparative form for the 53 and 52 week periods ending in 1954 and 1953 respectively, and is an example of the "modified single-step form," using simplified terminology.
3. *Consolidated Statement of Shareowners' Equity* (Gerber Products Company). This statement provides details of preferred and common shares, additional paid-in capital, and earnings retained on a comparative basis for the years ended March 31, 1955 and 1954.
4. *Consolidated Balance Sheets* (Libby, McNeill & Libby). The balance sheet is given in the customary form and shows the accounts as a result of consolidating domestic and Canadian subsidiaries only, and consolidating all subsidiaries.
5. *Statements of Results of Operations* (National Homes Corporation). This statement is of the single-step form, and presents the results of operations for subsidiary companies, parent company, and on a consolidated basis for the year 1954. It also includes details of earnings retained. This exhibit includes a series of three customary statements.
6. *Statements of Consolidated Surplus* (Olin Mathieson Chemical Corporation). Separate statements of Earned Surplus and Paid-In Surplus are provided for the year 1954.
7. *Consolidated Balance Sheet, Consolidated Statement of Operations, Consolidated Statement of Accumulated Earnings Retained in the Business* (Royal McBee Corporation). The statements reflect the results of a merger during the period.

CERTIFIED SUPPLEMENTARY SCHEDULES

Certified supplementary schedules generally provide details of certain items in the balance sheet or in other customary certified financial statements. As shown by Table

23, there were 173 survey companies that presented 351 certified supplementary financial schedules in their 1954 annual reports. The schedules most frequently given were concerned with the depreciation of fixed assets, the composition of inventories, and long term indebtedness, examples of which are described below:

The Atlantic Refining Company presented with its statements a "Summary of Taxes Paid or Accrued."

California Packing Corporation included with its financial statements a two-year comparative schedule of "Details of Items in Accounts" in addition to notes to financial statements, and *Interstate Bakeries Corporation* included a similar schedule.

TABLE 23: CERTIFIED SUPPLEMENTARY SCHEDULES

Nature of Schedule*	1954	1953	1952	1951	1950
A. Accounts, notes receivable	22	19	16	16	16
B. Inventory composition	61	61	57	52	47
C. Fixed assets, depreciation	78	73	72	65	61
D. Foreign investments	26	24	22	23	25
E. Investments—subsidiaries	15	17	20	21	22
F. Investments—securities	6	7	8	7	8
G. Investments—securities, subsidiaries	4	5	5	5	5
H. Various balance sheet items	22	25	28	31	29
I. Long-term indebtedness	53	52	50	36	29
J. Capital stock	23	26	20	21	20
K. Capital	9	6	5	8	8
L. Dividends	1	2	2	2	2
M. Special funds	2	2	2	1	1
N. Reserves, appropriations	12	12	12	14	16
O. Sales	4	4	5	3	3
P. Earnings	2	3	3	2	2
Q. Employment costs	1	3	2	4	2
R. Taxes	7	9	5	5	3
S. Various income and operating items	3	4	4	4	4
Total	351	354	338	320	303
Number of Companies Presenting					
Certified supplementary schedules	137	149	141	121	118
Certified supplementary schedules and additional certified statements	36	36	30	27	24
Additional certified statements	32	30	31	37	36
Total	205	215	202	185	178
No additional certified presentations	395	385	398	415	422
	600	600	600	600	600

Year	Comparative Presentation of Schedules: 2-Yrs.	3-9 Yrs.	10-70 Yrs.	Total	Not Comparative	Grand Total
1954	220	5	4	229	122	351
1953	228	3	5	236	118	354
1952	216	—	6	222	116	338
1951	201	1	6	208	112	320
1950	188	2	5	195	108	303

*See Company Appendix Section—A: 120, 222, 368, 478, 583; B: 9, 116, 130, 213, 253, 370, 458, 502, 568; C: 15, 36, 157, 233, 314, 340, 401, 458, 551, 591; D: 2, 39, 332, 467, 583; E: 311, 340, 402, 541; F and G: 60, 252, 254, 313, 405, 458; H: 116, 143, 189, 222, 316, 405; I: 11, 90, 104, 238, 277, 334, 454, 568, 591; J-K and L: 44, 193, 222, 313, 372, 376, 496, 529; M and N: 36, 177, 566, 568; O and P: 39, 318, 528; Q: 192; R: 39, 67, 528; S: 313, 371, 380.

General Motors Corporation provided a schedule of "Investments and Miscellaneous Assets" as support for the related balance sheet caption.

General Mills, Inc. in the notes to financial statements, incorporated schedules of receivables, inventories, fixed assets and stockholders' equities on a comparative basis.

International Paper Company included schedules of "Inventories," "Plants and properties," "Woodlands," "Investments" and "Capital."

Exhibits—Additional Certified Statements and Supplementary Schedules

The following "additional certified statements and supplementary schedules," taken from the 1954 annual reports covered by the survey, have been reproduced as illustrations of such statements and schedules. (See Index to Exhibits following the Table of Contents for page numbers.)

1. *Combined Condensed Balance Sheet and Combined Condensed Statement of Income* (Foreign subsidiaries of American Radiator and Standard Sanitary Corporation). These statements are given on a two-year comparative basis for total foreign subsidiaries included, with separate detail for the current year for Canadian subsidiaries and European subsidiaries.
2. *Pension Trust Funds* (American Radiator and Standard Sanitary Corporation). This statement contains data concerning the "Non-Contributory Pension Plan" and "Supplemental Contributory Pension Plan" for the year ended December 31, 1954.
3. *Details of Items in Statement of Financial Condition* (Burroughs Corporation). This schedule contains details of inventories, loans, fixed assets, and other assets on a two-year comparative basis.
4. *Long-Term Debt of Subsidiary Companies Maturing After 1955, Minority Stockholders' Interest in Subsidiary Companies* (Cities Service Company). These schedules provide additional detail for the current year in support of related balance sheet captions.
5. *Parent Company Statement of Financial Position, Income, and Shareholders' Equity* (Standard Oil Company, New Jersey). This set of statements presents the financial record of the parent company on a two-year comparative basis.
6. *Consolidated Statement of Source and Application of Funds* (Wesson Oil & Snowdrift Co., Inc.). This statement provides data regarding the source and use of funds on a two-year comparative basis.

For additional references to various types of additional certified statements and supplementary schedules presented in the 1954 survey reports, see Tables 22 and 23 and the list of companies given as reference.

UNCERTIFIED FINANCIAL PRESENTATIONS

In the annual reports of the survey companies for 1954, there were over 1,350 uncertified statements, summaries, highlights, and supplementary schedules presented by 481 of the 600 companies included in the survey. These presentations, in general, either provide additional information, or they summarize or simplify certain financial and

TABLE 24: UNCERTIFIED STATEMENTS, SUMMARIES, AND HIGHLIGHTS

Type of Presentation*	1954	1953	1952	1951	1950
A. Statement of working capital	6	9	10	11	8
B. Changes in working capital	27	22	22	26	27
C. Source and application of funds	84	82	85	70	68
D. Cash receipts and disbursements	8	7	6	4	6
E. Employee bonus or retirement funds	2	1	2	3	2
F. Condensed balance sheet	64	71	74	64	63
Condensed income statement	67	80	80	68	66
Various other condensed statements	8	9	9	6	7
G. Detailed balance sheet	8	5	6	7	6
Detailed income statement	6	4	3	4	6
Various other detailed statements	2	4	4	4	4
H. Simplified balance sheet	13	23	23	24	26
Simplified income statement	26	30	35	39	40
I. Subsidiary balance sheet	4	9	8	9	6
Subsidiary income statement	2	6	4	6	3
J. Summary—Financial data	215	201	184	155	133
Summary—Balance sheet data	32	31	31	29	29
Summary—Operating data	73	77	78	80	78
K. Highlights	256	272	257	230	197
Year in review	64	51	43	35	30
Operations at a glance	27	21	18	16	12
Total	994	1,015	982	890	817

	Total Companies Represented in Statement:								Number of Companies With:		
Year	Types A-D	Type E	Type F	Type G	Type H	Type I	Type J	Type K	Statements, summaries, highlights	No statements, summaries, highlights	Total Companies
1954:	113	2	84	12	33	5	277	338	457	143	600
1953:	112	1	94	9	39	8	266	339	466	134	600
1952:	116	2	100	9	45	8	252	318	457	143	600
1951:	103	2	86	10	50	10	227	282	432	168	600
1950:	101	2	85	10	51	6	200	245	400	200	600

	Comparative Presentation of Uncertified Statements, Summaries, Highlights												
Year	2 Yrs.	3-4 Yrs.	5 Yrs.	6-9 Yrs.	10 Yrs.	11-15 Yrs.	16-20 Yrs.	21-30 Yrs.	31-40 Yrs.	41-55 Yrs.	Total	Not Comparative	Grand Total
1954:	384	35	108	41	198	52	18	17	2	4	859	135	994
1953:	366	42	107	53	201	57	14	16	4	4	864	151	1015
1952:	329	54	109	33	201	65	13	12	6	3	825	157	982
1951:	299	55	87	23	183	47	12	12	5	4	727	159	886
1950:	275	45	88	19	175	37	9	10	5	3	666	151	817

*Refer to Company Appendix Section—A: Nos. 29, 91, 155, 225, 309, 321; B: Nos. 6, 34, 41, 69, 94, 101, 167, 192, 219, 313, 322, 329, 379, 394, 404, 419, 422, 425, 452, 502, 568; C: Nos. 6, 9, 25, 33, 35, 41, 55, 69, 78, 94, 104, 127, 143, 152, 168, 173, 189, 195, 212, 230, 247, 252, 253; D: Nos. 152, 234, 257, 258, 259, 401, 502; E: Nos. 372, 429; F: Nos. 9, 13, 15, 34, 38, 54, 55, 60, 86, 87, 152, 157, 162, 402, 404, 484, 494; G: Nos. 72, 101, 152, 168, 189, 237, 272, 312, 313, 314, 384, 582; H: Nos. 27, 31, 53, 62, 67, 88, 91, 101, 107, 128, 199, 210, 252, 266, 271, 319, 343, 372, 400; I: Nos. 85, 130, 138, 311, 473.

accounting information considered to be of particular interest to the stockholders.

UNCERTIFIED FINANCIAL STATEMENTS, SUMMARIES, AND HIGHLIGHTS

The various types of uncertified financial statements, summaries, and highlights presented in the annual reports of the 600 survey companies are shown in Table 24. In 1954, as in prior years, the greatest number of such presentations consisted of "highlights" and the next largest group included summaries of various financial and operating data.

Exhibits—Uncertified Statements, Summaries, and Highlights

Listed below are illustrative examples of uncertified statements, summaries, and highlights which have been taken from the 1954 annual reports which were reviewed. (See Index to Exhibits following the Table of Contents for page numbers.)

1. *The Facts in Brief* (Bendix Aviation Corporation)
2. *1954 in Brief: What We Received and What We Did with It, What We Had to Work with at End of Year* (Continental Can Company, Inc.)

3. *Highlights* (National Homes Corporation)
4. *Comparison of Sales, Earnings, Working Capital and Surplus* (Montgomery Ward & Co.)
5. *How We Stood Financially* (Robertshaw-Fulton Controls Company)

For additional references to various types of uncertified statements, summaries, and highlights, or to uncertified supplementary schedules presented in the 1954 survey reports, refer to the companies noted in Tables 24 and 25.

UNCERTIFIED SUPPLEMENTARY SCHEDULES

The uncertified supplementary schedules presented in the annual reports of the survey companies cover a wide variety of subjects, including production statistics, sales, income distribution, stock ownership and dividends, fixed assets, and depreciation, taxes and various other financial and accounting items. Table 25 contains a summary of the various kinds of uncertified supplementary schedules found in the annual reports of the 600 survey companies for the years 1950 through 1954.

TABLE 25: UNCERTIFIED SUPPLEMENTARY SCHEDULES

Nature of Supplementary Schedule*	1954	1953	1952	1951	1950
A. Inventory composition (*Co. Nos. *13, 128, 152*)	8	6	6	8	6
B. Fixed assets, depreciation (*Co. Nos. *53, 55, 60, 67, 72, 88, 101, 128, 192*)	28	25	26	28	24
C. Various assets—liabilities (*Co. Nos. *70, 72, 86, 357, 368*)	6	2	3	—	2
D. Investments—securities, subsidiaries (*Co. Nos. *13, 53, 59*)	5	7	5	9	5
E. Foreign operations (*Co. Nos. *6, 36, 152, 216*)	8	8	6	8	9
F. Capital (*Co. Nos. *6, 71, 376*)	3	4	6	7	9
G. Capital stock (*Co. Nos. *3, 87, 427*)	5	6	7	7	5
H. Stock ownership (*Co. Nos. *31, 39, 48, 81, 87, 101, 128*)	29	27	23	33	23
I. Dividends (*Co. Nos. *18, 58, 70, 71, 77, 89, 95, 104, 114*)	26	25	27	35	34
J. Dividends and earnings (*Co. Nos. *6, 15, 47, 62, 70, 84, 104*)	18	23	23	21	20
K. Earnings (*Co. Nos. *3, 6, 43, 51, 58, 60, 72, 86, 88*)	27	26	26	37	30
L. Special funds—appropriations (*Co. Nos. *192, 254*)	4	5	3	3	3
M. Income dollar distribution (*Co. Nos. *1, 3, 12, 13, 25, 29, 41*)	24	36	31	28	26
N. Income dollar chart (*Co. Nos. *11, 31, 44, 46, 61, 68, 69, 70, 81*)	52	31	33	30	27
O. Sales (*Co. Nos. *28, 33, 41, 58, 71, 76, 86, 129*)	39	35	35	32	34
P. Sales and taxes (*Co. Nos. *3, 15, 59, 60, 76, 91, 154*)	20	25	26	27	23
Q. Taxes (*Co. Nos. *1, 14, 15, 62, 71, 88, 104*)	14	20	25	29	24
R. Employment costs (*Co. Nos. *76, 254*)	6	9	14	15	13
S. Operating items (*Co. Nos. *94, 357*)	6	4	2	4	4
T. Production statistics (*Co. Nos. *43, 53, 56, 59, 60, 72, 90, 143, 171*)	36	41	40	38	35
Total	364	365	367	399	356
Number of Companies Presenting					
Uncertified supplementary schedules	17	19	26	30	34
Uncertified supplementary schedules and statements, summaries, or highlights	199	184	182	183	158
Uncertified statements, summaries, or highlights	261	278	271	248	242
Total	477	481	479	461	434
No uncertified financial presentations	123	119	121	139	166
	600	600	600	600	600

	Comparative Presentation of Supplementary Financial Schedules:												
Years	2 Yrs.	3-4 Yrs.	5 Yrs.	6-9 Yrs.	10 Yrs.	11-15 Yrs.	16-20 Yrs.	21-30 Yrs.	31-40 Yrs.	41-100 Yrs.	Total	Not Comparative	Grand Total
1954:	89	15	22	18	36	14	6	6	1	9	216	148	364
1953:	96	14	20	18	34	18	11	5	1	8	225	140	365
1952:	98	17	20	21	34	15	11	3	4	7	230	137	367
1951:	111	15	23	14	32	19	8	4	9	6	241	158	399
1950:	86	11	26	9	46	13	6	5	10	4	216	140	356

*Refer to Company Appendix Section.

Section 2 BALANCE SHEET

CASH

In the balance sheets of the 1954 survey reports, cash was ordinarily shown simply as "cash" in the current asset section. This manner of presentation was used by 482 of the survey companies; the terminology "cash in banks and on hand" was employed by 70 companies; the remaining 48 companies included some additional description of the cash funds classified as current assets. A summary of the various captions presented in the survey reports is included in Table 1.

Segregations of Cash

The 1954 reports of 67 survey companies indicated segregations of cash. Eight of the companies set forth such cash segregations only in the current asset section of the balance sheet; 55 companies disclosed them only in the noncurrent asset section; 4 companies presented them in both the current and noncurrent asset sections. Four reports included segregations of cash as offsets against liability accounts (Refer to Company Appendix Nos. 157, 397, 511, 574). Six companies revealed in notes to the financial statements that certain items of cash had been excluded from the balance sheet accounts. Three companies disclosed cash exclusions which referred to contract advances—unexpended funds restricted to use under contracts with the U. S. Government (*Co. Nos. 68, 210, 476). One company (*No. 288) included comment in the body of the balance sheet that funds for dividends payable were held by a dividend disbursing agent. Two companies stated that funds had been excluded which represented amounts withheld from employees or deposits by employees for bond purchases, etc. (*Co. Nos. 80, 276).

The *Restatement and Revision of Accounting Research Bulletins,* issued by the committee on accounting procedure of the American Institute of Accountants treats of the nature of current assets (Chapter 3, Section A) and indicates the exclusion from that classification of such resources as "cash and claims to cash which are restricted as to withdrawal or use for other than current operations, are designated for expenditure in the acquisition or construction of noncurrent assets, or are segregated for the liquidation of long-term debts." The committee states further "Even though not actually set aside in special accounts, funds that are clearly to be used in the near future for the liquidation of long-term debts, payments to sinking funds, or for similar purposes should also, under this concept, be excluded from current assets. However, where such funds are

*Refer to Company Appendix Section.

TABLE 1: CASH—CURRENT ASSETS

Balance Sheet Description	1954	1953	1952
Cash	482	467	452
Cash and securities (*No. *594*)	1	2	—
Cash net of cash reserved for taxes (*No. *574*)	1	1	1
Cash in banks (*No. *591*)	1	1	2
Cash in banks and on hand (*Nos. *11, 98, 130, 458, 584*)	70	77	88
Cash in banks and offices (*No. *84*)	1	1	1
Cash in banks, on hand, and in transit (*No. *419*)	1	3	3
Cash including call loans (*No. *432*)	1	1	1
Cash including certificates of deposit	—	1	—
Cash including special deposit for defense contracts	—	1	1
Cash including Savings Bank Accounts (*No. *214*)	1	—	—
Cash including deposit with trustee for payment of debenture interest	—	—	1
Cash including time deposits	—	—	1
Cash including time certificate of deposit and accrued interest (*No. *330*)	1	—	—
Cash and Short-Term Notes (*No. 8)	1	—	—
Cash on hand and on deposit	—	1	2
Cash on hand and demand deposits (*Nos. *43, 147, 203, 380, 455*)	18	20	23
Demand deposits in banks and cash on hand (*Nos. *10, 119, 324, 354, 507*)	16	19	19
Cash on hand, demand and time deposits (*Nos. *174, 542*)	2	2	2
Cash and demand deposits (*No. *532*)	1	1	1
Bank balances and cash funds (*Nos. *54, 259*)	2	2	2
	600	600	600

*See Company Appendix Section.

considered to offset maturing debt which has properly been set up as a current liability, they may be included within the current asset classification."

Table 2 illustrates the different purposes for which cash was segregated and the related treatment in the balance sheet, as disclosed in the 1954 annual reports of the survey companies.

The following examples, selected from the 1954 annual reports, indicate certain descriptive captions for cash (Table 1) and segregations of cash shown in Table 2.

Fixed Assets

THE BULLARD COMPANY
Statement of Financial Position
Current assets:
Cash $4,483,601
Between "working capital & fixed assets:"
Fund for Construction of New Foundry (Note 1)
Cash .... $ 86,607
U. S. Government short-term securities at cost 3,591,955
Construction in progress 75,566

Note 1: The Company has begun construction of a new foundry that is presently expected to cost approximately $6,000,000 with equipment and which, under present plans, will be ready for operation in the last half of 1955. The following financing arrangements have been completed:

In July 1954 the Company sold 121,440 additional shares of Common Stock, par value $10 per share. Proceeds to the Company from the sale of such stock after deducting related expenses amounted to $3,754,128 which has been segregated in a separate fund to be used for the construction of the new foundry.

Under a loan agreement with an insurance company, dated June 30, 1954, the Company has agreed to sell on or before June 30, 1955, $2,000,000 of 4% notes due in installments from July 1, 1957 to July 1, 1969. The Company has the option to sell not more than $2,000,000 additional 4% notes on or before December 31, 1955.

CONTAINER CORPORATION OF AMERICA
Balance Sheet
Current Assets:
Cash $9,028,557
Noncurrent Assets:
Cash and U. S. Government Securities set aside for additions and improvements 1,318,239

YORK CORPORATION
Consolidated Financial Position
Current Assets:
Cash .... $ 4,961,615
Investments:
Marketable securities (at cost) and Time deposits—provided for plant expansion and improvements and for other special purposes $10,000,000

Employees' Benefit Funds

THE AMERICAN AGRICULTURAL CHEMICAL COMPANY
Consolidated Balance Sheet
Current Assets:
Cash $8,393,860
Noncurrent Assets:
Cash and U. S. Government Securities Segregated Against Reserves for Insurance and Retirement Payments $2,102,252

AMERICAN BANK NOTE COMPANY
Consolidated Balance Sheet
Current Assets:
Cash $3,587,299
Noncurrent Assets:
Investments of Appropriation for Employees' Pensions:
Securities, at cost (market $1,543,700 and $1,492,400) 1,543,775
Cash 216,367
Noncurrent Liabilities:
Appropriation for Employees' Pensions $1,760,142

TABLE 2: SEGREGATION OF CASH

Purpose and Balance Sheet Presentation	Current asset	Noncurrent asset	1954 Total
Plant addition or construction (*Nos. *17, 114, 143, 155, 319, 344, 376, 413, 473, 559, 598*)	—	11	11
Plant improvement or replacement (*Nos. *5, 167, 289, 321, 346, 362, 489*)	—	7	7
Held for drilling program (*No. *138*)	—	1	1
Future commitments (*No. *424*)	—	1	1
General or working funds (*Nos. *17, 357*)	2	—	2
Preferred stock retirement (*Nos. *10, 22, 173, 182, 222, 347, 436, 446*)	—	8	8
Insurance or workmen's compensation insurance funds (*Nos. *28, 154, 183, 282, 354, 440, 456, 458, 538, 560, 567*)	—	11	11
Deductions for employees' bond purchases (*Nos. *580, 591*)	1	1	2
Funds for employee benefit plans (*Nos. *8, 20, 23, 45, 176, 283, 310*)	—	7	7
Funds in foreign currency or in foreign countries (*Nos. *354, 560*)	—	2	2
Funds in savings accounts (*No. *147*)	1	—	1
Prepayments from customers (*Nos. *44, 118, 307, 321*)	4	—	4
Restricted to performance under contracts (*Nos. *33, 94, 234, 252, 254, 270, 408, 588*)	2	7	9
Restricted to reduction of current liability (*Nos. *289, 482*)	2	—	2
Long-Term debt Escrow Fund (*No. *575*), Restricted Funds (*No. *415*) Sinking Funds (*No. *386*)	—	3	3
	12	59	71

Number of Companies with	
Cash segregated in current assets	8
Cash segregated in current and noncurrent assets	4
Cash segrated in noncurrent assets	55
Cash offsetting a liability account**	4
Cash excluded from the accounts***	6
Total	77
No reference to cash segregation or exclusion	523
	600

* See Company Appendix Section.
** See Nos. 157, 397, 511, 574.
*** See Nos. 68, 80, 210, 276, 288, 476.

THE AMERICAN SUGAR REFINING COMPANY
Consolidated Balance Sheet
Current Assets:

Cash	$12,485,325
Pension Fund (Note):	
Cash	$ 91,660
U. S. Government State and municipal securities	10,409,000
Company's own preferred stock, 5,000 shares at cost	632,650
	$11,133,310

Note: The pension fund and reserve have been established as a matter of convenience in administering the company's pension plan, but the company reserves the right to make the fund and the reserve available for other corporate purposes at any time.

INTERNATIONAL BUSINESS MACHINES CORPORATION
Balance Sheet
Current Assets:

Cash	$33,484,712
Watson Fund for Supplementary IBM Retirement Plan:	
Cash	56,166
U. S. Treasury Securities—at cost plus accrued interest	6,392,271

Insurance Funds

ASSOCIATED TRANSPORT, INC.
Consolidated Balance Sheet
Current Assets:

Cash on deposit and on hand	$2,713,310
Special deposits (Note 3)	1,331,275
Noncurrent Assets:	
Special funds—Surety deposits (Note 3)	224,530
Current Liabilities:	
Estimated liability for injury, loss and damage claims (Note 3)	$ 900,208
Above Stockholders' Equity:	
Reserve for injury, loss and damage claims (Note 3)	216,000

Note 3: Associated Transport, Inc. qualified as a bonded self-insurer for cargo loss and damage and automobile liability for all its operations, and for workmen's compensation in all states except New Jersey and Ohio. At December 31, 1954, Associated Transport, Inc. and Gem Consolidating Co., Inc. estimate their liabilities for reported accidents and claims to be as follows:

	Associated Transport, Inc.	Gem Consolidating Co., Inc.
Cargo claims	$183,426	$10,476
Automobile, personal injury and property damage claims	574,906	972
Workmen's compensation claims	130,428	—
	$888,760	$11,448

Based on prior years' experience, Associated Transport, Inc. has also provided, through charges to income, the following general reserves for unreported accidents and cargo claims:

Cargo loss and damage	$ 171,000
Automobile liability	30,000
Workmen's compensation	15,000
	$ 216,000

To meet its liabilities as a self-insurer, the company has provided special deposits as follows:

In bank accounts, restricted to the payment of injury, loss and damage claims—cash	$1,161,055
With surety company—cash	200,000
With New York State Workmen's Compensation Board—negotiable U. S. Treasury bonds	24,530
	$1,385,585

CHIEF CONSOLIDATED MINING COMPANY
Consolidated Balance Sheet
Current Assets:

Cash on hand and in banks (Demand deposits)	$115,054
Cash in bank (Segregated for workmen's compensation insurance)	4,110
Long-term and other liabilities:	
Reserve for workmen's compensation insurance	$ 4,187

SUPERIOR STEEL CORPORATION
Balance Sheet
Current Assets:

Cash	$1,458,841
Other Assets:	
Workmen's Compensation fund (cash and marketable securities)—contra	49,635
Above "Shareholders' Equity":	
Reserve for Workmen's Compensation	$ 49,635

Long-term Debt

COOSA RIVER NEWSPRINT COMPANY
Balance Sheet
Noncurrent Assets:

First Mortgage Bond Service Fund—Cash and United States of America securities (at cost which is less than market) and accrued interest	$1,623,726

GOTHAM HOSIERY COMPANY, INC.
Consolidated Balance Sheet
Current Assets:

Cash	$510,288
Other Assets:	
Cash and accounts receivable—restricted (Note C)	250,000

Note C: Cash and accounts receivable—restricted: A portion of the proceeds from sale of mill, equipment, etc., is required under certain conditions to be applied to reduction of the long-term debt installment due March 1, 1961. The amount of $250,000 comprised the following:

Cash placed in escrow	$150,000
Cash to be placed in escrow upon collection of proceeds from the sale of mill, equipment, etc. (Received and placed in escrow February 10, 1955)	100,000
	$250,000

Special Contracts

AMERICAN LOCOMOTIVE COMPANY
Consolidated Statement of Financial Position
Current Assets:

Cash	$10,422,647
Cash, accounts receivable and expenditures applicable to Government Combat Tank contract	2,585,851
Noncurrent Assets:	
Advance Account—Government Facilities contract (contra):	
Cash	101,651
Reimbursable expenditures	898,349
Noncurrent Liabilities:	
Advance Account—Government Facilities Contract (contra):	
Advances received	$ 1,000,000

NATIONAL GYPSUM COMPANY
Consolidated Balance Sheet
Current Assets:

Cash	$7,912,746
Assets Applicable to Cost-Plus-Fixed-Fee Contracts	
Cash, reimbursable cash disbursements and reimbursable costs represented by accounts payable	558,083

Noncurrent Liabilities:
Liabilities Under Cost-Plus-Fixed-Fee Contracts
Advances and Accounts payable .... $ 558,083

BING & BING, INC.
Consolidated Balance Sheet
Current Assets:
Cash and securities held in agency accounts for others (contra) $734,487
Current Liabilities:
Amounts due owners and tenants of managed properties (contra) $734,487

Cash Segregation

LONE STAR CEMENT CORPORATION
Consolidated Balance Sheet
Current Assets: (other than funds for special purposes shown below or deducted from tax liability):
Cash on hand and on deposit in banks:
In the United States $8,928,330
In Cuba and South America 1,694,965
Miscellaneous Investments and Funds for Special Purposes:
Self-insurance funds—cash and investments 2,044,324
Plant expansion funds in South America (see Note 2) 607,175
Above "Capital and Surplus"
Reserves and Special Funds
Plant expansion funds in South America (see Note 2) .... $ 607,175

Note 2: Separately stated in the Consolidated Balance Sheet at December 31, 1954 are certain assets in South America (and an equivalent amount of contra credits) dedicated in accordance with local law to Government-approved plant expansion and forfeitable if not so expended.

UNITED FRUIT COMPANY
Consolidated Balance Sheet
Current Assets:
Cash $41,619,962
Other Assets:
Cash in Germany for ship construction 768,160

TABLE 3: CASH ADVANCES

Balance Sheet Description	Current asset	Noncurrent asset	Total 1954
Advances to outside growers, packers, planters, producers (*Nos. *45, 120, 432, 532*)	5	2	7
Advances to suppliers and subcontractors (*Nos. *254, 285, 352, 473*)	7	3	10
Advances on purchase commitments for raw materials (*Nos. *84, 156, 452, 470*)	8	1	9
Advances on purchase contracts (*Nos. *150, 205, 303*)	2	1	3
Advances on construction or purchase of fixed assets (*Nos. *27, 197, 545, 551*)	2	3	5
Advances for leasehold improvements (*Nos. *98, 336, 439*)	—	5	5
Advances to employees for selling, travel, and other expenses (*Nos. *12, 88, 475, 580*)	4	5	9
Advances for employees under pension plans (*Nos. *299, 325, 457*)	1	2	3
Advances—loans to employees (*Nos. *2, 131, 284, 441*)	1	5	6
Advances to sales agents or vendors (*No. *6*)	—	1	1
Advances to joint venture or logging operations (*No. *65*)	1	—	1
Advances to customers (*Nos. *144, 314, 375*)	—	3	3
"Advances"—not identified (*Nos. *264, 404, 481*)	10	26	36
Total	41	57	98
Number of Companies Showing			
Advances in current assets	30	—	30
Advances in current and noncurrent assets	11	11	11
Advances in noncurrent assets	—	46	46
	41	57	87
No reference to advances	559	543	513
	600	600	600

*Refer to Company Appendix Section.

CASH ADVANCES AND DEPOSITS

Cash Advances

Included in Table 3 are the captions used for cash advances and the balance sheet presentation used in the related 1954 survey reports. Cash advances were shown in the balance sheets of 87 companies, included in the current asset section by 30 companies, in the noncurrent asset section by 46 companies and in both sections by 11 companies.

Various types of cash advances found in the 1954 reports are illustrated by the following examples which have been selected from both the current and noncurrent asset sections of the balance sheets of the companies:

AMERICAN COLORTYPE COMPANY
Consolidated Balance Sheet
Current Assets:
Cash $1,903,898
Noncurrent Assets:
Advance Payments on Equipment Purchase Contracts 53,395

THE COLORADO MILLING & ELEVATOR COMPANY
Consolidated Balance Sheet
Current Assets:
Cash on hand and demand deposits $2,310,732
Inventories:
Advances on commodity purchases 207,065

LOCKHEED AIRCRAFT CORPORATION
Consolidated Balance Sheet
Current Assets:
Cash $56,526,398
Advances to subcontractors less partial payments received from the United States Government (total before deducting partial payments—$3,926,012) 1,987,023

WESSON OIL & SNOWDRIFT CO., INC. AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF SOURCE AND APPLICATION OF FUNDS

For the Fiscal Years Ended
August 31, 1954 and August 31, 1953

	Aug. 31, 1954	Aug. 31, 1953
SOURCE OF FUNDS:		
From operations—		
Net earnings for year	$ 6,748,706	$ 4,532,670
Charges against earnings which do not require disbursements of funds, including depreciation—1954, $2,545,790; 1953, $2,382,257	2,651,018	2,412,544
	$ 9,399,724	$ 6,945,214
Decrease in long-term loans to ginners and others	1,249,631	*(219,226)*
Proceeds from sales and insurance indemnities of capital assets excluding gains or losses reported in net earnings	819,890	561,601
Miscellaneous items, net	105,102	200,632
	$ 11,574,347	$ 7,488,221
APPLICATION OF FUNDS:		
Additions to property, plant and equipment	$ 5,522,388	$ 3,648,424
Preferred shares reacquired	7,350	—
Dividends to stockholders	3,966,000	2,800,400
Increase in working capital	2,078,609	1,039,397
	$ 11,574,347	$ 7,488,221

STOKELY-VAN CAMP, INC.
Balance Sheet
Current Assets:

Cash and demand deposits	$5,049,100
Advances to growers arising from sales of plants, seeds, etc.	935,756
Noncurrent Assets:	
Advances in connection with future season's packs, and sundry assets	315,193

WALWORTH COMPANY
Consolidated Balance Sheet
Current Assets:

Cash in banks and on hand	$1,632,191
Travel funds and sundry advances to employees	52,709

TABLE 4: DEPOSITS—CASH AND SECURITIES

Balance Sheet Description	Current asset	Noncurrent asset	1954 Total
Deposit for "insurance" (*Nos. *12, 459, 490*)	2	17	19
Deposit with mutual insurance company (*Nos. *96, 220, 303, 416, 472, 543*)	1	17	18
Deposit with insurance company (*Nos. *34, 244, 249*)	1	2	3
Deposit with "public agencies" (*Nos. *214, 289, 371*)	—	3	3
Deposit with "escrow agent" (*No. *537*)	—	1	1
Deposit with surety company (*No. *18*)	—	1	1
Deposit for preferred stock or debenture retirement (*Nos. *46, 61, 289, 339*)	2	2	4
Deposit for dividend payments (*Nos. *156, 315*)	2	—	2
Deposit for fixed asset commitment (*No. *477*)	—	1	1
Deposit for purchase commitment (*Nos. *131, 294, 357*)	2	1	3
Deposit with lessors (*Nos. *197, 353, 466, 543*)	—	4	4
Special Deposits re Payroll Deductions (*Nos. *286, 333, 553*)	1	2	3
Deposit re "V-Loan" requirements (*Nos. *208, 367*)	2	—	2
"Deposits"—not identified (*Nos. *21, 57, 185, 394, 589*)	6	44	50
Total	19	95	114

Number of Companies with	
Deposits in current assets	15
Deposits in current and noncurrent assets	4
Deposits in noncurrent assets	91
Deposits referred to in liability section**	2
Total	112
No reference to deposits	488
	600

* See Company Appendix Section.
**For payment of dividends *No. 283, employee "payroll savings plan" *No. 503.

Cash Deposits

There were 114 of the survey companies which indicated deposits of cash and/or securities for certain purposes in their 1954 reports. Table 4 discloses the description and presentation of these deposits in the balance sheets of the companies. Such deposits were shown in the current asset section by 15 companies and in the noncurrent asset section by 91 companies; 4 companies set forth deposits in both the current and noncurrent asset sections. Two companies referred to deposits in the liability section of the balance sheet.

The following examples illustrate certain types of deposits found in the 1954 annual reports:

THE AMERICAN TOBACCO COMPANY
Consolidated Balance Sheet
Current Assets:

Demand deposits in banks and cash on hand	$26,089,473
Cash on deposit with sinking fund trustees for redemption of debentures	342,456

THE CROWELL-COLLIER PUBLISHING COMPANY
Consolidated Balance Sheet
Noncurrent Assets:

Deposit under long-term paper supply contract $432,000

ALLEN B. DuMONT LABORATORIES, INC.
Consolidated Balance Sheet
Current Assets:

Cash (Note 2) $4,647,165

Note 2: *Cash*—Included in the cash balances at January 2, 1955 is an amount of $38,968 representing cash collateral held by a banking institution under the terms of the V-Loan agreement referred to in note (6) hereunder. In January, 1955 the above amount was withdrawn under the terms of the loan agreement and deposited in one of the company's free bank accounts.

McCALL CORPORATION
Balance Sheet
Current Assets:

Cash	$3,208,565
Deposits with postmasters and postage stamps on hand	115,385

THE PITTSTON COMPANY
Consolidated Balance Sheet
Current Assets:

Cash on hand and demand deposits	$13,443,923
Special Deposits as Self-insurer, etc.:	
Federal and Municipal Securities (quoted value $526,618)	518,570
Cash	28,579

MARKETABLE SECURITIES—Current Assets

BASIS OF VALUATION

Marketable securities shown in the current asset section of the balance sheet are usually valued at "cost." The survey reports further reveal that where cost is used as the basis of valuation it is a common practice also to show the market value of the securities or to refer to the relationship of market value to cost. As

TABLE 5: MARKETABLE SECURITIES—Current Assets

Basis of Valuation	A: government	B: Non-government	1954 Total	A: Government	B: Non-government	1953 Total
Cost—market value not stated (A: *Nos. *9, 106, 469;* B: *120, 590*)	89	14	103	98	10	108
Cost—stated as approximate market (A: *Nos. *283, 464;* B: *526*)	34	18	52	34	11	45
Cost—market value stated above cost (A: *Nos. *216, 343, 493;* B: *32, 125, 408*)	21	28	49	24	27	51
Cost—market value stated below cost (A: *Nos. *163, 463;* B: *371*)	15	6	21	14	3	17
Cost plus accrued interest (A: *Nos. *114, 206, 303, 468, 539;* B: *28, 101*)	80	13	93	80	9	89
Cost less amortization or reserves (A: *Nos. *545;* B: *186*)	4	6	10	5	5	10
Amortized cost (A: *Nos. *237;* B: *513*)	6	4	10	6	2	8
Cost or below cost (A: *No. *312*)	2	—	2	2	—	2
Less than cost (B: *No. *281*)	—	1	1	—	—	—
Cost—not in excess of market value (A: *No. *548;* B: *412*)	1	1	2	—	1	1
Lower of cost or market (A: *Nos. *181, 467;* B: *90, 528*)	9	6	15	8	7	15
Lower of cost or Principal amount (*No. *547*)	1	1	2	—	—	—
Market value (A: *No. *221;* B: *138*)	3	1	4	4	2	6
Approximate market value (A: *No. *125*)	3	—	3	1	—	1
Redemption value (A: *No. *138*)	8	—	8	4	—	4
Approximate redemption or market value (A: *No. *582*)	1	—	1	1	—	1
Face value (A: *No. *442*)	1	—	1	3	—	3
	278	99	377	284	77	361
Basis of valuation not set forth (A: *Nos. *17, 234, 313;* B: *211, 390*)	77	8	85	73	9	82
Total	355	107	462	357	86	443
Number of Companies Presenting:						
Government securities in current assets	255	—	255	273	—	273
Government and nongovernment securities in current assets	50	50	50	45	45	45
Nongovernment securities in current assets	—	54	54	—	42	42
Total	305	104	359	318	87	360
No marketable securities in current assets			241			240
			600			600

*See Company Appendix Section.

shown by Table 5, there were 359 of the 600 survey companies that set forth marketable securities in the current asset section of their balance sheets for 1954 as compared with 360 companies in 1953. This tabulation classifies such marketable securities as "government" securities or "nongovernment" securities and summarizes all of the various bases of valuation used by the survey companies in the years 1954 and 1953. The above classification as to type of security is based solely on the descriptions given in the reports.

Whenever the reports indicate that the securities in the current asset section of the balance sheet are "government" securities they have been so classified in this tabulation.

Included in the total of 355 "government" securities items in the 1954 survey reports were 14 state, county and municipal (U.S.A.) items (*Nos. 9, 31, 368) as compared with eight in 1953. Foreign government securities were presented in 34 instances in 1954 (*Nos. 52, 55, 101, 116, 287), as compared with 36 in 1953. In twelve instances where foreign government securities were presented they were shown at cost, with the market value not stated (*No. 50). The remaining 307 items were United States government securities (*Nos. 31, 155, 174, 193, 283, 482, 503, 560).

All other securities have been classified as "nongovernment" securities. This tabulation does not reflect those government securities which are shown in the current liability section of the balance sheet as an offset to the liability for income taxes (See Table 25).

Examples—Marketable Securities

The following examples, from the 1954 reports, show the valuation of marketable securities in the current asset section of the balance sheet at "cost," without reference to market value.

THE BABCOCK & WILCOX COMPANY
Consolidated Statement of Financial Condition
Current Assets:
U. S. Government securities, at cost $7,268,176

REXALL DRUG, INC.
Consolidated Balance Sheet
Marketable securities, at cost.................. $2,500

THE FOLLOWING COMPANIES presented marketable securities valued at "cost" in the current asset section of their 1954 balance sheets and also set forth the "market value" thereof, which in these instances is below cost:

CONGOLEUM-NAIRN, INC.
Consolidated Balance Sheet
Current Assets:
U. S. Government securities, at cost (market value $4,547,000) $4,554,658

STANDARD OIL COMPANY (INDIANA)
Consolidated Balance Sheet
U. S. Government and other marketable securities—at cost, which approximates market $103,952,262

EXAMPLES TAKEN FROM THE 1954 REPORTS in which marketable securities are valued at "cost" with a disclosure that the "market value" of such securities is in excess of such cost are as follows:

ARMCO STEEL CORPORATION
Statement of Consolidated Financial Condition
Current Assets:
Marketable securities—at cost (market value $15,504,740) $15,485,672

AMERICAN METAL PRODUCTS COMPANY
Consolidated Balance Sheet
Current Assets:
United States Government securities—at cost (market or redemption prices in $2,130,889) $2,050,000

At Cost Plus Accrued Interest

CONTINENTAL GIN COMPANY
Consolidated Balance Sheet
Current Assets:
United States Government securities—at cost plus interest accrued (quoted market prices —$1,803,891) $1,804,017
Noncurrent Assets:
Investments and Other Assets:
Domestic corporation stock—at cost (quoted market prices—$2,366,941) $1,024,443

NORTH AMERICAN CEMENT CORPORATION
Balance Sheet
Current Assets:
U. S. Government short-term securities, at cost and accrued interest receivable (principal amount 1954—$1,200,000) $1,211,134
U. S. Treasury bonds, at cost (Principal amount) 92,743

Amortized Cost

BRISTOL-MYERS COMPANY
Consolidated Statement of Financial Position
Marketable securities at amortized cost (Market value $7,541,938) $7,539,037

YUBA CONSOLIDATED GOLD FIELDS
Balance Sheet
Current Assets:
U. S. Government securities at amortized cost (at market quotations: $1,168,400) $1,160,000
Other marketable securities, at cost (at market quotations: $10,200) 14,820

Basis Not Stated

CHRISTIANA SECURITIES COMPANY
Balance Sheet
Assets:
Investments in Common Stocks:
E. I. duPont de Nemours & Company 12,199,200 shares $44,659,257
(Closing sale price on the New York Stock Exchange at December 31, 1954 was $167.50 a share, which, if multiplied by 12,199,200 would produce a figure of $2,043,366,000; this amount, however, is not represented to be either the aggregate quoted market value or the realizable value of 12,199,200 shares of the common stock of E. I. duPont de Nemours & Company)

TRADE RECEIVABLES

All except one of the 600 survey companies (G. C. Murphy Company) showed "trade" receivables of one kind or another in their balance sheets for 1954 and 1953. In the majority of instances, these receivables were shown in the current asset section of the balance sheet and were most frequently described as "receivables," "accounts receivable," "notes receivable," or "notes and accounts receivable." In a substantial number of instances (approximately 23 per cent), certain additional trade receivables were segregated and shown in the noncurrent asset section of the balance sheet.

In 1954, 24 companies disclosed special features applicable to trade receivables. In 13 instances the additional disclosure was with respect to accounts receivable, notes receivable or a combined caption Accounts and Notes Receivable. Four Companies (*Nos. 10, 341, 367, 543) indicated assigned receivables. The following companies indicated their receivables were factored (No. 562), hypothecated (No. 55), pledged (No. 491), secured (No. 99), sold (No. 189), and four companies (Nos. 65, 161, 554, 556) disclosed various other unusual or additional features.

In 8 instances such disclosure was made with respect to deferred trade receivables, installment accounts or installment notes receivable. Three companies (Nos. 15, 233, 359) showed deferred payment accounts sold. Two companies (Nos. 272, 499) showed installment receivables sold. Mack Trucks, Inc. disclosed installment receivables secured and sold; Barker Bros. Corporation indicated "customers installment contracts-secured." American Machine and Metals, Inc. showed "Installment notes receivable" with a parenthetical display of the amount of installment notes due beyond one year.

Allen B. DuMont Laboratories, Inc. disclosed accounts receivable pledged and installment accounts and notes secured. Western Auto Supply Company disclosed accounts receivable secured and installment accounts sold. Archer-Daniels-Midland Company showed grain accounts, deposits, etc. secured.

Table 6 summarizes the various types of trade receivables shown in the current asset section of the 1954 and 1953 balance sheets of the survey companies.

The following examples, selected from the 1954 reports, are illustrative of the more uncommon types of trade receivables presented by the companies included in the survey:

Accounts and Notes Receivable

ARCHER-DANIELS-MIDLAND COMPANY
Consolidated Balance Sheet
Current Assets:

Notes, acceptances, and accounts receivable:		
Trade notes, drafts, and acceptances	$ 1,377,658	
Trade accounts	9,798,062	
Grain accounts, deposits, etc. —secured	3,946,023	
Other current accounts	446,573	
	$15,568,316	
Less reserve	$ 869,731	$14,698,585

B. T. BABBITT INC.
Consolidated Balance Sheet
Current Assets:

Accounts receivable (Less reserves for discounts and doubtful accounts of $19,000) —Note A $853,356.50

Note A: Included in the accounts receivable as at December 31, 1954 is $282,521.11, which represents amounts in connection with export shipments (principally Brazilian), the collectibility of which is subject to prevailing monetary regulations and the availability of dollar exchange; $203,469.36 of these accounts receivable were collected between January 1, and February 25, 1955.

ALLEN B. DuMONT LABORATORIES, INC.
Consolidated Balance Sheet
Current Assets:

Notes and accounts receivable—trade (note 4)	$17,886,800
Less allowance for doubtful accounts	154,272

Note 4: Notes and Accounts Receivable—Trade—The receivables of the Companies at January 2, 1955 are made up as follows:

Accounts receivable (note 6)	$14,554,309
Installment notes and accounts secured by conditional sale contracts or chattel mortgages on television broadcast equipment sold (approximately $1,794,000 due after one year)	3,079,809
Equity in installment notes sold without recourse	252,682
	17,886,800
Less allowance for doubtful accounts	154,272
	$17,732,528

Note 6: *V-Loan Agreement*—Under the terms of a V-loan agreement with certain banks, the Company may borrow up to $10,000,000 at any time or from time to time prior to March 31, 1955, all loans to mature at that date. The Company is presently negotiating to extend the maturity date of the V-loan to March 31, 1956. As security for the loans, the Company has assigned and pledged all moneys due and thereafter to become due under certain defense production contracts. At January 2, 1955, loans aggregating $10,000,000 were secured by amounts assigned as follows: accounts receivable $4,225,578 and inventories $8,471,339.

MISSION APPLIANCE CORPORATION
Consolidated Balance Sheet
Current Assets:

Notes and accounts receivable:	
Trade notes	$ 19,059.45
Due from U. S. Government	310,229.07
Other trade accounts receivable	190,901.68
Due from affiliated company	81,201.93
Due from bank upon its realization on trade accounts—Note A	344,370.34
	$945,762.47
Less allowances for doubtful accounts	53,049.01
	$892,713.46

Note A: Trade accounts receivable with aggregate unpaid balances of $767,789.41 at June 30, 1954 have been sold to a bank. Under the agreement, the Company continues to make collections, periodically effects settlements with the bank and is obligated to repurchase receivables which become delinquent. The bank has made advances of $423,419.07 against the purchase price of said

TABLE 6: TRADE RECEIVABLES

Current Asset Description	1954	1953
Accounts receivable or receivables (*Nos. *5, 91, 130, 298, 318, 415, 530, 600*)	434	438
Notes and accounts receivable combined (*Nos. *38, 82, 193, 280, 328, 430, 548*)	160	158
Notes receivables (*Nos. *99, 192, 263, 440, 507, 570*)	25	29
Installment accounts receivable (*Nos. *268, 272, 295, 357, 358, 368, 402, 418, 499, 514, 519, 583, 586, 592*)	19	17
Installment notes receivable (*Nos. *34, 75, 111, 140, 196, 592*)	9	8
Trade acceptances—bills—drafts (*Nos. *51, 109, 253, 592*)	18	23
Employees—trade receivables (*Nos. *101, 176, 248, 411, 436, 438, 539, 586*)	12	12
Deferred receivables (*Nos. *15, 66, 233, 262, 359, 391*)	6	5
Foreign receivables (*Nos. *277, 580*)	2	4
Contracts receivable (*Nos. *42, 119, 256, 537*)	8	9
Trading exchange accounts (*Nos. *55, 57, 523*)	3	3
Equity in installment accounts sold (*No. *359*)	1	1
Joint venture accounts receivable (*No. *65*)	1	2
Claims receivable (*No. *11*)	1	2
Accounts receivable—vendors, suppliers (*Nos. *15, 438, 586*)	4	—
Reimbursable expenditures (*Nos. *7, 419*)	2	—
Total	705	711
Number of Companies Presenting		
Trade receivables in current assets	599	599
No trade receivables in current assets	1	1
	600	600

*See Company Appendix Section.

receivables. The difference of $344,370.34, payable upon collection, represents the unpaid balance of the purchase price of the accounts receivable sold.

UNITED CIGAR-WHELAN STORES CORPORATION
Consolidated Balance Sheet
Current Assets:

Accounts and notes receivable, and merchandise shipments to agents, less reserves—Note A	$1,437,804

Note A—Merchandise Shipments to Agents: In accordance with the Corporation's established policy, net sales and shipments to agents, as shown in the accompanying consolidated statement of income and earned surplus, include amounts representing merchandise shipments to agents who operate retail outlets, ownership of which merchandise, under the terms of the agency agreements, remains with the Corporation until the merchandise is sold by the agents. Amounts owing by agents for merchandise sold as at December 31, 1954 and the accountability of agents as at that date for unsold shipments of merchandise (other than initial inventory allowances) together total $846,361. Of this amount, $836,773 is included in the accompanying consolidated balance sheet under Current Assets in "Accounts and notes receivable, and merchandise shipments to agents, less reserves," and $9,588 is included under Other Assets. The initial inventory allowances, for which agents are not required to make settlement until the termination of the agency, are included under Other Assets.

Deferred Payment Accounts

R. H. MACY & CO., INC.
Consolidated Statement of Financial Condition
Current Assets:
Receivables—
Customers Accounts—

Regular accounts (principally 30-day)	$12,422,524
Deferred payment accounts, a portion of which is due after one year—Equity in $23,427,194 of accounts sold to banks	2,342,719
Accounts not sold	17,565,702
	$32,330,945
Less—estimated doubtful amounts	2,338,000
Customer's Accounts—net	$29,992,945
Macy's Bank—Current account	304,428
Other Receivables, less estimated doubtful amounts of $200,805	2,865,610
Net Receivables	$33,162,983

Installment Accounts

BARKER BROS. CORPORATION
Consolidated Balance Sheet
Current Assets:
Accounts receivable—
Customers

Installment Contracts and other secured accounts (approximately $1,650,000 due after 1955)	$7,647,488
Unsecured accounts	2,548,171
Miscellaneous	138,017
Less—Provision for losses	(600,000)

GENERAL GAS CORPORATION
Consolidated Balance Sheet
Current Assets:

Notes, contracts, and accounts receivable, including instalment notes (less unearned interest finance charges, etc., $83,839, and reserve for losses, $237,718) (see Note 1)	$5,312,666

Summary of Consolidated Net Income and Earned Surplus
Income Credits:

Interest, finance charges, etc., on instalment notes and contracts receivable not sold	$ 89,100
Refunds of discount reserves applicable to instalment notes and contracts receivable sold without recourse	470,885
Income charge—Interest (Including discount on notes receivable sold)	410,540
Net income before special adjustment	768,857
Special adjustment of available portion of reserves held by purchasers of instalment notes and contracts receivable (Less federal and state income taxes applicable thereto, $192,000) (see Note 1)	163,560
Net income and special adjustment	$ 932,417

Note 1: The instalment notes and contracts receivable (as shown in the accompanying balance sheet) cover, for the most part, sales of household appliances and tanks and conversion of motors, and are collectible in instalments over periods ranging generally from six to thirty-six months. The notes thus include amounts due after one year which have been included in current assets in conformity with generally accepted trade practice. Profits on instalments sales are taken into income at the time of the sales.

Instalment notes and contracts have been sold by the Company, without recourse, in an aggregate face amount of $1,813,560 in 1954, and consequently do not appear in the accompanying balance sheet. The purchasers thereof withheld "discount reserves" in favor of the Company representing (a) discount and (b) interest and finance charges included in the face of the notes, of which the item of discount was immediately expensed by the Company. Payments were made at the end of each month to the Company of such "discount reserves" to the extent that the reserve balance exceeded 30% of the gross outstanding balances of notes and contracts, such payments being credited to income, as received. The uncollected balances on notes and contracts sold totaled $2,493,591 at December 31, 1954. The terms of the agreements covering the sales of instalment notes and contracts to certain purchasers were amended as of December 30, 1954 to permit withdrawals by the Company of all reserves in excess of a minimum provision for losses and unearned finance charges. The Company therefore computed as of December 31, 1954 a provision for losses and unearned finance charges on all instalment notes and contracts sold under those agreements which were amended, and the excess of the reserves withheld over the provisions computed, amounting to $355,560, was taken into income in 1954.

Note 7: The Company is contingently liable for instalment sales contracts sold with recourse in the aggregate amount of $940,000, which contingent liability was assumed upon the dissolution of the companies acquired and liquidated in 1954, referred to in Note 4.

MACK TRUCKS, INC.
Consolidated Balance Sheet
Current Assets:
Accounts receivable:

U. S. Government	$ 1,320,042
Other	10,392,434
Installments receivable (Note 1)	17,849,465
	29,561,941
Less: Reserve for possible losses	800,000
Total receivables—net	28,761,941

Note 1: Installments receivable are secured by conditional sales contracts or other lien instruments of the installments receivable included in current assets at December 31, 1954, $8,173,591 is due subsequent to 1955.

Note 2: At December 31, 1954 the unpaid balances owing by customers on installments receivable sold to banks aggregated $29,162,-927 of which $11,629,658 is due subsequent to 1955. The agreement with the banks required the Companies to repurchase any "defaulted" installments receivable, such repurchase obligation being limited until March 31, 1955 to 90% of the aggregate balances unpaid at any one time and thereafter to 75% of the aggregate balances unpaid at that date.

The agreement in effect at December 31, 1954 was terminated in February 1955 when a new agreement became effective providing for the sale to banks from time to time prior to February 16, 1956 of "eligible" installments receivable not to exceed $40,000,000 at any one time. Under the terms of the latter agreement the Companies are required to repurchase monthly from the banks any "defaulted" installments receivable, such repurchase obligation being limited until February 15, 1956 to $22,500,000 at any one time and thereafter to a cumulative total of $22,500,000.

On February 16, 1955 the installments receivable sold under the former agreement and not yet paid by customers were repurchased by the Companies and, under the new agreement, approximately $34,500,000 of installments receivable were sold to the banks. The unsecured notes payable to banks, amounting to $4,500,000 at December 31, 1954, were repaid in full on February 16, 1955.

Note 7: At December 31, 1954 contingent liabilities aggregated $27,229,546 consisting of $26,246,634 in respect of repurchase, in the event of default, of installments receivable sold to banks (this amount was reduced to $22,500,000 in February 1955 under the new bank agreement—see Note 2) and $982,912 arising from other financing of customers' obligations. Any losses anticipated to result from such contingent liabilities are provided for in the reserve for possible losses deducted from accounts receivable and installments receivable.

THE RUDOLPH WURLITZER COMPANY
Consolidated Balance Sheet

Current Assets:	
Trade Receivables:	
Notes and accounts (including due from United States Government: 1954 $1,094,700)	$ 6,365,183
Installment contracts (including installments due subsequent to one year)	9,731,968
Total Receivables	$16,097,151
Less:	
Reserves for doubtful accounts	802,834
Unearned carrying charges on installment accounts	843,871
	$ 1,646,705
Trade receivables—net	$14,450,446
Noncurrent Liabilities:	
Reserve for Federal and State Taxes on Income (computed at current rates on unrealized gross profit on installment receivables)	$ 910,000

U. S. GOVERNMENT CONTRACTS

The committee on accounting procedure of the American Institute of Accountants, in *Restatement and Revision of Accounting Research Bulletins*, Chapter 11, discusses in detail the recommended procedures in accounting for cost-plus-fixed-fee contracts, renegotiation, terminated war and defense contracts, and their presentation in financial statements.

Approximately 50% of the survey companies indicated in their 1954 annual reports that they were engaged in government defense work. There were 156 companies which made specific reference to U. S. Government contracts and an additional 153 companies which referred to defense business or mentioned certain sales subject to renegotiation.

Table 7 presents the various methods used by the companies in presenting the balance sheet information regarding their U. S. Government contracts and defense business.

Contracts with the U. S. Government were ordinarily described by the companies as "defense contracts" or "U. S. Government contracts." Some of the various terms used by the companies to identify such contracts are given below:

TABLE 7: U. S. GOVERNMENT CONTRACTS AND DEFENSE BUSINESS

Balance Sheet Information	1954	1953
Current Asset Section		
Accounts receivable due from government (*Nos. *33, 127, 301, 453, 571*)	57	67
Unbilled costs or fees (*Nos. *97, 138, 203, 534, 583*)	21	22
Recoverable costs (*Nos. *157, 396, 400*)	8	11
Reimbursable expenditures (*Nos. *187, 221, 477, 492*)	17	15
Preproduction expenses (*No. *484*)	1	—
Fees or costs less progress payments received (*Nos. *280, 449, 501*)	3	3
Advances or payments to subcontractors less progress payments received from government (*Nos. *352, 478*)	2	3
Deferred general and administrative expenses applicable to contracts (*No. *367*)	1	1
Contract termination claims (*Nos. *83, 105, 127, 230, 592*)	8	4
Inventory less billings or progress payment received (*Nos. *70, 142, 221, 358, 449, 511*)	36	42
Inventory less advance billing costs (*Nos. *86, 425, 478*)	3	1
Advances or progress payments received deducted from current asset sub-total (*Nos. *16, 94, 559, 588*)	4	2
Noncurrent Asset Section		
Advances received with liability account contra thereto (*Nos. *33, 234, 270, 390, 408, 588*)	6	7
Recoverable research development costs (*No. *279*)	1	1
Plant under construction for Government (*No. *177*)	1	1
Current Liability Section		
Account or note payable due to government (*Nos. *187, 482*)	2	2
Invoices, payrolls, etc. applicable to contracts (*No. *33*)	1	1
Estimated price adjustments (*Nos. *38, 96, 134, 138, 170, 216, 230, 287, 421, 475, 478, 514, 534*)	13	14
Unearned billings	2	1
Advances received (*Nos. *88, 234, 252, 253, 416*)	5	4
Advance payments received in excess of expenditures (*Nos. *203, 251*)	2	—
Refunds due—U. S. Government (*Nos. *63, 88, 203*)	3	—
Estimated costs to be incurred (*Nos. *203, 287*)	2	—
Estimated contract liability (*No. *276*)	1	—
Noncurrent Liability Section		
Advances received (contra to asset account above)	6	7
Notes payable due to government (*Nos. *177, 409*)	2	2
	208	211
Number of Companies referring to		
U. S. Government contracts	156	175
Defense business, defense sales, or describing sales as subject to renegotiation	153	159
Not referring to contracts, defense business, etc.	291	266
	600	600

*See Company Appendix Section.

Descriptive Term	*Company Appendix Numbers*
Defense contracts	111, 119, 241, 334, 486.
U. S. Government contracts	39, 157, 395, 447, 600.
Cost reimbursement contracts	294, 352.
Prime contracts	116, 127, 189, 501, 518.
Sub-contracts	127, 137, 189, 341, 583.
Facility contract	33, 94, 275, 583.
Cost-plus-fixed-fee contract	86, 203, 365, 491.
Fixed fee contract	33, 203, 422.
Incentive type contract	276, 352, 365, 478.
Contract subject to price redetermination	1, 134, 216, 230, 311, 449.

The 1954 reports of the survey companies differed widely as to the amount and nature of the information presented concerning their U. S. Government contracts and defense business. Some companies referred only to accelerated amortization of emergency facilities under certificates of necessity or stated that sales during 1954 were subject to renegotiation. Other companies included a summary of the principal features of their defense contracts.

In 1954, 92 companies disclosed 126 instances of special features applicable to U. S. Government contracts. The special features indicated by the survey companies are listed below:

Frequency	Special Feature	Company Appendix Numbers
45	Government-owned-plant & equipment operated by company	18, 97, 190, 291, 504.
1	Company owned plant operated by government	352.
36	Price redetermination or contract adjustment clause	32, 190, 282, 420, 487.
2	Clause covering "incentive" feature	96, 230.
4	Certain assets pledged as collateral or security for loan or financial aid from government	88, 177, 276, 518.
10	Certain receivables due to company from government pledged to secure loans obtained from non-government sources	55, 134, 341, 422, 514.
6	Cost or accounting treatment discussed in report	96, 230, 311, 422, 476, 478.
3	Funds restricted to use for government purposes *not* reflected in financial statements	68, 210, 476.
3	No profit to company under contract with government	240, 252, 294.
8	Contract completed during year	40, 52, 127, 380, 421, 492.
7	Contract cancelled	7, 127, 216, 219, 230, 280, 397.
1	Pending contract—under consideration, not yet currently effective—with government	82.

The following examples selected from the 1954 annual reports illustrate the methods of disclosure used by the companies regarding their U. S. Government contracts:

Contracts Subject to Price Redetermination

ELGIN NATIONAL WATCH COMPANY
Consolidated Balance Sheet

Current Assets:	
Investment in U. S. Government defense work:	
Accounts receivable from U. S. Government	$2,401,353
Expenditures for facilities, tooling, etc., to be reimbursed by U. S. Government	466,369
Inventories of products and materials—valued at cost or market, whichever lower	2,552,893
Less—Progress payments received	66,791
	$5,353,824
Current Liabilities:	
Provision for contract price adjustments, and completion (Note 3)	$1,919,685

Note 3: A substantial portion of the Company's sales for the year ended February 28, 1955 is subject to price redetermination and renegotiation. While the effect of such proceedings cannot presently be determined, it is believed that adequate provision has been made as at February 28, 1955 for such refunds as may be necessary.

Financial Review: Military production, now an established part of our business, rose sharply, and the profit percentage increased to the allowable level under contract terms. The backlog as of February 28 was $20 million, which is satisfactory considering current procurement trends. A lower level of defense work is expected by late 1955. The shift from redeterminable to fixed-price contracts during 1955 should give us a satisfactory rate of military earnings.

We were pleased to be able to refund $2.7 million to the Navy in advance of final price redetermination on certain contracts, in a large measure representing savings achieved through efficient production. The reserve of $1,919,685 for contract adjustment and completion is believed adequate.

FOOD MACHINERY AND CHEMICAL CORPORATION
Consolidated Balance Sheet

Current Assets:	
Amounts receivable from U. S. Government	$ 2,515,341
Inventories, at lower of cost or market	61,426,429
Current Liabilities:	
Accounts payable, Trade and other	$17,898,399
Provision for Federal and foreign taxes on income and renegotiation	14,719,143
Consolidated Income:	
Sales of military products, net	$50,560,794

Note: *Inventories*—Progress payments received on U. S. Government contracts in the amount of $5,729,272 at the close of 1954 were deducted from inventories.

Note: *Price Redetermination and Renegotiation*—Certain sales were made by the Corporation and its domestic subsidiaries during 1954 under contracts with the U. S. Government containing price redetermination clauses. The estimated amounts refundable under price redetermination have been included in accounts payable at December 31, 1954. Certain direct and indirect sales to the U. S. Government made by the companies are subject to the Renegotiation Act of 1951, as amended. Adequate provision has been made in prior periods for estimated renegotiation refunds which may be required for 1954.

HAYES MANUFACTURING CORPORATION
Consolidated Balance Sheet
Current Assets:

Inventories (Note A)	
Finished goods and work in process	$ 808,199
Materials and supplies	1,033,299
Investments and Noncurrent Receivables:	
Notes receivable and capital stocks (at cost) of partially owned subsidiaries (approximately $640,000 less than the equity in net assets of such subsidiaries) (Note E)	1,077,600
Current Liabilities:	
Accounts Payable:	
Price redetermination on U. S. Government Contract	$ 309,167
United States and Canadian income taxes and estimated liability for possible renegotiation under U. S. Government contracts and subcontracts (Note C)	90,005
Progress billings on uncompleted contracts and estimated costs to be incurred on billed contracts	38,012

Note A: Inventories of raw materials and supplies were priced generally at the lower of cost, on a first-in, first-out basis, or market. Inventories of finished goods and work in process represent accumulated costs as shown by specific work orders, less the estimated cost of partial deliveries and of billings to customers on uncompleted orders.

Note C: Certain contracts of the company and its subsidiaries are subject to Government renegotiation and price redetermination for the purpose of limiting profits. It is the opinion of officials of the company that adequate provision has been made on these statements for refunds which the companies may be required to make.

Note E: A note receivable from Hayes Aircraft Corporation, a partially-owned subsidiary, in the amount of $700,000, is subordinated to such obligations to the United States Government as may exist under Air Force contracts of that company and payment by the subsidiary is subject to approval of the contracting officer of the Government.

Cost-Plus-Fixed-Fee Contracts

BOEING AIRPLANE COMPANY
Balance Sheet
Current Assets:

Accounts receivable—		
United States	$ 20,108,958	
Subcontractors and others	1,794,112	21,903,070
Estimated amounts receivable from the United States—		
For expenditures under cost-plus-a-fixed-fee and facilities contracts and applicable fees	$ 44,985,810	
For deliveries under contracts for which unit prices have not been established or revised	39,506,262	84,492,072
Accumulated charges on other than cost-plus-a-fixed-fee contracts with the United States less estimated cost (average total contract basis) of deliveries	$343,607,386	
Less progress payments	261,997,410	81,609,976
Current Liabilities:		
Estimated amounts payable to the United States arising from contract price revisions		$22,675,846
Allowance for contract adjustments including renegotiation, net of taxes		1,200,000

Note to Financial Statements: Substantially all of the company's sales for the years 1952, 1953 and 1954 are subject to renegotiation. Clearances have been received from the Renegotiation Board through the year 1951. Although it is the company's opinion that the earnings subsequent to 1951 are not excessive and that renegotiation refunds should not be required, the company has no indication as to what the position of the Renegotiation Board may be for the subsequent years. No provision has been made in the accounts for renegotiation refunds for the years 1952, 1953 and 1954, except to the extent that the allowance for contract adjustments, including renegotiation, of $1,200,000, net of taxes, may become available for this purpose.

DOUGLAS AIRCRAFT COMPANY, INC.
Statement of Financial Position
Current Assets:

Trade Accounts Receivable from U. S. Government	$19,797,032
Unreimbursed costs and fees under cost-plus-a-fixed-fee contracts, less allowance for adjustments ($84,146)	53,745,547
Inventories of fixed-price contracts in process, materials, etc., less advance and progress payments received—Note A	73,130,697
Current Liabilities:	
Estimated costs to be incurred on delivered airplanes	$ 901,373
Estimated refunds under Target-price Contracts	4,891,393
Advance payments received in excess of expenditures on related fixed-price contracts	14,785,938

Note A—Inventories—Inventories include items to which the U. S. Government held title by reason of contract provisions. Amounts were determined on the basis of lower of cost (generally first-in, first-out method) or market, and comprise the following classifications:

	1954
Fixed-price contracts, orders, etc., in process	$210,495,006
Materials, spare parts, etc.	41,208,613
Advances under material purchase agreements	2,222,190
	$253,925,809
Less advance and progress payments received	180,795,112
	$ 73,130,697

The 1954 amount includes approximately $4,400,000 of costs incurred under fixed-price contracts terminated in 1953 for the convenience of the Government, after crediting approximately $16,000,000 of progress payments received. The management is of the opinion that the profit to be realized under these contracts is not reasonably ascertainable at this time.

Note E—Renegotiation—Certain business done by the company since 1950 is subject to renegotiation by the U. S. Government. The effect, if any, of renegotiation upon the accompanying financial statements cannot be determined at this time, but no significant change resulting therefrom is anticipated. No refund of 1948, 1949, or 1950 profits was required after review by the Renegotiation Board of the company's reports for those years.

Cost Reimbursement Contracts

LOCKHEED AIRCRAFT CORPORATION
Consolidated Balance Sheet
Current Assets:

Accounts receivable—United States Government (including costs and fees under cost reimbursement type contracts: $26,558,785)	$56,608,858
Inventories less partial payments (total before deducting partial payments: $165,982,874) (Note 1)	99,726,172
Advances to subcontractors less partial payments received from the United States Government (total before deducting partial payments: $3,926,012)	1,987,023
Current Liabilities:	
Advances and deposits received on fixed-price and incentive type contracts	$103,995,032
Deferred Income: received in partial payments on Government incentive type contracts (Note 4)	4,426,037

Note 1: Inventories are stated at cost which is at or below realizable value and are detailed as follows:

Finished spare parts	$ 2,858,634

Work in process	130,810,664
Raw materials, etc.	32,313,576
	165,982,874
Less: Partial payments	66,256,702
	$ 99,726,172

Inventories of work in process include engineering, tooling and production costs related to military airplane contracts and the present commercial Super-Constellation airplane program. It is the policy of the Company that, as these airplanes are delivered, the estimated profit for each contract or program is taken into income in proportion to the sales price of the deliveries. Engineering and other development costs on a project for which a military contract is anticipated are deferred pending receipt of the contract.

Commencing January 1, 1953, the Company adopted the policy of writing off as incurred certain engineering and other costs related to commercial models not in production.

Under the contractual arrangements by which the Company receives partial payments from the United States Government, title to inventories identified with Government contracts is vested in the Government.

Note 4: The amounts shown in the accompanying balance sheets as deferred income arise from the inclusion of administrative and general expenses in the basis on which partial payments are received from the Government on incentive type contracts, whereas such expenses are charged off by the Company as they are incurred. These amounts of deferred income are taken into income in ensuing periods as deliveries are made under the contracts.

Note 5: The major portion of the Company's sales is to the United States Government and is subject to the Renegotiation Act of 1951. The year 1951 has been cleared with no refund being required. Although it is impossible to determine conclusively at this time whether any refunds will be required for years since 1951, it is believed that profits earned in these years on contracts subject to renegotiation will not be considered excessive, and therefore no provision for any refund has been made.

MOTOR WHEEL CORPORATION
Balance Sheet
Current Assets:

Reimbursable costs on government facilities contracts	$209,445

Note: Net sales for the year 1954 include amounts aggregating approximately $6,000,000 which may be subject to renegotiation under federal law, but it is expected that no refunds will be required.

'Prime' Contracts and 'Subcontracts'

CESSNA AIRCRAFT COMPANY
Statement of Financial Position
Current Assets:

Accounts Receivable—Military	$ 3,636,034
Inventories—lower of cost or market—(Less: Progress payments $693,212) (Note A)	10,601,003
Current Liabilities:	
Notes Payable—(Note C)	$ 4,500,000
Estimated price adjustments on Military Contracts	517,441

Note A: Inventories of raw materials and purchased parts are priced at average cost which, in the aggregate, is substantially at or below market value. Inventories of work in process include material, labor, manufacturing overhead, engineering and certain tooling costs applicable to various stages of production. The computed cost of the units delivered is transferred from work in process to cost of goods sold as deliveries are made against contracts.

Note C: Notes payable to banks for $4,500,000 represent borrowings under a revolving credit agreement having a maximum amount of $10,000,000. Borrowings mature 90 days after the respective dates thereof but in no event after October 31, 1955. This credit agreement requires the Company to maintain an excess of current assets over current liabilities of $4,300,000 effective July 1, 1954. The United States Government is the guarantor for a fixed percentage of borrowings under the V-Loan program. Military accounts receivable are subject to assignment upon written request of either the guarantor or banks holding not less than fifty per cent of the principal amounts of all notes outstanding.

Note E: A substantial portion of the Company's business during the years 1953 and 1954 is subject to renegotiation. The effect, if any, of renegotiation upon the financial condition of the Company cannot be determined at this time, but no significant change therefrom is anticipated. Clearance has been received from the Renegotiation Board through the fiscal year 1952.

The Year in Brief: Sales for 1954 totaled $45,114,489. . . . Military sales . . . $30,636,393. Subcontract sales increased . . . prime contract sales showed an increase.

Military sales, approximately $30,000,000 or 75% of total volume, are subject to the Renegotiation Act of 1951. No provision for a refund under this act was made as it is felt that under a reasonable interpretation of its provisions, no excessive profits were earned. Renegotiation proceedings for fiscal year 1952 have been completed and no refund was required. Fiscal year 1953 is presently under examination by the Renegotiation Regional Board.

The estimated refund on military contracts of $517,441 as of September 30, 1954 consists of the final negotiated settlement on an incentive type contract extending from 1952 through 1954 and the estimated refund on a small redetermination type contract.

Contract Termination Claims

COLT'S MANUFACTURING COMPANY
Statement of Results from Operations
Current Assets:

Accounts receivable—termination claims	$629,004

Report of the President: *Government Contracts*—In July 1954, contracts with the U. S. Ordnance Department were substantially terminated. Termination claims have been filed, and an advance payment of $575,000 against these claims was received in 1954. The balance due of $629,004 is shown in the accompanying Statement of Financial Position as "Accounts Receivable—Termination Claims." It is firmly believed that this figure of $629,004 will not be materially affected by completion of Government audit.

THE GRUEN WATCH COMPANY
Consolidated Balance Sheet
Current Assets:

Inventories, at lower of cost or market, and in process costs accumulated under U. S. Government contracts, less progress payment	$3,649,985
Claim against the U. S. Government resulting from contract terminations at estimated realizable amounts, less partial payments	503,227
Emergency facilities purchased, to be acquired by U. S. Government	19,230

Note 5: At March 31, 1955 subcontractors' claims approximating $2,500,000 have been either received by the Company and processed to the U. S. Government or filed direct by the subcontractor with the Government. In the opinion of management, no provision for loss on these claims is required. The above claims have not been included in the accompanying balance sheet.

Note 7: Certain sales of the Company and its subsidiaries made in the fiscal years ended March 31, 1955 and 1954 under contracts with the U. S. Government are subject to renegotiation. The fiscal years 1951 to 1953, inclusive, have been cleared with no refunds required and it is the opinion of management that none will be required for fiscal years 1955 and 1954.

A Letter from the President: The company's major defense production contract, which had made an important contribution to overall sales and profits, was terminated on June 7, 1954.

U. S. Government Contracts—Other

CHIEF CONSOLIDATED MINING COMPANY
Consolidated Balance Sheet
Long-Term and Other Liabilities:

Notes payable—Defense Materials Production Administration payable at 5% of smelter returns from ores when developed	$37,337.38

Note 2: A contingent liability exists for repayment of funds advanced by the Defense Minerals Administration of the United States Government under its mineral exploration program in the amount of $88,545.08, payable under a sliding scale of 1½% to 5¼ royalty on net smelter returns from ore, if and when produced, within a 15 year period from June 13, 1951.

BENDIX AVIATION CORPORATION

The Facts In Brief

	Fiscal Years Ended September 30th 1954	1953
Our net sales, royalties and other operating income amounted to	$607,711,607	$638,544,637
We paid total taxes of	44,820,266	52,634,024
Per share of stock	19.72	24.86
We earned for the stockholders	25,537,771	17,352,710
Per share of stock	11.23	8.20
Our earnings per $1.00 of net sales, etc., above, were	.042	.027
We paid to our stockholders cash dividends of	6,695,126 (plus 7% in stock)	7,940,449
Per share of stock:		
During the fiscal year	3.00 (plus 7% in stock)	3.75
For the fiscal year in which earned	4.00	3.00 (plus 7% in stock)
We paid to our employees in salaries and wages	213,544,127	220,867,010
Our employees at September 30 numbered	43,811	48,741
Our stockholders at September 30 numbered	25,786	26,437
Number shares of stock outstanding at September 30 was	2,273,262	2,117,453
Our net working capital at September 30 was	$100,610,030	$ 79,906,093
Our net plant and equipment at September 30 was	46,589,257	46,138,255
Stockholders' equity (capital and surplus) at September 30 amounted to	147,485,558	128,241,940
Per share of stock	66.64	60.56
Our backlog of unfilled orders, including engineering projects, at September 30 totaled	497,000,000	686,000,000

CRANE CO.
Consolidated Balance Sheet
Fixed Assets:

Titanium plant under construction (Note 4)	$15,777,258

Note 4: *Contract with U. S. Government*—One of the Company's wholly-owned subsidiaries is engaged in constructing a plant for the production of titanium, and has entered into a contract with the U. S. Government in connection therewith. The Government has agreed to advance a maximum amount of $24,950,000, which is to be repaid including interest before February 28, 1961 by payments based on the quantity of titanium sponge produced. The amounts advanced bear interest at the rate of five per cent per annum and are secured by a first mortgage on the plant under construction.

A Certificate of Necessity covering ninety per cent of the plant under construction has been obtained.

Defense Financing

Certain of the companies which operated under U. S. Government contracts disclosed the methods used to finance such production. Funds for defense work frequently were indicated as obtained through Regulation-V or revolving credit agreements with banks or received directly from the U. S. Government.

Examples of the amount of disclosure given by these companies with regard to defense contracts and financing are given below:

BENDIX AVIATION CORPORATION
Consolidated Balance Sheet

Current Assets:	
Receivables (including unbilled charges):	
U. S. Government departments or agencies	$ 36,245,041
Inventories, at cost or market, whichever is lower (Note 4)	100,122,319
Noncurrent Assets:	
Special tools, dies, jigs, and patterns—unamortized balance (Note 4)	$ 1,405,635
Current Liabilities:	
Notes payable—Banks (Note 3)	$ 21,250,000
Customers' advances on sales orders:	
U. S. Government departments or agencies (Note 4)	12,198,724
Accrued payrolls, royalties, and sundry accrued accounts (including estimated net refunds of excess profits on Government contracts and sub-contracts (Note 5)	19,637,144

Note 3: *Notes Payable*—Under the terms of a bank credit agreement dated as of March 10, 1953, the Corporation has agreed that it will not pay dividends (except stock dividends) or make certain other distributions on or in acquisition of its capital stock in an amount in excess of its consolidated net earnings subsequent to September 30, 1952, plus $5,000,000. Under these terms the amount available for such purposes was $33,254,907 at September 30, 1954. The Corporation also has agreed not to permit consolidated net current assets to decline below $50,000,000.

Note 4: *Customers' Advances on Sales Orders*—By the terms of an agreement with a Government department, under which the Corporation has received advances and partial payments on sales orders from the Government, inventories and non-durable tools acquired for such orders were subject to lien at September 30, 1954.

Note 5: *Renegotiation of Government Contracts and Subcontracts*—The Corporation's profits on Government contracts and subcontracts are subject to renegotiation under the Renegotiation Act of 1951. Renegotiation proceedings for the years ended September 30, 1952 to 1954, inclusive, have not been concluded and while the amounts of excess profits, if any, to be refunded to the Government are not determinable at this time, provision has been made in these financial statements for estimated amounts which the management considers to be adequate.

President's Annual Letter to the Stockholders:

" . . . Production for the Armed Services and Government represented 77% of Bendix total output.

"Revolving Bank Credit—Borrowings under our revolving bank credit were $21,250,000 at September 30, 1954. . . . The amount available under the Credit Agreement remains at $85,000,000."

SERVEL, INC.
Consolidated Balance Sheet

Current Assets:	
Defense contracts and subcontracts (Notes 1 and 5):	
Accounts receivable and unbilled charges	$ 2,243,746.43
Raw materials, work in process, finished product, and other costs incurred, at cost	11,079,563.07
	$13,323,309.50
Less, Progress payments	1,709,679.77
	$11,613,629.73
Current Liabilities:	
Notes Payable:	
Banks (Note 1)	$10,500,000

Note 1: At October 31, 1954, the Company had a V-Loan Agreement with certain banks, providing a revolving credit for the Company up to the end of 1954, permitting borrowings by it not to exceed the lesser of $12,000,000 or 90 per cent of accounts receivable, inventories and other reimbursable costs and expenditures (less any partial and progress payments) relating to defense contracts. At October 31, 1954 the borrowings under the V-Loan Agreement amounted to $9,500,000 and were represented by notes due December 31, 1954. The borrowing was reduced in January 1955 to $5,800,000, the estimated maximum borrowings then permitted under the provisions of the V-Loan Agreement.

Under the provisions of the Agreement, the Company has assigned to the banks moneys due and to become due under certain defense production contracts amounting to approximately $1,349,000 at October 31, 1954.

The Agreement has been extended to March 1, 1955, and now provides that, without the prior consent of the banks whose commitments aggregate 75 per cent or more of the amount of the credit and of the Department of the Air Force which is guarantor, the Company will not permit its consolidated net current assets at any time to be less than $8,000,000.

Note 2: The Company is restricted as to payment of cash dividends on common stock by certain provisions of the V-Loan Agreement, the Note Agreement and the Charter, of which the following are the more important at the present time.

a. The V-Loan Agreement provides that, without the prior consent of the banks whose commitments aggregate 75 per cent or more of the credit and of the Department of the Air Force which is guarantor, the Company will pay no dividends on its common stock.

Note 5: Substantially all of the defense inventories and costs incurred relate to subcontracts, which provide that title to the materials rests with the prime contractor. The prime contracts and subcontracts contain price redetermination clauses and also are subject to the Renegotiation Act of 1951. Although sales for the fiscal years 1953 and 1954 under these contracts were substantial, it is believed that the results of redetermination or renegotiation of sales prices will not have a material effect on the accompanying financial statements.

LEAR, INCORPORATED
Balance Sheet

Current Assets:	
Trade accounts receivable (Note A): U. S. Government	$ 4,011,421
Inventories of parts, materials, and work in process—at lower of cost (first-in, first-out method) or market (Note A)	10,444,844
Current Liabilities:	
Notes Payable under V-Loan Agreement (Note A)	$ 6,000,000
Estimated price redetermination and renegotiation refunds	3,366,875
Earnings retained for use in the business (Note A)	3,890,970

Note A—The V-Loan Agreement, which has been extended to December 31, 1955, provides, among other covenants, that the Corporation may borrow under a revolving credit up to $7,000,000, subject to the availability of the required collateral. At December 31, 1954, all accounts receivable due and to become due were assigned as collateral (with respect to certain defense production contracts, by specific assignment and with respect to all other accounts, by general assignment), and all inventories were subject to lien under the credit agreement.

The Agreement places certain restrictions on the acquisition of property, plant, and equipment and the amount of the inventories of the California divisions of the Corporation, and also provides that, without consent of the bank and the guarantor, the Corporation will not (1) permit net current assets to decline below $3,750,000 or (2) declare dividends (other than stock dividends) on or purchase shares of its capital stock in an aggregate amount which would (a) exceed 35% of the Corporation's net earnings subsequent to December 31, 1952, or (b) reduce net current assets below $4,250,-000. At December 31, 1954, earnings retained for use in the business of $220,681 were free from the foregoing dividend restriction.

Note C—The greater part of the sales of the Corporation in 1952, 1953, and 1954 were made under defense prime and subcontracts. Appropriate provision has been made in the financial statements for all price adjustments that reasonably can be anticipated.

TITEFLEX, INC.
Balance Sheet
Current Liabilities:

Note payable to bank (Note 1)	$ 500,000
Noncurrent Liabilities:	
Subordinated notes payable (Note 2)	2,000,000

Note 1: On March 31, 1954 the V-loan guarantee agreement was extended for the period of one year in a maximum amount of $1,500,000. The working capital provision of the agreement was revised and the Company has agreed to maintain net working capital of not less than $2,000,000. All assets were released from hypothecation but the bank and the guarantor reserve the right to request assignment at any time of accounts receivable arising from defense production. The loan is evidenced by notes bearing interest at the rate of 5% per annum plus a commitment fee of ½% per annum on the unused portion thereof. Except with the consent of the bank and the guarantor the Company may not become obligated under any new loans or repay any principal on the subordinated indebtedness.

Note 2: The notes payable to Atlas Corporation at August 31, 1954 include the following:

5% demand note	$ 50,000
6% demand notes	1,710,000
3½% notes due, November 30, 1954	187,000
5% note due, November 30, 1954	53,000
	$2,000,000

All of the foregoing notes have been subordinated as to payment of principal under the V-loan guarantee agreement, and Atlas Corporation has agreed with Titeflex, Inc. to take no action, in the absence of bankruptcy, reorganization, etc., to enforce payment of such notes prior to November 30, 1955.

Renegotiation

There were 209 of the survey companies that made reference, in one way or another, to renegotiation or to renegotiable sales in their 1954 reports. Of these companies, 32 included in their balance sheets a provision for estimated renegotiation liability and an additional 14 companies referred to such provision in the notes to the financial statements (12 companies) or in the letter to the stockholders (2 companies). The remaining 163 companies made no provision for possible renegotiation liability, even though they referred thereto or mentioned renegotiable sales. In such instances the reports normally contained further discussion and comments explaining the reasons for the absence of any provision for possible renegotiation liability. The most common explanations were either that it was felt that no renegotiation refund would be required or that any refund, if required, would not materially affect net income.

The balance sheet or other presentation of estimated renegotiation liability as shown in the survey reports for 1954 and 1953 is set forth in Table 8.

TABLE 8: ESTIMATED RENEGOTIATION LIABILITY

Balance Sheet or Other Presentation	1954	1953
Provision for estimated renegotiation liability—		
Set forth under current liabilities:		
Combined with liability for taxes (*Nos. *63, 101, 238, 392, 550*)	21	25
Combined with non-tax liability (*Nos. *88, 96, 230, 334, 465*)	5	3
Separately set forth (*Nos. *138, 210, 218, 221*)	6	2
Referred to in:		
Notes to financial statements (*Nos. *18, 162, 170, 222, 310, 514*)	12	14
Letter to stockholders (*Nos. *68, 600*)	2	2
	46	46
No provision made for possible renegotiation liability, although reference made thereto or to "renegotiable sales"—(*Nos. *21, 148, 290, 351, 462, 551*)	163	216
Number of Companies referring to		
Renegotiation or renegotiable sales	209	262
Not referring thereto	391	338
	600	600

*See Company Appendix Section.

Examples—Renegotiation

The following examples, taken from the 1954 reports, illustrate the nature and scope of the information disclosed therein concerning renegotiation and the provision made therefor:

A.C.F. INDUSTRIES, INCORPORATED

Note 3: *Renegotiation*—A substantial portion of the company's business is subject to possible price redetermination and renegotiation but, in the opinion of the management, adequate provision has been made in the financial statements for any adjustments which may result from financial settlement of these matters.

BUFFALO-ECLIPSE CORPORATION

Note F: *Renegotiation*—Certain sales of the Company for the year ended July 31, 1954 are subject to renegotiation by the Government. The Company believes that no refunds will result under such renegotiation and no provision therefore has been made on the balance sheet as of that date.

The Renegotiation Board has advised that they contemplate making no changes for the year ended July 31, 1953. Renegotiation for the years ended July 31, 1952 and 1951 resulted in a total net refund after taxes of $48,379.42 which is set forth in the statement of Retained Earnings.

THE MIDVALE COMPANY
Statement of Financial Position
Current Liabilities:

Federal and State Income taxes and Renegotiation	$920,208

Note 1: A substantial portion of the sales in 1954 were made under contracts which are subject to price redetermination and renegotiation. Provision has been made for estimated price reductions when required based upon redetermination clauses in these contracts.

Renegotiation proceedings have been concluded for 1951 and no refund was required for that year. In the opinion of management final results of renegotiation proceedings for the years 1952 to 1954, inclusive, should have no material effect on the earnings for those years.

INVENTORY

Presentation

In the 1954 survey reports, inventories were presented on the balance sheets of the companies in varying detail. The term "inventory" or "inventories" was given by 106 companies, exclusive of other detail on the balance sheet. An additional 65 companies used the same manner of presentation on the balance sheet, with supplementary detail supplied in the notes to financial statements or elsewhere in the report. The remaining 429 companies provided detail on the balance sheet as follows:

Separate captions and amounts presented for:	Number of Items
Finished products	187
Work in process	154
Raw materials	127
Supplies	140
Merchandise	39
	647

Combined caption with one total amount presented for:	
Finished goods and work in process	65
Raw materials and work in process	10
Raw materials, work in process and supplies	13
Raw materials and supplies	124
Raw materials, work in process and finished goods	36
Raw materials, work in process, finished goods and supplies	36
Raw materials and finished goods	6
Materials and supplies	10
Various other classifications	75
	375
	1022

Pricing Basis

The "lower of cost or market" is the most commonly used basis of valuation for inventories, as shown by the 1954 reports of the 600 survey companies. The only other widely used basis is "cost." Table 9 sets forth all of the various bases stated by the survey companies to have been used in the pricing of their inventories for the years 1950 through 1954. Only nine of the survey companies failed to disclose the basis used in pricing their inventories in their 1954 reports.

Methods of Determining 'Cost'

The method of cost determination for the pricing of inventories revealed most often by the survey companies is the "last-in, first-out" (Lifo) method. The only other methods extensively mentioned are the "first-in, first-out" (Fifo) and "average cost" methods. Table 9 sets forth all of the methods of determination of "cost" of inventories as shown by 383 of the 600 companies included in the survey. Of the 217 companies omitting reference to the method of cost determination, 9 did not refer to the basis of pricing their inventories.

Examples of the various methods of determining cost are given below:

(a) First-in, First-out 'Cost'

CENTRAL SOYA COMPANY, INC.
Consolidated Balance Sheet
Current Assets:

Inventories (Note 1)	
Finished goods	$5,158,330
Raw materials	8,925,295
Bags and containers	392,338
Supplies	391,528

Note 1: Inventories were valued as follows: Finished goods—soybean products ($3,554,078) at market, other products at approximate cost, not in excess of market; Raw materials, bags and containers—at lower of cost, on a first-in, first-out basis or market; Supplies—at cost on a first-in, first-out basis.

COOK PAINT AND VARNISH COMPANY
Consolidated Balance Sheet

Inventories—at the lower of cost (first-in, first-out method) or market:	
Raw materials	$ 930,055
Manufactured and semi-manufactured products	2,440,303
Jobbing goods	2,789,425
Cans and containers	172,854
	$6,332,638

GOEBEL BREWING COMPANY
Balance Sheet
Current Assets:

Inventories (Note A)		
Beer		$ 686,630
Federal and State Revenue Stamps		177,159
Materials and Supplies		1,032,613
Total (At Lower of Cost or Market Value)		$1,896,402
Cartons and Marketable Bottles (At Useful Value)	$2,182,619	
Less: Deposits from Customers	712,280	1,470,339
		$3,366,741

Note A: Inventories are adjusted to the lower of cost or market on specific items. "Market" is considered as replacement market. "Costs" are determined by the "First-In First-Out" method. It has been the consistent practice of the Company to calculate beer inventories at average yearly costs. Bottles and new cartons are valued at the lower of cost or market, and used cartons are valued at fair useful value.

TABLE 9: INVENTORY PRICING

I: Basis of Pricing

Bases:*	1954	1953	1952	1951	1950
Lower of Cost or Market—					
A. Lower of Cost or Market	336	331	326	326	336
B. Lower of Cost or Market; and, Cost	78	84	84	81	71
C. Lower of Cost or Market; and, one or more other bases	54	50	52	53	53
D. "Cost not in excess of market"	33	28	26	25	23
	501	493	488	485	483
Cost—					
E. Cost	52	58	61	64	61
F. Cost; and, one or more other bases	60	58	55	55	57
G. Cost; and, Lower of Cost or Market	78	84	84	81	71
	190	200	200	200	189
Other Bases—					
H. Cost or less than cost	26	30	30	33	37
I. Cost or less than cost "not in excess of market"	7	8	11	11	10
J. Cost, less than market	16	9	6	6	6
K. Lowest of—cost, market, adjusted selling price	3	3	3	3	3
L. Market	27	30	28	27	29
M. Market or less than market	10	11	10	10	9
N. Contract price	7	12	12	11	11
O. Selling price	4	4	4	4	4
P. Assigned values	5	6	7	6	7
Q. Various other bases	18	11	11	9	11
	123	124	122	120	127
Total	814	817	810	805	799

II: Method of Determining "Cost"

Methods:**	1954	1953	1952	1951	1950
A. Last-in, first-out	194	192	189	187	163
B. Average cost	152	157	147	140	137
C. First-in, first-out	145	145	144	139	134
D. Standard costs	28	26	28	29	31
E. Approximate cost	13	14	14	15	16
F. Actual cost	8	6	7	7	7
G. Invoice cost	—	1	1	2	5
H. Production cost	3	7	7	6	5
I. Estimated cost	3	2	2	2	2
J. Replacement cost	1	2	2	3	2
K. Retail method	10	9	9	7	6
L. Base stock method	7	8	8	7	6
M. Job-order method	1	2	2	2	2
N. Other methods	2	3	3	3	4
Total	567	574	563	549	520

Number of Companies	1954	1953	1952	1951	1950
Stating inventory pricing basis and cost method	383	381	379	379	360
Stating inventory pricing basis but omitting cost method	208	212	215	215	232
Not stating inventory pricing basis or cost method	9	7	6	6	8
	600	600	600	600	600

(I. *See Company Appendix—A: Nos. 3, 140, 216, 327, 433, 600; B: 18, 126, 136, 219, 311, 594; C: 43, 57, 131, 212, 284, 369; D: 123, 290, 295, 479, 490, 515; E: 66, 128, 186, 256, 322, 357; F: 53, 288, 424, 447, 537, 593; G: See "B"; H: 23, 27, 171, 354, 537; I: 130, 179, 208, 210, 476, 484; J: 143, 235, 328, 359, 480, 558; K: 430, 561, 575; L: 55, 156, 184, 393, 452, 470; M: 53, 67, 173, 265, 447; N: 36, 43, 567; O: 36, 284, 288; P: 174, 189, 413; Q: 42, 56, 241, 385, 427)

(II. **See Company Appendix—A: Nos. See Tables 10 and 11; B: 4, 24, 46, 81, 89, 95; C: 2, 27, 38, 40, 63, 82; D: 93, 157, 321, 362, 417, 516; E: 30, 83, 135, 191, 209, 282; F: 425, 427, 459, 460, 559; H: 312, 431, 496; I: 147, 176, 386; J: 451; K: 98, 233, 262, 335, 336, 343; L: 174, 189, 212, 225, 252, 413; M: 222; N: 98, 305)

HARVILL CORPORATION
Statement of Financial Position
Current Assets:

Inventories—Note A:	
Finished products and parts	$ 54,702
Work in process and semi-finished parts	81,985
Raw materials and supplies	173,100

Note A: Inventories of finished products and parts, semi-finished parts and raw materials and supplies are stated principally at the lower of cost (first-in, first-out method) or current market prices; work in process is stated at selling prices reduced by estimated allowances for profit, costs of completion and disposal.

KAISER MOTORS CORPORATION
Consolidated Balance Sheet
Current Assets:

Automotive inventories (Notes B and H)	
Finished automobiles	$ 4,751,877
All other	20,402,615

Note B: (not reproduced herein)

Note H: *Inventories*—Inventories are stated at the lower of cost (first-in, first-out method) or market. Market is based upon replacement cost in the case of purchased material and work in process. For finished vehicles, market is based upon the lower of cost or estimated net realizable amount (net selling price after provision for costs of distribution). Service parts are priced after allowance for estimated obsolescence, which allowances give effect to the age of the vehicle models to which the service parts apply.

TABLE 10: LIFO INVENTORY COST METHOD

Number of Companies	1954	1953	1952	1951	1950
Using Lifo at beginning of year	192	189	187	162	118
Adopting Lifo during year (*Nos. *16, 361, 506*)	—	3	3	27	43
(Subsidiaries acquired in 1954 with Lifo—*Co. Nos. *115, 239*)	2				
Readopting Lifo during 1950 (*No. *132*)	—	—	—	—	1
Abandoning Lifo during year	—	—	(1)	(2)	—
Using Lifo at end of year (See Table 11)	194	192	189	187	162
Not referring to use of Lifo as of year end	406	408	411	413	438
	600	600	600	600	600
Extending Lifo to additional inventory classes during year (*Nos. *269, 376, 557*)	—	3	4	6	16
Partially abandoning Lifo during year (*No. *584*)	—	1	1	1	1

*See Company Appendix Section.

(b) Last-in, First-out 'Cost'

BELDING HEMINWAY COMPANY, INC.
Comparative Consolidated Balance Sheet
Current Assets:

Merchandise inventories (Note A):	
Raw materials and greige goods	$2,234,347
Work in process	1,132,975
Finished goods	2,868,300

Note A: Merchandise inventories as at December 31, 1954 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, raw yarns in process and raw yarn content of finished threads, amounting to 30% of the inventories, is determined on the basis of last-in, first-out.

(b) Cost of finished piece goods and greige goods, amounting to 51% 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 and finished thread inventories, represent average cost.

Note D: The Internal Revenue Service has examined the company's income and excess profits tax returns for the years 1949 to 1952, inclusive. To conform with the proposed findings of the Internal Revenue Service, the company revised its method of computing inventories stated on the last-in, first-out basis. This revision was made as at December 31, 1954, but was retroactive to December 31, 1949. The cumulative effect of this revision was to decrease net income by approximately $66,000 after deducting applicable Federal taxes on income.

BLUE BELL, INC.
Balance Sheet

Inventories (at lower of cost or market—Note 1):	
Finished goods	$4,622,862
Goods in process	785,975
Materials	2,402,278
Supplies and waste	317,093
Total inventories	$8,128,210

Note 1: The piece goods contained in the inventories of finished goods, goods in process, and materials have been priced at cost, determined on a last-in, first-out (LIFO) basis. Other inventory valuations are based on current costs (including estimated standard costs for factory labor and indirect expenses) or market, whichever is lower.

BULLOCK'S, INC. and I. MAGNIN & CO.
Consolidated Balance Sheet
Current Assets:

Merchandise inventories—Note A	$16,331,006

Note A: Merchandise inventories of Bullock's, Inc. have been valued at cost as determined under the last-in, first-out (Lifo) method. Inventories so valued are $2,558,922 less at January 29, 1955, and $2,747,987 less at January 30, 1954 than would be the case if the conventional retail method were followed. Inventories of I. Magnin & Co. have been valued on the basis of the lower of cost or market as determined under the conventional retail inventory method.

CONTINENTAL GIN COMPANY
Consolidated Balance Sheet
Current Assets:

Inventories—Note A	
Finished products	$ 391,280
Manufactured and purchased parts, work in process, and raw materials, less advance billings of $33,448	3,283,173
Manufacturing supplies	113,063
In transit	22,473
Cotton	31,150
	$3,841,139

Note A: *Pricing of Inventories*—Inventories were priced in substantial part at cost on the last-in, first-out (LIFO) principle, and the balance, generally, at the lower of average cost or market. Inventories so priced on the last-in, first-out principle are stated this year at $757,633 and last year at $764,100 less than they would have been had they been priced at the lower of average cost or market. The Lifo principle was adopted as of January 1, 1951, and has had the effect of increasing the net profit after taxes on income for 1954 by about $3,000 and of reducing net profit after taxes on income for 1953 by about $7,000.

THE KENDALL COMPANY
Consolidated Balance Sheet
Current Assets:

Inventories (Note C):	
Raw cotton	$3,470,372
Materials and supplies	2,767,052
Goods in process	2,561,305
Grey cloth and finished goods	8,136,728

Note C: *Inventories*—The consolidated inventories were valued at cost on the basis of "last-in, first-out," except for approximately $4,435,000 at January 1, 1955, and $5,011,000 at December 26, 1953, on "first-in, first-out" or "average" basis and were at less than market.

(c) Average 'Cost'

AMERICAN ENCAUSTIC TILING COMPANY, INC.
Statement of Financial Condition
Current Assets:
Inventories—at lower of average cost or replacement market $424,878

AMERICAN SCREW COMPANY
Balance Sheet
Current Assets:
Inventories (Note 1):
Raw Materials, Work in Process, Finished Goods and Scrap $3,567,328
Supplies 1,011,068

Note 1: Inventories—Inventory valuations have been computed at the lower of cost or market on an average cost basis consistent with the prior year. Verification of these inventories included physical tests of quantities at the plants and the Chicago, Illinois, warehouse. Consideration was given to obsolescence in determining inventory values.

HARRISBURG STEEL CORPORATION
Consolidated Balance Sheet
Current Assets:
Inventories $1,671,954

Notes: Inventories are valued at the lower of cost or market, cost being determined on an average basis, except as to inventories of a subsidiary, the cost of which is determined on the last-in, first-out (LIFO) basis. A summary of the inventories at the balance sheet date is as follows:

	December 31, 1954
Finished goods	$ 248,246
Work in process	762,917
Raw materials	126,944
Stores and supplies	159,861
	$1,297,968
Inventories of subsidiary not susceptible to above classification (valued on "LIFO" basis)	373,986
	$1,671,954

As a result of a general reduction of inventory levels during 1954, a portion of a subsidiary's inventory, valued on a "LIFO" basis, was liquidated during the year. Net income of approximately $175,000 was realized in 1954 because of this reduction.

WORTHINGTON CORPORATION
Consolidated Statement of Financial Condition
Current Assets:
Inventories (See page 24) $45,678,352

Page 24: Supplementary Financial Information—Inventories consist of finished machines and parts, work in process, purchased materials and supplies and are stated at the lower of cost (principally average cost), or market, less a provision of $1,000,000 for possible future obsolescence.

(d) Standard 'Cost'

AMERICAN HARD RUBBER COMPANY
Consolidated Statement of Financial Position
Current Assets:
Inventories of finished goods, work in process, raw materials and supplies (Note 2) .. $3,580,107

Note 2: Inventories—Inventories of Finished Goods and Work in Process are stated at standard costs, less, in the case of its subsidiary, an adjustment to market price of raw scrap content therein at December 31, 1954; major Raw Materials are stated at cost or market, whichever lower, and Supplies at cost or realizable value.

THE AMERICAN PULLEY COMPANY
Balance Sheet
Current Assets:
Inventories (Note B) $1,273,125

Note B: The inventories are based upon perpetual inventory book records, which records were adjusted to physical inventories, taken in the respective years, as of July 6, 1954, and July 3, 1953. The basis of pricing is the lower of standard costs (not in excess of actual costs) or market.

THE GRAY MANUFACTURING COMPANY
Consolidated Balance Sheet
Current Assets:
Inventories—(Note 1) $2,389,615

Note 1: Inventories in the aggregate amount of $2,389,615.63 have been valued at cost, or cost standards, this valuation not being in excess of cost or market. Inter-company profit on inventories has been eliminated.

THATCHER GLASS MANUFACTURING COMPANY, INC.
Consolidated Balance Sheet
Inventories (at not in excess of market prices):
Finished ware and ware in process—at standard or estimated cost $3,717,608
Materials and supplies—at average cost .. 1,620,280

(e) Retail Method

L. S. AYRES AND COMPANY
Consolidated Statement of Financial Condition
Current Assets:
Merchandise inventories, including merchandise in transit (Note A) $4,919,976

Note A: Substantially all the merchandise inventories of the retail departments as at January 29, 1955 are stated at cost as determined by the retail method of inventory valuation, on the basis of "last-in, first-out" ("LIFO"). The merchandise inventories of the cost departments of the Company and of the subsidiary are stated at the lower of cost or market and the merchandise in transit is stated at specific invoice amounts.

THE OUTLET COMPANY
Balance Sheet
Current Assets:
Inventories:
On hand (Lower of cost or market as determined by the retail inventory method) $2,193,363
In transit (cost) 174,076

WIEBOLDT STORES, INC.
Balance Sheet
Current Assets:
Merchandise inventories—Note A $8,235,438

Note A: Inventory Valuation—Merchandise inventories totaling $5,755,549 have been priced at cost (last-in, first-out retail method) which amount was approximately $48,000 less estimated replacement cost. The remaining merchandise inventories have been priced principally at the lower of cost or market (first-in, first-out retail method).

(f) Base Stock Method

GENERAL ELECTRIC COMPANY
Consolidated Statement of Financial Position
Current Assets:
Inventories, less reserves (Note 3) $488,596,112

Note 3: Inventories were verified by physical count during the latter part of the year. With the exception of tungsten stocks, inventories 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. The tungsten metal stocks were valued on a "last-in, first-out" basis.

METAL & THERMIT CORPORATION
Balance Sheet
Current Assets:
Inventories (Note 1) $4,028,175

Note 1: As heretofore, a fixed quantity of tin in process is carried at a constant price which is lower than cost or market; the remainder of the inventory is priced at the lower of cost or market.

The examples which follow illustrate certain methods of stating "market" value:

BURRUS MILLS, INCORPORATED
Consolidated Balance Sheet

Inventories (Note 1)	
Flour and wheat and other grains	$5,115,131.88
Feed, other mill products and feed ingredients	455,418.69
Bags and bag materials	475,177.22
Operating supplies	46,259.24
	$6,091,987.03

Note 1: The inventories, which include $1,862,407.33 of inventories of the Corporation's Cuban subsidiaries, have been valued as follows:

Flour and wheat and other grains:

Domestic inventories—at market, adjusted by the difference between contract prices and market prices at June 30, 1954 of open flour and grain contracts, except as to grains for feed products which were priced at the lower of average cost or market. At June 30, 1954 the Corporation held a substantially hedged position with respect to wheat, including wheat represented by flour.

Cuban inventories—at average cost not in excess of market.

Feed, other mill products, and feed ingredients at estimated costs in respect to feed and other mill products and at average cost as to feed ingredients—not in excess of market.

Bags and bag materials—at the lower of market or approximate average cost.

Operating supplies—at average cost, not in excess of market.

FRUIT OF THE LOOM, INC.
Consolidated Balance Sheet
Current Assets:

Inventory	
Merchandise	$2,314,707
Processing Materials and Supplies	278,816

Note 1: The merchandise inventory was priced at the lower of cost or market with allowance for imperfect merchandise, but not in excess of current market selling price for the goods less discount and selling expenses. Processing materials and supplies were priced at the lower of cost or market with allowance for inactive and obsolete items.

HART SCHAFFNER & MARX
Consolidated Balance Sheet
Current Assets:

Inventories:	
Factory inventories at cost or market, whichever is lower for current season's goods and estimated realizable value for past seasons' goods; retail stores' inventories at cost or market whichever is lower	$19,631,948

PACIFIC AMERICAN FISHERIES, INC.
Consolidated Balance Sheet
Current Assets:

Inventories:	
Canned salmon, at the lower of cost or net realizable value at current market prices	$1,365,210
Less allowance for labeling	14,137
	$1,351,073
Other seafoods, at cost	936
Packing and commissary supplies, at cost	825,701
	$2,177,710

The following examples disclose other methods of providing supplemental information with regard to inventories:

THE AMERICAN DISTILLING COMPANY
Balance Sheet
Current Assets:

Fire insurance claims receivable (Note 1)	
For inventories, repairs, and other expenses	$ 4,943,627.23
Less: Reserve for inventory replacements	1,282,652.14
	$3,660,975.09
Inventories at lower of cost or market (Note 2)	
Bulk whiskey and spirits	8,786,361.29
Raw materials and supplies	725,444.95
Work in process and finished goods	1,218,351.57
	$10,730,157.81

Note 1: *Insurance Claims*—On August 4, 1954, certain of the Company's buildings and their contents were destroyed or damaged by fire. The Company as of September 30, 1954 has claims aggregating $4,943,627.23 covering inventories destroyed, damages to buildings and equipment, and other expenses incident to the fire. We are advised by General Counsel that these claims are recoverable under the Company's insurance coverages. Included in the amount of claim for destroyed inventory is $2,490,822.27 representing the book value of whiskey pledged to secure bank loans at the time it was destroyed.

The aggregate sum above does not include other claims for destruction of buildings and equipment the amount of which the Company has as yet not determined due to the normal delays in procuring replacement figures. The net book value of buildings and equipment destroyed was $159,262.99, which amount is included under the heading of Fixed Assets. We are advised by General Counsel for the Company that the recoverable insurance applicable to these facilities will exceed their book value.

Note 2: *Inventories*—Bulk whiskey and spirits having an inventory value of $7,630,382.62 were pledged to secure short and long-term bank loans aggregating $10,840,000.00. See Note 1 with respect to additional pledged inventories destroyed by fire.

THE ANGOSTURA-WUPPERMAN CORPORATION
Consolidated Balance Sheet
Current Assets:

Inventories—at cost (Note 1)	
Bulk and cased bitters, grenadine, Drylem, materials and supplies	$360,581

Note 1: The inventory of bulk bitters includes goods in a bonded warehouse which are subject to import duty amounting to $38,238, upon withdrawal.

COPPER RANGE COMPANY
Consolidated Balance Sheet
Current Assets:

Copper and brass inventories (Note 2)	$3,409,501
Supplies inventory, at lower of cost or market (Note 2)	227,411

Note 2: Metal contents of inventories of fabricating division are stated at cost on basis of last-in first-out inventory method (adopted January 1, 1946), which was below market as at December 31, 1954. Labor and burden costs applied to goods in process and finished goods are based on average current costs for year. All other inventories are stated at lower of cost or market on basis of first-in first-out inventory method.

GENERAL CABLE CORPORATION
Balance Sheet
Current Assets:

Inventories—finished products, work in process, raw materials and supplies (Note 3)	$12,896,095

Note 3: Inventories of finished products, work in process, raw materials and supplies were based on physical inventories at Septem-

TABLE 11: INDUSTRIAL GROUPS USING LIFO INVENTORY COST METHOD

Group Total	Industrial Group and Company Appendix Numbers	Lifo Use In: 1954	1953	1952	1951	1950
	Chemicals & Chemical Products:					
26	Chemicals (*Nos. *28, 68, 283, 309, 334, 390, 584*)	7	7	7	7	7
11	Drugs and Medicines (*No. *340*)	1	1	1	1	1
7	Paints and Varnish (*Nos. *264, 409*)	2	2	2	2	3
22	Clay, Glass & Roofing Products (*Nos. *17, 133, 281, 319, 342, 408, 456, 554*)	8	8	8	8	4
26	Electrical Appliances & Mach. (*Nos. *132, 219, 249, 252, 588*)	5	5	5	5	3
	Food Products:					
8	Bakery (*No. *401*)	1	1	1	1	1
11	Beverage (*Nos. *231, 407*)	2	2	2	2	2
17	Canning and Preserving (*Nos. *35, 120, 304, 347, 372, 517, 523, 524, 532*)	9	9	9	9	6
6	Confectionery (*Nos. *84, 103, 292, 596*)	4	4	4	4	4
11	Dairy (*Nos. *100, 126, 239*)	3	2	2	3	3
9	Grain Milled Products (*Nos. *57, 327*)	2	2	2	2	2
11	Meat Products (*Nos. *61, 305, 369, 393, 471, 540, 593*)	7	7	7	6	6
8	Sugar (*Nos. *298, 572*)	2	2	2	2	2
13	Instruments—Scientific (*Nos. *216, 320, 589*)	3	3	3	3	3
11	Leather and Shoe Products (*Nos. *314, 333, 378*)	3	3	3	3	3
7	Lumber and Wood Products (*Nos. *195, 423, 590*)	3	3	3	3	1
	Machinery:					
7	Agricultural (*Nos. *16, 128, 129, 192, 425*)	5	5	4	4	1
11	Business and Store (*Nos. *116, 279, 402, 477*)	4	4	4	4	3
26	General Industrial (*Nos. *41, 177, 290, 324, 506*)	5	5	4	4	3
9	Household and Service (*No. *370*)	1	1	1	1	1
27	Special Industrial (*Nos. *32, 109, 180, 414, 557*)	5	5	5	5	2
24	Metal Products (*Nos. *25, 39, 169, 457, 497, 507*)	6	6	6	6	5
6	Motion Pictures	—	—	—	—	—
17	Nonferrous Metals (*Nos. *18, 36, 43, 52, 53, 104, 121, 141, 148, 149, 329, 447, 480, 482*)	14	14	14	13	12
23	Paper (*Nos. *136, 193, 201, 213, 313, 332, 361, 376, 496, 549, 585*)	11	11	10	10	9
31	Petroleum (*Nos. *67, 143, 171, 277, 451, 465, 468, 486, 509, 525, 526, 527, 528, 529, 535, 545, 551*)	17	17	17	17	17
10	Printing and Publishing (*No. *546*)	1	1	1	1	1
9	Radio, Records, Television	—	—	—	—	—
36	Retail Stores (*Nos. *15, 66, 117, 145, 233, 235, 262, 267, 272, 337, 359, 368*)	12	12	12	12	13
9	Rubber Products (*Nos. *234, 259, 269, 270*)	4	4	4	4	4
31	Steel and Iron (*Nos. *3, 9, 11, 60, 90, 155, 172, 182, 308, 322, 356, 412, 479, 502, 533, 568, 569, 573, 599*)	19	19	19	17	15
	Textiles:					
7	Floor Covering (*Nos. *12, 62, 64, 91, 388, 512*)	6	6	6	6	6
6	Rayon (*No. *47*)	1	1	1	1	1
23	Wool and Cotton (*Nos. *85, 115, 124, 153, 223, 318, 328, 415, 430, 475, 498, 530, 543, 558, 561*)	15	14	14	14	14
10	Tobacco (*No. *164*)	1	1	1	1	1
	Transportation Equipment:					
7	Boat and Ship (*No. *242*)	1	1	1	1	—
13	Railway (*Nos. *37, 256, 462, 464*)	4	4	4	5	3
19	Aircraft	—	—	—	—	—
19	Motor Vehicles	—	—	—	—	—
10	Miscellaneous Manufacturing	—	—	—	—	—
6	Miscellaneous Manufacturing	—	—	—	—	—
600	Totals	194	192	189	187	162

*See Company Appendix Section. See also, Table 10.

ber 30, 1954 adjusted to December 31, 1954 and are shown at cost which was less than replacement market. The cost of copper and other materials in inventories and in cost of goods sold was determined by the "last-in, first-out" method, firm purchase and sales commitments being taken into account in respect to copper.

TABLE 12: INVENTORY RESERVES

Purpose Stated	1954	1953	1952	1951	1950
Possible future inventory price decline (*Nos. *14, 61, 114, 333, 500*)	23	29	33	43	52
Increased replacement costs	—	1	1	1	1
Restatement of Lifo (*No. *482*)	1	1	1	—	—
Basic Lifo replacement (*Nos. *57, 104, 347, 393, 409, 540, 593*)	7	7	13	14	18
Reduction to Lifo cost (*Nos. *64, 100, 177, 272, 273, 319*)	6	6	5	5	6
"Base Stock" adjustment (*Nos. *174, 225, 252, 531*)	4	5	5	5	5
Reduction to market (*Nos. *12, 91, 567, 588*)	4	4	5	3	2
Inventory markdown (*Nos. *145, 343*)	2	2	2	2	2
Released "film" amortization (*Nos. *200, 353, 432, 548, 582*)	5	5	5	5	5
Inventory obsolescence (Nos. *169, 217, 321, 595*)	12	14	19	19	20
Inventory shrinkage (*Nos. *217, 400, 412, 591*)	4	3	3	3	3
Overhead in inventory (*No. *576*)	1	1	1	1	1
Materials and supplies adjustments (*No. *465*)	1	1	4	4	4
Intercompany sales—discounts—profits (*Nos. *252, 326, 566, 583*)	5	5	6	6	7
Purchase commitments (*Nos. *102, 430*)	2	—	—	—	—
Inventory hazard (*No. *164*)	1	1	1	1	1
Purpose not stated (*Nos. *6, 36, 128, 498*)	14	19	21	23	23
	92	104	125	135	150
Number of Companies with:					
Inventory reserves	81	91	107	118	127
No inventory reserves	519	509	493	482	473
	600	600	600	600	600
Number of Reserves:					
Beginning of year	104	125	135	150	152
Established during year	4	1	4	4	24
Eliminated during year	(16)	(22)	(14)	(19)	(26)
End of year	92	104	125	135	150
Terminology Used:					
"Reserve"	46	54	69	79	87
"Provision"	9	7	11	9	11
Various other terms	37	43	45	47	52
	92	104	125	135	150

*See Company Appendix Section. See also, Table 13.

OLIN MATHIESON CHEMICAL CORPORATION
Consolidated Balance Sheet
Current Assets:
Inventories (Note 3) $121,587,558

Note 3: *Inventories*—Inventories at December 31, 1954, after elimination of inter-company profits, are summarized approximately as follows:

Raw materials, production supplies and packaging materials (including work in process of the Drug and Pharmaceutical Division)	$ 50,821,690
Work in process (Industrial Division)	24,623,840
Finished products (including work in process of the Chemicals Division)	46,142,028
	$121,587,558

Inventories are priced, for the most part, at the lower of cost or market of materials plus direct labor and other direct costs, including overhead; however, in continuation of practices adopted by E. R. Squibb & Sons and Olin Industries, Inc., overhead has been omitted from a portion of the inventories but the omission of such overhead ($5,850,054 in 1954 and $5,678,532 in 1953) had no material effect upon net income (after taxes) for the year 1954. Certain metal inventories, aggregating $7,038,786, have been costed under the last-in, first-out (Lifo) inventory method; in all other instances cost has been determined either on the basis of average cost or under the first-in, first-out inventory method and market has been determined on the basis of replacement cost or realizable value.

Lifo Inventory Cost Method

The 1954 reports of the 600 survey companies indicated that there were no changes in the use of the Lifo method. A total of 192 companies which were using the Lifo method apparently continued to do so, since no mention was made of an abandonment of the Lifo method in any report. Two companies acquired subsidiaries during the year 1954 which used the Lifo method (Co. Nos. 115, 239). None of the 600 companies indicated the adoption of the Lifo method in 1954. Table 10 shows the changes in the use of the Lifo method for the five years from 1950 to 1954.

Use of Lifo Method by Industrial Groups

Table 11 contains a classification of the 600 survey companies by industrial groups and sub-groups and shows the number of companies in each classification which have referred to the use of the last-in, first-out method of determining inventory cost in their annual reports for the years 1950-1954, inclusive.

Inventory Reserves

Stated Purpose

As shown by Table 12, inventory reserves were created by the survey companies for various stated purposes, the most common of which were for possible future inventory price declines, obsolescence of inventories, and basic Lifo inventory replacement. During the past five years there has been a decrease in the number of the survey companies disclosing the existence of inventory reserves (81 companies in 1954 as compared with 127 in 1950) and also a decrease in the number of such reserves (92 in 1954 as compared with 150 in 1950). A substantial part of the decline in the number of reserves shown by the survey companies is attributable to the decrease in the number of reserves for possible future inventory price declines (23 such reserves in 1954 as compared with 52 in 1950). No new reserves for inventory price declines have been established by any of the survey companies since 1949.

Balance Sheet Presentation

Inventory reserves were presented most frequently by the survey companies in the current asset section of the balance sheet with the related inventories (46 reserves in 1954); within the stockholders' equity section (21 reserves in 1954); or above that section of the balance sheet (18 reserves in 1954). Table 13 sets forth, by type of reserves, the various balance sheet presentations in the annual reports of the survey companies for the years 1950 through 1954.

Examples of Inventory Reserves
Lifo Replacement and Reduction to Lifo

ARCHER-DANIELS-MIDLAND COMPANY
Balance Sheet
Current Assets:
Inventories:
At lower of cost (last-in, first-out principle) or market:
Linseed oil, soybean oil, sperm oil and crude fish oil $5,379,070
Current Liabilities:
Reserve for anticipated replacement of inventories, less related income tax reduction—Note B $1,326,000
Statement of Profit and Loss and Earned Surplus
Provision for federal, state, and Canadian taxes on income for the current year—estimated $6,131,726
Less income tax adjustment resulting from increase in reserve for replacement of inventories 1,088,000
$5,043,726

Note B—The inventories of certain oils are priced on the basis of the last-in, first-out principle which was first adopted as of December 31, 1941. Under this principle, base quantities were established and thereafter such base quantities (less certain adjustments for partial liquidations thereof after December 31, 1948) have been stated at prices which prevailed when the LIFO principle was adopted, without recognition of subsequent increases in replacement costs except as to quantities in excess of the adjusted base quantities. It is estimated that at June 30, 1954, the current replacement cost of oils on hand which were priced on the LIFO principle was approximately $4,350,000 more than the amount shown for such inventories in the balance sheet as compared with a similar difference of $5,650,000 at June 30, 1953. The difference of $1,300,000 results largely from temporarily reduced LIFO inventories on hand at June 30, 1954, the replacement of which is expected to be made before December 31, 1954 (the end of the Company's current income-tax year), and for which the estimated cost of replacement over the LIFO inventory basis has been provided for in the reserve for anticipated replacement of inventories.

THE BORDEN COMPANY
Balance Sheet
Current Assets:
Inventories (Note 2):
Finished Goods $30,735,634
Materials and Supplies 22,766,064
Total Inventories $53,501,698

TABLE 13: INVENTORY RESERVES

Balance Sheet Presentation:	1954	1953	1952	1951	1950
With Inventories for:					
Possible future inventory price decline	4	7	7	9	10
Increased replacement cost	—	1	1	1	1
Intercompany sales—discounts—profits	3	5	5	5	6
Reduction to "Lifo" cost	5	5	4	4	5
Materials and supplies adjustments	1	1	3	3	3
Inventory obsolescence	12	14	16	16	16
Reduction to market	3	3	4	2	1
"Base stock" adjustments	3	4	4	4	4
Inventory markdown	1	1	1	1	1
Released "film" amortization	5	5	5	5	5
Inventory shrinkage	3	3	3	3	3
Purpose not stated	6	9	11	11	11
Among Non-current Assets for:					
Intercompany sales—discounts—profits	1	—	—	—	—
Among Current Liabilities for:					
Basic "Lifo" replacement	3	6	7	6	7
Purchase commitments	2	—	—	—	—
Inventory markdowns	1	1	1	1	1
Above Stockholders' Equity for:					
Possible future inventory price decline	4	6	8	10	16
Intercompany sales—discounts—profits	1	—	1	1	1
Reduction to "Lifo" cost	1	1	1	1	1
Basic "Lifo" replacement	4	1	5	7	9
Overhead in inventory	1	1	1	1	1
Reduction to market	1	1	1	1	1
"Base stock" adjustments	1	1	1	1	1
Restatement of "Lifo"	1	1	1	—	—
Inventory obsolescence	—	—	2	3	4
Purpose not stated	4	5	6	6	7
Within Stockholders' Equity for:					
Possible future inventory price decline	15	16	18	24	26
Inventory hazard	1	1	1	1	1
Inventory shrinkage	1	—	—	—	—
Basic "Lifo" replacement	—	—	—	—	1
Inventory obsolescence	—	—	1	—	—
Materials and supplies adjustments	—	—	1	1	1
Purpose not stated	4	5	5	7	6
Total	92	104	125	135	150

See also Table 12.

Note 2: Inventories—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 at December 31, 1954 and 1953, 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 Income Tax Lifo values.

The President's Report: Inventories—For the second consecutive year our inventories declined. At the close of the year they were $53,501,698, down 21% from 1953. There were several reasons for the reduction. The price level was lower. Quantities of some products were smaller—as in the case of cheese, which was available from Government stocks, and coffee, where supplies were short. And we followed a policy of holding inventories to sound minimum levels during a time of price uncertainty.

We continued to use the last-in, first-out (Lifo) basis for valuing stocks of certain products, and therefore declines in the price level had a limited effect on our earnings. Had we not adopted this method some years ago our inventory values would have been $8,002,486 higher.

Base Stock

CORN PRODUCTS REFINING CO.
Balance Sheet
Current Assets:

Inventories—Note 1:	
Raw materials	$ 7,060,490
Goods in process	2,463,825
Finished products	14,520,793
	$24,045,108
Less reserve for reduction of normal inventories to fixed prices	5,744,615
	$18,300,493
Manufacturing and mechanical supplies	6,282,850
Total inventories, less reserve	$24,583,343

Statement of Income and Earned Surplus

Cost of Sales, including decrease of $41,368 in 1954 in reserve for reduction of normal inventories to fixed prices $138,707,304

Note 1: Inventories—Raw materials, finished and in process goods are priced at cost on the basis of first-in, first-out. The companies use the normal stock inventory method in respect to minimum quantities of corn, finished and in process goods manufactured from corn, necessary to do a continuing business based upon plant capacity. Since the adoption of this method in 1939 the companies have consistently stated normal stock requirements at fixed prices determined in that year which are substantially lower than current cost or market prices. Under this method a reserve has been established which represents the difference between the normal stock inventory quantities at cost and at fixed prices. The deduction of this reserve from normal stock inventories stated at cost results in stating that portion of the inventory at fixed prices. The reserve is increased or decreased as required through charges or credits to cost of sales to record the fluctuation in prices on the basis of current cost at the beginning and end of the year and the fixed prices determined in 1939. As a result of the application of the normal stock inventory method, income from operations is less affected by fluctuations in raw material prices of corn. Manufacturing and mechanical supplies are priced at the lower of cost or market.

Possible Future Price Decline

ELY & WALKER DRY GOODS COMPANY
Balance Sheet
Current Assets:

Inventories, valued at the lower of cost or market (including $3,087,177 on the last-in, first-out basis) $32,908,630

Above "Capital Stock":

Reserve for Unusual Market Conditions and Other Contingencies .... $ 2,500,000

To the Stockholders: Merchandise Inventories—As usual, inventories are valued at the lower of cost or market except raw cotton, finished goods, and goods in process of manufacture at many of our textile mills where pricing was on the "l-i-f-o" (last-in first-out basis). As in the past, value of mill inventory as to cotton continues to be substantially below the Government loan or present market value of raw cotton. Consolidated inventories as of the end of the current year amounted to $32,908,630 as compared with $25,923,630 the end of the previous year, an increase of $6,985,000. This increase is due to larger stocks of raw cotton at our most modern new cotton warehouse and at our mills. This condition was brought about in part by a change in our method of buying cotton. Due to the large amount of short staple cotton in the 1954 cotton crop, unsuitable for our use, it was necessary that we purchase outright, cotton of the staple and character our mills could efficiently use to produce the high quality of merchandise we require. We believe this change will prove both profitable as well as give us higher productivity at all of our plants, with comparatively small risks involved in view of Government price supports and our ability to hedge by sales of cotton futures as occasion arises.

TABLE 14: CASH SURRENDER VALUE OF LIFE INSURANCE

Balance Sheet Presentation	1954	1953	1952	1951	1950
As a current asset separately set forth (*Nos. *215, 321*)	2	3	3	3	3
As a non-current asset separately set forth (*Nos. *21, 180, 199, 318, 471, 515*)	29	26	30	29	30
Combined with or shown under heading of other noncurrent assets (*Nos. *82, 135, 206, 267, 350, 392, 511, 536, 561*)	57	56	67	74	75
Not shown on balance sheet but existence thereof discussed in notes (*Nos. *367, 372*)	2	2	1	—	—
Number of Companies					
Disclosing the above asset	90	87	101	106	108
Not disclosing the above asset	510	513	499	494	492
	600	600	600	600	600

*Refer to Company Appendix Section.

Discounts and Markdowns

CITY STORES COMPANY
Statement of Financial Condition
Current Assets:

Merchandise inventories (Note A) $30,028,227

Current Liabilities:

Reserve for purchase discounts and markdowns .... $ 468,910

Note A: Merchandise inventories were determined generally according to the retail inventory method and were priced in substantial part according to the LIFO method (before reserves for discounts and markdowns shown under current liabilities), and the balance, generally, at the lower of cost or market. Inventories priced according to the LIFO method are stated—at $3,993,739—less than they would have been if they had been priced at the lower of cost or market.

Purchase Commitments

BOTANY MILLS, INC.
Balance Sheet
Current Assets:

Inventories (Note A) $6,041,456

Current Liabilities:

Reserve for loss on purchase commitments (Note G) .... $ 45,000

Note A: The inventories are stated at the lower of cost or market. Cost of raw materials and raw material content of work in process and finished goods was determined on the basis of average cost, and other costs on the basis of standard costs. Market was determined on the basis of replacement cost of materials, or selling prices of finished products after allowance for selling, general and administrative expenses.

Note G: As at December 31, 1954, the Company had outstanding commitments for the purchase of raw materials aggregating approximately $900,000, and had purchased contracts for futures in wool top aggregating approximately $140,000. A reserve has been provided in the accompanying financial statements in the amount of the approximate difference between contract prices and market prices for those commitments which were in excess of market as at December 31, 1954.

CASH SURRENDER VALUE OF LIFE INSURANCE

Table 14 indicates that 90 of the survey companies revealed "cash surrender value of life insurance," 88 of these companies presented the asset on the balance sheet, two as current assets, the balance as noncurrent assets. Two companies disclosed the existence of cash surrender value of life insurance in the notes to the financial statements.

The treatment of this asset as "noncurrent" is generally recommended and is in conformity with the pronouncement in *Restatement and Revision of Accounting Research Bulletins,* (chapter 3, section A), issued by the committee on accounting procedure of the American Institute of Accountants.

For an example of the exclusion of cash surrender value of life insurance from the balance sheet, reference is made to the accountant's report contained in the annual report of *TOWLE MANUFACTURING COMPANY*:

" . . . The company, for its benefit, carries insurance on the life of an executive. The cash surrender value of such life insurance, in accordance with the company's usual practice, is not reflected in the accompanying balance sheet. In connection with such life insurance is a contract between the company and the executive, which provides for payments by the company out of the proceeds of such insurance to the executive or his beneficiary. . . ."

DAYSTROM INCORPORATED
Consolidated Balance Sheet
Under "non-current assets"
Other assets and deferred charges (Note 4) . . $4,245,209

Note 4: Other assets and deferred charges at March 31, 1955 and 1954 consist of the following:
Cash surrender value of life insurance policies March 31, 1955 .... $249,395

BELL & HOWELL COMPANY AND SUBSIDIARIES
Statement of Financial Position
Other Assets:
Cash surrender value of life insurance $145,806
Statement of Income:
Other Income:
Excess of life insurance proceeds over cash surrender value of policies .... $ 53,068

THE LEWIS WELDING & ENGINEERING CORPORATION
Balance Sheet
Other Assets:
Cash value of life insurance—Note A $11,920
Long-Term Debt:

Note payable—4¾% interest, payable in quarterly installments of $20,000 each to November 1, 1957—Note A	$240,000	
Less portion classified with current liabilities	80,000	$160,000

Note A: The loan agreement provides, among other things, that the Corporation maintain net current assets of not less than $650,000.00 which shall be increased annually by an amount equal to 20% of the net earnings beginning with the year ended December 31, 1952 (current requirement $736,415.76); maintain and assign to the bank, insurance upon the life of J. T. Lewis, Jr. in the aggregate amount of $200,000.00; and will not, without prior consent of the bank, pay dividends on capital stock in excess of 60% of the net earnings of the Corporation after deducting current portion of long-term notes payable.

JACOBSEN MANUFACTURING COMPANY
Consolidated Balance Sheet
Non-current investments and receivables:
Life insurance, cash surrender value (Note 2) . $33,082

Note 2: The company is carrying ordinary life insurance payable to the company in the amount of $100,000 upon each of its two principal officers. Under agreements dated November 14, 1950 upon the death of either of such officers the company may be obligated, under certain conditions, to purchase at their then fair market value, shares of the company held by the decedent to the extent of the net cash proceeds of such insurance.

CLAIMS FOR REFUND OF INCOME TAXES

There were 102 claims for refunds of income taxes disclosed by 91 of the survey companies in their 1954 annual reports. In approximately one-half of the instances the basis of the claim was set forth in the report. The most commonly stated bases of such refund claims were in connection with the replacement of basic LIFO inventories, operating loss carry backs, and adjustments under Sections 721 and 722 of the Internal Revenue Code of 1939. The various types of tax refund claims found in the reports of the survey companies for 1954 and 1953 are summarized on Table 15. This tabulation also shows the balance sheet or other presentation of such claims in the 1954 survey reports.

The following examples from the 1954 reports illustrate the nature and degree of disclosure of information by the survey companies concerning the basis of claims for refund of taxes and the accounting treatment thereof:

GIMBEL BROTHERS, INC.
Consolidated Balance Sheet
Under Noncurrent Assets:
Overpayments of Federal Taxes on Income claimed for the six years ended January 31, 1947, as a result of the readoption of LIFO (See Note 1) $5,960,000

Note 1: As explained in the report for the year ended January 31, 1948, the LIFO method was readopted retroactively to January 31, 1941. As a result of this readoption, federal taxes on income for the period since January 31, 1941 have been reduced by $6,320,000. Of this amount $5,960,000 represents over-payments claimed for the six years ended January 31, 1947 (carried in the accompanying balance sheet as a noncurrent asset). The balance of the reduction, $360,000, has been reflected in the reduced provision for federal taxes on income in the eight years ended January 31, 1955. To date, the right to use the LIFO method retroactively to 1941 as claimed by the Company and its subsidiaries has not been authorized by the Treasury Department; efforts to procure such authorization continue.

CALIFORNIA PACKING CORPORATION
Consolidated Statement of Financial Position
Other Assets:
Estimated refundable Federal taxes on income arising from replacement of inventories (Notes B and C) $85,892

Note B: *Refundable Taxes from Replacement of Inventories*—

Claims for Federal taxes on income refundable, based on replacement in the two years ended February 29, 1952 of "last-in, first-out" inventories which were liquidated because of war conditions, amount to $129,277 and interim allowances of $43,385 have been received thereon; all of the refunds claimed are subject to final review by the Treasury Department.

Note C: *Taxes*—The Corporation's Federal income and excess profits tax returns have been examined through the years ended February 29, 1952 and agreement has been reached with the local office of the Internal Revenue Service as to the additional liabilities, or refunds allowable, for all years then ended; agreements relating to the two years ended February 29, 1952 are subject to review by the Treasury Department. It is the opinion of officials of the Corporation that reasonable reserves for taxes on income have been provided for all years.

In 1954 the liability for the nine years ended February 28, 1950 was determined (excepting as to the claims referred to in Note B) and the Corporation received a refund based principally on the allowance of claims relating to items entering into the computation of excess profits net income and credit which were not determinable when the returns were filed. The refund, including interest, totaled $2,507,911 of which $694,991 had been recorded as a claim receivable and credited to earnings in prior years; the remainder (less provision of $390,000 for Federal income taxes on the interest received) has been included as a special credit of $1,422,920 on the accompanying consolidated statement of earnings.

TABLE 15: TAX REFUND CLAIMS

Nature of Tax Refund Claims	1954	1953
Claims for Refund of Federal Income or Excess Profits Taxes:		
Basis of Claims Explained As—		
A. Operating loss carry-back (*Nos. *7, 50, 128, 185, 498*)	23	12
B. Sections 721-722 of Internal Revenue Code (*Nos. *96, 321, 480, 520*)	11	15
C. Replacement of basis LIFO inventory (*Nos. *39, 120, 149, 235, 414, 457, 569*)	7	12
D. Adoption of LIFO inventory (*Nos. *66, 262, 272, 359, 368*)	5	6
E. Renegotiation	—	1
F. Excess profits credit—carry back (*Nos. *43, 204, 384*)	3	14
G. Various other (*Nos. *9, 121, 434, 592*)	4	3
Basis of Claims Not Explained—		
H. Income taxes	26	26
I. Excess profits taxes (*Nos. *145, 282, 433, 491*)	12	16
J. Taxes (*Nos. *105, 353, 458*)	7	6
Claims for Refund of:		
K. State taxes (*No. *455*)	1	3
L. Foreign taxes (*Nos. *55, 434, 592*)	3	5
Total	102	119

Presentation in 1954	Nature of Refund Claims: A	B	C-D	E	F	G	H-1	J	K	L	1954 Total
Current assets	15	1	2	—	2	3	11	2	1	1	38
Non current assets	—	1	8	—	1	—	10	5	—	2	27
Tax liability offset	2	—	—	—	—	—	1	—	—	—	3
Notes to statements	5	8	1	—	—	1	11	—	—	—	26
Letter to stockholders	1	1	1	—	—	—	5	—	—	—	8
Total	23	11	12	—	3	4	38	7	1	3	102

Number of Companies	1954	1953
Referring to tax refund claims	91	99
Not referring to tax refund claims	509	501
	600	600

*Refer to Company Appendix Section.

No provision has been made for income taxes which may be payable on future distributions from accumulated earnings of subsidiary companies included in consolidated unappropriated earnings retained for use in the business.

Carry-Back of Operating Loss and Excess Profits Credit Under Section 722, I.R.C.

AINSWORTH MANUFACTURING CORPORATION
Balance Sheet

Current Assets:	
Claims for refund of Federal income tax resulting from carry-back of operating loss	$179,983
Federal excess profits tax refundable and interest receivable from allowance of a constructive excess profits credit under section 722 of the Internal Revenue Code (Note 4)	213,341
Summary of Income and Retained Earnings	
Income (Loss) for the year before provision for Federal Taxes on Income	$(578,017)
Provision for Federal Taxes on Income (1954, credit resulting from carry-back of operating loss)	(206,003)
Net Income (Loss) for the year	$(372,014)
Special Credit—Net reduction of prior years' Federal Income and excess profits taxes resulting from allowance of a constructive excess profits credit under Section 722 of the Internal Revenue Code, plus interest allowable (Note 4)	213,341
Net Income (Loss) and Special Credit	$158,673

Note 4: In 1954 the Tax Court of the United States rendered a decision in a suit by the Corporation for allowance of a constructive excess profits credit under the World War II excess profits tax law. As a result of the decision the Corporation is entitled to refunds of excess profits tax less related increases in income tax. The estimated minimum amount refundable plus interest is reflected in the books and in these financial statements as of December 31, 1954. The Company is contending that it is entitled to further refunds of tax and interest amounting to approximately $111,000, which amount is still in dispute and is not reflected in these statements. No provision has been made for related legal fees because the amounts are not known.

AINSWORTH MANUFACTURING CORPORATION: In our opinion, the accompanying balance sheet and summary of income and retained earnings present fairly the financial position of the Company at December 31, 1954 and the results of its operations for the year then ended, except that no provision has been made for legal fees in connection with proceedings relating to the Company's claims under Section 722 of the Internal Revenue Code and subject to possible recovery of additional amounts of Federal excess profits tax (see Note 4 to financial statements), in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountant's Report—February 10, 1955.*

Carry-Back of Operating Loss

ARTLOOM CARPET CO., INC.
Consolidated Balance Sheet

Other Current Assets:	
Federal Income Tax—Refunds Receivable	$174,933
Current Liabilities:	
Federal Income Taxes	$ 69,777

Note: *Federal Income Taxes*—The claims for refund of Income Taxes in the amount of $174,933.14 due to carry-back of the operating losses in the year 1951 and year 1954 are stated net of the unpaid balance of 1953 taxes, and are in the process of settlement. The Federal Tax Liability as shown on the Consolidated Balance Sheet includes subsidiary company taxes for years 1953 and 1954 of $15,210.32 and $54,567.40 of parent Company from prior years, awaiting final examination of all tax returns. Taxes for the year 1949 have been settled. The year 1950 is in process of examination and negotiations between the Government and the Company are in progress relative to the adoption by the Company during the year 1950 of a revised method of Last-In—First-Out Inventory Accounting to include all Raw Materials, Labor and Burden.

BOHN ALUMINUM & BRASS CORPORATION
Balance Sheet
Current Assets:
Refundable federal taxes on income arising from carry-back of operating loss $1,050,000
Current Liabilities:
Federal taxes on income (at December 31, 1954, for prior years) .... $ 233,588

Various Other Tax Refund Claims

ALAN WOOD STEEL COMPANY
Statement of Consolidated Financial Position
Current Assets:
Receivable for refund of Federal taxes on income $446,054

To the Stockholders: *Income Taxes*—In our 1953 Annual Report reference was made to examinations of our Federal income tax returns and to the Company's claims for refund of income taxes for the years 1949 to 1951, inclusive, based primarily on additional deductions for depletion in connection with our mining operations, the tax liability for these years has now been finally determined, and the refunds, including 446,054 unpaid at December 31, 1954, have been received.

THE WHITE MOTOR COMPANY
Consolidated Balance Sheet
Current Assets:
Estimated refunds of Federal and Canadian taxes on income of prior years $400,000

FIXED ASSETS—Basis of Valuation

The basis used in the valuation of fixed assets was disclosed by 545 of the 600 survey companies in their 1954 reports, as compared with 533 companies that gave such information in their 1950 reports. The great majority of these companies stated that they valued their fixed assets at "cost." The method of valuing "subsequent additions," whenever indicated, was usually stated as "cost." Table 16 presents the various bases used by the survey companies in valuing their fixed assets, as disclosed in their 1954 annual reports.

TABLE 16: PROPERTY—FIXED ASSETS

Basis of Valuation	1954	1953	1952	1951	1950
Cost (*Nos. *13, 178, 219, 360, 436, 565*)	437	424	405	395	389
Cost plus appraisal value (*Nos. *75, 107, 184, 287*)	14	17	21	21	22
Cost plus assigned, estimated, or revised values (*Nos. *76, 169, 400*)	4	8	10	9	7
Cost plus cost in cash or securities (*No. *336*)	1	1	1	1	1
Cost plus various other bases (*Nos. *179, 375, 447*)	3	6	8	7	9
Cost in cash or securities (*Nos. *53, 87, 141, 519*)	4	3	7	8	8
Cost in cash or securities plus subsequent additions at cost (*Nos. *51, 480*)	2	3	3	2	2
Cost in cash or securities plus estimated and nominal values or assigned values (*No. *312*)	1	2	2	2	2
Cost or below cost (*Nos. *74, 293, 315*)	16	14	14	15	16
Approximate cost (*Nos. *139, 181, 286, 305*)	19	19	17	13	12
Approximate cost plus appraisal (*No. *180*) or revised values (*No. *63*)	2	2	2	3	2
Appraisal value with subsequent additions at cost (*Nos. *265, 339, 468*)	14	13	16	21	25
Appraisal value with subsequent additions at cost plus various other bases (*Nos. *38, 353, 439, 489*)	4	4	4	4	6
Assigned value with subsequent additions at cost (*Nos. *126, 486*)	8	7	7	8	8
Revised value with subsequent additions at cost (*Nos. *355, 593*)	2	3	5	6	6
Revised value with subsequent additions at cost plus various other bases (*Nos. *32, 388*)	2	3	3	3	3
Acquisition value with subsequent additions at cost (*Nos. *147, 263, 432*)	3	2	2	3	3
Acquisition value with subsequent additions at cost plus assigned (*No. *92*) or appraisal values (*No. *167*)	2	2	2	2	2
Acquisition value	—	—	2	2	2
Book Value (*Nos. *232, 492*)	2	1	1	1	1
"Book value" with subsequent additions at cost (*Nos. *455, 569*)	2	2	2	4	4
Reproductive value with subsequent additions at cost (*Nos. *64, 105, 172*)	3	3	3	3	3
Number of Companies					
Stating valuation basis for fixed assets	545	539	537	533	533
Not stating valuation basis for fixed assets	55	61	63	67	67
	600	600	600	600	600

*See Company Appendix Section.

Examples

The following examples of the valuation of fixed assets have been selected from the 1954 annual reports of the companies included in the survey and from the additional reports examined.

Appraisal Values with Subsequent Additions at Cost

BING & BING, INC.
Consolidated Balance Sheet

Improved real estate (Note 2)	$23,947,017
Less Reserves for depreciation	8,827,310
	$15,119,707
Other Assets:	
Furniture and fixtures, at cost less depreciation (Note 2)	347,454
Current Liabilities:	
Mortgage payments due within one year (Note 2)	$ 502,685
Noncurrent Liabilities:	
Mortgages, payable, exclusive of amounts included in current liabilities (Note 2)	12,390,481

Note 2: Improved real estate is stated on the basis of independent appraisals at January 1, 1925 with subsequent additions at cost, less certain adjustments received from time to time on related mortgages. It includes, as do the reserves for depreciation and mortgages payable, amounts relating to undivided partial interests owned in certain properties.

Neither Bing & Bing, Inc. nor any of its wholly owned subsidiaries was directly or contingently liable for any of the mortgages or underlying bonds at December 31, 1954, except that Dorset Hotel Corporation, a wholly owned subsidiary, was directly liable for its mortgage of $1,815,000. This mortgage, however, was redeemed on February 1, 1955 and replaced by a long term mortgage on which none of the companies is liable.

Furniture and fixtures, at cost less depreciation, of $142,328 at December 31, 1954 were pledged under mortgages.

NORTH AMERICAN CEMENT CORPORATION
Balance Sheet

Fixed Assets:	
Real estate, buildings, equipment and stone deposits, at commercial value of properties acquired at organization in 1925 as appraised by Ford, Bacon & Davis, Inc., with subsequent acquisitions and additions at cost	$23,827,107
Less—Allowances for depreciation and depletion	12,262,551
	$11,564,556

At Cost

AMERICAN MACHINE & FOUNDRY COMPANY
Consolidated Balance Sheet

Property, plant and equipment, at cost:	
Land and buildings (Note B)	$ 1,890,658
Machinery and equipment	21,989,090
Machines leased to customers (Note C)	32,501,632
	$56,381,380
Less: Reserves for depreciation	17,730,837
	$38,650,543

Note B: The land and buildings housing most of the principal plants of the companies are occupied under long term leases, the earliest expiring in 1970 and the latest in 1977, such properties having been sold and leased back by the companies. The annual rental payments under these leases at the present time aggregate $464,000 plus maintenance, insurance and taxes. All leases provide the right of renewal for four subsequent successive periods of ten years each at substantially reduced rentals.

Note C: Machines leased to customers include the excess of the cost of the shares of International Cigar Machinery Company acquired in 1952 over the book value of the net assets applicable thereto, amounting to $2,396,603, which was assigned by the Directors to the value of cigar machines on lease not reflected on that company's books. Such cost is being amortized over the remaining life of the machines.

AMERICAN POTASH & CHEMICAL CORPORATION
Comparative Consolidated Balance Sheet

Property, at cost:	
Land and mineral deposit leaseholds	$ 394,074
Operating plants and equipment	39,279,142
Village and other facilities	2,520,257
Construction in progress	1,077,560
Total	$43,271,033
Less reserves for depreciation and amortization	18,094,906
Property—net book value	$25,176,127

COSDEN PETROLEUM CORPORATION
Consolidated Balance Sheet

Property, plant and equipment, at cost (Note 2):	
Refinery property and equipment	$15,472,670
Producing leaseholds, including development costs and equipment	6,719,812
Other oil properties, including materials and development costs in incomplete wells	966,826
Transportation, marketing and other equipment	2,361,495
	$25,520,803
Less, Provisions for depreciation, depletion and amortization	8,947,949
	$16,572,854
Land and rights-of-way	126,577
Net properties	$16,699,431

Note 2: Included in producing leaseholds are the amounts of $3,686,903 as at April 30, 1955, and $2,852,370 as at April 30, 1954, representing cumulative intangible drilling costs at those dates, net of such costs relating to wells abandoned or otherwise retired. The company has claimed as deductions for federal income tax purposes the intangible costs of producing wells.

Under Certificates of Necessity, portions of the cost of certain refinery facilities are being amortized for federal income tax purposes over a period of sixty months, whereas in the financial statements depreciation on these facilities has been accrued at normal rates. The estimated resulting temporary tax deferment of $117,000, $181,000, and $283,000 for the fiscal years ended April 30, 1953, 1954, and 1955, respectively, has not been recognized in the company's accounts.

(Refer also to Section 5, *Presentation of Financial Statements in Conformity with Generally Accepted Accounting Principles*, example—Cosden Petroleum Corporation.)

IRONRITE, INC.
Consolidated Balance Sheet

Property, Plant, and Equipment—at cost:	
Used in operations:	
Buildings ($652,131.47), machinery and equipment	$1,902,570.82
Less allowances for depreciation	713,316.71
	$1,189,254.11
Land	13,250.00
	$1,202,504.11
Not used in operations:	
Buildings ($416,562.60), machinery, and equipment	$ 493,877.22
Less allowances for depreciation and anticipated loss on disposal	100,517.56
	$ 393,359.66
Land	5,500.00
	$ 398,859.66
	$1,601,363.77

MANNING, MAXWELL & MOORE, INCORPORATED
Consolidated Balance Sheet

Property, Plant and Equipment, at cost less depreciation and amortization (Note A) . $10,819,570

Note A: *Property, Plant and Equipment*—A summary of the property, plant and equipment account at December 31, 1954 is given below:

	Gross Book Value	Depreciation and Amortization	Net Book Value
Land and land improvements	$ 271,880	$ 43,232	$ 228,648
Buildings and building equipment	5,034,018	1,223,107	3,810,911
Machinery and equipment	8,138,532	3,789,158	4,349,374
Jigs, fixtures and special tools	2,507,733	847,795	1,659,938
Patterns and drawings	1,293,757	523,058	770,699
	$17,245,920*	$6,426,350	$10,819,570

*Includes (1) assets of approximately $979,000 in respect of which full provision for depreciation has been made, (2) assets of approximately $1,319,000 in respect of which full provision for amortization has been made under Certificates of Necessity obtained during World War II, and (3) assets of $2,193,000 representing plant and equipment acquired under currently active Certificates of Necessity and subject to accelerated amortization.

Of the Company's several manufacturing plants, two are held under long-term leases which expire in 1962 and 1967, with certain renewal options. The lease expiring in 1962 provides for a rental payment of approximately $10,000 per annum and the one expiring in 1967 provides for a rental payment of approximately $70,000 per annum plus the assumption of charges for property taxes, insurance, maintenance, etc., on the property.

Note B: (Refer to Section II, Short term borrowing and long-term indebtedness, Note B reproduced under example—Manning, Maxwell & Moore, Incorporated.)

UNITED SHOE MACHINERY CORPORATION
Balance Sheet

Property, Plant, Machinery and Equipment:
Real estate, manufacturing machinery and equipment at cost $29,251,992; leased machines, and machines and parts finished and in process on hand at cost $72,178,924; less allowances for depreciation . . . $60,668,800

To the Stockholders:

Shoe Machinery—Optional Lease and Sale Terms. Under the Final Decree in the civil action brought by the Government against the Corporation under the Sherman Act, we have been required to make substantial changes in our business practices relating to shoe machinery. The Court found that these practices were honestly industrial and were the sort of activities which would be engaged in by other honorable firms, but because of our dominant position in the shoe machinery trade the Court held that certain of these practices must be discontinued.

Since the organization of the United Shoe Machinery Corporation in 1899, and for many years prior thereto, it has been customary for shoe machinery manufacturers to offer the more important machines on a lease basis only. Under the terms of the Decree we may continue to offer machines for lease but any machines offered for lease must also be offered for sale. Furthermore, the ten-year lease, which has been used for more than thirty years, has had to be discontinued and a new form of lease has been adopted. The new lease is for a term of five years but the lessee will have the right to return the leased machine at any time after one year, subject to certain payments as provided by the Decree. Repair and other services must be charged for separately, whereas under the old form of lease such services were rendered without separate charge. Under the Decree no machines can be leased under the old form of lease after December 31, 1954 and the new form of lease has been in use since that date.

New shoe machinery lease terms and sale prices were also put into effect on January 1, 1955. No revision had been made in the lease rates since 1950, and the new lease terms result necessarily in an increase in the charges for use of our machines to compensate for substantial increases in costs and expenses and in Federal income tax rates which have taken place since then.

Machines Outstanding on Lease. Under the Decree we were required to file with the Court before April 1, 1955 a plan for terminating all leases outstanding on December 31, 1954. After conferring with representatives of the shoe manufacturers associations and the Government in compliance with the Decree, a plan was filed on March 30, 1955. After further conferences, some changes were made which were acceptable to the Corporation and the shoe manufacturers associations. The plan as changed was filed on May 16, 1955, and on May 17, 1955 the Court indicated its approval. Under this plan a lessee would have the right to continue to hold his machines under existing leases until their normal expiration dates, and would have the option to terminate an existing lease as to any machine at any time prior to the expiration of the fixed term and purchase the machine, retain it on the new form of lease or return it.

At Cost to the Corporation or Its Predecessors

SHATTUCK DENN MINING CORPORATION
Consolidated Balance Sheet

Property, Plant and Equipment (see Note A):		
Mines, mining claims and leaseholds	$1,156,661.21	
Less accumulated depletion	443,913.53	$ 712,747.68
Buildings, machinery and equipment	$1,562,077.05	
Less accumulated depreciation	814,196.10	747,880.95
		$1,460,628.63

Note A: *Basis of Valuation of Property, Plant and Equipment*—Mines, mining claims and leaseholds and buildings, machinery and equipment are carried in the Consolidated Balance Sheet at cost to the Corporation or its predecessors. As the cost of the Iron King mine, the principal producing property of the Corporation, is completely offset by accumulated depletion, the net value of this mine in the Consolidated Balance Sheet is zero.

During the year 1954, the Corporation entered into a contract for the sale of the concentrating mill at Bisbee, Arizona, the payments to be received over a five year period. The profit will be recognized in the accounts as the installments of the sales price are received.

No representation is made that the amounts included in the Consolidated Balance Sheet for mines, mining claims and leaseholds and buildings, machinery and equipment, either before or after deducting depletion or depreciation, represent current or realizable values.

Approximate Cost

OLIN MATHIESON CHEMICAL CORPORATION
Consolidated Balance Sheet

Property, Plant and Equipment (approximate cost):	
Land, improvements to land and mineral deposits	$ 11,774,856
Buildings, machinery, equipment, etc.	332,025,555
Timberland and timber—net of depletion	1,632,460
	$345,432,871

Fully Depreciated Assets

AERO SUPPLY MFG. CO., INC.
Balance Sheet

Property (at cost) (Note 2) . . . $1,305,468

Note 2: The Company has removed from the accounts all items of plant and equipment when they became fully depreciated, even though still in use. At December 31, 1954, fully depreciated items, removed from the accounts, still in use aggregated approximately $1,300,000, at cost.

AUTOMATIC WASHER COMPANY
Balance Sheet

Noncurrent Assets:
Plant and Equipment, after eliminating fully depreciated items (mortgaged under bank loan); shown at "cost" less "Depreciation Reserve" $542,940
Current Liabilities:
Bank loan (secured by mortgage on plant and equipment) . . . 100,000

GISHOLT MACHINE COMPANY
Balance Sheet

Fixed Assets—at cost (including fully depreciated emergency (war) facilities still in use $1,619,183.51)	
Land	$ 250,884.36
Plant and Equipment	5,725,098.28
	$5,975,982.64
Less: accumulated depreciation	3,754,128.76
	$2,221,853.88

LONG-TERM LEASES—Disclosure by Lessees

In their reports for 1954, there were 232 survey companies that referred to, or implied, the existence of long-term leases. One hundred and fifty of these companies merely mentioned or indicated that such leases existed but did not furnish any details with regard to them. The remaining 82 companies in this group set forth in varying degrees and combinations such factual data as the amount of the annual rental, the aggregate rental, the term of the lease or its expiration date, the number of leases, information as to renewal options, and details as to sell-and-lease-back provisions. The foregoing information was usually presented in the footnotes to the financial statements.

The necessity for the disclosure in the financial statements or in the notes thereto of information with regard to long-term leases is discussed in Rule 3-18 (b) of Regulation S-X issued by the Securities and Exchange Commission and in the *Restatement and Revision of Accounting Research Bulletins* (Chapter 14) issued by the committee on accounting procedure of the American Institute of Accountants.

Where the rentals or other obligations under long-term leases are material in the circumstances, it is recommended that disclosure should be made in financial statements or in notes thereto of the amounts of annual rentals to be paid under such leases with some indication of the periods for which they are payable and any other important obligation assumed or guarantee made in connection therewith.

Table 17 summarizes the nature of the information disclosed in the 1954 survey reports with regard to long-term leases and the method of disclosure thereof.

Examples—Long-Term Leases

The following examples have been selected from the 1953 reports of companies disclosing data with regard to their long-term leases and sell-and-lease-back arrangements.

TABLE 17: LONG-TERM LEASES

	Details set forth in:			
Disclosures by Lessees	Footnotes	Letter to Stockholders	Accountant's Report	1954 Total
Annual rental amount (*Nos. *15, 104, 168, 333, 543*)	67	7	1	75
Aggregate rental amount (*Nos. *499, 586*)	5	2	—	7
Lease expiration date (*Nos. *154, 197, 516*)	21	—	1	22
Number of leases (*Nos. *117, 481, 556*)	26	1	—	27
Term of lease (*Nos. *334, 528, 551, 561*)	38	4	—	42
Renewal option (*Nos. *271, 356*)	11	1	—	12
Sell-lease-back feature (*Nos. *33, 164, 536*)	10	10	—	20
Total	178 (a)	25	2 (b)	205

Number of Companies	
Setting forth details of long-term leases	82
Mentioning long-term leases but omitting details thereof	45
Indicating long-term leases without mention thereof by reference to leaseholds or leasehold improvements	71
Indicating apparent existence of long-term leases by reference to leases of undisclosed terms and various other matters (*Nos. *36, 43, 195, 239, 277, 313, 554*)	34
Total	232
Neither referring to nor indicating long-term leases	368
	600

* Refer to Company Appendix Section.
(a) Includes 5 notes set forth within, or at the foot of the balance sheet or income statement.
(b) Reproduced in Section 5: Accountant's Report, under Standards of Reporting, Informative Disclosures (Co. No. 258—General Shoe Corporation).

Sell and Lease Back

CONTINENTAL BAKING COMPANY
To Our Stockholders:

We continue to erect, sell, and lease back distributing depots in such locations where this policy was considered advantageous to the Company.

Notes to Financial Statements: In 1953 the Company entered into an agreement, which may be cancelled on 18 months' notice, under the terms of which all trucks to be acquired thereafter by the Company and its subsidiaries will be leased rather than purchased until the institution financing the lease arrangement has $12,500,000 invested. Rentals for trucks leased as of December 25, 1954, will amount to $948,277 in 1955. If trucks were leased to the full extent of the agreement, it is estimated that the annual rental would be about $2,400,000. In addition the Company leases passenger cars on a year-to-year basis. Rental for such cars leased on December 25, 1954, will amount to $54,261 in 1955.

The Company has entered into, or was negotiating at December 25, 1954, sale-lease-back agreements covering certain properties for periods of 30 and 25 years. It is estimated that the aggregate annual rentals covering such properties will amount to $250,000. Certain of the properties were under construction at December 25, 1954, and the costs, which will be reimbursed, are included in sundry accounts receivable.

THE DOBECKMUN COMPANY

The President's Letter: The steady increase in sales and heavy capital investment has placed a severe strain on the Company's working capital. Two measures were taken during the year to relieve the situation. In May, . . . Later in the year, an agreement was entered into with the United States Leasing Corporation, San Francisco, California, under which the leasing company would purchase equipment up to $1,250,000 and lease it back to the Company. At December 31, $556,426 in specialized equipment had been so leased and was in operation in our plants. The rental rates are most favorable and the transaction leaves the $556,426 in working capital.

Notes to Financial Statements:

Note H: *Long-Term Leases*—At December 31, 1954, the Company had long-term leases for equipment and buildings for periods ranging from five to fifteen years. Minimum yearly rentals aggregate $145,000, plus insurance, taxes, and maintenance.

SAFEWAY STORES, INCORPORATED
Statement of Financial Position
Under "Current Assets"

Properties for sale under the Company's real estate program $41,175,713

Notes to Financial Statements:

Properties for Sale Under the Company's Real Estate Program. Under the Company's "buy-build-sell-lease" program these properties are for development, sale in due course, and lease-back.

Contingent Liabilities and Commitments.

(a) The liability for completion of contracts for the construction of plants, warehouses and retail store buildings not reflected in the financial statements amounted to approximately $22,000,000.

(b) The leases in effect as to all companies for stores, warehouses, and other properties number 2,766. Of these, 1,971 contain options to cancel. If the Company should exercise the options to cancel, it could be required to purchase 1,418 properties. The minimum annual rentals for the ensuing year 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 $18,200,000 on properties in the U. S. and $946,000 on properties in Canada; these aggregate amounts decrease annually until the year 2001 as leases expire.

(Refer also to Section 5, *Qualified Opinion*, example—*Safeway Stores, Incorporated.*)

Disclosure by Lessees

AMERICAN BOSCH ARMA CORPORATION

Notes to Financial Statements:

Note 6: *Long-term Leases*—Under the terms of leases for the Arma Division plants the Corporation is obligated for aggregate rental payments of $6,500,000 and $2,302,500 for 21 year periods commencing November 1, 1952 and September 1, 1952 respectively. Of these amounts, minimum rentals totalling $3,105,000 are payable within the first five-year period.

BARKER BROS. CORPORATION
Consolidated Statement of Earnings and Retained Earnings

Operating, selling and administrative expenses including in the respective years $302,827 and $332,961 for depreciation and amortization and $458,000 and $514,000 guaranteed minimum annual rentals under long term leases $9,314,256

BEATRICE FOODS CO.
Statement of Consolidated Earnings

Note 4: Rents, real property, $1,177,596.11 represent rentals paid under approximately 520 leases, of which 72% of the amount relates to leases expiring within ten years and the balance, $333,673.19, to 50 leases expiring more than ten years after February 28, 1955. Under certain leases the companies also pay taxes, maintenance, insurance, etc.

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

GAMBLE-SKOGMO, INC.
Consolidated Balance Sheet
Fixed Assets:

Leasehold improvements, less amortization ... $944,582

Note 5: The approximate minimum annual rentals under 169 leases expiring beyond March 1, 1958 are $1,056,000 of which 127 leases with annual rentals of $596,000 expire within five years; 3 leases with annual rentals of $23,000 have terms extending beyond twenty years. These amounts exclude maintenance costs, real estate taxes, insurance, etc., and increased amounts based on percentages of sales which may be payable in some cases. 43 leases with annual rentals of $283,000 expiring within five years and 1 lease with annual rental of $9,000 expiring beyond 20 years are subject to assumption by Western Auto Supply Company under the agreement referred to in Note 7.

GIMBEL BROTHERS, INC.

Notes to Financial Statements—Note 5: The Company and its subsidiaries had thirteen leases in effect at January 31, 1955 for terms of more than three years. These provide for present aggregate minimum annual rentals of about $1,233,000 plus real estate taxes (these amounts are included with taxes) and, in certain instances, other expenses and additional amounts based on percentage of sales. Of these thirteen leases, the two more important ones are for two major stores with annual rentals of $780,000; these leases expire in 1964 and in 1966 and each of them has several renewal terms.

PENN FRUIT CO., INC.
Consolidated Balance Sheet

Investments and other assets:	
Loans secured by mortgages on leased premises	$ 425,000
Plant and Equipment (at cost):	
Improvements to leased premises	3,377,181
Current Liabilities:	
Note payable to bank—Construction Loan (Note 5)	$ 660,000
Less—Insurance company commitment to purchase completed building (Note 5) .	(660,000)
Above "Stockholders' Equity"	
Long-Term Leases and Commitments (Note 4)	

Note 4: *Long-Term Leases and Commitments*—The Company had 43 leases on properties in use, expiring more than three years after August 28, 1954. Such leases call for minimum aggregate annual rentals totaling $1,152,922, of which about 21% relate to leases expiring within 15 years and the remainder relate to leases expiring from 15 to 25 years. The Company has entered into additional long-term leases covering 11 proposed supermarkets and a new consolidated distribution center which were not occupied on August 28, 1954. These leases provide for minimum aggregate annual rentals of $488,924 for the 11 supermarkets and $276,000 for the distribution center, or a total of $764,924.

The sum of $283,320 in aggregate rent on leases of transportation equipment was payable in quarterly installments of varying amounts through April 26, 1958.

The sum of $183,221 in aggregate rent on leases of automatic sprinklers and other store equipment was payable monthly in annual rentals of $26,755 at maturity dates extending through March 14, 1962. In addition, the sum of $283,637 in aggregate rent on leases of automatic sprinkler equipment for the distribution center and two supermarkets, not completed at August 28, 1954, was payable monthly in annual rentals of $34,262 at maturity dates extending through April 23, 1964.

Contingent liability for construction of three new supermarket buildings and the distribution center, not reflected in the financial statements, amounted to $2,969,537 at August 28, 1954.

Note 5: *Construction Loan*—Note Payable to bank for construction of a supermarket building amounted to $660,000, of which $318,203 had been advanced to August 28, 1954. This amount is offset by a commitment from an insurance company which has agreed to purchase the completed building under a lease-back arrangement for construction costs not to exceed $660,000.

HART SCHAFFNER & MARX
Consolidated Balance Sheet

Properties, at cost:

Leaseholds and leasehold improvements, less amortization $5,373,793

Noncurrent Liabilities:
Advance by lessor toward leasehold improvements by subsidiary company payable monthly over lease expiring in 1977 $ 225,689

Notes: As at November 30, 1954, the Company and its subsidiaries occupied properties under seventy-five lease agreements with terms expiring from one to forty-three years after that date, and requiring a minimum rental payment of approximately $1,841,000 for 1955. Certain of the leases provide for the payment of taxes by the lessees and additional rental based upon a percentage of sales in excess of stipulated minimums.

GUSTIN-BACON MANUFACTURING COMPANY
Balance Sheet
Noncurrent Assets:
Leasehold costs, less amortization of $52,303 (Note 5) $426,019
Contingent Liabilities (Note 9)

Note 5: Leasehold costs represent expenditures made by the company in connection with the construction of the glass plant building which is leased from an insurance company. Such costs amounted to $478,322 at September 30, 1954 and are being amortized over the initial twenty-five year term of the lease.

Note 9: The glass plant building and an adjoining warehouse, which were built for the company, are leased from an insurance company under separate leases, both of which expire August 31, 1976 at annual rentals of $75,401 and $16,896 respectively (plus cost of repairs, maintenance, taxes and insurance) with options of renewal at lower rentals. Other leases on real property expire, in the majority, within three years and provide for annual rentals aggregating approximately $86,000.

ED. SCHUSTER & CO., INCORPORATED
Balance Sheet
Other Assets:
Investments in and advances to wholly-owned subsidiaries not consolidated at cost—
Capital Court Corporation (Note 1) .. $1,356,716
Schuster Realty Corporation (Note 2) .. 388,975

Note 1: *Capitol Court Corporation.* Capitol Court Corporation, a wholly-owned subsidiary of Ed. Schuster & Co., Incorporated formed during 1954, is building and will operate a regional shopping center in the City of Milwaukee on land acquired from Ed. Schuster & Co., Incorporated. To finance construction of the center's buildings and improvements, except the department store referred to at Note (2), Capitol Court Corporation has arranged a first mortgage loan with Irving Trust Company due upon completion of construction but not later than October 1, 1956, in the maximum amount of $5,200,000. Total costs of construction are estimated at $6,750,000. Capitol Court Corporation has entered into an agreement with Massachusetts Mutual Life Insurance Company, effective upon completion of the center, to lease the land and sell the improvements at actual cost but not to exceed $6,000,000, a portion of the proceeds to be used to repay the construction loan from Irving Trust Company.

The agreement provides that Massachusetts Mutual will have a prior claim to the operating income of the center, after payment of operating expenses, in an amount sufficient to provide an interest return and amortization of its investment over a minimum period of 27 years. Net income remaining after deducting payments to Massachusetts Mutual and operating expenses is to be divided in substantially equal portions between Capitol Court Corporation and Massachusetts Mutual.

Note 2: *Schuster Realty Corporation.* Schuster Realty Corporation, a wholly-owned subsidiary of Ed. Schuster & Co., Incorporated, was formed during 1954 to construct a department store building in Capitol Court shopping center on land acquired from Ed. Schuster & Co., Incorporated. Schuster Realty Corporation has completed arrangements with The Northwestern Mutual Life Insurance Company to borrow funds for construction up to $3,500,000 with interest at 4½% to be secured by a 25 year first mortgage on the department store building. This loan is further secured by the assignment to the insurance company of a lease of the building to Ed. Schuster & Co., Incorporated for a period of 30 years with certain rights of renewal. Rentals payable under the lease will be in amounts sufficient to pay principal and interest on The Northwestern Mutual Life Insurance Company mortgage, in equal monthly installments over the term of the loan, to reduce the principal to $945,000 at maturity. The lease also provides that Ed. Schuster & Co., Incorporated will pay real estate taxes and maintain insurance on the leased building. Cost of constructing the new building is estimated at $3,325,000.

SMALL TOOLS, CONTAINERS, DIES, ETC.

Small tools, containers, dies, etc., were disclosed in the 1954 annual reports of 109 companies included in the survey. Such assets were generally shown in the noncurrent asset section of the balance sheet although many companies included such items in the current asset section under inventories. Table 18 indicates the methods of presentation and the bases of valuation of small tools, etc., found in the 1954 survey reports.

The examples which follow illustrate the various methods of presentation and valuation:

Current Asset Section

THE BUDD COMPANY
Statement of Financial Position
Current Assets:
Inventories:
Tools dies and jigs chargeable to customers $2,782,117

GOEBEL BREWING COMPANY
Balance Sheet
Current Assets:
Inventories (Note A):
Cartons and marketable bottles (at useful value) $2,182,619
Less: Deposits from customers 712,280
Fixed Assets:
Annealed bantam bottles and cartons (at cost or depreciated value) .... $ 131,383

Note A: . . . Bottles and new cartons are valued at the lower of cost or market, and used cartons are valued at fair useful value.

THE HARSHAW CHEMICAL COMPANY
Consolidated Balance Sheet
Current Assets:
Inventories:
Raw materials and containers $1,862,584

Noncurrent Asset Section

JACK & HEINTZ, INC.
Balance Sheet
Below "Property, Plant and Equipment":
Deferred Charges, etc.:
Dies, tools, jigs and fixtures at cost less amortization $96,171

Noncurrent Asset Section Under "Fixed Assets"

ANACONDA WIRE AND CABLE COMPANY
Balance Sheet
Fixed Assets:
Land, buildings, machinery, equipment, reels, spools, cases and dies (Note B) $43,733,427
Less accumulated depreciation (Note B) .. 12,690,554
Current Liabilities:
Reels, spools and cases returnable by customers .... $ 3,167,794
Note B (not reproduced herein)

WEYENBERG SHOE MANUFACTURING COMPANY
Balance Sheet
Plant and Equipment:
Lasts, dies and patterns, stated at fixed amount .. $99,993

TABLE 18: SMALL TOOLS, CONTAINERS, DIES, ETC.

Type of Asset	Balance Sheet Presentation: Shown in Current Asset Section Under Inventories:	Shown in Noncurrent Asset Section: Separately Set Forth	Under Fixed Assets	Under Deferred Charges	Under Other Assets	Notes to Financial Statements	1954 Total
Small tools, tools (*Co. No. *113*)	5	2	29	4	3	1	44
Dies, lasts (*Co. No. *113*)	2	5	17	3	—	2	29
Jigs, fixtures (*Co. No. *113*)	1	1	10	1	—	—	13
Patterns (*Co. Nos. *11, 16*)	—	7	13	1	2	—	23
Templates, masterplates, forms, guides (*Co. No. *173*)	1	—	1	—	—	—	2
Drawings (*Co. No. *16*)	—	4	4	—	1	—	9
Molds, chills, flasks, stools (*Co. No. *173*)	3	1	2	—	—	—	6
Rolls (*Co. No. *271*)	4	1	3	1	—	—	9
Equipment — Annealing, repair, short-lived, "can-making," and "charging box" (*Co. No. *271*)	4	—	1	—	—	—	5
Returnable containers, cases (*Co. Nos. *266, 283*)	6	2	11	—	—	—	19
Parts, spares, stores (*Co. No. *114*)	16	1	1	3	4	2	27
Utensils, silverware, signs (*Co. No. *503*)	—	—	1	—	—	—	1
Others	1	1	4	—	2	—	8
Total	43	25	97	13	12	5	195

Type of Asset	Balance Sheet Valuation: Amortized Value	Unamortized Value	Nominal Value	1954 Totals
Small tools, tools	31	13	—	44
Dies, lasts	14	9	6	29
Jigs, fixtures	7	5	1	13
Patterns	10	2	11	23
Templates, masterplates, forms, guides	1	1	—	2
Drawings	2	1	6	9
Molds, chills, flasks, stools	1	5	—	6
Rolls	4	5	—	9
Equipment—Annealing, repair, short-lived, "can-making," and "charging box"	1	4	—	5
Returnable containers	11	8	—	19
Parts, spares, stores	4	23	—	27
Utensils, silverware, signs	1	—	—	1
Others	4	4	—	8
Total	91	80	24	195
Number of Companies Presenting Above Assets:				
At amortized, unamortized, or nominal values	52	38	10	100
At amortized and unamortized values	3	3	—	3
At unamortized and nominal values	—	1	1	1
At no determinable value	—	5	—	5
Total	55	47	11	109
Number of Companies Not Presenting Above Assets				491
				600

UNCONSOLIDATED SUBSIDIARY AND AFFILIATED COMPANIES

Investments and Advances

Investments and advances pertaining to unconsolidated subsidiaries and affiliated companies were shown by 303 of the survey companies in their 1954 reports. The various balance sheet presentations by the survey companies of such investments and advances are summarized in Table 19. For the purpose of this tabulation a company has been classified as a *subsidiary* if it is so described in the annual report or if it is stated therein to be over 50 per cent owned. An *affiliated* company is one so described or one in which there is an ownership of 50 per cent or less.

Basis of Valuation

"Cost" continues to be the most commonly used basis for carrying investments in, and advances to, unconsolidated subsidiaries and affiliated companies. All of the various bases of valuation of such investments and advances, as shown in the survey reports for the years 1952 through 1954 are set forth in Table 19. As a general rule, the basis of valuation was stated in the balance sheet description of the asset. In a substantial number of cases, however, such information was disclosed only in a footnote to the balance sheet.

Examples—Unconsolidated Subsidiaries and Affiliated Companies

The following examples, selected from the 1954 survey reports, illustrate the basis of valuation, the method of disclosure thereof, the balance sheet presentation, and various other types of information concerning unconsolidated subsidiaries and affiliated companies:

BELDING HEMINWAY COMPANY, INC.
Comparative Consolidated Balance Sheet
Noncurrent Assets:
Investment in Stowell Silk Spool Company—55% owned—at cost (Note B) $8,750

Note B: Based on financial statements submitted by Stowell Silk Spool Company for the year ended December 31, 1954, the aggregate of the consolidated capital stock and surplus accounts of Stowell Silk Spool Company and its wholly-owned subsidiary, after eliminating minority interest and subject to final determination of Federal taxes on income, was $116,152 in excess of the amount at which the investment in Stowell Silk Spool Company is carried on the accompanying consolidated balance sheet as at December 31, 1954; the consolidated net income of Stowell Silk Spool Company and its wholly-owned subsidiary, applicable to the holdings of the company, amounted to $18,697 for the year 1954. A dividend of $15,750 received during the year 1954 from Stowell Silk Spool Company is included in other income.

A substantial portion of the buildings, machinery and inventory of work in process of Stowell Silk Spool Company was destroyed by fire in February 1955. The extent of the damage has not been fully determined but management is of the opinion that the loss is adequately covered by insurance.

BING & BING, INC.
Consolidated Balance Sheet
Investments in partly owned companies (Note 3) at book amounts, not exceeding cost. Proportionate interest in the net assets of these companies at amounts on their books, 1954, $1,584,797 .... $1,018,728

Note 3: The proportionate interest in the net assets of the partly owned companies excludes $118,701 at December 31, 1954 . . . representing the excess of mortgages payable by certain of the companies over the related property amounts. Such companies were not liable on these mortgages.

CONSOLIDATED RENDERING COMPANY
Consolidated Balance Sheet
Investments and Other Assets:
Investment in domestic subsidiary—not consolidated (Note 3) $495,865

Note 3: During the current year the Company discontinued the practice followed in prior years of taking into income its equity in the earnings or losses of the domestic subsidiary not consolidated. In connection with this change, the Company, in the current year, reduced its investment in the subsidiary by $314,338, representing its accumulated equity in the net earnings of this subsidiary from June 3, 1933 (date of the Company's quasi-reorganization) to June 27, 1953, with a corresponding charge against earned surplus.

The Company's proportionate share in the net loss of this subsidiary for the current year amounted to $14,595.

CONSOLIDATED TEXTILE CO., INC.
Statement of Financial Position
Noncurrent Assets:
Common stock of Bates Manufacturing Company: (690,800 shares, representing approximately 39.21% of the total outstanding common stock, at cost, including 162,580 shares acquired in exchange for capital stock) (640,000 shares pledged, 1954—see contra) $7,852,687
Noncurrent Liabilities:
Notes payable after one year:
To banks:
3%—due October 3, 1955 (unsecured) $1,000,000
3¾%—due June 1, 1959 (1954—secured by 640,000 shares of Bates Manufacturing Company common stock—see contra) 4,000,000

To the stockholders: ". . . On August 31, 1954 your Company owned 690,800 shares of Bates common stock. This investment has been increased since that date to 716,000 shares, representing approximately 40.6% of the total outstanding Bates common stock."—November 4, 1954.

GENERAL FOODS CORPORATION
Comparative Statement of Financial Position
Investments and other assets:
Investments in and advances to subsidiary companies not consolidated, less reserves $2,493,502

Note: The non-consolidated subsidiaries at March 31, 1955 include wholly-owned companies in England, Ireland, South Africa, Japan, and Germany. The Corporation carries the investments in these subsidiary companies at cost or less, but not in excess of the lower of the net tangible assets at the dates of acquisition or at the end of the year. The accounts of these subsidiary companies at March 31, 1955, converted on the same basis as the consolidated foreign subsidiaries, show an aggregate equity of $5,242,685, consisting of net current assets of $3,148,538 and property, plants, and equipment (net) of $2,094,147. The earnings of these subsidiaries for the fiscal year 1955 amounted to approximately $302,000. Dividends received from them amounting to $349,532 have been included in the consolidated statement of earnings.

TABLE 19: UNCONSOLIDATED SUBSIDIARY AND AFFILIATED COMPANIES

	I: Unconsolidated Subsidiary			II: Affiliated Company		
Balance Sheet Presentation:	1954	1953	1952	1954	1953	1952
Investment in	126	126	119	108	102	97
Investment in, Advances to	84	83	83	39	39	45
Investment in, Advances to, Receivables due from	1	4	2	—	1	1
Investment in, Receivables due from	16	18	18	9	11	13
Advances to, Receivables due from	—	—	—	1	1	1
Advances to	—	—	1	—	—	1
Total	227	231	223	157	154	158
Basis of Valuation:*						
A—Cost	101	102	101	79	83	84
B—Cost less reserve	20	16	18	12	16	17
C—Substantially at cost	2	2	2	—	—	—
D—Cost adjusted for undistributed profits	1	1	1	—	—	—
E—Cost adjusted for equity in profits	1	1	1	—	—	—
F—Cost plus accumulated earnings	1	2	2	—	—	—
G—Cost less dividends	1	1	1	2	2	2
H—Cost or below cost	21	17	18	15	16	14
I—Below cost	—	1	—	—	—	—
J—"Not in excess of cost"	3	2	2	2	1	1
K—Lower of cost or estimated value	1	1	1	—	—	—
L—Lower of cost or equity	1	1	—	1	1	1
M—Equity in net assets	12	12	10	1	1	1
N—Equity in net worth less reserves	3	3	3	—	—	—
O—Equity less unremitted profits	2	2	3	—	—	—
P—Dated equity value	—	—	1	—	—	—
Q—Asset values at acquisition	1	1	1	—	—	—
R—Acquisition value	—	1	1	—	—	—
S—Assigned value with additions at cost	2	2	2	—	—	—
T—Assigned value	—	—	—	2	3	3
U—Assigned, appraisal, or reorganization value	1	2	3	—	—	—
V—Estimated realizable or recoverable value	1	2	3	—	—	—
W—Nominal value	6	9	10	1	1	1
X—Less reserve to nominal value	—	1	1	—	—	—
Y—Reinstated value	—	1	—	—	—	—
Z—At "No Value"	1	2	2	—	—	—
	182	185	187	115	124	124
Basis of valuation not set forth	54	57	51	41	30	26
Less reserve—(basis of valuation not set forth)	4	9	8	5	6	11
Total	240	251	246	161	160	161
Number of Companies with Investment Account for:						
Unconsolidated subsidiary and affiliated companies	81	80	76	81	80	76
Unconsolidated subsidiary companies	146	151	147	—	—	—
Affiliated companies	—	—	—	76	74	82
Total	227	231	223	157	154	158
Account not presented	373	369	377	443	446	442
	600	600	600	600	600	600

*See Company Appendix Section—I: *Unconsolidated Subsidiary*—A: Nos. 36, 178, 245, 376, 496, 540; B: 60, 173, 277; C: 180, 254; D: 254; E: 449; F: 229; G: 88; H: 53, 143, 207; J: 46; K: 216; L: 360; M: 116, 191, 393; N: 61, 252; O: 107, 402; Q: 405; S: 295, 432; U: 353; V: 86; W: 118, 228; Z: 138.

II: *Affiliated Company*—A: 65, 167, 259, 432; B: 60, 258; G: 88, 487; H: 120, 212, 494; J: 412; L: 360; M: 210; T: 353; W: 161. See also Table 46.

FIRST NATIONAL STORES, INC.
Balance Sheet
Investments and advances, etc.:
Wholly owned subsidiary companies—at cost (represented by underlying net assets of $1,007,980) $250,833

Note 2: The net earnings of the subsidiary companies (all wholly owned and not consolidated) aggregated $75,343 during the fiscal year ended April 2, 1955 and $78,128 during the previous year.

THE HOOVER COMPANY
Balance Sheet
Noncurrent Assets:
Investments and Other Assets:
Investment in capital stock of foreign subsidiaries at cost—Note A $561,944

Note A: Reference is made to the following data based on reports of Chartered Public Accountants with respect to financial statements of subsidiaries not consolidated:

	Hoover Limited (England)	The Hoover Company Limited (Canada)
Excess of the equity of The Hoover Company in the underlying net assets of subsidiaries not consolidated over cost of its investments in capital shares thereof	$15,275,465	$1,894,577
Net income of subsidiaries not consolidated for the year ended December 31, 1954	6,063,641	97,450
Equity of The Hoover Company in net income for the year 1954	3,637,502	97,450
Dividends received by The Hoover Company during the year 1954	899,584	40,865

Equities in net assets and earnings have been computed at the rate of $2.80 for the pound sterling and $1.03⅜ for the Canadian dollar, but realization of such equities in United States funds is limited by exchange regulations, and would also be subject to taxes on income which are not presently determinable.

LEONARD REFINERIES, INC.
Balance Sheet
Noncurrent Assets:
Investments, at cost (Note A) $68,375

Note A: Investments consist of an 18.7 pct. interest in Leonard Pipe Line Company at cost of $27,375.00, the entire outstanding capital stock of McClanahan Refineries, Incorporated, at cost of $1,000.00 and advances of $39,000.00, and an interest in Mount Pleasant Community Hotel Corporation at cost of $1,000.00. The market value of these investments is not readily determinable.

The equity of Leonard Refineries, Inc. in the net assets of Leonard Pipe Line Company as at June 30, 1953 (most recent statements available) was $126,281.99 as compared with the investment of $27,375.00.

At March 31, 1954, the net assets of the wholly-owned subsidiary, McClanahan Refineries, Incorporated, aggregated $41,553.93 as compared with the investment of $40,000.00.

MAGMA COPPER COMPANY
Consolidated Balance Sheet
Noncurrent Assets:
Investment in Unconsolidated Subsidiary (Note 1)
Capital stock—at cost $10,262,498
Notes receivable 15,350,000

Note 1—San Manuel Copper Corporation:

San Manuel Copper Corporation, a wholly-owned subsidiary, as of December 31, 1954, was in the development stage and therefore was not consolidated. The net assets of the subsidiary at December 31, 1954 as shown by its books, applicable to the Company's investment, amounted to $24,775,000.00.

In acquiring certain shares of San Manuel Copper Corporation the Company issued as part consideration shares of its own stock, of which it is obligated for a specified time to repurchase 3,178 shares if requested to do so at a price of $20 a share provided such shares are held by certain designated individuals at that time, such acquisition being limited to 2,029 shares in one year.

Reconstruction Finance Corporation has authorized a loan to San Manuel Copper Corporation of $94,000,000 under a loan authorization dated July 10, 1952, as amended, the proceeds of which are to be used for mine development, plant construction and equipment. The loan is evidenced by a note maturing in twenty years and bearing interest at the rate of 5% per annum. Payment on account of principal of the note is required in the amount of $1,550,000 quarter-annually beginning January 1, 1959 or two years after completion of the project, whichever is earlier, together with annual payments of certain earnings of the Corporation.

Magma Copper Company has guaranteed the R.F.C. loan and has agreed to advance certain of its earnings to San Manuel Copper Corporation during the period of the R.F.C. loan. The amount of such advances based on 1954 earnings is expected to be approximately $5,600,000 of which $3,000,000 was advanced during 1954. Restrictions on the payment of cash dividends also are imposed upon Magma Copper Company and its subsidiaries.

Under an agreement between Defense Materials Procurement Agency and San Manuel Copper Corporation dated August 29, 1952, the United States Government may purchase or be required to purchase all or substantially all of that Corporation's first 5½ years of estimated production of refined copper and molybdenum concentrates.

On January 17, 1955 the directors of the Company authorized and approved an agreement under which the Company, subject to certain conditions being met, will acquire all the issued and outstanding stock of twelve corporations which own and manage the properties comprising the Townsite of San Manuel, including 1,000 dwelling units, certain commercial buildings, and other improvements, equipment and facilities. Under and subject to the terms and conditions of such agreement, the Company is to pay $6,120 to San Manuel Copper Corporation for its shares of those townsite corporations, and is to issue to various other parties 23,375 shares of the Company's authorized but previously unissued capital stock in exchange for all the other outstanding stock of those townsite corporations.

SHOE CORPORATION OF AMERICA
Consolidated Balance Sheet
Investments in subsidiaries—Not Consolidated —at cost (Note 1) $5,484,707

Note 1: The consolidated financial statements include the accounts of all totally-held subsidiaries in the United States.

The company's equity in the consolidated net assets of subsidiaries not consolidated, has been increased since dates of acquisition of majority control as a result of profits, losses, and distributions by approximately $1,313,000 to December 31, 1954, which amount is not reflected in the consolidated earned surplus of the company at that date. The company's equity in the net undistributed consolidated net income of the aforementioned subsidiaries for the year 1954 amounted to approximately $10,000.

PREPAID EXPENSES AND DEFERRED CHARGES

Either prepaid expenses or deferred charges were presented by 586 of the 600 survey companies in their 1954 balance sheets. Of the 586 companies displaying such items, 161 companies set them forth under current assets, 94 companies presented them under both current and noncurrent assets, and the remaining 331 companies included them among noncurrent assets. The committee on accounting procedure of the American Institute of Accountants has recommended in the *Restatement and Revision of Accounting Research Bulletins* (Chapter 3, Section A) the inclusion among current assets of "prepaid expenses, such as insurance, interest, rents, taxes, unused royalties, current paid advertising services not yet received, and operating supplies."

Of the 1,161 items of prepaid expenses or deferred charges shown in the 1954 balance sheets of the survey companies, 539 of such items were described merely as "prepaid expenses," "deferred charges" or in some similar manner which did not identify the nature of the expense or charge involved. When these items were identified, they were usually mentioned as insurance expense, prepaid taxes, and debt discount and expense.

Table 20 summarizes and classifies the terminology used by the survey companies in presenting prepaid expenses and deferred charges in their balance sheets for each of the years 1948 through 1954. This tabulation shows that the descriptive word "prepaid" was almost always used in the current asset section of the balance sheet, whereas the term "deferred" was generally employed in the noncurrent asset section.

TABLE 20: PREPAID EXPENSES AND DEFERRED CHARGES

Terminology Used In	1954	1953	1952	1951	1950	1949	1948
Current Asset Section:							
Prepaid	228	210	195	182	171	161	140
Prepaid and deferred	5	5	3	4	4	2	1
Deferred	7	4	5	2	3	2	1
Unexpired	8	8	7	5	7	7	3
Costs applicable to future periods	11	8	5	9	7	5	4
Various other terms	5	5	5	3	3	3	3
Total	264	240	220	205	195	180	152
Noncurrent Asset Section:							
Deferred	167	173	171	156	144	146	145
Deferred and prepaid	90	90	82	104	97	101	105
Deferred with certain items listed thereunder described *prepaid*	67	74	82	76	103	114	119
Prepaid	79	89	90	73	66	64	87
Costs applicable to future periods	15	6	22	24	18	17	13
Unamortized	25	33	27	16	12	12	11
Unexpired	5	18	4	2	3	2	2
Various other terms	5	4	2	9	10	14	18
Total	453	487	480	460	453	470	500
Number of Companies Presenting							
Prepaid Expenses or Deferred Charges in:							
Current asset section	161	140	136	132	125	112	112
Current and noncurrent asset sections	94	98	79	76	76	73	49
Noncurrent asset section	331	353	374	381	389	407	433
No Prepaid Expense or Deferred Charge items	14	9	11	11	10	8	6
	600	600	600	600	600	600	600

	Balance Sheet Presentation			
	1954		1953	
Classification as to Type	Current Assets	Noncurrent Assets	Current Assets	Noncurrent Assets
Administration	—	1	—	—
Advertising	15	11	8	12
Debt discount	—	30	—	32
Debt expense	—	61	—	62
Employee welfare	2	13	—	14
Expense advances	1	1	2	3
Financing expense	—	—	—	4
Iinsurance	116	130	119	143
Interest	2	2	4	2
Mine stripping and expense	—	—	—	3
Oil exploration	—	—	—	1
Organization expense	—	1	—	1
Preoccupation and plant costs	—	—	—	3
Rent	11	24	10	27
Research and development	—	6	—	6
Seasonal expenses	—	—	2	1
Selling, delivery, freight, commissions	4	6	1	6
Supplies	20	31	22	42
Taxes	56	68	57	73
Tooling and factory expense	1	4	4	10
Travel expense	—	—	—	1
Unused royalties	1	4	—	6
"Prepaid or Deferred"	142	309	134	312
"Prepaid or Deferred"*	44*	44*	42*	49*
Total	415	746	405	812

(*In both the current and the noncurrent asset sections.)

Table 20 also indicates and summarizes the various types of prepaid expenses and deferred charges and their balance sheet presentation by the survey companies for the years 1954 and 1953.

Examples of various types of prepaid expenses and deferred charges and their presentation in the balance sheets of the respective companies are given below:

Current Asset Section

ALDENS, INC.
Consolidated Balance Sheet
Current Assets:
Prepaid expenses—
Advances on Spring season catalogs and expenses $1,850,843
Unexpired insurance 75,473
$1,926,316

CALIFORNIA PACKING CORPORATION
Consolidated Statement of Financial Position
Current and Working Assets:
Costs allocable to future operations—insurance, taxes, repair materials, etc. $2,310,938

JANTZEN, INC.
Consolidated Statement of Financial Position
Current Assets:
Prepaid insurance, advertising, supplies, etc. .. $235,001

Current and Noncurrent Assets

ADDRESSOGRAPH-MULTIGRAPH CORPORATION
Consolidated Balance Sheet
Current Assets:
Prepaid insurance, stationery, etc. $288,090
Noncurrent Assets:
Sundry deferred charges $146,877

ALUMINUM COMPANY OF AMERICA
Consolidated Balance Sheet
Current Assets:
Prepaid insurance and taxes $2,754,242
Other Assets and Deferred Charges:
Deferred stripping and mining expenses $1,411,315
Other deferred charges 4,424,836

CONTINENTAL BAKING COMPANY
Consolidated Balance Sheet
Current Assets:
Prepaid insurance, taxes and licenses .... $ 532,888
Above fixed assets:
Deferred charges $1,311,248

Noncurrent Asset Section

THE ANGOSTURA-WUPPERMANN CORPORATION
Balance Sheet
Noncurrent Assets:
Deferred charges
Deferred advertising, sales promotion and publicity expenses (Note 2) $147,138
Prepaid insurance and other deferred expenses 3,822
Current Liabilities:
Accounts payable (Note 2) $33,924

Note 2: At August 31, 1954, there remained an unexpended balance of $17,186 in a fund for advertising, sales promotion and publicity, created by the terms of a certain agreement dated July 28, 1953 between the corporation and Angostura Bitters (J. G. B. Siegert & Sons) Limited. This is included in the accounts payable and is offset in deferred advertising, sales promotion and publicity expenses amounting to $147,138, computed at the rate of $3.00 per gallon of bitters purchased during the period—January 1, 1954 to August 31, 1954, but remaining unsold as at the balance sheet date, in accordance with the terms of the aforementioned agreement.

BOOK-OF-THE-MONTH CLUB, INC.
Consolidated Balance Sheet
Noncurrent Assets:
Deferred Charges:
Inventory of circularizing paper and other materials $229,034

EDWARD HINES LUMBER CO.
Consolidated Balance Sheet
Noncurrent Assets:
Deferred charges:
Supplies and prepaid insurance and expenses $1,184,098
Unamortized cost of construction of logging roads 1,157,003
$2,341,101

INTANGIBLE ASSETS

Intangible assets were disclosed in the 1954 balance sheets of 375 of the 600 survey companies. Table 21 which classifies and summarizes the various types of intangible assets and their 1954 balance sheet presentation and valuation provides the following information:

1. *Type.* The most common types of intangible assets were patents, "goodwill," leasehold improvements, trademarks and brand names, and leases and leaseholds.
2. *Presentation.* Showing intangible assets "separately set forth" in the noncurrent asset section of the balance sheet was the method most frequently used to present such assets. However, certain types of intangible assets, such as leasehold improvements, leases and leaseholds, water rights, and mining and oil leases were generally shown under "fixed assets" in the noncurrent asset section of the balance sheet.
3. *Valuation.* Intangible assets were most frequently shown in the balance sheet at a nominal value (usually $1). The next most common method of valuation was an amortized value. In a substantial number of instances, however, an unamortized value was used. Intangible assets such as patents, "goodwill," and trademarks and brand names were usually set forth at a nominal value; whereas leasehold improvements, leases and leaseholds were generally shown at an amortized value.

The following examples, selected from the 1954 reports of the survey companies, illustrate the various balance sheet presentations of intangible assets:

TABLE 21: INTANGIBLE ASSETS

A: Balance Sheet Presentation

Type of Intangible Asset	Current Asset Section Under Inventories	Noncurrent Asset Section: Separately Set Forth	Under Fixed Assets	Under Other Assets	Under Deferred Charges	Notes to Financial Statements	1954 Total
Patents, patent rights and applications	—	173	6	15	5	1	200
Trademarks, brand names	—	92	3	13	—	—	108
Copyrights	—	9	—	—	—	—	9
Goodwill	—	135	1	10	—	—	146
Goodwill re: subsidiary	—	12	—	3	—	—	15
Leasehold improvements	—	5	71	5	9	1	91
Leaseholds, leases, leased equipment	—	6	28	1	—	8	43
Developed leases—mining, oil	—	—	11	—	—	8	19
Formulae, processes, designs	—	19	2	3	1	—	25
Research and development	—	7	7	4	2	3	23
Licenses, franchises, memberships	—	19	4	7	1	—	31
Rights—Water, water-power, land	—	1	22	1	—	—	24
Rights—Mining, timber, cutting, fishing, and "other rights"	—	5	11	2	—	1	19
Contracts	—	7	1	3	—	—	11
Name lists, catalogs, trade routes	—	6	—	1	—	—	7
Scripts, scenarios, story and film rights	2	3	—	—	—	—	5
Reference library	—	1	—	—	—	—	1
Finance and organization costs	—	2	—	—	—	—	2
Described as: "Intangible Assets"	—	14	6	2	—	3	25
Total	2	516	173	70	18	25	804

B: Balance Sheet Valuation and Amortization

Type of Intangible Asset	Amortized Value After Charges To: Income	Retained Earnings	Charge Not Shown	Total	Unamortized Value	Nominal Value	1954 Total
Patents, patent rights and applications	26	—	4	30	51	119	200
Trademarks, brand names	7	1	1	9	16	83	108
Copyrights	—	—	—	—	2	7	9
Goodwill	7	1	1	9	17	120	146
Goodwill re: subsidiary	4	—	—	4	7	4	15
Leasehold improvements	45	—	5	50	39	2	91
Leaseholds, leases, equipment leases	19	—	7	26	14	3	43
Developed leases—mining, oil	11	—	2	13	6	—	19
Formulae, processes, designs	2	1	—	3	6	16	25
Research and development	9	—	—	9	11	3	23
Licenses, franchises, memberships	10	—	2	12	15	4	31
Rights—Water, water-power, land	4	—	—	4	19	1	24
Rights—Mining, timber, cutting, fishing, and "other rights"	7	—	2	9	8	2	19
Contracts	1	—	—	1	5	5	11
Name lists, catalogs, trade routes	1	—	—	1	3	3	7
Scripts, scenarios, story and film rights	—	—	—	—	5	—	5
Reference library	1	—	—	1	—	—	1
Finance and organization costs	—	1	—	1	1	—	2
Described as: "Intangible Assets"	9	—	—	9	8	8	25
Total	163	4	24	191	233	380	804

Number of Companies Presenting	1954
Intangible Assets	375
No Intangible Assets	225
	600

Separately Set Forth in Noncurrent Asset Section

GENERAL FOODS CORPORATION
Comparative Statement of Financial Position
Noncurrent Assets:
Trade-marks, patents and goodwill $1.00

Note: Intangibles (trade-marks, patents, and goodwill) are carried at the nominal value of $1. These intangibles, which were acquired in prior years for cash and for shares of common stock, were applied against retained earnings or capital surplus (or reserves created therefrom) or were not included in the common capital stock account at the time the shares were issued.

MacANDREWS & FORBES COMPANY
Consolidated Balance Sheet
Noncurrent Assets:
Goodwill, trade-marks, brands, etc. $2,030,323

THOR POWER TOOL COMPANY
Consolidated Statement of Financial Position
Noncurrent Assets:
Deferred development expenses $148,394.83
Trademarks and patents, at nominal value .. 2.00

Note 1: . . . The company adopted the policy in 1954 of deferring to future periods development expenses applicable to special projects, net of the tax saving arising from their deduction for federal income tax purposes. The net amount so deferred at December 31, 1954 was approximately $78,000.

UNITED SHOE MACHINERY CORPORATION
Balance Sheet
Noncurrent Assets:
Patent rights $400,000

To the Stockholders: *Patent Licensing*—
In the Final Decree the Court directed that all patents owned by the Corporation already issued and all patents issued on applications filed prior to January 1, 1955 should be available to license at reasonable royalty and further provided that if the Corporation should acquire from outside sources any patent, patent application or exclusive license, the same should also be subject to license to others at reasonable royalty. These provisions as to licensing apply only to patents, etc., relating to shoe machinery and supplies.

(Refer to Section 2—Fixed Assets for further details of Final Decree of Court under the Sherman Act.)

Shown Under 'Fixed Assets' in Noncurrent Asset Section

ALUMINUM COMPANY OF AMERICA
Consolidated Balance Sheet
Properties, Plants and Facilities, at cost, includes:
Patents and other intangible assets, at cost, less amortization $1,895,530

Shown Under 'Other Assets' in Noncurrent Asset Section

YELLOW CAB COMPANY
Consolidated Balance Sheet
July 31, 1954
Deferred charges and other assets (Noncurrent):
Franchises—balance unamortized $24,261
Permits and other intangibles 1

AMORTIZATION OF INTANGIBLE ASSETS

The information contained in the 1954 survey reports with regard to the amortization of intangible assets is summarized in Table 21. There were 191 instances of intangible assets shown in the balance sheets at an amortized value. In 163 of these cases the amortization was charged to the income account; in four instances the charge was to the retained earnings account; and in the remaining 24 cases there was no indication in the report as to the treatment of the amortization charge.

The method used in the amortization of intangible assets is seldom disclosed in the reports of the companies showing such assets. The following examples, selected from the 1954 reports reviewed, are illustrative of the amount of information given.

AMERICAN HARD RUBBER COMPANY
Consolidated Statement of Financial Position
Other Assets:
Goodwill, patents, processes, etc. .... $ 1.00
Accumulated Earnings:
Write-off of Goodwill, Patents, Processes, etc., portion thereof charged to accumulated earnings (Note 5) .... $ 5,000

Note 5—Accumulated Earnings: The company acquired the trademarks, goodwill, and the right to use the name "Gavitt," for $5,000. The amount of Goodwill thus involved was written off against accumulated earnings since it was believed to have only a nominal value for balance sheet purposes.

CUBAN TOBACCO COMPANY, INC.
Consolidated Balance Sheet
Noncurrent assets:
Intangibles—brands, trade-marks and goodwill (Note 1) .... $ 900,000
Condensed Consolidated Statement of Income and Retained Earnings (Unappropriated)
Retained earnings applied in reduction of brands, trade-marks and goodwill (Note 1) ....(Dr.) $2,155,754

Note 1: In 1924, Cuban Tobacco Company Inc. acquired securities of subsidiaries on reorganization of Havana Tobacco Company, predecessor company; the last of these subsidiaries was liquidated in 1954. Accordingly, there has been written off an amount of $2,155,754, representing principally the balance of the excess of acquisition cost of the investment in such subsidiaries over the equities in their net assets at date of acquisition, which balance formerly was classified as intangibles in the consolidated balance sheet.

The amount of $900,000 at December 31, 1954 represents the book value of brands, trade-marks and good will taken over on liquidation in 1954 of one of the above-mentioned subsidiaries.

DETROIT GRAY IRON FOUNDRY COMPANY
Consolidated Balance Sheet
Noncurrent Assets:
Intangible Asset—Goodwill—Note A $26,292
Consolidated Statement of Operations
Other Deductions:
Amortization of goodwill .... $ 8,764

Note A: Goodwill balance represents excess of purchase price of stock in Oakland Foundry & Machine Company, wholly owned subsidiary, over net worth of that company at date of acquisition. The board of directors authorized writeoff of goodwill over a period of five years effective January 1, 1953.

FOREIGN SUBSIDIARIES OF AMERICAN RADIATOR & STANDARD SANITARY CORPORATION

(excluding Austrian company)

Combined Condensed Balance Sheet

	December 31, 1954 Canadian Subsidiaries	European Subsidiaries	Total	December 31, 1953
Current assets	$ 6,781,289	$38,402,203	$45,183,492	$37,477,166
Other assets	111,572	722,017	833,589	711,169
Plant and equipment (net)	4,745,848	18,323,654	23,069,502	22,009,360
	11,638,709	57,447,874	69,086,583	60,197,695
Current liabilities	913,462	15,526,423	16,439,885	13,165,581
Long-term debt	1,552,500	—	1,552,500	1,848,600
	2,465,962	15,526,423	17,992,385	15,014,181
Net assets	9,172,747	41,921,451	51,094,198	45,183,514
Less—minority interests	—	3,806,280	3,806,280	3,800,163
Equity of the Corporation in net assets	$ 9,172,747	$38,115,171	$47,287,918	$41,383,351

Combined Condensed Statement of Income

	1954 Canadian Subsidiaries	European Subsidiaries	Total	1953
Net sales	$16,260,981	$79,873,035	$96,134,016	$82,117,291
Cost of goods sold	14,079,431	51,231,649	65,311,080	57,545,455
Gross profit	2,181,550	28,641,386	30,822,936	24,571,836
Operating expenses, etc.	1,592,670	12,401,278	13,993,948	11,177,654
	588,880	16,240,108	16,828,988	13,394,182
Provision for taxes on income	231,560	6,102,057	6,333,617	5,186,484
Net income	357,320	10,138,051	10,495,371	8,207,698
Less—minority interests	—	68,294	68,294	66,795
Net income, after minority interests	$ 357,320	$10,069,757	$10,427,077	$ 8,140,903
Dividends paid to the Corporation, after foreign taxes	$ —	$ 4,098,384	$ 4,098,384	$ 3,193,165

The assets and liabilities included in the above statements have been converted to U. S. dollars at rates of exchange quoted at the end of the respective years, except that property, plant and equipment and the related reserves for depreciation have been converted at rates of exchange quoted at the end of the respective years of acquisition of the property involved.

Refer to the accompanying report, pages 6 to 13, for additional information and explanations.

THE NEW JERSEY ZINC COMPANY
Consolidated Balance Sheet
Noncurrent Assets:

Mine examination expenditures—principally on properties under lease or option	$1,225,772

Consolidated Statement of Earnings
Deductions (from Income):

Exploration expenses	$2,091,489
Mine development preliminary to production	1,721,178
Research and experimental expenses	1,772,819

To the Stockholders: Exploration—
The sum of $2,091,489 was deducted from income as expenses for exploration and prospecting. This sum includes a number of items theretofore carried on the balance sheet as Mine Examination Expenditures, determined during the year as non-productive and written off. This write-off resulted in the reduction of the latter account from $2,760,752 as of December 31, 1953 to $1,255,772 as of December 31, 1954 as shown on the balance sheet, the latter amount being the expenditures to date on projects and joint ventures deemed worthy of further exploration and development.

Mine Development Preliminary to Production: A substantial portion of our requirements of zinc concentrates has been obtained from sources other than our own mines. Self-sufficiency in zinc raw materials provides for operations on a more flexible basis and our mine development program is designed to increase our producing mines from four to eight, to achieve maximum operating efficiency in all of them, and to provide the desired degree of self-sufficiency. Expenditures for mine development preliminary to production, chargeable to income, will continue at a relatively high rate while this program is being carried out, but upon its completion there will be a termination of such expenditures concurrent with the addition of new sources of income.

POOR & COMPANY
Consolidated Balance Sheet
Intangibles:

Patents, being the cost of patents and patent rights acquired which have been capitalized, less amortization	$ 1,621
Goodwill, being investment of Poor & Company in capital stock of subsidiaries consolidated and former subsidiaries which have been liquidated in excess of the net assets exclusive of goodwill at date of acquisition	5,993,438

Consolidated Income Statement

Expenditures for patents and patent rights not capitalized and expenses incident to the acquisition and protection of patents and patent rights	$ 51,161
Provision for amortization of patents and patent rights	182

Note—Patents: Expenditures incident to patent protection of products of Poor & Company and its subsidiaries, including expenditures for purchase of patents, patent rights and licenses, and legal expense in connection therewith, and patent application fees and expenses, are treated as expense for the period in which expenditures are made. The cost of patents and patent rights which have been capitalized is amortized over the life of such patents and patent rights.

WOODALL INDUSTRIES, INC.
Consolidated Statement of Financial Condition
Noncurrent Assets:

Patents—at purchase cost, less amortization	$ 83,401
Goodwill—at purchase cost, less amortization	405,211

Consolidated Statement of Operations and Accumulated Income
Costs and Expenses:

Amortization of goodwill	$ 36,135
Amortization of patents	13,200

(For other examples of "goodwill" written off to retained earnings, refer also to Section 4.)

ACCOUNTS PAYABLE—Current Liabilities

Accounts payable to trade creditors were found in the 1954 balance sheets of all of the 600 companies included in the survey. These items, listed among the current liabilities, were generally described as "accounts payable" and were usually set forth separately, but in a substantial number of instances they were combined with other items of current liability. In addition to the above items payable to trade creditors, 80 of the survey companies showed current liabilities to trade customers for such items as advances on contracts, deposits on containers, for other trade purposes and credit balances in accounts receivable.

The various kinds of accounts payable items set forth among current liabilities in the 1954 balance sheets of the survey companies are classified and summarized in Table 22.

Nine of the survey companies, in addition to the accounts payable shown in the current liability section of their 1954 balance sheets, also set forth among noncurrent liabilities various items of a similar nature such as customers' deposits on returnable containers, royalties payable, self-liquidating advance payments, and unidentified deferred liabilities (See Company Appendix Nos. 59, 67, 123, 125, 143, 231, 432, 442, 506).

The following examples, selected from the 1954 balance sheets of the survey companies, illustrate various types of accounts payable and their statement presentation. They also contain examples of liabilities with regard to employees, short-term borrowings, and current maturities of long-term indebtedness, which are discussed in sections following this, as well as examples of miscellaneous other current liability items.

BEECH AIRCRAFT CORPORATION
Balance Sheet
Current Liabilities:

Notes payable to banks	$5,000,000
Trade and other accounts payable	3,385,948
Payroll and payroll deductions	2,625,878
Accrued local taxes, interest, and other expenses	487,221
Customer deposits on orders	1,800,999
Progress payments other than those applicable to inventories	1,583,787
Provision for contract settlements	1,529,747

DIAMOND T MOTOR CAR COMPANY
Balance Sheet
Current Liabilities:

Accounts payable:	
Trade creditors	$1,703,425
Others	2,445,509
Accrued items:	
Salaries, wages and commissions	114,263
Taxes, state, local and miscellaneous	309,642
Customers' deposits and credit balances	178,479

THE FEDERAL MACHINE AND WELDER COMPANY
Balance Sheet
Current Liabilities:

Accounts payable—Trade and sundry items	$ 57,525
Amount currently due Sinking Fund for retirement of Sinking Fund Debentures	142,100
Accrued salaries, wages, commissions, payroll deductions and payroll taxes	182,144
Accrued interest and taxes, other than Federal income taxes	12,605
Advances from customers	2,652
Other accrued liabilities	62,956

GREEN GIANT COMPANY
Balance Sheet
Current Liabilities:

Accounts payable:		
Trade	$268,277	
Sundry	23,587	$ 291,864
Green Giant Retirement Trust		109,841
Employees' taxes withheld		44,426
Accrued expenses:		
Salaries, wages, brokerage, insurance, interest and other		$ 408,589
State income, property and payroll taxes		155,492
Federal taxes on income		802,698
Total current liabilities (Note 1)		$1,812,910

Note 1: We believe that the liabilities as shown in the balance sheet adequately cover all liabilities of the company at March 31, 1955, exclusive of any commitments on supplies for the ensuing pack. Sales made under contracts to the United States Government during the current year are not in excess of the statutory minimum and are not subject to renegotiation.

HERCULES MOTORS CORPORATION
Balance Sheet
Current Liabilities:

Accounts payable:	
Trade accounts	$968,157
Salaries and wages	348,713
Payroll and withholding taxes	19,079
Customers advances and credit balances	42,899

MACFADDEN PUBLICATIONS, INC.
Consolidated Financial Position
Current Liabilities:

Due to employees' profit-sharing fund	$ 13,066
Accounts payable	1,292,749
Taxes payable	191,908
Deposits from magazine distributors	347,613

MEAD JOHNSON & COMPANY
Consolidated Balance Sheet
Current Liabilities:

Accounts payable:	
Trade accounts	$ 793,692
Salaries and wages	572,629
Payroll taxes and income tax withheld	115,707
Dividends payable	34,000
Other accounts	276,926
	$1,792,954
Accrued:	
Property and other taxes	$ 215,315
Royalties and interest	40,318
	$ 255,633
Estimated accrued vacation pay and other expense—Note D	$ 441,300
Estimated federal and foreign taxes on income	3,004,952
Current maturity of long-term debt:	
Payable on March 1 of following year	250,000
Total Current Liabilities	$5,744,839

TABLE 22: ACCOUNTS PAYABLE

Current Liability Description	Presentation: Separately	With Other Items	1954 Total
Re: Trade Creditors—			
Accounts payable (*Nos. *17, 89, 130, 195, 255, 292, 336, 377, 417, 450, 511, 555*)	410	190	600
Notes payable (*Nos. *304, 499*)	1	1	**2
Royalties payable (*Nos. *11, 125, 191, 551, 589*)	2	3	5
Trade acceptances or drafts payable (*Nos. *36, 45, 156, 494, 524, 561*)	1	5	6
"Accrued expenses"—not identified (*Nos. *5, 181, 275, 346, 429, 531*)	119	218	337
Total	533	417	950
Re: Trade Customers—			
Advances on non-government contracts (*Nos. *23, 83, 116, 200, 334, 453, 595*)	27	5	32
Progress billings on nongovernment contracts (*Nos. *62, 127, 287*)	3	—	3
Additional Costs on Completed Contracts (*Nos. *161, 598*)	2	—	2
Contract discounts (*No. *565*)	1	—	1
Deposits for various trade purposes (*Nos. *98, 134, 220, 309, 474, 560*)	16	10	26
Deposits for merchandise containers (*Nos. *211, 249, 447, 455, 490*)	8	1	9
Unredeemed gift certificates (*No. *4*)	1	—	1
Credit balances (*Nos. *12, 138, 241, 343, 438, 499*)	12	5	17
Total	70	21	91

Number of Companies Showing	
Accounts payable re trade creditors	600
Accounts payable re trade customers	80

*See Company Appendix Section. **See also, Table 26.

Note D: The Company elected to accrue estimated expenses which became deductible for income tax purposes under new provisions of the 1954 Internal Revenue Code. The Company, therefore, has included such estimated expenses, consisting mainly of vacation pay, at December 31, 1954, in the financial statements. The net effect of this change was to reduce net earnings for the year, after taxes on income, by $211,824.

For new assets acquired during the year, the Company elected to use accelerated depreciation permitted by the Code. This change in method will have no effect on the financial statements until 1955, since depreciation is not computed on new additions in the year of acquisition.

J. P. STEVENS & CO., INC.
Consolidated Balance Sheet
Current Liabilities:

Notes payable—banks	$14,000,000
Due manufacturers and factored clients	29,714,414
Accounts payable—trade	9,720,997
Wages and sundry liabilities	4,171,046

LIABILITIES RE EMPLOYEES

As shown by Table 23, there were 346 survey companies that set forth various types of liabilities regarding employees in the current liability section of their 1954 balance sheets. In almost half of such cases the liability shown was for salaries or wages payable. The other liabilities most frequently shown were for Federal income and social security taxes withheld, commissions payable, and contributions to employee benefit plans. Liabilities regarding employees were usually presented in the balance sheet in combination with other current liabilities, but in a substantial number of instances they were set forth separately. All of the various types of liabilities regarding employees as shown in the current liability section of the 1954 balance sheets of the survey companies are summarized in Table 23, which also shows the balance sheet treatment thereof.

TABLE 23: LIABILITIES RE EMPLOYEES

Current Liability Description	Presentation: Separately	With Other Items	Total 1954
Salaries or wages payable (*Nos. *24, 122, 270, 367, 449, 556*)	80	235	315
Commissions payable (*Nos. *21, 131, 279, 374, 474, 574*)	3	65	68
Unclaimed wages, retroactive salary (*Nos. *176, 188*)	—	2	2
Payroll taxes withheld (*Nos. *7, 110, 294, 343, 408, 562*)	30	107	137
Deposits received for U. S. bond purchases (*Nos. *18, 203, 266, 415*)	2	12	14
Deposits—various employee purposes (*Nos. *253, 505, 539*)	5	3	8
Deposits—salesmen's guarantee (*Nos. *165, 168, 286, 581*)	4	—	4
Accounts payable or employee balances (*Nos. *132, 314, 523*)	1	5	6
Accident compensation or disability benefits (*Nos. *155, 166, 419, 459*)	2	2	4
Additional compensation (*Nos. *217, 366, 446, 573*)	3	5	8
Incentive compensation (*Nos. *96, 419, 553*)	2	1	3
Bonus plan payments (*Nos. *12, 71, 132, 188, 221, 289, 368, 392, 539*)	2	16	18
Employee benefit plan contributions (*Nos. *97, 136, 271, 356, 484, 569*)	25	13	38
Employee profit sharing plan (*Nos. *24, 132, 174, 204, 300, 321, 506*)	7	10	17
Vacation pay (*Nos. *11, 188, 293, 392, 436, 508*)	8	11	19
	174	487	661

Number of Companies Showing	
Current liabilities re employees	346
No current liabilities re employees	254
	600

*See Company Appendix Section.

In addition to those companies showing liabilities regarding employees in the current liability section of their 1954 balance sheets, a number of the survey companies disclosed obligations of this type among noncurrent liabilities. *G. R. Kinney Co.* placed an item below current liabilities called "manager's security deposits and employees U. S. Savings bond payments" with a contra account for the same amount called "special deposits," in the noncurrent asset section of the balance sheet. Amounts paid by officers and employees on subscriptions for shares of unissued common stock were included in the capital stock section of the balance sheet by *General American Transportation Corporation.* Three other reports included employees' stock subscriptions in their noncurrent liability sections (See Company Appendix, Nos. 236, 255, 509). Other such noncurrent liabilities were: "certificates of extra compensation" (*Johnson & Johnson*) and "managers' commissions—contingently payable" (*Anderson Clayton & Co.*).

Guaranteed Wage Plan

Reference to guaranteed wage plans was provided by only three of the 600 survey companies in their 1954 annual reports. *General Motors Corporation* merely referred to the problem of a guaranteed wage in its review of the year under the general caption "GM Supplied over 500 Thousand Good Jobs in 1954," (pages 26-31 inclusive in its annual report). *The American Sugar Refining Company,* in its letter "To the Stockholders: Employee Relations" disclosed that such a plan had been in effect since 1952. *The National Sugar Refining Company* also stated that a guaranteed annual wage plan had been in effect for three years in the New York area (in its discussion of Employee Relations, page two of the 1954 annual report).

Examples— Liabilities re Employees

Set forth below are examples from the 1954 survey reports which illustrate various liabilities with regard to employees, together with their balance sheet presentation. They also contain further illustrations of accounts payable, which are discussed in the preceding section; of short-term borrowings and current maturities of long-term indebtedness, discussed in a section following this one; and examples of other current liability items.

AMERICAN MOTORS CORPORATION
Consolidated Balance Sheet
Current Liabilities:
Accounts Payable:
Payrolls, payments due pension trusts, group insurance, payroll taxes, and deposits of employees $8,760,395

Note B: Certain of the Corporation's pension plans provide for contributions for costs of current service benefits and for costs of past service benefits amortized over a 20 to 30 year period from

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION

PENSION TRUST FUNDS

Statements of Pension Trust Funds for Year Ended December 31, 1954

These funds are not the property of the Corporation.

	Non-Contributory Pension Plan	Supplemental Contributory Pension Plan
BALANCE—December 31, 1953	$ 20,343,876	$ 3,081,871
Contributions from the Corporation, participating subsidiary companies and, for the Supplemental Plan, also from participating employees	3,588,820	977,643
Employer contributions transferred from the Insured Retirement Annuity Plan (discontinued)	120,623	—
Income from investments	887,368	151,806
	24,940,687	4,211,320
Less—pensions paid	406,321	10,838
BALANCE—December 31, 1954	$ 24,534,366	$ 4,200,482
COMPRISED OF:		
Investments at amortized cost (market value $26,552,165 and $4,545,810, respectively):		
U. S. Government securities	$ 1,499,542	$ 185,170
Corporate and other bonds	16,227,452	2,423,573
Preferred stocks	2,316,849	497,151
Common stocks	4,213,600	884,724
	24,257,443	3,990,618
Cash and accrued interest	276,923	92,277
Receivable from the Corporation and participating subsidiary companies	—	117,587
TOTAL	$ 24,534,366	$ 4,200,482

1950. Under these plans, unfunded costs of past service benefits amounted to $22,500,000 at September 30, 1954. The other plans provide for contributions computed at seven cents for each hour for which participants are paid.

BELL & HOWELL COMPANY
Statement of Financial Position
Current Liabilities:

Employees' profit sharing trust (Note 1)	$536,056

Note 1—Profit Sharing Retirement Plan:

Effective January 1, 1954, the employees' retirement pension trust plan was amended so as to become a profit sharing retirement plan. The amended plan provides for annual contributions equal to 20% of consolidated net income (as defined in the plan, but before provision for taxes on income) less amounts paid as Christmas bonuses; however, the contribution for any year may not reduce consolidated net income (after provision for taxes on income) to less than an amount equal to 5% of the consolidated shareowners' equity at the beginning of the year.

NUNN-BUSH SHOE COMPANY
Consolidated Balance Sheet

Noncurrent Assets:	
United States Government Bonds—at cost, set aside for payment of compensation to employees under "Share the Production Plan"	$369,386
Current Liabilities:	
Accrued wages, local taxes and other expenses	$349,674
Due to Profit Sharing and Retirement Fund	10,155
Noncurrent Liabilities:	
Accrued compensation to employees under "Share the Production Plan"	$369,386

THATCHER GLASS MANUFACTURING COMPANY, INC.
Consolidated Balance Sheet
Current Liabilities:

Payable to trustee of retirement plan (Note 1)	$32,167

Note 1—Non-Contributory Retirement Plans:

The company has a non-contributory retirement plan for salaried employees. Estimated past service pension cost at December 31, 1954, exclusive of interest, amounts to $510,649.65, which the company anticipates paying over a period of not more than 27 years. There is charged against 1954 income $132,668.64 for current contributions to the retirement plan, and no amount for past service cost in view of actuarial gains. This compares with $185,778.24 (including $63,124.66 for past service costs) charged against 1953 income. The plan may be amended or terminated at any time so long as trust funds are not diverted to purposes other than for the exclusive benefit of the employees concerned.

The board of directors is submitting for approval by the stockholders a non-contributory retirement plan for hourly rate employees, effective January 1, 1955. The contributions, including payment of past service cost spread over 30 years, is estimated at approximately $115,000 per year. The plan may be amended with union approval at any time or terminated after January 1, 1960, by the company without such approval, so long as trust funds are not diverted to purposes other than for the exclusive benefit of the employees concerned.

VANADIUM CORPORATION OF AMERICA
Consolidated Financial Condition
Current Liabilities:

Salaries, wages, vacations, and separation allowances, including amounts withheld from employees	$850,737

THE WARNER & SWASEY COMPANY
Balance Sheet

Current Liabilities:	
Accounts payable and accrued expenses:	
Salaries, wages and commissions	$309,022
Payroll taxes and taxes withheld from employees	196,116
Deferred Liabilities:	
For contingent deferred compensation—Note D	123,809

Note D: During the year ended December 31, 1953, the Board of Directors initiated a contingent deferred compensation plan for certain key employees under which a specified portion of their total annual compensation, otherwise payable to them, is deferred. Providing certain requirements are met, such compensation is to be distributed in five annual installments after retirement or death of the employee.

Note G: It is estimated that as of December 31, 1954, the aggregate amount to be paid into the fund under the Employees' Retirement Plan (adopted in 1945) with respect to past service cost, if the plan continues, will approximate $2,700,000.00. The indicated annual service cost at December 31, 1954, exclusive of interest on the unfunded portion of past service cost, amounts to approximately $520,000.00.

INCOME TAX LIABILITY

There were eighteen survey companies that did not show a liability for Federal income taxes, "income taxes," or merely "taxes" in their balance sheets for 1954. Such liability, set forth in varying degrees of detail, was presented in the current liability section of the balance sheet.

Table 24 shows in detail the various classifications of income tax liability shown in the current liability section of the 1954 balance sheets of the 600 survey companies.

The following examples selected from the 1954 reports of the survey companies are representative of the balance sheet presentation of the liability for income taxes. (For further examples, see those in the following section, "U.S. Government Securities Used to Offset Federal Income Tax Liability" and the examples in Section 1, "Terminology for 'Income Tax Liability.' ")

THE CROWELL-COLLIER PUBLISHING COMPANY
Consolidated Balance Sheet
Current Liabilities:

Federal taxes on income (Note 2)	$1,881,929

Note 2: The Company has filed applications for excess profits tax relief for the years 1943-1945, inclusive, under the applicable sections of the Internal Revenue Code and, in connection therewith, is withholding payment of excess profits tax amounting to $1,789,849.25, provision for which is included in Federal taxes on income. The amount provided for taxes does not (a) take into consideration any tax reductions which may arise out of the applications for relief, or (b) provide for interest which would be payable should the Company be required to pay all or any part of the tax withheld.

THE FEDERAL MACHINE AND WELDER COMPANY
Balance Sheet
Current Liabilities:

Estimated Federal income taxes—Note A:	
Current year	$ 190,000
Prior years'	1,500,000

Note A: Due to operating losses in prior years, which have been carried forward, the Company has materially reduced the Federal income tax liability for the current year.

During the past fiscal year the Company and Tax Counsel have continued negotiations for a settlement of the proposed deficiencies for the fiscal years 1942, 1943, 1944 and 1945. As of the date of this report, November 15, 1954, it appears that the said deficiencies will total approximately $1,045,000, after credit for post-war refunds, plus estimated interest of $455,000. Additional provision, in the amount of $261,459, has been made by a charge to Earned Surplus to set the total provision at $1,500,000.

GRUEN WATCH COMPANY
Consolidated Balance Sheet

Current Assets:	
Refundable Federal taxes on income resulting from carry-back provisions, estimated (Note 6)	$784,098
Current Liabilities:	
Provision for domestic and foreign taxes on income (Notes 3, 6)	247,641

Note 3: It is estimated (based on present laws) that additional foreign taxes on transfers to the parent company of the accumulated surplus of foreign subsidiaries would approximate $186,000 at March 31, 1955, and $171,000 at March 31, 1954. No provision

TABLE 24: INCOME TAX LIABILITY

Current Liability—Balance Sheet Presentation and Classification	1954	1953	1952
"Federal Income Tax"	264	259	254
Above combined with:			
"Other taxes"	8	8	8
"Other income taxes"	7	6	7
"Territorial taxes"	1	1	1
"Territorial and other taxes"	1	1	1
Renegotiation	15	10	8
Redetermination	1	1	—
Non-tax items	2	2	2
Total	299	288	281
"Federal Income and Excess Profits Taxes"	9	33	37
Above combined with:			
"Foreign taxes"	2	6	5
"Foreign and state taxes"	—	1	1
"Foreign taxes and renegotiation"	—	1	1
"State income taxes"	—	1	1
Renegotiation	—	3	3
Non-tax items	1	1	1
Total	12	46	49
"Federal and State Income Tax"	62	57	61
Above combined with:			
"Foreign taxes"	16	17	16
"Foreign and municipal taxes"	1	—	1
"Municipal taxes"	2	4	4
"Other taxes"	3	2	4
Renegotiation	3	3	3
Total	87	83	89
"Federal and Foreign Income Taxes"	76	67	65
Above combined with:			
"Other taxes"	1	—	—
"Other taxes" and renegotiation	—	1	1
Renegotiation	5	5	4
Total	82	73	70
Classifications Set Forth As:			
"Income Taxes"	39	34	33
"Income and Excess Profits Taxes"	4	6	6
"Excess Profits, and other taxes"	—	1	1
"Income and foreign taxes"	1	1	1
"Income and other taxes"	6	6	7
"Domestic, and foreign taxes"	1	1	1
"Income tax" and renegotiation	1	1	1
Total	52	50	50
"Taxes"	33	34	36
"Taxes and excess profits tax"	3	3	3
"Federal and state taxes"	3	3	2
"Federal, state, municipal taxes"	6	6	6
"Federal and general taxes"	1	1	1
"Domestic and foreign taxes"	1	1	1
"Taxes" and non-tax items	2	3	3
"Taxes" and renegotiation	1	1	1
Total	50	52	53
Number of Companies Presenting			
Current liability for income tax or taxes	582	592	592
Not presenting such liability	18	8	8
	600	600	600

has been made for such foreign taxes or United States taxes as may be paid if and when accumulated earnings of subsidiaries are distributed to the parent company since such taxes may never accrue.

Note 6: The estimated recovery of $1,361,888 of Federal taxes on income under the carry-back provisions of the Internal Revenue Code has been applied to reduce the liability previously recorded for 1954 and the remainder appears as a current asset in the accompanying balance sheet.

RAYONIER INCORPORATED
Consolidated Balance Sheet

Current Liabilities:	
Accrued United States taxes on income offset by Treasury notes of $12,805,890	$ —
Accrued Canadian taxes on income	2,423,253
Noncurrent Liabilities:	
Reserve for future United States taxes on income	$ 600,000

Financial Review: Taxes—

Provision for Federal taxes on income earned in 1954 was $11,040,000. The provision for Federal taxes in 1953 was $8,820,000.

The average effective Federal tax rate on the company's 1954 earnings was 48 per cent, compared with an average rate of 45 per cent on 1953 earnings.

The Treasury Department has examined the income and excess profits tax returns through the year 1948, and the company has paid the additional taxes assessed, which were nominal in amount.

Earnings:

"The new Jesup mill is also covered by a Certificate of Necessity to the extent of 55 per cent of its cost, but accelerated depreciation on this property is being utilized only in computing tax payments based on current taxable income. In other words, Jesup's accelerated depreciation is being reflected in the Federal income tax returns (thereby reducing the tax payable currently) but not in the income statement. Estimated tax credits deferred in this manner, amounting to $600,000 at December 31, 1954, are shown separately in a reserve on the balance sheet.

ROCKWELL MANUFACTURING COMPANY
Consolidated Statement of Financial Condition

Current Liabilities:	
Accrued taxes and other expenses	$ 705,789
Federal and state taxes on income—estimated	6,064,721
Less United States Treasury notes held for payment of taxes	(4,666,800)
Above "Stockholders' Equity"	
Reserves for prior years' taxes and contingencies	419,350
Statement of Consolidated Income and Expense	
Income before taxes thereon	$12,000,553
Taxes on income—estimated:	
Provision for the year:	
Federal normal income tax and surtax	$ 5,851,000
State and Canadian income taxes, etc.	512,000
	$ 6,363,000
Less credits arising from carry-back and carry-forward of operating losses of certain subsidiaries	86,000
Net taxes on income	$ 6,277,000

U. S. GOVERNMENT SECURITIES USED TO OFFSET INCOME TAX LIABILITY

The ownership of U. S. Government securities was disclosed in the 1954 annual reports of 372 companies. A substantial number of these companies (172 in 1954 and 179 in 1953) presented either all or some portion of such securities in their balance sheets as a deduction from the liability for Federal income taxes.

The Restatement and Revision of Accounting Research Bulletins (Chapter 3, Section B) issued by the committee

TABLE 25: U. S. GOVERNMENT SECURITIES USED TO OFFSET FEDERAL INCOME TAX LIABILITY

Number of Companies with U. S. Government Securities Presenting:	1954	1953
All Government securities as an offset to the Federal income tax liability with such securities identified as:		
U. S. Government securities (*Nos. *16, 81, 168, 360, 535*)	19	24
Treasury notes (*Nos. *12, 173, 248, 386, 565*)	22	25
Treasury notes; and, bills or certificates (*Nos. *95, 296, 346, 436*)	6	2
Treasury tax notes (*Nos. *24, 41, 146, 220, 257*)	5	8
Treasury tax anticipation notes (*Nos. *25, 60, 231, 419, 505, 520*)	6	3
Treasury bills (*Nos. *83, 219*)	2	2
	60	64
Certain Government securities as an offset to the Federal income tax liability with such securities identified as:		
U. S. Government securities (*Nos. *94, 135, 316, 492*)	60	51
Treasury notes (*Nos. *136, 292, 397, 547*)	22	30
Treasury notes; and bills or certificates (*Nos. *374, 480, 549*)	3	6
Treasury tax notes (*Nos. *36, 117, 288, 488, 557*)	16	19
Treasury tax notes and bills	—	1
Treasury tax anticipation notes (*Nos. *276, 354, 526*)	3	5
Treasury bills or certificates (*Nos. *18, 144, 463*)	8	3
	112	115
Total	172	179
All Government securities as Current Assets with such securities identified as:		
U. S. Government securities (*Nos. *47, 192, 306, 510*)	172	170
U. S. Government securities and tax notes (*No. *307*)	1	1
U. S. Government securities and tax anticipation notes (*No. *507*)	1	1
Treasury notes (*Nos. *118, 287, 553*)	6	8
Treasury notes; and bills or certificates (*No. *392*)	1	—
Treasury tax notes (*No. *388*)	1	2
Treasury bills or certificates (*Nos. *73, 205, 373*)	13	9
Treasury bonds (*Nos. *381, 455*)	5	4
Total	200	195
Number of Companies with No U. S. Government Securities Presenting:		
Federal income tax liability	210	218
No Federal income tax liability	18	8
Total	228	226
	600	600

*See Company Appendix Section.

on accounting procedure of the American Institute of Accountants, provides an extensive discussion of the treatment given to the offset of securities against income tax liability in the balance sheet.

Table 25 discloses the different types of U. S. Government securities held by the 600 survey companies, as described in their reports, and indicates their balance sheet presentation.

Additional U. S. Government Securities Included in Current Assets

AMERICAN BANK NOTE COMPANY
Consolidated Balance Sheet
Current Assets:
Government securities, at cost (market $4,982,100) $4,980,498
Current Liabilities:
Federal and foreign taxes on income, less government tax notes of $334,000 ...... $1,314,664

THE CHAMPION PAPER AND FIBRE COMPANY
Consolidated Balance Sheet
Current Assets:
United States Government securities, at cost plus accrued interest $3,688,789
Current Liabilities:
Federal and state taxes on income (less United States Treasury Savings Notes, 1955—$2,936,812) $7,154,764

CITY PRODUCTS CORPORATION
Consolidated Balance Sheet
Current Assets:
United States Government securities, at cost (amount at market prices $213,536) .... $ 213,584
Current Liabilities:
Provision for taxes:

Federal and foreign income taxes	$4,185,713
Less: United States Certificates of Indebtedness, at cost and accrued interest	2,009,320
	$2,176,393
Other taxes	793,599
	$2,969,992

INTERSTATE BAKERIES CORPORATION
Statement of Financial Position
Current Assets:
U. S. Treasury securities at cost and accrued interest, less $3,711,189 deducted from liability for Federal taxes on earnings in 1954 .... $ 316,383
Current Liabilities:

Miscellaneous taxes, including taxes withheld	$ 309,589
Federal taxes on earnings	3,711,189
U. S. Treasury securities offset against Federal taxes on earnings	(3,711,189)

McGRAW-HILL PUBLISHING COMPANY, INC.
Consolidated Balance Sheet
Current Assets:
United States Government securities, at cost . $1,362,000
Current Liabilities:
Accrued taxes (less United States Treasury notes and certificates—$5,150,000) $2,710,405

STANDARD OIL COMPANY (INDIANA)
Consolidated Balance Sheet
Current Assets:
U. S. Government and other marketable securities—at cost, which approximates market $103,952,262
Liabilities Payable Within One Year:
Taxes payable—including federal taxes on income (less tax anticipation notes: 1954—$12,200,000); taxes withheld and state and federal taxes on petroleum products collected from customers .... $ 53,002,072

No Additional U. S. Government Securities Included in Current Assets

BEECH AIRCRAFT CORPORATION
Balance Sheet
Current Liabilities:

Income taxes—estimated	$4,400,000
Less United States Treasury bills—at cost, and foreign income tax credit	1,033,094
	$3,366,906

GENERAL BOX COMPANY
Consolidated Balance Sheet
Current Liabilities:
Accrued liabilities—
Taxes, other than Federal taxes on income .. $ 94,894
Federal taxes on income (less United States Treasury Savings notes, at cost, plus accrued interest, $10,522) $407,708

GENERAL REFRACTORIES COMPANY
Comparative Balance Sheet
Current Liabilities:

Federal income taxes, for current and prior years, estimated	$1,640,853.95
Less United States Treasury Tax Notes, at cost	700,000.00
	$ 940,853.95

THE HOOVER COMPANY
Balance Sheet
Current Liabilities:
Federal and state taxes on income—estimated, less U. S. Treasury Certificates of Indebtedness of $1,004,164 .... $1,043,041

THE SHERWIN-WILLIAMS COMPANY
Consolidated Balance Sheet
Current Liabilities:

Accrued taxes (other than federal income taxes) and miscellaneous items		$1,005,849
Federal taxes on income—estimated	$11,375,000	
Less U. S. Treasury Tax Anticipation Certificates	4,000,000	7,375,000

SUN OIL COMPANY
Consolidated Statement of Financial Position
Current Liabilities:
Tax Liability (other than Federal Income Tax) $15,862,111
Federal Income Tax Liability (less U. S. Treasury Obligations held for payment thereof: $10,000,000) 384,543

No Offset of U. S. Government Securities Against Federal Income Tax Liability

THE DRACKETT COMPANY
Consolidated Balance Sheet
Current Assets:
U. S. Treasury Bills $399,882
Current Liabilities:
Federal and Canadian Income Taxes $610,186

INDUSTRIAL RAYON CORPORATION
Consolidated Balance Sheet
Current Assets:
United States Government securities—at cost plus accrued interest (quoted market price $18,650,005) $18,660,380
Current Liabilities:
Federal taxes on income—estimated .... $ 8,599,167

INGERSOLL-RAND COMPANY
Balance Sheet
Current Assets:
United States obligations (market value $67,500,000) $66,994,203
United States Treasury tax notes 21,047,000
Current Liabilities:
Federal taxes on income $22,945,801

MOORE DROP FORGING COMPANY
Statement of Financial Position
Current Assets:
U. S. Treasury bills and savings notes $2,045,968
Current Liabilities:
Federal income and excess profits taxes $1,016,000
State excise and social security taxes 154,913

SHORT-TERM BORROWING AND LONG-TERM INDEBTEDNESS

The 1954 reports of the 600 survey companies disclose that 134 of these companies had neither short-term borrowing nor long-term indebtedness at the close of the accounting period. Of the remaining 466 companies, 46 showed only short-term borrowing; 280 disclosed only long-term indebtedness; and 140 set forth both short-term borrowing and long-term indebtedness in their balance sheets.

Table 26 shows the various types of short-term borrowing and of long-term indebtedness presented in the 1954 balance sheets of the 600 companies included in the survey.

The following examples from the 1954 reports are illustrative of the presentation of short-term borrowing in the current liability section and of long-term indebtedness in the noncurrent liability section of the balance sheet:

ACME STEEL COMPANY
Statement of Consolidated Financial Condition
Current Liabilities:
Installments due within one year on notes payable to banks .... $ 300,000
Noncurrent Liabilities:
Long-term Debt:
Notes payable to banks, less installments due within one year (Note B) $5,700,000

Note B—Notes Payable to Banks:

The notes payable to banks bear interest at the rate of 3¼% and mature in installments as follows: $150,000 on April 15th and October 15th of each of the years 1955 and 1956; $200,000 on April 15th and October 15th of each of the years 1957 and 1958; $250,000 on April 15th and October 15th of each year commencing April 15, 1959, to and including April 15, 1962; and $2,850,000 on October 15, 1962.

Under the loan agreement relating to the notes, the Company is required, among other things, to make additional payments on the principal amount of the notes on April 15th of each year in an amount equal to 20% of an excess of its consolidated net income over $5,000,000 for the preceding fiscal year. The Company has also agreed not to declare or pay any dividends which would reduce its consolidated working capital below $13,000,000. At December 31, 1954, consolidated working capital amounted to $17,253,456.

TABLE 26: SHORT-TERM BORROWING AND LONG-TERM INDEBTEDNESS

Balance Sheet Description	Current Liability A: Short-Term	Noncurrent Liability B: Long-Term
Bonds payable (*Nos. *332, 412*)	—	15
Debentures (*Nos. *132, 192, 211, 528*)	—	49
Sinking fund debentures (*Nos. *55, 61, 184, 331, 376, 470*)	—	122
Credit agreement (A: *Nos. *69, 478;* B: *36, 376, 599*)	19	25
Revolving credit agreement (A: *Nos. *134, 189;* B: *495*)	15	5
V-loan agreement (A: *Nos. *86, 134, 259*)	18	—
Equipment contracts (A: *Nos. *289;* B: *61, 245*)	1	5
Purchase commitment (*No. *551*)	—	1
Purchase money obligations (*Nos. *171, 303, 334*)	—	25
Real estate obligations (*Nos. *481, 594*)	—	2
Government loans (*Nos. *177, 482*)	—	5
Loans payable (A: *Nos. *73, 183;* B: *28, 121, 552*)	22	31
Mortgages payable (A: *Nos. *494, 543;* B: *85, 150, 477, 576*)	2	55
Notes payable (A: *Nos. *14, 105, 175, 355, 410;* B: *66, 112, 195, 310, 347, 356, 384, 398, 528*)	115	308
Contracts payable (A: *Nos. *289;* B: *239, 440, 582*)	3	14
Other long-term liabilities (*Nos. *18, 138, 277, 528*)	—	7
Owed by—Subsidiaries or affiliates (A: *Nos. *2, 151;* B: *143, 332, 452, 535*)	13	44
Owed to—Subsidiaries or affiliates (A: *Nos. *43, 130, 311, 427, 467;* B: *561*)	23	3
Total	231**	716

Number of Companies With	1954
Short-term borrowing only	46
Short-term borrowing and long-term indebtedness	140
Long-term indebtedness only	280
Neither short-term borrowing nor long-term indebtedness	134
	600

*See Company Appendix Section.
**Excluding items set forth in the current liability section which represent the portion of long-term indebtedness payable in one year or less.

BASIC REFRACTORIES, INCORPORATED
Consolidated Balance Sheet
Current Liabilities:
Current portion of long-term debt—Note B . . $ 15,000
Long-term Debt—Note B:
Mortgage notes payable; Series A and Series B $3,250,000
Mortgage note payable to insurance company 356,000

Note B—The long-term debt is represented by two 3¾% Series A mortgage notes and a 4¼% Series B mortgage note. The two Series A mortgage notes are presently in the amounts of $375,000.00 each, payable in equal quarterly installments of $62,500.00, to be divided equally between such notes beginning March 1, 1956, and ending December 1, 1958. The Series B note is in the amount of $2,500,000.00, payable in quarterly installments of $62,500.00, beginning March 1, 1959, and ending December 1, 1967, at which date the remaining balance of $312,500.00 less any sums paid through the contingent sinking fund, will become payable. The holder of the Series B note also holds a Stock Purchase Warrant to purchase 12,600 shares of the authorized but unissued common shares, from time to time, in whole or in part, until December 31, 1957, at a price of $13.50 per share if the option is exercised during the calendar year 1955 and increasing $.50 per share per year thereafter until the expiration of the option. In addition to the property, plant, equipment, and facilities used in operation of such plants covered by the Indenture of Mortgage and Deed of Trust, the notes are further secured by an assignment of the Company's patents, patent applications, trade-marks and trade-names. The Indenture, in addition to various customary restrictions, limits the payment of dividends upon, and purchases of, the Company's common stock. The Company covenants that it will have and maintain at all times (a) consolidated net current assets of $3,000,000.00 and (b) United States Treasury Tax Notes or other obligations of the United States equal to at least 75% of all accrued federal income taxes and all other federal taxes of the Company; however, the Trustee has waived the non-compliance of this provision as of December 31, 1954.

Contingent sinking fund: The holder of the Series B note is entitled to 25% (but not more than $200,000.00 for any one year) of the amount by which the Company's consolidated net income exceeds $1,000,000.00, after all charges including federal taxes on income, to be applied on the last maturing installment or installments of the Series B note in the reverse order of maturity. Such contingent sinking fund payments, if any, are payable annually on the first day of April with respect to the earnings for the prior year. No such payment is due for the year ended December 31, 1954.

The 5% mortgage note payable to insurance company, presently in the amount of $371,000.00, is payable in fixed semiannual installments according to a graduated schedule, with the final installment of $14,000.00 payable on December 31, 1972. Installments, aggregating $15,000.00, due during 1955 are included in current liabilities. The note is secured by a mortgage and pledge by Atchison Bridge Company, Inc. (consolidated subsidiary) of its interest in a bridge at Atchison, Kansas, and is also guaranteed by the Company. The Company's Indenture securing its Series A and B mortgage notes also secures such guaranty.

BLUE DIAMOND CORPORATION
Balance Sheet
Property, plant, and equipment:
Plant structures, machinery, and equipment (1954, automotive equipment at cost of $1,025,000 pledged as collateral to notes payable) . . . $9,885,651
Current Liabilities:
Notes payable to bank—current portion:
Unsecured term loan . . . $ 150,000
Automotive equipment notes . . . 256,310
Notes Payable to Bank—Noncurrent portion:
Unsecured term loan (payable $37,500 quarterly and additional amounts annually dependent upon future earnings) . . . $ 850,000
Automotive equipment notes (payable monthly to December, 1958) . . . 301,030

GEORGIA-PACIFIC PLYWOOD COMPANY
Consolidated Balance Sheet
Current Liabilities:
Current portion of long-term debt . . . $2,066,668
Long-Term Debt, excluding current portion:
3½% bank loan, $100,000 due quarterly to February, 1956 . . . $ 100,000

CITIES SERVICE COMPANY

LONG-TERM DEBT OF SUBSIDIARY COMPANIES MATURING AFTER 1955
DECEMBER 31, 1954

SUBSIDIARIES OTHER THAN REGULATED GAS PIPE LINE COMPANY:		
American Gas Production Company		
Notes payable to bank, 3¼% and 3½% — due 1957 to 1964		$ 14,000,000
Arkansas Fuel Oil Corporation		
Sinking fund debentures, 3½% — due June 1, 1974	$11,000,000	
Notes payable to banks, 3¼% — due 1956 to 1964	9,350,000	
Purchase obligations — due 1956 to 1966	645,965	20,995,965
Cit-Con Oil Corporation		
First mortgage sinking fund bonds, 3¼% — due November 1, 1961		12,000,000
Cities Production Corporation		
Notes payable to bank, 3% to 3½% — due 1957		26,000,000
Cities Service Oil Company (Delaware)		
Sinking fund debentures, 2¾% — due January 20, 1966	34,000,000	
Sinking fund debentures, 2¾% — due August 20, 1967	14,000,000	
Notes payable to banks and insurance companies, 3⅛% to 3⅝% — due 1956 to 1982	38,842,000	
Purchase obligations — due 1956 to 1967	87,884	86,929,884
Cities Service Oil Company (Pennsylvania)		
Notes payable to banks and insurance companies, 2¾% to 4¼% — due 1956 to 1970	3,582,877	
Purchase obligations — due 1956 to 1968	6,062,605	9,645,482
Cities Service Pipe Line Company		
Notes payable to bank, 3% to 3¾% — due 1956 to 1959		9,300,000
Cities Service Refining Corporation		
Notes payable to insurance companies, 4% — due 1956 to 1972		37,500,000
Empire Gas and Fuel Company		
Notes payable to banks, 2% and 2¼% — due 1956		15,700,000
Sixty Wall Tower, Inc.		
First mortgage and leasehold bonds, 3¼% — due December 15, 1969	4,100,000	
First mortgages, 3% to 4% — due 1956 to 1964	2,550,811	6,650,811
Other subsidiaries — miscellaneous		4,782,272
Sub-total		243,504,414
REGULATED GAS PIPE LINE COMPANY:		
Cities Service Gas Company		
First mortgage bonds, 2⅞% — due April 15, 1965	24,000,000	
First mortgage bonds, 3⅛% — due January 15, 1968	18,500,000	
First mortgage bonds, 3¼% — due May 1, 1971	12,000,000	
Notes payable to banks, 3% and 3¼% — due 1956	20,000,000	
Purchase obligations — due 1956 to 1961	3,334,611	77,834,611
Total		$321,339,025

MINORITY STOCKHOLDERS' INTEREST IN SUBSIDIARY COMPANIES
DECEMBER 31, 1954

	PAR OR STATED VALUE	SURPLUS	TOTAL
Common Stocks:			
Arkansas Fuel Oil Corporation	$ 9,216,730	12,302,637	21,519,367
Cit-Con Oil Corporation	1,050,000	2,110,143	3,160,143
Waterway Terminals, Inc.	5,000	68,805	73,805
	$10,271,730	14,481,585	24,753,315
Subordinated long-term debt of Cit-Con Oil Corporation			6,475,000
			$31,228,315

4½% term loans, $800,000 due annually from 1957 to 1966 (plus additional amounts based on annual earnings in excess of $2,500,000)	8,000,000
3½% bank loan of subsidiary, payable as timber is removed with minimum payments of $416,667 due quarterly to September, 1957	2,838,308

Note 2: In connection with its acquisition of the stock of an Oregon timber holding company, Georgia-Pacific Plywood Company is obligated to pay approximately $13,837,000 on May 20, 1955, or if it elects to defer such payment, approximately $14,550,000 on or before November 9, 1955.

To Our Stockholders:

Georgia-Pacific believes that good timber, well located and accessible, is a sound asset, readily saleable at attractive prices. Under the Company's plan of operation, the long-term debt incurred in its timber acquisition program is self liquidating, through the use of the timber, independent of earnings, and imposes no drain on the Company's cash resources.

On November 8, 1954, the Company negotiated a contract under which it will acquire two additional large tracts of timber in western Oregon, known as the Oregon-Mesabi tracts, thus rounding out one of the finest stands of timber in the United States. The approximately $13,800,000 purchase price will be provided in part by Company funds and in part by a term bank loan for which the Company has a firm commitment.

JAMES MFG. CO.

Consolidated Balance Sheet

Current Liabilities:	
Notes payable to bank (unsecured)	$ 400,000
Current maturities of promissory notes	75,000
Noncurrent Liabilities: (see Note)	
Promissory notes, with varying interest rates, payable in annual installments of $75,000 to October 1, 1968; final payment of $325,000 due October 1, 1969	$1,375,000
Less current maturities	75,000

Note: The promissory notes bear varying interest rates ranging from 3% to 3½%. Repayments amount to $75,000 due annually through October 1, 1968, with $325,000 due October 1, 1969. Repayment in excess of two annual principal payments in any one year may be made at a premium of 3½% in 1955, and the premium diminishes at the rate of ¼ of 1% for each year thereafter. Among other requirements, the company must maintain net working capital of $3,000,000 and shall not permit the ratio of working capital to current liabilities to be reduced below a ratio of two to one.

MANNING, MAXWELL & MOORE, INCORPORATED

Consolidated Balance Sheet

Current Liabilities:	
4% First mortgage loan payable and 4% Note payable—current (Note B)	$ 274,771
Long Term Debt: (*Note B*)	
4% Note payable	$3,778,000
4½% Note payable	1,000,000
4% First Mortgage loan payable	1,197,174
	$5,975,174

Note B—Long Term Debt: The 4% note is payable in annual installments of $222,000 on October 1, 1955 to 1971, with the remaining balance of $226,000 payable on July 16, 1972. The 4½% note is payable on July 16, 1972. The agreements covering the above notes provide for certain restrictions on working capital and after December 31, 1955 on the payment of dividends and purchase of common stock. The restrictive provisions provide that working capital will be kept above $7,000,000 and limit the payment of cash dividends and purchase or acquisition of common stock after December 31, 1955 to 75% of the aggregate net earnings since January 1, 1952.

The 4% First Mortgage Loan is secured by a lien on the Stratford, Connecticut plant and is payable in monthly installments of $8,484 each, including interest, from January 1, 1955 to November 1, 1971, inclusive. The amount of principal thus to be repaid in 1955 amounts to $52,771.

REXALL DRUG, INC.

Consolidated Balance Sheet

Current Liabilities:		
Current instalments of long-term indebtedness		$1,467,863
Long-term indebtedness, less current instalments shown above:		
Sinking fund debentures, 3¾% due 1961, authorized and issued $2,500,000	$ 1,100,000	
Sinking fund debentures, 3% due 1965, authorized and issued $25,200,000	20,675,000	
Real estate obligations	927,478	
	$22,702,478	

SCHENLEY INDUSTRIES, INC.

Consolidated Balance Sheet

Noncurrent Liabilities:	
Unsecured Borrowings:	
Loans under Bank Credit due November 14, 1958	$25,000,000
Loans under Insurance Company Agreements:	
Due March 1, 1969, with semi-annual prepayments commencing March 1, 1959	75,000,000
Due November 1, 1975, with annual prepayments commencing November 1, 1960	25,000,000

Note 1: The agreements relating to the unsecured borrowings provide that the company may not pay dividends or acquire any of its capital stock if, after giving effect to the payments for such purposes, the excess of consolidated current assets over the sum of consolidated current liabilities and consolidated long-term debt shall be less than $100,000,000. The amount of such excess at August 31, 1954, was $168,890,276, which is $68,890,276 above the contractual requirement.

Earnings and Finances:

The company, on August 16, 1954, prepaid $25,000,000 of bank loans due November, 1958, pursuant to an arrangement under which a revolving credit in equal amount will be available from banks on a commitment commission basis until November 14, 1958. Borrowings under the new credit will have such maturity date as the company may select, not later than November 14, 1958, and will bear interest at the prime rate in effect from time to time for commercial loans.

SUNRAY OIL CORPORATION

Consolidated Balance Sheet

Current Liabilities:	
Notes payable, current portion of subsidiary long term debt	$ 800,000
Long Term Debt:	
2⅞% Sinking Fund debentures, due serially 1956 to 1966	$20,000,000
2⅜% Notes payable, due serially 1956 to 1958	12,000,000
2⅞% Notes payable, due serially 1959 to 1970	40,000,000
Accounts payable, due serially 1956 to 1965, without interest	1,533,333
	$73,533,333
4% Notes payable of subsidiary company due serially 1956 to 1959	3,200,000

TEXTRON, INCORPORATED

Consolidated Balance Sheet

Current Liabilities:	
Notes Payable (Note C)	$10,770,985
Noncurrent Liabilities:	
Notes Payable (Note D)	$ 3,956,303

Note C: *Assets Subject to Liens*—

Under the terms of a bank loan agreement, assigned accounts receivable in the amount of $11,010,915 were additional security for current mortgage notes payable in the amount of $3,536,500.

The Regulation V-loan ($1,134,328) of Dalmo Victor Company was secured by a Deed of Trust and Chattel Mortgage on certain of its real and personal property with a book value of approximately $787,000, by assignment of the proceeds from defense contracts of $1,936,172, and by assignment of insurance on officers' lives in the amount of $250,000. Inventories of Dalmo Victor Company in the amount of $3,520,522 were subject to a lien in favor of the U. S. Government or prime contractors to the extent of unliquidated progress payments amounting to $1,810,072.

The capital stock of Dalmo Victor Company is pledged to secure indebtedness and contingent payments to the sellers in the amount of $1,200,000 and $1,500,000 respectively.

Mortgage notes payable and amounts payable under conditional sales contracts aggregating $6,921,307 are secured by properties having an original cost of $12,829,287.

Note D: Long-Term Debt—

Long-term debt at January 1, 1955 consisted of obligations for machinery acquired under conditional sales contracts $1,126,754; mortgage notes on buildings and machinery $1,362,316; installment notes secured by deposit of securities $900,000; and unsecured loans $567,233.

The fixed payment requirements of this long-term debt are as follows:

1956	$1,750,720
1957	808,472
1958	585,657
1959	120,960
1960	120,960
1961 or later	569,534

DEFERRED INCOME

Deferred income or credit items were disclosed by 70 of the survey companies in their balance sheets for 1954. Table 27 indicates that a total of 82 items were included and placed usually above the stockholders' equity section of the balance sheet, although certain items such as unearned discount, interest, or carrying charges were deducted from the related current asset accounts.

Varying descriptions were given by the companies referring to deferred income (See Table 27), some of which are given in the examples which follow:

AMERICAN BARGE LINE COMPANY
Consolidated Balance Sheet
Noncurrent Liabilities:

Deferred income on incompleted voyages	$261,900

AMERICAN DISTRICT TELEGRAPH COMPANY (N.J.)
Consolidated Balance Sheet
Below "Long-Term Obligations":

Revenue billed and collected in advance	$13,584,137

THE ATLANTIC REFINING COMPANY
Consolidated Balance Sheet
Above "Stockholders' Equity":
Deferred Liabilities and Credits:
From sale of Eastern Hemisphere Subsidiaries:

Income, after provisions for estimated income tax to be reported as proceeds are received	$25,211,592
U. S. Federal taxes on income, estimated	8,999,500
	$34,211,092
Other	752,085
Total deferred liabilities and credits	$34,963,177

BROCKWAY MOTOR COMPANY, INC.
Balance Sheet
Above "Capital"
Contingent liabilities (Notes 1 and 2)

Unearned financing charges on customers' notes receivable	$425,385
Deferred credit (Note 2)	100,000

Note 1: Contingent liability on customers' notes discounted, $2,129,099.

TABLE 27: DEFERRED INCOME

Balance Sheet Presentation	1954	1953
With Related Current Asset:		
Unearned finance charge (*Nos. *368, 464, 583*)	3	5
Unearned discount (*No. *263*)	1	1
Unearned interest (*No. *192*)	1	1
In Current Liability Section:		
Metal treatment charge (*Nos. *36, 43*)	2	2
Customer service prepayment (*No. *402*)	1	1
"Deferred credit" (*Nos. *328, 548*)	2	2
"Deferred income" (*No. *137*)	1	1
Above Stockholders' Equity Section:		
Billings on uncompleted contracts (*Nos. *198, 362, 488*)	3	4
Discount on reacquired securities (*No. *289*)	1	1
Government contract income (*No. *352*)	1	1
Magazine subscription income (*Nos. *186, 289, 357, 371, 374, 546*)	6	6
Premium on debentures issued (*Nos. *169, 353*)	2	3
Profit on foreign sales (*Nos. *174, 277, 456*)	3	3
Profit on sales or installment contracts (*Nos. *173, 197, 410, 469*)	4	4
Profit on fixed assets sold (*Nos. *67, 140, 530, 551, 561*)	5	4
Rent on leased equipment, films, "rent," or meters (*Nos. *227, 279, 353, 415, 454*)	5	4
Unearned deposits or royalties (*Nos. *200, 208*)	2	2
Unearned finance charges (*Nos. *75, 108, 317, 586, 592*)	5	4
Unearned interest (*Nos. *196, 530*)	2	2
Unfinished voyage revenue (*No. *560*)	1	1
"Deferred credits" (*Nos. *32, 43, 155, 329, 513*)	20	16
"Deferred income" (*Nos. *123, 254, 374, 404, 543*)	11	13
Total	82	81
Number of Companies Presenting Deferred Income Items In:		
Current asset section	5	7
Current asset section and *above* stockholders' equity section	1	1
Current liability section	5	5
Above stockholders' equity section	59	57
Total	70	70
Not presenting deferred income item	530	530
	600	600

*See Company Appendix Section.

Note 2: The company has brought a breach of contract action against H & B American Machine Co., Inc., for damages in connection with its failure to carry out a Purchase Agreement dated October 29, 1954, which provided for the sale and lease to that company of substantially all of the Brockway assets. While counsel for Brockway Motor Company, Inc. is of the opinion that the H & B Company has no basis for any counterclaim in that suit, nevertheless, because the matter is in litigation, the amount of $100,000 is included in the accompanying balance sheet as a deferred credit in respect of a down payment of that amount made by the H & B Company to Brockway under the Purchase Agreement.

CLARY CORPORATION
Balance Sheet
Below "Long-term Debt"
Deferred income from maintenance contracts and financing charges on installment sales . $179,058

THE CROWELL-COLLIER PUBLISHING COMPANY
Consolidated Balance Sheet
Above "Capital Stock and Earned Surplus":
Deferred Credits:
Unfilled subscriptions (less certain selling expenses) $19,196,238
Miscellaneous 286,466

THE HALOID COMPANY
Consolidated Balance Sheet
Above "Capital and Surplus":
Rental Income Prepaid: Less Expenses applicable thereto (Note 9) $208,288

Note 9: During 1954 the Company changed its accounting procedure to secure the benefits of the Internal Revenue Act of 1954 and deferred an amount of $208,287.69 representing that portion of income, namely $442,084.06, from the rental of leased equipment covering terms extending into 1955 less royalties, commissions, and other expenses applicable thereto in the amount of $233,796.37.

INTERSTATE POWER COMPANY
Consolidated Balance Sheet
Deferred Credits:
Unamortized premium (less expense) on long-term debt $137,189
Customers' advances and prepaid service charges 193,108

RADIO CORPORATION OF AMERICA
Consolidated Financial Position
Above "Stockholders' Equity":
Deferred Income on Installment Contracts Receivable $10,531,338

TABLE 28: MINORITY INTERESTS

Balance Sheet Presentation:	1954	1953	1952
Above—Stockholders' equity section and shown as:			
Minority stockholders' interest (*Nos. *31, 115, 204, 376, 405, 513*)	60	59	59
Minority stockholders' interest in capital stock and surplus (*Nos. *11, 160, 181, 295, 432*)	14	14	19
Minority stockholders' interest in capital stock (*Nos. *22, 254, 259*)	5	7	8
Within—Stockholders' equity section and shown as:			
Minority stockholders' interest (*Nos. *67, 509, 526*)	3	3	3
Minority stockholders' interest in capital stock and surplus	—	—	1
Minority stockholders' interest in capital	—	—	2
Total	82	83	92
Income Statement Presentation:			
In separate last section:			
After current tax estimate (*Nos. *72, 170, 323, 460, 566*)	35	34	40
Before current tax estimate (*Nos. *177, 432*)	2	2	2
Current tax estimate not required (*No. *326*)	1	1	2
Listed among operating items (*Nos. *50, 120, 204, 281, 332, 404, 488, 528*)	24	22	21
Within Earned Surplus Section of Combined Income and Earned Surplus Statement (*No. *92*)	1	—	—
Total	63	59	65
Consolidated Financial Statements with Minority Interests set forth in:			
Balance sheet only	22	27	29
Balance sheet and income statement	60	57	63
Income statement only	3	2	2
Accompanying footnotes only	1	—	2
Total	86	86	96
Not referred to in report	359	355	347
Unconsolidated Financial Statements with:			
Subsidiary companies	43	45	45
No subsidiary companies	112	114	112
	600	600	600

*See Company Appendix Section.

MINORITY INTERESTS

Of the 445 survey companies that presented consolidated financial statements in their 1954 annual reports, only 86 such companies referred to the existence of minority interests in the consolidated subsidiary companies. The balance sheet and income statement presentation of the minority stockholders' interest in subsidiaries not wholly owned, as set forth in the reports of the survey companies for the years 1952 through 1954, is shown in Table 28.

Examples—Minority Interests

The balance sheet and income statement presentations of the minority interests in consolidated subsidiary companies are illustrated in the following examples selected from the 1954 annual reports of various companies. For additional examples relating to minority interests see those shown under "Consolidation of Subsidiaries" elsewhere in this section.

THE BILLINGS & SPENCER COMPANY

Condensed Consolidated Balance Sheet

Above "Capital":

Minority Interest, The Peck, Stow and Wilcox Company (Note 5)		$ 88,616

Condensed Statement of Consolidated Income and Earned Surplus

Net Gain for Fiscal Year		$ 88,478
Consolidated Earned Surplus:		
Balance, September 30, 1953	$1,145,017	
Additions: Earned surplus of Subsidiary, The Peck, Stow and Wilcox Company at acquisition date March 31, 1954	987,228	
	$2,132,245	
Deductions: Net miscellaneous deductions applicable to earned surplus accounts of subsidiaries	2,588	
Balance, September 30, 1954, Before Net Gain for Fiscal Year		$2,129,657
		$2,218,135
Less: Elimination from Earned Surplus of the Portion Applicable to Minority Interest, The Peck, Stow and Wilcox Company (Note 5)		32,992
Consolidated Earned Surplus, September 30, 1954 (Note 6)		$2,185,143

Condensed Statement of Consolidated Capital Surplus

Balance, September 30, 1953	$ 111,309
Additions: Capital surplus of Subsidiary, The Peck, Stow and Wilcox Company, at acquisition date, March 31, 1954, after deduction for excess of Parent's cost over stated capital stock valuation of Subsidiary	17,420
	$ 128,729
Less: Elimination from Capital Surplus of the Portion Applicable to Minority Interest, The Peck, Stow and Wilcox Company (Note 5)	16,115
Consolidated Capital Surplus, September 30, 1954	$ 112,614

Note 5: The Billings & Spencer Company owned 96,249 shares of the capital stock of The Peck, Stow and Wilcox Company, representing 96.249% of the total of 100,000 shares of common stock issued and outstanding, par value of $10.00 per share, at September 30, 1954. The Condensed Statement of Consolidated Income and Earned Surplus reflects transactions of The Peck, Stow and Wilcox Company for the six months ended September 30, 1954.

Note 6 not reproduced herein.

EVERSHARP INC.

Consolidated Balance Sheet

Current Liabilities:

Accounts Payable	$1,177,393

Note C: *Kimberly Acquisition*—On January 21, 1955, Eversharp, Inc. acquired the controlling interest in Kimberly Corporation and by February 28, 1955, this interest amounted to 95.6%. The minority interest ($28,500) at February 28, 1955 has been included in accounts payable in the balance sheet. Net current assets of Kimberly at February 28, 1955, were $416,457; property, plant and equipment, intangibles and other assets amounted to $839,391. Earnings since date of acquisition have been included in consolidated net earnings.

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION

Consolidated Balance Sheet

Above "Stockholders' Equity":

Minority interest in Fairchild Aerial Surveys, Inc. (Note 1)	$ 368,472

Statement of Consolidated Earnings

Undesignated total	$1,670,530
Minority stockholders' share of earnings of a subsidiary	63,740
Net earnings for the year	$1,606,790

Note 1: *Consolidated Companies*—

The consolidated financial statements include the accounts of Fairchild Graphic Equipment, Inc. (formerly known as Fairchild Recording Equipment Corporation), Fairchild Camera and Instrument Corporation of Canada, Ltd., both of which are wholly-owned subsidiaries, and Fairchild Aerial Surveys, Inc., a 57% owned subsidiary at December 31, 1954.

In 1954 the company increased its ownership from 49% to 100% of the common stock of Fairchild Graphic Equipment, Inc., by payment of about $23,000. The company transferred its domestic Scan-A-Graver business to Fairchild Graphic Equipment, Inc., and its Canadian Scan-A-Graver business to its Canadian subsidiary, which was formed to lease such equipment in Canada.

Early in 1955, the company acquired the minority interest in Fairchild Aerial Surveys, Inc. in exchange for 12,040 shares of its own stock, to which it assigned a value of $35.00 per share (approximate market).

JOSLYN MFG. AND SUPPLY CO.

Consolidated Balance Sheet

Above: "Capital Stock and Surplus":

Minority Interest in Subsidiaries	$ 119,341

Consolidated Statement of Income

Income from Operations	$4,778,511
Federal Taxes on Income	2,475,000
Income before Deducting Minority Interest	$2,303,511
Minority Interest in Income of Subsidiaries	51,734
Consolidated Net Income	$2,251,777

To the Shareholders: The deduction for minority interest in income of subsidiaries was sharply lower in 1954 because of the further acquisitions of minority stock by the Company. The favorable effect of these minority acquisitions more than offset the reduction in consolidated earnings due to disposal of controlling interest in Federal Tool Corporation.

Near the close of the year, all of the minority interest in capital stock of three subsidiaries was acquired in exchange for 23,222 shares out of the 100,000 shares of authorized unissued common stock of the Company.

After acquiring these minority interests and in continuation of the plan for simplifying the corporate structure, the assets of one of these companies was taken over by the parent company and the business of that subsidiary is now conducted as a division of Joslyn Mfg. and Supply Co.

PLYMOUTH OIL COMPANY

Consolidated Balance Sheet

Above "Shareholders' Equity":

Minority Interests in Subsidiary Companies	$1,749,959

Consolidated Statement of Income

Income Before Provision for Federal Taxes Based on Income	$8,553,811
Federal Income and Excess Profits Taxes	1,636,500
	$6,917,311
Net Income Applicable to Minority Interests:	
Big Lake Oil Company	$ 112,670
Republic Oil Refining Company (preferred stock)	45,580
	$ 158,250
Net Income	$6,759,061

Note 1: *Basis of Consolidation*—The consolidated financial statements include the accounts of Big Lake Oil Company, a subsidiary in which Plymouth Oil Company owns 75% of the capital stock,

and the accounts of Republic Oil Refining Company (including those of its wholly-owned subsidiary, Duval Gasoline Company) in which Plymouth Oil Company owns 100% of the common stock and approximately 54% of the preferred stock.

At December 31, 1954 the minority interests in the consolidated subsidiaries consisted of the following:

Big Lake Oil Company		
Capital stock	$1,000,000	
Less: Deficit	389,541	$ 610,459
Republic Oil Refining Company		
Preferred stock		1,139,500
		$1,749,959

Prior to January 1, 1954 the minority interests' share of dividends on preferred stock of Republic Oil Refining Company was deducted from consolidated earnings retained in the business. Since that date such dividends have been deducted from consolidated net income.

APPROPRIATIONS AND RESERVES

The various types of appropriations and reserves discussed in this section are those which are generally shown below the current liability section of the balance sheet (exclusive of inventory reserves and reserves established during the current period with regard to estimated expenses re Section 462, 1954 Internal Revenue Code, which are discussed in Sections 2 and 4, respectively). Such appropriations and reserves were used most frequently by the survey companies for insurance purposes, for contingencies, in connection with employee benefits, and for property purposes.

In *Accounting Terminology Bulletin Number 1, Review and Résumé*, prepared by the committee on terminology of the American Institute of Accountants, it is 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, and that the use of the term in the income statement or to describe in the balance sheet deductions from assets or provisions for particular liabilities should be avoided." In connection with its discussion of the general discontinuance of the use of the term surplus, the committee on terminology states that,

> . . . Retained income appropriated to some specific purpose nevertheless remains part of retained income, and any so-called "reserves" which are clearly appropriations or segregations of retained income, such as those for general contingencies, possible future inventory losses, sinking fund, etc., should be included as part of the stockholders' equity.

There has been a substantial decline in the use of the term "reserve" by the survey companies during the past four years.

The tables presented below in this section show each of the types of the various appropriations and reserves discussed, together with their balance sheet presentation. Accompanying these tables are representative examples of such appropriations and reserves, selected from the 1954 annual reports of the survey companies.

Contingency Purposes

The 1954 annual reports of the survey companies contained 81 reserves for contingencies. As shown by Table 29, such reserves were usually shown either above the stockholders' equity section (46 reserves in 1954; see Company Appendix Nos. 13, 165, 210, 313, 555) or within the stockholders' equity section of the balance sheet, (33 reserves in 1954; see Company Appendix Nos. 2, 61, 112, 176, 286).

TABLE 29: CONTINGENCY RESERVES

Balance Sheet Presentation	1954	1953	1952	1951
Among: *Current Liabilities*	2	2	2	2
Above: *Stockholders' Equity*	46	56	63	80
Within: *Stockholders' Equity*	33	41	47	47
Number of Companies With:				
Contingency reserves	81	99	112	129
No contingency reserves	519	501	488	471
	600	600	600	600
Number of Reserves:				
Beginning of year	99	112	129	158
Established during year	—	1	1	1
Eliminated during year	(18)	(14)	(18)	(30)
End of year	81	99	112	129
Terminology Used				
"Reserve"	59	75	86	100
"Provision"	1	1	1	1
Various other terms	21	23	25	28
	81	99	112	129

In the majority of the reports presenting contingency reserves, there was no change in the reserve balance or the account was presented in a combined caption with other reserves and accordingly changes in the contingency reserve could not be determined. In those instances where there were *increases* in these reserves during 1954, the annual reports, in most cases, did not disclose the accounts to which the related charges were made. In those instances in which such information was presented or determinable, the charges were either to the income account (See Company Appendix Nos. 13, 354, 443, 542) or the retained earnings account (See Company Appendix Nos. 228, 433). In those instances of *decreases* in the reserves for contingencies, the offsetting credit was disclosed only by United Shoe Machinery Corporation which transferred the balance of the account to another reserve. The majority of the companies which eliminated the reserve for contingencies during 1954 disclosed the elimination by a credit to the retained earnings account.

Examples of contingency reserves as presented in the 1954 annual reports are set forth below:

MacFADDEN PUBLICATIONS, INC.
Consolidated Financial Position
Within Stockholders' Equity:
Reserve for Contingencies $150,000

Notes to Financial Statements:

Note 2—An anti-trust action by a magazine distributor against sixteen large publishing and national distribution companies of which Macfadden Publications, Inc. is one of the defendants was dismissed by a Federal court. The plaintiff has filed an appeal to the

United States Court of Appeals. Various other litigation arising in the ordinary course of a publishing business is also pending. In the opinion of the company, the reserve for contingencies is adequate to cover any amounts which the company might have to pay on these suits.

LONE STAR CEMENT COMPANY
Consolidated Balance Sheet
Above: Stockholders' Equity:
Reserves and Special Funds:
General contingencies $456,433
Consolidated Statement of Income and Earned Surplus:
Miscellaneous charges (including provision for doubtful accounts and contingencies $238,504

Notes Regarding Financial Statements:

Note 4—Any liabilities which the companies may have for further additional Federal or other taxes or for known suits or claims against them are believed to be adequately covered by specific accruals or by the remaining balances of reserves for contingencies. The Corporation's Brazilian subsidiary has guaranteed payment of notes, issued by Cimento Aratú, S.A., for purchases of machinery and equipment which notes amounted to $2,037,222 at December 31, 1954. Otherwise, the only known contingent liabilities are such as may result from the usual purchase commitments and other contract obligations entered into during the ordinary and regular course of business, as to which no loss is anticipated.

NATIONAL STEEL CORPORATION
Consolidated Balance Sheet
Above Stockholders' Equity:
Reserves:
Specific Contingencies $2,564,288

Notes to Consolidated Financial Statements:

Note G—Contingencies: Certain lawsuits and claims (some of which have been pending for several years) against the Corporation and its subsidiaries remain unsettled. These allegations generally are not considered to be of merit or, if settled adversely to the companies, are not expected to have any significant effect upon the consolidated financial statements.

To the Stockholders—Litigation: Three items of litigation which have been mentioned in previous Annual Reports are still pending. One is an interpleader case involving an action brought by the United States against Cold Metal Process Company to adjust royalties received by Cold Metal Process Company with respect to steel products sold to departments and agencies of the United States Government during World War II. National Steel Corporation and certain other steel producers were made parties to the action and National Steel Corporation paid into the Court the amount of royalties which it admitted to be owing. Cold Metal Process Company, however, claims that additional amounts are due from the Corporation.

The second case is an action brought in the District Court of the United States for the Northern District of California by Aero Sales Company and others against several steel companies, including National Steel Corporation, seeking to recover damages based upon alleged violations of the Anti-trust Laws arising out of an alleged agreement among the defendants to prefer old customers in the distribution of steel products during the steel shortages following the end of World War II.

The third item involves declaratory judgment proceedings instituted by the City of Buffalo, New York, against the Pennsylvania Railroad and The Hanna Furnace Corporation in which the Court is requested to rule that the defendants, as owners of the Union Canal, are responsible for the cost of constructing a new vehicular bridge over the Canal.

There were no important developments in any of these proceedings during the year 1954. However, since the first of the year, the Aero Sales Company case has come to trial.

During the year 1954, the Federal Trade Commission instituted proceedings against Luria Brothers & Company, Inc., brokers of iron and steel scrap, and a number of steel companies and foundries, including National Steel Corporation and Weirton Steel Company, claiming that Luria Brothers & Company, Inc. had certain exclusive arrangements with steel companies and foundries which were in violation of the Anti-trust Laws. Hearings have been held before a Trial Examiner for the Federal Trade Commission but have not been completed.

The Corporation and its subsidiaries are parties to certain other litigation but our counsel have advised us that none of these cases is significant.

Employee Benefit Purposes

There were 93 employee benefit reserves shown by 82 of the 600 survey companies in their 1954 annual reports. Table 30 sets forth the various types of employee benefit reserves found in the survey reports for the years 1951 through 1954. In most instances, these reserves were presented above the stockholders' equity section of the balance sheet (89 reserves in 1954). There was a disclosure of the accounts to which the related charges were made in approximately two-thirds of the reports showing *increases* in employee benefit reserves during 1954. In most cases the income account was debited (See Company Appendix Nos. 20, 182, 397, 427, 528); but in a few instances the

TABLE 30: EMPLOYEE BENEFIT RESERVES

Balance Sheet Presentation	1954	1953	1952	1951
Among: *Current Liabilities* for—				
Incentive compensation plan	—	1	1	1
Profit sharing plan	1	1	1	1
Welfare or benefit plan	1	2	2	2
Pension plan not funded	1	1	1	1
Above: *Stockholders' Equity* for—				
Bonus plan	6	5	6	6
Deferred compensation plan	15	12	10	7
Incentive compensation plan	4	3	2	2
Profit sharing plan	3	3	2	2
Retired employee benefits	—	1	1	3
Welfare or benefit plans	9	9	10	10
Employment contract	—	—	1	1
Pension or Retirement plan:				
Annuity costs	8	8	8	5
Pension plan costs	32	30	32	33
Past service costs	6	9	10	13
Past and current service cost	4	4	4	4
Current service cost	1	1	1	1
Future service cost	1	1	1	1
Former plan liability	—	1	1	1
Within: *Stockholders' Equity* for—				
Employment contract	1	1	1	1
Total	93	93	95	95
Number of Companies With:				
Employee benefit reserves	82	82	84	81
No employee benefit reserves	518	518	516	519
	600	600	600	600
Number of Reserves:				
Beginning of year	93	95	95	98
Established during year	6	6	7	3
Eliminated during year	6	8	7	6
End of year	93	93	95	95
Terminology Used				
"Reserve"	62	67	70	72
"Provision"	13	13	14	13
Various other terms	18	13	11	10
	93	93	95	95

charge was to retained earnings (See Section 4, "Appropriation of Retained Earnings—Employee Pension Purposes"). In those cases where there were *decreases* in the employee benefit reserves, the offsetting credits were disclosed in some instances. Such credits were usually to some asset account (See Company Appendix Nos. 84, 254, 277, 427), or to a liability account (See Company Appendix Nos. 68, 210, 463).

Examples—Employee Benefit Reserves

Otis Elevator Company and *Radio Corporation of America,* in their 1954 reports, disclosed their incentive compensation plans in the following manner:

OTIS ELEVATOR COMPANY
Balance Sheet
Above Capital Stock:
Reserves—

Incentive Compensation Reserve—Note 4	$845,253
Incentive Compensation Contingent Fund	610,766

Note 4—Incentive Compensation Reserve:

These items include the sums of $204,485 appropriated by the Board of Directors for the year 1953, and $640,768 appropriated by the Board of Directors for the year 1954.

During 1954 there was allotted to officers and managerial employees under the former Extra Compensation Plan, extra compensation for the year 1953 in the aggregate amount of $320,264. Of this amount, $139,423 was paid in cash; and there was contingently allotted to the Incentive Compensation Contingent Fund $180,841, representing 3,748 shares of the Company's Common Stock at $48¼ per share.

To the Stockholders and Employees:

Incentive Compensation Reserve: This is the Reserve provided for by the Incentive Compensation Plan approved by the Stockholders at their Annual Meeting held on April 20, 1954.

Incentive Compensation Contingent Fund: This represents the Company's contingent liability to certain participants in the Incentive Compensation Plan.

RADIO CORPORATION OF AMERICA
Consolidated Financial Position
Current Liabilities:

Accounts payable and accruals (Note 9)	$134,562,259
Above "Stockholders' Equity":	
Incentive Plan (Note 9)	
Awards payable (less cost of common stock held for distribution under the Plan, $1,055,298)	$ 796,998
Incentive reserve—unawarded balance	1,140,302
Consolidated Earnings	
Cost of Operations:	
Wages and salaries (Note 9)	$298,289,499

Note 9—RCA Incentive Plan:

The RCA Incentive Plan was approved by the Stockholders at the May, 1954 Annual Meeting. Copies of the Plan, to which reference should be made for its terms, are available upon request to the Secretary. For the year 1954, the amount determined by the Independent Public Accountants in accordance with the provisions of the Plan to be 15% of Incentive Plan Net Earnings after deducting 5% of Capital Employed and the total amount credited to the Incentive Reserve, together with the disposition thereof, are summarized below.

The Consolidated Balance Sheet at December 31, 1954 includes in "Accounts Payable and Accruals" the portions of incentive awards for the year 1954 which are payable in cash within one year. The remainder of the incentive awards for 1954, payable in cash and RCA Common Stock, is included in "Awards Payable." Payment of any deferred installment is contingent under the earning out provisions of the Plan.

Determination of Amount of Credit to Incentive Reserve for 1954 and Balance in Incentive Reserve at Dec. 31, 1954:

Net Profit for Year	$40,525,459
Add: Provision for incentive awards (included in "Wages and Salaries")	4,699,598
Interest on long-term debt	4,875,000
Incentive Plan Net Earnings	$50,100,057
Less: 5% of Capital Employed at December 31, 1953, consisting of Stockholders' Equity of $215,718,987 and long-term debt of $150,000,000	18,285,949
Incentive Plan Base	$31,814,108
Calculated Maximum Credit to Incentive Reserve: 15% of Incentive Plan Base	$ 4,772,116
Credit to Incentive Reserve—The amount which the Incentive Committee directed to be credited to the reserve	$ 4,699,598
Less: Awards for the year 1954 determined by the Incentive Committee	3,559,296
Incentive Reserve Balance at Dec. 31, 1954	$ 1,140,302

Pension and retirement plans presented by *Gulf Oil Corporation* and *Firth Sterling Inc.* in their 1954 reports are discussed in the accompanying notes to the financial statements as follows:

GULF OIL CORPORATION
Consolidated Statement of Financial Position

Other Long Term Liabilities and Reserves	$33,696,417

Notes—Pension Plans:

The Corporation paid to or accrued for the Trustee and charged to income $14,045,895, consisting of $8,543,626 the actuarially estimated cost of current service annuities, and the customary $5,502,269 applying to the cost of annuities for services before January 1, 1944. The actuarial estimate of the amount which would complete the funding of the cost of annuities for services prior to January 1, 1944 was approximately $4,700,000. A reserve of $1,590,000 has been provided for the unfunded portion of the annuities already granted.

The pension plan of a subsidiary operating in Venezuela for employees who are citizens of that country is not funded, but liability for future payments has been recognized by providing a reserve of $6,780,149.

FIRTH STERLING INC.
Consolidated Balance Sheet
Above "Shareholders' Investment":

Reserve for Pensions, net of estimated future income tax effect (Note 5)	$402,947

Note 5—Pensions: There is no requirement that the Company fund pension obligations. However, during 1954 and prior years, the Company made provision in its accounts for estimated past and current service pension costs in the approximate annual amount of $300,000, before consideration of future income tax effect. An actuarial study completed late in 1954 indicates that the Company's past service liability now approximates $3,600,000 and that the charge to expense for current and past service pension costs will approximate $350,000 in 1955, before deduction of possible contributions to a profit-sharing trust and before consideration of future income tax effect.

Pension costs are not deductible for tax purposes until paid by the Company. If all pension costs charged against income during 1954 had been deductible in that year for Federal income tax purposes, the provision for such taxes would have been approximately $115,000 less.

PITTSBURGH CONSOLIDATION COAL COMPANY
Consolidated Balance Sheet
Current Liabilities:

Accrued payroll	$1,574,741
Other Liabilities:	
Workmen's compensation awards and pending claims	1,261,804
Miscellaneous—Note E	2,248,318
Reserves (*above* "Capital")	
Management Unit Plan—Note E	2,239,147
Statement of Consolidated Income	
Provision for possible liability under Management Unit Plan—Note E	380,000
Supplemental retirement fund payment—Note H	120,000

Note E—Management Unit Plan:

The Company has a Management Unit Plan which provides (a) for payment, or credit to the participant, of amounts equal to dividends which the participant would have received if each unit had represented a share of the Company's common stock and (b) that upon retirement or termination of employment of a participant (in accordance with the provisions of the Plan), the Company will credit such participant at date of retirement or termination of employment (or other date selected in accordance with the provisions of the Plan) with an amount equal to the difference between the market value of the Company's common stock at such date). All amounts credited to a retired participant are payable in forty quarterly installments.

Miscellaneous other liabilities include $1,837,983 determined liability under the Management Unit Plan representing appreciation in value of units with respect to retired participants and amounts credited to participants in connection with the other phase of the Plan.

A reserve has also been provided for possible liability (after applicable taxes on income) based upon the difference between the average market value during 1954 of the Company's common stock and the values assigned, at date of issuance, to the unmatured units of the participants.

Note H—Supplemental Retirement Fund:

The Company and certain consolidated subsidiaries have established a special fund known as the "Supplemental Retirement Account" to be used to pay such supplemental retirement benefits to such employees as may be determined by the Company's Board of Directors or its Executive Committee within the limits prescribed by the Board's resolutions. The Board of Directors of each of the companies has reserved the right to amend or rescind the aforementioned resolutions or any action taken pursuant thereto. At December 31, 1954 the unexpended balance in the Supplemental Retirement Account, which is not included in the balance sheet, amounted to $3,691,840.

Foreign Activity Purposes

The various types of foreign activity reserves shown in the survey reports, for the years 1951 through 1954, and their balance sheet presentation, are set forth and summarized in Table 31. There were 32 such reserves shown by 22 of the survey companies in their 1954 reports. In most instances they were placed above the stockholders' equity section of the balance sheet (22 reserves in 1954). The only other presentation was within the stockholders' equity section (10 reserves in 1954).

Detailed information regarding increases or decreases in these reserves was given in only a few instances, generally in the notes to financial statements or in the president's letter. In certain reports, related charges were found in the income statement. (Refer to Company Appendix Nos. 116, 120, 151, 261, 354, 566.)

Examples—Foreign Activity Reserves

A group of examples selected from the annual reports of the survey companies which are illustrative of foreign activity reserves and their presentation in the 1954 balance sheets is given below:

AMERICAN SMELTING AND REFINING COMPANY
Balance Sheet

Surplus (Note 5) $122,270,979

Note 5: Surplus includes $2,800,376 carried in special reserve accounts on the books of Mexican and South American subsidiaries to comply with the laws of the respective countries.

ANDERSON, CLAYTON & CO.
Consolidated Balance Sheet

Above Capital Stock and Surplus:

Reserve for Contingencies (Note 4) $774,962

TABLE 31: FOREIGN ACTIVITY RESERVES

Balance Sheet Presentation	*1954	1953	1952	1951
Above: *Stockholders' Equity* for—				
Foreign exchange	8	9	12	10
Foreign investments	4	4	5	5
Foreign losses	2	3	3	3
Foreign operations	3	3	3	3
Unremitted foreign profits	2	3	3	2
Workmen's compensation—statutory requirement	3	4	4	4
Within: *Stockholders' Equity* for—				
Foreign investment	1	1	1	2
Foreign losses	1	1	—	—
Unremitted foreign profits	2	2	2	2
Foreign statutory requirement	6	7	8	8
Total	32	37	41	39
Number of Companies With:				
Foreign activity reserves	22	32	35	33
No foreign activity reserves	578	568	565	567
	600	600	600	600
Number of Reserves:				
Beginning of year	37	41	39	38
Established during year	—	1	4	3
Eliminated during year	5	5	2	2
End of year	32	37	41	39
Terminology Used:				
"Reserve"	26	28	33	35
Various other terms	6	9	8	4
	32	37	41	39

*Refer to Company Appendix Nos. 31, 55, 63, 183, 192, 234, 261, 270, 354.

Note 4: The reserve for contingencies includes as of July 31, 1954, reserves for tax claims, fire losses, lawsuits, etc., aggregating $774,962.72 provided by foreign subsidiaries through charges to income in the amount of $739,211.02 and to surplus in the amount of $35,751.70.

CERRO DE PASCO CORPORATION
Consolidated Balance Sheet

Above Capital:

Reserves:

Severance indemnities, Peru (Note 5) ... $3,450,000

Pensions, Peru (Note 6) 2,287,330

Note 5: Severance payments made to employees during the years 1953 and 1954, as required by Peruvian law, were charged to the reserve created for this purpose. Such reserve is provided by charging income in each year with the amount necessary to maintain the balance at each year end at an amount equivalent to the estimated accrued liability at that date.

Note 6: Under Peruvian law, ratified late in 1950, it is required that pensions be paid to employees, other than workers on the daily payroll and certain others, with thirty-five years of service with the Corporation; under certain circumstances proportionate benefits are payable after thirty years of service. Payments to pensioners retired prior to January 1, 1951 have been currently charged to income. Beginning January 1, 1951, the Corporation has charged to income in each year a provision for a reserve for future pensions to employees who became, or will become, pensioners subsequent to January 1, 1951.

THE CUBAN-AMERICAN SUGAR COMPANY
Statement of Consolidated Assets and Liabilities
Noncurrent Assets:
Funds:
For compensation and special insurance, including cash and securities deposited for the former with the Cuban Government as guaranty (see contra reserve):

Cash	$100,277
Securities	650,232
	$750,509

Above Capital Stock and Surplus:
Reserve for Compensation and Special Insurance (see contra) $660,009

THE GOODYEAR TIRE & RUBBER COMPANY
Consolidated Balance Sheet
Below Funded Debt:
Reserves
For foreign investments $16,660,169

To the Shareholders and Employees:
Income of foreign subsidiaries amounted to $20,190,989; dividends totaling $11,641,936 were received from these subsidiaries during the year, the remaining earnings being invested in plants and equipment or added to their working capital. We have included in the income of the year $2,151,000 representing the recovery, through remittances, of foreign income previously reserved, less the current provision for restricted foreign earnings. Foreign assets in Brazil and Mexico were devalued during 1954 and the Reserve for Foreign Investments provided for this contingency in prior years was utilized to the extent of $5,771,000 to adjust our net equity book values outside of the United States to the lower rates of exchange.

The Company's book equity in fixed and current assets in subsidiaries operated outside the United States, consolidated in the attached balance sheet, amounted to $104,283,841, in respect of which a reserve of $16,660,169 is carried.

MARATHON CORPORATION
Consolidated Balance Sheet
Above Stockholders' Investment:
Reserves:
Canadian exchange fluctuation $1,088,805

TABLE 32: GUARANTEE OR WARRANTY RESERVES

Balance Sheet Presentation	*1954	1953	1952	1951
Among: *Current Liabilities* for—				
Product warranty	3	3	3	3
Product guarantee	4	4	3	3
Service guarantee	3	3	3	3
"Guarantee"	1	1	1	2
Contract completion	2	2	3	4
Above: *Stockholders' Equity* for—				
Product warranty	2	1	2	3
Product guarantee	9	9	9	10
Service warranty	1	1	1	1
"Guarantee"	2	2	3	4
"Warranty"	2	1	1	1
Coupon redemption	3	3	3	2
Commercial paper guarantee	2	2	3	3
Within: *Stockholders' Equity* for—				
Product guarantee	1	1	1	1
Commercial paper guarantee	—	—	1	1
Total	35	33	37	41
Number of Companies With:				
Guarantee or warranty reserves	34	30	34	39
No guarantee or warranty reserves	566	570	566	561
	600	600	600	600
Number of Reserves:				
Beginning of year	33	37	41	41
Established during year	3	1	1	1
Eliminated during year	1	5	5	1
End of year	35	33	37	41
Terminology Used				
"Reserve"	18	21	24	27
"Provision"	7	6	7	6
Various other terms	10	6	6	8
	35	33	37	41

*Refer to Company Appendix Nos. 32, 70, 72, 73, 74, 101, 116, 127, 133, 138, 145, 152, 196, 226, 237, 319, 394, 396, 435, 449, 489, 501, 514, 518.

Guarantee or Warranty Purposes

There were 35 guarantee or warranty reserves shown by 34 of the survey companies in their annual reports for 1954. Table 32 discloses the various types of such reserves shown in the 600 survey reports, for the years 1951 through 1954, with the applicable balance sheet presentation. In most instances, the guarantee and warranty reserves were shown by the survey companies above the stockholders' equity section of the balance sheet (22 reserves in 1954); in eleven instances they were presented in the current liability section.

Little or no information was provided by these companies concerning the nature or amount of increases or decreases in such accounts. Examples of guarantee or warranty reserves are given below:

BORG-WARNER CORPORATION
Statement of Consolidated Assets and Liabilities
Above Stockholders' Investment:
Provision for warranties and special purposes $2,019,064

THE RUBEROID CO.
Comparative Balance Sheet
Above Capital Stock:
Reserves for guaranteed roofs and for compensation insurance $2,681,610

THE SPERRY CORPORATION
Consolidated Balance Sheet
Current Liabilities:
Provision for service and guarantee of products $2,919,053

Insurance Purposes

Table 33 discloses the various types of reserves for insurance purposes found in the survey reports for the years 1951 through 1954, together with the balance sheet presentation thereof. There were 125 such reserves shown by 109 survey companies in their 1954 annual reports. They were ordinarily shown above the stockholders' equity section of the balance sheet (113 reserves in 1954). In relatively few cases where there were either *increases* or *decreases* in these reserves during 1954 did the reports disclose the accounts to which the related charges or credits were made. Where there were such disclosures, the information available indicated that charges were to the income account and credits were to the income account, the retained earnings account, or an asset account. (See examples presented below and Section 4, under "Appropriation of Retained Earnings—Insurance Purposes.")

Examples—Insurance Reserves

Given below is a group of examples, selected from the 1954 annual reports, which illustrate the balance sheet presentation of reserves for various insurance purposes:

AMERICAN ICE COMPANY
Balance Sheet
Noncurrent Assets:
Investments for insurance fund, $150,000 United States Treasury bonds, at cost less amortization, deposited with state authority (at market quotations, $152,156) $150,620
Above "Capital":
Reserve for losses not covered by insurance:
For payments to be made under Workmen's Compensation Act and losses due to accidents which occurred prior to January 1, 1940 .... $ 62,103
Self-insurance for fire losses 250,000
Within "Capital":
Reserve for contingencies, representing appropriated earned surplus $522,180

THE AMERICAN SHIP BUILDING COMPANY
Consolidated Balance Sheet
Investments and Other Assets:
United States Government securities on deposit in connection with workmen's compensation guarantees—at principal amount (quoted market price $186,530) $184,000
Above "Capital Stock and Surplus":
Reserves:
For workmen's compensation and public liability insurance $300,000
For fire insurance on floating equipment ... 36,550

COLONIAL STORES, INCORPORATED
Statement of Financial Position
Below Total Current Assets:
Special Funds:
Cash in self-insurance fund $61,751
Above Stockholders' Equity:
Reserve for self-insurance of minor risks (funded, per contra) $61,751

THE EAGLE-PICHER COMPANY
Consolidated Balance Sheets
Above Stockholders' Equity:
Reserves for Self-Insurance:
Workmen's compensation $759,259
Fire and tornado 156,576

UNITED STATES STEEL CORPORATION
Consolidated Financial Position
After Long-term debt:
Reserves for insurance, contingencies and miscellaneous expenses (details on page 35) $101,834,776

Notes to Financial Statements:
Reserves for Insurance, Contingencies and Miscellaneous Expenses:
U. S. Steel is, for the most part, a self-insurer of its assets against fire, windstorm, marine and related losses. The insurance reserve of $50,000,000 is held available for absorbing possible losses of this character, and is considered adequate for this purpose.
The reserves for contingencies and miscellaneous expenses of $51,834,776, provided mainly in previous years by charges to operations, are held for exceptional unanticipated losses other than those covered by the insurance reserve.

TABLE 33: INSURANCE RESERVES

Balance Sheet Presentation	1954	1953	1952	1951
Among: *Current Liabilities* for—				
Self-insurance*	2	2	2	2
Self-insurance	1	—	—	—
Workmen's compensation self-insurance	2	2	2	2
General insurance	—	1	1	1
Above: *Stockholders' Equity* for—				
Self-insurance*	6	6	6	7
Self-insurance	19	21	20	22
Workmen's compensation self-insurance	25	30	30	29
Workmen's compensation*	8	8	8	8
Workmen's compensation	13	12	12	12
General insurance*	2	1	1	1
General insurance	23	28	30	30
Fire loss	5	6	7	7
Accident insurance	3	4	5	5
Public liability	3	3	3	3
Employer's liability	2	2	2	2
Marine insurance	2	2	2	2
Tornado insurance	2	2	2	2
Casualty risks	—	1	1	2
Within: *Stockholders' Equity* for—				
Self-insurance*	1	1	1	1
Workmen's compensation self-insurance	1	1	2	2
General insurance	3	3	3	4
Fire loss	2	2	2	2
Total	125	138	142	146
Number of Companies With:				
Insurance reserves	109	117	119	122
No insurance reserves	491	483	481	478
	600	600	600	600
Number of Reserves:				
Beginning of year	138	142	146	155
Established during year	1	1	1	—
Eliminated during year	14	5	5	9
End of year	125	138	142	146
Terminology Used				
"Reserve"	107	123	129	131
"Provisions"	6	7	6	7
Various other terms	12	8	7	8
	125	138	142	146

*With cash or securities segregated therefor.

TABLE 34: PROPERTY RESERVES

Balance Sheet Presentation	1954	1953	1952	1951
With: *Related Fixed Asset* for—				
Revaluation of Property	2	4	7	7
Loss on property	4	2	4	2
Extraordinary depreciation	7	10	12	10
Higher plant replacement costs	—	—	1	1
Among: *Current Liabilities* for—				
Furnace rebuilding, relining	1	1	1	1
Intangible assets	1	2	1	1
Repairs, painting, maintenance	1	—	—	—
Above: *Stockholders' Equity* for—				
Capital expenditures	—	—	—	1
Construction contract	1	1	—	—
Furnace rebuilding, relining	8	8	9	9
Glass tank renewal	1	1	1	1
Plant rehabilitation	3	4	3	3
Repairs, painting, maintenance	10	11	12	13
Loss on property	2	3	4	2
Mine development costs	1	1	1	1
Moving expenses	—	1	1	1
Intangible assets	—	—	1	1
Normal depletion	—	—	1	1
Normal depreciation	2	3	4	4
Obsolescence of property	2	2	3	3
Accelerated amortization	1	1	2	1
Extraordinary depreciation	—	1	3	4
Higher plant replacements costs	3	4	6	9
Within: *Stockholders' Equity* for—				
Revaluation of property	4	4	4	4
Loss on property	1	—	—	1
Mine development costs	—	—	—	1
Plant contingencies	1	1	1	1
Higher plant replacement costs	7	11	12	12
Steamship replacements—European Fleet	1	—	—	—
Extraordinary depreciation	1	—	—	—
	65	76	94	95
Number of Companies With:				
Property reserves	56	64	76	79
No property reserves	544	536	524	521
	600	600	600	600
Number of Reserves:				
Beginning of year	76	94	95	94
Established during year	5	1	9	7
Eliminated during year	(16)	(19)	(10)	(6)
End of year	65	76	94	95
Terminology Used				
"Reserve"	41	48	63	64
"Provision"	5	5	7	7
Various other terms	19	23	24	24
	65	76	94	95

Property Purposes

The various types of property reserves shown in the annual reports of the 600 survey companies for the years 1951 through 1954, together with their balance sheet presentation, are given in Table 34. There were 65 such reserves shown by 56 survey companies in 1954. They were shown most frequently above the stockholders' equity section of the balance sheet (34 reserves in 1954), but a substantial number were also presented with the related asset (13 reserves in 1954) or within the stockholders' equity section (15 reserves in 1954).

In most cases in which there were *increases* in these reserves during 1954, there was a disclosure in the reports of the accounts to which the related charges were made. In one-half of the instances such charges were to the income account (See Company Appendix Nos. 64, 123, 549, 571). The charges made to the retained earnings account represented increases of prior years' provisions (Company Nos. 107 and 123) and initial provisions in anticipation of estimated losses on facilities (Company Nos. 184 and 400). (See Section 4, under "Appropriations of Retained Earnings—Property Purposes").

In the case of *decreases* in property reserves during 1954, the offsetting credits were disclosed in less than half of the reports. Those credits which were shown were principally to retained earnings (See Section 4, under "Appropriation of Retained Earnings—Property Purposes").

Examples—Property Reserves

Appropriations or reserves for "higher costs of plant replacement" and "furnace rebuilding and repairs" and their presentation in the 1954 balance sheets are presented below:

THATCHER GLASS MANUFACTURING COMPANY, INC.
Consolidated Balance Sheet
Above "Capital Stock and Surplus":
Reserves:

For contingent income tax liability	$212,183
For rebuilding furnaces and repairs to related equipment	229,907

UNIVERSAL LEAF TOBACCO COMPANY, INC.
Balance Sheet
Fixed:

Land—at cost	$ 300,793
Buildings, machinery and equipment—at cost	5,494,672
	$5,795,465
Less: Reserve for Depreciation (Note 2)	2,570,824
	$3,224,641

Above Stockholders' Equity:

Special Reserve for Depreciation (Note 2)	$ 550,000
Surplus and Profit and Loss account:	
Net Profit (before Special Reserve)	$2,746,036
Amount Reserved for Replacement of Plant at Current High Costs	200,000
Balance of Net Profit, added to Surplus	$2,546,036

Note 2: Special Reserve was set up in prior years in the amount of $350,000 and $200,000 in the current year to provide for future replacement of old Plant Facilities at higher current costs.

TABLE 35: TAX RESERVES

Balance Sheet Presentation	1954	1953	1952	1951
With: *Related Asset* for—				
Deferred tax on installment sales	1	1	1	1
Deferred tax on mine leaseholds	1	1	1	—
Deferral of tax benefit re:				
Amortization of emergency facilities*	2	2	2	—
Amortization of emergency facilities**	—	1	1	1
Among: *Current Liabilities* for—				
Prior year taxes	6	6	4	5
Tax contingencies	2	3	3	3
Tax refund claim	1	2	2	1
Deferred tax on installment sales	1	1	1	1
Taxes	—	—	1	1
Deferral of tax benefit re:				
Amortization of emergency facilities*	3	3	2	1
Amortization of emergency facilities* and new depreciation methods	1	—	—	—
Above: *Stockholders' Equity* for—				
Prior year taxes	10	10	14	16
Tax contingencies	7	9	11	13
Future taxes	2	2	2	—
Tax refund claim	2	2	2	2
Taxes	3	2	2	2
Deferred tax on installment sales	2	2	2	2
Deferred tax on mine development costs	2	2	1	1
Deferral of tax benefit re:				
Amortization of emergency facilities*	21	18	8	1
Amortization of emergency facilities and new depreciation methods	1	—	—	—
New depreciation methods	2	—	—	—
Within: *Stockholders' Equity* for—				
Tax contingencies	1	1	1	1
Taxes	1	1	1	—
Total	72	69	62	52
Number of Companies With:				
Tax reserves	68	64	55	47
No tax reserves	532	536	545	553
	600	600	600	600
Number of Reserves:				
Beginning of year	69	62	52	54
Established during year	11	17	17	5
Eliminated during year	8	10	7	7
End of year	72	69	62	52
Terminology Used				
"Reserve"	39	35	36	34
"Provision"	4	5	6	6
Various other terms	29	29	20	12
	72	69	62	52

*Under Current Emergency Certificates of Necessity.
**Under World War II Certificates of Necessity.

Tax Purposes

There were 72 tax reserves shown by 68 of the survey companies in their 1954 annual reports. They were displayed most frequently above the stockholders' equity section of the balance sheet (52 reserves in 1954), but a substantial number were also presented among the current liabilities (14 reserves in 1954). Table 35 sets forth the various types of tax reserves and their balance sheet presentation in the annual reports of the survey companies for the years 1951 through 1954. In the instances where there were *increases* in these reserves during 1954, and there was a disclosure of the account to which the related debit was made, the offsetting charge was usually to the income account. In the cases where there were *decreases* in the reserves, the related credits were usually disclosed in the income account or the retained earnings account. (See the examples presented below and Section 4, under "Appropriation of Retained Earnings—Tax Purposes" and "Prior Year Adjustments—Taxes.")

Examples—Tax Reserves

The current annual reports of *Armstrong Cork Company, Elgin National Watch Company, General American Transportation Corporation* and *Houdaille-Hershey Corporation* contain the following data concerning their respective policies with regard to emergency facilities certified for accelerated amortization under certificates of necessity and new methods of depreciation adopted under the Internal Revenue Code of 1954:

ARMSTRONG CORK COMPANY
Consolidated Balance Sheet
Above Stockholders' Equity:
Provision for deferred federal income taxes (Note 3) $165,000

Note 3: As permitted under the Internal Revenue Code of 1954, the Company has adopted alternative methods of depreciation with respect to additions to property, plant and equipment for the year 1954 but has continued to use in the main the straight-line method for general accounting purposes. The Company has charged income and credited "provision for deferred federal income taxes" with an amount equivalent to 50% (the estimated future tax effect) of the excess of depreciation claimed for tax purposes over that charged in the accounts. It is intended that appropriate portions of this provision ($165,000 for the current year) will be restored to income in years when depreciation based on the alternative methods will be less than that computed on the straight-line method.

HOUDAILLE-HERSHEY CORPORATION
Consolidated Balance Sheet
Above Shareholders' Interest:
Reserve for Deferred United States and Canadian Income Taxes (Note A) .... $ 175,778
Consolidated Income
Provision for United States and Canadian Taxes on Income:
Income taxes (1954, including deferred taxes of $175,778—Note A; less adjustments and refunds of prior years' taxes of $229,024) $1,164,636

Note A—In 1954 the Corporation's Canadian subsidiary changed its basis of providing for depreciation over the useful lives of the various assets from the "diminishing balance" method to the "straight-line" method for accounting purposes, but elected to continue the use of the "diminishing balance" method for tax purposes. Also, in 1954, the Corporation made a study of its physical properties and, as a result thereof, the estimated useful lives of certain of its buildings were extended and the practice of using accelerated amortization on certain facilities constructed for but not now used for defense production was discontinued for accounting purposes. The foregoing changes with respect to providing for depreciation resulted in net income in 1954 being stated at approximately $200,000 more than it would have been under the practices followed in the preceding year.

As permitted by the United States income tax regulations, the Corporation and its domestic subsidiaries elected in 1954 to compute depreciation for tax purposes on the basis of the "sum-of-the-years-digits" method with respect to certain assets acquired subsequent to January 1, 1954. The reduction in United States and Canadian current income taxes amounting to $175,778 resulting from this election and from the depreciation deductions on emergency facilities and Canadian assets for tax purposes being in excess of those charged to income for accounting purposes has been deferred to be applied against additional income taxes which will arise when depreciation deductible for tax purposes will be less than that computed for accounting purposes.

GENERAL AMERICAN TRANSPORTATION CORPORATION
Consolidated Balance Sheet
Above Capital Stock and Surplus:

Reserves:
For deferred federal income tax—Note B . $4,897,000
Statement of Consolidated Income
Below Federal taxes on income:
Deferred federal taxes on income—estimated —Note B $4,897,000

Note B—Change in Depreciation Policy:

Beginning on January 1, 1954, the Corporation, for general accounting purposes, adopted the policy of computing amortization of the cost of facilities covered by Certificates of Necessity on the basis of normal depreciation rates applicable to comparable properties. In prior years, the cost of such facilities was amortized on a sixty-month basis.

Amortization computed on the sixty-month basis, which will be continued for income tax purposes, was approximately $9,417,000 in excess of the provision for depreciation included in costs and expenses, and an amount of $4,897,000 which is equivalent to the estimated income tax applicable to such excess and deferred to future years, has been deducted in arriving at the amount of net income for the year 1954.

TABLE 36: MISCELLANEOUS OTHER RESERVES

Balance Sheet Presentation	1954	1953	1952	1951
With: *Fixed Assets* for—				
Loss on disposal of properties	1	—	—	—
Among: *Current Liabilities* for—				
Sales returns or allowances	2	2	3	2
Sugar-beet crop payment	1	1	1	1
"Operating" purposes	1	1	1	1
"Sundry" purposes	1	1	1	1
Above: *Stockholders' Equity* for—				
Discontinued store expense	2	1	—	—
Deposits refundable	1	1	1	1
Extensions—not refundable	—	1	1	1
Litigation pending	3	3	2	2
Loss on receivables	1	1	1	2
Repairs	1	1	—	—
Research or development	1	1	2	2
Sales returns or allowances	2	2	1	1
Estimated claims payable	1	1	1	1
"General" purposes	5	5	6	6
"Miscellaneous" purposes	18	17	15	16
"Operating" purposes	14	14	15	14
"Sundry" purposes	4	4	5	5
Within: *Stockholders' Equity* for—				
Loss on receivables	—	—	1	1
"General" purposes	1	1	1	1
"Sundry" purposes	1	1	1	1
Total	61	59	59	59
Number of Companies With:				
Miscellaneous reserves	56	55	53	54
No miscellaneous reserves	544	545	547	546
	600	600	600	600
Number of Reserves:				
Beginning of year	59	59	59	59
Established during year	3	5	2	3
Eliminated during year	1	5	2	3
End of year	61	59	59	59
Terminology Used				
"Reserve"	53	51	52	53
"Provision"	5	4	3	2
Various other terms	3	4	4	4
	61	59	59	59

ELGIN NATIONAL WATCH COMPANY
Consolidated Comparative Statement of Financial Condition
Current Liabilities:
Federal taxes on income (Note 1) $1,760,528

Note 1: Prior to February 28, 1954 the portion of the cost of emergency facilities covered by Certificates of Necessity was amortized over a period of 60 months and the balance of the cost of these facilities was depreciated over their estimated serviceable lives. Beginning March 1, 1954, however, the remaining unamortized and undepreciated cost of these emergency facilities was depreciated over their estimated remaining serviceable lives. This change has the effect of increasing net income for the year ended February 28, 1955 by approximately $64,000. For federal income tax purposes it is contemplated that the certified portion of emergency facilities will continue to be amortized over 60 months and that major property additions after March 1, 1954 will be depreciated on an accelerated basis as permitted by the Internal Revenue Code of 1954. As a result thereof the amount of federal taxes on income payable for the fiscal year ended February 28, 1955 is less than the amount charged to income by $81,000, and this amount, which represents a deferment of income taxes to future years, has been included as a current liability in federal taxes on income.

F. L. JACOBS CO. furnishes a complete analysis of its tax reserves in its 1954 report:

F. L. JACOBS CO.
Balance Sheet
Current Liabilities:
Federal taxes estimated on income of prior years—Note B . . . . $ 360,941
Above Shareholders' Equity:
Reserve for Federal Tax Contingencies—Note B 3,745,000

Note B—Reserve for Federal Tax Contingencies:

The Company has received substantial amounts on claims for refund of federal excess profits and income taxes based upon carry-back of operating losses. The Company's right to retain approximately $2,460,000 of the amounts so received is subject to final interpretation of Section 122 (d) (6) and other provisions of the Internal Revenue Code. The case is pending before the Appellate Division of the Internal Revenue Service. The Company is protesting the position of the Service and, if necessary, expects to contest the matter in the courts. In the meantime, another company which had filed claims for refund on a similar interpretation of the Internal Revenue Code has received a favorable decision from the Court of Claims of the United States. The Internal Revenue Service has made application to the Supreme Court of the United States for a writ of certiorari in that case. Up to the present time the Supreme Court has made no decision on the application. The Company and its former subsidiaries (now dissolved) have also filed claims for reductions of excess profits taxes under Section 722 of the Internal Revenue Code. These claims are presently docketed with the Tax Court of the United States.

All federal income and excess profits tax returns of the Company and its subsidiaries have been examined by the Internal Revenue Service, and all adjustments of tax liabilities, with the exception of the Section 722 claims and the item of $2,460,000, have been agreed to for the years ended through July 31, 1952. Deficiencies in tax for the period from August 1, 1943, to July 31, 1952, for the Company, and for a subsidiary (now dissolved) for the period from July 1, 1941, to September 24, 1946, total $375,035.

Of this amount $165,280 has been provided for in the item of federal taxes on income of prior years together with 6% interest on deficiencies to July 31, 1954. Payment of the balance of $209,755 is contingent on the outcome of the Section 122(d) (6) issues and has been included in the reserve for federal tax contingencies.

Federal taxes on income of prior years, shown in current liabilities, include the following items:

Deficiencies to July 31, 1952	$165,280
Amount withheld under Section 710(a) (5) of the Internal Revenue Code in connection with applications for relief under Section 722 of Internal Revenue Code for a former subsidiary (now dissolved)	59,708
Interest accrued to July 31, 1954, on above items—estimated	135,953
	$360,941

Reserve for federal tax contingencies includes the following items:

Refund of federal excess profits and income taxes	$2,460,000
Deficiencies, payment of which is dependent on final determination of Section 122(d) (6)	209,755
Interest accrued to July 31, 1954, on above amounts—estimated	1,075,245
	$3,745,000

Miscellaneous Other Purposes

The assorted types of "miscellaneous other reserves" found in the reports of the survey companies for the years 1951 through 1954 and their balance sheet presentation, are given in Table 36. There were 61 such reserves shown by 56 survey companies in their annual reports. The most common balance sheet presentation of these reserves was above the stockholders' equity section (53 reserves in 1954). In a few instances where there were *increases* in these reserves during 1954 there was a disclosure of the accounts to which the related charges were made. The credits to other accounts, in those instances where there were *decreases* in the reserves during 1954, were seldom disclosed. Such charges or credits, when shown, were to the income account, the retained earnings account, or to a liability account, as illustrated in the examples set forth in Section 4, under "Appropriation of Retained Earnings—Various Other Stated Purposes" and in the examples presented below.

ALDENS, INC.
Consolidated Balance Sheet
Above Capital:
Reserve Accounts:

Insurance reserve	$283,453
Returned goods profit and customers adjustments	225,000
Sundry	26,381

CHESAPEAKE INDUSTRIES, INC.
Consolidated Balance Sheet
Below Current Liabilities:

Provision for claims and guarantees (Note 10)	$239,500

Note 10—Contingent Liabilities: The companies are contingently liable as follows:

(a) As guarantor of the bank loan of a non-affiliated company of $297,404 at January 1, 1955, for which a reserve of $75,000 has been provided.

(b) Litigation in respect of substantial amounts including various anti-trust actions, as to which counsel advised there will probably be some liability in an amount which cannot be presently anticipated, for which a reserve of $164,500 has been provided.

(c) The companies in turn are suing for substantial amounts in other litigation but the amounts, if any, which may be recovered cannot be predicted at this time.

THE CONDÉ NAST PUBLICATIONS, INC.
Balance Sheet
Below Noncurrent Liabilities:

Provision for possible refunds on returnable unsold patterns in dealers' possession	$487,000

THE B. F. GOODRICH COMPANY
Consolidated Statement of Financial Position
Above Common Stock:
Reserves:

For increased replacement cost of facilities (appropriated from Income Retained for Use in the Business)	$33,000,000
For purchase contracts, foreign losses, sales adjustments and other purposes	19,306,934

SPIEGEL, INC.
Consolidated Financial Position
Above Stockholders' Equity:

Reserve for estimated loss on disposition of retail divisions	$1,680,000
Reserve for Federal income tax on accrual basis	8,265,000

Note to Consolidated Statement of Profit and Loss:

In accordance with past practice, the foregoing statement of profit and loss was prepared on the accrual basis, whereas for federal income tax purposes the income arising from installment sales is reported on the cash collection basis. For federal income tax purposes, the company sustained a net loss in 1954 and is, therefore, entitled, under the loss carry-back provisions of the Internal Revenue Code, to a refund of a portion of the federal income tax paid in prior years.

On the accrual basis, a tax refund of $585,000 was calculated as follows:

(1) A provision of $1,632,000 for federal income tax was established on profit of $3,138,462 before special charges.

(2) A tax credit of $1,905,000 was established on a loss of $3,733,942 sustained on the disposition of certain retail divisions.

(3) A tax credit of $312,000 was established on the accrual of expenses estimated at $600,000 which are permitted as deductions from taxable income under the Internal Revenue Act of 1954.

Since the income arising from installment sales is reported on the cash collection basis for federal income tax purposes and the tax loss for 1954 on this basis is greater than on the accrual basis, the refund to be received by the company is $780,000 or $195,000 more than the refund computed on the accrual basis. The refund receivable of $780,000 is included under current assets and the difference of $195,000 referred to above is included in the reserve for federal income taxes on the accrual basis.

Future losses which may be sustained on disposition of retail divisions, to the extent of the gross amount of the reserve provided therefor, will not result in charges against future income. Such losses, however, will be deductible for federal income tax purposes, thereby reducing the amount of taxes payable in future years.

TOWLE MANUFACTURING COMPANY
Comparative Balance Sheet
Above Capital:
Reserves for:

Fluctuations in the price of silver and other contingencies	$100,000
Pension fund (see contra)	270,000

WARREN PETROLEUM CORPORATION
Consolidated Balance Sheet
Below Long-Term Debt:

Reserve for Ship and Barge Inspection and Related Costs	$86,708

STANDARD OIL COMPANY (NEW JERSEY)

Parent Company Statement of Financial Position

DECEMBER 31, 1954-1953

	1954	1953*
CURRENT ASSETS		
Cash	$ 61,040,954	$ 63,131,203
Marketable securities, at cost which is lower than market	1,002,422,344	883,776,819
Accounts receivable, less estimated doubtful amounts	18,316,102	6,740,258
Total current assets	1,081,779,400	953,648,280
LESS—CURRENT LIABILITIES		
Indebtedness to companies consolidated	507,877,599	427,923,863
Accounts payable and accrued liabilities	10,660,669	9,292,841
Estimated income taxes payable	24,531,728	36,710,574
Total current liabilities	543,069,996	473,927,278
WORKING CAPITAL	538,709,404	479,721,002
INVESTMENTS AND LONG-TERM RECEIVABLES, at cost or less		
Stocks of companies consolidated	1,593,241,287	1,126,794,322
Accounts receivable from companies consolidated	165,260,591	86,282,586
Other investments and long-term receivables	217,406,336	225,614,750
PREPAID CHARGES AND OTHER ASSETS	10,914,446	9,142,638
Total assets less current liabilities	2,525,532,064	1,927,555,298
DEDUCTIONS		
Long-term debt	316,002,631	316,002,631
Deferred credits	530,511	553,221
Annuity and other reserves	5,877,659	5,535,064
Reserve for possible losses on foreign investments		90,000,000
NET ASSETS	$2,203,121,263	$1,515,464,382
SHAREHOLDERS' EQUITY		
Capital:		
Stock issued—$15 par value	$ 981,532,110	$ 908,566,380
Amount in excess of par value	364,828,659	
Earnings reinvested and employed in business	856,760,494	606,898,002
	$2,203,121,263	$1,515,464,382

*Reclassifications have been made for purposes of comparison.

The financial review on pages 7 to 15 is an integral part of this statement.

Parent Company Statement of Income

FOR THE YEARS 1954 AND 1953

	1954	*1953*
REVENUE		
Dividends from investments in companies consolidated	$380,383,116	$339,463,557*
Dividends from other investments	113,142,768	59,906,661*
Interest	13,498,263	18,199,338
Profit on sale of securities	1,825,999	20,757,205
	508,850,146	438,326,761
DEDUCTIONS		
General and administrative expenses	33,184,212	28,333,989
Taxes, other than income taxes	929,531	1,551,302
Interest on long-term debt	8,717,967	8,737,911
Other interest	7,249,932	8,798,813
Provision for loss on investments	430,127	(365,924)
Provision for estimated income taxes	18,000,000	27,500,000
	68,511,769	74,556,091
NET INCOME	$440,338,377	$363,770,670

*Reclassified for purposes of comparison.

Parent Company Statement of Shareholders' Equity

FOR THE YEAR 1954

	Capital		*Earnings*	
	Par Value of Stock Issued	*Amount in Excess of Par Value*	*Reinvested and Employed*	*Total*
Balances at December 31, 1953	$908,566,380		$606,898,002	$1,515,464,382
Transfer of reserve for possible losses on foreign investments			90,000,000	90,000,000
Stock issued in exchange for shares of Humble Oil & Refining Company, at fair value	72,965,730	$364,828,659		437,794,389
Net income for 1954			440,338,377	440,338,377
Dividends paid			(280,475,885)	(280,475,885)
Balances at December 31, 1954	$981,532,110	$364,828,659	$856,760,494	$2,203,121,263

The financial review on pages 7 to 15 is an integral part of these statements.

CAPITAL STOCK

CLASSIFICATION OF CAPITAL STOCK

The balance sheets of the 600 survey companies disclosed varied combinations of classes of capital stock. A combination of common and preferred stock was found in the balance sheets of 261 survey companies. Common stock alone, or capital stock, was found in the balance sheets of 289 companies. The remaining companies presented various combinations of Common and preferred stock with one or more types of each kind. Table 37 summarizes the various combinations or classes of stock disclosed in the balance sheets of the 600 survey companies.

VALUES SHOWN FOR SHARES OF STOCK

Table 38 discloses the methods used by the survey companies to indicate the value shown for shares of stock in the balance sheet.

STATUS OF CAPITAL STOCK

The survey companies usually disclose, in their annual reports, the number of shares of capital stock authorized, issued and outstanding. The extent of such disclosure is indicated in Table 39.

Examples of Balance Sheet Presentation

The examples which follow illustrate the various methods of presentation of capital stock information in the balance sheet.

BASIC REFRACTORIES, INCORPORATED
Balance Sheet
Capital Stock and Surplus—Notes B, C, and D.

Capital stock:	
5¾% Cumulative Preferred stock, par value \$100.00 per share: Authorized 19,500—4,000 of which have been reacquired and canceled, and may not be reissued: Outstanding 15,500 shares	\$1,550,000
Less provision for sinking fund	200,000
	\$1,350,000
Common stock, par value \$1.00 per share: Authorized 650,000 shares, issued 489-475 shares (including 32,075 shares held by subsidiary)	489,475
Surplus:	
Capital surplus	3,200,812
Earned surplus (accumulated since April 1, 1937)	3,259,232
	\$8,299,519
Less common stock held by subsidiary—32,075 shares at cost	320,750
	\$7,978,769

Note B—The long-term debt is represented by two 3¾% Series A mortgage notes and a 4¼% Series B mortgage note. The two Series A mortgage notes are presently in the amounts of \$375,000.00 each, payable in equal quarterly installments of \$62,500.00, to be divided equally between such notes beginning March 1, 1956, and ending December 1, 1958. The Series B note is in the amount of \$2,500,000.00, payable in quarterly installments of \$62,500.00, beginning March 1, 1959, and ending December 1, 1967, at which date the remaining balance of \$312,500.00 less any sums paid through the contingent sinking fund, will become payable. The holder of the Series B note also holds a Stock Purchase Warrant to purchase 12,600 shares of the authorized but unissued common shares, from time to time, in whole or in part, until December 31, 1957, at a price of \$13.50 per share if the option is exercised during the calendar year 1955 and increasing \$.50 per share per year thereafter until the expiration of the option. In addition to the property, plant, equipment, and facilities used in operation of such plants covered by the Indenture of Mortgage and Deed of Trust, the notes are further secured by an assignment of the Company's patents, patent applications, trade-marks and trade-names. The Indenture, in addition to various customary restrictions, limits the payment of dividends upon, and purchases of, the Company's common stock. The Company covenants that it will have and maintain at all times (a) consolidated net current assets of \$3,000,000.00 and (b) United

TABLE 37: CLASSIFICATION OF CAPITAL STOCK

Combination of Stock Classes	1954	1953	1952	1951	1950
Common Stock and one type of Preferred Stock (*Nos. *22, 39, 47, 127, 201, 205, 258, 272, 305, 328, 332, 381, 453, 459, 564*)	261	262	258	258	256
Common Stock (*Nos. *44, 116, 235, 267, 345, 374, 406, 432, 482, 548, 578, 582, 587*)	168	164	164	162	164
"Capital Stock" (*Nos. *31, 100, 121, 277, 310, 396, 428, 430, 472, 517, 574, 597*)	121	121	125	126	126
Common Stock and two types of Preferred Stock (*Nos. *70, 81, 130, 223, 380, 446, 543*)	35	38	39	39	40
Common Stock (two types) (*Nos. *124, 187, 194, 246, 435*)	5	5	5	5	4
Common Stock (two types) and one type of Preferred Stock (*Nos. *193, 208, 265, 303, 372, 483*)	6	5	5	5	5
"Capital Stock" (two types) (*No. *158*)	1	2	2	2	2
Common Stock and three types of Preferred Stock (*Nos. *115, 259*)	2	2	1	2	2
Common Stock (two types) and three types of Preferred Stock (*No. *118*)	1	1	1	1	1
	600	600	600	600	600
Number of Companies Presenting					
Only Common Stock	173	169	169	167	168
Both Common and Preferred Stock	305	308	304	305	304
Only "Capital Stock"	122	123	127	128	128
	600	600	600	600	600

*See Company Appendix Section.

States Treasury Tax Notes or other obligations of the United States equal to at least 75% of all accrued federal income taxes and all other federal taxes of the Company; however, the Trustee has waived the non-compliance of this provision as of December 31, 1954.

Contingent sinking fund: The holder of the Series B note is entitled to 25% (but not more than $200,000.00 for any one year) of the amount by which the Company's consolidated net income exceeds $1,000,000.00, after all charges including federal taxes on income, to be applied on the last maturing installment or installments of the Series B note in the reverse order of maturity. Such contingent sinking fund payments, if any, are payable annually on the first day of April with respect to the earnings for the prior year. No such payment is due for the year ended December 31, 1954.

The 5% mortgage note payable to insurance company, presently in the amount of $371,000.00, is payable in fixed semiannual installments according to a graduated schedule, with the final installment of $14,000.00 payable on December 31, 1972. Installments, aggregating $15,000.00, due during 1955 are included in current liabilities. The note is secured by a mortgage and pledge by Atchison Bridge Company, Inc. (consolidated subsidiary) of its interest in a bridge at Atchison, Kansas, and is also guaranteed by the Company. The Company's Indenture securing its Series A and B mortgage notes also secures such guaranty.

Note C—There are certain provisions in the Indenture securing the Company's Series A and B mortgage notes (as hereinbefore set forth in Note B), and in the preferred stock requirements of the Company's Amended Articles of Incorporation which restrict the payment of dividends. At December 31, 1954, the amount of consolidated earned surplus, restricted as to the payment of such dividends, was $2,362,832.12.

Note D—Provisions of the Preferred stock require, among other things, that the Company shall deposit in a sinking fund to retire preferred shares on or before December 31st of each year the following amounts: $200,000.00 for each of the years 1955-1960, both inclusive; $300,000.00 in 1961; and $50,000.00 in 1962.

Investors Diversified Services, Inc., holders of 8,000 shares of the Company's Preferred shares, hold a Stock Purchase Warrant to purchase 30,000 shares of its authorized but unissued common shares, from time to time, in whole or in part, until December 31, 1957, at the price of $10.00 per share.

BURLINGTON MILLS CORPORATION
Consolidated Balance Sheet

Stockholders' Equity (Notes C, D and E):	
Preferred Stocks:	
Cumulative Preferred Stock (issuable in series): Authorized, 222,000 shares of a par value of $100 each; outstanding, 4% Series—121,905 shares and 3½% Series—40,015 shares	$ 16,192,000
Preferred Stock (issuable in series): Authorized 241,000 shares of a par value of $100 each; outstanding, 4.20% Series—138,500 shares	13,850,000
Preference Stock (issuable in series): Authorized 400,000 shares of a par value of $100 each; issued—none	—
Total Preferred Stocks	30,042,000
Common stockholders' equity:	
Common Stock:	
Authorized 12,500,000 shares of a par value of $1 each; outstanding, 6,964,161 shares	6,964,161
Capital in excess of par value	67,730,481
Retained earnings	89,387,715
Total common stockholders' equity	164,082,357
Total Stockholders' Equity	$194,124,357

Note C: Capital Stock—The Cumulative Preferred Stock, 4% Series and 3½% Series, is redeemable in whole or in part (including redemption for the sinking fund) at $104 and $100 per share, respectively, plus accrued dividends in each case. Under the sinking fund provisions, and amount (in cash or preferred stock) is, subject to certain conditions, to be set aside on or before December 31 in each year sufficient to redeem at the sinking fund redemption price 2% of the maximum number of preferred shares theretofore issued. As of October 2, 1954, the Corporation had purchased and retired a sufficient number of shares of Cumulative Preferred Stock to meet the sinking fund requirements to December 31, 1954.

Note D: Long-term Debt—Promissory notes issued to life insurance companies consisted of $35,000,000 at 2¾% interest and $30,000,000 at 3% interest, which mature March 1, 1970, subject to required minimum payments of about $2,820,000 and maximum payments of about $3,900,000 per annum commencing March 1, 1960, and $15,000,000 at 3.90% interest which matures November 1, 1972. The notes contain restrictions as to cash dividends and other payments on Common Stock unless consolidated working capital after such payments remains in excess of $90,000,000 or 150% of the total outstanding consolidated long-term debt, whichever is greater. The notes also contain restrictions on the payment of cash dividends on the Common Stock but $9,824,378 of the consolidated retained earnings at October 2, 1954 is free of these restrictions.

GEORGIA-PACIFIC PLYWOOD COMPANY
Consolidated Balance Sheet

Capital Stock and Surplus:	
$2.25 cumulative preferred stock, without par value, stated at involuntary liquidation value, $45 per share (subject to annual sinking fund requirement of approximately $76,000)—	
Authorized 21,926 shares, outstanding 21,645 shares	$ 974,025
Common stock, par value, $1 per share—	
Authorized 1,500,000 shares, outstanding 1,132,368 shares	1,132,368

TABLE 38: VALUE SHOWN FOR SHARES OF STOCK

Class of Stock	1954	1953	1952	1951	1950
Common Stock with Shares described as:					
Par value stock	366	355	339	331	319
Par value stock at—					
"Stated value" per share	2	2	3	3	3
"Assigned value" per share	—	1	1	1	1
No par value stock at—					
"Stated value" per share	25	25	26	27	29
"Assigned value" per share	1	1	1	1	1
Not further described	94	104	113	119	128
Share value not mentioned	—	—	1	1	1
Total	488	488	484	483	482
"Capital Stock" with Shares described as:					
Par value stock	90	87	90	88	83
Par value stock at—					
"Stated value" per share	1	1	1	1	1
No par value stock at—					
"Stated value" per share	5	6	6	6	9
"Liquidating value" per share	—	—	—	1	1
"Book value" per share	—	—	—	—	—
Not further described	27	31	32	34	36
Share value not mentioned	—	—	—	—	—
Total	123	125	129	130	130
Preferred Stock with Shares described as:					
Par value stock	268	270	264	265	261
Par value stock at—					
"Redemption value" per share	1	1	1	1	—
No par value stock at—					
"Stated value" per share	24	26	26	26	26
"Liquidating value" per share	7	7	7	7	7
"Assigned value" per share	1	1	1	1	1
Not further described	47	44	47	49	52
Share value not mentioned	1	1	1	1	3
	349	350	347	350	350

THE M. A. HANNA COMPANY
Consolidated Balance Sheet
Stockholders' Equity:

$4.25 cumulative preferred stock—80,000 shares—Note I	$ 8,000,000
Common stock equity (2,060,928 Class A shares and 1,030,464 Class B shares)—Note J	104,567,903
	$112,567,903

Note I: Authorized 95,500 shares of $4.25 cumulative preferred stock, without par value, outstanding 80,000 shares. Such preferred stock is redeemable at $102 per share (and accrued dividends). In each calendar year the Company is required to retire by December 1st, 2% in number of the aggregate number of shares of such preferred stock at any time theretofore issued. Shares so retired cannot be reissued.

Note J: Includes common stock, authorized 3,000,000 Class A shares (such shares are non-voting) and 1,500,000 Class B shares, both classes $10 par value per share, outstanding 2,060,928 Class A shares and 1,030,646 Class B shares, stated capital $30,913,920; plus (1) $2,549,762 representing excess of amounts paid-in over stated capital and amounts arising from sources other than earnings; and (2) $71,104,221 of earnings used in the business.

TABLE 39: STATUS OF CAPITAL STOCK

Number of Shares Shown	1954	1953	1952	1951	1950
For—Common Stock					
Authorized, issued, outstanding	178	188	187	186	192
Authorized, issued	175	165	164	161	158
Authorized, outstanding	117	114	111	112	107
Authorized, issued, outstanding, unissued	4	6	5	5	6
Authorized, outstanding, unissued	2	2	4	5	5
Authorized	1	2	2	3	3
Authorized, issued, unissued	1	1	2	1	—
Issued	2	2	2	3	2
Outstanding	3	2	1	1	2
Issued, outstanding	—	—	—	—	1
Status not set forth	5	6	6	6	6
Total	488	488	484	483	482
For—"Capital Stock"					
Authorized, issued	53	54	58	54	58
Authorized, issued, outstanding	48	48	49	53	51
Authorized, outstanding	14	15	15	15	11
Authorized, issued, outstanding, unissued	3	4	3	3	2
Issued	3	2	1	1	1
Issued, outstanding	1	1	2	2	3
Outstanding	—	—	—	—	1
Status not set forth	1	1	1	2	3
Total	123	125	129	130	130
For—Preferred Stock					
Authorized, issued	115	115	117	115	112
Authorized, outstanding	105	98	100	100	95
Authorized, issued, outstanding	82	90	82	83	95
Authorized, outstanding, unissued	1	1	2	2	2
Authorized, issued, outstanding, unissued	—	1	—	—	1
Authorized	4	4	3	4	3
Outstanding	9	7	5	4	4
Issued	1	1	1	1	1
Issued, outstanding	—	—	1	1	—
Authorized—None issued to date	27	26	30	33	30
Status not set forth	5	7	6	7	7
Total	349	350	347	350	350

IRONRITE, INC.
Consolidated Balance Sheet
Stockholders' Investment:

Convertible Preferred Stock, $0.55 cumulative, $8.00 par value; entitled in liquidation to $11.00 per share if voluntary and $10.00 per share if involuntary (aggregating $514,052.00 and $467,320.00, respectively, for the shares outstanding)—Note B:	
Authorized and outstanding—46,732 shares—stated at amount of net proceeds from sale thereof	$ 399,479.34
Common Stock, $1.00 par value—Notes B and C:	
Authorized—600,000 shares	
Issued and outstanding—356,508 shares	356,508.00
Additional paid-in capital (no change during year)	367,285.39
Earnings invested in the business	1,828,939.58
	$2,952,212.31

Note B: Convertible Preferred Stock is convertible into Common Stock at the rate of 7 shares of Preferred for 6 shares of Common. As of December 31, 1954, 40,056 shares of unissued Common Stock were reserved for this purpose.

Note C: At December 31, 1954, 30,000 shares of unissued Common Stock were reserved for options to officers and key employees pursuant to a plan, approved by stockholders on April 19, 1954, providing for granting of options at prices equivalent to not less than 95% of fair market value of the shares at the time the options are granted. During the year, options calling for 10,000 shares were granted pursuant to the plan at a price of $3.98 per share. Options so granted are exercisable only during the period from September 21, 1955, to September 21, 1961.

PETTIBONE MULLIKEN CORPORATION
Consolidated Balance Sheet
Capital:

Contributed capital:	
Preferred stock—no par value	
Authorized but unissued—60,000 shares	
Common stock—par value $20	
Authorized—600,000 shares	
Issued—246,374 shares	$ 4,927,480
Additional contributed capital	89,016
	$5,016,496
Retained earnings—since April 1, 1940	6,475,866
	$11,492,362
Less treasury stock—17,464 shares of common stock at cost	204,917
	$11,287,445

Note—Contributed Capital: The Series A preferred stock was redeemed on or before July 31, 1954.

The 60,000 shares of no par value preferred stock were approved by the shareholders on June 16, 1953. The preferences and manner of issuance of this stock are to be determined by the Board of Directors at time of issuance.

At March 31, 1955, the treasury stock consisted of 17,464 shares of common stock at a cost of $204,917.

PLAX CORPORATION
Consolidated Balance Sheet
Capital Stock and Surplus:

Common stock, $10 par value (Note 1)	
Class A—Authorized 600,000 shares	
Issued and outstanding 250,000 shares	$2,500,000
Class B—Authorized 250,000 shares	
Issued and outstanding 250,000 shares	2,500,000

Note 1: At December 31, 1954, the owners of the outstanding common stock of the Corporation were:

Emhart Manufacturing Company—250,000 shares Class A

Owens-Illinois Glass Company—250,000 shares Class B

The Class B common stock is non voting stock, except that it may be voted upon such questions as merger, consolidation or liquidation; and except in the event that and so long as Plax Corporation shall fail to meet certain conditions as to working capital, surplus and earnings, in which case the stock may be voted for directors by proxy given to a banking institution unaffiliated with the holder.

Shares of Class B common stock are convertible into a like number of shares of Class A common stock upon sale thereof to a purchaser not affiliated with the holder.

In all other respects the Class A and Class B stocks have equal rights, and shall be accorded equal treatment in the payment of dividends, provided that in the event of any dividends payable in common stock each class of stock is entitled to receive only stock of its own class.

Authorized But Unissued Class A Stock

Of the 350,000 shares of authorized but unissued Class A stock, 250,000 shares are reserved for issuance upon conversion of Class B shares. Of the remaining 100,000 shares, 30,000 shares are specifically reserved for sale to officers and employees.

Class A Stock Options

During the year 1954, restricted stock options for 11,500 shares of Class A common stock were granted to officers, exercisable within a period of ten years at a price of $32 per share. None of the options has been exercised to date.

G. D. SEARLE & CO.
Consolidated Balance Sheet
Current Liabilities:

Installments received on employee stock subscriptions	$ 102,565
Capital Stock and Earnings Retained:	
Common stock—authorized 2,000,000 shares, par value $5 per share; 2978 shares subscribed for by employees but unissued, outstanding 1,456,055 shares	7,280,275

SUPERIOR STEEL CORPORATION
Balance Sheet
Shareholders' Equity:

5¾% cumulative preferred stock—par value $100 per share; authorized 15,000 shares; outstanding: 1954, 8,200 shares	$ 820,000
Common stock—par value $50 per share; issued under the laws of the commonwealth of Virginia, which permit the issuance of common capital stock at less than par value: Authorized 400,000 shares; issued, 313,110 shares	3,390,650
Less common stock in treasury—3,801 shares (at average issued value)	33,184
Remainder outstanding, 309,309 shares	$3,357,466

WAITT & BOND, INC.
Balance Sheet
Capital Stock:

$2 cumulative preferred, par value $30, authorized 110,000 shares issues and outstanding 59,520 shares, entitled to $35 per share plus accrued dividends upon redemption, liquidation or dissolution; dividends in arrears at December 31, 1954, aggregated $14.525 per share or $864,528 (Notes 2 and 3)	$1,785,600
Common, par value $1, authorized 600,000 shares, issued and outstanding 378,560 shares	378,560

Note 2: On January 20, 1955 the Company purchased from D. Emil Klein Co., Inc. a New York corporation, for approximately $1,680,000, all leaf tobacco, tobacco products, machinery and equipment, supplies, trade-marks, trade names, brands, formulae, etc., owned by that Company at December 31, 1954. $500,000 of the purchase price was paid at the closing and the balance is to be paid over eighteen months. In order to finance the above purchase and provide for the retirement in February, 1955 of the First Mortgage 5% Sinking Fund Bonds, the Company, on January 20, 1955, arranged to borrow, prior to September 30, 1955, up to $1,200,000, to be repaid in four annual instalments of $175,000 beginning on December 31, 1955 and the balance on December 31, 1959. The loan agreement, among other things, restricts the payment, without permission of the lender, of dividends on the $2 Cumulative Preferred Stock to the lesser of $.60 per share per annum or the earnings after January 20, 1955.

Note 3: The amount to which the preferred stockholders would be entitled on liquidation or dissolution aggregated $2,947,728 at December 31, 1954. This amount exceeded the capital of the company at that date by $277,636.

Shown below are illustrations from the 1954 balance sheets of the survey companies wherein the total issued shares of certain "par value" capital stocks are carried at an aggregate value which is greater than the aggregate "par value" of such issued shares. (Additional examples may be found in the annual reports of Company Appendix Nos. 2, 47, 96, 109, 120, 137, 276, 378, 397, 419, 425, 517). The illustrations follow:

INDUSTRIAL DEVELOPMENT CORPORATION
Consolidated Balance Sheet
Capital Stock and Surplus:

Capital Stock:	
Common, par value $1.00 per share—	
Authorized—500,000 shares	
Issued—226,880 shares, at stated value	$889,600

NATIONAL DISTILLERS PRODUCTS CORPORATION
Consolidated Balance Sheet
Capital Stock and Surplus:

Capital stock:	
Cumulative convertible preferred—4¼% series of 1951—$100 par	
Authorized and issued—500,000 shares	$ 50,000,000
Less—23,600 shares acquired through purchase fund—(7,800 in 1954)	2,360,000
	$ 47,640,000
Common—$5 par	
Authorized—15,000,000 shares	
Issued—8,589,439 shares	80,891,702
Capital surplus	—
Earned surplus	127,796,704
	$256,328,406
Less—Common stock in treasury, at cost: 1954—124,000 shares (reserved for stock options: 1954—116,500 shares)	2,693,639
	$253,634,767

Treasury Stock

There were 279 survey companies that referred to treasury stock in their 1954 reports as follows:

a. 173 companies referred only to *common* treasury stock (For both common and preferred stock classes authorized but only common shares held in treasury, see Company Appendix Nos. *23, 123, 210, 357, 475, 501;* for only common stock class authorized with certain of such shares held in treasury, see Company Appendix Nos. *4, 163, 233, 374, 416, 546;* for only "capital stock" class authorized with certain of such shares held in treasury, see Company Appendix Nos. *6, 29, 135, 410, 447, 542*);
b. 51 companies showed only *preferred* stock in treasury (See Company Appendix Nos. *19, 130, 222, 376, 483*);

TABLE 40: TREASURY STOCK

Balance Sheet Presentation	"Common" Treasury Stock:					"Preferred" Treasury Stock:				
	1954	1953	1952	1951	1950	1954	1953	1952	1951	1950
Within Stockholders' Equity Section:										
Deducted from *total* of capital stock and surplus	121	112	110	108	103	42	38	36	36	36
Deducted from *total* of capital stock and capital surplus	2	2	2	2	1	—	—	—	—	—
Deducted from *total* of capital surplus and earned surplus	1	1	1	1	1	—	—	—	—	—
Deducted from retained earnings	8	10	11	11	11	2	3	3	3	4
Deducted from issued stock of the same class	81	82	86	90	97	59	59	58	51	53
Set forth with issued stock of the same class	2	4	5	4	4	2	3	2	2	2
In Noncurrent Asset Section:										
Separately set forth therein	11	13	12	10	10	1	2	1	1	1
Set forth therein as a part of various special funds	5	6	4	4	2	1	1	1	1	1
Set Forth in Notes to Financial Statements	5	6	5	6	6	4	4	4	4	3
Total Presentations	236	236	236	236	235	111	110	105	98	100
Basis of Valuation										
Per-Share-Value Shown At:										
Cost	129	124	120	117	113	42	40	37	35	36
Par value	58	61	63	58	56	45	44	42	38	38
Stated value	8	8	8	9	9	6	6	6	7	6
Cost or less than cost	3	3	2	2	2	—	—	—	—	—
Less than cost	1	1	2	2	2	—	—	—	—	—
Reduced value	1	1	1	1	1	—	—	—	—	—
Book value	—	—	—	1	1	1	1	1	1	1
Market value	—	—	—	1	—	—	—	—	—	—
Liquidation value	—	—	—	—	—	1	1	1	1	1
Average issued value	1	1	1	1	1	—	—	—	—	—
Nominal value	—	—	—	—	1	—	—	—	—	—
At no value	—	—	—	—	1	—	—	—	—	—
Per-share-value not shown	35	37	39	44	48	16	18	18	16	18
Total Valuations	236	236	236	236	235	111	110	105	98	100
Number of Companies Presenting										
Only "common" treasury stock	173	168	174	179	182	—	—	—	—	—
Both "common and preferred" treasury stock	55	61	55	52	48	55	61	55	52	48
Only "preferred" treasury stock	—	—	—	—	—	51	48	50	46	52
Total treasury stock	228	229	229	231	230	106	109	105	98	100
No treasury stock	372	371	371	369	370	199	199	199	207	204
No "preferred stock class"	—	—	—	—	—	295	292	296	295	296
	600	600	600	600	600	600	600	600	600	600

c. 55 companies showed both *common and preferred* treasury stock (See Company Appendix Nos. *99, 126, 193, 247, 359, 407, 543*).

BALANCE SHEET PRESENTATION

Table 40 discloses that the usual practice of the survey companies is to present treasury stock "within the stockholders' equity section" of the balance sheet, either as a deduction from the total of capital stock and surplus (See Company Appendix Nos. 26, 73, 144, 226, 301, 377, 418, 475, 509, 552) or as a deduction from issued stock of the same class (See Company Appendix Nos. 14, 19, 78, 137, 182, 241, 343, 368, 414, 503, 559). Other methods of presentation are less frequently used within the stockholders' equity section (See Company Appendix Nos. 65, 178, 247, 259, 434, 546). In a few instances, treasury stock is set forth in the "noncurrent asset" section of the balance sheet (See Company Appendix Nos. 33, 120, 252, 283, 312, 427, 543) or information with regard to such stock is presented in "notes to the financial statements" (See Company Appendix Nos. 35, 210, 298, 303, 376).

BASIS OF VALUATION

The usual practice, as shown in the survey reports, is to value "common" treasury stock at "cost" (See Company Appendix Nos. 9, 48, 165, 193, 255, 320, 397, 425, 467, 509, 569) but "par value" is used in a number of cases (See Company Appendix Nos. 16, 78, 137, 214, 313, 435, 514). "Stated value" was shown by Bigelow-Sanford Carpet Company, Inc. and Iron Fireman Manufacturing Company for "common" treasury stock and "average issued value" by Superior Steel Corporation.

The two most commonly mentioned bases of valuation for "preferred" stock held in the treasury are "par value" (See Company Appendix Nos. 15, 75, 102, 223, 256, 349, 414, 485, 564) and "cost" (See Company Appendix Nos. 42, 107, 122, 176, 247, 291, 327, 381, 448, 470, 506, 591). In the case of preferred stock, it is likely that in many instances it was reacquired at par value and that therefore "par value" is also the "cost" of the stock.

The bases of valuation of treasury stock used by the survey companies for the years 1950 through 1954 are given in Table 40.

'Treasury Stock'—Examples

(a) From the stockholders' equity section of the balance sheet, with "treasury" stock as a deduction from the total of capital stock and surplus; from the capital surplus account; or from the retained earnings account:

JACK & HEINTZ, INC.
Balance Sheet
Capital:

Cumulative Preferred Stock, par value $50 per share, authorized 250,000 shares issuable in series of which 120,000 shares have been designated as:	
Cumulative Preferred Stock, 4% Series, 13,610 shares outstanding, including 6,808 shares in treasury (Note 4)	$ 680,500
Common Stock, par value $1 per share, authorized 1,500,000 shares; 933,722 shares outstanding, including 33,000 shares in treasury (Note 5)	933,722
Additional capital, statement annexed	4,476,891
Earnings retained in the business since December 31, 1950, statement annexed (Note 4)	4,257,019
	$10,348,132
Less, Treasury Stock (Note 6)	578,652
Total Capital	$ 9,769,480

Note 4: Cumulative Preferred Stock, 4% Series is entitled in involuntary liquidation to $50 per share and is redeemable at, and entitled upon voluntary liquidation to, $52 per share to April 1, 1956, and $51 per share thereafter, plus in each case accrued dividends. Shares of this series are convertible, at the option of the holders thereof, at any time prior to April 1, 1956, into Common Stock of the Company at the rate of one share of Common Stock for each $18.94 par value of Cumulative Preferred Stock, 4% Series.

The provisions of the Cumulative Preferred Stock, 4% Series, among other things, (a) require certain annual payments for the purchase of shares of this series ($85,450 required for 1955), and (b) include certain provisions which restrict the payment of dividends on Common Stock and the purchase or other acquisition of shares of the Company's Common Stock. At December 31, 1954, at least $3,600,000 of earnings retained in the business was free of such restrictions.

Note 5: Of the authorized shares of Common Stock, 35,930 shares are reserved for conversion of Cumulative Preferred Stock, 4% Series, and 68,019 shares are reserved under the Company's stock option plan. At December 31, 1954, there were outstanding options granted in 1952 and expiring in 1960 for 28,724 shares at the then fair market value of $6.62½ per share (of which options for 4,068 shares were exercisable at December 31, 1954), and options granted in 1953 and expiring in 1961 for 14,295 shares at the then fair market value of $6.12½ per share (of which options for 1,005 shares were exercisable at December 31, 1954). In 1954 options for 5,776 shares at $6.62½ and 1,205 shares at $6.12½ were exercised.

Note 6: Treasury stock consists of 6,808 shares of Cumulative Preferred Stock, 4% Series at cost ($321,826), and 33,000 shares of Common Stock at indicated market value ($256,826) at date received in settlement of note receivable in 1951.

MICHIGAN SUGAR COMPANY
Balance Sheet
Stockholders' Equity:

Preferred 6% cumulative stock—$10 par value—	
Authorized 600,000 shares; outstanding 531,795 shares	$5,317,950
Cumulative dividends of $3,864,052 or $7.55 a share are in arrears on the preferred stock (exclusive of shares held in treasury)	
Common stock—no par value—declared value $1 a share	
Authorized 750,000 shares; outstanding 747,108 shares	747,108
Capital surplus (no change during the year)	1,777,677
Accumulated income retained for use in the business (statement attached)	1,041,763
	$8,884,498
Less—Cost of 20,000 shares of 6% cumulative preferred stock held in treasury	163,778
	$8,720,720

SUNDSTRAND MACHINE TOOL CO.
Consolidated Balance Sheet
Capital:

Contributed capital:	
Common stock—$5 par value	
Authorized, 750,000 shares; issued: 1954—545,912 shares	$ 2,729,560
Additional contributed capital	2,418,050
	$ 5,147,610
Retained earnings (after transfers to contributed capital resulting from stock dividends)	8,098,878
	$13,246,488
Less common stock reacquired and held in treasury—at cost: 1954—1,487 shares	7,259
	$13,239,229

THE WEATHERHEAD COMPANY
Consolidated Balance Sheet
Shareholders' Equity:

Capital stock:		
Preferred stock, without par value—$5.50 cumulative (redeemable at $105.50 a share to November 1, 1957, $103.67 a share to November 1, 1960, $101.83 a share to November 1, 1963, and $100.00 a share thereafter)—Note B:		
Authorized and issued 40,000 shares		
Stated capital	$ 4,000,000	
Common stock, without par value:		
Authorized 300,000 shares (subject to stock options granted to certain officers and key employees at $13.00 a share expiring January 10, 1961) . . .		
Issued 256,310 shares (including 7,080 shares in treasury)		
Stated capital	2,138,446	$ 6,138,446
Income retained in the business—Note B	$10,944,732	
Less 7,080 shares of common stock in treasury—at cost	78,944	10,865,788
		$17,004,234

Note B . . . The indenture under which the debentures were issued, the note agreements with the insurance company, the V-Loan agreements, and the provisions of the preferred stock include, among other things, certain restrictions as to the payment of dividends and other distributions. Under the most restrictive provision, $45,639 of income retained in the business was available for the payment of dividends on common stock at December 31, 1954.

The terms of the preferred stock also provide that on or before April 15, 1956, and each year thereafter, the Company will set aside as a sinking fund the greater of $200,000, or 20% of consolidated net income after preferred dividends.

(b) From the stockholders' equity section of the balance sheet, with "treasury" stock set forth with, or as a deduction from, issued shares of the same class of capital stock:

AMERICAN MOTORS CORPORATION
Consolidated Balance Sheet
Stockholders' Investment:

Capital Stock, par value, $5.00 a share:	
Authorized 10,000,000 shares	
Issued or issuable 5,704,921 shares (Note D)	$ 28,524,605
In treasury 34,491 shares	172,455
Outstanding 5,670,430 shares (Note D)	$ 28,352,150

Note D: Included in the above issued and outstanding stock are 82,629 shares of American Motors Corporation, the equivalent of 123,944 shares of Hudson Motor Car Company stock submitted by dissenting stockholders for appraisal to determine the fair cash value of such Hudson shares. In the opinion of Counsel, the fair cash value that will be determined under the Michigan statute should not exceed the $9.80 per Hudson share which was once offered, on which basis $1,214,651 is involved.

SUN CHEMICAL CORPORATION
Consolidated Balance Sheet
Shareowners' Equity:

Preferred stock, cumulative, without par value—Authorized 48,600 shares. Issued and outstanding—$4.50 preferred, Series A, 19,000 shares stated at	$1,900,000
Common stock—$1.00 par value—Authorized 1,600,000 shares. Outstanding (after deducting 2,674 shares in treasury) 1,196,283 shares	1,196,283

(c) From the noncurrent asset section of the balance sheet:

AMERICAN MACHINE & FOUNDRY COMPANY
Noncurrent Assets:

Common stock of American Machine & Foundry Company at cost (1954—22,604 shares) (Note F)	$164,104

Note F: At December 31, 1954, 54,808 shares of the Company's common stock (including 22,604 shares held in treasury) were reserved under an approved stock option plan for officers, executives and key managerial employees, against which options were outstanding as follows:

Option shares	Average Option Price*	Expiration dates of options
29,566	$13.14	May 21, 1956
345	21.87	July 31, 1955
1,157	19.40	July 31, 1957
563	16.57	March 13, 1957
1,537	20.99	January 3, 1959
1,500	25.42	July 20, 1959

*95% or more of the market price of the shares on the dates the options were granted.

During 1954 the Company received $104,246 for 7,770 shares issued on exercise of options. Options for 14,529 shares were exercisable at December 31, 1954.

THATCHER GLASS MANUFACTURING COMPANY, INC.
Consolidated Balance Sheet
Miscellaneous Assets: (Noncurrent)

Common stock reacquired for resale to employees—at cost, 232 shares	$ 3,756
Capital Stock:	
Convertible cumulative $2.40 preference stock, without par value (convertible into 2-2/5 common shares; redemption value $60 per share; liquidation value $50 per share—$5,695,450):	
Authorized and issued, 113,909 shares	$1,139,090
Common stock, $5.00 par value (Notes 3 and 4):	
Authorized 1,500,000 shares; reserved for conversion of preference stock 273,381-3/5 shares; reserved for issuance under stock options—80,000 shares; issued 535,303 shares	2,676,515

Note 3—Common Stock Options:
Under the plan approved by stockholders in 1953, restricted common stock options may be granted to such key executive officers and employees (except members of the executive committee of the board of directors) as the board of directors shall determine. The number of shares of common stock which may be offered may not exceed 1,200 shares in the aggregate to any individual or 25,000 shares in the aggregate to all officers and employees. The options may be granted at a price not less than 95% of the fair market value of the common stock at the date of granting the option. The terms of the option may not exceed five years, and no options under the plan may be granted after April 30, 1958. Under the plan, options for 18,900 shares of common stock have been granted at prices not less than 95% of the fair market value. At December 31, 1954, options for 1,100 shares had been exercised.

Employment contracts have been executed with three officers under which options for an aggregate of 55,000 shares were granted and approved by stockholders. Such options are exercisable over a period of years at prices not less than 95% of the fair market value at the time options were granted. At December 31, 1954, no options had been exercised.

Note 4—Sale of Common Stock Subsequent to December 31, 1954: Since December 31, 1954, the company has arranged to sell 60,000 shares of common stock at $17.25 per share.

'Dated' Surplus

There were 48 companies in the current survey which indicated a date from which retained earnings were accumulated.

The *Restatement and Revision of Accounting Research Bulletins,* issued by the committee on accounting procedures of the American Institute of Accountants, in discussing quasi-reorganizations and corporate readjustments (Chapter 7, Section A) states that:

> *Procedure After Readjustment* . . . After such a readjustment earned surplus previously accumulated cannot properly be carried forward under that title. A new earned surplus account should be established, dated to show that it runs from the effective date of the readjustment, and this dating should be disclosed in financial statements until such time as the effective date is no longer deemed to possess any special significance.

The earliest date still shown in the balance sheets of the survey companies from which the earnings have been accumulated is the year 1925. The following summary discloses that there has been a decrease in the number of survey companies showing "dated" surplus in their reports during the past two years:

Date From Which Earnings Accumulated	Balance Sheets for: 1954*	1953
1925-1927	1	1
1928-1930	1	1
1931-1933	6	7
1934-1936	12	16
1937-1939	14	14
1940-1942	7	8
1943-1945	4	4
1946-1948	1	1
1949-1951	1	1
1952-1954	1	1
	48	54

*Refer to Company Appendix Nos. 15, 19, 32, 41, 49, 85, 102, 111, 121, 133, 179, 184, 190, 191, 199, 227, 228, 237, 249, 265, 272, 282, 285, 287, 305, 322, 333, 357, 375, 385, 389, 392, 397, 398, 425, 431, 445, 455, 459, 487, 516, 519, 533, 549, 556, 561, 562, 581.

STOCK OPTION AND STOCK PURCHASE PLANS

STOCK OPTION PLANS

The 1954 reports of the survey companies show an increase in the number of the companies having employee stock option plans. Table 41 reveals that there were 203 survey companies that referred to such plans in their 1954 annual reports, as compared with 180 companies in 1953. In the annual reports which included discussions of employee stock plans, the following types of information were frequently given:

(a) Date of granting of options.
(b) Number of employees or classes of employees to whom options were granted.
(c) Number of shares reserved to cover employee stock options and number of shares, if any, as to which options have been granted.
(d) Option price and relationship of option price to market value of the stock at date of granting of option.
(e) Length of option period and provisions as to prior termination by retirement, death, etc., of employees.
(f) Accounting treatment of certain transactions pertaining to employee stock options.

The following examples, selected from 1954 annual reports, illustrate the disclosure of various types of information concerning employee stock options (Plans which resulted in entries to surplus accounts during 1954 are presented extensively in Section 4 under "Employee Stock Plans"):

CONGOLEUM-NAIRN INC.
Consolidated Balance Sheet
Capital Stock and Surplus (*Note 3*):
Common stock without nominal or par value —1,750,000 shares authorized, 1,390,000 shares issued $11,650,620

Note 3: On June 17, 1954, the Company established an Employees' Incentive Stock Option Plan, covering a maximum of 75,000 shares of Common Stock of the Company, which have been reserved for that purpose. The option price under each option granted under the Plan is to be 95% of the fair market value of the Common Stock on the date of the grant. No option granted under the Plan may be exercised after June 2, 1969, or ten years from the date of the grant, whichever is the earlier. Shares are to be purchasable under each option in approximately equal amounts in periodic installments, commencing eighteen months after the date of the respective grant. At December 31, 1954, options had been granted to 40 officers and key salaried employees for an aggregate of 28,300 shares at $17.82 per share and to one officer for 2,500 shares at $19.95 per share. None of these options may be exercised prior to January 14, 1956.

In November, 1950, under a different plan, stock options were granted to eight officers of the Company for the purchase of 36,000 shares of Common Stock at $23.00 per share. As of December 31, 1954, seven of these options for an aggregate of 21,000 shares had been surrendered or otherwise terminated without having been exercised. No shares have been purchased under the remaining option, for 15,000 shares, exercisable to November 1, 1957 granted to an officer who does not hold an option under the 1954 plan.

TABLE 41: EMPLOYE STOCK OPTION PLANS

Relationship of Option Price to Market Value at Date of Grant of Option:	1954
Option Price shown as a percentage, which was:	
Not less than 95% of market value (*Nos. *18, 187, 253, 332, 407, 521*)	41
Exactly 95% of market value (*Nos. *44, 127, 202, 340, 414, 520*)	48
Not less than 85% of market value (*Nos. *78, 360, 412, 446*)	9
Exactly 85% of market value (*Nos. *327, 434*)	2
	100
Option Price shown in dollar amount only, which was:	
Above market value (*Nos. *70, 100, 492*)	8
Equal or approximately equal to market value (*Nos. *47, 104, 232, 353, 402*)	33
Below market value (*Nos. *154, 314*)	6
Market value not shown or referred to (*Nos. *16, 111, 237, 320, 464*)	48
	95
Option Price not shown in either per cent or dollars, but stated to be:	
Equal to market value (*Nos. *40, 207, 249, 458*)	9
Below market value (*No. *457*)	1
	10
Neither Option Price nor Market Value stated or indicated (*Nos. *7, 150, 221, 352*)	14
Total number of plans	219

Number of Companies	1954	1953
Referring to employee stock options plan	203	180
Not referring to employee stock option plan	397	420
	600	600

*See Company Appendix Section.

NATIONAL DISTILLERS PRODUCTS CORPORATION
Consolidated Balance Sheet
Within: *"Capital Stock and Surplus"*
Common stock in treasury, at cost: 124,000 shares (reserved for stock options, 116,500 shares) (See page 7) $2,693,639

To the Stockholders (*Page 7*):
During 1954, as permitted by the 1954 revision of the Federal Internal Revenue Code, the exercise price of "restricted stock options" covering 45,100 shares of the common stock granted by the Company to employees in 1951 was re-

duced to $23 per share. The original exercise price for such shares was $29.10, except 1,500 shares for which the exercise price was $31.35. The exercise price was reduced only to persons who still continue in the employ of the Company and who have agreed to continue in such employ for a period of one year. At the same time, the expiration date of such options was extended to December 20, 1961, and other minor changes in the options were made. No change was made in the remaining options granted in 1951 which are held by persons who have ceased to be employees and by estates of deceased employees, and of which there continue outstanding options covering 31,700 shares which were exercisable at the original price of $29.10 per share and expire on June 27, 1958.

In recognition of certain changes in responsibilities of and additions to key officers and employees, new "restricted stock options" were granted in 1954 covering an aggregate of 39,700 shares of common stock. Of these shares, 24,500 are exercisable at $19.31 per share and expire on March 24, 1961, and the remaining 15,200 are exercisable at $23 per share and expire on December 20, 1961.

The Company now has outstanding only the options described above. These are held by 81 individuals or estates of former employees and cover an aggregate of 116,500 shares of common stock, or 1.38% of the total common stock outstanding. The options granted or modified in 1954 are not exercisable until one year following the dates of granting or modification. The exercise prices of all of the outstanding options are at least 95% of the fair market value of the stock on the dates the options were originally granted or modified. The Company has in its treasury, shares of common stock reserved for issuance upon exercise of these options, which shares were acquired in the open market at an average cost which is less than the respective prices at which the options can be exercised.

THE PITTSTON COMPANY
Consolidated Balance Sheet
Within: "Equity of Stockholders"

Common Stock, par value $1.00 per share (Notes 3, 4, 5, and 6):	
Authorized 1,200,000 shares	
Issued 697,786 shares (including 35,181 shares issued in January 1955 as a stock dividend)	$697,786

Note 6: *Stock Options*—
100,000 shares of the common stock of The Pittston Company are reserved for issuance to key executives of the Company and its subsidiaries under a Stock Option Plan. At December 31, 1954 options for 53,500 shares had been granted and remained outstanding at prices ranging from $19.95 to $29.81 per share (fair value at dates of grant), or an aggregate of $1,313,-520. Of the total outstanding, options for 34,000 shares were exercisable as of December 31, 1954 at option prices ranging from $26.60 to $29.81 per share, or an aggregate of $916,895. The aggregate fair value of these shares on the dates the options became exercisable was $798,950. Under the Stock Option Plan, the optionee is entitled to receive, at no additional cost, stock dividends declared equal to the number of shares thereof which he would have received if he had been the holder of the shares as to which he is exercising his option at all times between the date of the granting of such option and the date of its exercise. As a result of the declaration of the 5% stock dividend on December 21, 1954 (see Note (5) above). an additional 2,675 shares, or 5% of the outstanding options for 53,500 shares, are issuable to the participants under the Plan upon exercise of the outstanding options.

50,000 shares of the common stock of a subsidiary, Clinchfield Coal Corporation, are also reserved for issuance to key executives of that Company and its subsidiaries under a Stock Option Plan. At December 31, 1954 options for 36,500 shares had been granted and were outstanding at a price of $25.18 per share for 34,000 shares and $30.88 per share for the remaining 2,500 shares (fair value at dates of grant), or an aggregate of $933,320. None of these options were exercisable at December 31, 1954.

An option may be exercised under either of the Stock Option Plans by a participant with respect to 20% of the shares under option after eighteen months from the date of the option, and a further 20% at yearly intervals thereafter, or may be exercised after eighteen months as to any or all shares under option, but in that event the shares will be held in escrow and released at intervals as described above. A participant may pay the subscription price in installments so that full payment is made in not more than four years and six months from the date of the exercise of the option. The period for exercising each option shall not exceed nine years from the date the option is granted. All options have been granted at 95% of the quoted market value at date of grant; this has been considered as the fair value. No option had been exercised under either Plan at December 31, 1954 and no charges on account of the options have been reflected in the income statement for the year then ended.

SERVEL INCORPORATED
Consolidated Balance Sheet
Within: "Capital"

Common stock, par value $1 per share (Note 7):	
Authorized 2,000,000 shares; issued 1,794,-061 shares	$1,794,061
Less, 29,316 shares in treasury	29,316
	$1,764,745

Note 7: At October 31, 1954, certain officers and employees of the Company had options (issued by the Board of Directors pursuant to the stock option plan approved by the stockholders in 1953, which plan authorizes options for a maximum of 75,000 shares) to purchase from the Company an aggregate of 58,750 shares of its unissued common stock at a price of $7.875 per share, being the average market price thereof on the New York Stock Exchange on the date such options were granted. These options are exercisable on various dates from 1955 through 1961.

In September, 1954, the Board approved a five-year employment contract beginning as of September 15, 1954, which is subject to approval of the stockholders and will be submitted for that purpose at the next annual meeting. Such contract provides there will be granted to the employee, within thirty days after the stockholders' meeting, an option to purchase 150,000 shares at a price equal to the market price on the date of the option, plus, in case the authorized number of shares is increased above 2,000,000, an option on 7½ per cent of such increase at an option price equal to the market on the date of such increase in authorized amount. The agreement has been executed and delivered but, as noted above, is subject to approval of the stockholders.

TABLE 42: EMPLOYEE STOCK PURCHASE PLANS

Determination of Subscription Price and Relationship to Market Value	1954	1953
Subscription price shown as a percentage, which was not less than 75% of market value at subscription date (*Nos. *93, 239, 346, 550*)	4	2
Subscription price shown in dollar amount only, and price set—		
At time stock offered for subscription (*Nos. *336, 416, 454*)	3	3
Not determinable from annual report (*Nos. *38, 169, 236, 397, 482*)	7	8
Subscription price not shown, but stated to be equal to market—		
At time stock offered for subscription (*No. *319*)	1	1
Price closing on day preceding time stock offered for subscription (*No. *509*)	1	1
At time employee subscribed for stock (*No. *272*)	1	1
Neither subscription price nor market value stated or indicated (*Nos. *68, 139, 230, 351, 425, 531*)	38	45
Number of Companies With		
Employee stock purchase plans	55	61
No employee stock purchase plan	545	539
	600	600

*See Company Appendix Section.

STOCK PURCHASE PLANS

There were 55 survey companies that indicated in their 1954 annual reports the existence of various employee stock purchase plans. The information contained in the survey reports for 1954 and 1953 concerning the determination under these plans of the subscription price and its relationship to the market value of the stock is summarized in Table 42.

The following examples from 1954 annual reports illustrate the information set forth with regard to employee stock purchase plans (Plans which resulted in entries to the surplus accounts during 1954 are presented extensively in Section 4 under "Employee Stock Plans"):

CLUETT, PEABODY & CO. INC.
Consolidated Balance Sheet
Below "Current Assets":
Employees' stock subscriptions $391,652
Above "Capital Stock and Surplus":
Capital Stock Subscribed (Employees) $422,521

Note 5: 245,242½ shares of Common Stock were reserved at December 31, 1954 for conversion of 4% Cumulative Second Preferred Stock; in addition, 17,067 shares were reserved at that date for issuance to employees under a stock purchase plan approved by the stockholders in 1950, of which 16,917 shares are subscribed.

COMMONWEALTH EDISON COMPANY
Consolidated Balance Sheet
Capital Stock:
Common stock—authorized 24,000,000 shares (500,000 shares at December 31, 1954, reserved for issuance under Employee Stock Purchase Plan)—Outstanding—16,607,050 shares at December 31, 1954 .... $415,176,250

To the Stockholders—Employe Stock Purchase Plan:

The employe stock purchase plan approved by the stockholders at the 1954 annual meeting was initiated in November with more than 4,000 employes, or 25%, participating.

Payroll deductions under the plan were begun on the first payday in November. Deductions up to 10% of regular pay accumulated during six month periods may be applied toward the purchase of stock at 90% of the closing market price (but not less than par value) on designated dates in April and October of each year. Deductions now authorized indicate that the total amount to be available for purchase of stock in April, 1955, will approximate $970,000, subject to change as additional employes join the plan or present participants withdraw.

GENERAL FOODS CORPORATION
Comparative Statement of Financial Position

Note—Employee Savings-Investment Plan:

The Employee Savings-Investment Plan, approved by the stockholders in 1952, authorizes employees to make an initial investment and periodic deposits which are accumulated by an independent trustee for the purchase of the Corporation's common stock on the open market, upon order by the employee. For each five shares purchased by the employee, the Corporation contributes one share of common stock which is also purchased on the open market. During the fiscal year 1955, 1,291 shares of stock were contributed by the Corporation at an aggregate cost of $94,000.

UNION CARBIDE AND CARBON CORPORATION
Consolidated Balance Sheet
Within "Capital Stock No Par Value":
563,900 shares held by the Corporation as collateral under the Stock Purchase Plan for Employees (See Note 3) $23,775,439

Note 3: In 1946, the stockholders approved and authorized a Stock Purchase Plan for Employees. In 1951, the stockholders extended to July 1, 1956 the time during which the shares remaining unsold may be offered under the Plan. The price or prices at which stock is offered to employees under the terms of the Plan shall be such price or prices as shall be fixed by the Board of Directors in its discretion, but not lower than 75 per cent of the market price. The agreements entered into under the Plan provide that each participant has five years to complete payment, and that interest at the rate of 2 per cent per annum will be paid on the unpaid balance. The Board of Directors may take such action from time to time with respect to extension of time of payment as in the discretion of the Board is in the best interest of the Corporation. Stock covered by the agreements is pledged by the participating employees as collateral security for payment. Shares in blocks of 25 are released from the pledge to the participants as payment therefor is completed. The Plan provides that if a participant shall die the Corporation will offer, for a period of six months following his death, to repurchase the unpaid-for shares at the price to be paid by the participant. Pursuant to offerings made under the Plan, the Corporation entered into agreements with 127 employees in 1946, 215 employees in 1947, 318 employees in 1948 and 436 employees in 1953. With respect to shares purchased under the first three offerings, the Board of Directors, as authorized under the Plan, has extended the time of payment from June 12, 1951, to June 12, 1956; from June 11, 1952, to June 11, 1957; and from April 8, 1953, to April 8, 1958, respectively. The price set forth in the agreements under each offering was the closing quotation on the New York Stock Exchange on the last business day preceding the offering.

CONTINGENT LIABILITIES

The principal types of contingent liabilities disclosed by the survey companies in their 1954 reports were those arising in connection with contract renegotiation or price determination, resulting from long-term lease commitments, existing in connection with litigation, arising out of guarantees, or attributable to the construction or acquisition of

TABLE 43: CONTINGENT LIABILITIES

Nature of Contingency	1954
Accounts or notes receivable sold (*Nos. *102, 108, 414, 512*)	15
Agreement to purchase stock or bonds (*Nos. *496, 506*)	2
Agreements—miscellaneous (As to employees *Nos. *543, 415;* Production, *Nos. *400, 497;* Investments *No. *544*)	7
Commitments for acquisition of fixed assets (*Nos. *40, 44, 94, 331, 413*)	18
Commitments for acquisition of inventory (*Nos. *64, 266, 430, 587*)	18
Commitments for construction of fixed assets (*Nos. *17, 18, 171, 482*)	33
Commitments for disposal of fixed assets, sale, etc. (*Nos. *208, 415*)	2
"Purchase" commitments (*Nos. *15, 249, 352, 415, 591*)	13
Repurchase commitments (*Nos. *70, 196, 208, 358, 396*)	6
Contracts (*Nos. *111, 222, 271, 275, 504, 546, 560, 571, 588*)	28
Dividend arrearages (*Nos. *326, 501*)	2
Guaranties re affiliated and associated companies (*Nos. *31, 47, 55, 219, 353, 412, 546*)	17
Guaranties re subsidiary companies (*Nos. *55, 152, 185, 259, 311, 354, 477, 593*)	38
Guaranties—other (*Nos. *127, 182, 222, 252, 294, 331, 394, 426, 440, 487, 528, 545*)	40
International Wheat Agreement (*No. *452*)	1
Letters of credit (*No. *561*)	1
Liquor in bond (*Nos. *123, 375, 433, 495*)	4
Litigation—Government (As to anti-trust *Nos. *58, 100, 310, 469;* Federal Trade Commission *No. *100*)	31
Litigation—Nongovernment (*Nos. *49, 66, 101, 107, 137, 216, 430, 461*)	34
Litigation—not identified (*Nos. *70, 100*)	40
Long-term lease commitment (See Table 17)	161
Taxes (*Nos. *49, 87, 116, 120, 305, 380, 508, 556*)	39
Uninsured risks (*No. *329*)	1
Total	551
Number of Companies	
Referring to contingent liabilities	440
Not referring to contingent liabilities	160
	600

*See Company Appendix Section.

fixed assets. In most cases the disclosure by the survey companies of information regarding contingent liabilities was made in footnotes to the financial statements. Some companies, however, described the contingency in the letter to the stockholders, and others presented the contingent liability, with no dollar amount, within the balance sheet.

Table 43 indicates the various types of contingent liabilities shown by the 440 survey companies referring to such liabilities in their 1954 reports.

EXAMPLES OF CONTINGENT LIABILITIES

The extent of the information disclosed as to contingent liabilities and the manner of presentation are illustrated in the following examples selected from the 1954 reports:

FAIRCHILD CAMERA AND INSTRUMENT CORPORATION
Consolidated Balance Sheet

Note 7—Commitments and Contingent Liabilities:

On March 4, 1955, the company contracted for the erection of a plant in East Los Angeles, California, at a cost of approximately $250,000; the plant is to be used for expansion of its potentiometer business.

Under an agreement dated December 30, 1954, with the principal stockholders of Freed Electronics and Controls Corporation, the company is to acquire the outstanding voting stock of Freed Electronics in exchange for 6,000 shares of the common stock of Fairchild Camera plus an amount not to exceed $150,000 to acquire the Class A and Class B stock and to retire its long-term debt provided certain conditions have been met.

There are actions against the company to recover damages resulting from the death of a person allegedly caused by the use of equipment manufactured by the company. Counsel for the company is of the opinion that the amount of damages, if any, which the company might be called upon to pay would not be significant in relation to its net assets.

Guarantees

ARMCO STEEL CORPORATION
Notes to Financial Statements

Note 4: The Company, half-owner of Reserve Mining Company, has, severally and not jointly, in equal shares with the other half-owner (Republic Steel Corporation) made certain contingent guaranties with respect to the First Mortgage 4¼% Bonds, Series A, of Reserve Mining Company limited to $148,000,000 principal amount. At December 31, 1954, $100,000,000 principal amount of such bonds was outstanding. The Company has also agreed, if and to the extent not paid by Reserve Mining Company, to pay one-half of (1) the fixed sinking fund requirements on such bonds and (2) certain future capital replacements.

ASHLAND OIL & REFINING COMPANY
Consolidated Balance Sheet
Noncurrent Assets:

Investments and other assets:	
Capital stock of other corporations, at cost	$2,514,607
Advances, notes and accounts receivable	6,161,890
	$8,676,497
Less reserve	1,250,000
	$7,426,497

Below "Capital Stock and Surplus":
Contingent Liability—Note G

Note G: The company is guarantor in the maximum amount of $700,000 as proportionate part of bank loans to American Independent Oil Company.

To the Stockholders:

"It will be recalled that American Independent Oil Company, in which Ashland owns a 12.69 percent interest, holds an undivided one-half interest in a 2,500-square-mile concession in the Kuwait-Saudi Arabia Neutral Zone of the Middle East. . . . Ashland has continued to advance funds for its share of the cost of Aminoil's program. Aminoil now appears to be approaching the period when its income should exceed expenditures."

ALUMINUM COMPANY OF AMERICA
Notes to Financial Statements

Note G—Commitment for Purchase of Primary Aluminum:

In 1953, the company entered into an agreement with a Canadian company to purchase primary aluminum over a six-year period at the current market price in the United States at the time of shipment. Based upon the quoted market price at December 31, 1954, the cost of the aluminum which had not been shipped under the agreement will amount to approximately $183.3 million.

AMERICAN VISCOSE CORPORATION

Notes to Financial Statements:

Note 6—Investment in Ketchikan Pulp Company: American Viscose Corporation and Puget Sound Pulp and Timber Co. each owns 50 per cent of the capital shares of Ketchikan Pulp Company. The two shareholders are severally and jointly liable (a) to advance the funds needed to complete the project (completion as defined in the first mortgage indenture is expected to occur early in 1955) and provide a $3 million working fund, (b) to advance funds for interest and principal payments on the bonds due after 1955 until completion of the project and thereafter until one-half of the bonds have been retired and certain obligations have been met if Ketchikan is unable for reasons beyond its control to produce a specified minimum quantity of pulp.

American Viscose is obligated, except as noted below, to purchase pulp produced by Ketchikan and, unless Ketchikan is unable to produce pulp for reasons beyond its control, to lend Ketchikan funds which it may require to pay the excess over income of its costs and expenses, including interest and fixed sinking fund, after using net current assets in excess of $3 million. American Viscose also has invested $110,000 in and guaranteed $150,000 bank loans to a company constructing houses for employees of Ketchikan.

If American Viscose is forced by business conditions to curtail its operations, it shall have the right after January 1, 1962, to reduce its pulp purchases. If, as a result of such reduction, Ketchikan is unable to pay interest and fixed sinking fund on the bonds from net current assets in excess of $3 million, then Viscose is obligated to lend Ketchikan funds to do so.

American Viscose is obligated to lend Ketchikan funds for the payment of interest and fixed sinking fund if Ketchikan is unable to do so from net current assets in excess of $3 million because of inability of Viscose to take pulp for reasons beyond its control. However, this obligation ceases when one-half of the bonds have been retired and certain other conditions have been met.

ALLEN B. DuMONT LABORATORIES, INC.

Notes to Financial Statements:

Note 14—Repurchase Agreements:

To provide financing facilities for the Company's wholesale distributors and/or their franchised retail dealers, as well as for franchised retail dealers of the Company's distributing subsidiaries, the Company has entered into agreements with various banks and financing institutions, pursuant to which the Company, subject to specified conditions and limitations, is obligated (a) to repurchase television receivers repossessed after default by the financed distributor and/or dealer, and (b), in some cases, to pay the defaulted balance owing to the bank or financing institution, regardless of the latter's inability to repossess and tender television receivers to the Company.

The Company's maximum repurchase obligations at January 2, 1955 under these agreements amounted to approximately $880,000. It has been the Company's experience that the number of television receivers repossessed under the above agreements has not been significant.

Litigation

CLARY CORPORATION
Balance Sheet
Current Assets:

Receivables:	
Equity in $161,197 of accounts and installment sales contracts sold	$16,119

Note 4—Commitments and Contingent Liabilities:

The company is the defendant in an action now pending in which the plaintiff seeks to recover from the company sums aggregating $218,990. The company paid an amount of $33,990 in 1954 in settlement thereof and denies liability for the remainder. In the opinion of counsel representing the company in this action the company has no liability in excess of the amount of $33,990 paid.

At December 31, 1954, the company had sold, subject to repurchase upon delinquency in collection, accounts and installment contracts receivable aggregating $161,197 in which the company's remaining equity amounted to $16,119, and had discounted or guaranteed customers' installment sales contracts and other notes aggregating $137,401.

A portion of the company's business is subject to the provisions of the Renegotiation Act of 1951. Renegotiation proceedings for the year 1951 have been concluded with no refund required, and the management anticipates that no refunds will be required for 1952, 1953, and 1954.

MERRITT-CHAPMAN & SCOTT CORPORATION

Notes to Financial Statements:

Note 3: The company is at present engaged in an arbitration proceeding with National Container Corporation arising out of what National alleges to be a breach of an agreement between it and the company for the construction of a paper mill for National at Valdosta, Georgia. National claims damages of approximately $8,800,000 resulting from this alleged breach of contract. The company believes it has a meritorious defense to the claim, and seeks to recover in the same proceeding somewhat more than half a million dollars believed by the company to be owing to it under the agreement, together with damages of undetermined but substantial amount. Trade receivables at December 31, 1954 includes $390,315 due from National with respect to this contract.

In the normal course of business the company on occasions files claims against owners for additional fees or costs incurred on contracts and similarly claims are filed against Merritt. Such claims are not reflected in the accounts until the outcome is definitely determined.

The company and its subsidiaries have contracts which are subject to renegotiation. The company and the majority of its subsidiaries have been advised that no excessive profits have been realized for fiscal years ended in 1953. On the basis of present estimates it does not appear that renegotiation refunds, if any, will be material.

UNITED SHOE MACHINERY CORPORATION
Balance Sheet

To the Stockholders: *Litigation*—

It will be recalled that in our report a year ago we referred to possible further proceedings (subsequent to the decision on May 17, 1954 of the Supreme Court of the United States) in our Federal anti-trust litigation in Boston. In July and September 1954 hearings were had before the District Court, the principal effects of which were to make it clear that the Decree applies only to our business in shoe machinery and supplies in the shoe manufacturing industry; and to fix specific dates for the taking effect of portions of the Decree. The action which has been taken by the Corporation in accordance with the Decree is discussed elsewhere in this report.

As an outgrowth of the litigation the Allied Shoe Machinery Corporation, of Haverhill, Massachusetts, in October 1954, and the Compo Shoe Machinery Corporation, of Boston, Massachusetts, in May 1955, have each brought a so-called triple damage suit under the Clayton Act in the Federal District Court in Boston alleging damages to their respective businesses. Such proceedings are not unusual following a decree in Federal anti-trust litigation. The papers have been referred to our counsel. Pleadings have not yet been completed and no date has been set for trial.

(Refer to Section 2, Fixed Assets, Intangible Assets; Section 3, Sales, for further details of Final Decree of Court under the Sherman Act.)

CONSOLIDATION OF SUBSIDIARIES

There is no uniform procedure followed by the survey companies with regard to the amount of disclosure given to the basis of inclusion or exclusion of the accounts of subsidiary companies in consolidation.

In general, relatively few companies provide detailed information concerning the basis used in the consolidation of their financial statements. In some annual reports the names of subsidiaries are omitted, or referred to merely as "subsidiaries," "domestic subsidiaries," or "foreign subsidiaries."

There is provided in Table 44 a summary of the various bases of consolidation of domestic and foreign subsidiaries as disclosed by the survey companies in their annual reports.

Domestic Subsidiaries

In their 1954 annual reports, 452 survey companies either indicated that they had domestic subsidiaries (386 companies), listed certain subsidiaries without classifying them as "domestic" or "foreign" companies or merely described the financial statements as "consolidated" statements (66 companies). There were 104 of these companies that disclosed, in varying degrees of detail, the bases used by them in determining which of their domestic subsidiaries were to be included in the consolidation and which were to be excluded therefrom. An additional 288 companies, without describing the basis used, indicated it either by the *inclusion of all* domestic subsidiaries (253 companies) or by the *exclusion of all* domestic subsidiaries (35 companies). The remaining 60 companies included *certain* of their domestic subsidiaries in the consolidation, but they neither stated nor indicated the bases upon which such subsidiaries were included or excluded. Only 36 survey companies excluded all of their domestic subsidiaries from consolidation.

Foreign Subsidiaries

There were 252 survey companies that referred to foreign subsidiaries in their 1954 annual reports. Of these companies, 88 disclosed, in varying degrees of detail, the bases used by them in determining which of their foreign subsidiaries were to be included in the consolidation and which were to be excluded. There were an additional 128 companies that either *included all* foreign subsidiaries in the consolidation or *excluded all* such subsidiaries (81 and 47 companies, respectively) and thereby indicated the basis of consolidation used. The remaining 36 companies *included certain* of their foreign subsidiaries in the consolidation but *excluded others,* without stating or indicating the bases upon which such subsidiaries were included or excluded.

Consolidation Examples

The scope and nature of the information disclosed in the 1954 annual reports concerning the consolidation of domestic and foreign subsidiaries is illustrated by the following selected examples:

General Gas Corporation, in its 1954 annual report, in addition to naming the subsidiaries included in the consolidation, describes the acquisition, merger and liquidation of several companies during the year.

GENERAL GAS CORPORATION

Notes to Financial Statements:

Note 4: In July and August 1954 the Company acquired in exchange for 66,047 shares of its common stock, all of the outstanding capital stocks of ten LP-Gas distributing companies operating in certain areas of Georgia, Alabama, and South Carolina. These companies have been liquidated and their operations since August 1, 1954 have been carried on as branches of the Company. The issuance of the Company's 66,047 shares of common stock was recorded at estimated market value, based on quoted prices for the Company's stock, and resulted in an excess of cost of acquisition over net worth of the companies acquired of $133,385, which is being amortized over a period of twenty years. Under the terms of the acquisition agreements, the former stockholders have deposited with the Company, 22,111 shares of the Company's common stock received by them as a warranty of certain assets and as pledge of

Libby, McNeill & Libby

MAY 28,

ASSETS

	CONSOLIDATING	
	Domestic and Canadian Subsidiaries	All Subsidiaries
CURRENT ASSETS		
Cash	$ 9,180,584	$ 10,296,798
Marketable securities, at cost which approximates market	3,991,542	3,991,542
Accounts receivable (less reserves of $50,000)	18,969,636	21,082,997
Inventories—		
Products	42,467,234	46,410,232
Ingredients and supplies	6,312,548	7,012,338
Growing crops	5,962,327	5,962,327
Deferred 1955 pack costs and prepaid expenses	5,192,518	5,290,641
Total current assets	$ 92,076,389	$100,046,875
INVESTMENTS, ETC.		
Capital stock of foreign subsidiaries (at cost less reserve of $198,504)	$ 1,155,907	$ –
Other investments	739,498	779,990
Cash designated for redemption of preferred stock	300,000	300,000
	$ 2,195,405	$ 1,079,990
FIXED ASSETS (at cost)		
Land	$ 1,746,745	$ 1,842,041
Buildings, machinery, equipment, ships, etc.	57,944,505	61,429,772
	$ 59,691,250	$ 63,271,813
Less: Reserves for depreciation	25,846,784	27,474,009
	$ 33,844,466	$ 35,797,804
DEFERRED CHARGES (being amortized)		
Debt discount and expense	$ 279,347	$ 279,347
Preferred stock expense	117,162	117,162
Other	89,532	89,532
	$ 486,041	$ 486,041
	$128,602,301	$137,410,710

(See accompanying notes)

Consolidated Balance Sheets

1955

LIABILITIES

	CONSOLIDATING: Domestic and Canadian Subsidiaries	CONSOLIDATING: All Subsidiaries
CURRENT LIABILITIES		
Bank loans	$ —	$ 1,700,165
Accounts payable	6,293,413	8,638,586
Dividends payable	675,448	675,448
Income taxes	6,812,641	7,593,993
Long term debt due within one year	950,000	950,000
Other current liabilities	4,074,936	4,297,954
Total current liabilities	$ 18,806,438	$ 23,856,146
RESERVE FOR REPLACEMENT OF "LIFO" INVENTORIES (after income taxes)	1,750,000	1,750,000
Total current liabilities and replacement reserve	$ 20,556,438	$ 25,606,146
LONG TERM DEBT		
20-Year 2⅞% Sinking Fund Debentures, due 1967	$ 11,850,000	$ 11,850,000
20-Year 3% Promissory Notes, due serially to 1969	7,500,000	7,500,000
25-Year 3½% Sinking Fund Debentures, due 1979	14,100,000	14,100,000
	$ 33,450,000	$ 33,450,000
MINORITY INTEREST IN SUBSIDIARY	$ —	$ 1,470,850
VOLUNTARY PENSION RESERVE	$ 2,113,375	$ 2,113,375
STOCKHOLDERS' INVESTMENT		
Capital stock:		
Preferred stock, 5¼% cumulative, $100 par value— Authorized and outstanding—100,000 shares	$ 10,000,000	$ 10,000,000
Common stock, $7 par value— Authorized 4,000,000 shares; outstanding 3,627,985	25,395,895	25,395,895
Paid-in surplus (no change during the year)	6,081,966	6,081,966
Earned surplus (see accompanying statements)	31,004,627	33,292,478
	$ 72,482,488	$ 74,770,339
	$128,602,301	$137,410,710

(See accompanying notes)

indemnification for any unrecorded liabilities. These shares are to be released to the stockholders in fixed percentages as of April 30, 1955 and 1957 to the extent that the stock pledged exceeds payments and losses of the Company at those dates.

In November 1954 the Company acquired, in exchange for 132,016 shares of its common stock, 209,450 shares of the common stock of Consolidated Gas Company, which together with six wholly owned subsidiaries was engaged in the distribution of LP-Gas and the sale of household appliances and tanks in the State of Georgia. The Company also acquired outstanding warrants for the purchase of 50,000 shares of Consolidated Gas Company's common stock in exchange for 11,200 shares of the Company's common stock. In December 1954 the balance of the outstanding common stock of Consolidated Gas Company, amounting to 550 shares, was called for redemption, and that company was liquidated. The issuance of the Company's 143,216 shares of common stock was recorded at estimated market value based on quoted prices for the Company's stock, and resulted in an excess of cost of acquisition over net worth of the company acquired of $1,202,086, which will be amortized over a twenty year period, commencing in 1955.

The summary of consolidated net income and earned surplus for the year ended December 31, 1954 includes the results of operations of the Company, Delta Tank Manufacturing Company, Inc., Gamma Industries, Incorporated and Propane Corporation for the year ended December 31, 1954, and of Consolidated Gas Company from December 1, 1954 (beginning of the month nearest to date of acquisition) to December 31, 1954, date of liquidation and merger with the Company. Appropriate eliminations have been made for inter-company transactions during the years ended December 31, 1954 and 1953.

Gruen Watch Company included all its domestic and foreign subsidiaries in its annual report for the year ending March 31, 1955:

THE GRUEN WATCH COMPANY

Notes to Financial Statements:

Note 1: The consolidated statements include the accounts of the Company and its domestic and foreign subsidiaries, all of which are wholly-owned.

The difference between the investment in the consolidated subsidiaries and the Company's equity in the net assets of such subsidiaries, as shown by their books, amounting to $4,253,928 at March 31, 1955 and $4,102,313 at March 31, 1954, less consolidating adjustments of $3,900 and $101,733, respectively, is included in consolidation in earned surplus.

Note 2: With respect to the Company's consolidated Swiss and Canadian subsidiaries, the amounts of net noncurrent assets have been translated in United States currency generally at the approximate exchange rates in effect at the time of acquisition. Net current assets and net income have been translated generally at appropriate market rates of exchange at the respective dates or at par.

Net assets of the Swiss and Canadian subsidiaries included in the consolidated balance sheet aggregated $2,014,470 at March 31, 1955 and $1,695,505 at March 31, 1954, of which net current assets were $917,798 and $1,132,222, respectively.

Net income of the Swiss and Canadian subsidiaries amounted to $301,118 for 1955 and $585,374 for 1954 after consolidating adjustments. No dividends were received from foreign subsidiaries during 1955. A dividend of $466,300 was received from the Swiss subsidiary during 1954.

Libby, McNeill & Libby returned to the basis of consolidation used in years prior to 1941, starting with the fiscal year ending May 28, 1955. This method of consolidating all subsidiaries replaces a basis adopted in 1941 of consolidating only domestic and Canadian subsidiaries. For the current year the company shows the consolidated statements under both bases:

(Refer to Exhibit, Libby, McNeill & Libby.)

Financial Notes:

Principles of Consolidation—

The consolidated financial statements include (1) those of the Company and its domestic and Canadian subsidiaries which has been the basis of consolidation followed since 1941 and (2) those of the Company and all subsidiaries which is the new basis of consolidation adopted for the current and subsequent fiscal years.

The accounts of the foreign subsidiaries have been expressed in U. S. Dollars as follows: current assets and liabilities at current rates of exchange, fixed and other assets at their equivalent cost in U. S. Dollars at dates of acquisition, and income and expenses at the average rates of exchange in effect during the fiscal periods, except that the provisions for depreciation were converted on the basis of the equivalent U. S. Dollar cost of the assets.

The assets located in foreign countries outside of the North American Continent are subject to certain exchange restrictions on transfer of funds.

To the Stockholders: *Consolidation*—

The Company has manufacturing and selling subsidiaries in England, Belgium and Germany and a selling subsidiary in the Philippine Republic. With the exception of the German company, these subsidiaries were included in the Company's consolidated financial statements until March 1, 1941, when the practice was discontinued because of the war. In view of the steady improvement in the currencies and economies of these countries, we have included all these subsidiaries in our consolidated financial statements which are presented in this report. To facilitate comparison with previous years, we have also provided details covering our domestic and Canadian companies. It is the intention of the Company to consolidate all its subsidiaries in future annual reports.

National Gypsum Company states that the consolidated accounts include those of all active subsidiaries in existence during the year, in their 1954 report:

NATIONAL GYPSUM COMPANY

Notes to Financial Statements:

Consolidation: The consolidated accounts include those of all active subsidiaries in existence during the year, including the domestic subsidiaries liquidated into the Parent Company as of December 31, 1954 and one Canadian subsidiary, the ownership of which was disposed of in December 1954. In consolidation, translations of the accounts of the Canadian subsidiaries to U. S. dollars were on the basis of exchange rates prevailing at acquisition dates as to property, plants, and equipment, the prevailing rate at the year-end as to other assets and liabilities, and at month-end rates as to income, costs, and expenses. On such bases, consolidated net assets include $2,072,385 for net current assets of the Canadian subsidiaries and consolidated earned surplus includes $3,260,764 for undistributed earnings of such subsidiaries.

Additional examples from the 1954 annual reports to stockholders which show the accounts of subsidiary companies included in the financial statements are given below:

AMERICAN SMELTING AND REFINING COMPANY

Notes to Financial Statements:

Note 7: Nothwithstanding foreign exchange controls and other restrictions, the nature of the operations of the Company and its subsidiaries is such that it has not been necessary to change the method of preparing the financial statements for the year 1954, which are on the same basis as for 1953 and prior years.

The Company's main operations are in the United States. The consolidated statements include the accounts of branches and subsidiaries (97% or more owned) operating in Mexico, Canada, Peru, Bolivia and Chile, the principal operations being in the first three countries. Investments representing various degrees of ownership in operations in Australia, Canada, Mexico, Nicaragua, Peru and Saudi Arabia have been shown as investments in the consolidated balance sheet and only the income realized therefrom in dollars in the current year is included in the income statement.

The accounts of plants, mines, and agencies located in foreign countries are carried in both United States currency and the local currency, but the United States currency governs. Inasmuch as all transactions are reflected currently in those accounts approximately at the then current rates of exchange, the United States currency balances reflect the financial condition and income in terms of United States currency.

Income from sources outside the United States includes the income shown by the books of foreign branches and consolidated subsidiaries and the interest or dividends received on other foreign investments.

GENERAL FOODS CORPORATION
Comparative Statement of Financial Position

Note—Principles of Consolidation:

The consolidated financial statements for the fiscal year 1955 include all wholly-owned subsidiaries in the United States, Canada, Mexico, and the Philippines. The assets and liabilities of the consolidated foreign subsidiaries and the results of their operations are included at approximate rates of exchange prevailing at the end of the year, except that property, plants, and equipment and related depreciation are included at approximate rates of exchange at the dates of acquisition.

TABLE 44: CONSOLIDATION OF SUBSIDIARY COMPANIES

Basis of Consolidation	Domestic 1954	Domestic 1953	Domestic 1952	Foreign 1954	Foreign 1953	Foreign 1952
Stated—						
All subsidiaries included in consolidation	56	67	63	20	19	18
Wholly-owned subsidiaries consolidated	22	16	14	11	10	8
Wholly-owned active subsidiaries consolidated	3	1	1	2	1	1
Based on a fixed percentage of ownership	4	1	1	—	1	3
Significant subsidiaries consolidated	6	3	5	2	1	1
Significant and active subsidiaries consolidated	—	—	—	1	1	1
Active subsidiaries consolidated	1	1	1	—	1	1
Subsidiaries with operations homogeneous to those of the parent company consolidated	8	7	7	1	—	—
Majority-owned significant subsidiaries with operations homogeneous to those of the parent company consolidated	1	1	—	—	—	—
Significant subsidiaries with operations homogeneous to those of the parent company consolidated	1	1	1	—	—	—
Only domestic sales subsidiaries consolidated	1	1	1	—	—	—
Based on degree of voting control of subsidiaries	—	—	—	1	2	1
Based on foreign location of subsidiaries	—	—	—	21	24	22
Based on foreign location and degree of ownership of subsidiaries	—	—	—	1	2	1
Based on foreign location plus varying factors of ownership, active operation, significance, etc., of subsidiaries	—	—	—	2	3	1
All subsidiaries excluded from consolidation	1	3	2	26	28	26
	104	102	96	88	93	84
Indicated: By *inclusion* of all subsidiaries in consolidation—						
Domestic or foreign location	222	233	241	81	78	81
Location not determinable	31	18	18	—	—	—
Indicated: By *exclusion* of all subsidiaries from consolidation—						
Domestic or foreign location	22	19	25	47	52	53
Location not determinable	13	12	10	—	—	—
	288	282	294	128	130	134
Not Determinable: Certain subsidiaries included in consolidation and other subsidiaries excluded from consolidation—						
Domestic or foreign location	38	32	31	36	27	29
Location not determinable	22	25	22	—	—	—
	60	57	53	36	27	29
Total	452	441	443	252	250	247
Summary:						
Consolidated subsidiaries only	309	318	322	101	97	99
Consolidated and unconsolidated subsidiaries	107	89	84	78	73	69
Unconsolidated subsidiaries only	36	34	37	73	80	79
Total	452	441	443	252	250	247

Number of Companies With:	1954	1953	1952
Consolidated subsidiaries only	261	255	265
Consolidated and unconsolidated subsidiaries	184	186	178
Unconsolidated subsidiaries only	43	45	45
Total	488	486	488
No subsidiaries	112	114	112
	600	600	600

Number of Companies With:	1954	1953	1952
Domestic subsidiaries only	170	181	191
Subsidiaries—not described	66	55	50
Domestic and foreign subsidiaries	216	205	202
Foreign subsidiaries only	36	45	45
Total	488	486	488
No subsidiaries	112	114	112
	600	600	600

KAISER MOTORS CORPORATION AND SUBSIDIARIES
(Including Willys Motors, Inc., and its Subsidiaries)
Consolidated Balance Sheet

Note A—Principles of Consolidation:

The consolidated financial statements include the accounts of Kaiser Motors Corporation and the following subsidiaries:

Willys Motors, Inc.
Kaiser-Willys of Canada, Ltd.
Willys-Overland Export Corporation
Wilco Properties, Inc.
Chase Aircraft Co., Inc.

Kaiser-Frazer Sales Corporation
Nine inactive dealer subsidiaries
Kaiser-Frazer Export Corporation (inactive)
Kaiser & Frazer Parts Corporation (inactive)
Kaiser-Frazer of Canada, Ltd. (inactive)

Phoenix Bridge Corporation (inactive)

Willys Motors, Inc. is a subsidiary of Kaiser Motors Corporation (all Common Stock is owned) and thus is included within the consolidated financial statements of Kaiser Motors Corporation and subsidiaries. Willys Motors, Inc. has entered into agreements described in Note B which segregate its assets and prevent the payment of dividends to Kaiser Motors Corporation as long as the loans under the agreements remain unpaid. This, together with other restrictions, effectively segregates the assets and earnings of Willys Motors, Inc. and subsidiaries to their own operations, except as permitted in the Plan described in Note B.

Separate consolidated financial statements of Willys Motors, Inc. and subsidiaries as of December 31, 1954 are included herein.

LESLIE SALT CO.
Statement of Consolidated Financial Position

Note 1—Basis of Consolidation:

The statement of consolidated financial position at December 31, 1954 and 1953 and the statement of consolidated income and retained income for the year 1954 are consolidations of statements of Leslie Salt Co. and wholly-owned domestic subsidiaries, Leslie Terminal Company and Scientific Salting Company of California. The statement of consolidated income and retained income for the year 1953 reflects only ten months' operations of Scientific Salting Company of California, inasmuch as that Company became a wholly-owned subsidiary at March 1, 1953.

OLIN MATHIESON CHEMICAL CORPORATION
Consolidated Balance Sheet

Noncurrent Assets:

Investments in and advances to subsidiary and affiliated companies not consolidated (Note 2):	
Subsidiaries operating in countries other than United States and Canada included in combined statement of foreign operations	$ 9,762,507
Other subsidiary and affiliated companies	10,080,873

Note 1—Merger of Mathieson Chemical Corporation and Olin Industries, Inc.:

Effective August 31, 1954 Mathieson Chemical Corporation and Olin Industries, Inc. were merged to form Olin Mathieson Chemical Corporation. Preferred and common shares of each of the constituent corporations became preferred and common shares of Olin Mathieson Chemical Corporation on a share for share basis and the paid-in and earned surpluses of the two corporations were combined. In order to present comparable financial statements for 1953, Mathieson's and Olin's consolidated balance sheets at December 31, 1953 and statements of consolidated income for the year ended December 31, 1953, as included in their Annual Reports to stockholders for that year, have been combined and effect has been given to (i) the elimination from the consolidation of subsidiaries operating in countries other than United States and Canada and the inclusion in the consolidation of Matholin Corporation, a corporation owned jointly by Mathieson and Olin, (ii) certain reclassifications necessary to place the statements on a comparable basis, (iii) the elimination from 1953 income of $108,000 of dividends received by Olin Industries, Inc. on Mathieson Chemical Corporation shares held for investment purposes, and (iv) certain pro-forma capital adjustments at December 31, 1953 to give effect to the merger subsequently consummated.

Note 2—Principles of Consolidation:

The consolidated financial statements include figures of the Corporation and its domestic and Canadian subsidiaries except two domestic subsidiaries whose operations are carried on principally in foreign countries other than Canada and several other domestic subsidiaries, including an engineering company, two water utilities, a bank and three railroad companies.

A combined balance sheet and a combined income statement of non-consolidated subsidiaries operating in countries other than United States and Canada are submitted in a supplementary statement. After appropriate adjustments amounting to $2,876,311 in respect of dividends and royalties blocked as to remittances and not taken up in the accounts of the parent, the equity of the Corporation in the underlying assets of these subsidiaries at November 30, 1954 exceeded the carrying value of investments therein ($7,645,432) by $21,200,764. The equity in the undistributed net income of these companies for the year 1954, after adjustment of $438,164 in respect of royalties, etc., deducted by the subsidiaries but not taken up by the parent, amounted to $4,241,922.

The equity of the Corporation in subsidiary and affiliated companies not consolidated, other than those included in the supplementary statement, based principally on audited financial statements, was $1,886,014 less than the carrying value of the investments therein at December 31, 1954. The equity in the net income of these companies for the year 1954 was $151,072, or $111,241 in excess of 1954 dividends received from them and credited to income.

(Refer also to Exhibit, Olin Mathieson Chemical Corporation.)

ROYAL McBEE CORPORATION
Consolidated Balance Sheet

Notes to Financial Statements:

Note 1: Effective July 31, 1954, The McBee Company was merged into Royal Typewriter Company, Inc., and the corporate name was changed to Royal McBee Corporation. Operations of The McBee Company and its Canadian subsidiary for the twelve months ended July 31, 1954 have been included in the accompanying consolidated financial statements. Also, Royal Typewriter Company, Limited (Canada) is included in the consolidation for the first time.

Note 4: Capital surplus represents $1,203,720 arising from the exchange of Royal McBee common stock for McBee common stock upon merger, added to the capital surplus of The McBee Company (unchanged from August 1, 1953).

(Refer also to Exhibit, Royal McBee Corporation.)

TABLE 45: POST BALANCE SHEET DISCLOSURES

Disclosure Concerning	1954
Cash or stock dividends declared or paid (*Nos. *8, 60, 71, 74, 216, 227, 348, 431*)	199
Credit agreements, short-term borrowing, long-term indebtedness (*Nos. *10, 15, 71, 76, 78, 150*)	46
Investments (*Nos. *74, 348*)	4
Revision of corporate name (*Nos. *33, 115*)	2
Revision in capital structure (*Nos. *61, 66*)	
Stock called or acquired for redemption or retirement (*Nos. *23, 62, 150, 453*)	36
Stock conversion (*Nos. *298, 404*)	
Mergers pending or proposed (*Nos. *127, 340, 346, 382, 420, 448*)	7
Subsidiary or affiliated companies; divisions:	
Newly incorporated (*Nos. *25, 186*)	
Acquired, or holdings increased (*Nos. *227, 373*)	47
Merged, separated, liquidated, or sold, etc. (*Nos. *74, 92, 150*)	
Litigation (*Nos. *216, 375, 563*)	3
Contracts: government (*Nos. *134, 275, 346, 397, 400*) non-government (*Nos. *419, 482*)	12
Tax refunds, assessments (*Nos. *35, 341*)	2
Employees: welfare plans, turnover, statistics, union negotiations, etc. (*Nos. *9, 39, 43, 96, 97, 117, 148, 154*)	85
Directors—changes (*Nos. *44, 84, 93, 94, 117*)	61
Fixed assets or plant:	
Acquired, sold, etc. (*Nos. *2, 41, 46, 49, 50, 84*)	
Construction (*Nos. *25, 68, 72, 101*)	70
Leases, catastrophe—fire, flood, etc. (*Nos. *75, 147, 255*)	
Various other events (*Nos. *76, 94, 254, 289, 303, 359, 415*)	63
Total	637
Number of Companies Showing	
Post balance sheet disclosures	477
No post balance sheet disclosures	123
	**600

*Refer to Company Appendix Section.

**Excluding generalized references to stockholders' meetings (105), volume of business (95), product line changes (61), plant expansion (62), death of employees or directors (24).

POST BALANCE SHEET DISCLOSURES

Disclosure of events occurring subsequent to the balance sheet date was provided by 477 survey companies in their 1954 annual reports. Table 45 indicates the variety of information so disclosed. In the current reports the most common subjects discussed were: cash or stock dividends declared or paid; matters concerning fixed assets or plants; employee relations; changes in directors; activities of subsidiaries, etc.; credit and borrowing agreements; and transactions concerning the company's capital structure.

Certain examples are given below to illustrate the post balance sheet disclosures found in the 1954 reports of the companies reviewed:

CHARMIN PAPER MILLS INC.—April 30, 1955

Notes to Financial Statements:

Note 8: On May 18, 1955, the Board of Directors voted to recommend to the stockholders for their approval at the annual meeting to be held on June 22, 1955, a proposed plan of capital adjustment and financing which provides as follows:

1. Call for redemption on June 20, 1955, all of the outstanding 5½ per cent convertible preferred stock of the company.
2. Effective July 1, 1955, to eliminate all authorized preferred stock, to change the par value of common stock to $2.50 per share, to increase the authorized common stock to 3,700,000 shares, and to issue two shares of newly authorized common stock in exchange for each share of the outstanding common stock.
3. To create and provide for the sale of debentures, in the principal amount of $5,000,000, convertible into common stock at conversion prices, and with other terms and conditions, to be determined by the Board of Directors.
4. To eliminate pre-emptive rights to holders of common stock relative to subscription or purchase of:
   (a) $5,000,000 Convertible debentures.
   (b) Up to 60,000 shares of newly authorized common stock issuable under terms of current trust indenture.
   (c) Up to 300,000 shares of newly authorized common stock hereafter issued in exchange for securities or assets of other companies or for general corporate purposes.

DIAMOND ALKALI COMPANY—December 31, 1954

Notes to 1954 Financial Statements:

Note 5: Purchase commitments for new plant facilities at December 31, 1954 approximated $14,250,000. See page 7 of accompanying letter to stockholders regarding Muscle Shoals.

Letter to Stockholders—Expansion and Diversification:

Capital outlays for new productive facilities as well as the continued expansion, improvement, rehabilitation, and modernization of present plants totalled $7,750,000.

In terms of new productive capacity, the successful conclusion on October 28 of arrangements which will lead to the acquisition in March, 1955 of the government-owned chlorine-caustic soda plant at Muscle Shoals, Alabama, ranked as the most significant step forward taken by the Company in 1954.

One of the largest, most modern and complete chemical installations of its kind, this plant was built by the government at a cost of approximately $21,000,000 soon after World War II to meet a chlorine shortage then threatening to endanger national defense needs. In October, 1953, with the expected chlorine shortage having failed to materialize, the Muscle Shoals Plant was declared "surplus property" and offered for lease or sale to private industry. Diamond is purchasing the plant for $15,127,000.

At year-end we were negotiating for the acquisition of formulating and merchandising facilities to integrate our efforts in the agricultural chemicals field. In the early weeks of the new year we concluded an arrangement whereby this Company has purchased a 51% interest in a new corporation known as Diamond Black Leaf Company. This new organization has acquired the physical assets, good will, trade names and trade-marks of the Black Leaf Products Division of Virginia-Carolina Chemical Corporation.

ROBERT GAIR COMPANY, INC.—December 31, 1954

Notes to Financial Statements:

Note 8—General: On January 3, 1955, the Company acquired substantially all the assets and assumed substantially all the liabilities of Harvey Container Corporation in consideration for 30,656 shares of the Company's Common Stock.

Subject among other things to the approval of stockholders, the Company proposes to acquire substantially all the properties and assets and assume substantially all the liabilities of Southern Advance Bag & Paper Co., Inc. in exchange for not more than 204,142.48 shares of new Preferred Stock of $100 par value and 591,717 1/3 shares of Common Stock and of Great Southern Box Company, Inc. in exchange for not more than 34,256 shares of Preferred Stock and 85,200 shares of Common Stock.

R. H. MACY & CO., INC.—July 31, 1954

To the Stockholders: Lifo—

In 1951, the Bureau of Internal Revenue held that the Corporation and its department store subsidiaries were entitled to use the Lifo (last-in, first-out) method of inventory valuation in computing taxable income beginning with the year ended January 31, 1942, and issued to the Corporation and said subsidiaries reports of overassessment for that year on the Lifo basis. Recently, on post-audit review, the present Commissioner of Internal Revenue advised the Corporation that he will not follow the 1951 determination of the Bureau of Internal Revenue. Based thereon, the District Director, under date of August 27, 1954, issued new reports for the year ended January 31, 1942, which disallow the use of the Lifo method by the Corporation and said subsidiaries. It is the opinion of counsel for the Corporation that such disallowance is erroneous, and the Corporation will contest the disallowance in Court.

MERRITT-CHAPMAN & SCOTT CORPORATION—December 31, 1954

Notes to Financial Statements:

Note 1: On January 15, 1952 the stockholders authorized 100,000 shares of cumulative preferred stock with a par value of $50.00 per share. None of these shares has been issued.

On January 27, 1955 the company made an offer to acquire through an exchange of shares all of (1) the outstanding shares of New York Shipbuilding Corporation on a share for share exchange basis; (2) the outstanding shares of Devoe & Raynolds Company, Inc. at the rate of 1 2/3 shares of Merritt for each "Class A" share of Devoe and 1 1/3 shares of Merritt for each "Class B" share of Devoe; and (3) the outstanding common shares of Tennessee Products & Chemical Corporation at the rate of 1 1/4 shares of Merritt for each share of Tennessee common stock.

Concurrently with the above offers, the company also made offers to acquire through an exchange of shares the remaining outstanding shares of three companies in which the controlling interest was acquired during 1954. These offers were made on the same basis as the prior offers, namely one share of Merritt for each 2 1/10 shares of Newport Steel Corporation common stock, 3 shares of Merritt for each 2 shares of Marion Power Shovel Company common stock, and 2 shares of Merritt for each 3 shares of The Osgood Company common stock.

If the company acquires all the outstanding shares referred to above, it will issue 3,018,567 shares of its common stock.

Subsequent to December 31, 1954 the company acquired the remaining 25% interest in and the foreign rights of The Shoup Voting Machine Corporation and is in the process of acquiring the remaining 37.5% interest in Merritt-Chapman-Lindsay, Limited, through the issuance of 34,000 and 27,500 shares, respectively, of Merritt's common stock.

At December 31, 1954 there were outstanding 8,054 perpetual common stock purchase warrants (exclusive of 1,048 warrants held in treasury) each of which entitled the holder to purchase 1.8375 shares of common stock upon the payment of $25.41.

NILES-BEMENT-POND COMPANY—December 31, 1954

To the Stockholders: Proposed Affiliation with Bell Aircraft Corporation—

You have been informed by several letters in recent weeks about the contract entered into by your Company with Belco General Corporation, by which Niles-Bement-Pond Company agreed to issue to Belco 631,715 shares of its stock in exchange for 1,020,000 shares of Bell Aircraft Corporation and $636,028 in cash. On March 1, 1955, we reported to you that the contract had by its terms terminated on that day. It became impossible for the contract to be carried out prior to that date because of a restraining court action initiated by Penn-Texas Corporation, which is now attempting to gain control of your Company.

It is the opinion of your Directors that your Company would have realized many benefits from this proposed affiliation with Bell Aircraft Corporation, which is one of the leading companies in the aircraft industry. Bell is engaged in the development and manufacture of guided missiles, helicopters, advanced types of jet aircraft, and electronic devices. This relationship would have been a major step in your Company's diversification program to strengthen and broaden its industrial position.

The 1954 annual reports of *WARNER HUDNUT, INC.*, and *THE LAMBERT COMPANY* as at December 31, 1954 were each contained in the report of *"WARNER-LAMBERT PHARMACEUTICAL COMPANY* presenting the operating results for 1954 of Warner-Hudnut, Inc., and The Lambert Company, respectively, prior to their merger and the formation of Warner-Lambert Pharmaceutical Company." There was included also a "Pro Forma Consolidated Balance Sheet, December 31, 1954" with notes as follows:

"In considering the pro forma balance sheet, reference should be made to the separate consolidated financial statements of the two constituent corporations at December 31, 1954, including the notes thereto, that are set forth in the individual annual reports to stockholders.

"The pro forma balance sheet gives effect as of December 31, 1954 to the merger of Warner-Hudnut, Inc. and The Lambert Company as contemplated by the Agreement of Merger dated February 8, 1955, approved March 29, 1955 by the stockholders of the constituent companies, on the assumption that all the Common Shares of The Lambert Company that were outstanding at December 31, 1954 will be exchanged pursuant to such Agreement of Merger for shares of Common Stock of Warner-Lambert Pharmaceutical Company at the rate of one share of such Common Stock for each Common Share of The Lambert Company and that each share of Common Stock of Warner-Hudnut, Inc. will remain outstanding as one share of Common Stock of Warner-Lambert Pharmaceutical Company. No effect has been given to shares of Common Stock of the constituent companies issued subsequent to December 31, 1954 under the respective employee stock purchase plans. The pro forma balance sheet gives effect to the elimination of the First Preferred Stock of Warner-Hudnut, Inc. as provided in the Agreement of Merger. Certain assets and liabilities of The Lambert Company and subsidiaries have been reclassified to place them on a basis consistent with those of Warner-Hudnut, Inc. and consolidated subsidiary companies.

"It is considered that the pro forma earnings retained in the business at December 31, 1954 in excess of $6,400,000 will be restricted as to the payment of dividends under the terms of outstanding insurance company loan agreements."

Re Adjustments under Section 462, 1954 Internal Revenue Code

INTERCHEMICAL CORPORATION enclosed with its annual report for the year ended December 31, 1954, a separate letter to the shareholders, dated March 18, 1955, as follows:

To the Shareholders:

Since our Annual Report went to press, bills have been introduced in Congress to repeal retroactively the section of the Federal income tax law which permitted tax deductions in 1954 for the provisions for estimated expenses referred to in the Annual Report (see page 5, and Note 1 on page 16), and the Secretary of the Treasury has recommended the repeal of that section.

No change in our Net Profit figures, as reported, would result from such repeal, because these provisions (net of taxes) were treated as "Special Items" in our Consolidated Statement of Profit and Loss and Earned Surplus, and profits are shown *before* "Special Items"—as follows:

Net profit before taxes	$7,975,489
Net profit after taxes	3,770,489
Net profit per common share	5.04

The loss in tax benefits which would result from a retroactive change in the tax law would be reflected by an increase of $524,000 in the current liabilities on our balance sheet, but would not affect the net profit on our profit and loss statement.

LIBBY, McNEILL & LIBBY—May 28, 1955

The Year in Review—Earnings:

. . . The Company has adopted the "sum-of-the-years-digits" method of depreciation permitted by the new U. S. Federal tax code and applied it to acquisitions subsequent to January 1, 1954. This change had no material effect on the earnings of the past year. We also availed ourselves of the privilege of deducting for tax purposes accrued vacation pay and certain other items as permitted by the new tax code, but subsequently reversed these entries on our books when the section of the code was retroactively repealed by Congress.

Section 3 INCOME STATEMENT

TERMINOLOGY

In March, 1955, the Committee on Terminology, American Institute of Accountants, issued Accounting Terminology Bulletin No. 2 concerning the use of the terms *proceeds, revenue, income, profit,* and *earnings.* In its examination of the usage of these terms which refer to closely related concepts, the committee found that the lack of uniformity in accounting practice was confusing. To promote uniformity of usage, definitions and recommendations were made for the use of these terms in connection with business operations and financial statements.

The term *proceeds* is a very general term used to designate the total amount realized or received in any transaction and generally should not be used as a caption in the principal financial statements.

Revenue results from the sale of goods and the rendering of services and is measured by the charge made to customers, clients, or tenants for goods and services furnished to them. It also includes gains from the sale or exchange of assets (other than stock in trade), interest and dividends earned on investments, and other increases in the owners' equity except those arising from capital contributions and capital adjustments. Revenue, like proceeds, is a gross concept but revenue, unlike proceeds, does not include items such as amounts received from loans or the collection of receivables. In the case of ordinary sales, revenue is generally stated after deducting returns, allowances, etc.; and in the case of sales of assets other than stock in trade, it is usually stated after deducting the cost of the assets sold. The revenue for a period less the cost of goods sold, other expenses, and losses will give the net results of business operations for the period. The committee recommends that this meaning of the term *revenue* be adopted and that the term be more widely used in the preparation of financial statements and for other accounting purposes.

Income and *profit* involve net or partially net concepts and refer to amounts resulting from the deduction from revenues, or from operating revenues, of cost of goods sold, other expenses, and losses, or some of them. The committee recommends that when the terms are used in financial statements, they be preceded by the appropriate qualifying adjective. When referring to items covered by the term "revenue," the term "gross income" should be avoided. The excess of operating revenue over the cost of goods sold may be described as "gross profit" but such terms as "gross profit on sales" or "gross margin" are preferable. It also is recommended that the terms "operating income," "net income," and "income statement" be used instead of the related terms, "operating profit," "net profit" and "statement of profit and loss."

The term *earnings* is not used uniformly but it is generally employed as a synonym for "net income," particularly over a period of years. The committee is hopeful that eventually there will be a single term, uniformly used, to designate the net results of business operations. In recent years there has been a trend toward the term "earnings," although a greater number of published financial statements employ the term "net income." Until one or the other of these terms achieves pronounced preference, the committee makes no recommendation as between them. It approves the use of the term in accounting language in connection with the concept of ability to realize net income.

National Homes Corporation and subsidiaries in its "Statement of Results of Operations" for the period ended December 31, 1954 uses these terms.

SALES—PRESENTATION

Table 1 reveals that only two of the 600 survey companies, (*Co. Nos. 268, 438) failed to include an income statement in their annual reports for 1954. The remaining 598 companies used various methods of presenting income from sales and services. *Net sales* was the term presented by the majority of companies (331 companies) although seven of these included net sales in the caption *net sales and operating revenue* (*Co. Nos. 18, 55, 277, 393, 412, 413, 593). *Net sales after deducting discounts, returns, etc.,* was the term used by 8 companies (*Co. Nos. 64, 91, 224, 269, 351, 520, 566, 596). Of the 44 reports which showed *sales less* *discounts, returns, etc.,* two contained the caption *sales and operating revenues* less discounts, returns, etc. (*Co. Nos. 369, 459). Thirty-eight reports included *gross sales less discounts, returns, etc.,* and one of these (*Co. No. 13) included the term *operating revenue* in its caption. Both *gross* and *net sales* were given by 18 companies (*Co. Nos. 17, 159, 201, 378, 571). *Sales* was the term used by 99 companies; two companies combined *sales* and *revenues* (*Co. Nos. 11, 99) and nine companies combined *sales* and *operating revenue* (*Co. Nos. 67, 68, 79, 120, 155, 460, 526, 529, 545). Four companies used the terms *revenue* or *operating revenue* (*Co. Nos. 56, 440, 546, 552) in lieu of sales.

In 31 reports the initial item of income was either *gross profit* or *operating profit* (*Co. Nos. 36, 92, 185, 321, 435, 560).

The examples which follow are representative of the various methods used to present sales in the 1954 reports of the companies reviewed.

*Refer to Company Appendix Section.

NET SALES

BLUE BELL, INC.
Statement of Income and Earned Surplus

Net Sales	$50,318,354
Cost of Goods Sold (including provision for depreciation, $163,128.56)	44,657,758
Gross Profit on sales	$ 5,660,596

GAMBLE-SKOGMO, INC.
Consolidated Statement of Income

Net Sales:	
Retail	$ 65,553,838
Wholesale	54,911,911
Total net sales	$120,465,749

TABLE 1: SALES

Income Statement Shows	1954	1953	1952	1951	1950
Net Sales:					
Net sales	*331	321	315	308	302
Net sales after deducting discounts, returns, etc.	8	9	9	11	11
Sales less discounts, returns, etc.	* 44	46	47	47	52
Gross sales less discounts, returns, etc.	* 38	42	44	45	46
Both Gross and Net Sales	18	17	18	18	18
Gross Sales	* 25	26	27	29	29
Sales	* 99	99	100	100	97
Revenue (**No. *546*)	1	1	2	1	1
Operating Revenue (**Nos. *56, 440, 552*)	3	3	1	0	0
No "sales"—initial item is:					
Gross Profit	17	18	19	23	25
Operating Profit	14	16	16	16	16
No income statement (**Nos. *268, 438*)	2	2	2	2	3
	600	600	600	600	600

*See further discussion in narrative.
**Refer to Company Appendix.

Net Sales After Deducting Discounts, etc.

BIGELOW-SANFORD CARPET COMPANY
Consolidated Income Statement

Net Sales (after cash and other discounts)	$68,211,827

LINK-BELT COMPANY
Consolidated Income Statement

Net Sales to customers, less discounts and allowances	$111,218,611

Sales, Less Returns, etc.

AMERICAN HOME PRODUCTS CORPORATION
Consolidated Statement of Income

Sales	$219,188,492
Less, Returns, allowances, delivery, etc	16,049,373
Net Sales	$203,139,119

HOLLY SUGAR CORPORATION
Statement of Income and Earned Surplus

Sales (sugar, by-products, beet seed, fertilizer, and livestock) less discounts, returns, freight, allowances, and Federal excise taxes	$55,540,028

Gross Sales, Less Discounts, etc.

CONSOLIDATED TEXTILE CO., INC.
Statement of Income and Earned Surplus

Gross sales, less returns, discounts and allowances	$20,415,113
Cost of goods sold (including provision for depreciation of fixed assets, 1954—$310,100	20,680,236
Gross profit or (loss)	$ (265,123)

GRANITE CITY STEEL COMPANY
Consolidated Statement of Operations

Operating Income:	
Gross sales, less discounts, returns and allowances	$69,265,197
Operating Expenses:	
Cost of products sold, including materials, wages and salaries, property taxes and other manufacturing expenses	53,463,515

GROSS AND NET SALES

CORN PRODUCTS REFINING CO.
Consolidated Statement of Income

Gross Sales:	
To customers:	
Domestic	$202,595,221
Foreign	5,303,545
	$207,898,766
To subsidiary and affiliated companies:	
Domestic	$ 1,704,642
Foreign	6,582,496
	$ 8,287,138
Total	$216,185,904
Less transportation and other sales deductions	21,446,535
Net Sales	$194,739,369

GROSS SALES

ANACONDA COPPER MINING COMPANY
Statement of Consolidated Income

Gross sales and earnings—Note K	$461,066,990

NATIONAL HOMES CORPORATION

AND SUBSIDIARIES

STATEMENTS OF RESULTS OF OPERATIONS FOR SIX MONTHS ENDED DECEMBER 31, 1954

	Consolidated	Parent company	Subsidiary companies
REVENUES:			
Net sales of products and services	$32,367,511	$31,377,178	$ 990,333
Other (financing income, interest, purchase discounts, etc.)	2,127,304	783,666	1,343,638
	$34,494,815	$32,160,844	$2,333,971
COSTS AND EXPENSES:			
Materials, supplies, purchased services, etc.	$23,163,445	$22,941,406	$ 222,039
Wages, salaries, company contributions for group insurance, pension and welfare funds, workmen's compensation and old age benefits	5,594,255	5,325,683	268,572
Depreciation and amortization	349,521	349,521	—
Discounts, commissions and commitment fees on mortgage loans	1,396,819	—	1,396,819
Interest expense	298,101	2,777	295,324
Federal income taxes	2,075,500	2,000,000	75,500
	$32,877,641	$30,619,387	$2,258,254
EARNINGS FOR THE PERIOD	$ 1,617,174	$ 1,541,457	$ 75,717
ADD:			
Earnings retained at beginning of period	8,337,543	7,925,440	412,103
Transfer from reserve for contingencies	20,000	—	20,000
	$ 9,974,717	$ 9,466,897	$ 507,820
DEDUCT:			
Stock dividend — 10% or 44,299 shares of Class A and 44,300 shares of Class B common stock:			
Transferred to common stock — $.50 par value per share	$ 44,299	$ 44,299	$ —
Transferred to capital in excess of par value — excess of assigned value over par value	1,136,347	1,136,347	—
	$ 1,180,646	$ 1,180,646	$ —
EARNINGS AT END OF PERIOD RETAINED AND USED IN THE BUSINESS	$ 8,794,071	$ 8,286,251	$ 507,820

See accompanying notes to financial statements.

Note K—Gross Sales and Earnings—Sales of metals and of manufactured products are included in income as billed and delivered to customers. Undelivered sales contracts and purchase commitments are not given effect to in the Statement of Consolidated Income.

REVENUES

BLAW-KNOX COMPANY
Statement of Operations

Revenues:	
Sales of products and services (Note 9)	$101,128,016
Dividends, interest, purchase discounts, and other income	584,510
	$101,712,526
Costs and expenses:	
Cost of products and services sold (Note 9)	$ 76,537,809

Note 9—Accounting for Reimbursable Costs: Reimbursable field construction costs under cost-plus-fixed-fee contracts not included in sales and in costs of products and services sold were $44,038,528 in 1954.

MICHIGAN SUGAR COMPANY
Statement of Income and Accumulated Income Retained for Use in the Business

Revenues from products (less marketing expenses) and miscellaneous income	$9,619,980
Production costs and other expenses including $269,009 for depreciation	9,137,469
Operating income	$ 482,511

TIME INCORPORATED
Consolidated Profit and Loss Statement

Revenues—from subscriptions, newsstand sales, advertising, film rentals and sales, radio and television broadcasting, rentals from tenants and miscellaneous sales—less discounts, commissions, returns, etc.	$178,155,775
Costs and Expenses—production, distribution, selling, editorial and general	166,900,731
Operating Profit	$ 11,255,044

OPERATING REVENUES

PENN-TEXAS CORPORATION
Consolidated Statement of Income and Profit and Loss

Operating Revenues	$13,306,677
Cost of Operations and Goods Sold and Overhead Expenses (Exclusive of depreciation, depletion and amortization)	11,955,983
Operating Profit before Depreciation, Depletion and Amortization	$ 1,350,694

UNION TANK CAR COMPANY
Consolidated Statement of Income

Operating Revenue		$28,136,908
Operating Expenses:		
Maintenance and General Expenses	$11,135,390	
Depreciation	4,227,432	
Taxes (other than taxes on income)	804,575	16,167,397
Net Income from Operations		$11,969,511

GROSS OPERATING INCOME

UNITED SHOE MACHINERY CORPORATION
Statement of Income

Gross operating income from sales, leased machinery revenue and real estate rentals	$66,823,742

To the Stockholders:

Shoe Factory Supplies—The Corporation has for many years offered to the shoe industry an extensive line of shoe factory supplies, the greater part of which is made up of products of our own factories and associated companies, although lines manufactured by other concerns for which we act as distributors represent a substantial annual sales volume. Under the Decree we shall no longer be permitted after December 31, 1957 to distribute any shoe factory supplies not manufactured by us or by a company in which we own at least 20% of the common stock. Many of our sources of supply are establishing new distributorships in anticipation of the day when the Corporation can no longer distribute their products, but we are happy to say that without exception they have agreed to our continuing to act as a distributor as long as we are permitted to do so under the Decree.

The Court also found that the Corporation had monopolized interstate commerce in shoe eyelets and shoe tacks and nails and ordered that we file before April 1, 1955 a plan for disposing of such parts of our business as are concerned with the manufacture or distribution of shoe eyelets and shoe tacks and nails. A plan was filed with the Court on March 30, 1955 under which we propose to sell these businesses provided a satisfactory price can be realized. Otherwise, it is proposed to combine these businesses in a new company, the shares of which will be distributed to the Common stockholders of the Corporation on a pro-rata basis. The plan was approved by the Court on May 13, 1955.

(Refer to Section 2—Fixed Assets, for further details of Final Decree of Court under the Sherman Act.)

OPERATING PROFIT AS INITIAL ITEM

THOR POWER TOOL COMPANY
Consolidated Statement of Earnings

Operating profit after depreciation and amortization of plant and equipment $201,316.90	$2,703,213.90
Other income (total)	224,576.75
Earnings before federal taxes on income	$2,927,790.65

SALES—U. S. GOVERNMENT CONTRACTS

MARQUARDT AIRCRAFT CO.
Statement of Income

Sales (including costs and fees under cost-plus-a-fixed-fee contracts) (Note 5)	$9,918,180

Note 5—Most of the Company's sales are under Government contracts or sub-contracts and are subject to renegotiation. The Renegotiation Board has cleared the years through 1953. Management believes that no refund will be required with respect to 1954.

NORTHROP AIRCRAFT, INC.
Statement of Consolidated Income

Net sales, including fees accrued and expenditures reimbursable under cost-plus-fixed-fee contracts	$171,396,347
Sundry income	101,927
Allowances provided for adjustments under cost-plus-fixed-fee contracts, no longer required	168,069
	$171,666,343

Note B—Inventories: Inventories are priced at the lower of cost or market. Fixed-price contracts in process are stated on the basis of accumulated costs including, as to the Company, applicable administrative and general expenses, less the portion of such costs allocated to units and articles delivered. Costs relating to delivered product are computed for each contract at the estimated average cost of each unit based on the estimated total cost of the contract. Costs of raw materials and supplies are determined generally under the first-in, first-out method.

The fixed-price contracts in process are, with minor exceptions, with the U.S. Government. The principal contracts are of the incentive type and contain provisions for redetermination of unit prices during the period of performance. Recognition has been given in the financial statements to adjustments required under the redetermination provisions of the contracts.

Title to inventories of certain contracts in process, materials and supplies is vested in the U.S. Government pursuant to the progress payment provisions of the contracts.

COST OF GOODS SOLD AND GROSS PROFIT—PRESENTATION

In the 1954 survey reports, 567 of the 600 companies presented the "cost of goods sold" in their income statements, although only 138 of these indicated an amount identifiable as "gross profit." Table 2 discloses the methods used by the companies in presenting the cost of goods sold and gross profit in the income statement. The trend over the past several years has been to incorporate the cost of goods sold as an item in a grouping of costs and expenses rather than to show it as a deduction from sales thereby arriving at a gross profit figure.

The examples which follow illustrate the various methods used in presenting the cost of goods sold and gross profit.

GROSS PROFIT AS INITIAL ITEM

AMERICAN CHICLE COMPANY
Income Statement Consolidated

Gross Profit from Sales	
After deducting cost of materials, labor, manufacturing expenses and depreciation	$25,678,566
Selling, advertising, distributing and administrative expenses	14,279,983
Earnings from Operations	$11,398,583

BULOVA WATCH COMPANY, INC.
Condensed consolidated statement of income and earned surplus

Gross profit from sales	$22,668,941
Selling, General and Administrative Expenses	12,957,822
Profit from Operations	$ 9,711,119

THE NATIONAL ACME COMPANY
Summaries of Income and Retained Earnings
Initial item:

Gross profit from operations before deducting provision for depreciation and amortization	$11,303,499

OTIS ELEVATOR COMPANY
Statement of Income

Gross profit from operations (Note 5)	$36,615,055
Selling, general and administrative expense	21,570,009
Net operating profit	$15,045,046

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. Defense contracts are priced at actual cost.

Note 5—Cost of Goods Sold: (Used in determining Gross Profit from Operations): Includes cost of completed elevator contract installations, service work and defense work, computed in the manner outlined in Note 2; cost of other sales at standard cost of labor and factory overhead, material at actual cost, and apportioned administrative cost; 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.

TABLE 2: COST OF GOODS SOLD AND GROSS PROFIT

Cost of Goods Sold:	1954	1953	1952	1951	1950
Income Statement Presentation—					
Single total amount for:					
Cost of goods sold (*Co. Nos. *26, 126, 213, 334, 453, 554*)	343	347	346	346	348
Manufacturing cost of goods sold (*Co. Nos. *3, 134, 203, 342*)	19	17	18	18	17
Cost of goods sold together with other costs (*Co. Nos. *8, 172, 229, 333, 447, 535*)	179	184	184	180	176
Cost of goods sold shown in:					
Separate elements of cost (*Co. Nos. *24, 129, 239, 448*)	24	14	13	13	13
Detailed section therefor (*Co. Nos. *280, 564*)	2	2	2	2	2
Total	567	564	563	559	556
Not shown in statement—					
Initial item is:					
Gross profit (*Co. Nos. *36, 151, 275, 362*)	17	18	19	23	25
Operating profit (*Co. Nos. *211, 228, 321, 437*)	14	16	16	16	16
No income statement (*Co. Nos. *268, 438*)	2	2	2	2	3
	600	600	600	600	600
Gross Profit:					
Income Statement Presentation—					
As initial item of gross profit	17	18	19	23	25
With single total amount:					
Designated 'gross profit' (*Co. Nos. *14, 152, 212, 330, 403, 565*)	115	119	121	119	122
Identifiable as 'gross profit' (*Co. Nos. *57, 178, 274, 462, 501*)	23	22	22	22	22
Total	155	159	162	164	169
Not shown in statement—	429	423	420	418	412
Initial item is operating profit	14	16	16	16	16
No income statement	2	2	2	2	3
	600	600	600	600	600

*Refer to Company Appendix Section.

COST OF GOODS SOLD AND GROSS PROFIT

AMERICAN WRITING PAPER CORPORATION
Condensed Statement of Earnings

Gross sales, less returns, allowances, freight and cash discounts		$13,417,510
Cost of goods sold:		
Material, labor, and manufacturing expenses, including depreciation $250,386		11,561,812
Gross Profit on Sales		$ 1,855,698

HAMILTON WATCH COMPANY
Consolidated Statement of Income

Sales, net of returns, allowances and discounts		$31,157,732
Cost of goods sold:		
Inventories, beginning of year	$11,175,864	
Materials, labor and overhead	21,084,590	
Depreciation and amortization	349,037	
	32,609,491	
Inventories, end of year	9,207,206	
		23,402,285
Gross profit		$ 7,755,447

Notes: 1. Beginning with the year 1954, the company adopted the policy of charging research expenditures direct to the current cost of goods sold. In prior years, these expenditures were included in overhead costs allocated to inventories. The effect of this change has been to reduce the carrying value of inventories at December 31, 1954, by $250,000, to reduce the current provision for taxes on income by $138,000, and to reduce net income for the year 1954 by $112,000.

OWENS-ILLINOIS GLASS COMPANY
Consolidated Earnings Statement

Net sales and other operating revenues	$336,708,808
Cost of sales and other operating expenses (including depreciation of manufacturing plants and amortization of leased equipment—$7,833,694)	267,211,730
Manufacturing profit and net operating revenues	$ 69,497,078

THE PITTSTON COMPANY
Consolidated Income Statement

Sales and Operating Revenues, less allowances and cash discounts	$159,735,766
Cost of Sales, excluding depreciation, depletion, amortization and taxes	143,527,837
Gross Profit	$ 16,207,929

AMERICAN STORES COMPANY
Statement of Consolidated Earnings

Sales:	
Retail stores	$611,413,037
Other	13,212,708
	$624,625,745
Cost of sales and operating expenses:	
Cost of merchandise sold, including warehousing and transportation expenses	$523,217,115
Wages, rents, advertising, administrative and other operating expenses	82,259,101
Depreciation and amortization	4,485,496
Net gain on sale and retirement of plant and equipment	(320,108)
	$609,641,604
Operating profit	$ 14,984,141

BOOTH FISHERIES CORPORATION
Consolidated Income

Sales and Revenues	$39,556,068
Costs and Expenses:	
Products, supplies, services, etc.	$31,540,013
Wages, salaries and employee benefits	5,573,408
Depreciation provision	458,363
Taxes other than income taxes	405,770
Interest and debt expense	142,079
Total costs and expenses	$38,119,633
Net Income from Operations	$ 1,436,435

COST OF GOODS SOLD INCLUDED IN COSTS AND EXPENSES

ALPHA PORTLAND CEMENT COMPANY
Statement of Income

Billings to Customers	$38,027,095
Less Freight, Packages, Discounts, Allowances, Etc.	9,856,739
Net Sales	$28,170,356
Costs and Expenses:	
Manufacturing and shipping cost of goods sold (exclusive of depreciation and depletion)	$16,777,207
Selling, general and administrative expenses	2,489,440
Depreciation and depletion	824,168
Total	$20,090,815
Profit from Operations	$ 8,079,541

GENERAL MILLS, INC.
Results of Operations

Sales of Products and Services	$487,587,179
Costs:	
Cost of products and services sold, exclusive of items shown below	$391,638,995
Increase or (decrease) in inventory valuation allowances	(864,969)
Depreciation of buildings and equipment	3,558,748
Interest	924,466
Amortization of intangibles (Note 5)	235,000
Contributions to Employees' Retirement System	2,533,615
Profit sharing distribution	190,500
Selling, general and administrative expenses	66,758,971
Federal taxes on income (Note 8)	11,423,000
Total costs	$476,398,326
Earnings for the Year	$ 11,188,853

Note 5: Goodwill, Trade-Marks, Trade Names and Other Intangibles: Intangibles of $1,996,846 at May 31, 1954 resulted from the issuance of 65,705 shares of the company's common stock in exchange for the assets and business of O-Cel-O, Inc. as of November 14, 1952. This amount represents the excess of the amount ascribed to the stock ($50 per share) over the value at which the net tangible assets were carried by O-Cel-O, Inc. after deducting $352,500 amortization to May 31, 1954, of which 235,000 was charged against current year's income.

Note 8: Federal Taxes on Income: In determining the amount of the company's income subject to Federal taxes, a number of adjustments must be made to reported corporate earnings. These adjustments arise from differences in amounts of depreciation for corporate and tax purposes, treatment accorded gains and losses on disposition of properties, and other lesser items. Also, additions to reserves, inventory and other valuation allowances are not deductible for tax purposes nor are reductions therein considered to be taxable income.

The provision for the current year includes $74,000 for excess profits taxes compared with $25,000 in 1953.

COST OF MATERIALS—PRESENTATION

Only 188 of the 600 survey companies referred to the cost of materials in their annual reports for 1954. In 57 reports, the cost of materials was shown in the income statement, in the remaining 131 reports, the cost of materials was mentioned in the notes to financial statements or in uncertified statements, schedules, or graphic charts. Table 3 summarizes the presentation of the cost of materials as indicated in the annual reports of the 600 companies included in the survey.

Examples

The examples which follow illustrate the varying methods of presentation of cost of materials in the income statement:

THE DIAMOND MATCH COMPANY
Consolidated Statement of Income and Earnings Retained

Sales and Other Income	
Net sales	$100,787,000
Dividends	220,000
Miscellaneous income (net)	627,000
Total Sales and Other Income	$101,634,000
Costs and Expenses	
Cost of product sold, including wages, materials, etc.	$ 75,118,000
Selling, administrative and other expenses	14,601,000
Depreciation	2,744,000
Depletion	348,000
Interest	261,000
Federal taxes on income	3,000,000
Total Costs and Expenses	$ 96,072,000
Net Income for the Year	$ 5,562,000

FERRO CORPORATION
Statement of Consolidated Income

Sales	$43,527,864
Cost of Sales:	
Materials and direct labor	$25,312,240
Maintenance and repairs	665,882
Depreciation and amortization	924,975
Taxes, other than taxes on income	273,404
Other manufacturing expenses	5,411,594
	$32,588,095
Gross Income on Sales	$10,939,769

MARSHALL FIELD & COMPANY
Income Statement

Net Sales	$206,308,873
Deduct:	
Materials and services purchased from others	$135,401,915
Wages, salaries and employe benefit costs	51,355,365
Provision for depreciation and amortization	3,133,547
Taxes, other than social security and Federal income taxes	2,603,162
Net interest expense	637,107
Federal income taxes	6,644,000
	$199,775,096
Net Income for the Period	$ 6,533,777

TALON, INC.
Results of Operations

Income from Sales and Other Sources	$29,750,223
Costs Incurred during the Year	
Employee costs	
(Wages and Salaries of employees; Company's portion of Social Security Taxes; and Company's contribution to Employees' Pension and Group Insurance Programs)	$14,121,434
Raw material used	8,203,501

TABLE 3: COST OF MATERIALS

Presentation in Income Statement:	1954	1953	1952	1951	1950
With single total amount for—					
Materials and services purchased	19	19	17	17	16
Materials purchased	9	8	7	6	6
Materials used	7	3	3	3	3
Materials, together with other costs	22	22	23	23	23
	57	52	50	49	48
Set Forth Elsewhere in Report:					
In notes to financial statements (*Nos. *39, 202, 489, 526*)	4	3	4	2	2
In uncertified statements or schedules (*Nos. *1, 13, 62, 167, 181, 210, 279, 322, 395, 472, 566*)	71	83	86	92	89
	75	86	90	94	91
In graphic presentation—					
With dollar amount shown therein (*Nos. *16, 67, 147, 249, 503, 593*)	15	21	21	21	17
With dollar amount not shown therein (*Nos. *3, 70, 238, 270, 333, 429, 533*)	41	60	66	58	64
	56	81	87	79	81
Number of Companies					
Referring to material costs	188	219	227	222	220
Not referring to material costs	412	381	373	378	380
	600	600	600	600	600

*Refer to Company Appendix Section.

Portion of cost of buildings, machinery and equipment allocated to operations (Depreciation)	657,888
Factory supplies, maintenance of buildings and equipment, repairs and other factory expense	2,206,865
Selling, distribution and administrative expenses, other than salaries	2,110,914
Federal and state taxes based on income	1,184,000
Total Costs	$28,484,602
Profit for the Year (Excess of Income over Costs)	$ 1,265,621

EMPLOYMENT COSTS—PRESENTATION

Of the 600 survey companies, only 50 companies presented wages or employment costs in the income statement. Among the remainder, 219 companies supplied information regarding employment costs elsewhere in the report, either in the notes to financial statements, uncertified statements, schedules or graphic charts, or in the letter to the stockholders.

Of the companies which referred to employment costs, many companies presented costs of pension or retirement plans: as current-service costs (*Co. Nos. 36, 545, 568, 569), past-service costs (*Co. Nos. 249, 450, 545, 568, 569) or simply as pension costs not identifiable as either current-service or past-service costs (*Co. Nos. 5, 9, 24, 33, 336, 354).

*Refer to Company Appendix Section.

In addition to the pension or retirement plans mentioned above, 244 companies referred to other employee welfare plans. These plans, in the order of frequency, included the following: employee insurance plans, profit sharing plans, incentive compensation plans, savings plans, bonus plans not payable in stock, disability benefit plans, plans referred to only as fringe benefits, scholarship funds, contingent compensation plans, social insurance plans, deferred compensation plans, and wage and salary plans based on cost of living indexes.

Table 4 discloses the various methods of presentation of employment costs used by the survey companies in their annual reports.

Examples

The following examples, selected from the 1954 reports, illustrate the presentation of employment costs:

ALAN WOOD STEEL COMPANY
Statement of Consolidated Income

Costs:	
Employee Costs:	
Wages and salaries	$13,200,396
Pensions and group insurance (Note 7)	504,608
Social security taxes	299,717
	$14,004,721

Note 7: Pension Plans—As of December 31, 1954, the remaining cost of funding past service benefits under the insured contributory pension plan for salaried employees which became effective in 1948 was estimated to be $340,000 on a single premium basis, before consideration of income taxes.

Effective January 1, 1955, the non-contributory pension plan for hourly rated employees and certain salaried employees who are not eligible to participate in the pension plan for salaried employees which became effective in 1950 was amended to include hourly rated employees at the Mines and to increase the benefits under the plan. The Company has implemented the plan by means of a deposit administration contract with an insurance company. The past service cost remaining to be funded under the amended plan effective January 1, 1955 amounted to approximately $4,054,000, before consideration of income taxes.

TABLE 4: EMPLOYMENT COSTS

Presentation in Income Statement:	1954	1953	1952	1951	1950
With single total amount for—					
Wages and salaries	11	8	10	12	13
Wages, salaries, and employee benefits	16	17	16	15	14
Wages and salaries together with certain unrelated costs	15	11	12	12	12
In separate section detailing employee costs	8	9	7	6	6
	50	45	45	45	45
Set Forth Elsewhere in Report:					
In notes to financial statements (*Nos. *489, 526, 528*)	3	4	5	3	3
In uncertified statements or schedules (*Nos. *29, 75, 162, 216, 269, 314, 356, 458, 492, 590*)	144	152	152	157	148
In letter to stockholders (*Nos. *45, 171, 397, 422, 491, 531*)	23	29	27	25	23
	170	185	184	185	174
In graphic presentation—					
With dollar amount shown (*Nos. *46, 67, 135, 147, 249, 311, 549, 593*)	14	18	22	21	16
With dollar amount not shown (*Nos. *8, 100, 123, 186, 282, 333, 372, 444, 478, 533*)	35	42	46	44	52
	49	60	68	65	68
Number of Companies					
Showing employment costs	269	290	297	295	287
Not showing employment costs	331	310	303	305	313
	600	600	600	600	600

*Refer to Company Appendix Section.

HEWITT-ROBINS INCORPORATED
Statement of Consolidated Income

Costs, Expenses and other Deductions:	
Employee compensation and benefits:	
Wages, salaries, pensions and pension retirement plans	$12,106,608
Social security taxes	256,701
Workmen's compensation and employees' group insurance premiums, less refunds	348,867
	$12,712,176

HONOLULU RAPID TRANSIT COMPANY, LIMITED
Consolidated Statement of Operating Results

Operating Costs:		
Wages and salaries		$2,181,069
Welfare expenses:		
Sick leave pay, group insurance, hospital and medical insurance	$	89,592
Pensions		91,777
Other employees' welfare expenses		5,672
	$	187,042

GEO. A. HORMEL & COMPANY
Statement of Earnings

Total Wage Costs:	
Wages and salaries, including joint earnings	$44,791,298
Contribution to employees' profit-sharing trust	59,503
Unemployment and federal old age benefit contributions	817,327
Group life, hospitalization, and sick leave	1,421,929

To the Stockholders: This makes the sixteenth year the company has practiced profit sharing, or "joint earnings," with our employees. We are glad that even though this has been a thin year profit-wise, we have been able to make a joint earnings contribution amounting to approximately one-half check, based on a 40 hour week. The total distribution amounted to $379,558. Likewise, this year's contribution of $59,503 to the Hormel Employees' Profit-Sharing Trust is low; but, for the eleven years that the Trust has been established, the total contributions have amounted to $9,812,343, or a yearly average of $892,031. The investments of the money in the Trust during the year have provided earnings which will further increase the share of each employee with an interest in the Trust.

During the fiscal year, the company granted a 5 cent an hour general wage increase and an additional 1½ cents an hour to women employees, as well as some additional hospital benefits for employees which became effective as of December 1, 1953. Other packers granted relatively the same increases.

TORO MANUFACTURING CORPORATION OF MINNESOTA
Consolidated Statement of Operations

Costs:	
Wages, salaries and retirement benefits (Note 1)	$2,516,111

Note 1: Wages, salaries and retirement benefits include social security taxes and contributions to The Toro Profit Sharing Plan, The Toro Profit Sharing Plan for Minneapolis Factory Employees, and The Toro Pension Plan. Contributions to the profit sharing and pension plans amounted to $109,100 in 1954, including $15,871 applicable to past service costs of The Toro Pension Plan. The unfunded past service costs of The Toro Pension Plan at August 31, 1954 have been estimated by independent actuaries to be $131,341.

WESTINGHOUSE ELECTRIC CORPORATION
Consolidated Statement of Operations

Costs Applicable to Income:	
Wages and salaries	$597,225,665
Employe insurance, pensions and social security taxes	36,586,584

Financial Review—Employees:

Employment and Payrolls. Total employment in 1954 averaged 117,143, . . . Wages and salaries earned during 1954 totaled $574,998,000, . . .

UNITED STATES STEEL CORPORATION
Consolidated Statement of Income

Employment costs:	
Wages and salaries	$1,218,206,538
Pensions, social security taxes, insurance and other employe benefits	168,746,286

A Review of the Year: Employee Benefits—

Sums provided by U. S. Steel to cover the costs of pensions, social security taxes, insurance and other employe benefits in the year 1954 were as follows:

	1954
Pension costs	
Non-contributory part of Pension Plan	
Funding of current service cost (including interest on past service cost)	$ 60,735,168
Funding of portion of past service cost	36,000,000
Contributory part of Pension Plan	5,397,212
Total for pensions	$102,132,380
Social Security taxes	27,799,516
Insurance costs	13,424,891
Payments to industry welfare and retirement funds and for other employe benefits	25,389,499
Total cost of employe benefits	$168,746,286

Under the U. S. Steel Pension Plan, pensions were granted during 1954 to 3,762 retiring employees. . . . With respect to pensions for those retired prior to November 1, 1954, the Board of Directors acted to limit the deduction for payment under the Social Security Act to an amount computed on the basis of the Act in effect prior to September 1, 1954. This action enabled these pensioners to retain the increase in social security payments provided by the amendments in August 1954 to the Social Security Act.

Funds to cover present and future pensions are held in contributory and non-contributory pension trusts for the payment of benefits under the Pension Plan. The combined principal and reserves of these trusts for the year 1954 were as follows:

	1954
Payments to trusts by employing companies	$102,132,380
Contributions to contributory trust by participating employes	3,748,343
	$105,880,723
Pension and other expense less income from investments	1,834,295
Net change in year	$104,046,428
Balance at Beginning of year	534,206,415
Balance at end of year	$638,252,843

The actuarial cost of non-contributory pensions for past service at March 1, 1950, the effective date of the present plan, which had not been funded at that time was estimated at $496 million. To December 31, 1954, $185 million had been paid into a non-contributory pension trust towards the funding of this cost.

DEPLETION

Annual Charge

There were 109 companies included in the current survey which referred to an annual charge for depletion. Six companies disclosed accumulated depletion but did not refer to the annual charge for depletion. The remaining 485 companies made no reference to depletion. However, three of these companies (*Co. Nos. 60, 240, 449) did reveal either accumulated depletion or an annual charge for depletion in their 1953 reports. One company (Co. No. 144—*City Products Corporation*) revealed a "Reserve for depreciation, depletion, and amortization" in its 1954 report although it did not include any mention of depletion in its 1953 report. No explanation of the change in reporting was provided by these four companies.

TABLE 5: DEPLETION—ANNUAL CHARGE

Presentation in Income Statement:	1954	1953	1952	1951	1950
Listed among other costs with single total amount for—					
Depletion (*Nos. *43, 149, 195, 431, 529*)	20	19	21	23	24
Depletion and depreciation (*Nos. *17, 155, 273, 313, 458, 510*)	31	30	27	28	33
Depletion, amortization, and depreciation (*Nos. *28, 238, 277, 354, 459, 525*)	29	27	27	24	12
Depletion and amortization (*Nos. *451, 504, 513, 526*)	4	5	5	4	4
Segregated within income statement in note or schedule (*Nos. *167, 473, 489*)	3	2	2	2	2
Presented at foot of income statement in note or schedule (*Nos. *133, 206, 303*)	13	13	14	14	14
Set Forth Elsewhere in Annual Report:					
In notes to financial statements (*Nos. *213, 319, 332*)	6	11	11	11	11
In letter to stockholders (*No. *144*)	1	0	0	0	1
Depletion not deducted from net income (*Nos. *141, 329*)	2	2	2	2	2
Number of Companies Referring to					
Annual depletion charge	109	109	109	108	103
Accumulated depletion but not referring to annual depletion charge	6	8	8	9	10
Not referring to depletion	485	483	483	483	487
	600	600	600	600	600

*Refer to Company Appendix Section.

Method

Of the companies which disclosed either an annual charge for depletion or accumulated depletion, 86 companies made no reference to the method or basis used in the determination of the amount provided. Fourteen companies indicated that they used the unit-of-production method of computing depletion, (*Co. Nos. 56, 59, 149, 206, 303, 431, 447, 465, 496, 510, 515, 537, 591, 440). One company (*Co. No. 17) revealed a charge in the income statement for depletion and stated in the notes to financial statements that the percentage method was used for tax purposes. Seven companies disclosed an annual charge for depletion and, without stating the method used, indicated the *basis* of depletion to be *cost* (*Co. Nos. 136, 169, 182, 204, 354, 528, 535). Two companies (*Co. Nos. 141, 329) provided the amount of net income for the year "without deduction for depletion" of metal mines. This practice is in accordance with accepted accounting procedure in industries engaged in the mining of copper and certain other metals. This procedure was also followed by *Anaconda Copper Mining Company* with regard to metal mines but the company did include a charge for "depletion of timber lands and phosphate deposits." *Cerro de Pasco Corporation* included a deduction for depletion in its income statement, with the comment in "Note 12. —*Depletion has been provided in amounts as computed for Peruvian income tax purposes.*" The auditor's report thereon contained the following disclosure: "As described in Note 12, the accompanying statements include depletion amounts representing percentages of income as computed for income tax purposes. Although the use of depletion on such a basis is prescribed by law for such tax purposes both in the United States and in Peru, it is not generally used by mining companies in the United States for published statement purposes."

*Refer to Company Appendix Section.

Examples

The examples which follow have been selected from the 1954 annual reports to illustrate the methods used to disclose depletion in the accounts.

ARGO OIL CORPORATION
Condensed Balance Sheet

Capital Assets (notes A and B):	
Developed leases and royalties	$18,211,217
Undeveloped leases and royalties	5,982,120
Buildings and equipment	13,497,287
	$37,690,624
Less: Reserves for depletion and depreciation	18,185,439
Total capital assets (net)	$19,505,185

Condensed Statement of Income and Expenses

Other charges:	
Depletion (see notes)	$ 846,976
Depreciation	515,244
Intangible development costs—dry holes and geophysical expense	821,416

Note A—Capital Assets:

The basis of depletable assets represents values based on appraisal at January 1, 1944, with subsequent acquisitions valued at cost. The basis of other capital assets represents values based on cost.

Depletion is computed for each property separately under the unit of production method. The unit is determined by dividing the basis as of the end of the year by the estimated remaining recoverable units of reserves as of the beginning of the year and is then multiplied by the units produced in such year. Depreciation of well and lease equipment is computed in a similar manner. The straight-line method of depreciation is used to recover the cost of other depreciable property. The rates applicable to major classifications of such other depreciable property are as follows:

Automotive equipment	24%
Office furniture and equipment	6%
Buildings	5%
Machinery and equipment	5%

Note B—Intangible Drilling and Development Costs:

The Company follows the practice of capitalizing, in the year incurred, all intangible drilling and development costs on productive wells.

GENERAL TIME CORPORATION

Consolidated Statements of Income

for the fiscal years 1954 and 1953

	1954 (53 Weeks)		1953 (52 Weeks)	
During the year, income accrued to our company from the following sources:				
Clocks, watches, timing devices, and repair services sold to customers (after deducting returns and allowances)		$46,563,346		$50,817,969
Royalties, interest, commissions, etc.		113,605		100,525
Total income		46,676,951		50,918,494
In producing total income, the following costs were incurred:				
For manufacturing wages and other compensation, materials, supplies, services, fuel, etc.	$33,103,427		$37,279,056	
For selling, advertising, general and administrative expenses, including salaries and other compensation, services, supplies, etc.	6,590,172		6,171,555	
For local, state and federal taxes (other than taxes on income)	761,946		729,783	
For employees' annuities based upon past service	151,000		110,000	
For interest	132,810		134,474	
Portion of cost of property, plant and equipment allocated to operations (depreciation)	1,187,414		1,403,433	
Total costs (other than taxes on income)		41,926,769		45,828,301
The result of income less costs (before taxes on income) was a profit of		4,750,182		5,090,193
Out of the profit there has been set aside for:				
United States (federal) and Canadian income taxes	2,490,000		2,609,000	
United States excess profits tax	—	2,490,000	50,000	2,659,000
		2,260,182		2,431,193
Losses from liquidation of business of Australian manufacturing subsidiary (not consolidated), less reduction in federal income taxes		—		354,653
Net profit		$ 2,260,182		$ 2,076,540
The owners of the business received a stock dividend of ten per cent on common stock, and received out of the net profit cash dividends of	$ 987,005		$ 979,100	
The remainder of the net profit was retained in the company to cover reserves, redemption of preferred stock and rising costs of doing business, and to finance expansion and maintain a sound financial condition for future security	1,273,177		1,097,440	

Notes: Refund, if any, under the Renegotiation Act of 1951, would not be of significant amount.
The notes appearing on page 17 form part of these statements.

All intangible drilling and development costs on productive wells are amortized or depleted on a unit basis of production on each lease affected. Intangible drilling and development costs on non-productive wells are charged off in full when the wells prove non-productive.

Provision for income taxes has been made on the basis of taxable income after deduction of all intangible drilling and development costs incurred during the year in accordance with the consistent policy of the Company.

DRAGON CEMENT COMPANY, INC.
Balance Sheet

Fixed assets, at cost or less, after eliminating fully depreciated assets:	
Land and mineral deposits, buildings, machinery and equipment	$11,638,039
Less: Allowances for depreciation, amortization of emergency facilities, and depletion	3,227,207

Statement of Income

Note: Depreciation, amortization and depletion charges included in the foregoing statement (Note 3):

Depreciation	$ 347,644
Amortization of emergency facilities	164,216
Depletion	18,015

Note 3: For items of fixed assets constructed or purchased prior to 1954, the company has consistently provided for depreciation on a straight-line basis. Commencing in 1954, the company elected to use the sum-of-the-years'-digits and the declining-balance methods to provide for depreciation of its various items of fixed assets constructed or purchased during that year. The resulting increase in depreciation, for both financial accounting and federal income tax purposes, amounted to approximately $19,300.

The certified portion (approximately $821,000) of completed emergency facilities in respect to which a certificate of necessity has been obtained, is being amortized, both for federal income tax purposes and for financial accounting purposes, at the rate of 20 per cent per annum.

The company's financial accounting policy respecting depletion of mineral deposits is to provide depletion at rates per ton of stone removed which should extinguish the carrying value of the mineral deposits when the estimated minimum tons of stone shall have been removed.

In providing for its federal taxes on income both for 1954 and 1953, the company has deducted percentage depletion substantially in excess of the amount of depletion taken on the books.

HOMESTAKE MINING COMPANY
Consolidated Balance Sheet

Property, less depletion and depreciation (Note 3)	$8,202,983

Statement of Consolidated Income

Net Income	$4,489,647
Percentage Depletion—carried direct to percentage depletion reserve which is a subdivision of earned surplus	2,814,489
Balance of Net Income to Earned Surplus	$1,675,158

Note 3—Property: The property item in the balance sheet includes land, ore bodies, coal deposits, and timber at amounts established in 1918 with subsequent additions at cost, less unit depletion on the ore bodies, coal deposits, and timber. The present value of the ore, coal, and timber is not reflected in the balance sheet inasmuch as these assets are not subject to interim appraisals. Depletion on the extraction of ore and coal is provided on the percentage basis allowed for Federal income tax purposes. The percentage depletion so computed is reflected in the statement of income as an allocation of net income and is carried to percentage depletion reserve, which is a subdivision of earned surplus.

SCOTT PAPER COMPANY
Consolidated Financial Position
Other Assets:

Timberlands and standing timber, cost less depletion	$15,154,385

Consolidated Operations
Costs and Expenses:

Portion of cost of plants and timber tracts charged to operations for the year (depreciation and depletion)	$ 9,047,463

Note 6: . . . Depletion of standing timber has been provided at unit amounts estimated as adequate to apportion the cost of each tract, less residual land value, to cost of the timber cut.

DEPRECIATION

Annual Charge

All of the 600 companies disclosed depreciation in their annual reports for 1954. However, 25 companies made this disclosure only to the extent that the report showed accumulated depreciation in the balance sheet or supplementary schedule. Among the remaining companies, 91 reports indicated the annual charge for depreciation in either the notes to financial statements or the letter to the stockholders. The other 484 companies presented the annual charge for depreciation in the income statement listed among other costs or expenses or mentioned by note.

Table 6 summarizes the manner in which the annual charge for depreciation is treated in the financial statements and elsewhere in the reports of the survey companies for the years 1950 through 1954.

Method

In prior years, very few companies revealed the method of depreciation used by them in computing the annual charge for depreciation. However, in 1954, many companies commenced to give information regarding depreciation in connection with the disclosure of new methods adopted by them which are now allowed for tax purposes.

The Internal Revenue Code of 1954 now permits corporate taxpayers to use as alternatives to straight-line depreciation other methods of depreciation such as:

1. Double declining balance depreciation
2. The sum of the digits method, or
3. Any other consistent depreciation method which would not give an aggregate depreciation write-off at the end of the first 2/3rds of the useful life of the property any larger than under the double declining balance method.

The taxpayer may use different methods, provided he is consistent, for different assets or classes of assets. The alternative methods apply to additions after December 31, 1953.

Several of the survey companies have revised their depreciation policies accordingly.

In the 1954 annual reports, 49 of the survey companies stated that they used the *straight line* method of depreciation on assets acquired prior to January 1,

TABLE 6: DEPRECIATION—ANNUAL CHARGE

Presentation in Income Statement:	1954	1953	1952	1951	1950
Listed among other costs with single total amount for—					
Depreciation (*Nos. *23, 118, 173, 274, 318, 456, 517*)	176	180	196	221	249
Depreciation and amortization (*Nos. *55, 158, 230, 336, 417, 557*)	126	126	112	91	67
Depreciation, amortization, and depletion (*Nos. *18, 204, 377, 412, 509*)	29	27	27	24	12
Depreciation and depletion (*Nos. *17, 136, 212, 322, 376, 468*)	31	30	27	28	33
Depreciation and unrelated costs (*Nos. *258, 374*)	2	2	2	2	2
Segregated within income statement in note or schedule (*Nos. *41, 126, 243, 435, 462, 538*)	25	20	20	15	15
Presented at foot of income statement in note or schedule (*Nos. *7, 133, 237, 346, 420, 508*)	95	99	105	107	111
	484	484	489	488	489
Set Forth Elsewhere in Annual Report:					
In notes to financial statements (*Nos. *16, 151, 213, 338, 450, 554*)	77	79	75	74	65
In letter to stockholders (*Nos. *144, 295, 487*)	14	9	13	12	16
Number of Companies Referring to					
Annual depreciation charge	575	572	577	574	570
Accumulated depreciation but not referring to annual depreciation charge	25	28	23	26	30
	600	600	600	600	600

*Refer to Company Appendix Section.

1954 and disclosed the adoption of other methods on subsequent additions as follows:

Declining balance method (*Co. Nos. 17, 130, 219, 431, 521) (**1)	20
Sum of the years digits method (*Co. Nos. 37, 95, 230, 301, 579) (**1)	17
Declining balance and sum of the years digits methods (*Co. Nos. 206, 319, 410, 539) (**1)	4
Accelerated depreciation methods (*Co. Nos. 44, 62, 71, 96, 266, 337, 427) (**4)	7
Accelerated depreciation and sum of the years digits methods (*Co. No. 320)	1
Total	49

An additional 52 companies did not reveal the method of depreciation used on assets prior to January 1, 1954, but disclosed the new methods adopted for subsequent additions as follows:

Declining balance method (*Co. Nos. 12, 54, 313, 362, 386)	11
Sum of the years digits method (*Co. Nos. 18, 94, 216, 274, 429) (**1)	17
Declining balance and sum of the years digits methods (*Co. Nos. 25, 350, 528) (**1)	3
Accelerated depreciation method (*Co. Nos. 73, 151, 254, 323, 553) (**3)	21
Total	52

In the reports of 19 survey companies, the method of depreciation was given simply as follows:

Straight line method (*Co. Nos. 107, 303, 496, 524, 569)	10
Accelerated depreciation method (Co. No. 568***)	1
Production method (unit of production) (*Co. Nos. 465, 510)	2
Straight line and production methods (*Co. Nos. 56, 59, 447, 459, 537, 551)	6
Total	19

*Refer to Company Appendix Section.

**Number of companies adopting new method for tax purposes only.

***Co. No. 568—*United States Steel Corporation* contains a lengthy discussion on depreciation in its annual report—pages 23-27 inclusive.

As enumerated above, the annual reports of 120 survey companies referred to the method of depreciation used. Of the remaining companies, 82 referred only to the basis upon which the annual charge was computed rather than the method used and 398 companies made no reference to either the basis or method of depreciation although annual depreciation was evident.

Examples of the various methods used have been selected from 1954 annual reports and are given below:

Sum-of-the-Years Digits

BLUE BELL, INC.

Balance Sheet

Plant Property (at cost):	
Land	$ 64,889
Buildings	675,284
Machinery and equipment	2,022,656
Office furniture and equipment	753,008
Automobiles and trucks	99,528
Construction in progress	48,963
	$3,664,330
Less accumulated depreciation (Note 2)	1,805,846
Plant property, net	$1,858,483

Statement of Income and Earned Surplus

Cost of Goods Sold (including provision for depreciation $163,128)	$44,657,758

Note 2: During the year ended November 30, 1954 the Company adopted the "sum-of-the-years digits" method of computing depreciation on all new property acquired subsequent to December 31, 1953 as provided for in the 1954 Internal Revenue Code. The depreciation provision for all other property was computed by use of the "straight-line" method, as in prior years. The use of the "sum-of-the-years digits" method rather than the "straight-line" in computing depreciation on 1954 new property additions has resulted in decreasing net income for the year ended November 30, 1954 by approximately $3,500.00.

Straight Line

BRISTOL-MYERS COMPANY

Consolidated Statement of Financial Position

Property, Plant and Equipment at cost or appraised values lower than cost:	
Land	$ 342,766
Buildings	12,818,280
Machinery, equipment, fixtures, etc.	20,989,632
Construction in progress	600,869
	$34,751,547
Less: Allowance for depreciation	11,498,574
	$23,252,973

Statement of Consolidated Earnings

Cost of sales, advertising, selling and administrative expenses, including depreciation of $1,855,030	$55,679,153

Notes: *Property, Plant and Equipment*—Property, plant and equipment are generally valued at cost, the exception being in the case of certain subsidiaries 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.

THOR CORPORATION

Statement of Consolidated Income

Provision for depreciation and amortization of plant and equipment (Note F)	$511,641

Note F: *Depreciation and Amortization Policy.*

The policy of the companies is to provide for depreciation on the basis of annual rates which are calculated to extinguish the cost amounts over the estimated useful lives of the assets. The estimated useful lives of depreciable property range as follows:

Buildings	20 to 50 years
Machinery and equipment	6 to 18½ years
Patterns, tools, molds, and jigs	5 to 8 years
Automobiles and trucks	4 to 5 years
Metered machines	8½ years
Furniture and fixtures	4 to 15 years
Emergency facilities	5 years
Leasehold improvements	Life of lease

The companies follow the policy of charging to income when incurred all expenditures for maintenance and repairs and minor expenditures for renewals and betterments of a character not calculated to extend the life of any asset beyond its estimated original life or to materially increase its productivity. Other expenditures for renewals and betterments of a character calculated to extend the originally estimated life of an asset or materially increase its productivity are capitalized.

It is the policy of the companies to remove from the accounts the cost and accumulated depreciation on assets retired or disposed of, charging or crediting to income the difference between the depreciated cost and the proceeds of sale or salvage.

It is the policy of the companies to carry patents, trademarks, and good will at a nominal amount and to charge expenditures for patents to income when incurred.

Declining Balance

CHARMIN PAPER MILLS INC.

Consolidated Balance Sheet

Property, Plant and Equipment, at Appraised Values at March 1, 1922, Plus Subsequent Additions at Cost

Property, Plant and Equipment—Pulp and Paper Mills	$13,447,872
Less: Reserve for Depreciation and Amortization	5,536,915
Net Value	$ 7,910,957
Property, Plant and Equipment—Yeast Plant	2,337,132
Less: Reserve for Depreciation and Amortization	83,402
Net Value	$ 2,253,730
Total Fixed Assets	$10,164,687

Note 7: The general policy of the company with regard to depreciation and amortization of property, plant and equipment is as follows:

a. Acquisitions prior to January 1, 1954 are being depreciated on a straight line method based on management's estimate of the useful lives of the various property classes,

b. Acquisitions subsequent to December 31, 1953 are being depreciated on a declining balance method at double the rate otherwise applicable on the straight line method,

c. Emergency facilities are being amortized over a sixty (60) month period.

Charges for depreciation and amortization for the fiscal year ended April 30, 1955 totaled $767,682, reflected as follows:

Depreciation at normal straight line rates for all property, plant and equipment	$518,240
Excess over normal of depreciation on declining balance method	80,225
Excess over normal of amortization of emergency facilities	169,217
	$767,682

Straight Line and Unit of Production

THE PITTSTON COMPANY

Consolidated Balance Sheet

Fixed Assets—at cost (Note 1):	
Bituminous coal lands	$20,530,088
Other properties and equipment, including improvements to leased properties, net of amortization	51,046,429
	$71,576,517
Less: Depreciation and depletion to date	24,022,543
	$47,553,975
Leasehold coal lands, net of amortization	309,620
	$47,863,595

Consolidated Income Statement

Depreciation, depletion and amortization (Note 1)	$ 3,530,325

Note 1. Fixed Assets:

Bituminous coal lands include $2,364,091.86 (before depletion

$387,908.37) of property formerly operated by Sheridan-Wyoming Coal Company, Inc., a subsidiary, now leased to outside interests on a per ton mined royalty basis.

Provision for depreciation and obsolescence of properties and equipment has generally been made on the straight-line method at varying rates depending upon the estimated life. Clinchfield Coal Corporation, a subsidiary, effective January 1, 1954, adopted a per ton produced basis for computing depreciation on certain coal operating equipment which prior thereto had been depreciated on the straight-line method. The application of this revised method resulted in a decrease of approximately $590,000 in the charge for depreciation during the year ended December 31, 1954. The net effect of this change after adjusting for minority interest is to increase the consolidated net income for the year ended December 31, 1954 by approximately $350,000 as compared to what it would have been on the basis used in the preceding year.

Composite Rate

WHEELING STEEL CORPORATION
Consolidated Balance Sheet

Fixed assets:	
Land, mineral properties, buildings, machinery, equipment, etc., at cost	$226,993,124
Less: depreciation, depletion and amortization	89,027,369
	$137,965,755

Note: Provision for depreciation of depreciable steel plant assets is computed at an annual composite rate (adjusted on the basis of operations) 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. Depreciation of certain plant and equipment covered by Certificates of Necessity has been provided on the basis of the amounts deductible in computing federal income taxes.

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 accumulated 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.

Accelerated Depreciation

JOHNSON & JOHNSON
Consolidated Balance Sheet

Property, Plant and Equipment, at cost	
Land and buildings	$35,942,000
Machinery and equipment	35,136,000
Construction in progress	962,000
	$72,040,000
Less accumulated wear and exhaustion (Note 3)	32,559,000
	$39,481,000

Consolidated Statement of Earnings

Costs and Expenses:	
Wear and exhaustion of property, plant and equipment (Note 3)	
Normal provision (including amortization under certificates of necessity)	$ 5,164,000
Accelerated provision	302,000

Note 3: The domestic companies changed their method of computing depreciation in 1954, as explained on page 2 of this report. The effect of the change is to increase 1954 net earnings by approximately $300,000.

To the Stockholders: *Effect of Internal Revenue Code of 1954*: Net earnings in 1954 reflect two changes in deductions allowed by the Internal Revenue Code of 1954 pertaining to depreciation and provisions for estimated expenses.

First, the Company changed its method of computing normal depreciation in 1954 from the straight-line method to the sum of the years-digits method. The latter method results in a faster write-off of the cost of new buildings and equipment in the earlier years of use. It applies only to property acquired after December 31, 1953.

Beginning with 1946, the Company has charged operating expense with accelerated depreciation in addition to normal depreciation on the cost of new buildings and equipment. This charge, equivalent to a full year's normal depreciation in the year of construction or installation and in each of the two succeeding years, was intended to apply a larger proportion of depreciation expense to the early years of operation when the economic usefulness of the facilities is greatest. The provision for accelerated depreciation was not deductible for Federal income tax purposes.

The depreciation permitted under the Internal Revenue Code of 1954 accomplishes substantially the same purpose as the previous accelerated depreciation. Therefore, the Company has discontinued charging operating expense with accelerated depreciation on assets acquired after December 31, 1953. Substitution of the sum of the years-digits method for accelerated depreciation results in a net earnings increase in 1954 of approximately $300,000.

*Refer to Company Appendix Section.

Accelerated Depreciation

Several companies indicated in their 1954 reports that they followed the policy of providing for accelerated depreciation on assets *acquired in prior years.* Three companies disclosed such a charge in their income statements for the year (*Co. Nos. 64, 235, 320). Three additional companies indicated in notes to the financial statements that a provision for accelerated depreciation had been included in the accounts (*Co. Nos. 124, 446, 547).

LUKENS STEEL CO., in a note to the Statement of Income and Earned Surplus, stated that the policy of providing for accelerated depreciation was discontinued at the beginning of the fiscal year 1955:

"*Depreciation*: Effective with the fiscal year 1947, the company adopted a policy of providing accelerated depreciation on the cost of property additions in the early years of their lives. This depreciation, which is not deductible for income tax purposes, amounted to $681,020 in 1954. . . . The policy was discontinued at the beginning of the fiscal year 1955.

"It has been the practice of the company to record in its accounts depreciation on the cost of facilities covered by Certificates of Necessity over their estimated service lives in accordance with its customary depreciation policies. However, amortization of this cost at the rate of 20 per cent a year is deducted for tax purposes, as permitted by the Internal Revenue Code.

"For 1954 and 1953 the total depreciation provided in the accounts is substantially equal to depreciation and amortization deducted for Federal income tax purposes."

E. I. DuPONT DE NEMOURS & COMPANY, in its *1953* report (Note 5), stated that its "policy of accelerated depreciation was discontinued effective January 1, 1954."

W. T. GRANT COMPANY, in its letter *To the Stockholders* revealed that a policy of accelerated depreciation had been maintained by the company for some time:

"*Taxes*— . . . In computing the 1954 federal income taxes, the Company used the so-called sum-of-the-years-digits method of depreciation for furniture and fixtures acquired after 1953, which is permitted by the Internal Revenue Code of 1954. The new method allows faster depreciation of assets during the early years of their life than the so-called straight line method which the Company has always used.

"While this new method provided an increase of $216,000 in depreciation for tax purposes in 1954, the total depreciation taken for tax purposes was less than that taken on the books and reflected in the financial statements in this report because the Company has consistently taken higher depreciation on assets acquired prior to 1954 than that allowed for taxes, and the present revised tax law did not provide for any change in depreciation of assets acquired in prior years.

"Adoption of the new method of depreciation, for tax purposes only, resulted in a deferral of $112,000 in income taxes. This new method of depreciation will enable the Company to recover at a faster rate, through depreciation, the funds spent for capital expenditures, and to re-invest them in additional new, enlarged and modernized stores."

BUFFALO-ECLIPSE CORPORATION provides greater detail regarding accelerated depreciation in its statements as follows:

Consolidated Balance Sheet

Property, Plant and Equipment (Note B)—Total	$10,191,515
Less: Provision for depreciation at normal rates	4,814,580
	$ 5,376,935
Less: Acceleration by amortization	664,718
	$ 4,712,217
Within Stockholders' Equity:	
Appropriated retained earnings:	
For accelerated depreciation (Note E)	$ 328,253
Consolidated Statement of Retained Earnings Used in the Business	
Add: (*to Adjusted Retained Earnings—August 1, 1953*)	
Accelerated depreciation adjustment (Note E)	$ 10,665

Note B: Property, Plant and Equipment—Land, buildings, machinery and equipment are valued at cost less provision for depreciation at normal rates, with a further reduction for the excess of accelerated amortization of emergency facilities over 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 at cost reduced to give due consideration to wear and depreciation. Depreciation accrued during the year was $293,066.18; amortization of emergency facilities in excess of depreciation at normal rates was $79,840.92.

Note E—Accelerated Depreciation—During the period from January 1, 1949 to July 31, 1953, the Company followed a policy of appropriating a portion of its net income for accelerated depreciation on current year plant and equipment additions, excluding such additions covered by certificate for amortization as emergency facilities. The amount appropriated each year, together with depreciation provided at the regular normal rates for a five-year period, will reduce the net book value of each year's additions to fifty per cent of original cost at the end of a five-year period.

Also under this policy, a portion of the accelerated depreciation will be reversed each year after the end of the applicable five-year period so that the net book value will not be reduced to less than fifty per cent of original cost until midway in the normal life of the asset. This adjustment for the year ended July 31, 1954 was $9,381.80; the reversal for retirements totaled $1,283.38.

(Refer to Section 4, Appropriations of Retained Earnings —Property Purposes, example—Buffalo Eclipse Corporation.)

BUCYRUS-ERIE COMPANY, in its *Report of Operations* commented on accelerated depreciation as follows: "Because of the Company's decision to avail itself of the accelerated depreciation provisions of the Federal Revenue Code of 1954 as to all machinery and equipment acquired after December 31, 1953, it will be unnecessary to provide the additional book depreciation which has been the practice for many years. This additional depreciation was provided because of the inadequacy of depreciation allowed by the federal government for tax purposes."

AMERICAN VISCOSE CORPORATION revealed that the practice of providing accelerated depreciation was discontinued in *notes to the financial statements*:

Note 2: Depreciation—A total of about $16,000,000 was charged to income in the years 1947 through 1951 as accelerated depreciation of plant facilities when operations exceeded 80% of capacity. In 1954 this practice was discontinued and roundly $15,500,000 together with a general provision of $5,900,000 previously made was transferred to a special depreciation account available for extraordinary losses on retirements of plant facilities. $1,900,000 was charged to this account in 1954.

A comparative table disclosing the practices of the companies with regard to accelerated depreciation has been omitted from this section because it has been found that sufficient information has not been given consistently in the annual reports to provide a valid basis of comparison.

AMORTIZATION OF EMERGENCY FACILITIES UNDER CERTIFICATES OF NECESSITY

The review of the 1954 annual reports revealed that 154 survey companies referred to the amortization of emergency facilities under certificates of necessity. Table 7 discloses that 121 of these companies deducted accelerated amortization for both tax and accounting purposes. An additional 25 companies deducted the accelerated amortization for tax purposes only, and accordingly, provided for the resulting deferred tax benefit. Eight companies deducted the accelerated amortization for tax purposes only, but failed to state whether the resulting tax benefit had been recognized in the accounts.

The *Restatement and Revision of Accounting Research Bulletins,* (Chapter 9, Section C) provides a complete discussion of the problems involved in the amortization, under certificates of necessity, of emergency facilities over a period of 60 months as allowed for income tax purposes.

Recognition of Income Tax Effects

In some cases, the amount of depreciation charged in the accounts on that portion of the cost of the facilities for which certificates of necessity have been obtained is materially less than the amount of amortization deducted for income tax purposes and the amount of income taxes payable annually during the amortization period may be less than it would be on the basis of the income reflected in the financial statements. In such cases, after the close of the amortization period the income taxes will exceed the amount that would be appropriate on the basis of the income reported in the statements. Accordingly, the committee on accounting procedure has recommended that during the amortization period, where this difference is material, a charge should be made in the income statement to recognize the income tax to be paid in the future on the amount by which amortization for income tax purposes exceeds the depreciation that would be allowable if certificates of necessity had not been issued.

General Refractories Company, during 1954, revised its accounting treatment for emergency facilities under certificates of necessity to provide only normal depreciation in its accounts. The company also recognized the future income taxes payable through the creation of a deferred liability account charged in the current income statement.

TABLE 7: ACCELERATED AMORTIZATION UNDER CERTIFICATES OF NECESSITY

Accelerated Amortization	1954	1953	1952
Deducted for Both Book and Tax Purposes, With *Charge* for Accelerated Amortization of Emergency Facilities—			
Separately set forth in:			
Statement of income (*Nos. *13, 155, 173, 334, 599*)	18	22	25
Notes to statements (*Nos. *70, 114, 210, 303, 469, 573*)	36	37	28
Letter to stockholders (*Nos. *33, 169, 204, 342, 472, 538*)	20	22	16
Schedule of fixed assets (*Nos. *60, 179, 502*)	7	9	4
Combined with normal depreciation on regular facilities, set forth in:			
Statement of income (*Nos. *320, 354, 549*)	3	3	7
Notes to statements (*Nos. *9, 189, 203, 352, 447, 501*)	25	23	21
Letter to stockholders (*Nos. *79, 417, 533*)	11	12	15
Schedule of fixed assets (*No. *544*)	1	3	6
Total	121	131	122
Deducted for Tax Purposes Only, With no recognition of deferred tax benefit in accounts—			
Referred to in:			
Notes to financial statements (*Nos. *2, 116, 212, 356, 460*)	7	2	1
Letter to stockholders (*No. *217*)	1	—	—
Total	8	2	1
Deducted for Tax Purposes Only, With *Charge* for Deferral of Tax Benefit Under Certificates of Necessity—			
Set forth in:			
Statement of income (*Nos. *170, 238, 245, 257, 271, 322, 358, 384, 458, 482, 552, 589*)	12	10	7
Notes to statements (*Nos. *43, 148, 162, 171, 188, 207, 221, 301, 395, 451, 509*)	11	10	5
Letter to stockholders (*Nos. *378, 456*)	2	2	—
Total	25	22	12
Number of Companies Referring to Certificates of Necessity and:			
Amortization of emergency facilities	154	160	168
Not referring to certificates of necessity	446	440	432
	600	600	600

GENERAL REFRACTORIES COMPANY
Comparative Balance Sheet

Real estate, plant and equipment, at cost, less allowances for depreciation, depletion, amortization, and loss on abandonments and replacements, as annexed (Note 5)	$22,011,032
Non-current liabilities:	
Reserve for deferred Federal taxes on income (Note 5)	755,689

Comparative Statements of Income	1954
Depreciation (including in 1953 amortization of emergency facilities (Note 5)	$ 2,373,461
Income before estimated taxes on income	$ 3,962,396
Provision for Federal and State taxes on income:	
Current and prior years	$ 400,000
Deferred Federal taxes on income on account of accelerated depreciation	755,690
	$ 1,155,690
	$ 2,806,706

Note 5: Certain of the company's plant facilities are covered by Certificates of Necessity which for income tax purposes permit the amortization of their cost over a 60-month period. Prior to 1954 such accelerated amortization was deducted in determining taxable income and was recorded in the books of account. Effective as of January 1, 1954, the company adopted the policy of writing off the unamortized balance of the cost of these facilities on the basis of the remaining years of economic usefulness estimated as of that date; however, the 60-month amortization basis will continue to be used for income tax purposes.

With respect to 1954, the amortization for tax purposes is $1,453,000 more than the depreciation recorded in the accounts of the company. For book purposes the sum of $755,689.97 has been set aside as a reserve for future additional taxes payable because of absence of a deduction for depreciation after the expiration of the 60-month period.

THE BULOVA WATCH COMPANY, INC.
Consolidated Balance Sheet

Plant Property—At Cost:	
Land, Buildings, and Improvements (including $3,143,574 subject to accelerated amortization) Note B	$ 7,715,651
Machinery and Equipment (including $1,226,110 subject to accelerated amortization) Note B	3,995,302
Furniture, Fixtures, and Leasehold Improvements	627,865
Total	$12,338,818
Less—Accumulated Depreciation	1,975,355
Net	$10,363,463
Noncurrent liabilities:	
Deferred Federal taxes on income—including accelerated amortization of emergency facilities	$ 371,218
Condensed Consolidated Statement of Income and Earned Surplus	
Net Income before Income Taxes	$ 6,046,318
U. S. and Foreign Income Taxes (including $234,199 deferred—relating to accelerated amortization of emergency facilities)	3,180,098
Net Income for the Year	$ 2,866,220

Note B: Depreciation on property covered by certificates of necessity has been booked at normal rates used by the company, although for income tax purposes the accelerated amortization of 20% per annum will be deducted. The excess of the tax amortization

CONTINENTAL CAN COMPANY, 1954 IN

WHAT WE RECEIVED AND WHAT WE DID WITH IT

	1954 Total (Millions)	1953 Total (Millions)	Increase Over 1953 (Millions)	1954 Per Common Share	1953 Per Common Share
INCOME					
Net amount billed to customers and other income	$620.1	$557.3	$62.8	$170.07	$161.14
EXPENSES					
For salaries and wages to employees (1953 figures restated)	144.5	122.0	22.5	39.64	35.28
For employees' benefits — (vacations, pensions, social security, rest periods, etc.) (1953 figures restated)	28.6	23.4	5.2	7.84	6.76
For materials and outside services	387.3	363.3	24.0	106.22	105.05
For taxes of all kinds (except on purchases and for social security)	24.2	19.4	4.8	6.64	5.61
For wear and tear on plants and tools	12.0	10.4	1.6	3.28	3.00
For interest on money borrowed and exchange	2.8	3.1	.3*	.76	.90
Total	599.4	541.6	57.8	164.38	156.60
BALANCE (NET INCOME)	20.7	15.7	5.0	5.69	4.54
Used for dividends to Preferred shareholders	.6	.9	.3*	.17	.25
Available after payment of Preferred dividends	20.1	14.8	5.3	5.52	4.29
THIS WAS USED FOR					
Dividends to Common shareholders {$2.70 per share 1954, 2.40 per share 1953}	9.6	8.0	1.6	2.65	2.33
Reinvestment in the business	10.5	6.8	3.7	2.87	1.96
	$ 20.1	$ 14.8	$ 5.3	$ 5.52	$ 4.29

*Decrease.

INC. ANNUAL REPORT 1954

BRIEF

WHAT WE HAD TO WORK WITH AT END OF YEAR

	1954 Total (Millions)	1953 Total (Millions)	Increase Over 1953 (Millions)	1954 Per Common Share	1953 Per Common Share
OUR WORKING CAPITAL (cash and items readily convertible into cash) consisted of					
Money and short term securities	$ 17.7	$ 18.5	$ .8*	$ 4.86	$ 5.35
Amount due from customers and others	33.9	27.4	6.5	9.30	7.92
Materials and products for use or sales	111.4	95.5	15.9	30.54	27.63
In terms of cash, the above amounted to	163.0	141.4	21.6	44.70	40.90
Against this, we owed for bank borrowings, current bills, payrolls, taxes, dividends, etc.	80.7	55.5	25.2	22.12	16.06
After paying what we owed currently, the amount of working capital left to run the business was	82.3	85.9	3.6*	22.58	24.84
OUR TOOLS AND OTHER ASSETS					
Land, buildings and equipment, after allowance for wear and tear	181.2	166.2	15.0	49.68	48.06
Investments, advances and other assets	13.9	12.9	1.0	3.81	3.73
TOTAL OF WHAT WE HAD TO WORK WITH	277.4	265.0	12.4	76.07	76.63
Against this, we owed long-term debt payable over the next 22 years	55.6	58.6	3.0*	15.25	16.94
THE REMAINING BALANCE, representing the shareholders' interest in the business was	221.8	206.4	15.4	60.82	59.69
Of the above, the Preferred shareholders' investment was	15.0	18.8	3.8*	4.11	5.44
THIS LEFT AS THE VALUE OF THE COMMON SHAREHOLDERS' INTEREST in the Company, including operating reserves	$206.8	$187.6	$19.2	$ 56.71	$ 54.25

*Decrease.

over normal depreciation results in a temporary tax benefit of $234,199 which has been charged against earnings and credited to Deferred Federal Taxes on Income. The amount so deferred will be taken into earnings in the years following the amortization period, when depreciation on property covered by certificates of necessity then being booked in the accounts will not be deductible for income tax purposes.

Amortization of Emergency Facilities Deducted for Both Accounting and Tax Purposes

HOFFMAN ELECTRONICS CORPORATION
Consolidated Balance Sheet

Fixed Assets—at cost (Note B)	
Land	$ 558,658
Buildings, machinery, other equipment and improvements	2,449,015
	$3,007,673
Less accumulated depreciation and amortization	835,892
	$2,171,781

Note B: Fixed Assets—Included in fixed assets are certain items acquired under a certificate of necessity authorizing amortization of 70% ($508,412) of the cost over a sixty-month period, the remaining cost being subject to normal depreciation. The excess over normal depreciation in the statement of consolidated earnings for the year ended December 31, 1954 is $66,441 and the aggregate accumulated to that date is $134,201.

Amortization of Emergency Facilities Deducted for Tax Purposes Only

THE EAGLE-PICHER COMPANY
Consolidated Balance Sheet

Property, Plant and Equipment:	
Mining lands and leases; mills, smelters and manufacturing plants, railroad and other properties—at cost	$58,758,426
Less: Allowance for depletion, depreciation, etc.	32,934,017
	$25,824,409

TABLE 8: HIGHER PLANT REPLACEMENT COSTS

	1954	1953	1952
Presentation in Report			
A. Income statement, separate last section	1	1	1
Transfer from other reserves	—	—	1
B. Charge to Retained Earnings	1	3	4
	2	4	6
C. Credit to Retained Earnings	4	4	3
D. Credit to Reserve for Depreciation	1	—	—
	5	4	3
Number of Companies with Reserves for Higher Plant Replacement Costs			
At beginning of year	15	19	21
Established during year	—	—	2
Eliminated during year	5	4	4
E. At end of year	10	15	19
No reserves for higher plant replacement costs	590	585	581
	600	600	600

A: *Co. No. *570;* B: *Co. No. *107;* C: *Co. Nos. *132, 456, 493, 560;* D: *Co. No. *291;* E: *Co. Nos. *76, 107, 169, 269, 333, 401, 492, 531, 540, 570.*
*Refer to Company Appendix Section.

Statement of Consolidated Profit and Loss and Earned Surplus

Provision for depletion and depreciation	$ 1,990,578

Note 3. The company has secured certificates of necessity on certain facilities, which permit $2,719,000 of the cost to be amortized over a sixty month period for the determination of income subject to Federal taxes. In the financial statements depreciation of such facilities has been computed on the basis of the estimated useful lives of the assets in accordance with the company's established depreciation policy. The amortization deducted for Federal income tax purposes is $166,000 in excess of the depreciation recorded in the accounts. Federal taxes on income have been reduced by $86,000 as a result of this additional taxable deduction.

PLYMOUTH OIL COMPANY
Consolidated Balance Sheet

Fixed Assets (at cost)	
Property, plant and equipment	$91,222,979
Less: Accumulated depreciation, depletion and amortization	41,996,338
	$49,226,641

Consolidated Statement of Income

Costs and Expenses:	
Depreciation and amortization	2,280,219

Note 3: Fixed Assets—At December 31, 1954 fixed assets include facilities of Republic Oil Refining Company having an approximate cost of $4,157,842, which are subject to accelerated amortization for income tax purposes ($2,832,392 to the extent of 65%, $1,251,300 to the extent of 40%, and $74,150 to the extent of 15%). Normal depreciation recorded for book purposes in 1954 was approximately $243,000 less than the allowance claimed for tax purposes.

HIGHER PLANT REPLACEMENT COSTS

In 1951 the survey revealed that 21 companies disclosed reserves for higher plant replacement costs. Since that time, the annual reports of the respective companies have indicated a gradual decline in the use of such reserves. The current survey reveals that only ten companies disclosed such reserves at the end of their current fiscal years (see Table 8).

PITTSBURGH PLATE GLASS COMPANY, in its 1954 annual report, restores to Retained Earnings an amount of $26,644,633 previously appropriated "to increase charges for wear and exhaustion of facilities to a replacement cost rather than an original cost basis." Additional comment was provided in the *Financial Review of 1954—Depreciation Policy*. (Refer to Section 4, *Appropriation of Retained Earnings—Property Purposes, Pittsburgh Plate Glass Company* for additional comment.)

PENSION AND RETIREMENT PLANS:

The 600 survey companies included 347 which indicated that there were pension or retirement plans in operation during 1954; the remaining 253 companies made no reference to the existence of such plans. Five of the survey companies stated in their 1954 reports that they had adopted new pension plans during the year (*Co. Nos. 48, 213, 305, 522, 581) and five companies disclosed new plans which either supplemented or replaced pension plans previously in effect (*Co. Nos. 38, 132, 136, 329, 365).

Forty-nine other companies that had referred to pension plans in a prior year made no reference to such plans in their 1954 reports. In approximately 72 per cent of the 1954 reports which mentioned pension plans it was indicated that such plans were funded or partially funded. Approximately 7 per cent of the plans were stated to be unfunded; in the remaining 21 per cent no such information was given.

The companies which mentioned pension plans in their 1954 reports usually disclosed such costs in the income statement (*Co. Nos. 73, 149, 221, 413, 540) or provided information which indicated that a pension plan existed (*Co. Nos. 48, 89, 201, 374, 404). Some companies provided supplementary data with regard to their plans (*Co. Nos. 88, 136, 219, 334, 497).

It appears that detailed information concerning a plan is usually given by the company in the year in which the plan was originally adopted or in a year in which the plan was materially modified; however, in subsequent years the amount of such information is apt to be substantially reduced. It is for this reason that statistical comparisons between years, based upon the varying degree of disclosure of data in annual reports, would appear to be of little value and have therefore been omitted. Table 9 summarizes the information contained in the 1954 reports with regard to the funding of pension and retirement plans by the survey companies. This tabulation also shows the manner in which the companies presented the related "current" service, "past" service, or "pension" costs in their 1954 reports.

Examples

The following examples from the financial statements, footnotes to such statements, and letters to the stock-

TABLE 9: PENSION AND RETIREMENT PLANS

	Charge to Income Set Forth For*:						
	Current and Past Service Costs:						
Funded or Partially Funded Plans:	Shown Combined	Shown Separate	Current Service Costs	Pension Costs	Pension Costs With Other Expenses	Charges Not Set Forth	Total 1954 Plans
Current funding of current service costs with installment funding of past service costs	64	34	—	45	19	31	193
Current funding of current service costs with funding completed for past service costs	—	—	7	7	1	7	22
Current funding of current service costs with past service costs not to be funded	—	—	3	—	1	—	4
Basis of funding not set forth	—	—	—	54	13	17	84
	64	34	10	106	34	55	303
Unfunded plans with related costs to be absorbed at time of retirements or as benefits are paid	—	—	—	17	2	10	29
Unidentified plans with no reference made to funding or nonfunding of related costs	—	—	—	26	11	49	86
Total	64	34	10	149	47	114	418
***Charge to Income Set Forth In*:**							
Statement of income	19	2	1	67	34	—	123
Notes to financial statements	36	27	9	58	4	—	134
Uncertified supplementary schedule	2	1	—	—	3	—	6
Letter to stockholders	7	4	—	24	6	—	41
***Charges Not Set Forth For*:**							
Funded pension or retirement plans	—	—	—	—	—	55	55
Unfunded pension or retirement plans	—	—	—	—	—	10	10
Unidentified pension or retirement plans	—	—	—	—	—	49	49
Total	64	34	10	149	47	114	418

Number of Companies:	1954
Referring to pension or retirement plans:	
Disclosing related costs	245
Not disclosing related costs	102
Total	347
Not referring to pension or retirement plans	253
	600

Number of Pension or Retirement Plans:	1954
Adopted during year	10
Amended during year	41
Continued as adopted in prior year	367
Total	418

holders have been selected as illustrations of the accounting and other data supplied by the survey companies in their 1954 annual reports concerning pension and retirement plans:

Trusteed Pension Plans

AMERICAN BOSCH ARMA CORPORATION

Note 5: Pension Plans—The cost of the Corporation's pension plans, which provide for retirement and certain other benefits, is met by making contributions to trust funds. In 1954 the funding method applied to the plan of the American Bosch Division was the "terminal funding method" under which contributions sufficient to provide for retirement benefits are made at the time pensions are granted; and the method applied to the plan of Arma Division was the "Aggregate cost method" under which contributions are made currently as pension costs accrue. It is expected that contributions required to be made under the present plans for 1955 will be substantially higher than for 1954, and that contributions in subsequent years will be comparable to those required for 1955.

AMERICAN RADIATOR AND STANDARD SANITARY CORPORATION

To the Stockholders:

Pensions—During 1954 contributions toward the cost of the Non-Contributory Pension Plan totaled $3,588,820, consisting of $2,494,898 for full current service costs and $1,093,922 for interest and principal payment on account of past service costs. In 1953 total contributions amounted to $5,006,276, made up of $2,243,218 for full current service costs and $2,763,058 on account of past service costs.

In line with the general trend which has developed, the Board of Directors has amended the Non-Contributory Pension Plan, effective June 1, 1955, to provide improved pension benefits for eligible employees. Minimum pensions are increased: on retirement for age to $110 per month after 15 years of continuous service, increased by $2 per month for each additional year of service up to a minimum of $140 after 30 years (minimums previously were $60 to $100 per month after 15 to 25 years of continuous service); and on retirement for disability from $50 to $75 per month. The deduction for Social Security from the monthly pension is fixed at $85 per month. Action was also taken to allow existing pensioners the benefit of recent increases in Social Security.

The amendment will add an estimated $1,220,000 to annual costs ($680,000 for normal future service costs and $540,000 for past service costs, funded on a 4% basis). Past service costs as of June 1, 1955 are estimated to increase by approximately $13,600,000 to a total of $41,100,000, of which it is estimated that $32,500,000 will be unfunded at that date. The estimated past service cost unfunded at December 31, 1954 was $19,175,000. No provision for unfunded past service costs has been made in the accounts of the Corporation at December 31, 1954. The estimated liability of the Non-Contributory Pension Plan Fund with respect to employees who had retired under the Pension Plan at that date was $3,980,000.

During 1954 contributions of American-Standard and participating subsidiary companies to the Supplemental Contributory Pension Plan totaled $471,878. No past service costs are involved in the plan.

Financial statements of the trust funds established under each of the Pension Plans are shown in detail on page 24 of this report. The Non-Contributory Pension Plan Fund is administered by Guaranty Trust Company of New York, and the Supplemental Contributory Pension Plan Fund is administered by The First National Bank of the City of New York.

These funds are not the property of the Corporation.

(Refer to Exhibit, Additional Certified Statements.)

BETHLEHEM STEEL CORPORATION

Consolidated Income Statement

Employment Costs:	
Wages and salaries	$607,830,998
Pensions (Note D, page 14)	25,385,204
Social security and other employee benefits	24,473,295

Note D: *Pensions*—The amount charged in 1954 against current earnings to provide for pensions under the Pension Plan of Bethlehem Steel Corporation and Subsidiary Companies was $25,385,204, of which amount $8,348,606 was paid into the Pension Trust Fund in 1954 as the estimated cost of pensions that were granted in 1954 (other than those granted by railroad subsidiaries) and for certain minor adjustments and $36,598 was paid by one or more of the railroad subsidiaries directly to their pensioners in addition to the amounts which such pensioners were entitled to receive from the Federal Government under the provisions of the Railroad Retirement Act. The remainder, $17,000,000, was paid into the Pension Trust Fund in 1954, to provide for pensions which it is expected will be granted in 1955 and in subsequent years and for adjustments in respect of pensions which were granted prior to 1955, if it shall be found desirable to use any part of such sum for that purpose.

A statement of changes in the Pension Trust Fund (which Fund is not included in the consolidated accounts) during 1954 is shown on page 17.

(Page 17)

Pension Trust Fund
of
Bethlehem Steel Corporation and Subsidiary Companies*

Balance in Fund, December 31, 1953		$117,137,640
Additions to Fund in 1954:		
Received from the Corporation and subsidiary companies	$ 25,348,606	
Income from investments	5,861,032	
Total	$ 31,209,638	
Payments to pensioners in 1954	4,706,533	
Net increase in Fund		26,503,105
Balance in Fund, December 31, 1954		†$143,640,745

*The Pension Trust Fund is not the property of the Corporation or its subsidiary companies and is therefore not included in the consolidated accounts. The Pension Trust Fund does not include any amount to cover retired employees of railroad subsidiaries. Such pensioners, however, are included in the tabulation shown below (See Note D, page 14).

†Of this amount approximately $104,000,000 is available for pensions that shall be granted after December 31, 1954, and for possible adjustments in respect of pensions which were granted prior to 1955, if it shall be found desirable to use any part of such sum for that purpose. The remainder is applicable to (and is estimated to be sufficient to provide for the payment of) pensions that were granted on or before December 31, 1954.

STAHL-MEYER, INC.

Statement of Consolidated Earnings

Note 5: Effective October 29, 1954 the Board of Directors approved the adoption of a voluntary contributory retirement plan to provide retirement benefits for substantially all of its salaried employees. Under the terms of this plan, for which a trustee has been appointed, the Company has undertaken to pay for the entire cost of past service (service from age 40 to October 29, 1954) benefits and to contribute that part of the cost of current service benefits not met by employees' contributions. The total initial cost of past service benefits under the plan, as estimated by the Company's actuary, is $177,158, of which $1,000 was deposited with the trustee prior to October 29, 1954 and charged to earnings of the year then ended. In years beginning subsequent to October 29, 1954 the Company's regular past service contribution must be not less than the amount required, when added to previous years' past service contributions, to equal the amount computed by multiplying 4 per cent of the initial cost of past service benefits ($177,158) by the number of years since the effective date of the plan. No charge has been made to current year's earnings for current service cost as the plan did not become effective until October 29, 1954; such costs for the ensuing year have been estimated at $26,369 by the Company's actuary.

While it is intended to continue the plan indefinitely, the Board of Directors may suspend payments or terminate the plan at its discretion.

Past Service Funding Not Completed or Not Required Under Funded Plans

BLAW-KNOX COMPANY

Statement of Operations

Cost and Expenses:	
Pension Expense (Note 8)	$1,090,857

Note 8: *Pension Plan*—Certain amendments to the Pension Trust Plan covering employees retiring after November 1, 1954, were authorized by the Board of Directors in line with the pattern established in the basic steel industry. Pension expense in 1954 of $1,090,857 represents payments of $676,747 for the normal cost of pension benefits based on current services and $414,110 for 5% of the lump sum cost of pension benefits based on past services. The costs of the plan, including past service costs, are funded and charged to operations as determined from time to time by the Board of Directors in accordance with the requirements of the plan. Based on present regulations, the company's total contributions for pensions are deductible for Federal income tax purposes.

BOHN ALUMINUM AND BRASS CORPORATION

Balance Sheet

Current Liabilities:

Accrued pension costs and other expenses $712,221

Statement of Net Earnings

Cost of pensions for employees $505,800

Note B—Unfunded past service costs under the Corporation's pension plans amounted to approximately $2,750,000 at December 31, 1954, and are being amortized over a period of 30 years from 1950.

CONGOLEUM-NAIRN, INC.

Note 2: The Company's retirement plan comprises two parts: Part A which is non-contributory and unfunded applies, with respect to certain categories of employees, to the first $3,000 of annual earnings and, with respect to other categories, to length of service, and in either case provides for payment of specified amounts to those who attain age 65 and have complied with certain other conditions; Part B, which is contributory and funded, applies to an employee's annual earnings in excess of $3,000.

The Company also provides a pension for totally and permanently disabled employees who have completed at least 15 years of service. This disability pension plan is non-contributory and unfunded. The Company has reserved the right, at the discretion of the Board of Directors, to modify, suspend, or terminate either or both parts of the retirement plan at any time, subject only to certain vested rights of participants under Part B.

The Company follows the practice of recording its liability for payments under Part A of the retirement plan and for payments under the disability pension plan only as they are made; 1954 payments amounted to $114,000. According to the most recent actuarial estimate, assuming the plans are continued without change, the average total annual amount of payments under Part A of the retirement plan and under the disability pension plan, over a 20 year period beginning in 1954, divided into five year periods, will be—first period $201,000, second period $308,000, third period $423,000, and fourth period $530,000. Thereafter, the estimated total annual cost is $655,000. In 1954, the provision for the Company's contribution under Part B of the retirement plan amounted to $173,000.

THE GARLOCK PACKING COMPANY

Consolidated Balance Sheet

Current Liabilities:

Accrued contributions under retirement income plan (Note 1) $445,662

Summary of Consolidated Earnings

Charges for Employee Retirement and Other Benefits (Note 1) $612,671

Note 1: Retirement income benefits are provided by contracts with an insurance company for the employees of the Company and its subsidiaries under basic past and future service pension plans, supplemented by a profit-sharing arrangement applicable to United States employees.

The entire cost of benefits accrued on account of past service, i.e., for service prior to the effective dates of the plans, is borne by the companies. Generally, it is expected that the cost of these past service benefits will be paid to the insurance company over a remaining period of not more than fifteen years. The maximum cost of past service benefits, before taxes on income and subject to termination or amendment of the plans at the Company's option, to be provided by charges to earnings in future years is estimated to be approximately $1,241,000.

The cost of benefits accrued and to accrue on account of future service, i.e., for service subsequent to the effective dates of the plans, is contributed both by employees and the companies.

The entire cost of profit-sharing contributions is borne by the participating companies. The annual amount involved is dependent on consolidated annual earnings before taxes on income. The aggregate profit-sharing contribution thus to be made with respect to any single year shall not exceed $675,000.

SHARON STEEL CORPORATION

Consolidated Balance Sheet

Liabilities:

Pension payments due after one year and provision for possible future payments.. $ 410,000

Consolidated Statement of Income and Accumulated Earnings

Costs and expenses:

Cost of employees' pension and insurance programs—page 14 .... $1,610,298

Page 14—Notes:

Pension Plans—In line with the pattern established in the steel industry 1954 union contracts and as described on page 7 substantial changes in the 1950 Pension Plan have been approved by the Board of Directors and will be submitted to the shareholders at their annual meeting to be held in March 1955. Until December 31, 1953, it was the policy of the Company to provide for pensions at the maximum amount allowable as a deduction for federal income tax purposes, with the result that current service cost and 10% of past service cost were charged to income in each year. Pending actuarial and other consideration of the effect of the proposed changes in the 1950 plan and the determination of a long-range policy of providing for pensions, provision for pensions under the 1950 plan has been made in an amount of $812,000, which is approximately equivalent to cost of current service under that plan. Ten per cent of past service cost under the 1950 plan is estimated at $1,300,000, and if this amount had also been provided in 1954, net income would have been decreased by $611,000.

Page 7—To Shareholders:

On June 30, 1954, an agreement was concluded with the United Steelworkers of America (CIO), providing for a wage increase of five cents per hour, effective July 1, 1954, and for changes in the Insurance Program and Pension Plan, effective November 1, 1954. Under the Insurance Program, the contributions were increased from five cents to nine cents for each hour worked by employees, of which the company and the employee each contributes 4½ cents. Weekly benefits for accident and sickness for wage earners were increased from $26.00 to $40.00 per week and hospitalization benefits were covered under the 120-day Plan instead of the 72-day Plan.

The principal changes in the Non-Contributory Pension Plan under the agreement, subject to the approval of the shareholders, are as follows:

The minimum monthly pension was increased to $140 for those employees who reach age 65 having 30 years of continuous service and retire after November 1, 1954. Heretofore, the minimum monthly pension had been $100 for an employee having 25 years of continuous service and who retired on or after age 65.

The minimum monthly pension for employees with 15 to 30 years of continuous service is $140 reduced by $2 for each year by which the number of years is less than 30.

The minimum pension for total and permanent disability will be increased from $50 to $75 a month and workmen's compensation or occupational disease benefits for permanent disability shall not as heretofore be deducted.

The amount to be deducted from monthly pensions for social security benefits received by pensioners has been fixed at $85 instead of any increased amounts of social security benefits which might be payable under amendments of the Federal social security law.

Group Annuity Plans

BEATRICE FOODS CO.

Statement of Consolidated Earnings

Retirement annuity premiums (Note 5) $193,963

Note 5: Retirement annuity premiums paid include $80,000.00 in 1954 and $46,666.62 in 1955 applicable to past services; under the amended plan as now in effect, the continuation of which is at the option of the company, minimum annual payments required to provide past service benefits vary in amount from year to year but are estimated to average less than $80,000.00. On the basis of future annual payments averaging $80,000.00 the past service benefits would be funded in 17 years after February 28, 1955.

EASTMAN KODAK COMPANY

Financial Notes: Retirement Plan—The company provides retirement annuities for all full-time Kodak people under a group contract with a large insurance company. The amount of the annuity is based on earnings from date of employment until age 65. Only those who have been with the company for 15 years or more have a vested right in the annuities purchased. The plan is completely funded, with the exception of the amount that would be required currently for employees having less than nine years of service. For United States employees, the total cost in 1954 was $15,000,000, which includes certain supplemental payments made by the company.

OWENS-ILLINOIS GLASS COMPANY

To Shareholders: *Retirement Plans.* Our Company has two retirement plans. The Service Retirement Plan covers substantially all employees of the Company at no cost to them. It provides $1 a month for each year of service, with maximum payments of $35 a month. Under this plan there are 802 retired employees currently receiving annuities.

The Contributory Retirement Plan covers 3,750, or 66 per cent of all salaried employees. Virtually all who have qualified are participants. The participants share the cost with the Company. The cost and also the benefits are related to the earnings of the employee, and $25,000 is the maximum annuity permitted. At the close of the year 126 persons had reached retirement age and were receiving annuities under this plan.

Directors who are not officers of the Company are not eligible to participate. The Chairman of the Board and the President, although eligible, have elected not to participate under either plan.

Payments to the Trustee under both plans during 1954 are shown in the annual report of retirement funds which follows.

Effective January 1, 1954, several changes were made in both plans which benefit employees and facilitate administration. The more important of the changes benefiting employees is the changing of normal retirement age of new women participants to 65 from age 60; and present women participants may continue to earn additional benefits for service until age 65.

The Company's payments under both plans are fully deductible for Federal income tax purposes. At December 31, 1954, the unfunded portion of past service credits is estimated to be $150,000.

Unfunded Plans

EASTERN CORPORATION

To the Stockholders: *Pension Plan*—Effective April 1, 1954, the company installed a pension plan for its hourly paid workers. The plan is not funded or insured and is of the non-contributory type with all costs being borne by the company. It is based upon 25 years of service at the normal retirement date of 65 years of age.

HYGRADE FOOD PRODUCTS CORPORATION

Note 7: The Company, in line with other members of the industry, has established a non-contributory pension plan for certain employees under Union contracts, effective initially for the period November 1, 1952 to September 1, 1954, and continuing on a year-to-year basis. The plan, which is integrated with Federal Social Security benefits, is being administered by the Company and payments are being made on a current basis. The estimated liability for payments (net of tax effect) expected to be made to pensioners who have retired under the plan has been accrued. The cost of past service credits accruing to present employees has not been determined.

CHARITABLE FOUNDATIONS

Various of the 600 companies included in the survey have established nonprofit, charitable foundations to serve as a medium for making donations to charitable, educational or other similar organizations. Twenty-two of the survey companies made reference in their 1954 reports to such foundations. Five of the foundations were newly incorporated during 1954 (See Company Appendix Nos. 73, 158, 193, 466, and 495) and seventeen of the foundations were incorporated in prior years (See Company Appendix Nos. 104, 127, 167, 181, 257, 269, 303, 308, 331, 368, 409, 419, 467, 526, 558, 568, and 590).

Columbia Broadcasting System, Inc. commented on the establishment of "CBS Foundation Inc.," as follows:

CBS Foundation Plan. On December 27, 1954 CBS Foundation Inc., the agency for making charitable and educational grants on behalf of CBS and its divisions, announced a plan of making financial contributions to privately supported colleges and universities.

Grants of $2,000 each were made to fourteen colleges and universities from which sixteen key CBS executives were graduated. This sum approximated the "cost of education" which the college or university bore from endowment or other funds over and above the tuition and other charges the individual had paid.

The CBS Foundation Plan is designed to do more than express CBS' appreciation to the institutions from which key executive personnel have been graduated. It is a concrete way of demonstrating our belief in, and support of, the American system of privately endowed higher education.

FEDERAL INCOME TAXES—Current Estimate

There were 560 of the 600 companies included in the survey that showed estimated Federal income taxes for 1954 in their annual reports. Of these companies, 135 included the estimates among other costs, while 425 companies presented such estimates in a separate last section of their income statements. Current estimates for state, foreign, or territorial income taxes were shown by 308 of the 600 companies. Table 10 summarizes the income statement presentation of the current estimates for Federal, state, foreign and territorial income taxes as disclosed in the 1954 annual reports of the survey companies.

Examples—Federal Income Taxes—Current Estimate

Set forth below are representative examples of the presentation in the income statement of the current estimate for income taxes selected from the 1954 reports of the companies reviewed:

MAGMA COPPER COMPANY
Consolidated Statement of Income

Provision for Federal income tax—estimate (Note 2)	—0—

Note 2: *Provision for Federal Income Tax*—Computations made indicate that on the basis of filing a consolidated income tax return for 1954, including San Manuel Copper Corporation and taking therein the development expenditures of that corporation as a deduction, there will be no liability for Federal income taxes for 1954. Federal income and excess profits tax returns have been examined and settled by the Bureau of Internal Revenue through the year 1951.

VANADIUM-ALLOYS STEEL COMPANY
Consolidated Statement of Income and Earnings Retained in the Business

Net Income before Taxes on Income	$3,323,628
Provision for Taxes on Income	
Federal Income	$1,565,000
Federal Excess profits	260,000
Pennsylvania income	98,000

DANA CORPORATION
Consolidated Statement of Profit and Loss and Earned Surplus

(Undesignated total)		$18,798,401.65
Estimated Federal taxes on income:		
Current year	$8,585,000.00	
Future years	1,360,000.00	
Refunds under carry-back provisions of Internal Revenue Code	(785,000.00)	9,160,000.00
Profit before special credit		$ 9,638,401.65

Note 3: Certificates of Necessity permitting accelerated amortization of defense facilities over a five-year period on from 45% to 75% of cost have been granted under which approximately $25,480,000 has been expended. Prior to the year ended August 31, 1954, cost of sales was charged with the accelerated amortization permitted for income tax purposes. However, due to the decline in defense business and considering the further usefulness of the facilities for other than defense needs, an allowance for depreciation was provided in the accounts for the year ended August 31, 1954, computed on the basis of the estimated useful life of the facilities extending beyond such five-year period. Such depreciation charged to cost of sales for the year ended August 31, 1954 was approximately $2,600,000 less than the tax amortization which resulted in a reduction of approximately $1,360,000 in Federal income taxes. This amount has been charged against income and set aside as a reserve for Federal income taxes in future years after the certified portion of the facilities has been fully amortized.

Based on a recent examination by the Internal Revenue Service, the provision for normal depreciation was reduced by approximately $1,600,000 for the year ended August 31, 1954.

The changes mentioned in the two preceding paragraphs, after Federal income taxes, resulted in an increase in profit for the year of approximately $2,000,000.

(Refer to Section 3, Extraordinary items; also Section 2, Income Tax Liability.)

Negative Provision Due to Loss

BARIUM STEEL CORPORATION
Statement of Consolidated Income

Net income before provision for taxes on income (loss)		$(2,097,539.85)
Provision for taxes on income:		
Federal taxes refundable under carry-back provisions of the Internal Revenue Code based on loss for the year 1954	$(1,882,000.00)	
State income taxes	116,172.99	
Estimated income taxes deferred relating to amortization of emergency facilities—net	109,500.00	(1,656,327.01)
Net income for the year (loss)		$(441,212.84)

THE COOPER-BESSEMER CORPORATION
Consolidated Income and Retained Earnings

Loss before taxes on income	($509,084)
Provision for federal, state, and Canadian taxes on income	123,000
	($632,084)
Estimated refundable taxes on income as a result of net operating loss deduction ($758,000) less charge for deferment of income taxes applicable to additional amortization claimed for income tax purposes, $235,000	523,000
Net loss	($109,084)

CONSOLIDATED TEXTILE CO. INC.
Statement of Income and Earned Surplus

Profit or (loss) before charges or credits in respect of federal and state taxes		($636,901)
Estimated federal income tax recoverable in respect of loss carry-back	$180,000,	
and prior years provisions no longer required	$ 60,000	240,000
Net income or (loss) for the year		($396,901)

TABLE 10: CURRENT ESTIMATE FOR FEDERAL AND OTHER INCOME TAXES

Income Statement Designation	Listed among other costs	Set forth in last section	1954 Total
Federal Income Tax Estimate—			
Shown with single total amount for:			
"Federal income taxes"	78	293	371
"Federal income taxes" and, parenthetically therewith, single total amount for "excess profits taxes"	3	5	8
"Federal income" and various other income taxes or non-tax items	46	110	156
"Income taxes" not further designated	8	17	25
Total	135	425	560
Not shown or not required:			
Operating loss carry-forward eliminates estimate	—	—	4
Operating loss shown in statement	—	—	34
No income statement presented	—	—	2
Total			40
			600
Other Income Tax Estimates—			
Shown with single total amount for:			
"State income taxes"	11	70	81
"State income" and other income taxes	20	59	79
"Foreign income taxes"	8	33	41
"Foreign income" and other income taxes	28	77	105
"Territorial income taxes"	—	2	2
	67	241	308

See also Section 1, Table 7: Income Statement Form

EXCESS PROFITS TAXES—Current Estimate

In the 1954 survey only 133 of the 600 companies had fiscal years which extended into 1953 and therefore were subject to the 1950 Excess Profits Tax Law which terminated for taxable years beginning on or after January 1, 1954. There were 39 of these companies that either stated or indicated that they were subject to excess profits taxes for the portion of their fiscal year falling in 1953. An additional 22 companies stated that no excess profits taxes were payable for 1953. *York Corporation* and *Midwest Rubber Reclaiming Company* indicated only that an unused excess profits tax credit this year resulted in a reduction of tax paid in a prior year. The remaining 70 companies made no reference to excess profits taxes in their 1954 fiscal reports.

Examples

The examples set forth below are illustrative of the presentation of the current estimate for excess profits taxes as set forth in the 1954 reports of the survey companies:

COLORADO FUEL AND IRON CORPORATION
Consolidated Income and Surplus

Income before Provision for Federal Taxes on Income	$13,176,729
Provision for Federal Taxes on Income:	
Normal and surtax	6,827,200
Excess profits	107,400
Recovery of excess profits (parent) due to carry-back of unused credit	(809,600)
	6,125,000
Net Income (Note B)	$ 7,051,729

To the Shareholders: *Income and Taxes*—In this fiscal year a net of $6,125,000 was provided for Federal income and excess profits taxes based on income before taxes of $13,176,729. This compares with a provision for taxes of $14,572,400 during the 1953 fiscal year on income of $22,603,624 before taxes.

The requirements for Federal income and excess profits taxes applicable to the current year amounted to $6,934,600, which includes $107,400 excess profits taxes of a subsidiary. These tax requirements are partially offset, however, by a recovery of $809,600 against excess profits taxes, principally of the parent corporation, applicable to the prior fiscal year, resulting in a net charge to income of $6,125,000. This recovery arose from carry-back of current year's unused excess profits credits.

The reserve for Federal income and excess profits taxes, as reflected on the Balance Sheet, is believed to be adequate to cover all such liability for current and preceding years.

(Note B not reproduced herein.)

DRESSER INDUSTRIES INC.
Statement of Consolidated Earnings and Retained Income

Taxes on income—estimated:	
Federal, state and foreign taxes on income (includes excess profits tax of $136,000 in 1954)	$5,949,304
Federal income tax deferred	279,000
	$6,228,304
Less refund of federal excess profits taxes under section 722 of Internal Revenue Code of 1939	553,231
	$5,675,073

To the Shareholders: About $611,000 of net earnings for 1954 were of a non-recurring nature and arose from a refund of excess profits taxes paid during World War II.

Dresser's excess profits tax liability in 1953 was very nominal so that the sharp improvement in net earnings for 1954 was not due to the elimination of excess profits taxes, but rather to a more favorable "sales mix" and to a reduction in manufacturing and general overhead costs.

EX-CELL-O CORPORATION
Statement of Consolidated Earnings

Earnings before Federal taxes on income	$19,024,487
Federal Taxes on Income, estimated:	
Normal tax and surtax	9,900,000
Excess profits tax	285,000
	$10,185,000
Net Earnings	$ 8,839,487

To the Shareholders and Employees:
The excess profits tax was removed effective January 1, 1954. As a result, a reserve of $10,185,000 was provided for Federal taxes on income during fiscal 1954, compared with a similar reserve of $14,636,600 for the 1953 fiscal period.

THE SPARKS-WITHINGTON COMPANY
Statement of Consolidated Income

Income (Loss) before providing for United States and Canadian taxes on Income	$(514,975)
Provision (Credit) for estimated United States and Canadian Taxes on income (credits resulting from carry-back of operating loss and unused excess profits credit):	
Income tax	$(168,000)
Excess profits tax	(42,000)
	$(210,000)
Net (Loss) for the year	$(304,975)

ADJUSTMENTS FOR PRIOR YEAR INCOME TAXES

The *Restatement and Revision of Accounting Research Bulletins,* issued by the committee on accounting procedure of the American Institute of Accountants, in discussing adjustments of provisions for income taxes of prior periods, states that such adjustments, as well as any refunds and any assessments of additional amounts, "should be included in the income statement unless they are so material as to have a distorting effect on net income; in such event they may be charged or credited to surplus with indication as to the period to which they relate" (Chapter 10, Section B, Paragraph 15).

Presentation of Income Tax Adjustments

There were 183 of the 600 survey companies that presented a total of 245 income tax adjustment items in their 1954 annual reports. Table 11 summarizes the various methods of presentation of such items as shown in the annual reports of the survey companies. Over half thereof (179 items) were set forth in the income statement; a number (32 items) were disclosed either in footnotes or in the letter to the stockholders; and the remaining number (34 items) were shown in the statement of retained earnings. The report presentation of income tax adjustments is illustrated in the examples which follow with regard to prior year income taxes, carry-backs and carry-forwards of losses and of unused excess profits credits, and the allocation of income taxes.

Materiality of Income Tax Adjustments

With regard to the income tax adjustments presented by 183 of the 600 survey companies in their 1954 reports, the percentage of materiality and the accounts adjusted for such items are summarized in Table 12. The percentage of materiality of income tax adjustments was determined by the ratio of such item to 1954 earnings adjusted for both income tax adjustments and extraordinary items. Table 12 shows that 84 of such adjustments did not exceed a materiality percentage of 10%; 40 items were within a 11-20% range of materiality; 55 items varied from 21-50%; and only 32 items exceeded 50% of materiality. In the case of 34 of the 245 adjustments for prior year income taxes, the reports did not contain sufficient information for determination of the materiality.

The income account was utilized for 211 income tax adjustments by 160 companies; the retained earnings account for 33 items by 29 companies; and unclassified surplus for one item by one company. A combination of such accounts was frequently employed by the survey companies in recording their income tax adjustments. Examples of income tax adjustments reflected by the survey companies in their surplus accounts during 1954 are set forth in Section 4 under "Appropriation of Retained Earnings—Tax Purposes," "Nonrecurring Losses and Gains," and "Prior Year Adjustments—Taxes." Similar adjustments reflected in the income account are illustrated in the examples which follow under prior year income taxes, carry-back and carry-forwards of losses and of unused excess profits credits, and allocation of income taxes.

Examples—
Adjustments for Prior Year Income Taxes

The following examples, taken from the 1954 reports, illustrate the presentation and treatment of adjustments in connection with prior year income taxes:

BELDING HEMINGWAY COMPANY, INC.

Statement of Income

Net income before Federal taxes on income . .	$836,592
Provision for Federal taxes on income, less, in 1954, adjustments relating to prior years	376,000
Net income (Notes A and D)	$460,592

Note D: As at December 31, 1954, the company deducted for tax purposes certain estimated expenses usually provided for on its books and also revised its expense accrual policy in order to avail itself of a certain deduction from income, as permitted under the Internal Revenue Code of 1954. The net effect of these revisions, after the resultant decrease in Federal taxes on income, was to incrase net income by approximately $29,000.

The Internal Revenue Service has examined the company's income and excess profits tax returns for the years 1949 to 1952, inclusive. To conform with the proposed findings of the Internal Revenue Service, the company revised its method of computing inventories stated on the last-in, first-out basis. This revision was made as at December 31, 1954, but was retroactive to December 31, 1949. The cumulative effect of this revision was to decrease net income by approximately $66,000 after deducting applicable Federal taxes on income.

The accompanying financial statements are subject to final determination of Federal, state and local taxes.

(*Note A* reproduced under example, *Belding Hemingway Company, Inc.* Section 2, Inventory—Lifo)

TABLE 11: INCOME TAX ADJUSTMENTS—1954

	Presentation in Report*								
	A: Income								
	Income Statement				Shown Elsewhere:				
	Among Other Costs:		In last Section:						
Nature of Income Tax Adjustments	With tax estimate	Special item	With tax estimate	Special item	In foot-notes	Letter to stock-holders	Income Total	B: Retained Earnings	1954 Total Items
Prior year tax accrual adjustment	4	6	10	13	7	—	40	8	48
Additional tax assessment or payment . .	—	1	—	2	1	—	4	1	5
Interest expense for prior years taxes . .	—	1	—	—	1	—	2	1	3
Refunds under Sections 721, 722, etc. . .	2	—	7	11	1	—	21	3(1)	24
Carry-back: Unused excess profits credit	3	—	2	—	—	—	5	—	5
Carry-back: Operating loss	3	1	6	16	—	—	26	1	27
Carry-forward: Operating loss	—	—	1	—	4	2	7	—	7
Tax adjustments not identified	4	2	12	8	2	—	28	2	30
Deferment of income tax benefit	—	—	11	5	6	2	24	—	24
Interest received on tax refund	1	—	1	2	1	—	5	—	5
Tax adjustment from non-recurring items	—	4	—	—	—	—	4	1	5
Allocation of Income Taxes, with:									
Extraordinary item shown net of related tax	—	30	—	—	3	—	33	15	48
Extraordinary item shown in full amount	—	6	—	—	—	—	6	1	7
Only tax effect of extraordinary item shown	—	4	—	—	2	—	6	1	7
Total	17	55	50	57	28	4	211	34	245

Number of Companies Presenting Special:	
Income tax adjustment items	87
Income tax adjustment items and non-recurring extraordinary items	96
Non-recurring extraordinary items**	132
Total	315
Number of Companies not presenting special items	285
	600

(1) Includes 1 entry to unclassified surplus.
* See Table 12 for Percentage of Materiality.
** See Tables 13 and 14 for Extraordinary Items.

CELANESE CORPORATION OF AMERICA
Statement of Income

Income before provision for Federal taxes on income	$7,290,268
Provision for Federal taxes on income (less credit of $1,000,000 in 1954 for excess provision in prior years) (Note 4)	700,000
Net Income	$6,590,268

Note 4: Federal Taxes on Income:

The net accrued liability for Federal taxes on income at December 31, 1954 is as follows:

Provision for Federal income and excess profits taxes, net of refund claims	$11,505,144
Deduct U. S. Treasury Notes, Series B and C, and accrued interest	8,926,311
Net	$ 2,578,833

The provision for Federal taxes on income is believed to be sufficient to meet all related liabilities. During the year 1954 certain issues for prior years were cleared with the Treasury Department and the provision has been reduced by $1,000,000 (credited to income) to reflect, in part, the related decrease in tax liability.

Applications for relief from excess profits taxes under Section 722 of the Internal Revenue Code have been filed by the Corporation and certain subsidiaries for the years 1940 through 1945, and by Tubize Rayon Corporation for the years 1941 through 1945. While substantial tax recoveries are expected, no credit therefor has been taken in the financial statements as final settlement is still awaited.

R. J. REYNOLDS TOBACCO COMPANY
Statement of Financial Position
Current Liabilities:

Federal and state taxes (accrued and contingent)	$62,279,308

Statement of Earnings:

Provision for participation in profits under Article XII of By-Laws payable to 1528 officers and employees for 1954	$ 1,187,899
Provision for Federal and states taxes on income (including in 1954 $1,800,000 contingent liability for prior years)	$58,516,509

To the Stockholders: Additional Contingent Tax Reserve—Since the amendment of Article XII of the Company's By-Laws in 1949, the Company, in filing its Federal income and excess profits tax returns, has deducted the amount paid pursuant to the By-Law. This was done for the years 1949 and 1950 in reliance upon the ruling of the Bureau of Internal Revenue issued in 1949. Late in 1951 the Bureau revoked its ruling but the Company has contested the matter and has continued to make such deduction for the years after 1950.

With respect to 1951 and subsequent years the Company charged to each year's operations, and set up as a reserve, an amount estimated to be equivalent to the additional Federal tax that would be payable should determination be made that the payments under the By-Law were not deductible. The total of the tax reserves for the years involved, plus a refund that the Company is entitled to receive in connection with Federal excess profits taxes paid for the years 1940 to 1943, inclusive, is estimated to be about $1,800,000 less than the total additional Federal taxes for the years 1949 to 1954, inclusive, that would be payable in the event of such determination. In order to provide for this contingent liability, which was

TABLE 12: INCOME TAX ADJUSTMENTS—1954

	Percentage of Materiality*														
	Income Account							Retained Earnings Account							1954
Nature of Income Tax Adjustments	0—5%	6—10%	11—20%	21—50%	Over 50%	N	Total	0—5%	6—10%	11—20%	21—50%	Over 50%	N	Total	Total Items
Prior year tax accrual adjustments	10	6	10	7	4	3	40	—	1	2	3	2	—	8	48
Additional tax assessment or payment	1	—	—	2	—	1	4	—	—	—	1	—	—	1	5
Interest expense for prior years taxes	2	—	—	—	—	—	2	—	—	—	—	—	1	1	3
Refunds under Sections 721, 722, etc.	5	2	4	2	4	4	21	1	1	—	1(1)	—	—	3	24
Carry-back: Unused excess profits credit	3	—	1	1	—	—	5	—	—	—	—	—	—	—	5
Carry-back: Operating loss	2	3	2	10	8	1	26	—	—	—	—	1	—	1	27
Carry-forward: Operating loss	—	1	—	1	1	4	7	—	—	—	—	—	—	—	7
Tax adjustments not identified	9	6	5	3	1	4	28	1	—	1	—	—	—	2	30
Deferment of income tax benefit	5	6	3	6	2	2	24	—	—	—	—	—	—	—	24
Interest received on tax refund	3	—	—	—	—	2	5	—	—	—	—	—	—	—	5
Tax adjustment from non-recurring items	—	—	2	—	—	2	4	—	—	—	1	—	—	1	5
Allocation of Income Taxes, with:															
Extraordinary item shown net of related tax	8	3	2	7	8	5	33	—	1	5	5	—	4	15	48
Extraordinary item shown in full amount	1	1	—	3	1	—	6	—	—	1	—	—	—	1	7
Only tax effect of extraordinary item shown	1	1	2	1	—	1	6	—	—	—	1	—	—	1	7
Total	50	29	31	43	29	29	211	2	3	9	12	3	5	34	245

	Accounts Adjusted for Special Items:				
Number of Companies, adjusting accounts:	Income	Income & Retained Earnings	Retained Earnings	Unclassified Surplus	1954 Total
For prior years income tax adjustments	153	7	22	1	183

Number of Companies Presenting Special:	
Income tax adjustment items	87
Income tax adjustment items and non-recurring extraordinary items	96
Non-recurring extraordinary items	132
Total	315
Number of Companies not presenting special items	285
	600

* Ratio of item to 1954 income adjusted for income tax adjustments and extraordinary items.
See Table 11 for Presentation of Income Tax Adjustments. See Tables 13 and 14 for Extraordinary Items.
N Percentage of materiality not determinable.
(1) Entry to unclassified surplus.

Montgomery Ward & Co.

Comparison of Sales, Earnings, Working Capital, and Surplus

YEAR ENDED JANUARY 31	NET SALES	EARNINGS BEFORE TAXES ON INCOME	FEDERAL TAXES ON INCOME	NET EARNINGS	EARNINGS PER SHARE OF COMMON STOCK	DIVIDENDS AMOUNT	DIVIDENDS PER SHARE OF COMMON STOCK	EARNED SURPLUS	WORKING CAPITAL (CURRENT ASSETS LESS CURRENT LIABILITIES)	COMMON STOCK-HOLDERS' INVESTMENT PER SHARE
1955	$ 887,336,812	$70,342,600	$35,110,000	$35,232,600	$ 5.20	$27,420,390	$4.00	$407,437,899	$607,929,595	$95.15
1954	999,123,379	84,075,173	42,880,000	41,195,173	6.12	24,169,201	3.50	389,377,704	587,592,514	92.37
1953	1,084,586,322	95,713,351	46,120,000	49,593,351	7.41	20,918,012	3.00	372,351,732	568,687,756	89.75
1952	1,106,157,077	112,427,330	58,085,000	54,342,330	8.14	20,918,012	3.00	343,676,393	539,168,521	85.34
1951	1,170,461,801	139,299,977	65,140,000	74,159,977	11.19	27,420,390	4.00	310,252,075	504,212,334	80.20
1950	1,084,436,065	78,352,898	30,565,000	47,787,898	7.13	20,918,012	3.00	263,512,488	456,494,085	73.01
1949	1,211,955,909	113,067,076	44,835,000	68,232,076	10.28	20,918,012	3.00	236,642,602	428,167,452	68.88
1948	1,158,674,514	100,865,066	41,815,000	59,050,066	8.86	20,918,012	3.00	189,328,538	380,455,497	61.60
1947	974,256,649	88,652,182	36,370,000	52,282,182	7.83	19,601,245	3.00	151,196,484	343,157,567	55.74
1946	654,778,682	57,632,025	34,700,000	22,932,025	4.12	11,845,172	2.00	118,515,547	245,985,790	50.89
1945	620,968,523	48,495,839	27,210,000	21,285,839	3.81	11,845,172	2.00	125,518,265	232,800,514	48.76
1944	595,932,821	31,722,098	11,045,000	20,677,098	3.69	11,845,172	2.00	116,077,598	220,834,712	46.95
1943	635,006,979	57,092,584	30,655,000	26,437,584	4.79	11,845,172	2.00	106,245,672	208,921,243	45.07
1942	632,708,657	53,226,716	25,875,000	27,351,716	4.97	11,845,172	2.00	87,653,260	187,707,694	41.50
1941	515,910,915	34,418,017	11,390,000	23,028,017	4.14	11,845,172	2.00	72,146,716	171,559,320	38.53
1940	474,882,032	33,660,645	6,650,000	27,010,645	4.91	11,845,172	2.00	60,963,871	160,151,506	36.38
1939	413,961,241	23,664,956	4,020,000	19,644,956	3.50	9,236,598	1.50	45,798,398	148,150,972	33.48
1938	414,090,544	24,710,029	5,500,000	19,210,029	3.41	11,832,663	2.00	35,390,040	137,529,102	31.48
1937	361,297,059	24,818,914	4,620,000	20,198,914	4.12	19,318,175	4.00	28,012,674	130,940,368	29.98
1936	293,042,357	16,527,310	3,000,000	13,527,310	2.65	2,469,036	—	27,131,935	108,573,396	28.46

referred to in previous annual reports, the tax reserve was increased by $1,800,000 in 1954.

The question of the Company's liability for such additional Federal taxes was recently tried in the United States Tax Court but no decision has as yet been reached. Since 1951 and up to the trial, the Company had endeavored to make a satisfactory settlement of the matter.

Tax Assessments, Refunds and Refundable Taxes

BARKER BROS. CORPORATION
Statements of Earnings and Retained Earnings

Earnings for the year	$587,280
Special items:	
Reduction in leasehold cost amortization of prior years less $128,000 applicable income taxes (Note B)	$193,647

Note B: *Adjustments Relative to Leasehold Cost Amortization*: The company's principal store and offices are in a building occupied under a 35 year sub-lease from its subsidiary which sub-lease expires January 1, 1961. This sub-lease, and the long-term lease on the ground on which the building is situated, were purchased by the subsidiary in 1932 and until 1954 the cost thereof was being amortized over the period of the sub-lease both for accounting and income tax purposes. In 1954 the Treasury Department took the position that such costs should have been amortized over the estimated serviceable life of the building (a period of 50 years to January 1976) and proposed an adjustment to such basis commencing with the year 1949. After consideration of all factors, the company accepted the proposal and agreed to the assessments of additional federal income taxes caused by the change. As a result, the company reduced to the tax basis accumulated amortization recorded in its accounts and provided for the related additional taxes on income for the years 1949 to 1953, inclusive. The reduction in amortization was $321,647 and the provision for taxes was $128,000; the net amount, $193,647, is shown as a special credit in the accompanying statement of earnings.

BEECH-NUT PACKING COMPANY
Statement of Income and Earned Surplus

(Undesignated total)		$6,004,948.66
Federal taxes on income		
Current year	$3,055,000.00	
Less prior year excess profits tax refund (Note 6)	463,397.29	2,591,602.71
		3,413,345.95
Minority interest in income of subsidiary consolidated		42,660.79
Net Income Transferred to Earned Surplus		$3,370,685.16

Note 6: During 1954 the U. S. Treasury Department approved and the Company received a net refund of $463,397, based on a redetermination under Section 722 of the Internal Revenue Code, of excess profits taxes paid for the years 1940-1945 inclusive. Applicable interest received of $136,207 was included with other income.

UNION CARBIDE & CARBON CORPORATION
Income and Surplus Statement

Net Income	$89,799,271
Special items:	
Add—Net refund of Federal Taxes for the years 1940 through 1945 (See Note 6)	$ 4,654,571

Note 6: A net refund in the amount of $4,654,571 resulted from relief granted under Section 722 of the Internal Revenue Code and is reported as a Special Item in the Consolidated Income and Surplus Statement. This relief is related to excess profits taxes paid during the years 1940 through 1945. Interest of $1,397,871 on this refund is included in Other Income. There are no further relief claims pending under Section 722.

Carry-Back and Carry-Forward of Operating Losses and Unused Excess Profits Credits

Tables 11 and 12 summarize the number, report presentation, and materiality of carry-backs and carry-forwards of operating losses and unused excess profits credits, as disclosed in the 1954 reports of the survey companies. For an extensive discussion of the acceptable accounting treatment of claims for refund of income taxes based on the carry-back of losses or unused excess profits credits, see the *Restatement and Revision of Accounting Research Bulletins* (Chapter 10, Section B) issued by the committee on accounting procedure of the American Institute of Accountants.

The following representative examples of carry-backs and carry-forwards of operating losses and unused excess profits credits have been selected from the 1954 reports of the survey companies.

Carry-Back and Carry-Forward of Unused Excess Profits Credits

HARNISCHFEGER CORPORATION
Balance Sheet

Current Assets:	
Other current assets, including in 1954 estimated refund of $120,000 of excess profits tax	$377,959
Statement of Income and Retained Earnings	
Provision for Estimated Taxes on Income:	
Federal, including in 1953 excess profits taxes of $700,000, and after deducting in 1954 refund of $120,000 arising from unused excess profits credit	$2,170,000
Wisconsin	200,000

YORK CORPORATION
Summary of Earnings and Earnings Retained for Use in the Business

Income Before Provisions for Income Taxes	$6,202,465
Federal and State Income Taxes (1954 includes credit of $18,238 for carry-back of unused excess profits tax	3,289,571
Net Income	$2,912,894

Carry-Back of Operating Loss

DIAMOND T MOTOR CAR COMPANY
Balance Sheet

Current Assets:	
Claim for refund of federal income taxes	$ 216,626
Statement of Income and Earnings Retained in the Business	
Income (loss) before federal income taxes	$(419,468)
Estimated claim for refund of federal income taxes under carry-back provisions of the Internal Revenue Code	214,935
Net income (loss) for the year	$(204,533)

THE ELECTRIC AUTO-LITE COMPANY
Balance Sheet

Current Assets:	
Refundable federal taxes on income of prior years	$ 2,800,000
Statement of Earnings	
Listed among costs and expenses:	
Net federal tax credit—arising principally from carry-back of operating losses	$(2,950,000)

To the Stockholders: *Earnings*—The consolidated net earnings of $714,184 for the year 1954 were arrived at after applying a net Federal income and excess profits tax credit of $2,950,000 arising principally from the carry-back of operating losses from domestic operations and, in part, from the provisions of the Internal Revenue Code of 1954 which permit deductions for reserves and accruals for estimated expenses not allowed as deductions under prior years' tax laws.

Carry-Forward of Operating Losses

AMERICAN HIDE & LEATHER COMPANY
Statement of Income and Accumulated Earnings

Operating loss	$814,286
Other charges	86,348
Net loss for year	$900,634

To the Stockholders: Operations for the fiscal year resulted in a net loss of $900,634 as compared to a net profit of $609,222 for the previous year. Under the carry-over provisions of the Internal Revenue Code our Company now has a tax carry-over of $2,750,000. This carry-over resulted from losses sustained in two years that were very difficult for the leather industry. The amount carried over will to that extent offset earnings that would otherwise be taxable in the next three to five years.

FOREMOST DAIRIES INC.
Statement of Income

Income before provision for taxes on income		$10,334,021
Provision for estimated taxes on income:		
Federal (Note 5)	$4,017,276	
State	214,825	4,232,101
Net Income		$ 6,101,920

Note 5: The provision for Federal taxes on income shown in the accompanying statement of income is approximately $1,200,000 less than the amount computed at current tax rates owing to the benefit available, through the carry-over for Federal income tax purposes, of operating losses incurred by subsidiary companies in years prior to the acquisition thereof by the Company.

ALLOCATION OF INCOME TAXES

The problem of allocation of income taxes arises in those cases where there are material and extraordinary differences between the taxable income upon which such income taxes are computed and the income for the period determined in accordance with generally accepted accounting principles. For a comprehensive discussion of the allocation of income taxes and the method of applying the allocation principle, see the *Restatement and Revision of Accounting Research Bulletins* (Chapter 10, Section B) issued by the committee on accounting procedure of the American Institute of Accountants and also *Accounting Series, Release No. 53,* published by the Securities and Exchange Commission.

Table 11 shows that there were 62 items of income tax allocation disclosed by the survey companies in their 1954 annual reports. In 48 of the instances, the extraordinary item giving rise to the allocation was presented "net of the related tax effect." The percentage of materiality (Table 12) was not determinable in all of such presentations. In 7 cases the extraordinary item was shown "in full amount" with the related tax effect thereof also disclosed. In the remaining seven instances, the extraordinary item was not recorded in the 1954 accounts and the current year entry consisted solely of the "related tax effect" thereof. During 1954, the income account and the retained earnings account were utilized to reflect 45 and 17 income tax allocations, respectively.

ARVIN INDUSTRIES, INC.
Statement of Operations and Earnings Retained

Net Income before Extraordinary Items	$4,621,724.67
Extraordinary items (Note 1)	8,868.32
Net Income before Federal income taxes	$4,630,592.99

Note 1: During 1954, the Company received extraordinary income of $108,286 on the maturity of a life insurance policy. Final redeterminations of prices on government contracts were made for the years ended December 31, 1951 through 1953. Net refunds, after applicable federal tax credits, amounted to $99,417.68.

CLUETT, PEABODY & CO., INC.
Statement of Consolidated Net Income and Earned Surplus

Income Before Taxes and Extraordinary Charge	$6,881,054
Provision for Taxes Based on Income (before reduction applicable to extraordinary charge below):	
United States and Canada income taxes	$3,150,000
Other	353,000
	$3,503,000
Income Before Extraordinary Charge	$3,378,054
Extraordinary Charge—Loss on sale of mill property and equipment (net of $406,000 reduction in provision for taxes based on income)	360,434
Net Income	$3,017,620

BOOK-OF-THE-MONTH CLUB, INC.
Consolidated Statement of Income and Earned Surplus

Net income before Federal and Canadian taxes on income		$1,135,132.34
Provision for Federal and Canadian taxes on income:		
Federal	$570,000.00	
Canadian	27,000.00	597,000.00
Net income		$ 538,132.34
Special item—adjustment of reserve for doubtful accounts, net of applicable Federal taxes on income and state franchise taxes, to conform with Revenue Agent's proposed changes		$ 140,321.12
Net income and special item		$ 678,453.46

To the Stockholders: The special credit of $140,321 mentioned above reflects a reduction of the Company's reserve for doubtful accounts less the applicable income tax adjustment, in line with a proposed determination by the Bureau of Internal Revenue that the amounts set aside on a previously established basis in the years 1949 to 1953 inclusive, for doubtful accounts, were in excess of the Company's actual loss experience.

EXTRAORDINARY ITEMS

Extraordinary items are extensively discussed in the *Restatement and Revision of Accounting Research Bulletins,* issued by the committee on accounting procedure of the American Institute of Accountants. The committee states therein (Chapter 8) that the purpose of the chapter is to "recommend criteria for use in identifying material extraordinary charges and credits which may in some cases and should in other cases be excluded from the determination of net income and to recommend methods of presenting these charges and credits."

The 1954 annual reports of 228 of the 600 survey companies contained a total of 324 extraordinary items, exclusive of items pertaining to Section 462 of the 1954 Internal Revenue Code which are presented in Section 4 under "Adjustments re: Section 462." The largest group thereof arose in connection with the disposal of assets. Other extraordinary items resulted from such varied transactions or events as changes in the valuation of inventories or fixed assets; foreign exchange devaluation; nonrecurring plant expenses; lump-sum reduction of intangible assets; and numerous other causes.

Presentation of Extraordinary Items

The various methods of presentation of extraordinary items in the 1954 reports by the 228 survey companies disclosing such items are summarized in Table 13. Of the 324 extraordinary items shown in 1954, over half thereof (234 items) were set forth in the statement of income; a number (23 items) were disclosed either in footnotes or in the letter to stockholders; and the balance (67 items) were shown in the statement of retained earnings. The presentation of extraordinary items in the 1954 annual reports is illustrated in the examples which follow.

Materiality of Extraordinary Items

With regard to the extraordinary items presented by 228 of the 600 survey companies in their 1954 annual reports, the percentage of materiality and the accounts adjusted for such items are summarized in Table 14. The percentage of materiality of extraordinary items

TABLE 13: EXTRAORDINARY ITEMS—1954

	Presentation in Report*						
	A: Income						
	Income Statement:		Set Forth Elsewhere:				
Nature of Extraordinary Item	Listed Among Other Costs	Shown in Separate Last Section	Shown in Foot-notes	Shown in Letter to Stock-holders	Income Total	B: Retained Earnings	1954 Total Items
Disposal or Sale of:							
Fixed assets	103	17	1	3	124	4(1)	128
Investments or securities	15	2	1	—	18	1	19
Subsidiary, affiliate, or division	6	7	1	2	16	—	16
Other assets	2	1	1	—	4	—	4
Change in valuation bases:							
Inventory writedown to market	1	—	—	—	1	1	2
"Lifo" liquidation or replacement	—	—	1	—	1	—	1
Inventory "base stock" adjustment	—	1	1	—	2	—	2
Change in investment valuation	4	5	1	1	11	6	17
Fixed assets conformed to "tax" basis	1	2	—	—	3	2	5
Other fixed asset adjustments	2	2	1	—	5	7(2)	12
Miscellaneous adjustments	1	1	—	—	2	4	6
Expenses, losses, gains, etc.:							
Catastrophe—fire, flood, other	4	2	—	1	7	—	7
Foreign exchange adjustments	1	1	—	—	2	1(1)	3
Government contracts	1	5	—	—	6	4	10
Non-recurring plant expenses	3	5	1	—	9	—	9
Various other gains and losses	14	8	1	2	25	5(1)	30
Various prior years adjustments	4	2	1	—	7	5(2)	12
Miscellaneous other items:							
General undetermined contingencies	—	3	1	—	4	14	18
Lump-sum intangible asset reduction	1	2	—	—	3	4	7
Possible future inventory decline	1	2	1	—	4	4	8
Higher plant replacement cost or extraordinary depreciation	—	2	1	—	3	5	8
Total	164	70	14	9	257	67	324

Number of Companies Presenting Special:	
Non-recurring extraordinary items	132
Non-recurring extraordinary items and income tax adjustment items	96
Income tax adjustment items**	87
Total	315
Number of Companies not presenting special items	285
	600

* See Table 14 for Percentage of Materiality
** See Tables 11 and 12.

(1) Includes 1 entry to capital surplus.
(2) Includes 1 entry to unclassified surplus.

was determined by the ratio of such item to 1954 earnings adjusted for both extraordinary items and prior year income tax adjustment items. Table 14 shows that 151 of the extraordinary items did not exceed a materiality percentage of 10%; 62 items were within a 11-20% range of materiality; 56 items varied from 21-50%; and only 44 items exceeded 50% of materiality. In the case of 11 of the 324 extraordinary items, the reports did not contain sufficient information for determination of the materiality thereof.

The income account was utilized for the recording of 257 extraordinary items (189 companies); the retained earnings account for 67 extraordinary items (50 companies); the capital surplus account for three items (two companies), and the unclassified surplus account for two items (two companies).

Examples—Extraordinary Items

Illustrative examples showing the retained earnings and capital surplus accounts adjusted during 1954 for extraordinary items are set forth in Section 4 under "Excess of Cost of Investment in Subsidiary Over Book Amount of Its Net Assets," "Good Will," "Appropriations of Retained Earnings," "Nonrecurring Losses and Gains," "Foreign Currency Adjustments," and "Prior Year Adjustments."

The use of the income account in connection with extraordinary items is illustrated in the following examples. These examples also show the 1954 report presentation of extraordinary items and their varied nature.

TABLE 14: EXTRAORDINARY ITEMS—1954

	Percentage of Materiality*															
	Income Account							Retained Earnings Account								1954
Nature of Extraordinary Items	0—5%	6—10%	11—20%	21—50%	Over 50%	N	Total	0—5%	6—10%	11—20%	21—50%	Over 50%	N	Total	Total Items
Disposal or Sale of:															
Fixed assets	62	10	17	18	10	7	124	1(1)	—	—	1	2	—	4	128
Investments or securities	9	1	5	—	3	—	18	—	—	—	—	1	—	1	19
Subsidiary affiliate or division	5	2	3	3	3	—	16	—	—	—	—	—	—	—	16
Other assets	1	—	1	1	1	—	4	—	—	—	—	—	—	—	4
Changes in valuation bases:															
Inventory write-down to market	—	—	—	1	—	—	1	—	—	1	—	—	—	1	2
"Lifo" liquidation or replacement	—	—	—	—	1	—	1	—	—	—	—	—	—	—	1
Inventory "Base Stock" adjustment	—	—	1	1	—	—	2	—	—	—	—	—	—	—	2
Change in investment valuation	6	1	2	2	—	—	11	2	1	2	1	—	—	6	17
Fixed assets conformed to tax basis	1	1	—	—	1	—	3	—	—	—	1	1	—	2	5
Other fixed asset adjustments	2	2	—	1	—	—	5	2	1	1	—	3(2)	—	7	12
Miscellaneous adjustments	—	—	1	—	1	—	2	1	—	1	2	—	—	4	6
Expenses, losses, gains, etc.:															
Catastrophe—fire, flood, other	2	—	2	1	1	1	7	—	—	—	—	—	—	—	7
Foreign exchange adjustments	2	—	—	—	—	—	2	1(1)	—	—	—	—	—	1	3
Government contracts	1	1	1	1	2	—	6	—	2	1	1	—	—	4	10
Non-recurring plant expenses	2	1	2	2	2	—	9	—	—	—	—	—	—	—	9
Various other gains and losses	7	2	10	3	2	1	25	1(1)	2	—	2	—	—	5	30
Various prior years adjustments	3	—	2	2	—	—	7	1(2)	—	—	3	1	—	5	12
Miscellaneous other items:															
General undetermined contingencies	2	1	—	1	—	—	4	1	2	3	3	5	—	14	18
Lump-sum intangible asset reduction	2	—	1	—	—	—	3	2	—	1	—	1	—	4	7
Possible future inventory decline	1	—	1	1	1	—	4	—	—	1	2	1	—	4	8
Higher plant replacement cost or extraordinary depreciation	—	1	—	1	—	1	3	—	—	2	1	1	1	5	8
	108	23	49	39	28	10	257	12	8	13	17	16	1	67	324

	Accounts Adjusted for Special Items:					
Number of Companies, adjusting accounts:	Income	Income & Retained Earnings	Retained Earnings	Capital Surplus	Unclassified Surplus	1954 Total
For extraordinary items	174	15	35	2	2	228

Number of Companies Presenting Special:	
Non-recurring extraordinary items	132
Non-recurring extraordinary items and income tax adjustment items	96
Income tax adjustment items	87
Total	315
Number of Companies not presenting special items	285
	600

* Ratio of item to 1954 earnings adjusted for extraordinary items and income tax adjustments.
See Table 13 for Presentation of Extraordinary items. See Tables 11 and 12 for Income Tax Adjustments.
N Percentage of materiality not determinable.
(1) Includes 1 entry to capital surplus.
(2) Includes 1 entry to unclassified surplus.

COMMERCIAL SOLVENTS CORPORATION
Earnings and Summary of Earnings Retained in the Business

Earnings Before Extraordinary Items	$2,696,821
Extraordinary Items—Net (see notes)	28,479
Net Earnings for Year ($1.01 per share each year)	$2,668,342

Notes—Extraordinary Items—Net

Extraordinary items—net consist of the following:

Provision for obsolescence of Dextran plant facilities, less Federal income tax reduction of $603,600 applicable thereto	$557,224
Adjustment of provision for Federal income taxes for years 1943-1948	*360,000*
Restatement of investment in Thermatomic Carbon Company to cost	*168,745*
Net charge against earnings for year	$ 28,479

DANA CORPORATION
Consolidated Statement of Profit and Loss and Earned Surplus

Profit before special credit	$ 9,638,401
Special credit—Profit on sale of investment in affiliated company in England, less Federal income tax of $929,788 payable thereon	2,646,320
Profit and special credit	$12,284,722

Note 5: On March 30, 1954, the Corporation sold its entire investment in Birfield Industries Limited, Birmingham, England, consisting of 105,870 ordinary shares, or approximately 40% of the outstanding ordinary stock of Birfield, for $3,576,288.60 in cash (U.S. dollars). The investment was carried in the accounts at a nominal value of $1, and the profit on the sale of these shares, less Federal income tax and certain expenses, amounted to $2,646,320.47. Dividends received during the year, prior to the sale of the investment, amounted to $16,362.21 after deduction of British income tax.

ROBERT GAIR COMPANY, INC.
Consolidated Statement of Income

Income for the year before special deduction	$5,711,335
Estimated vacation and other expenses, less related reduction in income taxes of $641,000 (Note 7)	568,000
Income for the year	$5,143,335

Note 7—Estimated Vacation and Other Expenses:

The companies provided $1,182,000 for estimated vacation and other expenses payable in 1955 in addition to amounts paid in 1954, both of which are deemed to be deductible for income tax purposes in 1954 under the current Internal Revenue Code. The effect of such provision, after taking into consideration the related reduction in income taxes, was to reduce income for the year by $568,000.

GOTHAM HOSIERY COMPANY, INC.
Statement of Consolidated Profit and Loss

*Loss before Special Charges		$(935,771)
Special charges incident to transfer of hosiery mill operations to southern location and losses on sale of property, plant and equipment:		
Losses on sale of property, plant and equipment	$ 233,487	
Write-down of equipment to be sold or scrapped	124,708	
Reduction of hosiery inventory valuation to basis of replacement cost at new southern location	211,054	
Other related expenses	87,346	
		656,595
Net Loss (after special charges)		$(1,592,366)

*Approximately $287,000 of this amount represents the excess of Philadelphia knitting costs over Meridian knitting costs applicable to hosiery sold from July 1, 1954 (approximate date of acquisition of Meridian production facilities) to December 31, 1954; and, while charged to "Cost of Goods Sold" during this period, instead of to "Special Charges," represents an extraordinary charge of non-recurring nature.

THE OUTLET COMPANY
Summary of Profit and Loss and Surplus

Profit before Flood Loss and Taxes on Income	$2,164,805.49
Flood Loss—estimated:	
Merchandise	$ 243,396.47
Equipment, fixtures, and expenses	251,232.46
	$ 494,628.93
Profit before Taxes on Income	$1,670,176.56

To the Stockholders:

The decrease was due to higher operating expenses, principally increases in wages, and losses resulting from the tidal wave accompanying hurricane "Carol" on August 31, 1954, which completely flooded our basement and rose to a height of 18 inches on the first floor. Damage caused by the flood to merchandise and fixtures, together with extraordinary expenses incurred, totaled $494,629, which after tax deductions allowable on the flood loss amounted to $225,551.

PLAX CORPORATION
Statement of Consolidated Income

Net profit	$ 68,965

"The net profit for the year does not reflect plant relocation expenses and hurricane damage which have been charged to Earned Surplus."

Consolidated Earned Surplus

DR.—Extraordinary charges—	
Plant relocation expenses	$244,157
Hurricane damage at the Stonington plant (Note 2)	616,795
	$860,952
Less—Federal income tax credit resulting from loss carryback	385,000
	$475,952

Note 2: No effect has been given in the accompanying statements to possible insurance recoveries relating to the hurricane damage at the Stonington plant inasmuch as the amount of such recoveries is not now determinable.

STANDARD MILLING COMPANY
Statement of Profit and Loss

Profit or (loss) before special items	$958,790
Special items:	
Mill closing expense, including loss in 1954 on disposition of machinery and equipment of Kansas City Flour Mill	$957,279
Provision for federal income taxes of prior years no longer required (no provision required for current year)	21,442
	$935,837
Profit or (loss) for year	$ 22,953

(Refer also to Section 5 re: Qualification of Opinion)

UNITED ELASTIC CORPORATION
Consolidated Statement of Operations

Net income for year before Special items		$ 899,601
Special Items:		
Proceeds of life insurance in excess of recorded cash value	$ 48,384	
Refund of federal and state taxes of prior years	282,414	
Accumulated reserves for federal and state taxes for prior years, not required	136,574	
	$ 467,372	

Net cost of renegotiation of government contracts, year 1951	$ 70,908
Adjustment of plant and equipment accounts resulting from federal examinations	27,215
	$ 98,123
Net income for the year and special items	$1,268,850

DESIGNATION OF FINAL FIGURE

There were 70 special, nonrecurring, extraordinary items shown in the 1954 survey reports which were presented in a separate last section of the income statement (See Table 13), and 23 which presented extraordinary items related to Section 462 of the 1954 Internal Revenue Code (See Section 4, Adjustments Re: Section 462.).

The *Restatement and Revision of Accounting Research Bulletins,* issued by the committee on accounting procedure of the American Institute of Accountants, in discussing the presentation of material, extraordinary charges and credits in the income statement after the amount designated as *net income,* stresses the care that must be taken so 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. Thus it is imperative that the caption of the final figure should precisely describe what it represents, e.g., *net income and special items, net loss and special items, or net income and non-recurring capital gains.*

Table 15 classifies and sets forth the descriptive captions used to identify the figures preceding the nonrecurring, special items and the final figures in the income statements of the 72 survey companies that presented such items in a separate last section of the 1954 income statements. A further analysis of the descriptive terms designating the figures preceding and following the extraordinary items (Table 15) discloses that 43 of the companies clearly indicated the *inclusion* of the extraordinary charges and credits in the figure of net income for the year and 28 other companies clearly indicated the *exclusion* of such charges and credits from the figure of net income for the year. The descriptive term used by the remaining company did not clearly indicate whether the extraordinary charges or credits were *included* in or *excluded* from the figure of net income for the year.

The examples which follow illustrate the presentation of the final figure of the income statement as summarized in Table 15. Additional examples are given under *Extraordinary Items,* also in this section.

THE NATIONAL CASH REGISTER COMPANY
Results of Operations

(Undesignated total)		$14,164,880
Less—		
Write down of net current assets in Brazil to current free rate of exchange	$ 400,000	
Minority interest in income of certain foreign subsidiaries	239,910	
Net income of foreign subsidiaries and branches not remitted to the United States (See Note)	795,968	$ 1,435,878
Net Income for the Year		$12,729,002

Note: The results of operations include the income, costs and expenses of subsidiary companies and branches operating in foreign countries. With the exception of the Canadian subsidiary, the net income of all foreign subsidiaries and branches which has not been remitted to the United States has been deducted in arriving at net income for the year.

TABLE 15: DESIGNATION OF FINAL FIGURE—1954

Number of Companies Presenting	1954
Extraordinary Items in Separate Last Section of the Income Statement:	
Designating figure preceding extraordinary item as *"net income before special item"* and final figure of the income statement as *"net income for the year"* (*Nos. *5, 13, 17, 38, 50, 67, 120, 147, 153, 162, 193, 220, 243, 248, 334, 389, 408, 426, 432, 459, 466, 492, 506, 516, 566, 582, 592, 600*)	28
Setting forth an *"undesignated"* figure preceding extraordinary item and designating final figure of the income statement as *"net income for the year"* (*Nos. *4, 40, 42, 65, 225, 402*)	6
Designating figure preceding extraordinary item as *"net income for the year"* and final figure of the income statement as *"net income and special item"* (*Nos. *7, 9, 35, 61, 71, 75, 140, 158, 159, 208, 312, 313, 397, 453, 458, 481, 509, 530, 587*)	19
Designating figure preceding extraordinary item as *"net income for the year"* and final figure of the income statement as *"transferred to retained earnings"* (*Nos. *122, 294, 354, 443, 457, 552, 576*)	7
Designating figure preceding extraordinary item as *"net income before special item"* and final figure of the income statement as *"transferred to retained earnings"* (*Nos. *407, 487*)	2
Designating figure preceding extraordinary item as *"net income for the year"* and final figure of the income statement as *"net income"* (*No. *10*)	1
Designating figure preceding extraordinary item as *"net operating income"* and final figure of the income statement as *"net income"* (*Nos. *46, 157, 474, 475, 555*)	5
Designating figure preceding extraordinary item as *"net income for the year"* and no final figure and caption within the income statement (Indeterminable if extraordinary item applies to current year's earnings or to prior years' retained earnings) (*No. *89*)	1
Designating figure preceding extraordinary item as *"net income before special item"* and final figure of the income statement as *"net income after special item"* (*Nos. *49, 519, 567*)	3
Total	72

COLT'S MANUFACTURING COMPANY

Results from Operations

Net Income from Operations		$330,407
Deductions applicable to prior years:		
Price redetermination on government contracts—net of taxes	$106,067	
Less: Internal Revenue Agent's adjustments—net of taxes	22,330	83,737
Net Income		$246,670

Report of the President: With respect to the deduction of $106,067 for price redetermination, certain of our Government contracts were redetermined beginning in May 1954.

The credit of $22,330 represents the net result of recording the Treasury Department's adjustments to prior years' income. As a result of the Internal Revenue Agent's examination for the years 1950, 1951, and 1952, it was necessary to capitalize, in 1954, $214,873 of Buildings and $45,932 of Machinery. Concurrently, the depreciation reserve was increased by $83,764 and the additional taxes amounting to $124,490 are included in the liability for taxes in the Statement of Financial Position.

THE GARLOCK PACKING COMPANY

Summary of Earnings and Earnings Retained for Use in the Business

Earnings Before Extraordinary Credit	$817,186
Extraordinary Credit—Restoration of prior years' provisions for taxes on income and for renegotiation refunds no longer required	150,000
Net Earnings	$967,186

To the Stockholders: Final net income for the year was $967,186 after all charges applicable to the year's operations. This represents earnings of $2.31 the share on the Company's presently outstanding four hundred eighteen thousand five hundred (418,500) shares of stock, which compare with $3.03 the share in the prior year, a reduction of 23.76%.

Please note in this relation that included in 1954 net income is $150,000 representing a return to that status of such sum set up out of earlier years' earnings as reserves against certain contingencies. It having developed that these funds will not be required for the anticipated purposes, the amount involved has been returned to net income. In the absence of this return, net income on account of 1954 would have been $817,186 or $1.95 the share. The decrease in comparison with 1953 would thus have been 35.59%.

COLUMBIA BROADCASTING SYSTEM, INC.

Statement of Income and Earned Surplus

Net income for period	$11,414,645
Non-recurring capital gains, after provision for taxes, resulting principally from sales of minority interest investments in radio and television stations	5,302,181
Net income and non-recurring capital gains	$16,716,826

To the Stockholders: *Sale of Minority Interests*—On January 2, 1954 the Federal Communications Commission modified its multiple ownership rule to provide that no corporation or individual could own, control or have an interest in more than five television and seven radio stations.* (Previously the rule had not applied to ownership of interests which did not amount to control.) In order to hold a one hundred per cent ownership in the maximum number of television stations allowed, CBS sold its minority interests in the corporations which owned WCCO and WCCO-TV, Minneapolis; WTOP, WTOP-FM and WTOP-TV, Washington; and KQV, Pittsburgh. These sales, which were on a very favorable basis, accounted for substantially all of the non-recurring capital gains of approximately $5,300,000 shown previously in *Financial Results*.

Section 4

RETAINED EARNINGS and CAPITAL SURPLUS

THIS SECTION OF THE SURVEY, through the use of tables and examples, reviews and classifies every charge or credit to the retained earnings and capital surplus accounts in the 1954 financial statements of the 600 survey companies, excluding those charges or credits which merely present the net loss or income for the current year. These various charges and credits have been segregated for survey purposes as follows:

(a) The first group is concerned with the entries in the statements which refer to cash dividends. Table 1 illustrates the variety of presentations used by the companies in their statements, and is given in comparative form for a five-year period. Table 2 analyzes the types of cash dividend restrictions indicated by the survey companies. Examples of the various restrictions, taken from the 1954 survey reports, are also included.

(b) The second group consists of the charges or credits resulting from stock dividends and stock splits, (shown in examples). Table 3 summarizes the methods used by the companies to reveal stock dividends and stock splits in their annual reports.

(c) The third group includes all other charges and credits to retained earnings and to capital surplus, exclusive of those charges or credits which merely record the net loss or income for the current year. The entries in this group refer to capital stock adjustments, transfers to or from appropriations or reserves, prior year adjustments and other miscellaneous items. Table 4 classifies these charges and credits according to the nature of the transaction presented, and extensive examples are given in conjunction therewith.

The term *capital surplus* is used in this section to classify all surplus accounts exclusive of retained earnings. Although the committee on terminology of the American Institute of Accountants has recommended a general discontinuance of the use of the term *surplus* in corporate accounting and this objective has been approved by the committee on accounting procedure, the term *capital surplus* is used here as a technical term to indicate the nature of the accounts discussed.

CASH DIVIDENDS—STATEMENT PRESENTATION

Cash dividends were declared during the current year by 574 of the survey companies. Of these companies, 293 displayed such dividends in the retained earnings statement; 210 companies disclosed cash dividends in a combined retained earnings and income statement; the balance sheet was used for this disclosure by 18 companies, and a stockholders' equity statement by 17 companies. The remaining 36 companies used other methods of presentation, as revealed in Table 1.

In most instances the deduction for cash dividends was displayed in the statements after the opening balance of retained earnings and after the net income for the year. In a few cases the deduction for cash dividends was shown between the net income for the year and the opening balance of retained earnings. This treatment was found usually in instances where a combined income and retained earnings statement was employed.

Of the remaining 12 of the 574 companies that declared cash dividends during the current year, 10 companies set forth the information at the foot of the income statement and one did so in a supplementary schedule. The statement presentation of cash dividends by the 600 survey companies for the past five years is set forth in Table 1.

RESTRICTIONS ON RETAINED EARNINGS FOR DIVIDEND PURPOSES

The existence of restrictions on retained earnings, limiting the declaration of cash dividends, was reported by 334 of the 600 survey companies. With most of these companies, the limitations were the result of restrictive terms of long-term indebtedness or borrowing agreements (325 instances). Table 2 summarizes the different kinds of restrictions disclosed by the companies for the years 1952, 1953 and 1954.

CASH DIVIDEND RESTRICTIONS—EXAMPLES

Typical examples of restrictions on the declaration of cash dividends, taken from the 1954 reports of the survey companies and grouped according to the nature of the restriction, are given below:

LONG TERM INDEBTEDNESS

BAUSCH & LOMB OPTICAL COMPANY
Balance Sheet
Current Liabilities:
Notes and mortgage payable (Note 2) $2,450,774
Long-term Liabilities:
Notes and mortgage payable (Note 2) 8,313,051

Note 2—Notes and Mortgage Payable: The liabilities at December 26, 1954 were:

	Current	*Long-Term*	*Interest Rate*
Notes payable—			
Insurance company	—	$7,493,000	3.625%
Banks—revolving credit	$2,000,000	—	3.25%
Banks—term loan	444,444	719,242	2.75%
Mortgage payable—branch	6,330	100,809	4.00%
	$2,450,774	$8,313,051	

Under amended or new agreements entered into after the balance sheet date, the insurance company loan is payable in annual installments of $600,000 commencing December 31, 1957 with final payment of $893,000 due December 31, 1968 and a bank revolving credit of $2,500,000 is available to December 31, 1956 at an interest rate of 3% per annum. The bank term loan matures in annual installments with a final payment of $274,798 on December 31, 1956. The mortgage is payable in installments to 1961.

The loan agreements provide that the company will not permit its net current assets to be less than $12,000,000 and contain certain restrictions on expenditures for properties, on indebtedness, and on the payment of dividends as explained in Note 3.

Note 3—Dividend Restrictions: The company is restricted in the payment of dividends on the common stock and repurchase of common stock so long as the 4% cumulative preferred stock shall remain outstanding and so long as amounts are owed to the insurance company and to the banks under the revolving credit agreement. Under these restrictions, cash dividends on the common stock and its redemption or repurchase are limited to $1,200,000 plus 75% of net income (as defined), subsequent to December 26, 1954, after deducting therefrom dividends on preferred stock.

BURLINGTON MILLS CORPORATION
Consolidated Balance Sheet
Non-current Liabilities:
Long-term Debt (Note D) $100,510,976

Note D—Long-term Debt:

(1) Promissory notes issued to life insurance companies consisted of $35,000,000 at 2¾% interest, which mature March 1, 1970, sub-

TABLE 1: STATEMENT PRESENTATION OF CASH DIVIDENDS

Where Charged	1954	1953	1952	1951	1950	1949
After the "Opening Balance of Retained Earnings" and the "Net Income for the Year" in: Retained earnings statement (*Nos. *2, 27, 55, 68, 119, 175, 219, 258, 311, 337, 360, 398*)	288	314	309	324	322	338
Combined retained earnings and capital surplus statement (*Nos. *74, 190, 453*)	15	12	18	18	17	20
Combined retained earnings and income statement (*Nos. *1, 6, 195, 199, 220, 259, 280, 460, 478*)	180	165	165	152	151	136
Stockholders' equity statement (*Nos. *85, 157, 227, 277*)	15	14	15	14	12	12
Balance Sheet (*Nos. *9, 20, 106, 504*)	18	19	18	14	18	14
Unclassified surplus statement (*Nos. *43, 141*)	7	7	8	8	8	9
Combined unclassified surplus and income statement (*Nos. *321, 464*)	2	3	3	3	3	2
Total	525	534	536	533	531	531
Between the "Net Income for the Year" and the "Opening Balance of Retained Earnings" in: Retained earnings statement (*Nos. *116, 169*)	5	7	6	6	5	5
Combined retained earnings and income statement (*Nos. *25, 70, 75, 272, 291*)	30	29	31	33	33	27
Stockholders' equity statement (*Nos. *271, 422*)	2	1	1	1	0	0
Total	37	37	38	40	38	32
At the foot of the income statement (*Nos. *60, 136, 216, 320, 336, 355, 384, 495, 500, 568*)	10	10	11	11	10	8
In a supplementary schedule (*No. *438*)	1	1	1	1	1	1
Within the "Disposition of Net Income" statement (*No. *76*)	1	0	0	0	3	4
Total	12	11	12	12	14	13
Number of Companies						
Declaring cash dividends	574	582	586	585	583	576
Not declaring cash dividends	26	18	14	15	17	24
	600	600	600	600	600	600

*Refer to Company Appendix Section.

ject to required minimum payments of about $2,820,000 and maximum payments of about $3,900,000 per annum commencing March 1, 1960, and $15,000,000 at 3.90% interest which matures November 1, 1972. The notes contain restrictions as to cash dividends and other payments on Common Stock unless consolidated working capital after such payments remains in excess of $90,000,000 or 150% of the total outstanding consolidated long-term debt, whichever is greater. The notes also contain restrictions on the payment of cash dividends on the Common Stock but $9,824,378 of the consolidated retained earnings at October 2, 1954 is free of these restrictions.

(2) On September 9, 1954 the Corporation entered into an agreement with each of eight banks to borrow an aggregate of $25,000,000 on 3¼% promissory notes maturing September 1, 1959. At October 2, 1954 the Corporation had borrowed $20,000,000 under the terms of such agreements and may under the terms thereof borrow the remaining $5,000,000 on or before January 2, 1955. Under the terms of the loan agreements the Corporation agrees to: maintain consolidated working capital at not less than $90,000,000; to limit total unsecured consolidated long-term debt at not more than $140,000,000; and, to limit secured indebtedness to not more than $15,000,000.

(3) The remainder of the long-term debt represents $510,976 owing by two foreign subsidiary companies, of which $128,601 is secured by a mortgage on the fixed assets of one subsidiary.

CROWN CORK & SEAL COMPANY, INC.
Balance Sheet
Current Liabilities:

Instalments on 3⅞ per cent note payable, due within one year	$1,200,000
Non-current Liability:	
Note payable, 3⅞ per cent, payable $600,000 semiannually, balance due February 1, 1972; less portion included in current liabilities (Note E)	22,600,000

Note E: The note provides, among other things, that no dividends may be paid (other than dividends payable in stock and other than current preferred dividends), or stock of the Company purchased or redeemed, unless:

(a) The sum of the cumulative consolidated net profits earned since December 31, 1951 plus $2,000,000 and plus proceeds from any future sale of common stock not in excess of $2,000,000 in the aggregate is greater than the sum of all expenditures with respect to dividends (including preferred stock dividends) and purchase or redemption of stock plus $40,000 per month since that date.

(b) Consolidated net current assets are at least $25,000,000.

Earned surplus free of these restrictions amounted to $1,427,685 at December 31, 1954.

Under the provisions of the agreement, Crown Cork International Corporation and its subsidiaries are not to be consolidated in the determination of any of the foregoing amounts.

GAR WOOD INDUSTRIES, INC.
Consolidated Balance Sheet
Current Liabilities:

Notes payable to banks (Note B)	$2,766,605
Current maturities of long-term liabilities	2,002,560
Long-term Liabilities:	
Title-retaining contract, 4%, with General Services Administration for purchase of land and buildings (cost $1,157,000), payable in quarterly installments of $23,140 to January 1957	$ 208,260
3½% Sinking Fund Debentures, due October 1, 1961 (Note C)	3,700,000
Mortgage note payable, 4½%, due December 31, 1956 (Note D)	240,000
3½% Five-Year Convertible Notes, payable June 1, 1955 (Note E)	1,600,000
	$5,748,260
Less portion payable within one year included in current liabilities	2,002,560
Total Long-term Liabilities	$3,745,700

TABLE 2: CASH DIVIDEND RESTRICTIONS

Source of Restriction	1954	1953	1952
Long-term indebtedness (*Nos. *6, 11, 28, 34, 46, 58, 72, 97, 114, 120, 162, 213*)	280	281	274
Credit agreement (*Nos. *16, 86, 168, 493*)	27	31	28
V-loan agreement (*Nos. *189, 230, 242, 341*)	18	20	25
Preferred stock requirements (*Nos. *22, 66, 78, 150, 155, 202, 222*)	44	45	42
Treasury stock (*Nos. *7, 35, 101, 183*)	10	9	10
Dividend arrearage (*Nos. *30, 48, 61, 102*)	4	6	6
Articles of incorporation (*Nos. *61, 82, 123, 181, 196, 255*)	21	25	28
Elkins Act Decree (*Nos. *528, 535, 545*)	3	7	6
State statutory limitation (*Nos. *101, 138*)	2	2	2
Foreign statutory limitation (*Nos. *55, 63, 528, 560*)	4	2	2
Board of directors' resolution (*Nos. *58, 124*)	2	3	3
Restriction not described (*Nos. *117, 127, 258, 485*)	4	7	7
Various other (*No. 4)	1	1	1
Total	420	439	432
Number of Companies			
Referring to dividend restrictions	334	342	338
Not referring to dividend restrictions	266	258	262
	600	600	600

*Refer to Company Appendix Section.

Within: "Stockholders' Investment"

Earnings retained for use in the business (of which $4,984,646 at October 31, 1954, is restricted pursuant to the provisions of the indenture covering the 3½% Sinking Fund Debentures—(see Notes B, C and F)	$5,217,637

Note B: *Notes Payable to Banks.* At October 31, 1954, the Corporation had short-term borrowings as follows:

Revolving bank credit agreement	$ 466,605
V-Loan Agreement	1,800,000
Unsecured notes	500,000
Total	$2,766,605

The revolving bank credit agreement, as amended, provides for maximum unsecured borrowings of $466,605 and expires on April 30, 1955.

The V-Loan Agreement provides for a maximum commitment of $2,000,000. The borrowings are secured by pledge of monies due or to become due under certain government contracts.

The revolving bank credit and V-Loan agreements further provide, among other covenants, that the Corporation will not, without consent of the banks and, with respect to the V-Loan Agreement, the guarantor:

(1) Permit the consolidated net current assets of the Corporation and National Lift Company (a wholly-owned subsidiary) to decline below $6,500,000, which amount shall be increased at the end of each fiscal year by an amount equal to 20% of the consolidated net earnings of the Corporation and National Lift Company for such fiscal year. At October 31, 1954, the consolidated net current assets on this basis were in excess of the minimum requirement.

(2) Pay cash dividends on its capital stock or purchase shares of such stock in amounts which will exceed 20% of consolidated net earnings of the Corporation and National Lift

Company after October 31, 1950.

(3) Make, subject to certain conditions, any principal payments on the 3½% Sinking Fund Debentures, the 3½% Five-Year Convertible Notes, or the indebtedness to the General Services Administration other than those required by the terms thereof.

Note C—3½% Sinking Fund Debentures: In the indenture covering the 3½% Sinking Fund Debentures, as amended, provision is made for fixed sinking fund payments of $250,000 annually on September 30th and contingent sinking fund payments based upon earnings. These contingent payments are limited in the aggregate to $450,000 and further limited to $250,000 annually.

The indenture provides for an increase in the interest rate so long as the bank credit agreement and the V-Loan Agreement remain in effect. Currently the rate of interest is 4¼%.

The Corporation has also agreed not to declare any dividends, except stock dividends and dividends payable on the outstanding Preferred Stock, and agreed not to purchase, redeem, or retire any outstanding stock except from the proceeds of stock sales and excepting Preferred Stock acquisitions through the purchase fund provided for in the Articles of Incorporation, unless at the time thereof (1) consolidated current assets are at least 200% of consolidated current liabilities after the offset of certain taxes and other items specified in the indenture (on this basis consolidated current assets were in excess of 200% of consolidated current liabilities at October 31, 1954), (2) consolidated net current assets are at least $10,000,000, and (3) the sum of $500,000 plus consolidated net earnings as defined in the indenture (or minus losses) after November 1, 1946, exceeds the sum of all dividend declarations and stock redemptions, purchases, or retirements after that date plus matured fixed sinking fund payments.

Debentures in the amount of $633,333 of the total of $3,700,000 are subordinated to the $466,605 of short-term borrowings under the revolving bank credit agreement, subject to certain conditions.

Notes D, E, and F not reproduced.

PLYMOUTH OIL COMPANY
Consolidated Balance Sheet
Non-current Liabilities:

Long-term debt	$19,269,103

Note 4—Long-term Debt:

At December 31, 1954 long-term debt consisted of the following:

Plymouth Oil Company		
Long-term notes, bank $2,700,000 due annually on January 31; years 1956 to 1959, inclusive, and $3,020,000 on January 31, 1960	$13,820,000	
Long-term notes, other payable $60,000 annually	224,103	$14,044,103
Republic Oil Refining Company		
Demand note, bank	3,000,000	
Long-term notes, bank $825,000 due January 31, 1956 and $975,000 due January 31, 1957	1,800,000	
Long-term note, other Due January 15, 1956	425,000	5,225,000
		$19,269,103

The capital stock of Big Lake Oil Company owned by Plymouth Oil Company is pledged as collateral on notes payable to the bank.

Republic Oil Refining Company notes are either endorsed or guaranteed by Plymouth Oil Company.

The notes of Republic Oil Refining Company held by the bank at December 31, 1954 are covered by a loan agreement dated February 2, 1953 and supplements made thereto. According to the terms of the loan agreements, Republic Oil Refining Company has agreed that it will not make any expenditures for investment in securities or fixed assets, unless thereafter net current assets are at least $6,000,000; that it will not incur current liabilities at any one time outstanding in excess of $12,000,000; that it will maintain net current assets of at least $5,000,000; and, that it will not declare or pay any dividends (other than in stock or on presently issued preferred stock) nor will it acquire or retire any of its capital stock.

The bank has agreed that no request will be made for payment of the $3,000,000 demand loan of Republic Oil Refining Company before January 31, 1956, unless default occurs.

THE SELBY SHOE COMPANY
Consolidated Statement of Financial Position
Current Liabilities:

Long-term note, due within one year (Note A)	$ 50,000
Non-current Liabilities:	
Long-term note payable to insurance company less current portion (Note A)	1,128,000

Note A—Note Payable to Insurance Company:

A note payable to insurance company having an original principal amount of $1,500,000 is due in semi-annual installments of $50,000 on May 1 and November 1 of each year, commencing on November 1, 1951, and continuing until May 1, 1966. At the date of this report a total of $322,000 had been paid on this note.

Under the terms of the note agreement, earnings reinvested in the business at April 30, 1954, were not available for cash dividends without the prior written consent of the insurance company. The deficiency at that date of reinvested earnings available for cash dividends on common stock amounted to $482,084.

The company has also agreed to maintain current assets of at least 200% of current liabilities, the net current assets not to be less than $5,000,000.

During the years ending April 30, 1953 and 1954, dividends of $.05 per share totaling $11,359 and $11,342 respectively, were paid with the consent of the insurance company upon the condition that an equivalent amount (to the nearest multiple of $1,000) be paid in reduction of the principal of the note. Such prepayments, aggregating $22,000, are to be applied against the final semi-annual installment due on the note.

PREFERRED STOCK

AIR REDUCTION COMPANY, INCORPORATED
Capital and Retained Earnings

Preferred Stock, Cumulative—Par Value $100 a Share (Note C); Authorized—500,000 Shares, Issued—248,805 Shares 4.50% Convertible 1951 Series, Outstanding 248,213 Shares	$24,821,300
Common Stock Without Par Value—Authorized—5,000,000 Shares (Note C and D); Issued and Outstanding—2,860,431 Shares	30,969,267
Total Capital Stock	$55,790,567
Retained Earnings (Notes B and C)	43,495,611
Total Capital and Retained Earnings	$99,286,178

Note C: The preferred stock, 1951 Series, issued in November 1951 at par, is redeemable at any time at the Company's option at $103 a share to December 1, 1956 and thereafter at $101.50 a share, and also through operation of a noncumulative Retirement Fund, commencing with the year 1957, at $100 a share, together, in each case, with accumulated dividends. With regard to the Retirement Fund, the Company is, with certain qualifications, obligated to set aside annually, commencing with 1957, an amount sufficient to retire at $100, plus accrued dividends, 3% of the total number of shares of the 1951 Series issued and outstanding on the preceding December 31 until 1961 and thereafter 3% of such shares outstanding on December 31, 1961. The preferred stock is convertible, prior to December 1, 1961, into common stock at the option of the holder. The initial conversion rate is 3.75 shares of common stock for each share of preferred stock, the conversion rate being subject to adjustment under certain conditions. Of the unissued common stock, 930,799 shares are reserved for the conversion of preferred stock, as referred to above. It is provided that no declaration or payment of dividends (other than in common stock) may be made on the common stock nor may any such stock be redeemed unless all dividends on, and requirements with respect to the Retirement Fund for, the 1951 Preferred Stock have been met or if, after giving effect thereto, the aggregate payments described above shall exceed the sum of the consolidated income subsequent to July 31, 1951, $10,000,000, and consideration received from issue or sale of stock junior to the 1951 Preferred Stock, less all dividends on said preferred stock. At December 31, 1954 the amount of retained earnings free of such restrictions and available for payments on common stock under such provisions was $20,404,907. The retained earnings available for payments on common stock at that date is restricted, however, to $15,078,475 as indicated in Note B.

Notes B and D not reproduced.

BOTANY MILLS, INC.
Consolidated Balance Sheet

Capital Stock and Surplus Deficit Notes D, H and I:		
Capital Stock:	Shares	
6% Cumulative Prior Preferred—par value $25 per share:		
Authorized and issued	128,101	
Less: In Treasury	18,100	
Outstanding	110,001	$2,750,025
5% Cumulative Preferred—par value $25 per share:		
Authorized, issued and outstanding	226,888	5,672,200
Common Stock—par value $1 per share:		
Authorized, issued and outstanding	513,444	513,444
		$8,935,669
Capital Surplus—Exhibit B		1,127,901
Deficit (since June 3, 1937)—Exhibit B		(4,731,116)
		$5,332,453

Note D: Notes payable to Metropolitan Life Insurance Company are due April 1, 1963 and were issued under the terms of two agreements dated April 8, 1948 and April 23, 1951, which provide, among other things, for minimum semiannual prepayments of $310,000.00 due on each March 1 and September 1, and for certain restrictions upon the activities of the Company. These restrictions relate to (1) borrowings, (2) payments of dividends, (3) purchase, redemption or retirement of capital stock, and (4) other specified matters as set forth in the agreements.

Note H: The Certificate of Incorporation, as amended on April 28, 1948, provides, among other things, certain restrictions upon the activities of the Company without the affirmative vote of the holders of at least 66 2/3% of each class of preferred stock. These restrictions relate to (1) the issuance of capital stock ranking prior to or on a parity with either class of preferred stock, (2) the creation or assumption of indebtedness maturing in more than one year, (3) payments of dividends, and (4) other specified matters as defined in the Certificate of Incorporation.

The Certificate of Incorporation further provides that if, at any time, four quarterly dividends payable on the 6% Cumulative Prior Preferred Stock, whether or not consecutive, shall be in default, in whole or in part, the holders of the 6% Cumulative Prior Preferred Stock, voting separately as a class, shall be entitled to elect a majority of the members of the Board of Directors at the next ensuing annual meeting and at each annual meeting thereafter during the continuance of such right.

The Company, at the option of the Board of Directors and subject to the restriction in Note D, may redeem at any time the whole, or from time to time any part, of each class of preferred stock at the time outstanding. In such event or in the event of any liquidation (whether voluntary or involuntary) the holders of each class of preferred stock shall be entitled to receive payment at the rate of $25.00 per share, plus an amount equal to all dividends (whether or not earned or declared) accrued and unpaid thereon to the date of the final distribution to such holders.

As at December 31, 1954, dividends in arrears for nine quarters on the 6% Cumulative Prior Preferred Stock amounted to $371,253.38 and for ten quarters on the 5% Cumulative Preferred Stock amounted to $709,025.00.

Under the terms of the notes payable to Metropolitan Life Insurance Company and the Certificate of Incorporation, no dividends may be paid on any class of stock as at December 31, 1954.

As at December 31, 1954, the issued and outstanding capital stock includes 1,070 shares reserved for exchange of Class A and Preferred Stock under the Plan of Recapitalization adopted as at April 20, 1948. The total of 1,070 shares consists of 374 shares of 6% Cumulative Prior Preferred Stock, 464 shares of 5% Cumulative Preferred Stock and 232 shares of Common Stock.

(Note I not reproduced herein.)

BURRY BISCUIT CORPORATION
Statement of Financial Position

Earnings retained in the business since October 31, 1949 (Note B)	$736,166

Note B: The provisions of the Certificate of Incorporation, as amended, relating to the preferred stock restrict various corporate actions, set forth retirement and redemption procedures and provide that dividends on common stock may be paid only after full cumulative dividends on the $1.25 convertible preferred stock and all preferred stock retirement fund payments have been made, except that no dividends on common stock (other than a dividend payable in common stock) may be paid, if at time of payment (a) the aggregate of amounts used to purchase $1.25 convertible preferred stock or common stock or as dividends (other than dividends paid in common stock) since October 31, 1945, plus the dividend then proposed would exceed net earnings, as defined, since October 31, 1945, plus $100,000, or if (b) net current assets would be reduced below $1,500,000. In computing net current assets, allowance shall be made for preferred stock retirement fund payments due within one year.

During the period November 1, 1945 to October 31, 1954, the net loss based on the definition of net earnings in the Certificate of Incorporation, as amended, the full cumulative dividends on the $1.25 convertible preferred stock and the amounts used to purchase such preferred stock plus the amount of $100,000 referred to in the preceding paragraph have aggregated in excess of $1,400,000 for the purpose of determining whether dividends may be paid on the common stock. Profits on sales of capital assets since November 1, 1945 are not permitted under the terms of the Certificate of Incorporation to be included in net earnings for such purpose.

SEIBERLING RUBBER COMPANY
Consolidated Balance Sheet

Earned Surplus (see note)	$5,265,713

Note: As there is a dividend arrearage on the Preferred Class A stock, no part of earned surplus at December 31, 1954 is available for dividends on Common stock. The terms of the 4½% note agreement impose restrictions on the payment of dividends on preferred stocks. Of the earned surplus at December 31, 1954, $464,000 is free of such restrictions for the preferred stocks.

ARTICLES OF INCORPORATION

GODCHAUX SUGARS, INC.
Balance Sheet

Capital Stock (Note 1):	
Prior preferred stock ($4.50 cumulative) without par value—stated value, $5 a share; callable at $105 a share and accrued dividends (dividends paid to December 31, 1954). Authorized and issued, 30,500 shares, whereof 2,024 shares in treasury, leaving 28,476 shares outstanding—at liquidation value of $100 a share	2,847,600
Class A stock without par value. Authorized 200,000 shares; issued, 85,250 shares, whereof 109 shares in treasury in 1955, leaving 85,141 shares outstanding—at stated value of $5 a share	425,705
Class B stock without par value. Authorized, 200,000 shares; issued, 85,250 shares, whereof 2,000 shares in treasury, leaving 83,250 shares outstanding—at stated value of $5 a share	416,250
Total capital stock	3,689,555
Surplus (distributable as dividends under restriction in loan agreements, $148,093 and $212,079):	
Capital surplus	3,952,716
Earned surplus accumulated since June 30, 1929	5,598,920
Total surplus	9,551,636

Notes to Financial Statements

(1) Capital Stock:

(A) An amendment to the certificate of incorporation, approved by the stockholders on December 15, 1954 and filed with the Secretary of State of the State of New York effective February 1, 1955, provides that (a) in liquidation the prior preferred stock is entitled to $100 a share; thereafter the class A stock is entitled to $60 a share, and any remaining assets available in liquidation are distributable prorata to the holders of the class B stock, (b) subject to prior preference as to dividends of the $4.50 prior preferred stock, the holders of class A stock shall be entitled to receive noncumulative dividends, when declared by the board of directors, of not more than four dollars ($4) per share during any calendar year and (c) the class A stock shall be convertible into class B stock at any time, but not later than December 15, 1964, on the basis of eleven (11) shares of class B stock for ten (10) shares of class A stock. Stated on the basis of (a) above, the equities applicable to the class A and class B stock at January 31, 1955 respectively amounted to $5,108,460 and $5,285,131 ($60.00 and $63.48 per share).

CONTINENTAL CAN COMPANY, INC.
Consolidated Balance Sheet
Capital Stock:

$3.75 Cumulative Preferred (without Par Value):	
Authorized and Issued 150,000 Shares	$15,000,000
Common ($20 Par Value):	
Authorized Shares—5,000,000	
Issued Shares—3,646,533	72,930,660
Earnings Retained in the Business:	
Unappropriated (Note C)	79,731,263

Note C: The Company's Certificate of Incorporation and the various indentures relating to the Company's debentures limit the amount which may be expended for the payment of dividends and the purchase, redemption, or retirement of the Company's capital stock. At December 31, 1954, under the terms of the most restrictive of these indentures, which is also more restrictive than the Certificate of Incorporation, the Company could not apply more than approximately $57,100,000 to such purposes.

Unappropriated Earnings Retained in the Business at December 31, 1954 as shown on the accompanying consolidated balance sheet includes $6,413,475 undistributed earnings of a Canadian subsidiary; $3,156,039 undistributed earnings of domestic subsidiaries; and $400,000 earnings of a Canadian subsidiary which were capitalized by that company through the payment of a stock dividend. The amount available for distribution to shareholders of Continental Can Company, Inc. will be reduced by applicable foreign and United States taxes on any dividends which may be declared by subsidiary companies.

STATUTORY LIMITATIONS

BORG-WARNER CORPORATION
Statement of Consolidated Assets and Liabilities
Stockholder's Investment (Note 1):

Preferred stock, 3½% cumulative, par value $100 per share (Note 4):		
Authorized 217,400 shares; issued 167,400 shares		$ 16,740,000
Common stock, par value $5 per share:		
Authorized 12,000,000 shares; issued 7,620,351 shares		38,101,755
Retained earnings (Note 5)		145,275,246
		$200,117,001
Less capital stock reacquired and held in the treasury, at cost:		
Preferred 15,878 shares	$1,546,350	
Common 296,238 shares	710,402	2,256,752
		$197,860,249

Note 1: As of January 3, 1955, the corporation's authorized common stock was increased from 3,000,000 shares of the par value of $5 each to 12,000,000 such shares, and each of the 3,000,000 common shares of the par value of $5 each prior to this increase in authorized capital was reclassified into three (3) shares of the par value of $5 each. In the accompanying financial statements, effect has been given to the foregoing changes.

Note 5: The amount of retained earnings is subject to restriction of $2,256,752 under the Business Corporation Act of Illinois, 1933, due to the acquisition of Borg-Warner Corporation stock.

TREASURY STOCK

HEARST CONSOLIDATED PUBLICATIONS, INC.
Consolidated Balance Sheet
Capital Stock and Surplus:
Capital Stock:

Class A 7% cumulative participating $25 par value; callable at the option of the Company at $30 a share and cumulative dividends—(see Note 5): Authorized 4,000,000 shares of which 2,000,000 shares are no longer issuable		
Issued 2,000,000 shares	$50,000,000	
Less in treasury of Company, 810,151 shares	20,253,775	
Remainder—Class A stock outstanding 1,189,849 shares		$ 29,746,225
Common (authorized and outstanding, 2,000,000 shares without par value—stated value $10 per share)		20,000,000
Surplus:		
Capital surplus	$ 2,869,311	
Earned surplus (see Notes 3, 5, and 6)	71,438,036	74,307,347
Total capital stock and surplus		$124,053,572

Note 5: At December 31, 1954, thirty quarterly dividends, no four of which were consecutive, on class A stock shown as outstanding, amounting to $15,616,768.13 or $13.12½ a share, were in arrears. Under the terms of the issue, in the event of four consecutive quarterly defaults in the payment of dividends, the class A stockholders are entitled to elect a majority of the Board of Directors during the continuance of such default.

At December 31, 1954, $1,645,770.67 of the surplus of the Company was in effect restricted as the result of the purchase in prior years of 69,264 shares of class A treasury stock having a par value of $1,731,600. On January 2, 1948, the Company received in liquidation of Hearst Publications, Incorporated, a former subsidiary, 740,887 shares of Class A stock, now in the treasury, of a par value of $18,522,175 and having a book value of $18,522,015.

Notes 3 & 6 not reproduced herein.

STOCK DIVIDENDS AND STOCK SPLITS

Accounting Treatment of Stock Dividends and Stock Splits

There were disclosures of stock distributions by 99 of the survey companies in their 1954 annual reports. The distributions of 74 companies represented dividends in stock of the declaring company; 2 represented dividends in stock of another company; and the remaining 25 resulted from stock splits. The accounting treatment accorded such stock dividends and stock splits is summarized, in comparative form, in Table 3. The classification of stock distributions as between stock dividends and stock splits, for the purposes of this survey, is based solely upon the terminology employed in the company reports in describing such distributions.

All of the charges and credits involving stock dividends or stock splits which were presented in the 1954 reports of the survey companies are given in the following text. These transactions are arranged in three groups: the first, dealing with stock dividends; the second, stock splits; and the third, dividends-in-kind. Within each group the arrangement follows surplus account categories of "retained earnings" (earned surplus), "capital surplus," or a combination of "retained earnings and capital surplus" in accordance with the presentation in the annual report. The "capital surplus" classification as used herein is inclusive of all entries to surplus accounts other than retained earnings (earned surplus). The examples, however, show the 1954 balance sheet term employed by the survey companies to describe their surplus accounts.

1954 STOCK DIVIDENDS

Retained Earnings

THE AMERICAN METAL COMPANY LIMITED

DR.—$4,809,056—"*Earnings Retained in the Business*: Dividends declared—on common stock—Payable in common stock, 5 percent: 1954, 150,283 shares at $32 per share."

Financial Review: *Dividends.* Regular dividends were paid on the 4½% preferred stock and dividends of $1.75 in cash and 5% in common stock were paid to common stockholders. Dividends paid in the previous year on the common stock were $1.50 and 5% in stock. The 1954 stock dividend required the issue of 150,283 shares of common stock and the transfer from retained earnings to capital of $4,809,056, equivalent to $32 per share of common stock so issued.

THE BABCOCK & WILCOX COMPANY

DR.—$4,500,000—"*Retained Earnings*: Dividends declared—5% stock dividends (77,787 shares in 1954 at $57.85 per share)."

President's Letter: *Dividends.* During 1954 the Company declared cash dividends of $2.00 per share and in addition a 5% stock dividend was declared payable January 24, 1955 to stockholders of record December 8, 1954. The payment of this stock dividend resulted in the issuance of 77,787 shares and the transfer of $4,500,000 from Retained Earnings to Capital Account.

BOEING AIRPLANE COMPANY

DR.—$24,796,586—"*Earnings Retained for Use in the Business*: Amount transferred to capital stock by the Board of Directors in connection with the 100 per cent stock dividend."

President's Letter: Stockholders during the year received four quarterly cash dividends totaling $3.00 per share on the basis of the number of shares outstanding at the end of the year. A stock dividend of one share for each share held also was distributed following stockholder approval of an increase in the number of authorized shares.

CHICAGO PNEUMATIC TOOL COMPANY

DR.—$2,126,305—"*Earned Surplus*: 5% common stock dividend declared in 1954 and paid in 1955 (49,884 shares at market closing price on record date, December 29, 1954)."

Annual Letter to Our Stockholders: On December 7, 1954 the Board of Directors of your company declared in addition to a cash dividend of $1.00 per share, a 5% stock dividend payable in shares of Common stock on January 17, 1955 to holders of record of its Common stock on December 29, 1954.

Upon the issuance of the shares required in payment of the stock dividend, there was transferred, in respect of each such share, from the Earned Surplus Account to the Common Stock Capital Account an amount equal to $42.625. On the basis of the issuance of 49,884 shares, the total credit to the Common Stock Capital Account and the total charge to the Earned Surplus Account amounted in each case to $2,126,305. The amount per share ($42.625) charged to the Earned Surplus Account was determined by taking the closing price of the Common stock on the New York Stock Exchange on the record date, December 29, 1954. No adjustment was made to this price to reflect the additional shares to be issued January 17, 1955 as a stock dividend, since market price after the ex-dividend date reflected such additional shares.

CONSOLIDATED CIGAR CORPORATION

DR.—$475,363—"*Earnings Employed in the Business*: 5% distributed in Common Stock; 16,091 shares issued at $28.50 per share ($458,593) and $16,770 paid in cash in lieu of fractional shares."

Review of the Year: *Dividends.* Dividends were paid in 1954 at the stated rate of $5.00 per share on the Preferred Stock and cash dividends totalling $1.20 per share were paid on the Common Stock during the year. On November 30, 1954, the Board of Directors voted a special Common Stock distribution of one additional share for each twenty shares outstanding to be paid on December 28, 1954. The additional stock was capitalized at $28.50 per share by transferring the required amount from earnings employed in the business to the stated value of the Common Stock. This has the effect of capitalizing $458,593 of the Company's retained earnings.

TABLE 3: STOCK DIVIDENDS AND STOCK SPLIT-UPS

	Stock Dividends		Stock Split-Ups	
Distribution Recorded As:	1954	1953	1954	1953
Debit retained earnings	18	20	2	1
Debit retained earnings and *credit* capital surplus	53	47	—	—
Debit capital surplus	1	—	8	2
Credit capital surplus	—	—	—	1
Debit retained earnings and debit capital surplus	2	—	5	3
Debit retained earnings	2*	5*	—	—
Total Transactions	76	72	15	7
Increase in number of shares only—set forth in:				
Letter to stockholders	—	—	4	1
Accompanying footnotes	—	—	3	—
Balance Sheet	—	—	3	1
Total Transactions	—	—	10	2
Number of Companies Showing:				
Stock Distributions	74	72	25	9
No stock distributions	526	528	575	591
	600	600	600	600

*Dividend-in-kind stock distribution.

CRUCIBLE STEEL COMPANY OF AMERICA

DR.—$1,517,455—"*Earned Surplus*: Amounts transferred to capital stock ($25 per share) upon distributions of common stock as dividends to common stockholders."

Dividends: In addition to cash dividends of $5.00 per share on outstanding preferred stock paid in 1954, as in prior years, 2% in common stock was distributed in each quarter to common stockholders. 1954 was the fourth year in which stock dividends were paid. A common stockholder who held his stock from the beginning of 1951 through 1954 has increased his share holdings by 52%. The values assigned in the accounts to these stock dividends during four years total $9,430,000. In this period the common stockholders' equity in the Company has increased $19,300,000.

HASKELITE MANUFACTURING CORPORATION

DR.—$49,939.73—"*Retained Earnings*: Par value of 9813 shares of Common Stock issued as a 5% stock dividend, plus cash ($874.73) paid in lieu of issuing fractional shares."

HOLLY SUGAR CORPORATION

DR.—$1,250,940—"*Earned Surplus*: Common stock distribution, 125,094 shares of $10 par value."

INTERNATIONAL BUSINESS MACHINES CORPORATION

DR.—$17,979,333.75—"*Earned Surplus*: Stock Dividend—79,908.15 shares, involving transfer from Earned Surplus to Capital Stock account."

To the Stockholders: *Dividends.* Cash dividends totaling $15,558,278.25 were paid to stockholders during the year, representing four quarterly cash dividends of $1.00 per share. On January 28, 1954, a total of 79,908.15 shares of capital stock was issued in payment of the stock dividend of 2½% declared October 27, 1953, and $17,979,333.75, representing $225.00 for each share so issued, was transferred from Earned Surplus to Capital Stock account.

In May 1954, the Corporation's capital stock was split-up by issuing one-quarter of a share additional for each share held at the close of business on May 7, 1954, which resulted in increasing the issued and outstanding capital stock from 3,278,777 shares to 4,098,471 shares. The quarterly cash dividend rate of $1.00 per share on the increased number of shares arising from the split-up represented an increase of 25% in the amount of cash dividends.

INTERSTATE BAKERIES CORPORATION

DR.—$152,721—*"Earnings Retained in Business*: Transfer to common stock account upon increase in outstanding shares from 610,884 to 763,605 resulting from 25% stock distribution declared March 23, 1954."

To the Stockholders: *Dividends.* At their annual meeting in March 1954, the Directors authorized a common stock distribution of 25% to be made on May 3, 1954. (A previous distribution of 100% was made on April 25, 1951.) Dividends on common at the rate of 25c a quarter were continued throughout the year. Regular quarterly dividends were paid on the $4.80 preferred stock.

LILY-TULIP CUP CORPORATION

DR.—$224,653—*"Earned Surplus*: Common stock distribution (224,653 shares) to holders of Common stock."

Note D—Capital Stock: The Board of Directors on February 17, 1955 adopted a proposed amendment to the Certificate of Incorporation to increase and change the authorized shares of Common Stock from 1,000,000 shares each without nominal or par value to 2,500,000 shares each of $10 par, effecting a two-for-one split by reconstituting each of the shares outstanding at the close of business on April 29, 1955 into two shares, each of $10 par. The proposed amendment is to be submitted to the stockholders for adoption. Any amount required to increase the balance of the Capital Stock account, as a result of the proposed change in capitalization, will be transferred from Capital Surplus account. . . .

During 1954, the Company issued an aggregate of 322,766 shares of no par Common Stock, of which 224,653 were distributed on February 18, 1954, as a 50% stock distribution; 10,113 shares were issued under the Stock Option Plan, for which the Company received $435,236, and 88,000 shares were publicly offered during June 1954, the net proceeds of which were $5,562,054.

THE MEAD CORPORATION

DR.—$1,107,227—*"Earnings Retained for Use in the Business*: Common share dividend—2½% (27,114 shares computed at $37.50 a share and $90,452 cash in lieu of fractional shares) paid on the Common Shares outstanding at November 5, 1954."

To the Shareholders: In December the regular quarterly dividend of 45c per Common Share was increased to 50c, making a total of $1.85 in cash dividends for the year. In addition, a year-end stock dividend of 2½% was paid.

O'SULLIVAN RUBBER CORPORATION

DR.—$57,803.13—*"Earned Surplus."*

Note 5: The common stockholders of record October 20, 1954, were paid a dividend, by the issuance of the corporation's authorized 5% cumulative preferred $20.00 par value stock, at the rate of ten (10) cents per share on the $1.00 par value common stock. Stockholders whose holdings amounted to half shares were paid in temporary scrip certificates exchangeable until November 15, 1956, at the rate of two scrip certificates for one share of preferred stock. Dividends amounting to fractions of less than one-half share of preferred stock were paid in cash on the basis of the market value of the preferred stock as of the close of business October 20, 1954.

PITTSBURGH STEEL COMPANY

DR.—$1,678,369—*"Accumulated Earnings*: Stock dividends—on common shares—four quarterly dividends of 2%."

To the Shareholders: Earnings and dividends—In 1954, regular dividends of $5.50 per share were paid on the Prior Preferred Stock, First Series, 5½% and the Class A 5% Preferred Stock, respectively. These cash dividends totaled $1,308,150. In addition four stock dividends of 2% each were paid on the Common Stock. These stock dividends had an aggregate market value at the times of declaration of $1,678,369.

PLYMOUTH OIL COMPANY

DR.—$996,337—*"Earnings Retained in the Business*: Dividends paid—Stock (cost of reacquired treasury stock distributed, including cash of $100,266 in 1954—paid in lieu of fractional shares)."

1954 Financial Review: *Dividends.* Cash dividends paid by Plymouth Oil Company during 1954 were $1.60 per share amounting to $3,861,481. In addition to these cash dividends the Company distributed in the form of a 1½% stock dividend 32,451 shares of re-acquired treasury stock which cost $896,071, and paid $100,266 in cash in lieu of the issuance of fractional shares making a total of $4,857,818 charged to the dividend account of the Company.

POLAROID CORPORATION

DR.—$203,688—*"Earned Surplus*: Common Dividends—Stock (Note C)."

Note C: As approved by the stockholders at a Special Stockholders' Meeting on January 28, 1954 the authorized Common Stock was increased from 407,375 shares to 750,000 shares. Pursuant to the declaration by the Board of Directors at its December 10, 1953 meeting a stock dividend of 203,688 shares, one share of fully paid Common Stock for each two shares of Common Stock outstanding, was paid on February 26, 1954.

REYNOLDS METALS COMPANY

DR.—$13,984,551—*"Earned Surplus*: Dividends—In Common Stock of Company (issued 5%—90,090 shares; issuable 5%—95,631 shares) at approximate market prices."

To the Shareholders: *Dividends.* A dividend of 50c a share was declared November 6, 1953, payable January 5, 1954. Quarterly dividends of 25c a share were declared and paid during the year. A 50c dividend was declared in November for payment January 5, 1955. Thus, cash dividends declared or paid during 1954 totaled $1.50 a share.

In addition, a 5% stock dividend was declared in May, payable July 2nd, and a second stock dividend of 5% was declared November 11th, payable January 7, 1955.

THE RUBEROID CO.

DR.—$1,588,268—*"Earned Surplus*: Dividends on capital stock—Stock—2½ per cent (36,097 shares) in 1954, —for which transfers of accumulated earnings were made to capital stock in the amount of $44.00—per share—."

To Our Stockholders: *Dividends.* Cash dividends paid during 1954 and 1953 are shown in the following table:

	Amount per share 1954	1953*
First quarter	$0.25*	$0.25
Second quarter	0.40	0.25
Third quarter	0.40	0.375
Fourth quarter	0.40	0.375
Year end extra	0.30	0.50
Total	$1.75	$1.75

**After adjusting for two-for-one stock split*

In addition to the cash dividends, a stock dividend of 2½ per cent was paid at the close of 1954 and 5 per cent at the close of 1953.

Retained Earnings and Capital Surplus

ADDRESSOGRAPH-MULTIGRAPH CORPORATION

DR.—$1,198,950—*"Earned Surplus*: Dividends paid—Stock—3% (Note 4)."

CR.—$959,160—"Capital Surplus":

Notes to Financial Statements: *Note 4.* A 3% common stock dividend, amounting to 24,979 shares was declared and issued to shareholders of record at the close of business on October 30, 1953. As a result earned surplus was charged with $1,198,950 on the basis of $50 per share (the approximate market price of the common stock on September 1, 1953). Capital stock account was credited with $239,790, the par value of the shares issued, and the balance, $959,160, was credited to capital surplus.

ALAN WOOD STEEL COMPANY

DR.—$456,040—*"Earnings Retained in the Business*: Dividends Declared—5% in Common Stock payable November 20, 1954 at approximate market value."

CR.—$141,530—"Additional Paid-In Capital: Excess of approximate market value over par value of stock dividend."

To the Stockholders, Employees and Friends of the Company: *Financial.* During the year the regular $5 per share dividend on the Preferred Stock and a 35c cash dividend on the Common Stock were paid. We also paid a stock dividend of 5% on the Common Stock. This was done in order to conserve cash which was needed to finance our construction program while at the same time recognizing the fact that earnings justified a return to the stockholders. The book value of the Common Stock at the close of the year was $35.54 per share.

The Company's First Mortgage Bonds, issued in 1948, carried an interest rate of 5% and also carried provisions for rather large retirements each year, representing a heavy cash drain on the Com-

OLIN MATHIESON CHEMICAL CORPORATION AND CONSOLIDATED SUBSIDIARIES

Statements of Consolidated Surplus—Year Ended December 31, 1954

EARNED SURPLUS:		
Amount at December 31, 1953:		
Mathieson Chemical Corporation		$ 68,082,906
Olin Industries, Inc.		62,106,987
		130,189,893
Add—Restoration on merger date of amounts appropriated by Olin Industries, Inc. for contingencies and self insurance		7,500,000
		137,689,893
Deduct:		
Earned surplus as of December 31, 1953 applicable to subsidiaries operating in countries other than United States and Canada which were excluded from the consolidation upon the merger of Mathieson Chemical Corporation and Olin Industries, Inc., less adjustments in the net amount of $235,006 principally with respect to intercompany profits in inventories of such subsidiaries	$ 5,638,667	
Excess of cost over par value of 360 Olin Industries, Inc. common treasury shares cancelled on merger	4,340	5,643,007
Amount at December 31, 1953 on a pro-forma basis *(note 1)*		132,046,886
Add—Net income for the year		34,291,951
		166,338,837
Deduct:		
Cash dividends:		
Prior to September 1, 1954:		
Mathieson Chemical Corporation:		
Preferred, at the annual rate of $4.25 per share	382,500	
Common, at the annual rate of $2.00 per share	5,426,824	
Olin Industries, Inc.:		
Preferred, at the annual rate of $4.00 per share	139,861	
Common, at the annual rate of $1.00 per share	2,605,413	
Subsequent to August 31, 1954:		
Olin Mathieson Chemical Corporation:		
Preferred, at the annual rate of $4.25 per share	488,104	
Common, at the annual rate of $2.00 per share	10,985,348	
	20,028,050	
Value assigned ($47.00 per share) to 274,049 shares of common stock of Mathieson Chemical Corporation issued in connection with a 5% stock dividend distributed to stockholders of record on July 9, 1954	12,880,303	
		32,908,353
Amount at December 31, 1954 *(note 7)*		$133,430,484
PAID-IN SURPLUS:		
Amount at December 31, 1953:		
Mathieson Chemical Corporation		$ 36,285,411
Olin Industries, Inc.		6,776,648
		43,062,059
Deduct—Excess of par value of 5,092,826 shares of Olin Mathieson Chemical Corporation common stock (issued on merger) over par value of a like number of shares of Olin Industries, Inc. common stock outstanding on December 31, 1953		20,371,304
Amount at December 31, 1953 on a pro-forma basis *(note 1)*		22,690,755
Add:		
Excess of assigned value over par value of 274,049 shares of Mathieson Chemical Corporation common stock issued in connection with a 5% stock dividend		11,510,058
Excess of assigned value over par value of 42,990 shares of common stock (of which 15,991 shares were issued by Mathieson Chemical Corporation prior to the merger) issued in connection with the acquisition of securities of other companies		1,684,782
Excess of proceeds from sale of 118,000 shares of Olin Industries, Inc. common stock (sold to Olin employees under a restricted stock option plan prior to merger) over par value of a like number of shares of Olin Mathieson Chemical Corporation common stock issued on merger in exchange therefor		3,525,450
Excess of proceeds over par value of 2,166 shares of common stock (of which 225 shares were issued by Mathieson Chemical Corporation prior to the merger) issued to employees upon exercise of options under restricted stock option plans		69,515
Excess of par value over cost of 3,721 shares of 4% Series A cumulative preferred stock of Olin Industries, Inc. retired		12
Excess of par value of 5,503 shares of convertible, 1951 Series, 4.25% cumulative preferred stock over par value of 11,552 shares of Olin Mathieson Chemical Corporation common stock issued on conversion, less $204 cash adjustment for fractional shares		492,336
Amount at December 31, 1954		$ 39,972,908

See accompanying notes to consolidated financial statements.

pany's resources. On July 1, the Company entered into a 7-year loan agreement with four Philadelphia banks for a loan of up to $7,000,000. Under this agreement the Company will pay a lower rate of interest than the 5% and enjoys a further benefit in that no repayment of principal is due until the third quarter of 1956. All the outstanding First Mortgage Bonds, amounting to $4,116,000, were retired during 1954 by the operation of the Sinking Fund and by call for redemption on September 1, 1954. The substantial amount of cash required for the amortization of the bonds was therefore eliminated during the period when cash was needed for plant construction. During 1955, we hope to be able to resume cash dividends on the Common Stock while at the same time reducing the $7 million principal amount which we have borrowed.

During the year 1,471 shares of 5% Preferred Stock were retired as required by the Contingent Redemption Fund provision in our Articles, leaving a total of 63,129 shares outstanding. A total of 31,241 shares of Common Stock were issued as a Stock Dividend payable on November 20, 1954, and the total Common Stock now outstanding is 656,053 shares.

AMERICAN BOX BOARD COMPANY

DR.—$4,949,212—*"Earnings Retained in the Business*: Stock dividend of 1 share for each 2 shares outstanding—246,118 shares at $20 per share, the approximate market value . . . 4,922,360—Cash in lieu of fractional stock dividend shares . . . 16,852."

CR.—$4,676,242—"Paid-in-Capital in Excess of Par Value: Excess of the approximate market value of shares of common stock, issued as a stock dividend, over the par value."

AMERICAN STORES COMPANY

DR.—$3,594,629—*"Earnings Retained for Use in the Business*: Stock dividend—5%."

CR.—$3,526,003—"Capital in Excess of Par Value of Common Stock."

Notes to Financial Statements: *Note 4.* Capital in Excess of Par Value of Common Stock—During the year this account was increased by the excess over par value of: Assigned value of 68,626 shares of common stock issued as a stock dividend.

AVON PRODUCTS, INC.

DR.—$1,382,836—*"Earnings Retained in Business*: Dividends in Cash—In lieu of fractional shares, stock dividend . . . $37,007—Dividends in Stock—4% on Common Stock based on estimated average market value of $53 per share . . . 1,345,829."

CR.—$1,218,864—"Capital Surplus: Excess of average market value over par value of 25,393 shares of Common Stock issued in payment of 4% Common Stock Dividend."

Notes to Financial Statements: *Note 4.* On December 21, 1954, a 4% Stock Dividend of 25,393 shares of Common Stock was issued to stockholders of record December 13, 1954. In lieu of fractional shares, cash amounting to $37,007 was distributed.

BENDIX AVIATION CORPORATION

DR.—$9,541,791—*"Earned Surplus*: Dividends: Stock—7% (148,222 shares at closing market price on day preceding date of declaration)."

CR.—$8,800,681—"Capital Surplus: Excess of market value over par value of capital stock distributed as a stock dividend."

President's Annual Letter to the Stockholders: *Dividends.* The sum of $6,695,127, or $3.00 a share was paid in cash dividends to stockholders during the 1954 fiscal year. In addition, a stock dividend amounting to 7 shares for each 100 shares held was paid in January, 1954, based upon final results of the previous year's earnings.

Based upon earnings of the 1954 fiscal year, an extra dividend of $1.00 a share was paid December 27, 1954, along with the regular 75c quarterly dividend. This makes total cash dividends of $4.00 a share applicable to 1954 earnings.

THE BLACK & DECKER MANUFACTURING COMPANY

DR.—$580,657—*"Earned Surplus* (Earnings Retained and Used in the Business)—Extra dividend—Paid by issuance of 10,212 shares of Common Stock at market value of $46.75 per share . . . 477,411—Cash in lieu of fractional shares . . . 103,246."

CR.—$426,351—"Capital Surplus (Excess Over Stated Value of Common Stock)—Excess of market value over stated value of 10,212 shares of Common Stock issued as stock dividend."

BLAW-KNOX COMPANY

DR.—$579,845—*"Undistributed Earnings—Excluding Amounts Capitalized*—Dividends—Capital Stock—1954 1½%—23,193.8 shares at $25 per share."

CR.—$347,907—"Other Capital."

Note 6—Stockholders' Equity: On October 25, 1954, the Board of Directors declared a 1½% stock dividend, payable January 10, 1955, to stockholders of record on December 10, 1954. Accordingly, undistributed earnings have been charged with $579,845 ($25 per share, approximate market value) of which $231,938 ($10 par value per share) have been included in the accompanying statement of financial position as common stock to be issued, and $347,907 ($15 per share) added to other capital.

BOOTH FISHERIES CORPORATION

DR.—$588,484—*"Earned Surplus*: 20% stock dividend (45,268 shares) paid on May 2, 1955, to stockholders of record on April 20, 1955; recorded at value determined by board of directors, $588,484; of this amount, $226,340 representing the par value of the shares issued was added to common stock and $362,144 to paid-in surplus."

CR.—$362,144—"Paid-in Surplus: Credit arising from stock dividend, as described above."

THE BORDEN COMPANY

DR.—$27,140,400—*"Earned Surplus (Earnings Retained for Use in the Business)* Dividends Paid—Stock (Note 4)."

CR.—$20,678,400—"Capital Surplus."

Note 4—Capital Surplus: 430,800 additional shares of the Company's Capital Stock were issued to stockholders of record September 10, 1954, on the basis of 1 share for each 10 shares of the Company's Capital Stock then outstanding. For each share so issued there was charged to Earned Surplus the sum of $63, of which amount $15 (representing the par value) was credited to Capital Stock and $48 was credited to Capital Surplus. The figure of $63 approximates the market price per share of the Capital Stock of the Company as of August 31, 1954 (the date of declaration of the dividend). The charge to Earned Surplus was $27,140,400 and the credits to Capital Stock and Capital Surplus were $6,462,000 and $20,678,400, respectively.

THE BRUNSWICK-BALKE-COLLENDER COMPANY

DR.—$438,750—*"Earned Surplus Since 1932*: 5% common stock dividend on common stock (22,500 shares at market value of $19.50 per share)."

CR.—$213,750—"Capital Surplus: Capital surplus (including in 1954, $213,750 representing the excess of market over stated value of 22,500 shares of common stock distributed as a stock dividend)."

CARNATION COMPANY

DR.—$3,504,585—*"Accumulated Earnings Retained in the Business, excluding amounts transferred to capital*: Five percent in common stock payable January 3, 1955 (scrip issued for fractional shares), 30,474 shares at $115 per share, approximate market at declaration date, of which $16.50 per share transferred to capital stock and $98.50 to other capital."

CR.—$3,001,753—"Other Capital (transferred from accumulated earnings in connection with stock dividend)."

CATERPILLAR TRACTOR CO.

DR.—$8,106,450—*"Profit Employed in the Business*: Dividend paid in common stock—4% or 158,950 shares—Transferred to common stock—$10 par value per share

. . . $1,589,500—Transferred to capital in excess of par value—$41 per share, being in excess of market value of stock at time dividend was declared over its par value . . . $6,516,950."

CR.—$6,516,950—"Capital in Excess of Par Value: Excess of market value over par value of stock issued as a stock dividend."

Results of Operations: The regular dividend of $4.20 per share was paid on the preferred stock. Dividends on common stock continued at the rate of 50¢ per quarter. In 1954, as in 1953, a 4% stock dividend was paid on the common stock. A ruling has been obtained by the Company from the United States Treasury Department which states that a shareholder has no federal income tax liability on any portion of the stock dividend until sold, and that, if this dividend is sold, the profit or loss on its sale is treated as a capital gain or loss.

Accounting for this stock dividend was reflected in the Company's financial statements in accordance with generally accepted standards of accounting and the regulations of the New York Stock Exchange. These require that "Profit employed in the business" be reduced by the fair value of the dividend, that the par value ($10.00 per share) of the stock issued be added to "Common stock" and that the excess over par value be added to "Capital in excess of par value." For the purpose of this transfer, "fair value" of the stock was determined to be $51.00 per share, the closing price on the New York Stock Exchange May 17, 1954, the day the dividend was declared.

Accordingly, $8,106,450, being $51.00 per share for the 158,950 shares issued as the stock dividend, was deducted from "Profit employed in the business." Of this amount, $1,589,500 was added to "Common stock" and the balance of $6,516,950 was added to "Capital in excess of par value." The net assets of the Company are not affected by these transfers.

CITIES SERVICE COMPANY

DR.—$6,996,780—*"Earnings Retained and Employed in the Business*: 2% in common stock at assigned value of $90 per share, declared in December 1954 and distributed January 17, 1955."

CR.—$6,219,360—"Capital Surplus: On balance sheet —Capital surplus (including in 1954 $6,219,360 representing excess of amount assigned to common stock declared as a dividend over par value thereof)."

THE COLORADO FUEL AND IRON CORPORATION

DR.—$2,010,200—*"Earned Surplus*: Stock dividends—5% on Common Stock—125,378 shares of Common Stock based on market values."

CR.—$1,383,310—"Capital Surplus: Excess of value (based on market) assigned to Common Stock distributed as dividends over stated value thereof."

COLUMBIA BROADCASTING SYSTEM, INC.

DR.—$3,450,069—*"Earned Surplus*: Dividends paid—Stock dividend, two per cent—26,234 shares of Class A stock and 21,584 shares of Class B stock at $72.15 per share, the approximate average of October 1954 market quotations."

CR.—$3,330,523—"Capital Surplus: Represents the excess of the amount charged to earned surplus for the stock dividend over the par value of the shares issued in payment thereof."

CONTAINER CORPORATION OF AMERICA

DR.—$18,819,006—*"Earnings Retained for Requirements of the Business (Earned Surplus)*: Dividends—25% common stock dividend (495,237 shares) paid May 27, 1954, to common stockholders, recorded at fair value of $38 per share."

CR.—$13,866,636—"Shareholders' Investment in Excess of par Value (Paid-In Surplus): Excess of fair value over par value of 495,237 shares of common stock distributed as a 25% dividend on common stock."

DENNISON MANUFACTURING COMPANY

DR.—$549,070—*"Earnings Reinvested*: In stock—Common stocks—1/20th share of "A" Common per share (capitalized at market value at dates of distribution; fractional shares paid in cash, also at market value)."

CR.—$393,712—"Capital in Excess of Par Value: Add excess of market value over par value of "A" Common shares issued as stock dividend."

THE DOW CHEMICAL COMPANY

DR.—$18,778,377—*"Earned Surplus*: Common Stock (at approximate market value—1954, 552,305 shares at $34.00 per share,——)."

CR.—$16,016,851—"Capital Surplus: Excess of approximate market value over par value of Common Stock issued as a stock dividend."

EASTERN STAINLESS STEEL CORPORATION

DR.—$513,471—*"Earnings Retained in the Business*: 5% stock dividend, 22,234 shares, at designated fair value (based on market value) of $494,706 and $18,765 cash in lieu of fractional shares."

CR.—$383,536—"Paid-in Surplus: Excess of designated fair value over par value of capital stock issued as stock dividends."

EASTMAN KODAK COMPANY

DR.—$47,866,500—*"Balance of Retained Earnings Used in the Business."*

CR.—$39,163,500—"Additional Retained Earnings Transferred to Capital."

Financial Notes:

Common Stock. The amount shown for common shares in the Statement of Financial Condition at December 26, 1954, included 17,402,784 shares issued and outstanding, 4,325 shares represented by scrip outstanding from the stock dividend issue of May 29, 1953, and 870,300 shares to be issued either as whole shares or scrip on March 21, 1955, being the 5 percent stock dividend declared November 16, 1954. The scrip certificates do not entitle the owner to any share owner's rights and no dividends are paid on them.

Capital and Retained Earnings Used in the Business. On November 16, 1954, the directors declared a dividend payable on March 21, 1955, in common stock at the rate of one share for each twenty shares held by common share owners of record on February 7, 1955. This dividend has been given effect to in the 1954 accounts of the company. Retained earnings have been charged for 870,300 shares to be issued at the rate of $55 per share, a total of $47,866,500. This figure was determined by the Board of Directors and was an approximation of the average market value of the stock for a short period prior to the date of declaration of the dividend. Of the amount charged to retained earnings, $8,703,000 was added to the common stock account, representing the par value ($10 per share) of the shares to be issued. The remainder of $39,163,500 ($45 per share) was classified as retained earnings transferred to capital.

THE ELECTRIC AUTO-LITE COMPANY

DR.—$1,123,206—*"Earnings Retained for Use in the Business*: Stock dividends—2% of outstanding common shares, $5 par, in 1954—31,392 shares—$35.78 per share."

CR.—$966,246—"Additional Paid-In Capital: Excess of market value assigned to common shares, $5 par, issued as stock dividend, over par value."

EX-CELL-O CORPORATION

DR.—$3,862,150—*"Earnings Retained for Use in the Business*: Valuation Assigned to 77,243 shares distributed April 1, 1954 as stock dividend (making 850,055 shares outstanding)."

CR.—$3,630,421—"Capital in Excess of Par Value of Shares."

FRUEHAUF TRAILER COMPANY

DR.—$956,421—*"Earnings Retained for Use in the Business*: 2% stock dividend in Common Stock paid on December 30, 1954 (32,559 shares)—at 29⅜ a share, based on closing market price on date of declaration."

CR.—$923,862—"Additional Paid-in Capital: Excess of fair value over par value of 32,559 shares of Common Stock issued as a stock dividend."

GRANITE CITY STEEL COMPANY

DR.—$1,846,233—*"Earnings Reinvested in the Business (unappropriated earned surplus)*: Dividends paid to common stockholders in common stock, 6 shares for each 100 outstanding."

CR.—$685,080—"Capital in Excess of Par Value (capital surplus): Excess of market value over par value of common shares issued as stock dividend."

The President's Review of the Year 1954—Financial: Regular cash dividends were paid on both classes of preferred stock throughout the year. Due to loan agreement restrictions, your Company was unable to pay any cash dividend on the common stock in 1954. However, a stock dividend of six shares of common stock for every 100 shares of common stock held was declared on October 14, 1954 and paid on November 23, 1954. This dividend together with the conversion of preferred stock increased the common stock outstanding from 1,544,044 shares at the beginning of 1954 to 1,640,409 shares at the end of 1954.

GULF OIL CORPORATION

DR.—$54,003,620—*"Earnings Retained in the Business*: Stock Dividend (4%) 981,884 shares at assigned value of $55 a share, of which $30 a share was transferred to other capital."

CR.—$29,456,520—"Other Capital."

HARBISON-WALKER REFRACTORIES COMPANY

DR.—$66,583—*"Income Retained in the Business*: Common—$2 per share plus $66,583 paid in lieu of issuing fractional shares as a 3% common dividend."

DR.—$1,040,364—*"Income Retained in the Business*: In common shares at 3% of common shares issued—1954—40,014 at $26 market per share."

CR.—$440,154—"Capital in Excess of Par Value: On balance sheet—Capital in excess of par value; the increase represents $440,154 excess of market value over par of common shares issued as a 3% dividend and———."

HUNT FOODS, INC.

DR.—$625,535—*"Earned Surplus*: Dividends—Stock-Paid in shares of common stock, in ratio of one share for each 20 shares held; 28,433 shares at $22 a share."

CR.—$435,982—"Capital Surplus."

Note 3: ". . . $435,982 represents earned surplus capitalized in connection with the stock dividend declared October 26, 1954, payable November 30, 1954 . . ."

INTERNATIONAL PAPER COMPANY

DR.—$35,293,968—*"Earned Surplus*: Stock dividend (5%)—490,194 shares of common stock at assigned value of $72.00 per share."

CR.—$31,617,513—"Capital Surplus: Excess of value assigned to 490,194 shares of common stock, declared as a stock dividend, over the par value thereof."

JANTZEN KNITTING MILLS, INC.

DR.—$753,831—*"Earned Surplus*: Dividends paid—Common stock."

CR.—$871,435—*"Capital Surplus."*

Notes to Financial Statements—Note 5—Surplus—

Capital surplus has increased $871,435, which is the excess of the market value over par value of the common stock distributed by the company during the current fiscal year.

The President's Letter to the Stockholders: Earnings and Dividends. Quarterly dividends of 20 cents, or a total of 80 cents per share were paid on the common stock, plus a stock dividend of one share for each ten owned as of October 15, 1953. Total cash dividends on both common and preferred stock amounted to $441,062.

(Refer also to Jantzen Knitting Mills Inc.—example under "Premium on Initial Issue of Capital Stock"; this section.)

G. R. KINNEY CO., INC.

DR.—$357,871—*"Retained Earnings*: Stock of the Company 10,643 shares . . . at assigned value of $33.625 per share . . . by credit of $10,643 . . . to common stock account and $347,228 . . . to capital arising from payment of stock dividends."

CR.—$347,228—"Capital Arising from Payment of Stock Dividends."

KUHLMAN ELECTRIC COMPANY

DR.—$101,250—*"Retained Earnings*: 5% stock dividend, at fair value."

CR.—$78,239—"Capital Surplus: Amount credited in respect of 11,177 shares paid as a 5% common stock dividend, representing excess of fair value over par value."

LOCKHEED AIRCRAFT CORPORATION

DR.—$5,577,388—*"Earnings Retained for use in the Business*: Stock dividends—one share for twenty."

CR.—$5,435,682—"Additional Capital: Excess of value assigned to stock dividend over par value of stock—transferred from earnings retained for use in the business."

THE GLENN L. MARTIN COMPANY

DR.—$5,339,059—*"Earned Surplus*: Stock dividend of 232,133 shares."

CR.—$5,106,926—"Capital Surplus: Excess of amount assigned to stock dividend over par value of stock—transferred from earned surplus."

W. L. MAXSON CORPORATION

DR.—$445,408—*"Earned Surplus*: 8% stock dividend —24,473 shares—valued at average market price during preceding twelve months."

CR.—$371,990—"Paid-in Surplus: Excess of amount charged to earned surplus over par value of shares issued as stock dividend."

NATIONAL COMPANY, INC.

DR.—$96,000—*"Earned Surplus."*

CR.—$85,900—"Capital Surplus."

Note 4: Stock dividends of 2% were paid to common stockholders of record June 25 and December 24, 1954. As a result Earned Surplus was charged with $96,000, the fair value on the respective issue dates of the 10,100 shares distributed. Capital Stock was credited with $10,100, the par value of the shares issued, and the balance, $85,900, was credited to Capital Surplus.

NATIONAL GYPSUM COMPANY

DR.—$2,072,178—*"Earned Surplus*: Common stock dividend declared (2% of outstanding shares of Common Stock) at approximate market price when declared: $38 a share in 1954."

CR.—$2,017,647—"Capital Surplus: Surplus resulting from . . . exercise of options by employees, and payment of a stock dividend . . . $2,199,833."

NORTHROP AIRCRAFT, INC.

DR.—$1,053,508—*"Earned Surplus*: 10% stock dividend—63,849 shares at $16.50 per share (approximate market price adjusted to give effect to the additional shares to be outstanding)."

CR.—$989,659—"Other Capital Surplus."

PENN-TEXAS CORPORATION

DR.—$823,346.91—*"Earned Surplus*: Cash and Stock Dividends, 1954."

CR.—$293,452.67—"Capital Surplus: Excess of market value over par value of 23,985 shares issued for stock dividend."

THE PITTSTON COMPANY

DR.—$1,005,121.17—*"Earned Surplus*: Market value of 35,181 shares of Common Stock issuable as a 5% stock dividend (Note 5)."

CR.—$969,940.17—"Capital Surplus—Excess of market value over par of 35,181 shares of Common Stock issuable as a stock dividend."

Notes to Financial Statements: Note 5—Common Stock, Par Value $1 Per Share—At a special meeting held on March 8, 1954 the stockholders approved an amendment to the company's Certificate of Incorporation so as to increase the authorized amount of Common Stock from 1,000,000 shares of the par value of $1. per share to 1,200,000 shares of the par value of $1. per share.

On December 21, 1954 the directors authorized the payment of a 5% stock dividend on the Common Stock payable January 25, 1955 to stockholders of record January 10, 1955. Pursuant to this resolution, 35,181 shares of the company's Common Stock were subsequently issued and provision for the issuance of these shares has been made on the balance sheet as at December 31, 1954.

PUROLATOR PRODUCTS, INC.

DR.—$530,427.60—*"Retained Earnings*: 5% stock dividend including fractional shares in cash (Note 5)."

CR.—$487,002.00—"Capital Surplus: Excess of approximate market value over par value of common stock issued as stock dividend (Note 5)."

Notes to Consolidated Financial Statements: (5) During the year 1954 a 5% dividend was declared payable in capital stock. Capital stock has been credited with $21,174, the par value of the shares issued and $487,002, representing the excess of the approximate market value over the par value, has been credited to capital surplus. Fractional shares aggregating 927.15 shares were paid in cash in the amount of $22,251.60, accounting for the total dividend of $530,427.60 charged to retained earnings.

REPUBLIC AVIATION CORPORATION

DR.—$4,212,270—*"Income Reinvested or Employed in the Business*: Stock dividends, 10 per cent in each year (121,654 shares in 1954 and 110,594 shares in 1953 at closing market prices on record dates)."

CR.—$4,090,616—"Capital in excess of par value of common stock (including excess of closing market prices on record dates over par value of common shares issued in 1954 as stock dividends)."

H. H. ROBERTSON COMPANY

DR.—$1,880,092—*"Retained Earnings*: Dividends Paid: Stock—(Note 2)."

CR.—$1,644,345—"Capital Surplus."

Note 2: During the year 1954 the Company paid a stock dividend of ten per cent represented by an aggregate charge to retained earnings of $1,880,902. The distribution of this stock dividend resulted in an increase in the Company's outstanding Capital Stock of 29,495 shares at $6.25 per share or $184,344. The difference between $6.25, the stated value per share, and $62.00, the estimated average market value per share for the 29,495 shares so distributed, was credited to Capital Surplus. Cash payments aggregating $51,402, in lieu of stock, were made to holders of fractional shares equivalent to 659 full shares at the market price per share November 15, 1954, of $78.00.

SIGNODE STEEL STRAPPING COMPANY

DR.—$705,461—*"Earnings Retained in the Business*: 5% Common Stock dividend paid December 1, 1954, to common stockholders, recorded at approximate market value of $27.25 per share."

CR.—$679,573—"Capital Surplus: The increase in capital surplus in 1954 resulted from (a) $679,573 excess of market over par value of 25,888 shares of common stock distributed as a 5% stock dividend."

SPRAGUE ELECTRIC COMPANY

DR.—$15,495—*"Retained Earnings—Unappropriated*: Cash paid in lieu of issuing fractional shares in connection with stock distribution."

DR.—$1,034,305—*"Capital Surplus*: Amount transferred to common stock account, representing the par value of 413,722 shares distributed to stockholders in 1954—one share for each two shares held."

To Our Stockholders: Net profit for the year amounted to $2.68 on each of the 1,241,712 shares outstanding. The increased number of shares reflects a stock dividend distributed in December and the issuance for cash of 58,100 additional shares during the year. As mentioned in the 1953 Annual Report, 10,000 shares were sold to an institutional investor in January 1954; an additional 48,100 shares were sold in May to seven large investors who had approached your Company to this end over a period of several months. Proceeds of all shares sold were $4,153,000; as a result of these sales the number of shares outstanding at June 30, 1954 was 827,990. On December 8, 1954 the stockholders voted to increase the authorized capitalization of the Company from 850,000 to 1,500,000 shares of $2.50 par value common stock. A stock dividend of one additional share for each two shares held was distributed on December 20, a cash payment being made in lieu of fractional shares. On the same date, a quarterly cash dividend of $0.30 was paid on both the old and new shares then outstanding, dividends totaling $1.20 having been paid in 1954 prior to the stock dividend. For purposes of comparison, net profits in 1953 adjusted for the stock dividend but not for the additional shares sold after December 31, 1953, would have been $2.50.

A. E. STALEY MANUFACTURING COMPANY

DR.—$1,021,104—*"Profits Retained in the Business*: Dividends to owners—In common stock—2% on common stock—at market value of $29.50 per share (including $19,904 cash paid in lieu of fractional shares)."

CR.—$979,047—"Capital in Addition to Par or Stated Value of Shares: Net increase in capital resulting from issuance of common shares, less cost of $3.75 series cumulative preference shares acquired for treasury."

STANDARD OIL COMPANY OF CALIFORNIA

DR.—$104,657,107—*"Earned Surplus*: Dividends—5% in capital stock of the company."

CR.—$86,736,370—"Capital Surplus."

Notes to Financial Statements: Capital Stock—On September 30, 1954 the Board of Directors declared a dividend payable November 15, 1954 in capital stock of the Company at the rate of one share for each twenty shares held by shareholders of record on October 8, 1954. As a result of the stock dividend, 1,433,659 additional shares were issued.

A charge of $104,657,107 was made against earned surplus representing $73 per share for the 1,433,659 shares. Capital stock was credited with $12.50 per share, or $17,920,737, and the balance of $86,736,370 was credited to capital surplus.

STANDARD OIL COMPANY (INDIANA)

DR.—$174,612,840—*"Capital in Excess of Par Value*: 16,229,856 shares in the 100 per cent stock dividend to stockholders of record October 25, 1954 and expenses incident thereto."

DR.—$231,734,537—*"Earnings Retained and Invested in the Business*: 16,229,856 shares in the 100 per cent stock dividend to stockholders of record October 25, 1954 and expenses incident thereto."

Financial: Capital Stock Distribution—On December 1, 1954, the Company distributed one share of its common stock out of its authorized but previously unissued stock for each share held by stockholders of record on October 25, 1954.

This distribution doubled the total par value of issued shares on the record date and eliminated $174,612,840 of "Capital in excess of par value" and $231,133,569 of "Earnings retained and invested in the business." There was no change in the par value per share, which remains at $25.

STOKELY-VAN CAMP, INC.

DR.—$757,692—*"Earnings Retained for Use in the Business*: Dividends—On common stock—Common Stock, 5%."

CR.—$701,358—"Capital Paid-in in Excess of Par Values of Capital Stock: Excess of assigned value, based upon quoted market price at the declaration date, over par value of 56,334 common shares issued as a 5% stock dividend."

STRUTHERS WELLS CORPORATION

DR.—$315,126—*"Earnings Retained in the Business Since January 1, 1938*: In common stock (5%—12,003 shares) at an assigned value of $24 per share plus $27,054 in lieu of fractional shares."

CR.—$258,064—"Additional Capital: Excess of assigned value of common shares issued as stock dividend over par value thereof."

TIDE WATER ASSOCIATED OIL COMPANY

DR.—$13,324,555—*"Retained Profits Reinvested*: Approximate market value of 639,681 common shares issued as a 5% stock dividend."

CR.—$6,927,745—"Capital Surplus: (excess of approximate market value over par value of 639,681 common shares issued as a dividend)."

UNITED CAN & GLASS COMPANY

DR.—$250,524—*"Earned Surplus*: Dividends—Paid in common capital stock 20,877 shares (Note 5)."

CR.—$198,332—"Capital Surplus."

Note 5. Capital Surplus—In November 1954, the Company issued 20,877 shares of common capital stock as a 5% dividend to common stockholders. The Board of Directors established a market value of $250,524 ($12 a share) for the stock issued as a dividend. The par value of the stock, $52,192 was credited to the common capital stock account and the remainder, $198,332, was credited to capital surplus.

UNIVERSAL MATCH CORPORATION

DR.—$373,447.50—*"Earnings Retained for Use in the Business (Earned Surplus)*: 5% Stock Dividend payable January 5, 1955—17,574 shares at approximate market value of $21.25 per share."

CR.—$153,772.50—"Capital in Excess of Par Value (Capital Surplus): Excess of approximate market value over par value of Capital Stock to be issued as a stock dividend."

VANADIUM-ALLOYS STEEL COMPANY

DR.—$174,133—*"Earnings Retained in the Business*: Stock, 2% at assigned value of $23 per share."

DR.—$19,932—*"Earnings Retained in the Business*: Cash in lieu of fractional shares of stock dividend."

CR.—$174,133—"Capital in Excess of Stated Value of Stock."

Note 4. Capital in Excess of Stated Value of Stock—2% stock dividend at assigned value of $23 per share.

WALKER MANUFACTURING COMPANY OF WISCONSIN

DR.—$191,853—*"Earnings Retained for Use in the Business*: 5% stock dividend (including $3,289 paid in cash in lieu of fractional shares) at $17 per share."

CR.—$144,196—"Amounts Received in Excess of Par Value of Capital Stock: Amount arising out of dividend paid in 11,092 shares of $4 par value common stock with an assigned value of $17 per share."

Capital Surplus

NATIONAL DAIRY PRODUCTS CORPORATION

DR.—$33,616,700—*"Capital Surplus*: Transfer to common stock in connection with 100% stock dividend on September 15, 1954."

Stock Dividends—Prior Year Adjustments

THE STANDARD OIL COMPANY (OHIO)

CR.—$7,192—"Capital in Excess of Par Value: Portion of common stock dividend in excess of par value of shares issued" (The 1953, 1952 and 1951 annual reports contain similar entries in the respective amounts of $4,296, $10,325 and $75,730.)

Financial Review December 31, 1950: Changes in Capital Structure . . . Common Stock—In December, 1950 the Company paid to holders of Common Stock a dividend of 2 shares of Common Stock for each 100 held. This required the issuance of 66,005 full shares, and non-voting scrip certificates (series 1956) exchangeable for 5,490 shares of Common Stock.

1954 STOCK SPLIT-UPS

Retained Earnings

MEDUSA PORTLAND CEMENT COMPANY

DR.—$441,823—*"Earned Surplus*: Transfer to common stock account to reflect change from no par value shares to $15.00 par value shares and the issuance of an additional 278,021 shares as a two-for-one split."

To the Shareowners: Sales and Earnings: Cash dividends paid to shareholders totalled $773,881 for the year which amount represents an increase of 46% over dividends paid in 1953. Three regular quarterly dividends of 60¢ per share were paid and a year-end disbursement of $1.00 or a total of $2.80 per share on the stock outstanding before it was split two shares for one, in November.

It should be recorded that two changes occurred in the outstanding common stock during the year. A 25% stock dividend declared by your directors in 1953 was distributed to shareowners in January, 1954, thereby increasing the number of outstanding shares from 221,109 to 276,386. The shareowners, at a special meeting on November 16th, approved a two for one stock split so that at the end of the year there were 552,772 shares outstanding. At this same special meeting, you approved an increase in the authorized number of shares from 500,000 to 1,500,000 and a change from No Par Value to $15.00 Par Value Common Shares.

(Refer also to Medusa Portland Cement Company—example under "Revision in Capital Structure", this section.)

UNION TANK CAR COMPANY

DR.—$6,000,000—*"Earned Surplus*: Transferred to Capital Stock (see Note 4)."

Note 4. Under date of April 29, 1954, the Board of Directors adopted resolutions to effect a 2 for 1 split of the Company's Capital Stock in the form of a 100% stock dividend. These additional shares were capitalized to the extent of $5 per share through the transfer of 6 million dollars from Earned Surplus to Capital Stock on the books of the Company.

Retained Earnings and Capital Surplus

BORG-WARNER CORPORATION

DR.—$4,061,354—*"Retained Earnings*: Transferred to common stock in connection with the reclassification of such stock (Note 1)."

DR.—$21,340,734—*"Capital in Excess of Par Value*: Transferred to common stock in connection with the reclassification of such stock (Note 1)."

Note 1. As of January 3, 1955, the corporation's authorized common stock was increased from 3,000,000 shares of the par value of $5 each to 12,000,000 such shares, and each of the 3,000,000 common shares of the par value of $5 each prior to this increase in authorized capital was reclassified into three (3) shares of the par value of $5 each. In the accompanying financial statements, effect has been given to the foregoing changes.

DRAGON CEMENT COMPANY, INC.

DR.—$694,707—*"Earnings Retained for Use in the Business*: Deduct, amount transferred to capital stock account pursuant to stock split-up (Note 2)."

DR.—$2,707,753—*"Additional paid-in Capital*: Deduct amount transferred to capital stock account pursuant to stock split-up (Note 2)."

Note 2. During 1954 the company effected a split-up of its capital stock through the issuance of two additional shares of the par value of $10 each to the holder of each share of like par value previously issued and outstanding. To reflect the par value of the additional shares issued pursuant to this stock split-up, aggregating $3,402,460, the amounts of $2,707,753 and $694,707 were transferred from the Additional Paid-in Capital and the Earnings Retained for Use in the Business accounts, respectively, to the Capital Stock account.

HOOKER ELECTROCHEMICAL COMPANY

DR.—$6,604,005—*"Earned Surplus*: Transfer to common capital stock on issue of two additional shares of common stock to each share held (Note 5)."

DR.—$3,266,635—*"Capital Surplus Paid-In."*

Note 5. On November 4, 1954 the stockholders approved an increase in the authorized Common Stock from 1,500,000 shares to 6,000,000 shares of the par value of $5 and there was issued to each stockholder of record on November 16, 1954 two additional shares of Common Stock for each share then held. On the issuance of the 1,974,128 shares of additional Common Stock, the aggregate par value of $9,870,640 was charged $3,266,635 to capital surplus paid-in; and $6,604,005 to earned surplus.

THE NEW BRITAIN MACHINE COMPANY

DR.—$97,895—*"Earnings Retained for Use in the Business*: Excess of par value ($10 per share) of 209,351 shares of Common Stock distributed to stockholders, over portion applied to extinguish the then balance in "capital in excess of par capital of shares" and expenses of $2,354 related to such distribution."

DR.—$1,997,969—*"Capital in Excess of Par or Stated Capital of Shares*: Amount transferred to common stock account in connection with distribution to stockholders of 209,351 shares of common stock of $10 par value per share."

WAGNER ELECTRIC CORPORATION

DR.—$1,073,813—*"Income Retained for Use in the Business*: Transferred to common stock account in connection with issuance of 264,782 shares in fifty percent stock split-up."

DR.—$2,897,913—*"Capital in Excess of Par Value*: Amount transferred to common stock account in connection with issuance of 264,782 shares in fifty percent stock split-up."

Capital Surplus

BELL AIRCRAFT CORPORATION

DR.—$1,290,430—*"Capital Surplus*: Transfer to common stock of amount equivalent to aggregate par value of 1,290,430 shares issued on stock split of two shares for one (Note 3)."

Note 3. Common Stock . . . On November 1, 1954, the outstanding stock of the Company was split on a 2 for 1 basis and 1,290,430 additional shares were issued to its stockholders.

BELL & GOSSETT CO.

DR.—$414,034—*"Capital in Excess of Par Value."*

President's Report: Financial Condition. On November 8, 1954 our shareholders approved a 3 for 1 stock split.

FOREMOST DAIRIES, INC.

DR.—$1,881,756—*"Capital Surplus*: Additional par value assigned to common stock in connection with stock split."

To Our Stockholders and Employees: Stock Split. On September 10, 1954, our company's stockholders approved an amendment to the Certificate of Incorporation increasing the authorized common stock of Foremost Dairies, Inc., from 3,000,000 shares, $5 par value, to 10,000,000 shares, $2 par value, and providing for a stock distribution of three for one; i.e., two additional shares for each share held previously.

THE B. F. GOODRICH COMPANY

DR.—$44,048,580—*"Capital in Excess of Par Value of Shares*: Charge arising from the issuance of 4,404,850 shares of common stock to effect the two-for-one split declared November 16, 1954; issued January 5, 1955 to stockholders of record December 14, 1954."

THE HARSHAW CHEMICAL COMPANY

DR.—$474,490—*"Capital Surplus*: Less amount transferred to common stock (stated capital) account for par value of 74,749 shares of common stock to be issued October 1, 1954 (Note 1)."

Notes to Financial Statements: Note 1. A split-up effected by a share dividend was paid October 1, 1954, on the basis of one additional share of common stock for each four shares outstanding September 15, 1954.

H. K. PORTER COMPANY, INC.

DR.—$3,894,750—*"Capital Surplus*: Amount transferred to common stock representing par value of 778,950 common shares issued December 27, 1954 to holders of common stock on the basis of three additional shares for each share held."

THE SPERRY CORPORATION

DR.—$2,147,020—*"Capital Surplus* (Note 4)."

Notes to Consolidated Financial Statements: Note 4. In 1954, the Company, with stockholders' approval, split the Common Stock two for one effective October 11, 1954. There was transferred to Common Stock from Capital Surplus the amount of $2,147,020 representing $1 par value for each additional share so issued.

THOMPSON PRODUCTS, INC.

DR.—$6,583,695—*"Capital in Excess of Par Value of Shares*: Par Value of Common Stock issued as a two-for-one split."

To Our Stockholders: Capitalization and funded debt. The principal change in our capitalization during the year involved an increase in authorized common stock from 2,500,000 to 5,000,000 shares and the split of each outstanding share into two shares. These actions were authorized at a special stockholders' meeting held on October 4th and became effective on October 15th. The stock split involved the issuance of 1,316,739 new shares of stock, in connection with which $6,583,695, or $5 per share, was transferred from Capital in Excess of Par Value of Shares to Capital Stock.

Increase in Number of Shares Only

CHICAGO PNEUMATIC TOOL COMPANY

Annual Letter to Our Stockholders: At a meeting held on June 7, 1954, the Board of Directors of your company adopted resolutions recommending that the authorized Common stock of the company be increased from 750,000 shares of Common stock, without par value, to 1,500,000 shares of Common stock, par value $5 per share, that each of the authorized shares of Common stock, without par value, both issued and unissued, be changed into two fully paid and nonassessable shares of Common stock par value $5 per share, (the Board of Directors also recommended that the voting power of the $3 Convertible Preference stock be changed from one vote per share to two votes per share), that the Certificate of Incorporation be amended to accomplish the foregoing. This proposal of the Board of Directors was submitted for action by vote of the stockholders at a Special Meeting held August 10, 1954.

At the Special Meeting the stockholders, by the vote of the holders of more than two-thirds of the outstanding $3 Convertible Preference stock and Common stock, voting as separate classes, adopted the proposed amendment to the Certificate of Incorporation, as amended, and authorized and directed the aforementioned change. The change became effective upon the filing in the office of the Secretary of State of the State of New Jersey of a Certificate of Amendment to the Certificate of Incorporation, as amended, of the company, pursuant to the requirements of New Jersey law.

The Certificate of Amendment to the Certificate of Incorporation of the company provides that the change of the total authorized 750,000 shares of the Common stock of the company, without par value, into 1,500,000 shares of the newly authorized Common stock, par value $5 per share, be made without increasing or decreasing the total stated capital of the company. The purpose of the stock split is to provide a wider market for the company's Common stock.

DOUGLAS AIRCRAFT COMPANY, INC.

Stock Split and Stock Options: Note D. Authorized capital was increased during 1954 to 4,000,000 shares and the shares outstanding on May 5, 1954 were doubled by a two-for-one stock split.

GENERAL ELECTRIC COMPANY

(Refer also to General Electric Company—example under "Revision in capital structure"; this section.)

Financial Review:

Three-for-one conversion for common stock

In order to give more investors a better opportunity to participate in the ownership of the Company, approval by the Share Owners of a three-for-one stock conversion was requested early in 1954. To reduce transfer taxes on transactions in the Company's common stock, it was also proposed that the stock be changed from no par value to $5 par value. Both of these changes were approved by the Share Owners at the Annual Meeting on April 20, 1954.

THE GOODYEAR TIRE & RUBBER COMPANY

To the Shareholders and Employees of the Goodyear Tire & Rubber Company: During the year, the shareholders approved two changes in the Company's Common Stock. Effective March 30, 1954, this stock was changed from shares without par value into the same number of shares with a par value of $10 each, resulting in a transfer of $16,589,816 from capital surplus to stated capital account. Effective December 30, 1954, concurrently with a two-for-one stock split previously authorized by the Board of Directors which doubled the number of shares outstanding, the par value of all shares of Common Stock was changed from $10 to $5 per share, leaving unchanged the amounts of stated capital and surplus.

(Refer also to Goodyear Tire & Rubber Company—example under "Revision in Capital Structure"; this section.)

OUTBOARD MARINE & MANUFACTURING COMPANY

President's Letter: As of July 6, 1954, the capital stock of your Company was split, three for one.

THE RUBEROID CO.

To Our Stockholders: Stockholders approved the proposal that effective May 5, 1954 the authorized capital stock of the corporation be increased from 958,864 shares to 3,000,000 shares, the par value of each share changed from no par to $1 par, and each of the outstanding shares be split into two shares.

SCOTT PAPER COMPANY

Review of the Year: September—

On September 24, 1954, the Common Shares of the Company were split two for one.

SHELL OIL COMPANY

Note 5. Long Term Debt and Common Stock—

In April 1954, the authorized capital of the company was changed from 20,000,000 shares of common stock with a par value of $15.00 each to 40,000,000 shares of common stock with a par value of $7.50 each and a two-for-one stock split was effected.

TEXAS GULF SULPHUR COMPANY

"*Capital Stock*: Authorized, issued and to be issued and outstanding (after giving effect to the three-for-one stock split which became effective December 20, 1954)—11,520,000 shares without nominal or par value, including 1,500,000 shares held in treasury, $26,175,000."

To the Stockholders of Texas Gulf Sulphur Company: At a special stockholders' meeting held in Houston on December 17, 1954, an amendment to the Company's charter was adopted whereby the number of capital shares of stock, without nominal or par value, was increased from 3,840,000 shares (including 500,000 shares reacquired and held in the treasury of the Company) to 11,520,000 shares, without nominal or par value, (including 1,500,000 shares held in the treasury of the Company), and on January 6, 1955, certificates for two additional shares were mailed for each share held by stockholders at the close of business on December 20, 1954, the effective date of the amendment. The Company has no plans concerning the 1,500,000 shares now held in the Company's treasury.

WEST VIRGINIA PULP AND PAPER COMPANY

Note D. On November 4, 1953, authorized common stock was increased from 1,500,000 shares without par value to 7,500,000 shares of $5 par value, and each no par common share outstanding was split into four shares of $5 par value.

1954 DIVIDENDS-IN-KIND

In the 1954 reports, two of the survey companies, as compared with five in 1953, declared dividends-in-kind. The accounting treatment given to such stock distributions is summarized, in comparative form, in Table 3, and is illustrated in the following examples:

STANDARD OIL COMPANY (INDIANA)

DR.—$9,570,398—"*Earnings Retained and Invested in the Business*: Special dividend paid in capital stock of Standard Oil Company (New Jersey)—217,548 shares at average carrying value—together with equalizing cash payments in lieu of fractional shares. Market value on date of distribution was equivalent to $0.8325 per share* of Standard Oil Company (Indiana) stock."

*After adjustment for the 100 per cent stock dividend.

Dividends: All dividends paid in 1954 were declared on shares held before the 100 per cent stock dividend. Payments included the regular cash dividends totaling $2.50 per share and a special dividend of one share of Standard Oil Company (New Jersey) stock for each 60 shares of our stock. Stockholders holding fewer than 60 shares were paid $1.56 a share. A similar payment was made on shares held above a number evenly divisible by 60. In accordance with our usual practice, these cash payments were based on the average of the high and low market prices of Standard Oil Company (New Jersey) stock on August 27, the record date. The market value of the special dividend when distributed on September 30 was $1.665 per share of the old stock.

Including the market value of the Standard Oil Company (New Jersey) stock when distributed, the dividends paid had a total value of $4.165 per share of the old stock, or $2.0825 per share of present stock. They amounted to $65,667,000. This was equivalent to 56 per cent of earnings.

UNITED AIRCRAFT CORPORATION

DR.—$17,362,303—"*Earnings Employed in the Business (Earned Surplus)*: Distribution, pro rata, to common stockholders of common stock of Chance Vought Aircraft, Incorporated."

To the Stockholders: *Separation of Chance Vought Aircraft, Incorporated.* On January 1, 1954 the Corporation transferred to Chance Vought Aircraft, Incorporated, organized as a wholly owned subsidiary in December, 1953, all of the assets of the Chance Vought Aircraft division, subject to certain liabilities, in exchange for common stock of the subsidiary. The net assets transferred totaled $17,362,303 and consisted of $12,500,000 of net working capital, fixed assets, less reserves for depreciation and amortization, of $4,441,828, and deferred items aggregating $420,475. The stockholders at the annual meeting in April, 1954 authorized the pro rata distribution of all the outstanding stock of Chance Vought Aircraft, Incorporated, to common stockholders. This was accomplished on July 1, 1954 at the rate of one share of Chance Vought for every three shares of common stock of United Aircraft Corporation held on the record date. The Corporation's investment in Chance Vought Aircraft, Incorporated, $17,362,303, was charged to earned surplus upon the distribution.

OTHER CHARGES AND CREDITS TO RETAINED EARNINGS AND CAPITAL SURPLUS ACCOUNTS

In the 1954 annual reports there were 148 of the survey companies (as compared with 121 in 1953) that set forth various charges or credits to the retained earnings account in addition to those entries, discussed above, which recorded dividend distributions (including stock dividends and stock splits) and those entries which presented the net income or loss for the current year. In addition to such charges and credits to the retained earnings account, there were various charges and credits (other than stock dividend or stock split entries) in 251 of the 1954 annual reports that presented capital surplus (458 reports). Of the 8 companies presenting unclassified surplus in their 1954 reports, 6 companies reflected entries other than

TABLE 4: RETAINED EARNINGS AND CAPITAL SURPLUS

	Retained Earnings Account				Capital Surplus Account			
	1954		1953		1954		1953	
Nature of Transaction Presented	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
Premium and Discount on initial issue of capital stock	—	1	—	—	—	21	1	24
Conversion to common stock	3	—	—	—	1	48	—	36
Redemption, retirement of capital stock, warrants, scrip, etc.	21	4	15	11	17	49	18	52
Treasury stock transactions	8	3	7	2	12	13	8	13
Mergers, liquidations, dissolutions	—	6	1	4	9	5	5	8
Capital stock issued in acquisition of:								
Subsidiary companies	6	—	9	1	4	48	2	1
Other assets	—	—	—	—	2	2	—	—
Goodwill	4	1	6	—	—	2	1	—
Adjustments arising in consolidation	3	8	3	2	2	3	1	6
Revision in capital structure	5	—	7	—	5	9	4	5
Financing expenses	5	—	5	—	7	—	14	—
Employee benefit plan involving sale or issue of capital stock	—	1	—	—	—	110	2	78
Appropriation or reserve-transfers thereto and transfers therefrom	15	50	13	48	—	2	4	5
Prior year adjustments:								
Fixed assets and depreciation	2	4	2	8	—	—	—	—
Tax adjustments	7	6	7	7	—	—	2	2
Various other adjustments	4	2	3	1	1	—	—	1
Adjustment re: Section 462, 1954 Internal Revenue Code	26	1	—	—	—	—	—	—
Extraordinary losses or gains	3	3	7	6	—	1	—	1
Foreign exchange adjustments	—	—	6	—	—	1	1	—
Miscellaneous transactions	8	9	3	4	7	8	5	9
Dollar changes—not described	1	2	—	—	1	23	—	8
Totals	121	101	94	94	66	345	68	249
Stock dividends and stock split-ups (Table 3)	80	—	71	—	16	53	5	48
Dividends-in-kind	2	—	5	—	—	—	—	—
Cash dividend declaration (Table 1)	565	—	573	—	—	—	—	—
Net loss or income for the year	32	567	14	576	—	—	—	—
Total charges or credits	800	668	757	670	82	398	73	297

those for stock dividends or stock splits. There were 448 of the survey companies that presented capital surplus and 11 companies that presented unclassified surplus in their 1953 reports, and 200 of such companies set forth various charges or credits thereto (other than stock dividend or stock split entries) in 1953. Such various transactions recorded in the retained earnings, capital surplus, and unclassified surplus accounts of the 600 survey companies are classified and summarized in Table 4 for the years 1954 and 1953.

1954 CHARGES AND CREDITS

All of the various retained earnings and capital surplus charges of the type referred to above (except those charges or credits which merely present the net loss or income for the year), which were contained in the 1954 reports of the survey companies, are set forth below. These examples are grouped: first, according to the nature of the surplus transaction; and second, according to surplus account categories of "retained earnings," "surplus not classified," "capital surplus," or a combination of "retained earnings and capital surplus" in accordance with the presentation of the transaction in the annual report of the survey company. The "capital surplus" classification, as used herein, is inclusive of all entries to surplus accounts other than retained earnings (earned surplus) or surplus not classified. The examples, however, present the 1954 balance sheet terminology employed by the survey companies to describe their surplus accounts. The examples follow:

REVISION IN CAPITAL STRUCTURE

Retained Earnings

GENERAL ELECTRIC COMPANY

DR.—$252,401,864—*"Reinvested Earnings*: Amount transferred to common stock as a result of change from stated to par value."

Notes to Financial Statements: *Note 7—Common stock*—Amounts shown for common stock at December 31, 1954 represented the par value of 86,660,618 issued shares of the Company's $5 par value common stock, and at December 31, 1953 and 1952 represented the stated value of 28,845,927.36 issued no par value shares. Authorized common stock totaled 105,000,000 shares of $5 par value stock at the end of 1954, and 35,000,000 shares of no par value stock at the close of 1953 and 1952.

(Refer also to General Electric Company—example under Stock Split-ups; this section.)

MEDUSA PORTLAND CEMENT COMPANY
DR.—$441,823—*"Earned Surplus*: Transfer to common stock account to reflect change from no par value shares to $15.00 par value shares and the issuance of an additional 278,021 shares as a two-for-one split."

(Refer also to Medusa Portland Cement Company—example under "Stock Split-ups"; this section.)

NEWPORT NEWS SHIPBUILDING AND DRY DOCK COMPANY
DR.—$16,500,000—*"Earned Surplus*: Earned surplus transferred to capital at December 31, 1954."

Financial Condition: Toward the close of the year 1954 the Directors ordered an increase at December 31, 1954 of $16.5 million in the capital applicable to the Company's $1 par common stock, raising the amount thereof from $3.5 million to $20 million, or $25 per share. This was done so that the Company's legal capital would more adequately reflect its permanent capital requirements. The increase was effected by a transfer from earned surplus (i.e., net earnings retained in the business) of $16.5 million, which left a balance of earned surplus at the close of 1954 of $26.1 million. The Company's total capital of $46.1 million was not affected by the change, and was represented at December 31, 1954 by:

Legal capital applicable to the 800 thousand shares of $1 par common stock	$20.0 million
Earned surplus available for dividends	26.1 million
Total capital	$46.1 million

Retained Earnings and Capital Surplus

BRIGGS MANUFACTURING COMPANY
DR.—$47,477,851—*"Income Invested in the Business*: Portion of cash distribution to stockholders in partial liquidation."

DR.—$5,407,643—*"Capital Surplus*: Portion of cash distribution to stockholders in partial liquidation."

Notes to Financial Statements: *Note 1*. The financial statements as of December 31, 1954 give effect to the following plan approved by the stockholders at a meeting held on October 29, 1954:

(a) A cash distribution of $62,831,192 in partial liquidation of the company, representing $32.263 per share on a pro rata basis for each of the 1,947,469 shares of outstanding common stock of the company, in complete redemption and cancellation of 79% of such shares.

(b) Cancellation of 31,531 shares of common stock held in the treasury of the company and amendment of the Articles of Incorporation of the company to reduce its authorized capital stock from 2,025,000 shares of nonpar value to 408,969 shares of nonpar value, the latter figure being the aggregate number of shares to be outstanding after completion of the aforesaid redemption and cancellation under the partial liquidation plan.

To the Shareholders: As has been previously reported, the Company in December, 1953 entered into agreements with Chrysler Corporation which provided for the sale of its automobile body, body parts and aircraft business. Transfer of the automobile body and parts business was effected as of December 29, 1953, while transfer of the aircraft division was not accomplished until May 31, 1954.

From the proceeds of the sale to Chrysler the Company was able to make a distribution in partial liquidation to its shareholders of $32.263 per share on the 1,947,469 shares outstanding as of October 29, 1954 in complete redemption and cancellation of 79% of such shares.

REVERE COPPER AND BRASS INCORPORATED
DR.—$32,225,777—*"Earnings Retained and Employed in the Business*: Transfer to Capital Stock (Note F)."

DR.—$1,774,223—*"Capital Surplus*: Transfer to Capital Stock (Note F)."

Stockholders' Investment: Common capital stock (Note F): Authorized 3,000,000 shares no par value. Issued 1,286,916 shares.

Note F. In accordance with the vote of the board of directors, $34,000,000 was transferred to common capital stock, of which $1,774,223 was from capital surplus and the balance of $32,225,777 from earnings retained and employed in the business.

Capital Surplus

THE BUDD COMPANY
CR.—$4,012,274—"Other Capital: Transferred from common share account upon adoption of $5 par value."
Within Schedule of Shareholders' Capital:
Common shares: Authorized 5,000,000 shares 1954—$5 par value, 1953—without par value.
Outstanding—3,545,967 shares.

1954—$5 par value	$17,729,835
1953—without par value stated at	21,742,109

CHESAPEAKE INDUSTRIES, INC.
CR.—$3,421,652—"Surplus: Transfer from capital stock arising from the reclassification of all the outstanding shares of 4% cumulative preferred stock $100 par value into dividend cumulative preferred stock $10 par value."

Note 7. Preferred Stock.
(a) The Articles of Incorporation provide that on the 1st of March of each year, if all preferred dividends have been paid in full there shall be deposited to the credit of a sinking fund for the purchase of preferred stock, the lesser of (1) 15% of the net earnings of the company for the preceding year, less dividends payable during such year on the outstanding preferred stock, or (2) the difference between $250,000 and the amount, if any, on deposit in the sinking fund. No amount is due to the sinking fund at January 1, 1955 under these provisions.

(b) Dividends of $24 a share on 38,018 shares of the preferred stock have not been paid for the years 1949 through 1954. The arrears approximate $912,400.

(c) On December 31, 1954 an offer was made to holders of preferred stock with dividend arrears to exchange each share of $4 Dividend Cumulative Preferred Stock, together with the arrears thereon, for one share of $6 Dividend Cumulative Preferred Stock. This offer expires February 28, 1955.

To the Stockholders: *The Adoption of a Program for the Elimination of the Arrears on the Company's Preferred Stock*: During the latter part of 1954 Chesapeake stockholders approved the program recommended by the Board of Directors and management to eliminate the arrears on the company's preferred stock. The company had paid no dividends on its preferred stock since January 1, 1949, and as a result $24 had accrued on the 38,018 shares outstanding on January 1, 1955. On December 31, 1954 an offer was made to the holders of these old $4 preferred shares to exchange their stock plus the arrears for a new $6 preferred. The initial offer was extended to February 28, 1955, by which time 24,836 shares were tendered. Your management will recommend to the Chesapeake Board of Directors at its March 1955 meeting the declaration of a dividend to cover the entire accrued dividends on the remaining old $4 stock as well as the current dividends on all preferred shares.

COLUMBIA RIVER PACKERS ASSOCIATION, INC.
CR.—$690,217.73—"Capital Surplus: Amount transferred from common stock in connection with a revaluation of common stock from no par value to $5.00 par value during the year."

THE CUDAHY PACKING COMPANY
CR.—$7,711,065—"Capital Surplus: Capital surplus created by a reduction in the par value of common stock (1,542,213 shares) from $10 to $5 per share, as authorized by stockholders on October 25, 1954."

To the Stockholders: *Common stock par value*. On October 25, 1954, the Common stockholders of the Company approved a proposal to reduce the par value of the Company's Common Stock from $10 to $5 per share. The change in par value became effective on October 29, 1954. As reported earlier, the capital surplus account of the Company was credited with the sum of $7,711,065, the amount available by reason of the reduction in par value of the Common Stock.

(Refer also to The Cudahy Packing Company—example under "Qualified Opinion" reproduced under Section 5: Accountant's Report.)

ELGIN NATIONAL WATCH COMPANY
Shareholders' Equity:
CR.—$9,226,900—"Paid-in Capital Arising from Re-

duction in par Value of Stock:
Capital stock:
Authorized:
1,500,000 shares of a par value of $5 each at February 28, 1955
1,200,000 shares of a par value of $15 each at February 28, 1954
Issued—922,690 shares at both dates $4,613,450

GENERAL REFRACTORIES COMPANY
CR.—$3,386,080.07—"Capital Surplus: Excess of stated value of capital stock, incident to change from no par value to $10 par value per share April 24, 1954."

THE GOODYEAR TIRE & RUBBER COMPANY
DR.—$16,113,925—"Capital Surplus: Adjustment of common stock to par value at March 29, 1954, less $475,891 paid-in excess of par value on sale of common stock thereafter."

(Refer also to Goodyear Tire & Rubber Company—example under "Stock Split-ups"; this section.)

KIMBERLY-CLARK CORPORATION
CR.—$27,974,689—"Additional Paid-In Capital."

Notes to Financial Statements: Note 5—
During the year 1955 the authorized shares of common stock were increased from 6,000,000 shares of no par value to 12,000,000 shares of $5 par value; two shares were issued for each outstanding share; and 200,000 shares were reserved for a restricted stock option plan. In addition, 409,240 shares of $5 par value common stock were issued upon conversion of the 4% convertible preferred stock. The excess of the stated value of the no par common stock and the par value of the 4% convertible preferred stock over the par value of the $5 par common stock was credited to additional paid-in capital.

(Refer also to Kimberly-Clark Corporation—example under "Conversion to Common Stock"; this section.)

NATIONAL DAIRY PRODUCTS CORPORATION
CR.—$33,548,795—"Capital Surplus: Credit resulting from the reduction in par value of common stock from $10 to $5 per share on April 19, 1954."

NATIONAL DISTILLERS PRODUCTS CORPORATION
DR.—$3,586,751—*"Capital Surplus*: Transferred to common stock account by resolution of the board of directors."

THE NEW BRITAIN MACHINE COMPANY
DR.—$1,884,159—*"Capital in Excess of Par or Stated Capital of Shares*: Amount transferred to common stock account in connection with change from shares without par value (stated capital $1 per share) to shares with $10 par value."

ALEXANDER SMITH, INCORPORATED
CR.—$14,068,875—"Paid-In Surplus On Capital Stock: Add—Transfer from common stock pursuant to reduction in par value thereof (Note 6)."

Note 6. As authorized by the stockholders on May 20, 1954, the par value of the common stock was reduced from $20 to $5 per share, and the amount of $14,068,875 was transferred from common stock to paid-in surplus on capital stock.

PREMIUM ON INITIAL ISSUE OF CAPITAL STOCK

Retained Earnings

ALLIS-CHALMERS MANUFACTURING COMPANY
DR.—$115,880—*"Earnings Retained for Use in the Business."*

Notes to Financial Statements: *Shareowners' Equity*—In 1954, the Company sold 350,000 shares of 4.08% cumulative preferred stock ($100 par value). Expense of the issue, less a premium of $700,000 received on the sale thereof, were charged to retained earnings.

(Refer also to Allis-Chalmers Manufacturing Company—example under "Financing Expenses"; this section.)

Capital Surplus

AMERICAN CYANAMID COMPANY
"—$-0—Capital Surplus: Amount ($26,565) received in excess of par on sale of 12,044 shares of Cumulative Preferred Stock, Series C, less equivalent amount of expenses on issuance of this series."

AMERICAN SEATING COMPANY
CR.—$23,362—"Capital Surplus: Excess of receipts from sale of 2,150 shares of common stock over the par value."

ARDEN FARMS CO.
CR.—$878,833—"Capital Surplus: Excess of sales price of common and preferred stock over par value and stated value thereof."

To the Stockholders: During the summer of 1954, the Company issued warrants to its Preferred stockholders giving them the right to purchase an additional 32,669 shares of Preferred Stock and to its Common stockholders giving them the right to purchase an additional 52,876 shares of Common Stock. Of this offering, 31,310 shares of Preferred Stock at $48.00 per share and 50,744 shares of Common Stock at $12.50 per share were sold through the exercise of warrants, and through the subsequent offering, 1,359 shares of Preferred Stock and 2,132 shares of Common Stock were sold at $51.00 per share and $15.00 per share, respectively, for aggregate gross proceeds of $2,238,469.00.

AUTOMATIC CANTEEN COMPANY OF AMERICA
CR.—$742,096—"Investment in Excess of Par Value of Common Stock."

Notes to Consolidated Financial Statements: *4. Investment in Excess of Par Value of Common Stock*. This item on the balance sheet represents the accumulated net total of amounts paid in for capital stock over and above the par value of the common shares sold. The net increase during the fiscal year ended October 2, 1954 of $1,251,082 represents the excess ($562,500) of the par value of 37,500 shares of $20 par, 4½% cumulative convertible preferred stock over the par value of the 37,500 shares of $5 par common stock into which it was converted, plus the excess ($742,096) of amounts paid in for common stock sold under subscription rights and employees' options, and to underwriters, over the par value of such shares, less expenses in connection with such sales of $53,514.

(Refer also to Automatic Canteen Company of America—example under "Conversion to Common Stock", "Financing Expenses", and "Employee Stock Plans"; this section.)

BLISS & LAUGHLIN, INCORPORATED
CR.—$3,750—"Paid-In Surplus: Premium on 200 shares of common stock sold pursuant to option agreement."

FAIRCHILD ENGINE AND AIRPLANE CORPORATION
CR.—$5,640,412—"Additional Capital Paid-In: ($5,640,412 added in 1954 upon sale of 577,551 shares)."

To the Stockholders: *Financial*—
In July 1954, an additional 577,551 shares of common stock were issued following an offering to stockholders of record on June 29, 1954. The issue was 96 percent subscribed through the exercise of warrants, the balance being puchased by an underwriting group. Net proceeds of $6,217,963 were added to the general funds of the Corporation.

THE FIRESTONE TIRE & RUBBER COMPANY
CR.—$1,823,150—"Additional Paid-In Capital: Adjustments from Sales of Common Stock."

FOREMOST DAIRIES, INC.
CR.—$3,319,555—"Capital Surplus: Premium on common stock sold."

GENERAL ELECTRIC COMPANY

CR.—$4,186,330—"Investment in Excess of Stated or Par Value of Common Stock."

Notes to Consolidated Financial Statements: *Note 8.* Investment in excess of stated or par value of common stock represented profits realized on treasury stock disposed of and the premiums received on original sales of common stock.

(Refer also to General Electric Company—example under "Treasury Stock"; this section.)

GENERAL SHOE CORPORATION

CR.—$1,378,984—"Additional Paid-In Capital: Amount realized through issuance and acquisition of capital shares, net."

(Refer also to General Shoe Corporation—example under "Capital Stock Retired"; this section.)

GIDDINGS & LEWIS MACHINE TOOL COMPANY

CR.—$1,226,543—"Paid-In Surplus: Excess of proceeds received from sale of 60,000 shares of common stock in June 1954 over par value thereof, less expenses."

To Our Stockholders and Employees: *Financial Position*—Our mid-year report as of June 30, 1954 reflected the sale of 60,000 shares of common stock during June, 1954, selling to the public at $24.75 per share with a net to the Company of $22.90 per share. The net proceeds of $1,346,543, as previously shown and after deducting expense of sale, were used to increase working capital and reduce debt. This financing increased common stock issued from 300,000 to 360,000 shares.

(Refer also to Giddings & Lewis Machine Tool Company —example under "Financing Expenses"; this section.)

THE B. F. GOODRICH COMPANY

CR.—$538,001—"Capital in Excess of Par Value of Shares: Adjustments from sales of common stock."

JANTZEN KNITTING MILLS INC.

CR.—$871,435—"Capital Surplus."

(Refer also to Jantzen, Inc.—example under "Stock Splitups"; this section.)

THE GLENN L. MARTIN COMPANY

CR.—$805,071—"Capital Surplus: Excess of proceeds over par value of capital stock issued—94,717 shares issued on exercise of stock warrants (Note B.)."

(Refer also to The Glenn L. Martin Company—example under "Employee Stock Plans"; this section.)

MINNEAPOLIS-HONEYWELL REGULATOR COMPANY

CR.—$4,468,200—"Paid-In and Other Capital Surplus: Excess of the consideration received over the par value of common stock issued during the year."

PENN-TEXAS CORP.

CR.—$587,767.05—"Capital Surplus: Excess of sales price over par value of 197,372 shares of stock sold."

POLAROID CORPORATION

CR.—$56—"Capital Surplus: Premium on sale of common stock."

RALSTON PURINA COMPANY

CR.—$454,086—"Premium received on capital stock in excess of par value (including $454,086 during year)."

SPRAGUE ELECTRIC COMPANY

CR.—$4,007,750—"Capital Surplus: Add—Premium on sale of 58,100 shares of $2.50 par value common stock (net)."

WAGNER ELECTRIC CORPORATION

CR.—$2,812,500—"Capital in Excess of Par Value: Excess of proceeds from sale of 150,000 shares of common stock over par value thereof."

WARD BAKING COMPANY

CR.—$67,200—"Capital Surplus: Add—Excess of proceeds over par value of common stock issued upon exercise of warrants."

YORK CORPORATION

CR.—$5,547,708—"Other Capital (capital surplus—principally paid-in):

Note—Other Capital: . . . represents the excess of the net proceeds over the par value of 230,000 shares of common stock sold during the year ($5,547,708).

CONVERSION OF COMMON STOCK

Retained Earnings

TIDE WATER ASSOCIATED OIL COMPANY

DR.—$37,435,620—*"Retained Profits Reinvested*: Excess of par value of preferred stock issued over par value of common stock retired under terms of offer of exchange."

Notes to Financial Statements:

Note 1—Recapitalization in 1954

A total of 2,495,708 shares of $1.20 Cumulative Preferred Stock, $25 par value, was issued on December 9, 1954 in exchange for an equal number of shares of common stock under the terms of an offer of exchange made to all stockholders other than Mission Development Company, Mission Corporation and Pacific Western Oil Corporation. The preferred stock is redeemable at the option of the Company at prices ranging from $30 per share on or before January 10, 1956 to $25 per share after January 10, 1960, and liquidation prices are equivalent to redemption prices. Sinking fund requirements commence in 1960.

CONVERSION OF PREFERRED STOCK

Retained Earnings and Capital Surplus

THE HALOID COMPANY

CR.—$2,014,895—"Unallocated Capital: Excess of par value of preferred stock converted over par value of common stock issued (Note 10)."

DR.—$33.40—*"Earned Surplus*: Purchase price of 40/100 shares of scrip resulting from conversion of 4.50% Convertible Preferred Stock."

Note 10. The Company's 4.50% Convertible Preferred Stock was called for redemption on July 30, 1954 at $52.00 per share plus accrued dividends in accordance with the terms of the issue. Of the 47,183 shares issued, 47,132 shares were converted to common stock prior to the redemption date and the remaining 51 shares were redeemed by the Company.

As a result of the conversion of the preferred stock, the Company issued 68,341 shares of its $5.00 per share par value common stock (including 8 shares which are still represented by non-voting, non-dividend bearing scrip) in exchange for 47,132 shares of its $50.00 par value per share 4.50% Convertible Preferred Stock.

The net difference of $2,014,895.00 between the par value of the preferred stock converted, $2,356,600.00, and the par value of the common stock issued, $341,705.00, is set forth as unallocated capital.

(Refer to The Haloid Company—example under "Capital Stock Retired"; this section.)

Capital Surplus

ACF INDUSTRIES, INCORPORATED

CR.—$1,215,791—"Capital Surplus: Additional capital surplus resulting from issuance of common stock at amounts in excess of par—Upon conversion of preferred stock into common stock (Less $1,157,800 related payments to preferred shareholders)."

Notes to Financial Statements:

Note 2—Capital Stock:

As of November 23, 1954, the 300,000 authorized shares of 7% noncumulative preferred stock ($100 par) were changed to 600,000 shares of 5% cumulative convertible preferred stock ($50 par). The 5% preferred stock is convertible into common at the rate of 1⅛ common shares for each share of preferred and is callable at $55 per share plus accrued dividends. At April 30, 1955, there were reserved 552,930 shares of authorized but unissued common stock for issuance upon conversion of 5% preferred shares.

ALLEGHENY LUDLUM STEEL CORPORATION
CR.—$94—"Capital Surplus."

Notes to Financial Statements: *Note 3*. . . . During 1954, capital surplus was increased by $94 resulting from the conversion of one share of $4.375 preferred stock into two shares of common stock."

(2) *$4.375 Cumulative Preferred Stock*: In addition to other provisions, the $4.375 cumulative preferred stock is convertible prior to November 1, 1961, at the option of the holder, into shares of common stock, at the rate of approximately 2.076 shares of common stock for each share of preferred stock (subject to adjustment under specified conditions), with cash or scrip in lieu of fractional shares. The corporation may redeem the whole or any part of the $4.375 cumulative preferred stock at a redemption price of $102.50 per share until November 1, 1955, at redemption prices which decrease by $.50 per share annually thereafter, and at $100 per share after November 1, 1959, plus in each case accrued dividends. Upon voluntary liquidation, dissolution or winding up of the corporation, the holders of the $4.375 cumulative preferred stock will be entitled to an amount equal to the redemption price of such stock then in effect, including accrued dividends, and upon any involuntary liquidation, dissolution or winding up of the corporation will be entitled to $100 per share, plus accrued dividends.

ALLIS-CHALMERS MANUFACTURING COMPANY
CR.—$6,901,740—"Capital in Excess of Par Value of Common Stock."

Notes to Financial Statements: *Shareowners' Equity*. . . . The 4.08% and 3.25% preferred stocks are convertible at any time into common stock at conversion rates of $60 and $50 respectively, per share of common stock. During the year, 50,796 shares of 4.08% and 58,579 shares of 3.25% preferred stocks were converted . . .

. . . The increase . . . during 1954 in capital in excess of par value of common stock consists of $6,901,740 arising from conversion of preferred stocks into common stock . . .

AMERICAN AIR FILTER COMPANY, INC.
CR.—$91,778—"Other Capital in Excess of Par Value of Shares: Excess in par value of 6,606 shares of 5% cumulative convertible preference stock retired in exchange for common stock."

AMERICAN CYANAMID COMPANY
CR.—$1,967,101—"Capital Surplus: Excess of par value of shares of Cumulative Preferred Stock converted over par value of shares of Common Stock issued upon conversion."

To the Shareholders: *Common Stock*. 76,660 shares of Common Stock were issued during the year, through the conversion of 27,337 shares of Preferred Stocks. The Common Stock outstanding, therefore, was increased to 8,722,921 shares at the end of 1954 as compared with 8,646,261 shares at December 31, 1953.

(Refer also to American Cyanamid Company—example under "Financing Expenses"; this section.)

AMERICAN METAL PRODUCTS COMPANY
CR.—$473,408—"Capital Surplus: Excess of par value of 26,625 shares of Preferred Stock over par value of 29,546 shares of Common Stock issued in conversion, less $126.68 paid in cash in lieu of issuing fractional shares."

ARMSTRONG CORK COMPANY
CR.—$6,459,448—"Amount Paid-In or Assigned to Outstanding Shares in Excess of Stated Capital."

Notes to Financial Statements: *Note 7*. The increase of $10,087,682 in the amount of paid in or assigned to outstanding shares in excess of stated capital consisted of (a) $6,459,448 resulting from the conversion of 63,019 shares of $4.00 cumulative preferred stock into common stock; . . .

ATLAS POWDER COMPANY
CR.—$779,241—"Additional Paid-In Capital."

Notes to Financial Statements: Additional Paid-In Capital—During 1954 additional paid-in capital was increased as follows: Excess of—Par Value of Preferred Stock converted over par value of Common Stock issued in exchange therefor, less cash, $2,779, paid in lieu of fractional common shares.

Financial Review: Each share of our outstanding preferred stock is convertible into 2⅔ shares of common stock. During 1954, holders of 16,732 preferred shares exercised this conversion privilege, receiving 44,559 shares of common stock in return.

AUTOMATIC CANTEEN COMPANY OF AMERICA
CR.—$562,500—"Investment in Excess of Par Value of Common Stock."

Notes to Consolidated Financial Statements: *Note 4*. Investment in Excess of Par Value of Common Stock. ". . . The net increase . . . represents the excess ($562,500) of the par value of 37,500 shares of $20 par, 4½% cumulative convertible preferred stock over the par value of the 37,500 shares of $5 par common stock into which it was converted . . ."

(Refer also to Automatic Canteen Company of America—example under "Premium on Initial Issue of Capital Stock"; this section.)

AVCO MANUFACTURING CORPORATION
CR.—$1,018—"Additional Paid-In Capital: Excess of stated value of $2.25 cumulative convertible preferred stock converted into common stock over par value of latter."

Notes to Financial Statements: *Note 6*. 818,336 shares of common stock were reserved November 30, 1954 for conversion of $2.25 cumulative convertible preferred stock in the ratio of 6.06 shares of common stock for each share of such preferred stock.

To the Stockholders of Avco Manufacturing Corporation: *Dividends*—The amount of the outstanding preferred stock was reduced by 9,432 shares through conversion into common stock, and by purchases for the sinking fund.

BEATRICE FOODS CO.
CR.—$799,825.00—"Capital Surplus: Add excess of conversion price over par value of 31,993 shares of common stock issued in exchange for 3⅜% cumulative convertible prior preferred stock."

CARRIER CORPORATION
CR.—$1,272,518—"Capital Surplus: Differences in par values on conversion of Preferred Stock into Common Stock—4% Series—37,427 shares."

CONTINENTAL CAN COMPANY, INC.
CR.—$2,068,740—"Capital Surplus."

Notes to Financial Statements: . . . $2,068,740 resulted from the conversion of Second Preferred Stock into Common Stock . . .

CRUCIBLE STEEL COMPANY OF AMERICA
CR.—$363,109—"Capital Surplus: Capital stock purchase discounts and adjustments."

Capital Stock. Preferred stock outstanding at the end of 1954 was 276,055 shares. The preferred stock was reduced 18,312 shares during the year, chiefly as the result of conversion into common stock and retirements through the sinking fund. Common stock outstanding at the end of the year was 821,784 shares. The increase of shares in common stock results from stock dividends, acquisition of an interest in Vacuum Metals Corporation, and conversion of preferred stock. The conversion of preferred into common stock caused an increase of $356,185 in capital surplus.

(Refer also to Crucible Steel Company of America—example under "Capital Stock Retired"; this section.)

ELLIOTT COMPANY
CR.—$11,670—"Additional Capital From Premiums on Issuance or Conversion of Shares, etc.: Excess of par value of preferred stock converted or redeemed over par value of common stock issued, or cash cost respectively."

(Refer also to Elliott Company—example under "Capital Stock Redeemed or Retired"; this section.)

FOOD MACHINERY AND CHEMICAL CORPORATION

CR.—$32,035—"Capital in Excess of Par Value of Capital Stocks: Excess of par value of 405 shares of 3¼% preferred stock over par value of 846 55/100 shares of common stock issued on conversion."

(Refer also to Food Machinery and Chemical Corporation —example under "Employee Stock Plan"; this section.)

GENERAL CABLE CORPORATION

CR.—$540,795—"Capital Surplus: Adjustment arising from conversion of Second Preferred stock and exercise of options."

GENERAL DYNAMICS CORPORATION

CR.—$7,235,588—"Capital Surplus: Excess of stated value of 155,754 shares of converted preferred stock over the par value of 162,623 shares of common stock issued therefor."

Financial Review:

Share Owners' Equity

At the end of 1954 the 18,192 share owners of record of the Corporation had an equity in the net assets as reflected by the accounts of the Corporation and its subsidiary of $88,729,634. This amount was equivalent to $20.32 per outstanding common share after adjustment to reflect the 2-for-1 stock split-up on March 10, 1955. At the end of 1953, the equity of common share owners was equivalent to $16.88 per share calculated on a similar basis. The 1954 increase is attributable in part to earnings retained in the business and in part to the fact that outstanding preferred shares were called for redemption on December 17, 1954.

As a result of the call, the holders of 105,574 shares of preferred stock elected to convert their holdings into common stock on the basis of 1-1/20 shares of common for each preferred share held. The holders of only 1,727 shares of preferred stock did not convert, and these shares were redeemed at a redemption value of $51.25 per share plus accrued dividends. Consequently, at December 31, 1954 no preferred stock was outstanding, and the share owners will be requested to approve an amendment to the Corporation's certificate of incorporation to eliminate such preferred shares as stock authorized to be issued. This action will result in simplification of the Corporation's capital structure.

THE GENERAL TIRE & RUBBER COMPANY

CR.—$386,286—"Capital Surplus: Excess of par value of 4160 shares of 3¼% second preferred stock over par value of 11,885 common shares issued in conversion."

THE GILLETTE COMPANY

CR.—$1,460,762—"Additional Paid-In Capital: Arising from conversion of preference stock to common stock (see note 5)."

Notes to Financial Statements: *5.* All the Company's $5.00 Dividend Convertible Preference Stock was retired during the year by the redemption of 15,858 shares at a cost of $1,665,090 and the conversion of 265,593 shares into 531,186 shares of common stock. The excess of the stated value of preference shares converted over the par value of common shares issued, $1,460,762, was added to paid-in capital. An amount of $1,546,155, representing the excess of redemption cost over the stated value of the preference shares redeemed, was deducted from United States earned surplus.

(Refer also to The Gillette Company—example under "Capital Stock Retired"; this section.)

GOEBEL BREWING COMPANY

CR.—$353,564—"Paid-In Surplus from Conversion of Convertible Preferred Stock:

President's Review of the Year:

Convertible Preferred Stock. In April 1954, the Company made a public offering of $2,000,000 of a convertible preferred stock issue. As of December 31, 1954, 46,829 shares of this stock have been converted into common stock, thus accounting for the increase of 67,902 shares in the common stock outstanding.

GRANITE CITY STEEL COMPANY

CR.—$3,436—"Capital in Excess of Par Value (Capital Surplus): Excess of par value of preferred stock ($10,300) converted over par value of common stock ($6,864) issued therefor."

Notes to Consolidated Financial Statements:

Note 6—Preferred Stock Provisions:

The 5½% Cumulative Preferred Stock is convertible through December 31, 1961 into common stock at a conversion price, subject to adjustment, of $18.73 at December 31, 1954, or 5.34 common shares for each preferred share. At December 31, 1954, 471,287 shares of unissued common stock were reserved for such conversion. This series is redeemable at a price of $104 a share on or before December 31, 1955, decreasing by 50¢ per share annually to December 31, 1962, with no premium thereafter, plus accrued dividends, and has the benefit of a sinking fund requiring the Company to retire or redeem (without premium) each year after 1961 3% of the number of shares outstanding, plus treasury shares, at December 31, 1961.

THE HARSHAW CHEMICAL COMPANY

CR.—$265,190—"Capital Surplus: Excess of par value of 3,338 shares of 4½% convertible preferred stock converted into 6.861 shares of common stock over par value of such common shares."

HOLLY SUGAR CORPORATION

CR.—$53,472—"Paid-In Surplus."

Within "Equity of Common Stockholders" section:

Paid-in surplus (increased during the year by $53,472, from preferred stock converted or acquired for sinking fund).

(Refer also to Holly Sugar Corporation—example under "Conversion of Preferred Stock"; this section.)

HOOKER ELECTROCHEMICAL COMPANY

CR.—$544,468—"Capital Arising from Conversion of Cumulative Second Preferred Stock, Series A and B (Note 4)."

Note 4: On December 1, 1954 the Company called for redemption at $103 per share all of the Cumulative Second Preferred Stock, Series B, which remained outstanding at December 31, 1954. Prior to December 31, 1954 all of the shares outstanding at November 30, 1954, except 243 shares, were surrendered for conversion into shares of Common Stock. The amount of $9,094,400 at which the converted shares were stated at November 30, 1954 will be credited to Common Stock ($2,183,005 representing 436,601 shares) and to capital arising from conversion of Cumulative Second Preferred Stock, Series A and B ($6,911,395). Under the terms of the certificate of incorporation the shares converted and redeemed cannot be reissued and the Company will file an amendment reducing the authorized Cumulative Preferred Stock which is issuable in series to 52,591 shares.

During the year 5,939 shares of the Series B stock were converted into Common Stock. The number of shares of the Common Stock issued on such conversions was equivalent to 28,507 shares after the three for one split-up effective November 16, 1954. The excess of the stated value of the Series B shares converted over the par value of the Common Stock issued in the amount of $544,468 was credited to capital arising from conversion of Cumulative Second Preferred Stock, Series A and B.

KIMBERLY-CLARK CORPORATION

CR.—$27,974,689—"Additional Paid-In Capital."

(Refer also to Kimberly-Clark Corporation—example under "Revision in Capital Structure"; this section.)

LEAR, INCORPORATED

CR.—$227—"Additional Paid-In Capital: Excess of par value of 48.50 shares of preferred stock over the par value of 32.33 shares of common stock issued upon conversion of preferred stock."

THE MENGEL COMPANY

CR.—$425,491—"Amounts Received in Excess of Par Value of Capital Stock: Excess of par value of shares of convertible first preferred stock over par value of shares of common stock issued in conversion."

MILLER MANUFACTURING CO.

CR.—$750—"Additional Paid-In Capital: Including

$750 excess of par value of 250 shares of Class "A" stock over par value of 500 shares of common stock issued during the year in conversion thereof."

MOORE DROP FORGING COMPANY
CR.—$35,421—"Capital Surplus: Surplus arising from conversion of cumulative preferred stock (759 shares in 1954) into shares of common stock (2,530 shares in 1954)."

Notes to Financial Statements: Note 5. The preferred shares at October 31, 1954 are convertible at the option of the holder into 3⅓ shares of common stock for each share of preferred on or before July 1, 1955 when the conversion privilege expires.

THE MURRAY CORPORATION OF AMERICA
CR.—$158,640—"Capital Paid-in By Shareowners in Excess of Par Value of Capital Stock: Credit arising from conversion of Preferred Stock (1954—5,288 shares); into Common Stock (1954—10,576 shares)."

THE PITTSTON COMPANY
CR.—$663,456—"Capital Surplus: Excess of par value of 6,911 shares of 5½% Cumulative Preferred Stock over par value of 27,644 shares of Common Stock issued therefor upon exercise of conversion privilege."

REPUBLIC STEEL CORPORATION
CR.—$13,616,547—"Capital in Excess of Par or Stated Value of Capital Stock: Excess of par value of 277,821 shares of 6% Cumulative Convertible Prior Preference Stock, Series A, exchanged and converted into 555,642 shares of Common Stock over amount allocated to common capital stock account less portion of redemption price for 4,481 shares redeemed and other charges."

(Refer also to Republic Steel Corporation—example under "Conversion of Long-Term Indebtedness"; this section.)

RHEEM MANUFACTURING COMPANY
CR.—$3,853,774—"Capital in Excess of Par Value of Shares Outstanding."

Notes to Financial Statements: Note 4. During 1954 Capital in excess of par value of shares outstanding was increased (1) by $3,853,774 representing the excess of par value of preferred shares over the par value of 124,932 common shares issued upon conversion . . .

SAFEWAY STORES, INCORPORATED
CR.—$9,869,069—"Additional Paid-In Capital."

Notes to Financial Statements: . . . excess of par value of preferred stocks over par value of common stock issued on conversion $10,224,967, less pro-rata share of original issue expense $355,898.

SCOVILL MANUFACTURING COMPANY
CR.—$800—"Additional Capital: Excess of par value of 4.30% Cumulative Preferred Stock converted over par value of common stock issued upon conversion."

SONOTONE CORPORATION
CR.—$5,338.48—"Additional Paid-In Capital: Excess of par value of preferred stock surrendered for conversion over par value of common stock issued on exchange therefor."

SUTHERLAND PAPER COMPANY
CR.—$2,828,614—"Capital Contributions in Excess of Par Value of Capital Stock: Increase arising from conversion of preferred stock."

WALKER MANUFACTURING COMPANY OF WISCONSIN
CR.—$30,168—"Amounts Received in Excess of Par Value of Capital Stock: Amount arising out of conversion of 811 shares of preferred stock, $50 par value, into 2,595 shares of common stock, $4 par value."

WORTHINGTON CORPORATION
CR.—$1,050,922—"Additional Paid-In Capital: Capital arising from conversion of preferred stock."

YORK CORPORATION
CR.—$336,779—"Other Capital (Capital Surplus—principally paid-in)."

Note: Other Capital (Capital Surplus) . . . credit resulting from conversion of 7,057 shares of preferred stock into 15,664 shares of common stock ($336,779).

CONVERSION OF LONG-TERM DEBT

Capital Surplus

FRUEHAUF TRAILER COMPANY
CR.—$3,143,067—"Additional Paid-In Capital: Excess of principal amount ($3,380,000) of 4½% convertible subordinated debentures (reduced by the unamortized expenses of their issuance) over the par value of 130,196 shares of Common Stock issued upon conversion, less cash paid in lieu of fractional shares."

NORTHROP AIRCRAFT, INC.
CR.—$109,563—"Paid-In Surplus: Notes payable, issued in connection with acquisition of subsidiary, converted pursuant to option agreement—10,366 shares."

REPUBLIC STEEL CORPORATION
CR.—$23,299,253—"Capital in Excess of Par or Stated Value of Capital Stock: Credit for principal amount ($41,709,000) of 3% Sinking Fund Convertible Debentures converted into common stock over amount allocated to common capital stock account for 736,386 shares issued."

(Refer also to Republic Steel Corporation—example under "Conversion of Preferred Stock"; this section.)

SINCLAIR OIL COMPANY
CR.—$525,128—"Other Paid-In Capital: Excess paid in over $5 per share for shares issued upon conversion of $602,400 principal amount of 3¼% Convertible Subordinated Debentures."

Notes to Financial Statements: Note 3. There were 2,298,832 shares of common capital stock reserved at December 31, 1954 for conversion (initial price, effective until January 15, 1958, $44 per share) of the 3¼% Convertible Subordinated Debentures. Conversions of the debentures during the first two months of 1955 amounted to $18,131,500.

STANDARD OIL COMPANY (INDIANA)
CR.—$972,711—"Capital in Excess of Par Value: 20,976 shares in the conversion of Thirty Year 3⅛% Debentures."

Debenture Conversion. As a result of the 100 per cent stock dividend, the conversion price of the Thirty Year 3⅛% Debentures has been reduced from $87.00 to $43.50 per share until October 1, 1957, and from $92.00 to $46.00 per share after that until October 1, 1962. Up to the end of 1954, about $1,500,000 of the debentures had been converted into capital stock.

UNION OIL COMPANY OF CALIFORNIA
CR.—$13,421,151—"Credits in Excess of Par or Stated Values of Shares: Conversion price ($40.91 per share) in excess of par value of common shares issued upon conversion of 3⅛% Convertible Debentures."

To Our Shareowners: Convertible debentures issued in 1952 were called for redemption on July 29, 1954. Practically all were converted, resulting in the issuance of 843,567 common shares at the conversion rate of $40.91 per share.

REDEMPTION OF CAPITAL STOCK

Retained Earnings

ASSOCIATED DRY GOODS CORPORATION
DR.—$435,619—*"Earned Surplus*: Excess of cost over par of second preferred stock redeemed during year."

(Refer also to Associated Dry Goods Corporation—example under "Treasury Stock Transactions": this section.)

CARNATION COMPANY
DR.—$20,000—*"Accumulated Earnings Retained in the Business*: Premium paid on redemption of 20,000 shares of preferred stock."

GENERAL RAILWAY SIGNAL COMPANY
DR.—$1,791—*"Earned Surplus*: Excess of cost over par value of 5% preferred stock purchased (390 shares 1954)."

Notes to Financial Statements: (3) The 5% preferred stock is redeemable at the option of the Company at any time at $105 per share plus unpaid dividends and, on voluntary liquidation, has a preference of $105 per share plus unpaid dividends. Through the operation of a sinking fund, which commenced in 1954, 705 shares are to be redeemed each year at $100 per share or purchased at a cost not exceeding $100 per share. The Company is entitled to credit against such sinking fund installments, amounts equal to the sinking fund redemption price of $100 per share of any shares of preferred stock purchased or redeemed and retired, otherwise than out of moneys deposited in the sinking fund. Accordingly, in March 1954, 720 shares held in treasury were retired and applied as a full credit against the sinking fund requirements for the year 1954.

THE GILLETTE COMPANY
DR.—$1,546,155—*"Earnings Retained in the Business*: Excess of redemption cost over stated value of 15,858 shares of preference stock redeemed (Note 5)."

(Refer also to The Gillette Company—example under "Conversion of Preferred Stock"; this section.)

THE GOODYEAR TIRE & RUBBER COMPANY
DR.—$2,823,245—*"Earned Surplus*: Premium on 564,-649 shares of $5 preferred stock redeemed September 30, 1954."

THE HALOID COMPANY
DR.—$8,427.11—*"Earned Surplus*: Expense of redemption of 4.50% Convertible Preferred Stock."
DR.—$102.00—*"Earned Surplus*: Premium on 51 shares of 4.50% Convertible Preferred Stock redeemed."

(Refer to The Haloid Company—example under "Conversion of Preferred Stock"; this section.)

GEO. E. KEITH COMPANY
CR.—$917—"Surplus: Discount on repurchase of junior $2 prior preferred stock."

G. R. KINNEY CO., INC.
DR.—$13,565—*"Retained Earnings*: Excess of cost over stated value of $5 prior preferred stock purchased (1954, 400 shares)."
DR.—$8,391—*"Retained Earnings*: Excess of cost over par value of 358 shares of common stock purchased, less profit on 100 shares sold."

(Refer also to G. R. Kinney Co., Inc.—example under "Treasury Stock Transactions"; this section.)

SCOTT PAPER COMPANY
DR.—$124,686—*"Income Invested in the Business*: Portion of premium on redemption of preferred shares of Hollingsworth & Whitney Company."

THE SHERWIN-WILLIAMS COMPANY
DR.—$24,750—*"Earned Surplus*: Premium on preferred stock redeemed."

SUPERIOR STEEL CORPORATION
DR.—$12,000—*"Retained Earnings*: Premium on redemption of preferred stock."

Retained Earnings & Capital Surplus

THE CUNEO PRESS, INC.
DR.—$2,000—*"Capital in Excess of Par Value of Shares."*
DR.—$500—*"Retained Earnings*: Premium paid on redemption of preferred shares in excess of capital applicable thereto."

Capital Surplus

BEAUNIT MILLS, INC.
CR.—$148,914—"Capital Surplus: Excess of stated amount or of par over cost of parent and subsidiary companies preferred stocks acquired during year."

CARRIER CORPORATION
DR.—$258—*"Capital Surplus*: Differences in par value of Preferred Stock redeemed and cost thereof—4% Series —129 shares redeemed."

CHERRY-BURRELL CORPORATION
DR.—$1,000—*"Capital Contributed in Excess of Stated Value of Capital Stock*: Premium on purchase of 4% preferred stock, 1947 series."
CR.—$5,978—"Capital Contributed in Excess of Stated Value of Capital Stock: Discount on purchase of 4% preferred stock, 1946 series."

Notes to Financial Statements: (B) The 4% cumulative preferred stock, 1946 series, is callable at $103 per share. Each February 1, general funds must be made available for the purchase and retirement of such shares in an amount to be determined on the basis of earnings after full preferred dividend requirements but not in excess of $100,000 per annum.

The 4% cumulative preferred stock, 1947 series, is callable at $102 per share until April 30, 1955, and at $101 thereafter. Each year on October 31, the corporation shall redeem 1,000 shares of the 1947 series at $101 per share.

CHESAPEAKE INDUSTRIES, INC.
CR.—$10,100—"Paid-In Surplus: Excess of par value over cost of preferred stock acquired."

CITY STORES COMPANY
CR.—$1,650,591—"Capital Surplus: Excess of par value over cost of preferred stock reacquired."

CLEVITE CORPORATION
CR.—$210—"Capital in Excess of Par Value."

Notes to Financial Statements:

Note 4—Preferred and Common Stock
As at December 31, 1954 the authorized stock of the corporation consisted of 100,000 preferred shares and 2,500,000 common shares. Stock authorized but unissued amounted to 34,850 preferred shares and 700,348 common shares.

The Articles of Incorporation provide that each year an amount equal to 10% of consolidated net earnings for the preceding year (after deducting preferred dividends and excluding capital gains and losses from such net earnings) shall be set aside and expended for the purchase and retirement, and/or redemption of preferred stock. This provision is subject to a minimum requirement of 4%, a maximum requirement of 5%, and an optional limitation of 7% of the maximum aggregate par value of preferred issued.

In accordance with such provision the corporation in 1954 retired 3,125 preferred shares at a cost of $310,352. The Articles of Incorporation prohibit the reissue of these shares. An amount of $210 representing capital, acquired through the purchase of preferred stock at a discount of 1954, has been credited to "capital in excess of par value."

At December 31, 1954 the corporation held 504 preferred shares which had been previously purchased and restored to the status of authorized but unissued shares. The 504 shares, acquired at a cost of $45,652, may be reissued or, subject to certain pro rata redemption provisions, may be applied toward future requirements for the retirement of preferred stock.

The amount to be set aside for retirement of preferred stock in 1955 is $262,616, based upon the minimum requirement of 4%, which was applicable under the above provision.

CRUCIBLE STEEL COMPANY OF AMERICA
CR.—$363,109—"Capital Surplus: Capital stock purchase discounts and adjustments."

(Refer also to Crucible Steel Company of America—example under "Conversion of Preferred Stock"; this section.)

FALSTAFF BREWING CORPORATION
CR.—$5,677—"Paid-In Surplus: Difference between par value and cost of 4,270 shares of 4½% cumulative preferred stock purchased."

FEDERATED DEPARTMENT STORES, INC.
DR.—$444,947—*"Capital in Excess of Par Value of Common Stock*: Premium paid for the redemption of all outstanding preferred stock."

FRUEHAUF TRAILER COMPANY
CR.—$167,975—"Additional Paid-In Capital: Excess of par value over purchase price of 4% Preferred Stock acquired (1954—7,650 shares)."

GIMBEL BROTHERS, INC.
CR.—$36,888—"Paid-In Surplus: Excess of stated value over cost of cumulative preferred stock repurchased."

THE HARSHAW CHEMICAL COMPANY
CR.—$2,582.50—"Capital Surplus: Difference between par value and cost of 185 shares of 4½% convertible preferred stock purchased during the year."

HOLLY SUGAR CORPORATION
CR.—$53,472—"Paid-In Surplus: *Within "Equity of Common Stockholders" section*: Paid-in surplus (increased during the year by $53,472, from preferred stock converted or acquired for sinking fund."

Notes to Financial Statements: *Note 2*. Of the 185,000 shares of 5% Cumulative Preferred Stock originally authorized and issued, 39,122 shares had been acquired for the sinking fund and 2,990 shares had been converted into common stock prior to March 31, 1955. In March, 1955, 15,000 shares of such stock were called for redemption on May 1, 1955, at $30 per share; 3,293 of the shares called have been converted into common stock since March 31, 1955.

(Refer also to Holly Sugar Corporation—example under "Capital Stock Retired"; this section.)

HUDSON PULP & PAPER CORP.
CR.—$14,283—"Capital Surplus: Excess of par value over cost of Preferred Stock acquired during the year."

Financial: Under the sinking fund provisions applicable to the Preferred Stock, 2,000 shares of Series A and 1,200 shares of Series B were redeemed.

INTERCHEMICAL CORPORATION
CR.—$2,189—"Capital Surplus: Excess of aggregate par value over cost of 1,172 preferred shares purchased under the sinking fund provisions of the Article of Incorporation."

THE MAY DEPARTMENT STORES COMPANY
CR.—$4,903—"Additional Paid-In Capital: Excess of carrying value ($100 a share) over cost of cumulative preferred stock repurchased."

THE MURRAY CORPORATION OF AMERICA
CR.—$19,006—"Capital Paid-In by Shareowners in Excess of Par Value of Stock: Excess of par value over purchase price of Cumulative Preferred Stock acquired (1954—3,200 shares)."

NATIONAL CONTAINER CORPORATION
CR.—$6,948—"Paid-In Surplus: Excess of par value over cost of 6,289 shares of $1.25 Convertible Preferred Stock par value $25.00, purchased pursuant to Purchase Fund Requirements."

NATIONAL DISTILLERS PRODUCTS CORPORATION
CR.—$35,054—"Capital Surplus: Excess of par value over cost of cumulative convertible preferred stock acquired through purchase fund."

THE NATIONAL SUPPLY COMPANY
CR.—$11,783—"Capital Surplus."
Within "Capital Stock and Surplus": Capital surplus (increase of $11,783 since December 31, 1953, resulted from acquisition, at a discount, of 3,835 preferred shares for the sinking fund)."

CHAS. PFIZER & CO., INC.
CR.—$4,156—"Paid-In Surplus."

Notes to Financial Statements: *Note 6*. . . . and $4,156 is the excess of the par value over the cost of cumulative preferred stock reacquired.

PHILIP MORRIS & CO. LTD., INCORPORATED
CR.—$18,218—"Paid-In Capital in Excess of Par Value of Capital Stock: Adjustments due to redemption of preferred stock."

PILLSBURY MILLS, INC.
CR.—$8,154—"Additional Paid-In Capital: Discount on preferred stock repurchased."

PIPER AIRCRAFT CORPORATION
DR.—$213—*"Paid-In Surplus*: Excess of cost over the par value of 100 shares of convertible preferred stock reacquired and retired."

REMINGTON RAND, INC.
CR.—$16,677—"Capital Surplus: Proceeds from stock scrip not redeemed, etc."

JACOB RUPPERT
CR.—$16,903—"Capital Surplus (from redemption of preferred stock)."

SAFEWAY STORES, INCORPORATED
CR.—$41,705—"Additional Paid-In Capital."

Notes to Financial Statements: Charges in additional paid-in capital of Safeway Stores, Incorporated during the year consist of net discounts on preferred stock acquired $41,705, . . .

THE WHITE MOTOR CAR COMPANY
CR.—$24,487—"Capital in Excess of Par Value of Capital Stock: Excess of par value over cost of 6,700 shares of preferred stock purchased and retired."

RETIREMENT OF CAPITAL STOCK

Retained Earnings

AMERICAN BANK NOTE COMPANY
DR.—$89,447—*"Earned Surplus*: Excess of purchase price over par value of preferred stock purchased and retired."

THE AMERICAN METAL COMPANY, LIMITED
DR.—$12,643—"*Earnings Retained for Use in the Business*: Excess of cost over par value of 4½ per cent preferred stock retired: 1954, 7,436 shares."

CRANE CO.
CR.—$25,630—"*Earned Surplus*: Excess of par value over cost of 3¾% cumulative preferred shares cancelled in connection with sinking fund requirements."

THE FIRESTONE TIRE & RUBBER COMPANY
DR.—$35,100—"*Income Invested in the Business*: Premium on Preferred Stock Retired."

THE FLINTKOTE COMPANY
CR.—$42,870.91—"*Earned Surplus from January 1, 1953*: Excess of paid-in amount over cost of $4 cumulative preferred stock retired."

Notes to Financial Statements: *Note 2*. For each year the company must purchase for retirement or redeem 2,000 shares of the $4 cumulative preferred stock. At December 31, 1954 this requirement had been satisfied.

JOHNSON & JOHNSON
DR.—$191,000—"*Earnings Retained in the Business*: Premium on retirement of 12,255 shares of preferred stock."

Domestic Operations: Capital—The Company purchased 6 shares and redeemed 12,249 shares of Cumulative Preferred Stock, Series C 4%, at a cost of $1,417,501. These shares have been retired, leaving a total of 12,249 shares outstanding at December 31, 1954.

SIMMONS COMPANY
DR.—$25,000—"*Earned Surplus*: Premium on 10,000 shares of preferred stock retired."

UNITED AIRCRAFT CORPORATION
DR.—$12,490—"*Earnings Employed in the Business (Earned Surplus)*: Excess of purchase or redemption cost over par value of preferred stock retired."

WILSON & CO., INC.
CR.—$63,926—"*Earnings Retained and Used in the Business*: Excess of recorded value over cost of preferred stock retired."

To the Stockholders of Wilson & Co., Inc.: Financial Condition —Domestic Operations. In accordance with the preferred stock sinking-fund provisions, 5,000 shares of preferred stock were retired at a cost of $351,065. This leaves 10,000 shares still to be retired.

Retained Earnings and Capital Surplus

R. G. LeTOURNEAU, INC.
DR.—$2,499,975—"*Earned Surplus*: Cost of 60,616 shares of common capital stock purchased and retired in 1954."
CR.—$60,616—"*Capital Surplus*: Amount transferred from capital stock account on retirement of 60,616 shares of $1 par value common capital stock in 1954."

President's Letter: In January of 1954 the company expended funds of $2,499,975 to purchase and retire 60,616 shares of stock reducing the outstanding shares to 360,195.

Capital Surplus

ALAN WOOD STEEL COMPANY
CR.—$36,775—"*Additional Paid-In Capital*: Excess of par value over cost of shares of 5% Cumulative Preferred stock retired."

AVON PRODUCTS, INC.
CR.—$2,551—"*Capital Surplus*: Excess of Par Value over Cost of 4% Cumulative Preferred Stock Retired."

BRISTOL-MYERS COMPANY
DR.—$2,242—"*Capital Received in Excess of Par Value of Stock*: Original premium applicable to preferred stock retired."
CR.—$9,133—"*Capital Received in Excess of Par Value of Stock*: Excess of issue price over cost of 1,500 shares of preferred stock retired."

A. S. CAMPBELL CO. INC.
CR.—$8,615—"*Capital Surplus*: Discount on Preferred Stock Retired."

COLONIAL STORES INCORPORATED
CR.—$9,861—"*Capital in Excess of Par Value of Capital Stock*: Net excess of par value over cost of cumulative preferred stock retired through sinking funds."

CONSOLIDATED LAUNDRIES CORP.
CR.—$42,348.38—"*Capital Surplus.*"

Note 3: Capital surplus increased in 1954 by $42,348.38 representing the excess of par value over the cost of 52,300 shares of treasury common stock of the Company retired during said year.

ELLIOTT COMPANY
CR.—$11,670—"*Additional capital from premiums on issuance or conversion of shares,* etc."
(Refer also to Elliott Company—example under "Conversion of Preferred Stock"; this section.)

FOREMOST DAIRIES, INC.
CR.—$65,790—"*Capital Surplus*: Excess of par value over cost of preferred stocks retired."

GENERAL PLYWOOD CORP.
CR.—$4,757—"*Capital Surplus*: Excess of par value over cost of shares of Preferred Stock purchased and retired under the sinking fund provision (1954—950 shares)."

Notes to Financial Statements: *Note 2*. Sinking fund requirements, based upon 10% of net income for fiscal 1954 less preferred dividends, have been fulfilled by the purchase of sufficient shares of Preferred Stock. A provision of the Preferred Stock requires cancellation of all shares purchased. Recent purchases not yet cancelled have been considered cancelled as of October 31, 1954.

GENERAL SHOE CORPORATION
DR.—Indeterminable—"*Additional Paid-In Capital*: Amount realized through issuance and acquisition of shares, net."
(Refer also to General Shoe Corporation—example under "Premium on Initial Issue of Capital Stock"; this section.)

MACFADDEN PUBLICATIONS, INC.
DR.—$160,222—"*Capital Surplus.*"
Within "Stockholders Investment Section": Capital surplus reduced in 1954 by excess of cost over par value of 6,397 shares of participating preference stock retired in 1954.

MIDWEST RUBBER RECLAIMING COMPANY
CR.—$14,621—"*Common Stockholders Total Capital Invested in the Business*: Difference between aggregate par value and cost of 1,200 shares of preferred stock retired through sinking fund to October 31, 1954."

PARAMOUNT PICTURES CORPORATION
DR.—$970—"*Capital Surplus.*"
DR.—$3,193,807—"*Capital Surplus.*"

Notes to Financial Statements:
Note F—Capital surplus—During the year 125,600 shares of common stock purchased in 1952 and 1953 were retired. These shares have been canceled and the Certificate of Incorporation has been amended to reflect the resultant reduction in capital. The difference ($3,193,807) between the cost of the 125,600 shares and

their par value has been charged to capital surplus. In addition, capital surplus was charged during the year in the amount of $970, representing the cost of single shares of Paramount Pictures Inc., less par value of 24¼ company shares no longer issuable.

H. K. PORTER COMPANY, INC.
DR.—$49,460.29—*"Capital Surplus*: Excess of cost over par value of preferred stock retired during the year."

SIGNODE STEEL STRAPPING COMPANY
CR.—$2,412—"Capital Surplus."

Notes to Financial Statements: *Note 5*—
The increase in capital surplus in 1954 resulted from—(c) $2,412 excess of par value of 1,128 shares of preferred stock retired over the cost thereof.

SPIEGEL, INC.
CR.—$36,235—"Capital Surplus: Excess of stated value over cost of 1,000 shares of preferred capital stock retired."

STAHL-MEYER, INC.
CR.—$8,557—"Capital Surplus (arising from the retirement of prior preferred stock)."

TEXTRON INCORPORATED
CR.—$490,223—"Paid-In Surplus: Discount on 4% preferred stock retired."

UNION OIL COMPANY OF CALIFORNIA
CR.—$3,421—"Credits in Excess of Par or Stated Value of Shares: Excess of stated value over acquisition cost of preferred shares retired in 1954."

CAPITAL STOCK ACQUIRED FOR RETIREMENT

Retained Earnings

AMERICAN VISCOSE CORPORATION
DR.—$65,000—*"Retained Earnings*: Excess of cost over par value of preferred shares acquired for retirement."

THE RYAN AERONAUTICAL CO.
DR.—$128,062—*"Accumulated Earnings Retained for Use in the Business*: Cost of 7,600 shares of Capital Stock purchased and retired."

Capital Surplus

ALLIED STORES CORPORATION
CR.—$18,169—"Within "Statement of Common Stockholders' Equity": Additional Amounts Received for Shares Issued in Excess of $1.00 per Share, and Discounts on Repurchase of Preferred Stock—Discount on repurchase of 4,000 shares of cumulative preferred stock, 4% Series, during the year."

Notes to Financial Statements: (C) Under the terms of the Certificate of Incorporation, the Corporation is obligated on or before December 31 of each year to acquire for retirement 5,006 shares of cumulative preferred stock, 4% Series and, until 1971, 1,000 shares of cumulative preferred stock, 4% Second Series, at the sinking fund redemption price of $100 per share and accrued dividends, or by purchase not exceeding such redemption price. Commencing in 1971, the Corporation is obligated to retire 6,000 shares per annum of the Second Series until such series is fully retired. As of January 31, 1955, the Corporation has complied with the retirement provisions of both series and is holding in treasury 68 shares of the 4% Series for future requirements.

The 4% Series of cumulative preferred stock may be redeemed in whole or in part, at $100 per share and accrued dividends. The Second Series may be redeemed in whole or in part, at any time up to December 31, 1955, at $102 per share plus accrued dividends, and at reduced premiums thereafter. In the event of voluntary liquidation, the holders of both series of such stock are entitled to the current redemption price, other than for sinking fund requirements, and in the event of involuntary liquidation to $100 per share and accrued dividends.

AMERICAN METAL PRODUCTS COMPANY
DR.—$290.00—*"Capital Surplus*: Excess of cost over par value of 1,160 shares of Preferred Stock purchased for retirement."

BARKER BROS. CORPORATION
CR.—$6,677—"Capital Surplus."
On Balance Sheet: Capital Surplus (Increased during 1954 by $6,677 representing excess of par value over cost of 550 preferred shares purchased for retirement).

THE COLORADO FUEL AND IRON CORPORATION
CR.—$42,221—"Capital Surplus: Excess of par value over cost of 5,000 shares of Series A Preferred Stock purchased and cancelled."

COPPERWELD STEEL COMPANY
DR.—$3,345—*"Amount Paid-In Excess of Par Value of Stock."*

Capital Stock Ownership: There were outstanding at December 31, 1954, 14,717 shares of cumulative preferred stock, 5% Series, of the original issue of 50,000 shares sold in 1939. Of the original issue, 2,934 shares were converted into common stock under the conversion provision in effect prior to expiration of conversion rights in July 1948 and 32,349 shares were purchased for retirement through the preferred stock purchase fund. During 1954 there was purchased for retirement 2,183 shares of cumulative preferred stock, 5% Series, under the purchase fund provision of the 5% preferred stock issue whereby 6¼ per cent of the remainder of the Company's net income for the preceding fiscal year, after deducting dividends declared on the preferred stock, is set aside on May 1 and November 1 for 90-day periods to be used for purchase of shares in the open market. The funds so set aside but not used are made available for general corporate purposes.

DRESSER INDUSTRIES, INC.
CR.—$46,837—"Common Shareholders' Equity."

Notes to Financial Statements:
Note B: The terms of the Preferred Stock, 3¾% Series also provide, under certain conditions, that the Company shall, annually to April 15, 1955, set aside an amount sufficient to purchase for retirement 1% of the total number of shares theretofore issued at a price of $103 a share. Thereafter the Company shall retire annually through purchase, redemption, or otherwise, shares equivalent to 2% of the aggregate par value of (a) the total number of shares issued, prior to the close of the next preceding fiscal year, less (b) the aggregate number of shares theretofore converted into Common Stock.

Note D: Includes Common Stock, authorized 2,400,000 shares with a par value of 50¢ a share, of which 1,300,000 shares ($650,000) were outstanding at October 31, 1954, and October 31, 1953; plus (1) $17,928,958 (including the excess amounting to $46,837, of par value over cost of Preferred Stock acquired during the year) at October 31, 1954, and $17,882,121 at October 31, 1953, representing principally the excess over par value of the amount either paid in for capital stock or assigned to assets or stock of other companies in exchange for capital stock.

FOOD MACHINERY AND CHEMICAL CORPORATION
CR.—$5,765—"Capital in Excess of Par Values of Capital Stocks: Discount on 5,818 shares of 3¾% preferred stock purchased for retirement."

(Refer to Food Machinery and Chemical Corporation—example under "Conversion of Preferred Stock"; this section.)

LIBBY-OWENS-FORD GLASS COMPANY
DR.—$15,600—*"Additional Paid-In Capital*: Charge resulting from the cancellation and retirement of 600 shares of the Company's capital stock upon termination of an escrow agreement entered into in 1952 in connection with the acquisition of the net assets of Corrulux Corporation."

MARATHON CORPORATION
DR.—$4,060—*"Capital Paid-In In Excess of Par Value*

of Stock Issued, etc.: Premium on preferred stock purchased for retirement."

PARKERSBURG-AETNA CORPORATION
DR.—$841—*"Capital Contributed or Assigned in Excess of Stated or Par Value*: Premium paid to acquire 841 preferred shares for retirement."

SCOVILL MANUFACTURING COMPANY
CR.—$51,335—"Additional Capital—Further amounts Paid in by Stockholders: Excess of par value over cost of 4,740 shares of 3.65% Cumulative Preferred stock purchased and retired."

STRUTHERS WELLS CORPORATION
CR.—$3,019—"Additional Capital: Excess of stated value over cost of preferred stock retired."

THOMPSON PRODUCTS, INC.
DR.—$824—*"Capital in Excess of Par Value of Shares*: Difference between par value and purchase price of Preferred Stock purchased and retired."

TREASURY STOCK TRANSACTIONS

Retained Earnings

ASSOCIATED DRY GOODS CORPORATION
DR.—$1,278—*"Earned Surplus*: Excess of cost over par of first preferred stock purchased during year."

Notes to Financial Statements: *Note 3.* The first preferred stock may be called for redemption in whole or in part at any time at $110 per share, plus accrued dividends, and is entitled to like payment upon voluntary liquidation and to $100 per share, plus accrued dividends, upon involuntary liquidation. The sinking fund requirement (at five per cent of annual consolidated net earnings in excess of preferred stock dividends) has been met by purchase of 4,835 shares which may not be reissued. In addition, 4,769 shares have been purchased and are held in treasury available for the sinking fund.

So long as any preferred stock remains outstanding no dividends shall be paid on common stock nor shall any shares of common stock be purchased unless after giving effect to such dividend or purchase the aggregate par value of outstanding common stock and surplus, less the cost of any stock of the Corporation owned by its subsidiaries, shall be at east $30,000,000. At January 29, 1955, approximately $10,300,000 of the earned surplus shown in the balance sheet was free of such restriction. Pending retirement of shares of stocks reacquired and held in treasury and sinking fund, $7,973,000 of the earned surplus otherwise free of restrictions is represented by the cost of such stocks, including $6,924,000 paid to redeem all outstanding second preferred stock, which is to be retired in 1955.

As of October 1, 1954 the entire issue of 6% second preferred stock was redeemed and has been excluded from the balance sheet. The Board of Directors in January, 1955 approved an amendment to the Agreement of Consolidation relating to the capital stock of the Corporation to eliminate the provisions relating to the 6% second preferred stock and to redesignate the first preferred stock as preferred stock. Stockholders will be asked at the annual meeting called for May 23, 1955 to vote on such amendment, for the adoption of which the affirmative vote of two-thirds of the shares of the 5.25% first preferred stock and two-thirds of the shares of the common stock is required. Upon adoption of such amendment the second preferred stock will be excluded from the authorized stock of the Corporation and the first preferred stock will be redesignated as preferred stock.

The shares outstanding, as shown in the balance sheet, include 455 shares first preferred stock and 2,115 shares common stock reserved for issuance in exchange for shares previously outstanding.

(Refer also to Associated Dry Goods Corporation—example under "Capital Stock Redeemed"; this section.)

BRIGGS MANUFACTURING COMPANY
DR.—$91,582—*"Income Invested in the Business*: Excess of cost over stated value of treasury shares cancelled."

Note 1: The financial statements as of December 31, 1954 give effect to the following plan approved by the stockholders at a meeting held on October 29,1954:

(a) A cash distribution of $62,831,192 in partial liquidation of the company, representing $32.263 per share on a pro rata basis for each of the 1,947,469 shares of outstanding common stock of the company, in complete redemption and cancellation of 79% of such shares.

(b) Cancellation of 31,531 shares of common stock held in the treasury of the company and amendment of the Articles of Incorporation of the company to reduce its authorized capital stock from 2,025,000 shares of non-par value to 408,969 shares of non-par value, the latter figure being the aggregate number of shares to be outstanding after completion of the aforesaid redemption and cancellation under the partial liquidation plan.

CROWN CENTRAL PETROLEUM CORPORATION
DR.—$11—*"Earned Surplus*: Premium on treasury stock purchased."

THE CUBAN-AMERICAN SUGAR COMPANY
DR.—$94,684—*"Earned Surplus*: Excess of cost over par value of company's preferred and common shares purchased during the year."

G. R. KINNEY CO., INC.
DR.—$8,391—*"Retained Earnings*: Excess of cost over par value of 358 shares of common stock purchased, less profit on 100 shares sold."

(Refer also to G. R. Kinney Co., Inc.—example under "Capital Stock Retired"; this section.)

MILLER AND HART, INC.
DR.—$754—*"Retained Earnings*: Premium paid on prior preferred stock purchased for the treasury."

RELIANCE MANUFACTURING COMPANY
CR.—$15,721.87—"Earned Surplus: Restatement to cost of common stock in treasury at December 31, 1953."

THE SUPERIOR OIL COMPANY
DR.—$487,500—*"Earned Surplus (Income reinvested in the business)*: Cost of 750 shares of capital stock purchased and held in treasury."

Retained Earnings & Capital Surplus

AMERICAN HOME PRODUCTS CORPORATION
DR.—$78,034—*"Earned Surplus*: Excess of cost over par value of treasury stock, less amounts charged to capital surplus."

DR.—$74,889—*"Capital Surplus*: Excess of cost over par value of treasury stock less amount charged to earned surplus."

TIME INCORPORATED
DR.—$42,500—*"Earned Surplus (accumulated earnings employed in the business)*: Cost of shares (1,000 in 1954) of common stock purchased for Treasury."

CR.—$67,156—"Capital surplus (excess of sales price over cost of treasury stock sold since April 22, 1949): Add excess of sales price over cost of treasury stock sold—Note C."

CR.—$246,312—"Earned Surplus (accumulated earnings employed in the business): Recovery of cost of shares (11,347 in 1954) of Treasury Stock sold—Note C."

Note C: Under contracts of sale with officers and employees made in 1948, the Company held at December 31, 1954, an aggregate of 2,126 shares of its Common Stock as collateral for the balance of the purchase price payable by the purchasers, and such shares are included in the number of shares shown as outstanding. As deferred installments of the purchase price are received, the Company is obligated to release from pledge proportionate numbers of shares of such stock.

Capital Surplus

AMERICAN LOCOMOTIVE COMPANY
DR.—$24,789—"Amount Paid the Company for Capital Stock in Excess of Par Value (Capital Surplus)."

Note 4: In 1954 the Company purchased 5,900 shares of its 7%

Preferred Stock. The cost of these shares exceeded their par value by $24,789 and this excess has been charged to "Amount paid the Company for capital stock in excess of par value (capital surplus)."

AMERICAN WRITING PAPER CORPORATION
DR.—$21,251.50—"*Capital Surplus*: Excess of cost over par value of common stock reacquired."

AVCO MANUFACTURING CORPORATION
CR.—$59,668—"Additional Paid-In Capital: Excess of stated value of $2.25 cumulative convertible preferred stock purchased over cost thereof."

BOOTH FISHERIES CORPORATION
CR.—$6,816—"Paid-In Surplus: Discount on 378 shares of preferred stock purchased."

BROCKWAY MOTOR COMPANY, INC.
DR.—$71,737—Excess of cost ($128,517) over par value of 5,678 shares of common stock purchased for treasury."

BUCYRUS-ERIE COMPANY
CR.—$2,278—"Additional Paid-In Capital: Par value of 87 shares of common stock held for exchange under 1936 plan of reorganization transferred to treasury, and undistributed cash and dividends thereon."

THE BUDD COMPANY
CR.—$38,676—"Other Capital: Discount on 1,800 preferred shares purchased."

BURLINGTON MILLS CORPORATION
DR.—$1,153,144—"*Capital in Excess of Par Value*: Excess of cost over par value of Common Stock acquired for treasury, less excess of market over par value of treasury shares issued to Employees' Profit Sharing (Retirement) Plan."
CR.—$181,505—Par Value over cost of Preferred Stocks reacquired.

DEVOE & RAYNOLDS COMPANY, INC.
CR.—$21,601—"Capital Surplus (increased during year by $21,601 gain on sale of treasury stock)."

FEDERATED DEPARTMENT STORES, INC.
DR.—$791,467—"*Capital in Excess of Par Value of Common Stock*: Excess of cost over par value of common stock purchased for treasury."

GENERAL ELECTRIC COMPANY
CR.—$4,186,330—"Investment in Excess of Stated or Par Value of Common Stock."
(Refer to General Electric Company—example under "Premium on Initial Issue of Capital Stock.")

GODCHAUX SUGARS, INC.
DR.—$5,450—"*Capital Surplus*: Excess of cost over stated value of Class A stock (109 shares) purchased during the year and held in treasury."

HARBISON-WALKER REFRACTORIES COMPANY
CR.—$122,896—"Capital in Excess of Par Value: Excess of proceeds of carrying value of common shares sold from the treasury."

HYGRADE FOOD PRODUCTS CORPORATION
DR.—$4,184.15—"*Capital Surplus*: Net excess of cost over par value of treasury stock acquired during the year."

JOY MANUFACTURING COMPANY
CR.—$26,590—"Capital Surplus: Excess of proceeds over cost of treasury stock sold."

R. H. MACY & CO., INC.
CR.—$27,369—"Additional Paid-In Capital: Excess of par value over cost of Series A preferred stock reacquired during year (1,500 shares)."

P. R. MALLORY & CO., INC.
CR.—$4,265—"Paid-In Surplus: Excess of par value over cost of 4,010 shares of preferred stock acquired for sinking fund requirements and held in treasury."

PENN-TEXAS CORPORATION
CR.—$501,842.80—"Capital Surplus: Excess of sales price over par value of 97,543 shares of treasury stock sold."

SONOTONE CORPORATION
DR.—$1,571.57—"*Additional Paid-In Capital*: Excess of cost over par value of preferred stocks reacquired."

A. E. STALEY MANUFACTURING COMPANY
DR.—*Indeterminable—"Capital in Excess of par or stated value of shares*—Net increase in Capital resulting from issuance of common shares, less cost of $3.75 series cumulative preference shares acquired for treasury."
(Refer also to A. E. Staley Manufacturing Company—example under "Employee Stock Plans"; this section.)

VANADIUM-ALLOYS STEEL COMPANY
DR.—$37,312—"*Capital in Excess of Stated Value of Stock*: Net loss on sale and exchange of treasury stock."

WARD BAKING COMPANY
DR.—$2,668—"*Capital Surplus*: Difference between par value and cost of stock acquired."

Financial Position of the Company: Preferred stock of the par value of $54,000 has been purchased in the open market and is held in the Treasury awaiting cancellation.

CHARITABLE FOUNDATIONS

Capital Surplus

THE MAY DEPARTMENT STORES COMPANY
CR.—$142,188—"Additional Paid-In Capital: Excess of quoted market price over par value of treasury common stock contributed to The May Stores Foundation, Inc."

The President's Letter to the Stockholders:
Stock Contributed to May Foundation—
The Company gave 5,000 shares of its treasury common stock to The May Stores Foundation, Inc., in 1954. The Foundation is a non-profit corporation which contributes to worthy charitable and educational institutions. Among these are institutions in cities where our stores are located.

FINANCING EXPENSES

Retained Earnings

ALLIS CHALMERS MANUFACTURING COMPANY
DR.—$115,880—"*Earnings Retained for Use in the Business*: Expense of 4.08% preferred stock issue less premium."

Notes to Financial Statements:Shareowners' Equity. In 1954, the Company sold 350,000 shares of 4.08% cumulative convertible preferred stock ($100 par value). Expense of the issue, less a premium of $700,000 received on the sale thereof, were charged to retained earnings.
(Refer also to Allis Chalmers Manufacturing Company—example under "Premium on Initial Issue of Capital Stock"; this section.)

AMERICAN CYANAMID COMPANY
DR.—$1,184,009—"*Earnings Employed in the Business*:

Underwriting commissions and expenses ($1,210,574) on issuance of 580,235 shares of Cumulative Preferred Stock, Series C, less amount ($26,565) charged to capital surplus, as above."

(Refer also to American Cyanamid Company—Example under "Premium on Initial Issue of Capital Stock" and "Employee Stock Plans"; this section.)

THE DRACKETT COMPANY

DR.—$9,359.16—*"Retained Earnings*: Recapitalization and Refinancing Expenses—1954 Portion."

FOREMOST DAIRIES, INC.

DR.—$88,696—*"Earned Surplus*: Expenses in connection with sale of preferred stock."

To Our Stockholders and Employees:

Financing: Our company also placed privately with institutional investors on November 19, 1954, 50,000 shares of $4.50 ($100 par) preferred stock at $100 per share and in July, 1954, sold 50,000 shares of its common stock privately.

SAFEWAY STORES, INCORPORATED

CR.—$355,898—"Net Income Retained in the Business: Transfer to additional paid-in Capital of issue expense of 4½% and 4.30% preferred stock converted into Common Stock."

DR.—$808,410—*"Net Income Retained in the Business*: Expenses of sale of 4.30% preferred stock."

Capital Surplus

ARDEN FARMS CO.

DR.—$124,695.18—*"Capital Surplus*: Deduct—Stock selling expense."

AUTOMATIC CANTEEN COMPANY OF AMERICA

DR.—$53,514—*"Investment in Excess of Par Value of Common Stock."*

Notes to Consolidated Financial Statements:Note 4. Investment in Excess of Par Value of Common Stock—less expenses in connection with such sales of $53,514.

(Refer also to Automatic Canteen Company—example under "Premium on Initial Issue of Capital Stock"; this section.)

DECCA RECORDS, INC.

DR.—Indeterminable—*"Paid-In-Surplus*: Excess of issue price over par value on the sale or exchange of shares of capital stock, less expense of issue."

(Refer also to Decca Records, Inc.—example under "Capital Stock Issued in Acquisition of a Subsidiary; this section.)

GIDDINGS & LEWIS MACHINE TOOL COMPANY

DR.—Indeterminable—*"Paid-In-Surplus*: Excess of proceeds received from sale of 60,000 shares of common stock in June 1954 over par value thereof, less expenses."

(Refer also to Giddings & Lewis Tool Company—example under "Premium on Initial Issue"; this section.)

KUHLMAN ELECTRIC COMPANY

DR.—$33,390—*"Capital Surplus*: Commissions and expenses on sale of 30,000 shares of 5½% cumulative preferred stock, Series A."

UNION OIL COMPANY OF CALIFORNIA

DR.—$751,211—*"Credits in Excess of Par or Stated Values of Shares*: Less—Unamortized issue expense applicable to, and expenses in connection with conversion of, 3⅛% Convertible Debentures."

WAGNER ELECTRIC CORPORATION

DR.—$47,341—*"Capital in Excess of Par Value*: Expenses in connection with sale of common stock."

CAPITAL STOCK ISSUED IN ACQUISITION OF SUBSIDIARY

Retained Earnings

BALDWIN-LIMA-HAMILTON CORPORATION

DR.—$39,937—*"Accumulated Earnings Reinvested in the Business*: Adjustment on acquisition of O. S. Peters Company."

Notes to Financial Statements: Note 2—

The O. S. Peters Company, Washington, D. C., which was acquired in 1954, is included in the consolidated financial statements.

To the Shareholders:

Purchase of Stock—Early in the year, Westinghouse Electric Corporation advised the Company that it had decided to withdraw from the manufacture of heavy electrical equipment for locomotives. Steps were immediately taken toward working out an arrangement with General Electric Company under which it would supply the electrical equipment required for Baldwin diesel electric locomotives. Under the circumstances, it seemed desirable for the Company to acquire the 515,000 shares of its Common Stock held by Westinghouse and representing approximately 10¾% of all Common Stock outstanding. Arrangements consummated in May resulted in the purchase of these 515,000 shares for $4,635,000, or $9.00 per share. The stock so purchased was placed in the Company's Treasury and as a result (exclusive of the Treasury shares) the shareholders' equity of each outstanding share showed an improvement of approximately $1.80 per share, or a total improvement in the shareholders' equity of the remaining outstanding shares of more than $7,500,000. Subsequently, 25,807 shares of Treasury stock were issued in exchange for all of the outstanding Capital Stock of O. S. Peters Company referred to later in this report.

SCOTT PAPER COMPANY

DR.—$7,465,786—*"Income Reinvested in Business*: Reinvested income of Detroit Sulphite Pulp & Paper Co. at September 2, 1954, transferred to common capital."

Notes to Financial Statements: Note 1. On October 27, 1954 Hollingsworth & Whitney Company was merged with and into Scott Paper Company, and on September 2, 1954 Scott issued common shares in exchange for the assets and assumed the liabilities of Detroit Sulphite Pulp & Paper Co. In these statements the financial positions and the results of operations, respectively, of the three companies (and their subsidiaries) have been added together. The reinvested income of Detroit Sulphite at September 2, 1954 has been transferred to capital. Appropriate eliminations have been made for intercompany transactions. The effect of the above on the consolidated financial position of Scott Paper Company was:

	Hollingsworth Oct. 27, 1954	*Detroit Sept. 2, 1954*
Net assets increased:		
Current assets	$13,832,622	$6,444,446
Current liabilities	(5,716,523)	(3,740,099)
Other assets	9,630,495	934,604
Plant assets	48,341,163	11,123,273
Accumulated depreciation	(22,442,095)	(5,118,058)
3¼% debentures	(7,000,000)	
Total net assets	$36,645,662	$9,644,166
Shareholders' investment increased:		
Common shares	$23,163,725	$9,644,166
Reinvested income	13,481,937	
	$36,645,662	$9,644,166

Retained Earnings and Capital Surplus

DECCA RECORDS INC.

CR.—$163,110—"Other Capital Surplus: Excess over cost, of equity acquired in Universal Pictures Company, Inc."

CR.—$2,258,047—"Paid-In Surplus: Excess of issue price over par value on the sale or exchange of shares of Capital Stock, less expense of issue."

DR.—$419,861—*"Other Capital Surplus*: Less reduction attributable to cost of treasury stock purchases by Universal Pictures Company, Inc. less excess over par value of shares issued on exercise of warrants—charged to paid-in capital."

DR.—$113,635—"*Earned Surplus*: Reduction in equity attributable to cost of warrants purchased by Universal Pictures Company, Inc. charged to earned surplus."

To Our Stockholders: Increases of Capital Stock—In January 1954, 145,842 shares of Decca capital stock were issued in exchange for Universal common stock. In June, after the Decca stockholders had approved an increase in the authorized capital stock from 1,500,000 shares to 2,500,000 shares, an additional 102,501 Decca shares were also issued in exchange for Universal common stock. These exchanges resulted in an increase of Decca's outstanding capital stock to 1,602,501 shares.

Notes to Financial Statements: (2) Decca owned 71.98% and 59.63% of Universal Pictures Company, Inc. common stock at December 31, 1954 and 1953 respectively. While the financial statements of Universal have not been consolidated with those of Decca, the equity in earnings has been reflected in the statement of consolidated income and the investment in Universal is carried at the amount of equity in the net assets of the company.

(Refer also to Decca Records, Inc.—example under "Financing Expenses"; this section.)

Capital Surplus

ACF INDUSTRIES, INCORPORATED

CR.—$205,000—"Capital Surplus: Additional capital surplus resulting from issuance of common stock at amounts in excess of par—Upon acquisition of net assets of another business."

ALLIED CHEMICAL & DYE CORPORATION

CR.—$14,962,500—"Capital Surplus."

Notes to Financial Statements: Capital Surplus—Increase in capital surplus represents mainly the $14,962,500 by which the value, as determined by the Board of Directors, of the 237,500 shares of common stock issued in the acquisition of Mutual Chemical Company exceeded the stated value of $5.00 per share.

The President's Letter:

Mutual Chemical Company—In mid-1954 the Company acquired Mutual Chemical Company of America through the issuance of 237,500 shares of Allied common stock. Mutual is the oldest and largest United States producer of chromium chemicals; its principal products are sodium and potassium chromates and bichromates, ammonium bichromate, chromic acid and "Koreon," a prepared chrome tanning agent.

Since July 1, 1954 Mutual's income has been included in Allied's consolidated income account. The increase in Goodwill on the consolidated balance sheet represents the difference between the value placed by Allied's Board of Directors upon Mutual's net assets as a going business, i.e. the purchase price, and the value shown on Mutual's books.

Paid-In Capital

AMERICAN AIR FILTER COMPANY, INC.

DR.—$25,000—"*Other Capital in Excess of Par Value of Shares*: Expenses of acquiring Illinois Engineering Company."

CR.—$542,900—"Other Capital in Excess of Par Value of Shares: Capital shares and retained earnings of Illinois Engineering Company acquired in excess of par value of common stock exchanged."

ARDEN FARMS CO.

CR.—$442,961.50—"Capital Surplus: Excess of market value of stock issued in acquisitions over (1) par value of common stock issued, and (2) stated value of preferred stock issued."

ARMSTRONG CORK COMPANY

CR.—$3,000,000—"Amount Paid-In or Assigned to Outstanding Shares in Excess of Stated Capital."

Notes to Financial Statements: *Note 7*. The increase of 10,087,682 in the amount of paid in or assigned to outstanding shares in excess of stated capital consisted of . . . (c) $3,000,000 as value assigned to 40,000 shares of common stock issued on November 5, 1954 in exchange for the outstanding capital stock of Deltox Rug Company.

To the Stockholders: Acquisition of the Deltox Rug Company of Oshkosh, Wisconsin, was effected on November 3, 1954 by the exchange of 40,000 shares of Armstrong common stock for the Deltox capital stock. Its sales and earnings are included in the consolidated figures only from the date of acquisition. Deltox manufactures a quality line of floor coverings made of fiber and combinations of fiber, wool and rayon that is sold on a nation-wide scale. Many wholesale distributors of the Armstrong Line of flooring materials also distribute Deltox products. As a wholly owned Armstrong subsidiary, Deltox will continue to operate in Oshkosh with its present organization of about 525 persons.

BELL AIRCRAFT CORPORATION

CR.—$7,585,952—"Capital Surplus: Excess of value of 393,784 shares of common stock over par value of such shares issued in exchange for all outstanding shares of American Wheelabrator & Equipment Corporation, and all outstanding shares of Hydraulic Research and Manufacturing Company."

Report from the President: In accordance with our planned policy of diversification, the company, through an exchange of Bell shares, acquired in June all the stock of the American Wheelabrator and Equipment Corp. of Mishawaka, Ind. This company, like The W. J. Schoenberger Co. of Cleveland, O., acquired in 1948, are operated as wholly-owned subsidiaries and continued in 1954 to be well-managed and profitable.

BLAW-KNOX COMPANY

CR.—$877,500—"Other Capital."

Notes to Financial Statements: *Note 6*. During 1954, other capital was also increased by $877,500, the excess of approximate market value over par of 99,500 shares of capital stock issued to acquire the outstanding capital stocks of All Purpose Spreader Company and The Tri-Lok Company.

New Affiliates—In January 1954, the acquisition of the All Purpose Spreader Company of Elyria, Ohio, was consummated through the issuance of 72,500 shares of the capital stock of Blaw-Knox Company in exchange for all of its issued stock. This company had developed a line of paving equipment which will help Blaw-Knox round out a complete equipment package for road contractors. Its operations were absorbed into Blaw-Knox immediately upon acquisition. On December 31, 1954 the assets of this corporation were transferred to Blaw-Knox Company and its corporate existence terminated by dissolution.

All of the outstanding stock of The Tri-Lok Company of Pittsburgh was acquired in October 1954, in exchange for 27,000 shares of the capital stock of Blaw-Knox Company. The Tri-Lok Company manufactures a broad line of grating products, both ferrous and nonferrous, which supplement poducts in this line produced at the Blaw-Knox Equipment Division.

Capital Surplus

BURROUGHS CORPORATION

CR.—$189,113—"Additional Paid-In Capital."

Notes to Financial Statements: *Subsidiary companies and Principles of Consolidation—Note 1*. All of the outstanding capital stock of Haydu Brothers, a U. S. corporation, was acquired on July 9, 1954, in exchange for 12,300 shares of Burroughs common stock. The amount of $189,113 by which the market value of the shares issued exceeded their par value was added to paid-in capital. The net assets of Haydu Brothers at December 31, 1954, and the results of its operations for the six months then ended are included in the financial statements.

CERTAIN-TEED PRODUCTS CORPORATION

CR.—$9,591,574—"Capital in Excess of Par Value."

To the Shareholders: In the latter half of the year negotiations were carried on and concluded on October 25, 1954, for the purchase of Wm. Cameron & Co. of Waco, Texas. At December 31, 1954, 98.77% of the total outstanding capital stock of that company was owned by Certain-teed Products Corporation. Wm. Cameron & Co. is an old, substantial enterprise, having been established in 1868. It is engaged in manufacturing, wholesaling and retailing building materials, principally in the States of Texas and Oklahoma. In addition, Wm. Cameron & Co. operates twenty-nine oil field yards, mostly in Western Texas and Eastern New Mexico. This acquisition was accomplished by a cash payment of $9,486,226 and the issuance of 407,806 shares of Certain-teed Products Corporation common stock. Certain-teed's conservative financial policy and substantial cash resources enabled it to effect this acquisition without recourse to borrowing or outside financing.

(Refer also to Certain-Teed Products Corporation—example under "Employees Stock Plan"; this section.)

CHESAPEAKE INDUSTRIES, INC.
CR.—$2,992,892—"Paid-In Surplus: Excess of estimated value of assets of companies acquired over the par value of stock given therefor less expenses of acquisition."

Notes to Financial Statements: To the Stockholders—
Note 1: Principles of Consolidation:

(a) All subsidiaries have been included in the consolidated financial statements except four inactive subsidiaries which are carried at no value and the Colonial Trust Company, the equity in which is shown separately in the balance sheet.

(b) Chesapeake Industries, Inc. acquired a controlling interest in Colonial Trust Company (a bank) and four associated companies as of December 27, 1954 by an exchange of stock with the stockholders of those companies. Chesapeake's interest at January 1, 1955 in these subsidiaries has been computed on the basis of the acceptance of all stock tendered to January 27, 1955, the date of termination of the exchange offer; Chesapeake's capital stock accounts have been adjusted accordingly.

(c) All intercompany transactions have been eliminated from the consolidated financial statements.

To the Stockholders of Chesapeake Industries, Inc.

I. The Acquisition of Colonial Trust Company, Intercoast Petroleum Corporation and affiliated companies.

On November 3, 1954 Chesapeake Industries' stockholders approved an increase in the company's capital stock by 25,000 shares of preferred and 1,000,000 shares of common, for the purpose of making an offer to the stockholders of Colonial Trust Company (a commercial bank with four offices in New York City), Intercoast Petroleum Corporation (an oil producing company), Oils & Industries, Inc., Home & Foreign Securities Corporation and Intercontinental Holdings, Ltd. (three registered investment companies), to exchange the stock of these companies for an aggregate of 33,818 shares of Chesapeake $4 preferred and 996,304 shares of Chesapeake common. This offer was made on December 3, 1954, and before its termination on January 27, 1955, substantial amounts of stock in all the companies were received, including about 94% of the Colonial shares.

Early in 1955, by appropriate action of the stockholders of Intercoast Petroleum Corporation, Oils & Industries, Inc. and Home & Foreign Securities Corporation, these companies were merged into Eagle Lion Studios, Inc. and the resulting company, a wholly-owned Chesapeake subsidiary, was named Intercoast Petroleum Company, Inc., since its sole activity will be the production of oil. At the same time stockholders of Intercontinental Holdings, Ltd., voted to dissolve the company and the company's assets, consisting solely of cash, are being distributed to its shareowners on a pro-rata basis.

This entire transaction resulted in the exchange of Chesapeake securities with a market value of about $5,000,000 for approximately $5,000,000 of asset consisting of, roughly, $1,000,000 of cash, $1,000,000 of net proven oil reserves and slightly over $3,000,000 of underlying net worth in bank assets. Chesapeake is about to contribute $1,000,000 of new capital to Colonial so that the bank can expand its business and increase its profits. Since a rule of the Securities & Exchange Commission prevents Chesapeake from consolidating the Colonial Trust Company balance sheet with its own, as it does in the case of Chesapeake's other subsidiaries, we have separately included, on Page 21, the bank's year-end statement of condition. (Statement not reproduced herein.)

CORN PRODUCTS REFINING COMPANY
CR.—$2,506,318—"Capital Surplus."

Notes to Financial Statements: In 1947, the stockholders authorized the Board of Directors to issue a total of 50,000 shares of common stock in any calendar year for the acquisition of property. In December of the past year, this authority was used for the first time when 38,369 shares of common stock were issued and exchanged for the assets of Kasco Mills, Inc., Waverly, New York and Kasco Mills, Inc., Toledo, Ohio. On the date of acquisition, the market value of these shares was $3,465,543.

In addition to current assets and the going business, two plants were acquired, one at each location. These two companies have long been engaged in the manufacture and distribution, under the Kasco trademark, of farm animal feeds well established in several states, and a widely advertised and well accepted line of dry and canned dog foods. Many of their formulas include products of corn refining. Among the expected benefits of these acquisitions are the opportunity to take advantage of the steadily increasing demands for both farm feeds and dog foods, certain operating economies, and broadened markets through the use of our nation-wide distribution organization. Both companies are now operated as a division of our subsidiary, Corn Products Sales Company of New Jersey, and their accounts are reflected in the financial statements in this report.

8. Acquisition of Kasco Mills, Inc.: On December 6, 1954 the company issued 38,369 shares of its $25 par value common stock at a market value of $90.32+ per share in connection with the acquisition of the business and net assets of Kasco Mills, Inc., Toledo, Ohio, and Kasco Mills, Inc., Waverly, New York. The excess of the market value over the par value of the 38,369 shares of common stock issued resulted in a credit of $2,506,318 to capital surplus.

THE DOBECKMUN COMPANY
CR.—$264,035—"Additional Paid-In Capital: Excess of market value over par value of 13,541 shares of common stock issued to acquire all of the outstanding common capital stock of the Floyd A. Holes Company of Bedford, Ohio."

FOOD MACHINERY AND CHEMICAL CORPORATION
CR.—$1,270,720—"Capital in Excess of Par Values of Capital Stocks: Excess of market value over par value of 44,000 shares of common stock issued in exchange for the outstanding capital stock of Chicago Pump Company."

FOREMOST DAIRIES, INC.
CR.—$1,476,350—"Capital Surplus: Excess of assigned value over par value of common stock issued in connection with acquisitions of subsidiaries."

GENERAL AMERICAN TRANSPORTATION CORPORATION
CR.—$9,403,100—"Capital Surplus: Excess of market value over par value of 186,200 shares of common stock issued for capital stock of subsidiary."

To the Stockholders: In August we acquired the Fuller Company, Catasauqua, Pennsylvania, now operated as a subsidiary company, in exchange for 186,200 shares of our common stock.

GENERAL SHOE CORPORATION
CR.—$1,721,618—"Additional Paid-In Capital: Excess of stated and par values of General Shoe Corporation cumulative preference and common stock issued in exchange for stocks of merged companies, net.

THE B. F. GOODRICH COMPANY
CR.—$14,352,000—"Capital in Excess of Par Value of Shares: Excess of fair value over par value of 179,400 shares of common stock issued in acquisition of Sponge Rubber Products Co."

To the Stockholders—Financial and Corporate—The Sponge Rubber Products Company's asset and business were acquired on August 13, 1954, for 179,400 shares (before two-for-one stock split) of The B. F. Goodrich Company's common stock. Upon issuance of these shares, the capital stock account of the Company was credited with $10 par value of each share issued, and the capital surplus account was credited with the remainder of the total cost of $16,146,000.

HARVILL CORPORATION
CR.—$22,500—"Capital in Excess of Par Value."

Notes to Financial Statements: Note C. On November 4, 1953, the Company issued 60,000 shares of its capital stock to acquire all of the outstanding stock of McBain Corporation, engaged in the manufacture of industrial valves and valve controls. The Company's Board of Directors determined that the fair value of the McBain Corporation stock was $82,500.00; the excess ($22,500.00) of this value over the par value of the Harvill Corporation shares issued has been credited to Capital in Excess of Par Value. On September 27, 1954 McBain Corporation was dissolved and its assets and liabilities (net book value $78,939.89) were transferred to Harvill Corporation.

KOPPERS COMPANY, INC.
CR.—$3,086,369—"Capital in Excess of Par Value."
Within "Statement of Shareholders Equity"
Common Stock, $10 par value—Par value of shares issued during the period:
61,102 shares issued on April 30, 1954 to acquire the entire outstanding capital stock of

American Lumber & Treating Co. (Note 1)	$ 611,020
65,000 shares issued on December 30, 1954 to acquire the entire outstanding capital stock of F. X. Hooper Company, Incorporated (Note 1)	$ 650,000
Capital in Excess of Par Value—Excess of market value over par value of 126,102 shares issued during the period, as above ..	$3,086,369

Notes to Financial Statements:

1. Investments in affiliates

The consolidated statements include the accounts of the Company and all of its wholly-owned subsidiaries except the wholly-owned Brazilian company which is relatively immaterial and is excluded from the consolidation because of Brazilian foreign exchange restrictions. The statement of consolidated income includes the sales and expenses of American Lumber & Treating Co. from April 30, 1954, the date on which its capital stock was acquired by the Company. On June 30, 1954, American Lumber & Treating Co. was liquidated and thereafter the business was carried on by the Company. The statement of consolidated income does not include the 1954 sales and expenses of F. X. Hooper Company, Incorporated, as its capital stock was not acquired until December 30, 1954.

To the Stockholders:

Metal Products Division

Activities of the Metal Products Division were broadened by the acquisition on December 30 of the F. X. Hooper Company, an old and well established manufacturer of paper box machinery located at Glenarm, Maryland, near Baltimore, through exchange of 65,000 shares of the common stock of your Company for all of the stock of the acquired company.

Wood Preserving Division

Operations of the Wood Preserving Division were expanded substantially at the end of April, through the exchange of 61,102 shares of the Company's common stock for all of the stock of American Lumber & Treating Company.

THE MAY DEPARTMENT STORES COMPANY

CR.—$1,768,826—"Additional Paid-In Capital: Excess of consideration received over par value of treasury common stock issued in the acquisition of The Sharon Store Company."

To Our Stockholders:

New store acquired in Youngstown area

We acquired The Sharon Store in Sharon, Pennsylvania, on November 1, 1954, through an exchange of 53,027 shares of our treasury common stock for all of the assets of the Sharon Store Company. The net book value of the Sharon Company's assets was approximately $2,035,000 at the time of the transaction.

MULLINS MANUFACTURING CORPORATION

CR.—$3,723,750—"Capital Surplus."

Notes to Financial Statements: *Note D.* The accompanying financial statements include the accounts of Mullins Manufacturing Corporation and a recently acquired subsidiary company. The consolidated statement of income and earned surplus includes the results of operations of the subsidiary company from date of acquisition, November 1, 1954. The Corporation acquired all of the outstanding shares of the subsidiary company in exchange for 165,500 shares of Common Stock. The excess ($3,723,750.00) of the value of the shares acquired, as determined by the Board of Directors, over the par value of the Common Stock issued in exchange was credited to Capital Surplus. The excess ($583,709.07) of the value of the shares acquired over the underlying book equity of the capital stock of the subsidiary company at date of acquisition has been allocated to fixed assets in consolidation, to be amortized over the estimated remaining useful life of the fixed assets by increasing the annual charges for depreciation in consolidation.

NATIONAL BISCUIT COMPANY

CR.—$2,593,787—"Paid-In Surplus."

Notes to Financial Statements: *Note D.* "Paid-in surplus represents the excess of market value over par value of 96,513 shares of common stock issued for all outstanding capital stocks of The Hills Brothers Company, now consolidated."

NATIONAL CONTAINER CORPORATION

CR.—$1,050,000—"Paid-In Surplus: Excess of market value over par value of 100,000 shares of Common Stock issued on February 16, 1954 as part of the purchase price for the acquisition of a subsidiary."

NATIONAL CYLINDER GAS COMPANY

CR.—$370,173—"Investment in Excess of Par Value of Common Stock."

Notes to Financial Statements: *Note 9.* Excess of market value over par value of 22,576 shares of common stock issued in exchange for capital stock of company acquired, less acquisition expenses.

Financial & Operating Review: Plants and Equipment—During the year, National Cylinder Gas Company acquired the California Carbonic Company of Los Angeles through the exchange of 22,576 shares of National Cylinder Gas Company common stock for the entire outstanding capital stock of the California Company.

NATIONAL DISTILLERS PRODUCTS CORPORATION

DR.—$825,992—"*Capital Surplus*: Excess of cost over market value of treasury stock (common) exchanged for capital stock of subsidiary company acquired."

OTIS ELEVATOR COMPANY

CR.—$2,934,522—"Capital Surplus: Valuation of the going businesses and net assets of The Baker-Raulang Company, an Ohio Corporation, and its wholly owned subsidiaries, received in exchange for 63,108 common shares of the Company . . . $3,723,372—Less: Amount allocated to capital at 12.50 per share of common stock . . . $788,850."

The President's Report:

Baker-Raulang Company—Effective December 1, 1954, the Otis Elevator Company acquired, in exchange for 63,108 shares of its authorized but unissued common stock, the trade and corporate names, good will, going business and substantially all of the assets of The Baker-Raulang Company, it having previously taken over the assets of its wholly owned subsidiary, the Baker-Lull Corporation. In addition, Otis Elevator Company assumed certain specific liabilities of The Baker-Raulang and Baker-Lull Companies.

PENN-TEXAS CORPORATION

CR.—$4,575,801.01—"Capital Surplus: Excess of issuing price over par value of 710,720 shares issued for acquisition of two companies."

President's Letter: New Acquisitions—

The business of Industrial Brownhoist Corporation, in which your Company already had a majority interest, was acquired in August, 1954, being operated as a wholly owned subsidiary.

On June 15, 1954, your Company purchased all the outstanding common stock of the "Quick-Way" Truck Shovel Company of Denver, Colorado.

In line with its policy of acquiring interests in the nation's natural resources, your Company formed the Penn-Uranium Corporation in June, 1954, and purchased through it all of the outstanding stock of A. & B. Mining Corporation.

In December your Company purchased the assets of the Bayway Terminal Corporation, operators of a deep-water industrial terminal.

PHILCO CORPORATION

CR.—$1,851,220—"Capital in Excess of Par Value: Excess of Market Value of 70,210 Common Shares issued for acquisition of assets of The Dexter Company and for exercised options under The Philco Stock Ownership Plan."

Facilities: On January 30, 1954, Philco acquired the plant facilities and other assets of The Dexter Company of Fairfield, Iowa, manufacturers of washing machines and dryers, in exchange for 70,000 shares of Philco Common Stock. Production facilities have been enlarged and improved in anticipation of a substantial growth in the demand for these products.

(Refer also to Philco Corporation—example under "Employee Stock Plan"; this section.)

PHILIP MORRIS & CO. LTD., INCORPORATED

CR.—$342,922—"Paid-In Capital in Excess of Par Value of Capital Stock: Excess of fair market value (as determined by Board of Directors) over par value of shares of Philip Morris common stock issued to stockholders of Benson and Hedges, less applicable expenses."

Finance: At the year end, the Company held 439,224 shares of Benson and Hedges common stock which represents slightly in excess of 99% of the total number of shares outstanding. The exchange offer under which your Company agreed to exchange one share of its stock for each share of Benson and Hedges' was terminated on October 1, 1954. During the year, the administrative and accounting sections of Benson and Hedges were consolidated with the Company's, resulting in operating economies and efficiency.

RHEEM MANUFACTURING COMPANY

CR.—$4,520,016—"Capital in Excess of Par Value of Shares Outstanding."

CR.—$113,906—"Capital in Excess of Par Value of Shares Outstanding."

Note 4: During 1954 capital in excess of par value of shares outstanding was increased (1) . . . , (2) by $4,520,016 representing the excess of the market value over par value of 167,408 common shares issued in exchange for the common shares of United States Spring & Bumper Co., and (3) by $113,906 representing the excess of the book value of the underlying net assets of United States Spring & Bumper Co. at the date of acquisition over the cost of the Company's investment.

STANDARD BRANDS INCORPORATED

CR.—$769,440—"Capital Surplus: Excess of market value over stated value of 26,880 shares of common stock issued in exchange for outstanding capital stock of Kendall Foods, Inc."

STANDARD OIL COMPANY (NEW JERSEY)

CR.—$364,828,659—"Amount in Excess of Par Value: Within "Statement of Shareholders' Equity"—Stock issued in exchange for shares of Humbel Oil & Refining Company, at fair value."

Financial Review, Parent Company:

Corporate changes. As reported last year, Jersey in January, 1954, purchased for cash 296,176 additional shares of Creole Petroleum Corporation at $90 per share, increasing its ownership to 95 per cent of the outstanding Creole shares.

On October 29, 1954, an offer was made to the shareholders of Humble Oil & Refining Company to exchange their shares in the ratio of ten Humble shares for nine Jersey shares. The purpose of this offer was to increase the Company's holding of Humble shares to at least 80 per cent of the total outstanding, this being the minimum ownership required under the 1954 tax law to permit inclusion of an affiliate in Jersey's consolidated tax returns. As a result of this offer, which terminated November 30, 1954, Jersey issued 4,864,382 of its own shares in exchange for 5,404,869 shares of Humble, and thereby increased its ownership in that company from 72 per cent to 87 per cent.

THOMPSON PRODUCTS, INC.

CR.—$1,072,263—"Capital in Excess of Par Value of Shares: Excess of market price over par value of common stock issued in acquisition of subsidiary."

To our Stockholders: Financing—

On November 17th, 27,851 shares of common stock were issued in connection with the acquisition of Kolcast Industries, Inc., mentioned earlier in this report.

UNITED MERCHANTS AND MANUFACTURERS, INC.

CR.—$6,173,950—"Capital Surplus: Excess of market value of the Corporation's common stock over the par value thereof, issued in exchange for the Capital Stock of a subsidiary company (Note G)."

Notes to Financial Statements: Note G—Capital Stock—

On October 27, 1953 the Corporation acquired 88,357 shares of issued and outstanding Common and Preferred Stock of A. D. Juilliard & Co., Inc. (all of that company's outstanding stock) by the exchange of 6.5 shares of Common Stock of the Corporation for each share of A. D. Juilliard & Co., Inc., without regard to class.

UNIVERSAL MATCH CORPORATION

CR.—$965,792.63—"Capital in Excess of Par Value (Capital Surplus): Excess of net book value of the Capital Stock of Majestic Manufacturing Company over par value of 37,647 shares of Capital Stock issued in exchange therefor."

WESTINGHOUSE ELECTRIC CORPORATION

CR.—$4,473,608—"Amount Paid the Company for Capital Stock in Excess of Par Value: Excess of market value over par value of 106,311 shares common stock issued in acquisition of Station KPIX."

Review of Operations:

Radio-Television Stations—Two major events during the year marked the activities of Westinghouse Broadcasting Company, Inc., a wholly-owned subsidiary:

- Television Station KPIX in San Francisco, Calif., was purchased in August from Wesley I. Dumm and his associate stockholders for 106,311 shares of Westinghouse common stock and $434,991.
- Television Station WDTV (now KDKA-TV) in Pittsburgh, Pa., was purchased from the Allen B. DuMont Laboratories, Inc., for $9,750,000.

EXCESS OF NET ASSETS ACQUIRED OVER COST OF INVESTMENT IN SUBSIDIARY

Capital Surplus

BORG-WARNER CORPORATION

CR.—$1,031,519—"Capital in Excess of Par Value: Excess of net assets of subsidiary acquired over cost of treasury stock exchanged therefor."

BURLINGTON MILLS CORPORATION

CR.—$8,850,401—"Capital in Excess of Par Value: Book value of subsidiary company over cost of investments therein as of dates of acquisition."

Notes to Financial Statements: Note C—Capital Stock—In October, 1954, the Corporation offered to exchange one-third of a share of its new 4½% Second Preference Stock and one and one-fifth shares of its Common Stock for each share of capital stock (455,807 shares) of Pacific Mills not owned by the Corporation. At November 19, 1954 there had been issued under the exchange offer agreement an aggregate of 72,020 shares of 4½% Second Preference Stock and 259,272 shares of Common Stock for 216,060 shares of capital stock of Pacific Mills; and through such exchanges the Corporation then became the owner of approximately 75% of the outstanding capital stock of Pacific Mills.

CONTAINER CORPORATION OF AMERICA

CR.—$713,440—"Shareholders' Investment in Excess of Par Value (Paid-in Surplus): Excess of fair value of assets acquired in purchase from Traver Corporation over the par value of 19,600 shares of common stock issued therefor."

To the Shareholders: . . . as previously mentioned, 19,600 shares of stock were issued and $221,268 of cash was used to acquire the machinery, equipment, current assets, and business of The Traver Corporation, a growing company engaged in the manufacture and distribution of flexible packaging products.

THE GENERAL TIRE & RUBBER COMPANY

CR.—$604,406—"Capital Surplus: Excess of plastic companies net assets acquired over par value of stocks and cash given therefor."

HUNT FOODS, INC.

CR.—$672—"Capital Surplus."

Notes to Financial Statements: *Note 3*. ". . . $672 represents the excess of book value over cost of additional subsidiary company stock acquired from minority holders."

HYGRADE FOOD PRODUCTS CORPORATION

CR.—$79,892.16—"Excess of Equity in net assets (at book value) of subsidiary at date of acquisition over cost of the investment."

To the Stockholders:

Your Company's business during the year was expanded by the acquisition of the businesses of The Brecht Corporation and

Carstens Packing Company.

The Brecht Corporation is engaged in casing operations, both domestic and foreign. That company maintains foreign branches in Argentina, Germany and Switzerland. Raw casings are purchased, processed and sold domestically as well as through these foreign countries.

By the acquisition in February, 1954, of the business of Carstens Packing Company, your Company has obtained slaughtering and manufacturing facilities at Tacoma and Spokane, Washington, as well as a new fertilizer plant at Tacoma. As a result, this Company is now able substantially to increase its operations in the rapidly growing Pacific Northwest. As a part of the transaction, your Company issued $1,658,200 of its newly authorized 5% Series B Preferred Stock ($1,500,000 thereof being issued for a like amount of current assets, consisting of cash and inventory and $158,200 for automotive equipment). The two packing plants, the fertilizer plant and certain other buildings and equipment owned by Carstens were leased by your Company.

JOSLYN MFG. AND SUPPLY CO.

CR.—$879,247—"Paid-In Surplus: Excess of fair value of net assets of subsidiaries represented by stock of minority interests acquired, over par value of 23,222 shares of common stock issued therefor."

To the Shareholders:

Acquisition of Minority Interests—

Near the close of the year, all of the minority interest in capital stock of three subsidiaries was acquired in exchange for 23,222 shares out of the 100,000 shares of authorized unissued common stock of the Company.

After acquiring these minority interests and in continuation of the plan for simplifying the corporate structure, the assets of one of these companies was taken over by the parent company and the business of that subsidiary is now conducted as a division of Joslyn Mfg. and Supply Co.

THE PITTSTON COMPANY

CR.—$163,954.28—"Capital Surplus: Excess of equity over cost of capital stock of a subsidiary acquired during the year."

H. K. PORTER COMPANY, INC.

CR.—$3,241,680.36—"Capital Surplus: Excess of book value of subsidiaries acquired over costs of investments to company."

UNITED DRILL & TOOL CORPORATION

CR.—$22,876—"Excess of equity in book value of net assets of subsidiary company at dates of acquisition, over purchase price of its capital stock."

WESTINGHOUSE AIR BRAKE COMPANY

CR.—$47,514—"Capital Surplus: Principally the excess of book value of net assets of subsidiaries at acquisition over cost of investment."

EXCESS OF COST OF INVESTMENT IN SUBSIDIARY OVER NET ASSETS ACQUIRED

Retained Earnings

DAYSTROM INCORPORATED

DR.—$732,000—*"Profits Reinvested in the Business*: Excess of cost over net assets of wholly-owned subsidiary company acquired."

Review of the Year:

Daystrom Pacific Corporation—Daystrom's entry into the rapidly expanding guided missile and aircraft instrumentation field was made this year with the purchase of the American Gyro Corporation, which is now Daystrom Pacific Corporation.

Heath Company—Major expansion into the consumer electronics field was made by purchase of Heath Company.

RITTER COMPANY, INC.

DR.—$4,009—*"Earned Surplus*: Premium paid on purchase of shares of domestic subsidiary."

TEXTRON INCORPORATED

DR.—$774,608—*"Earned Surplus*: Excess cost of investment in subsidiaries over equities acquired."

Notes to Financial Statements:

Note A—General:

The accompanying consolidated financial statements include the accounts of Textron Incorporated, Textron Puerto Rico, Dalmo Victor Company and The M B Manufacturing Company, Incorporated. The latter two Companies were acquired during the year 1954. The terms and conditions relating to the purchase of these Companies have been reported to the stockholders in the annual report of 1953, and in the Notice of Special Meeting of Stockholders, held February 7, 1955.

During 1954 the Company acquired shares of common stocks of American Woolen Company and Robbins Mills, Inc., as follows:

American Woolen Company—459,677 shares, of which 259,477 shares were acquired pursuant to an exchange offer which provided for the exchange of 1/5 share of the Company's 4% preferred stock series B, ½ share of common stock and $5.00 in cash for each share of common stock of American Woolen Company. The remaining shares (200,200) held by the Company were acquired for cash at a total cost of $4,393,444.

Robbins Mills, Inc.—368,913 shares acquired at a total cost of $5,072,554 of which $1,014,511 was paid in cash upon acquisition and the balance paid by notes secured by pledge of the acquired stock. These notes were paid in full on February 24, 1955.

On February 24, 1955 American Woolen Company and Robbins Mills, Inc. were merged with and into Textron Incorporated. The name of the surviving corporation became Textron American, Inc. Further information with respect to the terms of this merger is contained in the Proxy Statement of Textron Incorporated dated January 5, 1955.

Capital Surplus

CROWN ZELLERBACH CORPORATION

DR.—$263,000—*"Other Capital*: Net excess of cost over equity acquired on purchases in the open market of shares of Crown Zellerbach Canada, Limited, Canadian Western Lumber Company, Limited and St. Helens Pulp and Paper Company."

Notes to Financial Statements:

Principles of Consolidation:

The accompanying consolidated financial statements represent the consolidation of the accounts of Crown Zellerbach Corporation and all of its subsidiaries, including Crown Zellerbach Canada Limited (99% owned), Canadian Western Lumber Company, Limited (97% owned), and Elk Falls Company Limited (owned jointly by Crown Zellerbach Canada and Canadian Western), all Canadian Companies.

The amounts for Canadian companies are included in the consolidated financial statements at parity of exchange.

"GOOD WILL"

Retained Earnings

ARDEN FARMS CO.

DR.—$20,478.36—*"Earned Surplus*: Goodwill acquired in 1954 written off."

EASTERN CORPORATION

DR.—$430,580—*"Earned Surplus*: Adjustment of amount charged to earned surplus in 1951 representing excess cost of investment in subsidiaries over underlying book values—attributable to intangibles."

THE B. F. GOODRICH COMPANY

DR.—$57,798,000—*"Income Retained for Use in the Business*: Goodwill arising from consolidation in 1912—deducted from paid-in capital in financial statements for prior years."

Financial and Corporate:

Goodwill, which came on the Company's books at the time of incorporation as a New York company in 1912, has for many years appeared on the Company's balance sheets as a deduction from common stock capital and, following the change from no par to $10 par common stock in 1953, as a deduction from Capital in Excess of Par Value of Shares. By action of the Board of Directors in 1954, goodwill was eliminated from the Company's published accounts through reducing Income Retained in the Business. These accounting changes do not in any way affect the Company's total net worth.

JOSLYN MFG. AND SUPPLY CO.

DR.—$132,378—"*Retained Earnings*: Reversal of amounts credited hereto in prior years for excess of underlying book value of malleable iron division over cost at acquisition."

PITTSBURGH BREWING COMPANY

DR.—$100,000—"*Earned Surplus*: Amortization of Trade Names and Goodwill."

Note 1: Represents the excess of par value of Capital Stock issued at Organization of the company in 1899, over the aggregate of net tangible assets received in exchange therefore, $11,408,854.55, less write downs as follows:

1918-1919	$3,129,357.87	(1)
1934	3,529,502.44	(1)
1949	2,749,994.24	(1)
1950	100,000.00	(2)
1951	100,000.00	(2)
1953	100,000.00	(1)
1954	100,000.00	(1)
	$9,808,854.55	

(1) Charged to Surplus
(2) Charged to Current Earnings

NATIONAL CONTAINER CORPORATION

CR.—$2,098—"Earned Surplus: Excess of book value over cost of acquiring additional capital stock of subsidiary."

Capital Surplus

FOREMOST DAIRIES, INC.

CR.—$57,990—"Capital Surplus: Excess of net assets of subsidiaries over cost of investment therein."

PILLSBURY MILLS, INC.

CR.—$1,037—"Additional Paid-In Capital: Excess of value of underlying assets over the par value of 103 shares of common stock issued and cash paid for additional common stock of Copeland Flour Mills Limited."

CAPITAL STOCK ISSUED IN ACQUISITION OF OTHER ASSETS

Capital Surplus

CONTINENTAL CAN COMPANY, INC.

CR.—$3,019,452—"Capital Surplus."

Notes to Financial Statements:

Note 6: . . . and $3,019,452 represents the excess of consideration received over par value of Common Stock issued for properties or other assets acquired or Common Stock sold under Employees' Stock Purchase Plan.

Operations: During the year your Company continued its diversification through the acquisition on November 1, 1954 of the American Paper Goods Company, for which the Company issued 37,002 shares of its Common stock.

FOOD MACHINERY AND CHEMICAL CORPORATION

CR.—$186,875—"Capital in Excess of Par Values of Capital Stocks: Excess of market value over par value of 6,500 shares of common stock issued in exchange for certain mineral rights acquired."

REPUBLIC STEEL CORPORATION

CR.—$1,124,200—"Capital in Excess of Par or Stated Value of Capital Stock: Excess of indicated market price for 30,800 shares of common stock issued as part of consideration for certain assets and properties acquired over amount credited to common capital stock account."

To the Stockholders: Early in the year Republic Steel Corporation purchased the property and inventory of the 85-year-old Cleveland Chain and Manufacturing Company and affiliated companies.

WORTHINGTON CORPORATION

CR.—$3,208,944—"Additional Paid-In Capital: Amount in excess of stated value of 128,306 shares of common stock issued for the net assets of the L. J. Mueller Furnace Company."

Review of the Year's Operations:

Mueller Climatrol Division—On July 30 Worthington acquired the assets of L. J. Mueller Furnace Company of Milwaukee for 134,806 shares of common stock, and purchased the stock of its affiliate Best Register Company.

ADJUSTMENTS ARISING IN CONSOLIDATION

Retained Earnings

ANDERSON, CLAYTON & CO.

CR.—$18,246.23—"Earned Surplus: Excess of Equity over Cost Applicable to change in ownership of securities of consolidated subsidiaries."

CARRIER CORPORATION

CR.—$19,932—"Earned Surplus: Carrier Engineering, Ltd., consolidated in 1954."

Working capital, fixed assets, etc.

Notes to Consolidated Financial Statements:

(1) These statements include the accounts of two wholly owned subsidiaries, one domestic and one Canadian. The latter has not heretofore been consolidated. Inclusion thereof in fiscal 1954 increased total assets by $742,141, completed contracts and sales by $1,035,816 and net profit by $113,243.

Four other wholly-owned foreign subsidiaries remain unconsolidated and were included in investments at cost of $54,088. Net tangible assets of these corporations were approximately $2,100,000. Earnings for fiscal 1954 amounted to approximately $775,000, and a dividend of $100,000 was received by the Corporation.

The investments of the Corporation in a 55% owned unconsolidated domestic subsidiary and five other domestic companies (four 50% owned and one 33 1/3% owned) were stated at cost (less reserve) of $517,595. Equities in net tangible assets of these six companies amounted to approximately $1,080,000. The four 50% owned companies reported a relatively immaterial net loss for fiscal 1954. The equity of the Corporation in the earnings of the other two companies approximated $100,000 during fiscal 1954, and a dividend of the same amount was received by the Corporation.

In 1946 a wholly-owned subsidiary, Carrier Engineering Ltd., was organized to conduct business in the Dominion of Canada. This relatively new enterprise has reached proportions which made advisable the consolidation of its operations with those of Carrier Corporation.

Carrier International Ltd., another wholly-owned subsidiary operating in the international field and referred to on page 15, is not consolidated.

CHRYSLER CORPORATION

CR.—$4,065,873—"Net Earnings Retained for Use in the Business: Undistributed net earnings of domestic subsidiaries at dates on which they become wholly-owned in 1954."

CR.—$32,930,030—"Net Earnings Retained for Use in the Business: Undistributed net earnings at January 1, 1954, of wholly-owned foreign subsidiaries consolidated in 1954."

To the Shareholders: *Net Earnings*. In this annual report, all accounts of wholly-owned subsidiaries, both domestic and foreign, are consolidated for the first time since 1940, and for consistency in combining foreign and domestic reports, excise taxes are excluded from both sales and costs. This conforms with the reporting practice prevailing in the industry.

CITY STORES COMPANY

DR.—$55,118—"*Earned Surplus*: Accumulated earnings of real estate subsidiary eliminated from consolidated statement of financial condition at January 29, 1955."

GENERAL ELECTRIC COMPANY

CR.—$5,373,293—"Reinvested Earnings: Undistributed earnings of nonconsolidated affiliates (Note 10)."

Note 10: Undistributed earnings represented the difference between the equity of the Consolidated Group in the net earnings or losses of, and the dividends from, the Nonconsolidated Affiliates for each respective year.

GULF OIL CORPORATION

CR.—$13,737,237—"Earnings Retained in the Business: Accumulated earnings of Afran Transport Company to January 1, 1954."

Notes to Financial Statements:

Principles of Consolidation. The accounts of all wholly-owned subsidiary companies have been included in the consolidation except for exploration and marketing subsidiaries operating in the Eastern Hemisphere and Brazil. The accounts of Afran Transport Company, a wholly-owned subsidiary company principally engaged in the transportation of foreign crude oil, have been included in the consolidation for the first time. Consolidated net income includes the net income of $6,372,103 of Afran Transport Company, but a dividend of $19,000,000 paid by Afran Transport Company in 1954, which would have been included in consolidated net income under previous practice, has been eliminated in consolidation. The amount of $13,737,237, credited direct to earnings retained in the business, represents the accumulated earnings of Afran Transport Company to January 1, 1954.

Financial Review: Included in the consolidated financial statements for the first time in 1954 was a wholly-owned tanker company, the earnings and property of which had reached such size that it seemed inappropriate to exclude them. This resulted in adding $66,677,000 of assets (principally ocean tankers) and $22,000,000 of long-term debt incurred by that company for financing tanker construction costs. Earnings of the subsidiary taken into consolidated net income were $6,372,000, but a dividend of $19,000,000 paid by this subsidiary in 1954, which would have been in consolidated net income under previous practice, has been eliminated in consolidation.

HYGRADE FOOD PRODUCTS CORPORATION

CR.—$18,480.12—"Retained Earnings: Net earnings of certain foreign subsidiaries previously not consolidated, from acquisition to October 31, 1953."

Notes to Financial Statements:

(6) In 1954, the figures for all subsidiaries have been included in the financial statements on a consolidated basis, whereas in 1953 certain foreign subsidiaries were excluded. Undistributed earnings of these foreign subsidiaries were approximately $130,000 for 1954.

INTERNATIONAL BUSINESS MACHINES CORPORATION

DR.—$21,187,226.12—*"Earned Surplus*: Undistributed surplus of I.B.M. World Trade Corporation and its Foreign Subsidiaries, December 31, 1953, previously included."

To the Stockholders:

IBM World Trade Corporation:

The Corporation's investment in and advances to IBM World Trade Corporation, a wholly-owned but independently operated subsidiary conducting all IBM business outside the United States, its territories and possessions, was stated on the December 31, 1953 balance sheet in the following manner:

Investment in and Advances to IBM World Trade Corporation: In Austria, Czechoslovakia, France, Germany, Hungary, Italy, Japan, Poland, and the Balkan Countries	$31,934,791.89
Less: Reserve	31,934,790.89
	1.00
All Other Countries	41,529,517.86
	$41,529,518.86

As stockholders have previously been advised, effective January 1, 1954, the Corporation revised its method of taking up earnings outside the United States to include only distributed income (cash dividends) from IBM World Trade Corporation. Effective on the same date, undistributed surplus of IBM World Trade Corporation and its foreign subsidiaries in the amount of $21,187,226.12 was excluded from Internal Business Machines Corporation's consolidated foreign investment in All Other Countries, and from earned surplus. Also effective on the same date the Corporation included in its foreign investment and earned surplus the amount of $11,201,413.23, representing the value of its investment exclusive of undistributed surplus in countries reserved to $1.00 at December 31, 1953. After giving effect to the above revisions, the foreign investment at January 1, 1954 was carried at $31,543,705.97.

During the current year the Corporation's foreign investment decreased from $31,543,705.97 to $30,857,087.61 as a result of transactions between IBM World Trade Corporation and the Corporation.

The Corporation's total equity in IBM World Trade Corporation at December 31, 1954, including undistributed surplus, aggregated $84,683,987.27.

The results of the year's operations of IBM World Trade Corporation and its foreign subsidiaries were as follows:

Net Income

Net Income before U.S. Federal Income Taxes	$18,111,004.47
Less: U.S. Federal Income Taxes	3,700,000.00
Net Income for the year	14,411,004.47
Cash Dividends to IBM Corporation	1,500,000.00
Net Income Retained in the Foreign Business	$12,911,004.47

(Refer also to International Business Machines Corporation—example under "Appropriation of Retained Earnings—Foreign Activity Purposes"; this section.)

REMINGTON RAND, INC.

CR.—$1,579,032—"Earnings Retained for Use in the Business: Reinstatement of investments (charged off in 1942) in subsidiaries in France and Germany plus their undistributed earnings to March 31, 1954."

Retained Earnings & Capital Surplus

ARMOUR AND COMPANY

CR.—$133,675—"Capital and Paid-In Surplus: Foreign subsidiaries (undistributed earnings)."

CR.—$379,117—"Earnings Employed in the Business: Deficit of foreign corporations—incurred in 1953, restored by earnings in 1954."

Consolidated statement of earnings and undistributed earnings of foreign subsidiaries	*Fifty-two Weeks Ended October 30, 1954*	*Fifty-two Weeks Ended October 31, 1953*
Net earnings or (loss) for the year	$ 894,857	$ (6,581,874)
Dividends paid to parent company	382,065	513,756
	$ 512,792	$ (7,095,630)
Undistributed earnings or (deficit)		
At beginning of year	(379,117)	6,716,513
At end of year	$ 133,675	$ (379,117)

STANDARD OIL COMPANY (NEW JERSEY)

CR.—$107,522,525—"Earnings Reinvested and Employed: Adjustments arising from consolidation of affiliated companies in Europe and North Africa."

DR.—$33,546,215—"Amount in Excess of Par Value: Adjustments arising from consolidation of affiliated companies in Europe and North Africa."

Financial Review:

Consolidated Companies:

The consolidated financial statements appearing on pages 19 to 23 include the accounts of the parent company and its affiliates whose common stocks are owned more than 50 per cent. This is a change from the preceding year in that, for the first time since the beginning of World War II, the consolidated financial statements include accounts of affiliated companies in Europe and North Africa. Inclusion of these accounts gives recognition to the general outlook for more stable economic and currency exchange conditions in these areas. For purposes of comparison, the accompanying consolidated financial statements for years prior to 1954 have been restated to include the accounts of affiliated companies in Europe and North Africa.

Capital Surplus

ARDEN FARMS CO.

CR.—$47,177.58—"Capital Surplus: Capital surplus arising in consolidation."

THE BILLINGS & SPENCER COMPANY

DR.—$16,114.83—*"Capital Surplus*: Elimination from Capital Surplus of the Portion Applicable to Minority Interest, The Peck, Stow and Wilcox Company (Note 5)."

CR.—$17,419.77—"Capital Surplus: Capital surplus of Subsidiary, The Peck, Stow and Wilcox Company, at acquisition date, March 31, 1954, after deduction for excess of Parent's cost over stated capital stock valuation of Subsidiary."

CR.—$987,228.41—"Earned Surplus: Earned surplus of subsidiary, The Peck, Stow and Wilcox Company, at acquisition date, March 31, 1954."

DR.—"32,991.81—*"Earned Surplus*: Elimination from Earned Surplus of the Portion Applicable to Minority Interest, The Peck, Stow and Wilcox Company (Note 5)."

Notes to Financial Statements: Note 5. The Billings & Spencer Company owned 96,249 shares of the capital stock of The Peck, Stow and Wilcox Company, representing 96.249% of the total of 100,000 shares of common stock issued and outstanding, par value of $10.00 per share at September 30, 1954. The Condensed Statement of Consolidated Income and Earned Surplus reflects transactions of The Peck, Stow and Wilcox Company for the six months ended September 30, 1954.

REMINGTON RAND INC.

CR.—$2,973,253—"Capital Surplus: Excess of acquired equity in net assets of subsidiary consolidated as of April 1, 1954 over cost of investment therein."

Notes to Financial Statements:

Principles of Consolidation—

(1) The consolidated financial statements include the accounts of the Company, all its active wholly-owned subsidiaries, and its active majority-owned domestic subsidiary. The accounts of wholly-owned subsidiaries in France and Germany (excluded from consolidation since 1942) were reinstated as of April 1, 1954.

(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, 1955, except that (i) amounts for inventories and rental machines shipped from domestic or foreign manufacturing plants have been included at the lower of manufacturing cost or market, plus ocean freight and import 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 operating accounts of the foreign branches and subsidiaries for the year were translated each month on the basis of the month-end rates of exchange.

Undistributed earnings of foreign subsidiaries consolidated amounting to $18,956,135 included in consolidated earnings retained for use in the business at March 31, 1955, are generally subject to legal or exchange restrictions and, upon distribution as dividends, to foreign and domestic taxes not provided for in the accounts. Net profit of foreign subsidiaries and foreign branches included in consolidated income exceeded the dividends and profit remittances therefrom by $3,695,536 during the year.

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

CORPORATE MERGERS

For additional examples of corporate mergers, refer to this section—"Adjustments arising in consolidation," also, Section 2, "Consolidation of subsidiaries," and Exhibits, Royal McBee Corporation and Olin Mathieson Corporation.

Retained Earnings & Capital Surplus

GENERAL DYNAMICS CORPORATION

DR.—$1,408,896—*"Capital Surplus*: Excess of the par value of shares of the Corporation over the par value of shares of Consolidated Vultee Aircraft Corporation exchanged therefor."

CR.—$19,753,272—"Capital Surplus: Merger Adjustments—Capital surplus of Consolidated Vultee Aircraft Corporation as at January 1, 1954."

CR.—$30,788,472—"Earned Surplus: Merger Adjustments—Earned surplus of Consolidated Vultee Aircraft Corporation as at January 1, 1954."

DR.—$9,239,314—*"Capital Surplus*: Merger Adjustments—Investment in Consolidated Vultee Aircraft Corporation prior to merger in excess of par value of shares represented thereby."

Notes to Financial Statements:

(1) Merger:

Consolidated Vultee Aircraft Corporation was merged with and into the Corporation effective at the close of business April 30, 1954, in accordance with an agreement of merger under which 1,131,198 shares of common stock of the Corporation were issued in exchange for 1,979,598 shares of common stock of Consolidated Vultee Aircraft Corporation outstanding and not held by the Corporation.

To provide a basis for comparison of the consolidated financial position at December 31, 1954, the consolidated balance sheet of the Corporation and its subsidiary and the balance sheet of Consolidated Vultee Aircraft Corporation as at December 31, 1953, have been combined.

The Statement of Consolidated Income combines the consolidated operating results of the Corporation and its subsidiary for the year 1954 and for the year 1953 with the operating results of Consolidated Vultee Aircraft Corporation for the four months ended April 30, 1954, and the fiscal year ended November 30, 1953, respectively.

PARKERSBURG-AETNA CORPORATION

DR.—$187,988—*"Capital Contributed in Excess of Stated or Par Value*: Increase in par value of common shares resulting from issuance of two shares of Parkersburg-Aetna Corporation common shares to former holders of 187,988 common shares of The Parkersburg Rig and Reel Company."

DR.—$563,360—*"Capital Contributed in Excess of Stated or Par Value*: Difference between cost ($603,600) and the par value of 40,240 common shares of The Parkersburg Rig and Reel Company, owned by Aetna Ball & Roller Bearing Company, prior to the merger, which were cancelled in connection with the merger."

CR.—$1,063,288—"Capital Contributed in Excess of Stated or Par Value: Difference in the par value ($1,329,-110) of 265,822 shares of Aetna Ball & Roller Bearing Company common shares outstanding at the time of merger and the par value ($265,822) of 265,822 shares of Parkersburg-Aetna Corporation common shares issued in exchange therefor."

CR.—$325,102—"Earnings Retained in the Business: Net profit for the year ended December 31, 1954 as shown by consolidated statement of profit and loss—$346,599—Less—Net profit of Aetna Ball and Roller Bearing Company for the period from January 1, to January 29, 1954—21,497."

CR.—$1,270,153—"Earnings Retained in the Business: Add—Earned surplus of Aetna Ball & Roller Bearing Company on January 29, 1954, the date of merger (Note 1)—composed of—Balance—January 1, 1954 ($1,265,-903) plus net profit from that date to date of merger ($21,497) . . . $1,287,400—Less—Dividends of $1,984 on preferred shares and premium of $15,263 paid to retire all preferred shares in accordance with plan of merger... $17,247."

CR.—$2,130—"Capital Contributed in Excess of Stated or Par Value: Contributed capital in excess of stated or par value carried on the records of Aetna Ball & Roller Bearing Company, and transferred to this company."

Notes to Financial Statements:

Note 1—

In connection with a merger on January 29, 1954 of The Parkersburg Rig and Reel Company, a West Virginia corporation, and Aetna Ball & Roller Bearing Company, an Illinois Corporation, the former company became the surviving corporation and its name was changed to Parkersburg-Aetna Corporation.

Operations for the year ended December 31, 1954 as set forth in the statement of profit and loss, include operations of Aetna Ball & Roller Bearing Company from January 1, 1954 to the date of merger, during which a net profit of $21,497 was realized.

STANDARD OIL COMPANY (INDIANA)

CR.—$10,189,784—"Capital in Excess of Par Value: Capital stock issued—777,717 shares in the merger of Pan American Petroleum & Transport Company."

CR.—$34,334,514—"Earnings Retained and Invested in the Business: Capital stock issued—777,717 shares in the merger of Pan American Petroleum & Transport Company."

President's Letter: Corporate Changes—

A major step in streamlining our corporate structure was accomplished when Pan American Petroleum & Transport Company was merged into the parent company on August 17. As a result, The American Oil Company became a direct 100 per cent subsidiary of our Company. All the other subsidiaries of Pan American Petroleum & Transport Company were merged into, or became subsidiaries of, American Oil Company, which now conducts all the East Coast operations of the group.

Our Company's share of the consolidated assets and business of these subsidiaries was increased from 78.7 per cent to 100 per cent. The Company issued 777,717 shares of its stock to the minority stockholders of Pan American Petroleum & Transport Company in exchange for their interest.

The merger was approved by the stockholders of the Company at the annual stockholders' meeting May 6. To make certain that there would be no tax disability, the merger was deferred until the Revenue Act of 1954 became law. Appropriate closing agreements were entered into with the Commissioner of Internal Revenue. In the opinion of counsel, no taxable gain or loss will result to the Company or any of its stockholders by reason of the merger.

The financial results of the merger are reflected in the consolidated financial statements in this report.

STUDEBAKER-PACKARD CORPORATION

DR.—$12,016,721—*"Capital in Excess of Stated Value of Common Stock"*:

CR.—$68,465,932—"Net Income Retained for Use in the Business: Retained income of The Studebaker Corporation as of September 30, 1954, the date as of which its assets and business were combined with those of Packard Motor Car Company . . . $69,328,753—Less amount transferred to Common Stock account—see below . . .$862,821."

Capital Surplus

FOREMOST DAIRIES, INC.

DR.—$5,554,471—*"Capital Surplus*: Additional par value assigned to common stock and other capital adjustments in connection with merger with Golden State Company, Ltd."

HATHAWAY BAKERIES, INC.

DR.—$740—*"Paid-In Surplus*: Excess of purchase cost of 100 Class A shares of Hathaway Bakeries, Inc. (Massachusetts) over par value of common shares of Hathaway Bakeries, Inc. (Delaware) received upon exchange of such Class A shares."

THE NEW YORK AIR BRAKE COMPANY

CR.—$50,712—"Capital Surplus: Excess of minority interest in a subsidiary over par value of Common Stock issued under Agreement of Merger (applicable to shares reserved for in 1953 and issued in 1954)."

LIQUIDATION OF SUBSIDIARY

Capital Surplus

REXALL DRUG, INC.

DR.—$61,247—*"Other Paid-In Capital* (decreased by $61,247 on account of sale of subsidiary)."

Within Statement of Earnings:

Special items—Provision for excess of estimated losses over estimated gains, from disposals of certain subsidiaries, divisions and properties, and for expenses relating to transfer of V. C. A. plant to St. Louis, less $880,000 applicable income taxes—$684,065.

The President's Letter:

Financial Position: Special items—These 1954 "Special Items" include provision in the net amount of $684,065 after taxes, for the excess of losses over profits resulting from the transactions involving the sales of Louis K. Liggett Company, Limited, Franklin Hosiery Mills, Mansfield Chocolate Company, the Providence property, the liquidation of V. C. A. Laboratories in Newark and the expenses incident to the transfer of V. C. A. operations to St. Louis. All of these items have been described briefly in preceding sections of this letter.

WESSON OIL & SNOWDRIFT CO., INC.

DR.—$10,682—*"Capital Surplus."*

Note 3: The decrease in capital surplus of $10,682 arose from the liquidation on December 31, 1953 of The Cattle Food Supply Co., Ltd., a foreign subsidiary formerly consolidated.

EMPLOYEE STOCK PLANS

Restricted Stock Option Plans
Capital Surplus

ALLIS-CHALMERS MANUFACTURING COMPANY

CR.—$115,733—"Capital in Excess of Par Value of Common Stock."

Notes to Financial Statements:

Shareowners' Equity: Under a restricted stock option plan, certain employes were granted options in 1951 to purchase 31,900 shares of common stock at $38.14 per share. As of December 31, 1954, 21,130 shares had been purchased and there remained options for 10,770 shares exercisable prior to January 31, 1958.

The increase of $7,017,473 during 1954 in capital in excess of par value of common stock consists of $6,901,740 arising from conversion of preferred stocks into common stock and $115,733 from the sale of common stock under the restricted stock option plan.

AUTOMATIC CANTEEN COMPANY OF AMERICA

DR.—$742,096—*"Investment in Excess of Par Value of Common Stock."*

General Comments: Under the "Restricted Stock Option Plan for Certain Key Employees" ratified by the stockholders on February 19, 1952, options for 4,505 shares were exercised and options for 690 shares were forfeited during the year, leaving 6,560 shares under option to be exercised one-fifth during each year until December 3, 1956, and 2,100 shares for which options can be granted. On February 17, 1953, the Company's Board of Directors granted an employee a similar option for 5,000 additional shares of its $5 par value common stock to be exercised for one-fifth on or before February 16, 1954, and for another one-fifth during each year thereafter until February 16, 1958. This option had been exercised as to 1,000 shares at October 2, 1954. On July 22, 1954, this employee was granted a similar option for 10,000 additional shares of such stock to be exercised for one-sixth of the total shares optioned during each year until July 22, 1960 when the entire option expires.

(Refer also to Automatic Canteen Company of America—example under "Premium on Initial Issue of Capital Stock"; this section.)

BELL AIRCRAFT CORPORATION

CR.—$355,750—"Capital Surplus: Excess of amounts paid in over par value of shares of common stock issued under restricted stock option agreements, and employees' stock purchase plan (Note 3)."

Note 3: *Common Stock—*

At December 31, 1954, 60,000 shares were reserved for issuance to an officer under a restricted stock option agreement which provides that the shares may be purchased under certain conditions at $6.84375 per share. The option was excercisable on September 7, 1951 (date of grant) and expires on September 7, 1961. During 1954, 17,500 shares were sold at $13.6875 a share (price prior to 2 for 1 split) under the terms of restricted stock option agreements. The average of the quoted market prices at the time of sales was $31.43 a share, or an aggregate market value of $550,000.

Pursuant to an employes stock purchase plan which expires on December 31, 1961, 40,600 shares were reserved at December 31, 1954 for issuance to certain eligible employes at prices to be determined by the Board of Directors. Of the shares reserved, 7,200 shares had been authorized for sale (6,000 at $5.00 a share and 1,200 at $3.00 a share) at various dates to April 1, 1957. During 1954 (prior to the 2 for 1 stock split) 4,500 shares were sold at $6.00 a share.

BORG-WARNER CORPORATION

CR.—$1,672,806—"Capital in Excess of Par Value: Excess of option price over par value of 77,340 shares of common stock issued under stock option plan."

BRIDGEPORT BRASS COMPANY

CR.—$87,842—"Paid-In Surplus: Proceeds from sales of 8,570 shares of common stock on exercise of restricted stock options."

Notes to Financial Statements: *Note D—*

Royal McBee Corporation

and its Wholly-owned Domestic and Canadian Subsidiaries

Consolidated Balance Sheet

July 31, 1954

ASSETS

Cash		$ 3,366,302
Accounts receivable, less allowance for doubtful accounts		14,688,841
Inventories, at the lower of cost or market (see page 5)		14,757,432
Current Assets		$32,812,575
Investments in and advances to affiliated companies, at cost or less (see page 5)		973,671
Property, plant and equipment at cost, less $7,246,492 accumulated depreciation and amortization		11,702,655
Deferred charges to expense		1,220,275
Other assets		274,479
		$46,983,655

LIABILITIES

Notes payable		$ 3,639,000
Accounts payable		2,733,926
Accrued expenses:		
Pension Plan contribution		1,131,681
Taxes		875,644
Salaries, wages, commissions, etc.		1,170,806
Unredeemed merchandise coupons		807,500
Provision for United States and Canadian taxes on income		3,380,354
Current Liabilities		$13,738,911
Notes payable, less $139,000 included in current liabilities (Note 2)		1,076,000
5% sinking fund subordinated debentures (Note 3)		300,000
		$15,114,911

CAPITAL

Capital Stock:		
Preferred, cumulative, authorized 100,000 shares of $100 par value each; issued and outstanding:		
4½% series A 56,813 shares	$ 5,681,300	
5 % series B 5,000 shares	500,000	
5½% series C 5,000 shares	500,000	
6 % series D 5,000 shares	500,000	
	7,181,300	
Common, authorized 2,000,000 shares of $1 par value each; issued and outstanding 1,343,190 shares	1,343,190	
Capital surplus (Note 4)	1,390,169	
Accumulated earnings retained in the business (Note 2)	21,954,085	31,868,744
		$46,983,655

The appended notes are an integral part of these financial statements.

Royal McBee Corporation

and its Wholly-owned Domestic and Canadian Subsidiaries

Consolidated Statement of Income

for the fiscal year ended July 31, 1954

Net sales of products and services	$84,398,114
Cost of sales	52,754,315
Gross profit on sales	31,643,799
Selling and administrative expenses	25,069,033
Income from operations	6,574,766
Other income	216,488
	6,791,254
Other deductions	487,133
Income before provision for United States and Canadian taxes on income	6,304,121
Provision for United States and Canadian taxes on income	3,513,000
Net income for the year	$ 2,791,121

Consolidated Statement of Accumulated Earnings Retained in the Business

for the fiscal year ended July 31, 1954

Balance, August 1, 1953:	
Royal Typewriter Company, Inc. and its domestic subsidiary	$18,382,081
Royal Typewriter Company, Limited (Canada) now consolidated	1,400,641
The McBee Company and its Canadian subsidiary	1,473,015
	21,255,737
Net income for the year	2,791,121
	24,046,858
Dividends paid (See page 4)	2,092,773
Balance, July 31, 1954 (Note 2)	$21,954,085

The appended notes are an integral part of these financial statements.

Changes in the capital accounts during 1954 follow:

	Capital Account	Paid-In Surplus
Balances, December 31, 1953	$9,216,514	$3,958,289
Proceeds from sales of 8,570 shares of common stock on exercise of restricted stock options	42,850	87,842
Balances, December 31, 1954	$9,259,364	$4,046,131

At December 31, 1954, restricted stock options to purchase a balance of 42,780 shares of the authorized but unissued common stock of the Company had been granted to employees; 15,930 shares at $15.25 per share (the market price of such stock at the date the options were granted, exercisable until April 30, 1956) and 26,850 shares at $27.79, $28.38 and $35.62 per share (95% of the market price at the dates the options were granted, exercisable on or before November 22, 1959). In addition, 3,150 shares were reserved for future options.

BROCKWAY MOTOR COMPANY, INC.

CR.—$50,950—"Capital Surplus: Excess of consideration received ($100,950) from sale under a restricted stock option of 5,000 shares of common stock (delivered out of treasury shares) over par value thereof."

Note 3: Under a restricted stock option, an officer of the company purchased 5,000 shares of the company's common stock (delivered out of treasury shares) at $20.19 per share, said price being 85 per cent of market value at date of option.

A. S. CAMPBELL CO., INC.

CR.—$822—"Capital Surplus: Excess Over Par Value Received for Common Stock Issued Under the Restricted Stock Option Plan."

CATERPILLAR TRACTOR CO.

CR.—$418,507—"Capital in Excess of Par Value: 1952-1954 Excess of amount received over par value of stock issued pursuant to stock option plan."

Notes to Financial Statements:

Note 5—Stock Option Plan. Under a restricted stock option plan adopted by the shareholders in 1952, 150,000 shares of authorized but unissued common stock were reserved for issue to officers and other key employees at not less than 95% of the market price at the time of granting the option. The option period is three years from the date of granting the option as to 50% of the shares subject to each option and seven years from the date of granting the option as to the other 50% of the shares subject to each option. Under this plan options were granted in 1952, 1953 and 1954 for a total of 82,108 shares. Shares subject to option at the dates stock dividends of 4% were declared in 1953 and in 1954 were increased proportionately in accordance with the provisions of the plan. As of December 31, 1954, options for 14,428 shares had been exercised and options for 70,588 shares were outstanding.

CONTINENTAL OIL COMPANY

CR.—$190,500—"Capital Surplus."

Notes to Financial Statements:

Note 3—On February 18, 1954, the President of the Company exercised an option under terms of his employment contract to purchase 10,000 shares of the Company's capital stock at $24.05 per share, the market price on the date the option was granted. The excess of the option price over the par value of the shares in the amount of $190,500 was credited to capital surplus.

CORN PRODUCTS REFINING COMPANY

CR.—$48,125—"Capital Surplus."

Explanatory Notes to Financial Statements:

Note 7—Stock Options. Pursuant to a restricted stock option plan, approved by the shareholders April 24, 1951, 70,000 shares of authorized but unissued $25 par value common stock are reserved for key executive employees. On November 1, 1951, the company granted options to six officers to purchase an aggregate of 7,000 shares of common stock at $65.3125 per share, which is 95% of the market price on the date the options were granted. Options on 2,700 shares at $65.3125 per share have been exercised and at December 31, 1954 there remained outstanding options for 4,300 shares. The options expire ten years from the date they are granted. The excess of the proceeds over the par value of the 1,100 shares of common stock issued upon the exercise of stock options in 1954, plus $3,781.25, representing the difference between the market value on date options were granted and the option value, resulted in an addition of $48,125 to capital surplus.

FRUEHAUF TRAILER COMPANY

CR.—$1,307,206—"Additional Paid-In Capital: Excess of fair value (option price) over par value of 54,163 shares of Common Stock sold under Restricted Stock Option Plans."

President's Message: *Capital Structure*—

During 1954, and particularly during the last few months of the year, options for 54,163 shares of common stock were exercised by employees at prices totaling $1,361,369 under two plans authorized by shareholders in 1951. In August 1954 the remaining unallotted shares were offered to employees, and options covering 44,662 shares were accepted. At the end of 1954 there were outstanding options covering 52,613 shares at prices ranging from $24.51 to $27.94 per share. We are gratified that about 30% of our salaried employees have become shareowners in our business as a result of the stock option plans, and we are hopeful that this number can be increased.

(Refer also to Fruehauf Trailer Company—example under "Stock Dividends"; this section.)

GENERAL DYNAMICS CORPORATION

CR.—$906,639—"Capital Surplus: Proceeds in excess of par value of 48,338 shares of common stock issued under restricted stock option plan."

LEAR, INCORPORATED

CR.—$129,106—"Additional Paid-In Capital: Excess of option price over par value of 40,560 shares of Common Stock sold to officers and employees under stock option plans."

Notes to Financial Statements: *Note B.* Of the authorized and unissued shares of Common Stock, 67,455.30 shares are reserved for the conversion of Preferred Stock. Under the Corporation's restricted stock option plans for officers and employees, 250,000 shares of the Common Stock were reserved for issuance of stock options to officers and employees. As of December 31, 1954, options for 140,180 shares had been granted at prices ranging from $3.625 to $7.75 a share—the fair market value of the shares on the dates of grant. In addition, an option for 2,500 shares had been granted at $7.57 a share—110% of the fair market value of the shares on the date of grant. During 1954 options for 40,560 shares were exercised at an aggregate price of $149,386. At December 31, 1954, options for 102,120 shares were outstanding, of which options for 37,220 shares were exercisable.

MACK TRUCKS, INC.

CR.—$117,017—"Paid-In Surplus."

Notes to Financial Statements:

Note 5—

Under a plan approved by shareholders in 1952, a committee of the Board of Directors from time to time grants to officers and other key employees restricted options to purchase shares of the Company's common stock at prices not less than 95% of the market prices on the dates the options are granted. Each option is exercisable after one year from date granted and expires five years after date granted subject to earlier expiration in the event of the option holder's death or termination of employment.

At December 31, 1954 options were outstanding on 64,690 shares (18,080 at $11.762 per share and 1,785 at $14.134 per share granted in 1953 and 35,600 at $13.66 per share and 9,225 at $20.20 per share granted in 1954). In addition, 23,005 shares were reserved at December 31, 1954 for options which may be granted thereafter.

During 1954 the Company received $203,542 for 17,305 shares of its common stock issued upon exercise of options granted in 1953, resulting in a credit of $117,017 to paid-in surplus.

Subject to approval at the shareholders' meeting to be held April 27, 1955, the stock option plan is to be amended to increase by 25,000 the total number of shares reserved for options and to increase the maximum number of shares upon which options may be granted to any one individual to 25,000. Subject to the foregoing, an option on 25,000 shares at $19.53 per share was granted to the Company's president on January 7, 1955.

P. R. MALLORY & CO., INC.

CR.—$55,035—"Paid-In Surplus: Excess of proceeds over stated value of 2,250 shares of common stock issued under restricted stock option plan."

Within "Stockholders' Equity" Section: Common stock without par value—Authorized 1,250,000 shares, of which 150,000 shares reserved for conversion of an equal number of preferred shares and 57,125 shares for issuance under restricted stock option plan; outstanding 613,092 shares at stated value (Note 3).

Notes to Financial Statements:

Note 3: Pursuant to a restricted stock option plan approved by the stockholders in 1951, there may be granted to certain officers and other key employes options to purchase during the option period ending December 31, 1962, up to 62,500 shares of the common stock of the Company at a price not less than 85% of the fair market value on the date the option is granted. The plan provides that 20% of each option may be exercised one year after the date of grant and an additional 20% at the end of each of the next four years. During 1952 options were granted providing (after adjustment for stock dividend) for purchases aggregating 34,375 shares at prices of approximately $25.50 per share (being 95% of the market price on the dates granted). Options on 3,125 shares were exercised during 1953 and on 2,250 shares during 1954. At December 31, 1954 options covering 8,375 shares were exercisable and there remained 28,125 shares available for future options under the plan.

THE GLENN L. MARTIN COMPANY

CR.—$861,632—"Capital Surplus: Excess of proceeds over par value of capital stock issued—89,650 shares issued on exercise of stock options (Note B)."

Notes to Financial Statements:

Note B: At December 31, 1954 common stock was reserved to provide (a) 4,237 shares for issuance at a price of $8.64 per share upon the presentation of common stock purchase warrants expiring April 10, 1962, issued in connection with the sale of Ten Year 4% Convertible Subordinated Notes and (b) 118,550 shares held for issuance under a restricted stock option plan for officers and key employees. During the current year options for 89,650 shares have been exercised at an aggregate price of $951,281. At December 31, 1954, after recognizing the effect of the 10% stock dividend distributed December 15, 1954, options expiring in 1962 for 105,050 shares were outstanding (of which 17,050 shares were then exercisable) at prices not less than market at date of granting ranging from $9.75 to $13.375 for each 1.1 shares.

(Refer also to The Glenn L. Martin Company—example under "Premium on Initial Issue of Capital Stock"; this section).

MUNSINGWEAR, INC.

CR.—$13,412—"Capital in Excess of Par Value."

Notes to Financial Statements:

Note 2: A restricted stock option plan, approved by the stockholders in 1953, provides for the sale of not to exceed 30,000 shares of common stock to certain executive and administrative employees of the company and its subsidiaries at not less than 95% of market value at date options are granted or less than par value. At December 31, 1954 options expiring May 1, 1963 were outstanding for the purchase of 13,750 shares at $12.25 per share, an aggregate option value of $168,437. Market value at date of granting these options was $12.75 per share, an aggregate of $175,312. During the year options to purchase 1,850 shares at an aggregate amount of $22,662 were exercised. Aggregate market value of these shares at respective dates of exercising the options was $28,606.

PHILADELPHIA DAIRY PRODUCTS COMPANY, INC.

CR.—$72,416—"Paid-In Surplus: Excess of proceeds from sale under stock option plan of 2,480 shares of common stock over par value thereof."

Notes to Financial Statements: *Capital Shares—*

During 1953 an employees' restricted stock option plan was approved by the stockholders whereby options to purchase not more than 22,500 shares of common stock may be granted to key employees, exercisable between eighteen months and seven years from dates of granting. The plan provides for the optionee to make payments against the purchase price of optioned shares prior to exercisable date. Such payments shall be used to purchase common stock in units of 10 shares in the name of a nominee of the company. The optionee is to receive sums equivalent to dividends on fully-paid shares but will not receive title to the shares until the option becomes exercisable.

Options to purchase common stock were granted on August 28, 1953 to 21 officers and employees for 6,801 shares and on January 29, 1954 to 99 officers and employees for 8,854 shares at $29.45 a share, aggregating $461,049, which compares with an aggregate market price of $497,560 on the same dates.

In 1954, 2,480 shares of common stock were issued under the terms of the plan in the name of a nominee; no portion of the options became finally exercisable during the year.

PILLSBURY MILLS, INC.

CR.—$2,130—"Additional Paid-In Capital: Excess of proceeds received over the par value of 240 shares of common stock issued under restricted stock option plan."

RAYONIER, INCORPORATED

CR.—$2,243,125—"Capital Surplus: Excess of amounts received on subscriptions over stated value ($1 per share) of common stock issued under employees restricted stock option plan."

Notes to Financial Statements:

Note 5—Stock Options—

As of December 31, 1954 there were outstanding options, issued pursuant to the company's restricted stock option plan, to purchase 13,200 shares of common stock of Rayonier Incorporated at approximately $27 per share and 22,900 shares at approximately $40 per share. During 1954 options for 83,900 shares were exercised at prices ranging from $26 to $29 per share.

Financial Review:

Stock Options:

The Key Employees Restricted Stock Option Plan, approved by the stockholders on April 3, 1951, authorized the issuance of 120,000 shares (reflecting the two-for-one stock split in 1952) of authorized but unissued common stock to selected management employees to provide additional incentive. During 1954, all of those who were eligible under allotments made in 1951 (aggregating 97,100 shares at prices ranging from $26 to $29 per share) took up a part or all of their options. This involved a total of 83,900 shares for which the company received $2,327,025. Of this amount, $83,900 represented par value and was credited to the common stock account, and the balance of $2,243,125 was credited to capital surplus. The remaining 22,900 shares were allotted in 1954 at approximately $40 per share. As provided by the Plan, the option prices represented not less than 95 per cent of the market value on the day the options were granted.

SAFEWAY STORES, INCORPORATED

CR.—$406,623—"Additional Paid-In Capital."

Notes to Financial Statements:

Capital Stock: The terms of issue of each of the preferred stocks require sinking funds sufficient to provide for retirement annually of 2% of the maximum number of shares issued, with the requirement as to the 4.30% Preferred commencing October 1, 1965. The sinking fund requirements for 1955 amount to approximately $188,500 in the U.S. after considering stock held in the treasury which may be applied toward the requirement, and $130,000 in Canada. The preferred stocks are subject to redemption on call at a premium which is now $2.00 per share on the 4% preferred and $3.00 on the 4.30% convertible preferred and Canadian preferred, which become reduced periodically ultimately to 50 cents per share.

Of the unissued common stock of Safeway Stores, Incorporated, 580,178 shares are reserved for conversion of the outstanding 4.30% preferred stock convertible at par at $46.00 per share of common. Additionally, 133,315 shares of the common stock are reserved for issuance pursuant to a restricted stock option plan under which options to purchase common stock may be granted to officers and employees of the Company and its subsidiaries, as determined by the Board of Directors, in consideration of agreements not to terminate employment for stated periods. Under the plan options have been granted to officers and employees covering an aggregate of 108,315 shares (16,666 shares are not exercisable if employment is terminated prior to December 31, 1955 and 2,000 if terminated thereafter but prior to December 31, 1956), and options to purchase 25,000 shares have been authorized but not yet granted. Of the 108,315 shares, 38,315 are exercisable at $33⅞ per share; 64,000 at $36⅝ and 6,000 at $45⅜. All options become void after December 31, 1961 and unless exercised within 3 months after employment terminates, with 1 year extension on employee's death. In 1954, options for 13,352 shares of the common stock were exercised, and options for 3,333 shares expired.

Additional Paid-In Capital: Changes in Additional Paid-In Capital of Safeway Stores, Incorporated during the year consist of net discount on preferred stock acquired $41,705, excess of proceeds over par value of common stock issued under options exercised $406,623, excess of par value of preferred stocks over par value of common stock issued on conversion $10,224,967, less pro-rata share of original issue expense $355,898.

SUTHERLAND PAPER COMPANY

CR.—$270,332—"Capital Contributions in Excess of Par Value of Capital Stock: Excess of sales price over par value of common stock sold to officers under stock option plan."

Notes to Financial Statements:

Note 4—Stock Options—

At December 31, 1954, 65,700 shares of common stock were reserved for sale to officers and other executives under the Company's restricted stock option plan. Under the stock option plan, as adopted February 25, 1952, 85,000 shares were reserved and at December 31, 1954 options had been granted for 41,000 shares, of which options had been exercised for 19,300 shares.

UNIVERSAL MATCH CORPORATION

CR.—$17,474.10—"Capital in Excess of Par Value (Capital Surplus): Premium on 7796 shares of Capital Stock sold to employees under restricted stock option plans."

Stock Options

Capital Surplus

ALLIED CHEMICAL & DYE CORPORATION

CR.—$637,561—"Capital Surplus, Paid-In: Capital Surplus . . . balance of the increase resulted from sale to employees of 10,401 shares under the incentive stock option plan."

The President's Letter: Stockholders—The number of shares outstanding increased by 247,901 during the year. We issued 237,500 shares in exchange for the stock of Mutual Chemical Company, and 10,401 shares were purchased by employees under the provisions of the Company's incentive stock option plan. On August 31, 1954 options to purchase 12,900 shares at a price which exceeded 95% of fair market value on that date were granted to 45 employees. Since the inception of the plan in 1953, options to purchase a total of 84,500 shares have been granted to 108 employees; to December 31, 1954, options to purchase a total of 11,726 shares had been exercised by 47 employees.

ALLIED STORES CORPORATION

CR.—$783,020—"Within Statement of Stockholders' Equity: Additional amounts received for shares issued in excess of $1.00 per share, and discounts on repurchase of preferred stock—Additions in connection with 20,825 shares issued under stock option plan (Note D)."

Notes to Financial Statements:

Note D—129,175 shares of common stock are reserved for issuance to officers and employees under a stock option plan approved by the stockholders on June 19, 1951. Pursuant to such plan, nineteen officers and employees have options expiring July 24, 1958 for 68,675 shares at a price of $38.60 per share and options expiring September 28, 1961 for 11,500 shares at a price of $45.84 per share.

ALUMINUM COMPANY OF AMERICA

CR.—$7,414,212—"Additional Capital: Excess of amounts received over the aggregate par value of 212,788 shares of Common Stock, issued under Employees' Stock Option Plan."

Notes to Financial Statements:

Note F—Employees' Stock Option Plan—

At December 31, 1954, 704,585 shares of Common Stock, par value $1 per share, were reserved for issuance under an Employees' Stock Option Plan. On May 15, 1952 and February 26, 1954, options were granted entitling the holders thereof to acquire Common Stock at a price equal to at least 95 per cent of the average market quotation on the dates the options were granted. Such options covered 528,800 shares at a price of $35.37½ per share and 87,350 shares at a price of $58.75 per share. At December 31, 1954, options for 273,561 shares had been exercised and options for 2,210 shares had been canceled or expired, leaving options for 340,379 shares outstanding.

Financial Facts:

Shareholders and Outstanding Stock—

As a result of the exercise of options held by employees under the Employees' Stock Option Plan, 212,788 shares of the company's common stock were sold to 553 employees in 1954, increasing the number of shares from 9,842,239 outstanding at December 31, 1953, to 10,055,027 at December 31, 1954. The total amount realized by the company from the sale of these shares was $7,627,000.

AMERICAN STORES COMPANY

CR.—$144,384—"Capital in Excess of Par Value of Common Stock."

Notes to Financial Statements:

Note 4—Capital in excess of par value of common stock. During the year this account was increased by the excess over par value of:

Sale proceeds of 4,108 shares common stock sold to officers and employees pursuant to exercise of stock options . . $144,384

Note 3—Stock Options. At April 2, 1955 there remained outstanding options granted to 53 officers and employees to purchase 50,638 shares common stock at prices ranging from $33.61 to $51.36, such prices being 95% of market price on the respective dates of granting, adjusted for stock dividends. The options are exercisable on a cumulative basis over a ten-year period and expire on or before February 16, 1965. In addition, 53,087 shares common stock are reserved for additional option grants.

ARMCO STEEL CORPORATION

CR.—$405,424—"Capital Contributed in Excess of Par Value of Common Stock."

Notes to Financial Statements:

Note 2: Preferred stock, 150,000 shares of $100 par value each was authorized but unissued.

At December 31, 1954 there were 235,715 shares of common stock reserved under the Stock Option Plan (for key employees) and 299,689 shares reserved under the Stock Option Plan for Employees (other than key employees). Option prices and other information with respect to these plans are given below:

	Option Price	*Options Exercised During 1954 (shares)*	*Options Granted but not Exercised, December 31, 1954 (shares)*
Stock Option Plan	$41.50	5,900	62,700
	35.25	8,385	60,215
Stock Option Plan for Employees	35.25	311	114,961

Option prices are the market quotation values of the shares on dates of grants (Stock Option Plan) or 95% thereof on date of grants (Stock Option Plan for Employees). The excess, $405,424, of the amount received from optionees in 1954 for options exercised over the par value of shares issued to them was credited to capital contributed in excess of par value of common stock.

THE ATLANTIC REFINING COMPANY

CR.—$4,413—"Capital in Excess of Par Value of Stock: Excess received over par value of common stock issued under Incentive Stock Option Plan."

ATLAS POWDER COMPANY

CR.—$5,680—"Additional Paid-In Capital."

Notes to Financial Statements:

Additional Paid-In Capital—During 1954 additional paid-in capital was increased as follows: Excess of—Proceeds over par value of Common Stock sold to employees pursuant to exercise of stock options.

AVON PRODUCTS, INC.

CR.—$7,000—"Capital Surplus: Excess of option price over par value of 350 shares of Common Stock issued pursuant to stock option plan dated July 2, 1952."

BARBER OIL CORPORATION

CR.—$10,370—"Capital Surplus: Excess over par value of proceeds received for 340 shares of capital stock issued under stock option plan."

BAUSCH & LOMB OPTICAL COMPANY

CR.—$2,440—"Capital Surplus: Excess of proceeds from sales over par value of capital stock issued."

Notes to Financial Statements:

Note 4: Under a stock option plan adopted October 26, 1954, certain key executives may purchase common treasury stock at not less than 85% of the market price at the date of issuance of the options. On October 28, 1954 options were granted covering 31,200 shares which had been set aside for the purposes of the plan, at $12 per share, such options to be exercised within ten years. During the first year of the plan, the holders of these options may acquire a maximum of 6,240 shares. Prior to December 26, 1954, 1,220 shares were purchased under this plan, and the proceeds to the company in excess of the par value were credited to capital surplus.

BENDIX AVIATION CORPORATION
CR.—$363,038—"Capital Surplus: Excess of sales price over par value of common stock sold to employees under Stock Option Plan."

Notes to Financial Statements:

Note 8—Stock Options: Under a Stock Option Plan, approved by the stockholders on February 27, 1952, and after giving effect to the stock dividend paid during the current year, at September 30, 1954 there were 99,413 shares of common stock reserved for issuance to eligible employees.

At September 30, 1954 options had been granted under the plan for 52,692 shares at a price of $52.85 per share, of which options for 7,587 shares were exercised during the current year. The options for the remaining 45,105 shares may be exercised up to November 23, 1962.

BROWN SHOE COMPANY, INC.
CR.—$244,921—"Additional Capital Paid-In: Excess of option price over par value of 20,250 shares of Common Stock issued under stock option plan."

CANADA DRY GINGER ALE, INCORPORATED
CR.—$18,357.74—"Capital (Paid-In Surplus)."
(Increase of $18,357.74 during year represents excess of proceeds from sale of treasury common stock over cost thereof—upon exercise of stock options.)

Note C—Under the stock option plan, effective February 9, 1953, options were granted to certain officers and managerial employees to purchase an aggregate of 80,000 shares of common stock at $11.625 a share, the closing price on the New York Stock Exchange on the grant date. One year from the grant date, the optionee may purchase 20% of the total number of shares to which his option relates and at the end of each succeeding year up to an additional 20% so that upon expiration of the options at the end of the fifth year, each optionee will have become entitled to purchase the entire number of shares to which his option relates provided, however, that no option may be exercised, except under certain specified circumstances, unless the optionee at the time of such exercise has been continuously in the employ of the Company or its subsidiaries. During the year, 7,700 shares of treasury stock were sold upon the exercise of options, the excess $18,357.74, of the sales proceeds over the cost of the stock being credited to capital surplus. At September 30, 1954, there were 72,300 shares under option or subject to reallocation under the plan.

CERTAIN-TEED PRODUCTS CORPORATION
CR.—$486,346—"Capital in Excess of Par Value."

Notes to Financial Statements:

Note 3—Stock Options:

Pursuant to an incentive plan, options to purchase 7,655 shares of the Company's common stock (granted to officers and key employees) were outstanding at December 31, 1954 at option prices of $13.90 a share for 4,080 shares and $14.14 a share for 3,575 shares. During the year 37,595 shares were issued under the plan.

Note 4—Stockholders' Equity:

Pursuant to action taken by the stockholders at the annual meeting in May 1954, the authorized common stock was increased from 2,000,000 to 3,000,000 shares.

During the year 513,851 shares of common stock were issued resulting in an increase of $513,851 in capital assigned to shares and $10,077,920 in capital in excess of par value. The latter amount resulted from (1) the issuance of common stock in connection with the acquisition in 1954 of investments in subsidiary companies ($9,591,574) and (2) the issuance of common stock under the stock option plan ($486,346).

(Refer also to Certain-Teed Products Corporation—example under "Capital Stock Issued in Acquisition of Subsidiary"; this section.)

CHERRY-BURRELL CORPORATION
CR.—$142—"Capital Contributed in Excess of Stated Value of Capital Stock: Premium on sale of stock."

Note D: At October 31, 1954 there were options outstanding for the purchase by officers and key employees of 10,000 and 13,700 shares of common stock for $11 and $9.75, respectively, per share. An additional 11,150 shares of common stock were reserved for further options. During the year an option was exercised for 100 shares of common stock at $9.75 per share.

COLGATE-PALMOLIVE COMPANY
CR.—$768,320—"Capital Surplus: Excess of option price over stated value of shares of common stock issued under Stock Option Plan."

COLUMBIA BROADCASTING SYSTEM, INC.
CR.—$4,908,523—"Capital Surplus."

Notes to Financial Statements:

Note 4—Capital surplus increased $4,908,523 during 1954. Of this amount $1,578,000 represents the excess of the proceeds from the sale, under option agreements, of 43,000 shares of Class A stock and 7,000 shares of Class B stock over the par value of such shares.

Note 2—Of the unissued capital stock, 12,750 shares of Class A stock were under option to officers at January 1, 1955, at $44.36 per share. These options expire in March 1961. An additional 94,250 shares of unissued Class A stock are reserved for future options which may be granted to officers and employees from time to time prior to January 1, 1961 (with certain limitations) at the discretion of the Board of Directors.

CROWN ZELLERBACH CORPORATION
CR.—$2,329,000—"Other Capital: Proceeds in excess of par value of common stock sold under Selected Employees Stock Option Plan (Note 7)."

Note 7—Common Stock:

Under the Selected Employees Stock Option Plan three series of options have been granted, at dates and prices as follows—October 23, 1951, $24.875; February 10, 1953, $30.00 August 3, 1954, $48.25. Option prices were not less than 95% of the market prices of the shares on the date the options were granted. At April 30, 1955 there were 103,490 shares of authorized and unissued common stock (43,355 under options dated October 23, 1951, 24,485 under options dated February 10, 1953, and 35,650 under options dated August 3, 1954) reserved for issuance on exercise of such options. Each employee accepting an option agreement has agreed to remain in the employ of Crown Zellerbach Corporation, or one of its subsidiaries, for a period of two years from the date of such acceptance. Each option is exercisable in whole, or in part, any time within ten years after grant, except (1) that no option is exercisable after termination of employment other than, for specified limited times, in the event of death or approved retirement, and (2) that options dated August 3, 1954 may not be exercised during the first two years after grant, and thereafter at the rate of 20% per annum, cumulatively.

DAYSTROM, INCORPORATED
CR.—$143,781—"Additional Capital."

Note 7: Add excess of option prices over the par value of common stock issued under the Company's stock option incentive plan."

Note 8: Under the Company's stock option incentive plan, options may be granted to officers and other key employees to purchase at any time prior to June 28, 1956 up to 62,400 shares of the Company's common stock at a price equivalent to 95% of the fair market value of the stock on the dates the options are granted. At March 31, 1955 options had been granted for the purchase of 38,550 shares at prices ranging between $10.806 and $22.80 per share, of which options covering 33,850 shares have been exercised.

DOUGLAS AIRCRAFT COMPANY, INC.
CR.—$746,748—"Additional Capital Paid-In."

Notes to Financial Statements:

Note D—Stock Split and Stock Options—

Authorized capital was increased during 1954 to 4,000,000 shares and the shares outstanding on May 5, 1954 were doubled by a two-for-one stock split.

Options, expiring April 18, 1956, to purchase an aggregate of 30,600 shares of the authorized but unissued capital stock of the company (30,000 shares at $24.75 per share and 600 shares at $30.875 per share) were held by certain of the company's executives at November 30, 1954. Options, authorized in 1951, for unnamed executives to purchase 25,800 shares additional had not been granted at November 30, 1954; the option price is to be 95% of the highest price at which shares of the company are sold on the New York Stock Exchange on the date the option is granted, but not less than $24.75. The numbers of shares referred to above are in all cases after the stock split. Options are exercisable upon grant. Payment in full is required when exercised. Coincident with the granting of an option, an employment agreement for the period until April 18, 1956 is entered into between the company and the optionee. No accounting is done in respect of options until they are exercised. At that time the payment received is treated as capital paid in. No charge is made against income for the reason that at the time of grant the option price did not differ materially from the market value of the shares optioned.

During 1954 shares were issued under options previously granted as follows (numbers of shares and prices give effect to the stock split):

42,350 shares optioned in 1951—at \$24.75 per share	\$1,048,163
12,406 shares optioned in 1953—at \$30.875 per share	383,035
	\$1,431,198

The excess (\$746,748) received over \$12.50 per share was credited to "additional capital paid in."

On January 19, 1955 a further three-for-two stock split was authorized; the split shares referred to in these financial statements are those resulting from stock splits previously effected.

EMERSON RADIO & PHONOGRAPH CORPORATION

CR.—\$3,240—"Capital Surplus."

Notes to Financial Statements:

Note 3: At October 31, 1954, certain officers and employees of the Company and its subsidiaries had options to acquire 85,475 shares of the Company's unissued capital stock at a price per share equal to the average market price thereof on the New York Stock Exchange on the respective dates such options were granted. These options are exercisable on various dates from 1954 through 1963 at prices ranging from \$11.75 to \$14.00 per share. At the time the options are exercised, the Company credits the proceeds, in excess of the par value of the shares issued, to capital surplus. Under this plan 480 shares were issued during the year ended October 31, 1954 (resulting in a credit of \$3,240 to capital surplus).

FEDERATED DEPARTMENT STORES, INC.

CR.—\$466,460—"Capital in Excess of Par Value of Common Stock: Excess of proceeds over par value of stock issued upon exercise of options to purchase common stock at \$42.21 per share."

GENERAL CABLE CORPORATION

CR.—\$540,795—"Capital Surplus: Adjustment arising from conversion of Second Preferred Stock and exercise of options (Note 5)."

Notes to Financial Statements:

Note 5: On April 14, 1954 the stockholders approved the adoption of a Stock Option Plan for certain officers and key employees of the Corporation under which options could be granted from time to time to purchase Common Stock of the Corporation not to exceed 150,000 shares in the aggregate. These shares are issuable from authorized but unissued or reacquired shares. The option price is the fair market value of the stock as of the date each option is granted. During the year 1954 options were granted for a total of 136,250 shares of which 25,250 shares have been issued from the authorized but unissued Common Stock of the Corporation.

THE GILLETTE COMPANY

CR.—\$2,298,500—"Additional Paid-In Capital: Arising from issue of common stock under stock options (see Note 4)."

Within: "Non-Current Assets" Section:

Due from Officers and Employees under stock purchase plans (secured by 36,360 shares of common stock of the Company, market value \$2,617,920) \$914,233

Notes to Financial Statements:

Note 4: The status at December 31, 1954 of the options granted pursuant to the Company's Employee Stock Option Plan was as follows:

Date Granted	*Number of Employees*	*Number of Shares for which Options were Granted*	*Number of Shares for which Options were Exercised*	*Option Price per Share*
June 3, 1952	9	27,000	23,500	\$30.00
April 23, 1953	29	67,000*	49,000	34.00
December 17, 1953	1	1,000	None	46.50
March 24, 1954	21	27,000	None	47.25
Total		122,000	72,500	

*After giving effect to cancellation of 12,000 shares in 1954 at a cost of \$420,000 (see Stock Options—page 11).

The aggregate price for the 72,500 shares of stock issued during 1954 was \$2,371,000. Of this amount \$1,901,195 was received in cash and the balance of \$469,805 (included in the consolidated balance sheet in the amount shown under "Due from Officers and Employees") represents the balance outstanding on December 31, 1954 of the purchase price for the 16,100 shares being paid for in installments by those optionees who elected that method of payment. The \$2,298,500 of the purchase price for these shares added to paid-in capital represents the excess of the purchase price over the aggregate par value of the issued shares, \$72,500.

Options for an additional 66,000 shares, being the remainder of the 200,000 shares originally authorized by the stockholders, may be granted in the future at not less than 95% of the market price for the stock on the date of grant if, but only if, the stockholders authorize the extension of the Stock Option Plan at their March 23, 1955 annual meeting. Options run for a seven-year period but no option may be exercised for at least eighteen months after the grant of the option.

GULF OIL CORPORATION

CR.—\$265,887—"Other Capital: Sale of 9941 shares of capital stock to option holders."

Notes to Financial Statements:

Capital Shares—Under the Stock Option Plan approved by the shareholders on May 23, 1951, 439,766 shares of the unissued capital stock are reserved for sale to officers and employees; 156,190 of these shares are subject to nontransferable options granted to certain officers and employees to December 31, 1954; the option price is in no case less than 95% of the market price at the time the option was granted. During 1954 options for 9,941 shares were exercised and an option for 2,704 shares expired.

INTERCHEMICAL CORPORATION

CR.—\$357,660—"Capital Surplus."

Note 8: In 1954, Capital Surplus was increased as follows . . . Excess of the aggregate sale price over par value of 19,870 common shares issued upon the exercise of employee stock options.

Note 7: Options to purchase an aggregate of 15,080 common shares were held by certain officers and key employees at December 31, 1954. Such options are exercisable, at \$23 per share, over a period ending December 31, 1955. During 1954, like options to purchase 19,870 common shares at \$23 per share were exercised by 67 officers and key employees.

INTERNATIONAL PAPER COMPANY

CR.—\$545,768—"Capital Surplus: Excess of proceeds from sale of 13,880 shares of common stock under Incentive Stock Option Plan for Key Employees, over the par value thereof."

Schedule E—Capital:

†At December 31, 1954, there were reserved for use under the Company's Incentive Stock Option Plan for Key Employees, as amended, 379,176 shares of common stock, of which 199,611 shares were covered by outstanding options and 179,565 shares remained available for future grant. A total of 14,574 shares were issued, 13,880 shares on purchases under outstanding options and 694 shares as stock dividends on such purchased shares.

As a result of the 5% common stock dividend declared on November 9th, 1954 and in accordance with the requirements of the Plan, the following adjustments were made on November 19th, 1954: (1) the number of shares reserved for use under the Plan and the number of shares covered by each outstanding option were increased 5% and (2) the price per share on options then outstanding was decreased 1/21st.

Rights to purchase 20% of the shares covered by each option accrue to the optionee (provided he is still in the employ of the Company or a subsidiary) on each of the first five anniversaries of the date of grant and, subject to limitations applicable in the event of termination of employment, the rights may be exercised at any time between the date of their accrual and the tenth anniversary of the date of grant.

The original option price under each option was 95% of the last sale price on the New York Stock Exchange on the date of grant of the option. After giving effect to adjustments required to prevent dilution as a result of stock dividends declared in November, 1953 and 1954, the outstanding options at December 31, 1954 represented rights to purchase the number of shares at the option prices shown below:

Date of Grant	Option price per share	Number of shares
December 9, 1952	\$44.624	78,908
February 10, 1953	\$44.416	9,240
May 12, 1954	\$64.238	3,622
June 8, 1954	\$60.171	107,841
		199,611

Financial:

Stock Option Plan—The amendments approved by the stockholders at the International Paper Company 1954 annual meeting extended the Incentive Stock Option Plan for Key Employees to include Canadian and overseas subsidiaries and made 100,000 additional common shares available for options under the Plan.

During the year 1954 new or additional options were granted which now cover a total of 111,463 shares, of which 59,955 shares were optioned to 38 officers and other key employees of our Canadian and overseas companies and 51,508 shares to 77 officers and other key employees of our United States companies.

LIBBEY-OWENS-FORD GLASS COMPANY

CR.—$100,848.90—"Additional Paid-In Capital: Credits resulting from 1954 transactions under employee stock plan."

Notes to Financial Statements:

Note B—Of the Company's unissued common stock at December 31, 1954, there were 59,133 shares subject to employe stock options, and 19,322 of these shares were allotted during the year for purchase by employes under the Employe Stock Plan at an option price of $52.50 a share, which was approximately 95% of the market price on the date of the allotment. During the year, the shareholders released 132,000 shares of the Company's common stock from pre-emptive rights for allotment and sale to employes under the Employe Stock Plan; and at December 31, 1954, there remained 116,260 shares as reserved for but not allotted to employes. During the year 1954, 11,951 shares of common stock were issued to employes under the provisions of the Stock Plan at a total subscription price of $220,346.00.

LOCKHEED AIRCRAFT CORPORATION

CR.—$503,627—"Additional Capital: Excess of amount realized over par value of capital stock issued upon exercise of employees' stock options."

Within "Stockholders' Equity" section—Capital stock, $1 par value: Authorized 3,000,000 shares (5,180 shares reserved for exercise of employees' stock options at December 31, 1954).

MARMON-HERRINGTON COMPANY, INC.

CR.—$786—"Capital in Excess of Par Value of Stock."

Notes to Financial Statements:

Note A—At December 31, 1954, 35,755 shares of common stock were reserved for sale to certain officers, department heads and assistant department heads at $5.25 per share under options expiring December 12, 1955. Options covering 185 shares were exercised during 1954. The excess of the option price over the par value of $1 per share was credited to capital in excess of par value of stock.

McKESSON & ROBBINS, INCORPORATED

CR.—$45,795—"Capital Surplus."

Notes to Financial Statements:

Note 6—Executive Stock Purchase Plan: Pursuant to an Executive Stock Purchase Plan approved by the stockholders on October 23, 1951, 100,000 shares of Common Stock of the Company were reserved for options to be granted to eligible executive employees. Options to purchase 81,259 shares, including 17,300 shares for which options were granted April 5, 1955, were outstanding at option prices of $40.00 per share for 23,140 shares, at $35.50 per share for 27,569 shares, at $37.00 per share for 13,250 shares, and at $39.00 per share for 17,300 shares. During the year ended March 31, 1955, 2,505 shares were issued under the plan resulting in an increase of $45,795 in Capital Surplus over the amount shown as at March 31, 1954.

METAL & THERMIT CORPORATION

CR.—$81,340—"Paid-In Surplus: Increase represents excess of proceeds over stated value of common stock sold under options in 1954."

MID-CONTINENT PETROLEUM CORPORATION

CR.—$566,624—"Capital Surplus: Excess of amount realized over par value of 10,240 shares of common stock sold to employees under Incentive Stock Option Plan (Note 4)."

Notes to Financial Statements:

Note 4: On May 7, 1952 the Stockholders approved an Employees' Incentive Stock Option Plan under which 90,000 shares of unissued stock were reserved. Options were granted on 42,200 shares of such stock, of which 10,240 shares were exercised in 1954 and 2,400 shares terminated. On December 31, 1954 there remained under option 200 shares at $63.75 per share and 29,360 shares at $65.35 per share.

NATIONAL DAIRY PRODUCTS CORPORATION

CR.—$3,238,348—"Capital Surplus: Excess of consideration received over par value of shares issued since April 20, 1953."

Notes to Financial Statements:

Employees' Share Purchase Plans—

Under the Employees' Stock Option Plan approved in 1952, 300,000 shares of the authorized and unissued common stock of the Company were reserved for sale to officers and other key employees. Options to purchase 113,440 shares at $51.95 per share and 73,140 shares at $57.60 per share were granted in 1952 and 1953 respectively. Pursuant to the terms of the Employees' Stock Option Plan, the number of shares and option price with respect to each option exercised or becoming exercisable after August 17, 1954, under the aforementioned grants, have been adjusted to reflect the 100% stock dividend declared on stock of the Company issued and outstanding at the close of business August 17, 1954. On November 4, 1954, options to purchase 62,528 shares at $35.95 per share were granted. Options become exercisable in cumulative periodic installments extending over the term of such options (generally ten years or to retirement date), commencing not earlier than one year from the date of grant. As of December 31, 1954 options to 1,644 employees were outstanding with respect to 401,651 shares, of which 40,957 were exercisable.

The Employees' Share Purchase Plan approved in 1944 terminated on May 15, 1954. Under this plan options were granted to officers and other key employees of the Company to purchase common stock of the Company at prices ranging from $21.75 to $45.55 per share.

During 1954, options as adjusted became exercisable with respect to 37,604 shares, having an aggregate purchase price of stock issued in 1954 prior to the close of business August 17, 1954, and 10,165 shares subsequent thereto, and the proceeds therefrom amounting to $1,917,088 were credited to common stock and capital surplus accounts.

THE NEW YORK AIR BRAKE COMPANY

CR.—$6,950—"Capital Surplus: Excess of amount received for 500 shares of common stock issued pursuant to stock option agreement over par value thereof—see Note B to Balance Sheet."

Note B: At December 31, 1954, the Company had reserved 49,500 unissued shares of Common Stock under Incentive Stock Option Plan for Executives and Key Employees. During 1952, the Company granted an option with cumulative provisions to purchase, beginning in 1953, 1,000 shares each year for seven years at a price of $18.90 per share (not less than 95% of market at date of grant), 500 shares of which were exercised during 1954. During 1954 an additional 3,722 shares were issued under the merger of Kinney Manufacturing Company.

NORTHROP AIRCRAFT, INC.

CR.—$147,335—"Paid-In Surplus: Issuance of $1 par value common stock to officers and employees under stock option agreements—13,550 shares."

PARKE, DAVIS & COMPANY

CR.—$13,833—"Additional Paid-In Capital."

Within "Stockholders Investment"—Additional paid-in capital, including $13,833 added in 1954 with respect to stock options."

Notes to Financial Statements:

Note C: Stock options—During 1954 the Company established an Executive Stock Option Plan and set aside for the purposes thereof all of its authorized but unissued shares of Capital Stock (103,410 shares) and such shares of its treasury stock which might not be purchased under options previously granted (a maximum of 1,690 shares).

As of December 31, 1954, options had been granted under the new plan for a total of 55,505 shares at a price of $29.12 a share, being 85% of the highest market price on the date the options were granted. Under these options 253 shares were purchased during the year. Of the options for 55,252 shares which remained outstanding at December 31, 1954, options for only 1,806 shares could have been exercised at that date under the terms of the plan.

In addition to these new options, options granted to two officers in 1950 were outstanding at December 31, 1954, for 1,220 shares of the treasury stock at a price of $31.99 a share; options with respect to 470 shares of such stock expired during the year.

PENN-TEXAS CORPORATION

CR.—$46,250—"Capital Surplus: Excess of issuing price over par value of 14,800 shares issued upon exercise of options."

PEPSI-COLA COMPANY

CR.—$538,847—"Capital Surplus: Excess of proceeds over par value of 60,496 shares of capital stock issued under stock option plan."

CHAS. PFIZER & CO., INC.

CR.—$30,753—"Paid-In Surplus."

Notes to Financial Statements:

Note 6: During 1954 paid-in surplus increased $34,909 of which $30,753 represents the excess of proceeds from the sale, under the Employee Stock Option Plan, of 918 shares of Common Stock over the par value thereof and $4,156 is the excess of the par value over the cost of cumulative preferred stock reacquired.

PHILCO CORPORATION

CR.—$1,851,220—"Capital in Excess of Par Value: Excess of Market Value of 70,210 Common Shares issued for acquisition of assets of The Dexter Company and for exercised options under The Philco Stock Ownership Plan."

Notes to Financial Statements:

Stockholder Approved Plans—Under the provisions of the Philco Stock Ownership Plan, approved by stockholders on November 28, 1950, options to purchase a total of 4,134 shares of common stock at a price of $37 per share were granted to key members of the organization on February 15, 1955. At the same time an equal number of shares were reserved for future issuance and delivery to the same persons, without payment, to the extent that they shall not have exercised their option and provided they have met all of the other terms and conditions of the Plan upon which issuance and delivery are contingent. If and when in the future liability arises for issuance and delivery of shares, appropriate entries will be made in the books of account. A participant may acquire optioned shares or reserved shares or some of each, but not in a greater total amount than the number optioned to him.

Options to purchase 98,279 shares were granted in prior years, with concurrent reservation of the same number of shares. The total number of shares optioned and reserved to date is 102,413.

During 1954, options for 210 shares were exercised. Participants holding options for 3,999 shares have elected to take reserved shares.

(Refer also to Philco Corporation—example under "Capital Stock Issued in Acquisition of Subsidiary"; this section.)

PITTSBURGH PLATE GLASS COMPANY

CR.—Indeterminable: "Capital contributed for stock in excess of par value."

Notes to Financial Statements:

Note 4: Under the provisions of a Stock Option Plan effective in 1952, 450,000 shares of the Company's capital stock were reserved for the granting of options to employees. At December 31, 1954 there were outstanding options expiring in 1957 on 182,522 shares of capital stock at $41.40 per share which were placed under option by employees, and the employees had made partial payments thereon aggregating $1,490,606. During 1954, 97,304 shares were issued on the exercise of similar options, making a total of 128,243 shares which had been issued to December 31, 1954 under the Employees' Stock Option Plan.

REMINGTON RAND, INC.

CR.—$1,510,439—"Capital Surplus: Excess of proceeds over par value of common stock issued under stock option plan."

REPUBLIC STEEL CORPORATION

CR.—$638,080—"Capital in Excess of Par or Stated Value of Capital Stock: Amount received upon exercise of stock options in excess of portion credited to common capital stock account."

SINCLAIR OIL COMPANY

CR.—$984,675—"Other Paid-In Capital: Excess of Sales price over $5 per share for shares issued under amended stock purchase and option plan."

Within: "Other Assets and Deferred Charges" section:

Due from officers and employees under Stock Purchase Plan contracts of May 1950 and Amended Stock Purchase and Option Plan $1,407,546

Within: "Non-Current Liabilities" Section:

Common Capital Stock Subscription under Amended Stock Purchase and Option Plan $1,202,688

Notes to Financial Statements:

Note 3—At December 31, 1954, options were outstanding under the Company's Amended Stock Purchase and Option Plan to purchase 5,000 shares at $39.50 per share (presently exercisable); 6,800 shares at $34 per share (presently exercisable) and 202,935 shares at $34 per share (becoming exercisable May 24, 1955); 205,600 shares at $41.25 per share (becoming exercisable October 14, 1955). Such prices per share were not less than "closing market" on the day preceding the date on which the options were granted. The foregoing options were granted July 2, 1951, November 24, 1953, and April 14, 1954 respectively and expire five years from the dates of grant or prior thereto in certain contingencies. No further options can be granted under the Plan which, by its terms, expired May 18, 1954. During 1954 options were exercised for the purchase of 6,000 shares at $39.50 per share and 14,700 shares at $34 per share.

THE SPERRY CORPORATION

CR.—$3,096,320—"Capital Surplus (Note 4)."

Notes to Financial Statements:

Note 4: In 1954, the Company, with stockholders' approval, split the Common Stock two for one effective October 11, 1954. There was transferred to Common Stock from Capital Surplus the amount of $2,147,020 representing $1 par value for each additional share so issued.

At December 31, 1954, unexercised options to purchase Common Stock of the Company granted in June 1951 and January 1953 under the Key Employees Stock Option Plan approved by the stockholders (after giving effect to the stock split referred to above) covered 1,990 shares at $13.90 and 51,550 shares at $19.93, such prices representing 95% of the market price at dates of grants. These options are exercisable within ten years of date of grant. During 1954, the excess over par value received from options exercised, $3,096,320, was added to Capital Surplus. The Plan permits the Board of Directors to grant options covering an additional 66,000 shares any time to June 1961. Grantees, upon exercise of options, are entitled to their proportionate share of any stock dividends issued.

A. E. STALEY MANUFACTURING COMPANY

CR.—$716,957—"Capital in Excess of Par or Stated Value of Shares."

Notes to Financial Statements:

Note C—Stock Options: Under the terms of the stock option plan, options may be granted to certain managerial and executive personnel to purchase shares of common stock at a price of 95% of the fair market value of the common stock on the option date or its par value, whichever is higher. The options may be exercised during a four-year period commencing after the holder has remained in the employ of the Company for one year following the option date, with earlier termination under certain conditions.

During the year 1954, options were exercised on 3,770 shares, and at December 31, 1954, there were outstanding options for 25,293 shares at prices ranging from $19.289 to $20.374 per share.

(Refer also to A. E. Staley Manufacturing Company—example under "Treasury Stock"; this section.)

STANDARD BRANDS INCORPORATED

CR.—$480,157—"Capital Surplus: Excess of proceeds over stated value of 32,750 shares of common stock issued under stock option agreements."

THOMPSON PRODUCTS, INC.

CR.—$354,779—"Capital in Excess of Par Value of Shares: Excess of proceeds from sale over par value of common stock sold under stock option plan."

UNION OIL COMPANY OF CALIFORNIA

CR.—$52,770—"Credits in Excess of Par or Stated Value of Shares."

Within: "Shareowners' Equity" Statement

Credits in Excess of Par or Stated Value of Shares: Common (premiums on sales and other issuances)—Option prices ($32.84 and $49.125 per share) in excess of par value of common shares sold (Note 5).

Notes to Financial Statements:

Note 5—Common Shares Reserved: At December 31, 1954, there were 277,600 authorized and unissued Common Shares reserved for issuance to officers and employees as such or pursuant to options which have been or may be granted to them by the Board of Directors. At the beginning of the year an option was held by the President of the Company covering 38,500 shares at $32.84 per share, the market price at the time of granting such option (the number of shares under such option and the option price thereof reflect adjustment, made in accordance with the terms of the option agreement, to give effect to the share dividend of 10% paid in December 1953). During 1954, options were granted to 28 other officers and key employees covering an aggregate of 79,000 Common Shares at $49.125 per share, the market price at the time of granting such options; such options are exercisable, cumulatively, in equal annual amounts over periods of five years in some cases and ten years in others. All option agreements contain certain termination provisions in the event of termination of employment, etc. During 1954, outstanding options were exercised with respect to 5,500 shares at $32.84 per share and 400 shares at $49.125 per share.

UNITED AIRCRAFT CORPORATION
CR.—$814,516—"Capital in Excess of Par Value (Capital Surplus)."

President's Letter: Capital Stock—There were 3,240,147 shares of common stock outstanding at the end of 1954. During the year, 33,112 shares of common stock were issued upon exercise of stock options under agreements with key employees dated December 27, 1951. The aggregate sum received upon exercise of these options was $980,076, of which $165,560 was credited to common stock account at $5.00 a share and the balance of $814,516 to capital surplus. The original option price of $29.75 was adjusted to $25.87 in respect of options for 7,390 shares not exercised at the time of the distribution of stock of Chance Vought Aircraft, Incorporated, on July 1, 1954. At the end of 1954, options were outstanding for 6,100 shares.

THE WAYNE PUMP COMPANY
CR.—$2,300—"Other Capital."

Notes to Financial Statements:

Note 7—Stock Options—Options extending to 1962 to purchase a total of 16,400 common shares are held by four officers and eleven key employees. The option prices, $12.50 as to 16,100 shares and $13.25 as to 300 shares, are not less than 95% of the fair market value of the shares at the grant dates in 1952. Options for 200 shares at $12.50 per share were exercised in 1954.

THE WHITE MOTOR CAR COMPANY
CR.—$394,394—"Capital in Excess of Par Value of Capital Stock: Market value (at dates stock options were granted, adjusted for stock dividends) in excess of par value of 15,716 shares sold under stock options."

WORTHINGTON CORPORATION
CR.—$395,280—"Additional Paid-In Capital: Amount paid in excess of stated value of common stock issued to officers and key employees under stock option plan (1954—24,705 shares)."

THE YALE AND TOWNE MANUFACTURING COMPANY
CR.—$35,675—"Capital Surplus."

Notes to Financial Statements:

Note 5—Authorized Capital Stock: The amount of capital stock of the company authorized by its charter (as amended by Act of Connecticut State Legislature July 13, 1949) is $50,000,000 of which $25,000,000 (divided into 1,000,000 shares each of the par value of $25) is presently outstanding or authorized for issue. At December 31, 1954 631,536 shares are issued and outstanding and 368,464 shares are authorized for issue, of which 134,600 shares may be issued for such property as the board of directors deem advisable, 21,600 shares are, and 450 shares may be, reserved for issuance under the officers' and employees' stock option plan, and the balance of 211,814 shares may be issued for other corporate purposes. The company is authorized by charter to further increase its capital stock (by $25,000,000) by additional shares in one or more classes in an amount or amounts, and having the terms, preferences, restrictions and qualifications stated in the vote of stockholders authorizing such issue, or as fixed and stated in a vote of the directors adopted pursuant to a vote of the stockholders empowering the directors so to act.

Note 6—Officers' and Employees' Stock Option Plan: Under the officers' and employees' stock option plan, options covering 21,600 shares are outstanding at December 31, 1954, such options having been granted: in 1950, 8,750 shares at a price of $36.50 per share; in 1951, 850 shares at a price of $38.50 per share, 500 shares at a price of $40.00 per share, and 1,200 shares at a price of $43.50 per share; and in 1953, 10,300 shares at a price of $38.25 per share. The option price per share, payable in full at time of purchase, may not be less than the closing price on the New York Stock Exchange on the day preceding the day of granting of such option. Three years of consecutive employment must elapse after granting an option before it may be exercised. Within the next ensuing two years it may, under certain conditions, be exercised in whole, or from time to time in part. No additional options were granted during 1954. During 1954 options covering 2,950 shares were exercised, and at December 31, 1954, options for 11,300 shares are exercisable.

Note 7—Capital Surplus: The increase of $35,675 in capital surplus during 1954 represents the excess of the option price over the par value of 2,950 shares issued pursuant to the officers' and employees' stock option plan.

Unclassified Surplus

PULLMAN, INCORPORATED
CR.—$11,025—"Surplus: Excess of option price of capital stock issued over stated value (Note D)."

Note D: Stock Options—Under the Stock Option Incentive Plan for officers and key employes, options were outstanding at December 31, 1954 to purchase 40,600 shares of the authorized but unissued capital stock of Pullman Incorporated, 31,700 at a price of $41.50 per share and 8,900 at $41.375. All options are now exercisable.

Options for 7,400 shares were exercised during the year, 6,800 at $41.50 per share and 600 at $41.375. The excess of the amounts paid for the shares over the stated value of the stock ($40 per share) has been credited to capital surplus.

No additional options were granted during 1954. Options for 3,000 shares, granted in the previous year, were canceled.

Stock Option and Profit Sharing Capital Surplus

COLONIAL STORES INCORPORATED
CR.—$238,656—"Capital in Excess of Par Value of Capital Stock: Excess of consideration received over par value of common stock issued to employees (including shares issued upon exercise of options—Note 3)."

Notes to Financial Statements:

Note 2—Profit Sharing Distributions in Common Stock: As authorized by the Board of Directors, 5,635 shares of common stock of the company were issued in February 1954 to certain employees in partial discharge of the accrual for profit sharing liability at December 26, 1953. For this purpose, the shares issued were deemed to have a fair value of $37 per share (the approximate bid price at the close of business November 30, 1953), an aggregate of $208,495.

Note 3—Options to Purchase Common Stock. Pursuant to authorization by the Board of Directors, options were granted in 1950 to certain executive employees of the company to purchase an aggregate of 19,800 shares of the authorized but unissued common stock of the company at $25.21 per share. Such options were exercisable when granted; they expire on December 31, 1960 or at such earlier dates as the optionees cease to be employees of the company. The quoted market value of the common stock at the date the options were granted was $29.58 per share.

During the year 1954, options relating to 1,634 shares were exercised at the option price of $25.21 per share. The excess ($7,141) of the quoted market value of such shares at the date the options were granted over the option price is included among the operating expenses of the year. At January 1, 1955, unexpired options relating to 13,797 shares had not been exercised.

Stock Option and Incentive Bonus Capital Surplus

LEAR, INCORPORATED
CR.—$245,853—"Additional Paid-In Capital: Excess of fair value over par value of 31,723 shares of Common Stock issuable as of December 23, 1954, to employees as compensation."

Within: "Stockholders' Investment" Section:

Common Stock, par value 50 cents a share—Issuable as of December 23, 1954, as payments to employees under Incentive Bonus Plan 31,723 shares	$15,861

Notes to Financial Statements:

Note B—The 31,723 shares of Common Stock issuable as of December 23, 1954, to employees are in partial payment of bonuses under the Corporation's incentive Bonus Plan. The issuance of the stock has been deferred pending qualification of the shares in the various states and with the American Stock Exchange.

President's Message—Organization and Personnel:

The Stock Option and Incentive Bonus Plans, approved in past years by the stockholders, have been helpful in attracting and retaining the key personnel that have been responsible for the successful operation and growth of your company. Under the Stock Option Plan, by the close of 1954 forty-three employees had purchased 40,560 shares of common stock and paid into the company $149,386 in cash. Under the Incentive Bonus Plan 442 key employees received awards from the Bonus Committee in 1954. This compares with 358 employees who participated in the bonus in 1953; 266 in 1952; and 159 in 1951. Both of these Plans furnish incentive to the employee not only to contribute to the best of his ability in the production of profits to the company, but also to remain with the company, since options can not be exercised for a period of two years after the date of grant, and bonuses awarded were, in most cases, payable half in cash and half in stock of the company in installments up to four years, contingent upon the employee remaining with the company.

Stock Option and Stock Purchase Capital Surplus

ARMSTRONG CORK COMPANY

CR.—$628,234—"Amount Paid-In or Assigned to Outstanding Shares in Excess of Stated Capital."

Notes to Financial Statements:

Note 6: During 1952 an "Employees' Stock Option and Stock Purchase Plan" was approved by the stockholders, limited to 140,000 shares of common stock reserved therefor. Through December 31, 1954 options had been granted for 81,600 shares at $50.75 per share, being not less than 95% of the market price when granted. Options are non-transferable except by will or laws of intestacy and expire ten years from date of issue. They may not be exercised by the optionee during the first year after being granted nor at a cumulative rate in excess of 20% per year during the succeeding five years. Options may be exercised by a participant only while an employee or within three months of his termination date, or in the case of death of optionee, by his estate within eighteen months thereof. No participant may acquire more than 7,000 shares under the plan. By the end of 1954 options to purchase 13,274 shares had been exercised.

Note 7: The increase of $10,087,682 in the amount paid in or assigned to outstanding shares in excess of stated capital consisted of (a) $6,459,448 resulting from the conversion of 63,019 shares of $4.00 cumulative preferred stock into common stock; (b) $628,234 from the exercise of options to purchase 12,379 shares of common stock and (c) $3,000,000 as value assigned to 40,000 shares of common stock issued on November 5, 1954 in exchange for the outstanding capital stock of Deltox Rug Company.

(Refer also to Armstrong Cork Company—example given under *Capital Stock Issued in Acquisition of Subsidiary* and *Conversion of Preferred Stock*, this section.)

NATIONAL GYPSUM COMPANY

CR.—Indeterminable—"Capital Surplus:

Surplus resulting from . . . exercise of options by employees, and payment of stock dividend .... $2,199,833."

Note B—Common Stock Option and Employees' Common Stock Purchase Plans: Under the Company's "Restricted Common Stock Option Plan" certain key employees (including officers) at December 31, 1954 held options to purchase a total of 30,396 shares of Common Stock, as follows: 25,396 shares (optioned in 1952) at $18.38 a share prior to March 25, 1957 and 5,000 shares (optioned in 1954) at $45.50 a share prior to December 21, 1959, including 2,704 shares under options exercisable at December 31, 1954. Options covering 10,264 shares were exercised at $18.75 a share during the year ended December 31, 1954. 2,322 additional shares are available for options under the Plan and such shares and those covered by any lapsed options may be optioned prior to May 1, 1962. The Plan requires that each option shall be for a period of five years and that the option price shall be not less than 95% of the market price at the time of granting, subject to change to the extent equitably required in the event of stock dividends and certain other changes in issued Common Stock.

Under the Company's "Employees' Common Stock Purchase Plan" employees may purchase, through their agents appointed by the Board of Directors, Common Stock of the Company on the open market from funds received from the participants not in excess of 10% of their base pay. The Company contributes, as additional remuneration, amounts equal to 15% of the employees' payments. Contributions by the Company applicable to the year ended December 31, 1954 amounted to approximately $70,000.

STANDARD OIL COMPANY (INDIANA)

CR.—$2,710,526—"Capital in Excess of Par Value: 52,122 shares under the Savings and Stock Bonus Plan for Employees—(See President's letter pgs. 15 & 16; titled Savings and Stock Bonus Plan for Employees)."

Savings and Stock Bonus Plan for Employees:

On March 31, 1954, the fourth year of the Savings and Stock Bonus Plan ended, and 52,122 shares of capital stock were given to about 32,000 employees. These shares were taken out of previously unissued stock. The shares issued were recorded at the average market value on the date the employees became entitled to receive the stock.

Incentive Stock Option Plan for Key Executives:

The Incentive Stock Option Plan for Key Executives of the Company and its subsidiaries, as approved by stockholders in 1953, provides that, in the event of a stock dividend, the board of directors may make appropriate adjustments in options granted and to be granted.

Accordingly, when the 100 per cent stock dividend in 1954 cut the value of each share by one-half, the board made the appropriate adjustments. It doubled the total number of shares that may be sold under the Plan and the total number that may be sold to directors and to any one executive. The number of shares specified in options already granted was doubled in each case, and the option price per share specified in outstanding options was reduced by one-half.

After these adjustments, options for 419,600 shares to 274 optionees were outstanding on December 31 at an average adjusted price of $36.16 per share. This included options granted in 1954 covering 215,130 shares at an average adjusted price of $38.87 per share.

Through December 31, options covering 4,310 shares had been terminated. Under the Plan no option can be exercised earlier than two years nor later than 10 years after the date on which it is granted. None may be granted after May 7, 1958. The earliest date on which any of the options now outstanding may be exercised is May 19, 1955.

Capital Stock Bought:

At the Year End, the Company held 266,671 shares of its stock purchased in anticipation of obligations under the Savings and Stock Bonus Plan and the Incentive Stock Option Plan. The cost of $9,403,912 is included in "Investments held for operating purposes" in the balance sheet. The average cost was $35 per present share.

WESTINGHOUSE ELECTRIC CORPORATION

CR.—$9,298,816—"Amount Paid the Company for Capital Stock in Excess of Par Value: Sale of common stock under Employee Stock Plan and Restricted Stock Option Plan (1954, 240,622 shares)."

Financial Review: Financing—

Because of continuing wide-spread employe interest in buying the Company's common stock, on February 24, 1954, the Board of Directors amended the Employe Stock Plan approved March 1, 1950. This amendment extended the Plan to April 30, 1955, and increased the number of common shares available for employees from 850,000 to 1,050,000 shares.

During 1954, 20,550 employes purchased 151,225 shares by payroll deductions of $8,747,000. Of the 1,050,000 shares set aside for sale to employes, 832,198 shares had been paid for and issued as of December 31, 1954.

Management Incentives:

Under the Incentive Compensation Plan approved by the stockholders in 1951 and incorporated in the by-laws, the Board of Directors approved payment of $7,310,000 incentive compensation to 6,754 members of management. For some 210 members of management responsible for formulation of major policies, part of this incentive compensation will be paid in Westinghouse common stock at the market price per share on the date of distribution. The stock has been purchased by the Company for this purpose in the open market.

Under the Restricted Stock Option Plan, approved by the stockholders in 1951, the Company during the year granted options to executives of the Company for a total of 108,425 shares. These include options for a total of 99,425 shares granted to 190 executives on January 22, 1954, and reported in the Company's 1953 Annual Report. The price at which these options may be exercised is approximately 96 per cent of the highest market price per share of the stock on the day the option was granted.

During the year, options previously granted under the Plan were exercised for a total of 89,397 shares by 139 executives, or by representatives of deceased executives to whom they had been granted.

Stock Purchase Plans
Capital Surplus

AMERICAN CYANAMID COMPANY

CR.—$980—"Capital Surplus: Premium ($4.00 per share) on shares of Cumulative Preferred Stock, Series A, issued under employees' stock purchase contracts."

(Refer also to American Cyanamid Company—example under "Financing Expenses"; this section.)

THE BLACK AND DECKER MANUFACTURING COMPANY

CR.—$143,114—"Capital Surpless (Excess over stated value of Comomn Stock): Excess of sales price over stated value of 5,066 shares of Common Stock sold."

Note C: Pursuant to an Employee's Stock Purchase Plan adopted during the year, 20,000 shares of Common Stock of the Company were reserved for issuance to employees of the Company and its subsidiaries at approximately 90% of market price on offering dates in 1954, 1955, and 1956. The offering in any one year is limited to a number of shares which will result in an aggregate market price not in excess of $300,000 in that year. The stock is issued when paid for in full by cash or through weekly payroll deductions. Proceeds from the sale of the stock are credited to the Common Stock Account at the stated value of $5 per share and the remainder to capital surplus.

In February 1954, 8101 shares were offered and subscribed for at $33.25 per share. Of this number, 5066 shares have been fully paid and issued as of September 30, 1954.

CONTINENTAL CAN COMPANY, INC.

CR.—$3,019,452—"Capital Surplus."

Notes to Financial Statements: Capital surplus increased during 1954 by $5,088,192, of which $2,068,740 resulted from the conversion of Second Preferred Stock into Common Stock and $3,019,452 represents the excess of consideration received over par value of Common Stock issued for properties or other assets acquired or Common Stock sold under the Employees' Stock Purchase Plans.

Financial and Operating Review: *Employees and Employee Benefits*—During the year, a total of 68,471 shares of Common Stock was sold to 720 employees under the various Employees' Stock Purchase Plans previously approved by the shareholders. Of this amount 62,889 shares were issued from the authorized but unissued stock and 5,582 shares from Treasury stock held by the Company for sale to employees under these plans.

At December 31, 1954, 80 key employees held options to purchase a total of 98,230 shares of Common stock under the existing plan. Of this total 44,320 shares are at a price of $35.00 per share, 10,639 shares at a price of $42.75 per share, and 43,271 shares at a price of $48.25 per share. All of these options are exercisable in equal annual installments and expire on June 21, 1961.

Practically all rights previously granted under the Employees' Stock Purchase Plan for salaried and hourly-rated employees have been exercised. At December 31, 1954 the only rights remaining to be exercised were held by seven employees and covered the right to purchase 41 shares at a price of $33.25 per share at any time prior to December 31, 1957.

THE DOW CHEMICAL COMPANY

CR.—$3,309,636—"Capital Surplus: Excess of market value at dates of delivery over par value of Common Stock sold to employees."

M. H. FISHMAN CO., INC.

CR.—$86,063.45—"Paid-In Surplus: Add—Excess over par value of 10,307 shares of the corporation's stock sold to employees."

Within: Non-Current Liabilities:

Employees Payments on Subscriptions to Capital Stock of the Corporation (Note C)	$300

Notes to Financial Statements: *Note C*—In accordance with resolution of the Board of Directors dated May 1, 1952, 16,000 shares of common stock of the corporation were reserved for sale to employees at $10.50 per share payable in instalments of 50c per share per month beginning August 15, 1952. Dividends as declared and paid on the regular outstanding stock of the corporation are also to reduce the unpaid balance due from the subscribers. On March 19, 1954, 10,307 shares of stock were issued to employees who had paid in full. 75 additional shares were subscribed to on May 14, 1954, on which instalment payments of $300.00 were made to December 31, 1954.

FOOD MACHINERY AND CHEMICAL CORPORATION

CR.—$166,682—"Capital in Excess of Par Value of Capital Stocks: Excess of cash proceeds over par value of 5,723 shares of common stock sold to employees, less estimated financing expense."

(Refer also to Food Machinery and Chemical Corporation —example under "Conversion of Preferred Stock"; this section.)

GENERAL AMERICAN TRANSPORTATION CORPORATION

CR.—$145,337—"Capital Surplus: Excess of proceeds over par value of 6406 shares of common stock issued under subscription agreements."

Within: "Capital Stock and Surplus" section:

Amounts paid by officers and employees on subscriptions for 1,316 shares of unissued common stock (unpaid balance $31,831)	$1,316

GENERAL PLYWOOD CORPORATION

CR.—$236—"Capital Surplus: Excess of amount received over cost of 3719 shares of Common Treasury Stock issued to officers and employees under stock purchase agreement."

CR.—$1,654—"Capital Surplus: Excess of amount received over par value of shares of Common Stock issued to officers and employees under stock purchase agreement (1954—1013 shares)."

Within: "Non-Current Asset" Section:

Notes receivable from officers and employees under stock purchase agreements (see contra)	$229,555

Within: "Non-Current Liabilities" Section:

Common Stock subscriptions from officers and employees under stock purchase agreements (see contra) (Note 2)	$229,555

Notes to Balance Sheet:

Note 2—The 5% Cumulative Convertible Preferred Stock is of par and involuntary liquidation values of $20 per share and of voluntary liquidation and redemption values of $21 per share (except redemption through the sinking fund of not in excess of $20 per share).

Each Share of Preferred Stock is convertible into three shares of Common Stock with provision for adjustments of this ratio on occurrence of certain events.

Of the presently remaining 1,366,746 shares of Common Stock authorized but unissued, 257,166 shares are reserved as follows:

		Shares
For the Conversion of the presently outstanding 43,326 shares of Preferred Stock		129,978
For issuance to officers and employees under stock purchase agreements:		
Presently subscribed for under stock purchase agreements	109,505	
Unsubscribed	26,561	
	136,066	
Less shares held in treasury for this purpose	8,878	
		127,188
		257,166

LINK-BELT COMPANY

CR.—$364,801—"Additional Paid-In Capital: Excess of market over par value of 9,019 shares of stock sold to officers and employees."

Notes to Financial Statements: Common Stock—The stockholders have authorized the sale of any unissued shares of common stock to employees at the discretion of the Board of Directors at not less than book value at the close of the year immediately preceding the year of sale. Of the unissued shares at December 31, 1954, 15,369 shares are registered under the Securities Act of 1933 for sale to a selected group of officers and employees of the company and its subsidiaries. All shares remaining unsold on April 1, 1955, will be withdrawn from registration.

McGRAW ELECTRIC COMPANY

CR.—$904,000—"Paid-In Surplus: Excess over par value of the value assigned to 13,194 shares of common stock issued or sold to employee trusts."

THE NEW BRITAIN MACHINE COMPANY
CR.—$13,290—"Capital in Excess of Par or Stated Capital of Shares: Excess over par value of proceeds received on 890 shares of Common Stock issued under Employees Stock Purchase Plan, less related expenses of $42—Note B."
Within: "Current Liabilities" Section:
Employees' payments on stock subscriptions (Note B .... $61,421)

Notes to Financial Statements:
Note B—Employees' Stock Purchase Plan—On March 30, 1954, the stockholders reserved 50,000 shares of unissued Common Stock for sale to employees of the Company from time to time and at terms and conditions as the Board of Directors may determine. Shortly thereafter, the Company offered 5,000 shares of its Common Stock to employees at a price of $24.98 per share (based on the average bid price during the month of April, 1954) and accepted subscriptions to the extent offered; however, subscriptions for 67 shares were subsequently cancelled. At December 31, 1954, subscriptions applicable to 890 shares were fully paid and the shares issued, and $61,421 had been paid on subscription for 4,043 shares.

REXALL DRUG, INC.
CR.—$4,871—"Other Paid-In Capital."
Within: "Stockholders' Equity" Section:
Other Paid-in Capital (increased in 1954 by $4,871 gain on sale of stock to executives).

J. P. STEVENS & CO., INC.
CR.—$13,841—"Capital Surplus."

Notes to Financial Statements:
Note D—Stock Purchase Plan for Employees: Under a Stock Purchase Plan for Employees, 59,020 shares of the Company's capital stock are reserved as at October 31, 1954 for issuance to employees (including 14 officers) on payment of their subscriptions at an average price of $40.65 per share. Payments received and credits applied under the Plan on subscribed shares not yet issued are included as a current liability in the accompanying consolidated balance sheet.

In accordance with the provisions of the Plan, the annual installment payments due subsequent to May 1952 have been deferred for those members of the Plan so desiring.

Capital Surplus was increased during the year ended October 31, 1954 by $13,841 upon issuance of 540 shares under the Stock Purchase Plan for Employees.

STEWART-WARNER CORPORATION
CR.—$36,056—"Capital in Excess of Par Value: Proceeds from sale of 1,700 shares of treasury stock to key employees."
Within: "Investments and Advances" Section:
Due from officers and employees (7,900 shares of company's stock held as collateral) $115,578

Stock Bonus Capital Surplus

ATLAS POWDER COMPANY
CR.—$24,450—"Additional Paid-In Capital."

Notes to Financial Statements: During 1954 additional paid-in capital was increased as follows: Excess of market value over cost of reacquired common stock awarded as bonus to employees.

BEAUNIT MILLS, INC.
CR.—$9,087—"Capital Surplus: Excess of market over cost of treasury stock distributed to employees as additional compensation."

THE DOBECKMUN COMPANY
CR.—$42,498—"Additional Paid-In Capital: Excess of market value over par value of 1405 shares of common stock issued as bonus to officers and employees."

E. I. DU PONT DE NEMOURS & COMPANY
CR.—$266,901—"Paid-In Surplus: Difference between cost and value placed on treasury Common Stock transferred to bonus accounts in accordance with the Bonus Plans."
CR.—$14,855,742—"Paid-In Surplus: Add—excess of issue price over par value of Common Stock Issued to Employees."

Common Stock Issued to Employees:
Under authorization of the Board of Directors, and in accordance with provisions of the Company's Charter, 150,058 shares of Common Stock were issued in 1954 at $104.00 per share, and 156,720 shares in 1953 at $92.50 per share, in the names of employees who were recipients of awards under Bonus Plan "B" or awards of extra compensation (for which the Company is reimbursed) for work under contract with the Atomic Energy Commission. The par value of the shares so issued was added to the Common Capital Stock account and the excess of issue price over par value ($99.00 per share in 1954 and $87.50 per share in 1953) was added to Paid-in Surplus.

Bonus Plans:
Under Plan "A," awards may be granted for conspicuous service of any nature, regardless of the Company's earnings. Under this Plan, awards aggregating $430,254 were granted to 265 employees in 1954. The awards consisted of $178,675 in cash and 1,980 shares of Common Stock previously acquired by the Company and awarded at the then approximate market price, $127.06 a share.

FEDERATED DEPARTMENT STORES, INC.
CR.—$1,112—"Capital in Excess of Par Value of Common Stock: Credits resulting from issuance of treasury stock under contingent compensation plan."

Within Common Shareholders' Investment Statement: Par Value of Common Stock—Authorized shares of $5 par value common stock were 4,340,582 shares. Changes in the common stock held by shareholders other than the Company are as follows: Issued from treasury in connection with the contingent compensation plan—31 shares—$155.

Employee Profit-sharing Capital Surplus

BURLINGTON MILLS CORPORATION
CR.—Indeterminable—"Capital in Excess of Par Value: Excess of cost over par value of Common Stock acquired for treasury, less excess of market over par value of treasury shares issued to Employee's Profit Sharing (Retirement) Plan."

DICTAPHONE CORPORATION
CR.—$177,772—"Capital Surplus."

Notes to Financial Statements: Note 3—During the year, capital surplus of $177,772 arose through issuance of 1814 shares of common treasury stock under the company's incentive compensation plan.

JOHNSON & JOHNSON
CR.—$11,000—"Earnings Segregated by Stock Dividends and Gains on Distribution of Capital Stocks: Excess of market quotations over cost of acquired common stock distributed to employees."
CR.—$516,000—"Earnings Segregated by Stock Dividends and Gains on Distribution of Capital Stocks: Excess of market quotations over par value of original issue common stock distributed to employees."

Notes to Financial Statements:
Note 6—The number of shares of each class of capital stock of Johnson & Johnson as at December 31, 1954 is shown below:

	Authorized	Issued	Treasury Stock
Cumulative preferred	30,749		
Series C 4%		12,249	None
Common	2,230,000	2,109,620	3,186

The cumulative preferred stock, series C 4%, is redeemable at the option of the Company at $115 a share.

Contracts with employees are outstanding at December 31, 1954 under which the Company may be required to deliver 39,384 shares of common stock.

Domestic Operations:
Employee Extra Compensation Plan. At year-end, the Company was obligated to deliver to its employees, over a period of not more than four years, 39,384 shares of its common stock under the Extra

Compensation Plan described in the 1953 Annual Report. Of these, 3,717 shares are subject to purchase by 36 employees at $52.38 a share through exercise of five-year stock options dated November 15, 1950.

8,515 shares are subject to purchase by 76 employees at $52.00 a share through exercise of similar options dated November 12, 1952.

The remaining 27,152 shares are subject to issuance in performance of Stock Compensation Contracts with 709 employees of the Company.

SIGNODE STEEL STRAPPING COMPANY
CR.—$168,844—"Capital Surplus."

Notes to Financial Statements:

Note 5—The increase in capital surplus in 1954 resulted from (b) $168,844 excess of market over par value of 9,932 shares of common stock contributed to the profit sharing trust funds; and . . .

APPROPRIATION OF RETAINED EARNINGS

Capital Structure Purposes

ALLEN B. DU MONT LABORATORIES, INC.
DR.—$70,713—*"Earnings Reinvested in the Business*: Amounts appropriated for the retirement of preferred stock."

Within Stockholders' Equity:

Earnings reinvested in the business—Appropriated for retirement of preferred stock	$141,803

Notes to Financial Statements:

Note 9—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, in a quarterly amount equal to 2½% of the net earnings 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 unexpended 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. All of the balances of any installments unexpended after one year from the date on which they were originally set apart are no longer required to be set apart but may thereafter be used by the Company for any purpose.

Contingency Purposes

ACF INDUSTRIES INCORPORATED
CR.—$7,121,588—"Retained Earnings: Restoration to retained earnings of contingency reserve no longer deemed necessary."

ANCHOR HOCKING GLASS CORPORATION
CR.—$425,000—"Earned Surplus: Restoration of amount appropriated for contingencies in prior years."

THE FAIRBANKS COMPANY
DR.—$100,000—*"Earned Surplus."*

(Refer also to The Fairbanks Company—example under "Prior Year Adjustments—Other"; this section.)

GLEANER HARVESTER CORPORATION
CR.—$300,000—"Earned Surplus: Restoration of earned surplus previously appropriated as a reserve for future inventory price declines and other contingencies."

HERCULES POWDER COMPANY
CR.—$1,582,840—"Net Income Invested in the Business: Transfer from reserve for contingencies."

LIBBEY-OWENS-FORD GLASS COMPANY
CR.—$3,341,360—"Retained Earnings Employed in the Business: Restoration to retained earnings of reserve for general contingencies."

METAL & THERMIT CORPORATION
CR.—$400,000—"Earned Surplus: Reserve for contingencies, inventories, etc., restored to earned surplus."

THE MOHAWK RUBBER COMPANY
CR.—$72,000—"Earned Surplus: Amount transferred from appropriated surplus."

THE MURRAY CORPORATION OF AMERICA
DR.—$2,000,000—*"Earnings Retained for Use in the Business (Not reserved for specific purposes)*: Reserved for possible losses in connection with disposal of certain Detroit properties and inventories (Note B)."

Note B: Reserve for Possible Losses in Connection with Disposal of Certain Detroit Properties and Inventories: The Corporation has substantially discontinued operations in its Automotive Body Plant and Aircraft Division. Although no material losses are presently anticipated on disposal of the facilities and remaining inventories, $2,000,000 has been set aside out of earnings retained for use in the business as a protection against any contingencies that may arise.

NATIONAL GYPSUM COMPANY
CR.—$200,000—"Earned Surplus: Cancellation of reserve for general contingencies."

PARK & TILFORD DISTILLERS CORPORATION
DR.—$50,000—*"Earned Surplus*: Increase in provision for contingencies."

Consolidated Balance Sheet: Within Current Liabilities—

Provision for contingencies (Note B)	$150,000

Note B—Provision for Contingencies. The Federal income tax returns of the company and its subsidiaries have been reviewed by the Treasury Department to December 31, 1950. Certain of the former subsidiaries which have since been merged into the company have filed Applications for Relief from Federal excess profits taxes for the years 1940 to 1945 inclusive. These claims were rejected by the Excess Profits Tax Council and the company has appealed this determination. A portion of the amounts claimed which had been withheld from payment during the years affected, as permitted under the internal revenue code, have since been paid; but interest thereon in the approximate amount of $148,000 has not been paid. Such interest if paid will be deductible for tax purposes against income in year of payment or against income of subsequent years under the loss carry forward provision of the internal revenue code. Also pending is a claim for refund of Federal Income Taxes in the approximate amount of $180,000 upon which the company anticipates a reasonable and early settlement. Pending final determination, the aforementioned claims have not been set up in the company's books nor in the statements herein. The company has been named in two suits filed in 1952, one for approximately $230,000, plus interest from January 1, 1948, and the other for approximately $810,000. In the opinion of the company's counsel, the amounts for which the company may be held liable in these litigations or in any other pending litigations will not be significant in relation to the amounts claimed. The litigations will involve legal expenses for services to be rendered subsequent to December 31, 1954. Against the aforementioned and other possible contingent liabilities and credits, there has been set up a provision for contingencies in the amount of $150,000, of which $50,000 was provided during the current year. Whether this amount is excessive or inadequate cannot presently be determined.

REMINGTON ARMS COMPANY, INC.
CR.—$2,463,576—"Earned Surplus: Transferred from Reserve for Contingencies."

To the Stockholders: During 1942 and 1943 the Company created from earnings a reserve for contingencies to meet deferred costs related to the war period and to provide for reconversion of facilities for postwar years. In December 1954 the unused portion of this reserve, amounting to $2,463,576, was transferred to earned surplus.

REMINGTON RAND INC.

CR.—$958,624—"Earnings Retained for Use in the Business: Transfer balance of appropriation for contingencies at March 31, 1954."

RITTER COMPANY, INC.

CR.—$135,398—"Earned Surplus: Transfer from reserve for contingencies (Note 4)."

Notes to Financial Statements:

Note No. 4: Reserve for contingencies as carried in prior years in the amount of $150,000 was closed out in 1954. Of this amount, $14,602 was credited to the Executives Supplemental Compensation Plan Fund as representing 15% of that portion ($97,342) of the reserve that had been credited by charge to earnings in prior years, which earnings were sufficient as to provide additions to the aforementioned Fund in accordance with the Plan adopted by the stockholders in 1935. The balance of $135,398 of the reserve was credited to earned surplus.

To the Shareholders:

Surplus Adjustments—The book value of our Common Stock on December 31, 1954, was $33.32 per share, an increase of $2.54 over a year ago. Of this increase, $.88 was due to the transfer to Surplus of a Reserve for Contingencies which had been in our balance sheet for many years, largely as a remnant of an unused reserve for post-war rehabilitation which had been provided for out of earnings prior to 1946. The Reserve for Contingencies was created as follows:

Unused portion of reserve for post-war rehabilitation charged against earnings prior to 1946	$ 97,342
Charge against Earned Surplus in 1947 and 1948	52,658
Total	$150,000

The Reserve for Contingencies had become merely a segregation of Earned Surplus and it was considered by our Directors and our accountants that the balance sheet would reflect our financial position more accurately if this reserve were now incorporated in Earned Surplus. Accordingly, the Reserve for Contingencies was closed out in 1954. $135,398 was credited to Earned Surplus and $14,602 (being 15% of $97,342, which is the amount of the Reserve for Contingencies which had been created out of a charge to earnings in prior years) was credited to the Fund for Supplemental Compensation for Executives, in accordance with the Plan adopted by the Shareholders in 1935.

THE SAFETY CAR HEATING AND LIGHTING COMPANY, INC.

CR.—$675,000—"Accumulated Earnings (unappropriated): Add transfers from reserves—for contingencies."

SCHENLEY INDUSTRIES, INC.

CR.—$3,000,000—Earned Surplus: Transfer of reserve for contingencies, provided in prior years, as authorized by the Board of Directors."

Earnings and Finances: At the year end, there was restored to earned surplus a $3,000,000 reserve established in prior years for post-war contingencies which no longer exist. The book value of the common stock at the year end, after this adjustment, was $52.23 a share. The book value was $52.43 a share at the previous year's end.

UNITED CARBON CORPORATION

CR.—$1,000,000—"Income Reinvested in the Business: Transferred from reserve for taxes and contingencies."

Within Reserve section—Reserve—For taxes and contingencies	$500,000

Financial Review:

Reserve for Taxes and Contingencies—It will be noted from the consolidated balance sheet that $1,000,000 was transferred during 1954 from this reserve to reinvested earnings. During the past year, settlements of Federal income taxes for prior years have been made to the point where we are in position to estimate that the balance of $500,000 remaining in the reserve for taxes and contingencies will be ample to provide for the years still open for settlement.

(Refer also to United Carbon Company—example under "Appropriation of Retained Earnings—Tax Purposes"; this section.)

Employee Welfare Purposes

BOTANY MILLS, INC.

DR.—$700,000—*"Earned Surplus*: Provision for pensions and retirement allowance—Note F."

Consolidated Balance Sheet

Within "Current Liabilities"

Reserve for pensions and retirement allowance—portion payable within one year—Note F	$ 60,000
Within "Noncurrent Liabilities"	
Reserve for pensions and retirement allowance—Note 7	700,000
Less: Current portion payable within one year, as shown above	60,000
	$640,000

Note F—On April 21, 1953, the stockholders approved a five-year noncontributory pension plan effective as at October 1, 1952. The plan provides generally for retirement and disability pensions of $100.00 per month for life, less social security benefits, for employees 65 years of age and with 25 years of service. Under certain circumstances set forth in the plan, retirement with pension may take place prior to age 65 and with less than 25 years of service. The costs of the pension plan are not funded by the Company and are charged against income as payments become due. Based upon the number of applications for retirement approved as at December 31, 1954, management estimates that the cost for the year commencing January 1, 1955 will be approximately $45,000.00. Management further estimates the total pensions applicable to these employees for their remaining lives to be approximately $400,000.00 and estimates the total additional pensions that may be paid to all other employees who may apply at age 65 before October 1, 1957 to be approximately $300,000.00.

Under the terms of an employment contract entered into on May 31, 1951, the Company has agreed to a retirement allowance of $15,000.00 per year payable to a former officer during his lifetime under certain conditions set forth in the contract. Based on life expectancy, it is estimated that this would aggregate approximately $200,000.00.

As at December 31, 1954, the Company has adopted a policy of providing for the foregoing pension and retirement allowance obligations on the following basis:

> Those obligations related to former employees now receiving pensions and retirement allowance are provided for in the estimated full amount thereof. Those pensions for which application may be made subsequent to December 31, 1954 and prior to October 1, 1957 are being provided for over the five-year term of the pension agreement.

BUTLER BROTHERS

CR.—$766,746—"Earned Surplus: Transfer of unused reserve for past service pension costs (funding completed this year)."

To Our Shareowners: Personnel—Funding of the company's past service obligations under the pension plan approved by share owners in 1946, was completed December 31, 1954. Company contributions to the pension fund from now on will be confined to eligible employees' future services.

Foreign Activity Purposes

THE CUBAN-AMERICAN SUGAR COMPANY

DR.—$120,000—*"Earned Surplus*: Amount transferred to capital stock of subsidiary from earned surplus thereof."

Within Capital Stock and Surplus:

Amounts transferred to capital stock of subsidiaries from earned surplus thereof	$14,740,240

To the Stockholders: Cuban tax legislation referred to in earlier Reports has resulted in further capitalization of earned surplus of your Cuban Subsidiaries in the amount of $120,000 which in the statement of consolidated assets and liabilities has been transferred from Earned Surplus to Amounts Transferred to Capital Stock of Subsidiaries.

INTERNATIONAL BUSINESS MACHINES CORPORATION

CR.—$11,201,413.23—"Earned Surplus: Transfer from Reserve for Foreign Investment."

(Refer also to International Business Machines Corporation—example under "Adjustments in Consolidation"; this section.)

NATIONAL DAIRY PRODUCTS CORPORATION

CR.—$2,336,346—"Earned Surplus: Elimination of reserve for foreign investments no longer required."

Notes to Financial Statements:

Principles of Consolidation—All subsidiary companies have been included in consolidation except a mutual insurance company, one minor partially owned company and the subsidiaries in England, Australia and Germany. Net sales of the foreign subsidiaries excluded from consolidation aggregated $50,272,404 in 1954. The Company's equity in the net profit of such subsidiaries was $2,477,348 in 1954 and equity in the net tangible assets at December 31, 1954, stated at the rates of exchange prevailing at that date, amounted to $11,155,457. Dividends of $189,244 in 1954 were credited to profit and loss. The balance of the reserve for investments in foreign subsidiaries at December 31, 1954, which is no longer required, was transferred to earned surplus.

STANDARD OIL COMPANY (NEW JERSEY)

CR.—$90,000,000—"Earnings Reinvested and Employed in Business: Transfer of reserve for possible losses on foreign investments."

Financial Review: Shareholders' Equity—The restoration of affiliated companies in Europe and North Africa to the consolidated statements as of December 31, 1953, increased shareholders' equity by $73,976,310. This amount represents the excess of Jersey's equity in the net assets of these affiliates as of that date over its investment cost. In addition, the reserve in the amount of $90,000,000 previously carried by the parent company for possible losses on foreign investments was transferred to shareholders' equity.

UNITED FRUIT COMPANY

CR.—$7,482,580—"Earnings Retained in Business Not Specifically Appropriated: Amounts Transferred from Appropriated Earnings: Earnings of European subsidiaries at December 31, 1939 not realized in U. S. dollars."

Note 1: The principle of consolidation followed by the Company is to include the assets, liabilities and operations of all but four minor subsidiaries. Included in consolidation for the first time since 1939 are the subsidiaries in the United Kingdom and Continental Europe. All foreign transactions are stated at their appropriate United States dollar equivalents.

UNITED MERCHANTS AND MANUFACTURERS, INC.

DR.—$39,964—*"Earned Surplus*: Appropriation to Statutory Reserves."

Within Capital Stock and Surplus:

Statutory Reserves, South American Subsidiaries $168,372

WESTON ELECTRICAL INSTRUMENT CORPORATION

CR.—$77,817—"Earnings Retained for Use in the Business: Allowance for investment in foreign company no longer required."

Insurance Purposes

ELGIN NATIONAL WATCH COMPANY

CR.—$200,000—"Retained Earnings Invested in the Business: Reserve for casualty insurance restored to retained earnings."

REVERE COPPER AND BRASS INCORPORATED

CR.—$800,000—"Earnings Retained and Employed in the Business: Portions of reserves, created in prior years, no longer required—For Compensation Insurance."

(Refer also to Revere Copper and Brass Incorporated—example under "Appropriations of Retained Earnings—Tax Purposes"; this section.)

Inventory Purposes

ENDICOTT JOHNSON CORPORATION

CR.—$549,000—"Accumulated Retained Earnings: Federal Taxes on income at current rates applicable to provision for the year to give effect to the normal base stock method of inventory (Note 1)."

Consolidated Balance Sheet: Within Non-Current Liabilities Section—

Provision to give effect to the Normal Base Stock Method of Inventory (Note 1) $14,844,238

Consolidated Statement of Earnings:

Net amount to give effect to the Normal Base Stock Method of Inventory transferred from provision therefor after deducting approximate applicable federal taxes on income at current rates (Note 1) .... $ 506,698

Notes to Financial Statements:

Note 1: The Corporation employs the normal base stock method of inventory under which the inventories are stated on the basis of cost or market, whichever is lower, and a provision is made to reduce the established normal inventories to the following fixed prices:

	Fixed prices*
Hide value in (a) raw hides and hides in process; (b) own upper leather; (c) own sole leather; (d) upper leather in footwear; and (e) sole leather in footwear	7 cents per lb.
Purchased upper leather	13 cents per ft.
Crude rubber (a) unprocessed; (b) in rubber footwear and (c) in soles and heels in leather footwear	5 cents per lb.

*Fixed prices to which inventories are adjusted are substantially below current market levels.

In addition to the above materials the provision covers that portion of inventory valuation attributable to the following costs on the normal quantities to the extent such valuation exceeds costs prevailing in 1939:

Labor and overhead costs.
Certain miscellaneous raw materials and supplies.
Purchased shoes, slippers and hosiery in retail stores.

The normal base stock method is not recognized for federal income tax purposes and taxes have, therefore, been paid in prior years on the entire provision of $14,844,238. Tax rates have increased materially since 1936 when the normal base stock method was established. If the "Provision to give effect to the normal base stock method of inventory" were computed net of taxes at the current year's rate of 52%, it would be $7,125,234 and the excess of $7,719,004 would represent a part of "Accumulated retained earnings."

The normal base stock method is designed to eliminate from earnings most of the inventory price increases or declines. Prices decreased during the year, and earnings have been increased by a reduction of the provision accumulated in prior years. Moreover, since the decrease also resulted in a decrease in 1954 federal taxes on income, such credit to earnings has been reduced to $506,698 by an amount equivalent to the tax decrease ($549,000), which has been credited directly to "Accumulated retained earnings."

THE HOBART MANUFACTURING COMPANY

CR.—$500,000—"Unappropriated Earned Surplus: Reversal of a portion of a previous appropriation of earned surplus designated as a reserve for possible future inventory price declines."

Consolidated Balance Sheet: Within Capital Stock and Surplus—

Appropriated for possible future inventory price declines and other contingencies $1,000,000

G. R. KINNEY CO., INC.

CR.—$200,000—"Retained Earnings Unappropriated: Transfer from earnings previously appropriated for future inventory price declines."

DR.—$200,000—*"Retained Earnings from July 1, 1936—Appropriated*: for future inventory price declines: Amount required to reduce Lifo inventories to estimated market value."

Note 1: Approximately 90% of the inventories of the company and its subsidiaries are valued at last-in, first-out (LIFO) cost, less the amount required to reduce the aggregate of these inventories to estimated market value. The remainder of the inventories are valued at the lower of cost or market.

The amount required to reduce Lifo inventories to estimated market value was $300,000 at December 31, 1954, compared with $100,000 at December 31, 1953; the difference of $200,000 accumulated for the year was charged to retained earnings.

MARSHALL FIELD & COMPANY

CR.—$3,600,000—"Earned Surplus: Transfer from reserve for possible future decline in market value of inventories."

To the Shareholders: In 1954 we discontinued the practice followed since 1946 of increasing or decreasing our inventory reserve by an amount approximating the effect of price increases or decreases upon our inventory valuation, and charging or crediting these amounts to current earnings in determining net income. This does not impair the comparability of our 1954 and 1953 operating data, however, because in 1953 no adjustment was made, due to the fact that prices remained stable during that year. With the discontinuance of the practice of adjusting our inventory reserve each year-end we have transferred the $3,600,000 balance in that reserve to earned surplus.

REVERE COPPER AND BRASS INCORPORATED

CR.—$1,350,000—"Earnings Retained and Employed in the Business: Portions of reserves, created in prior years, no longer required—For Inventories."

(Refer to Revere Copper and Brass Incorporated—example under—Appropriations of Retained Earnings—Tax Purposes; this section.)

UNITED STATES SMELTING REFINING AND MINING COMPANY

DR.—$708,289—*"Earned Surplus*: 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 (in 1953, amount restored to Surplus from the reserve)—see page 7 re $545,568 loss charged to Reserve for Contingencies in 1954."

Consolidated Balance Sheet: Within Reserves for Contingencies—

For metal price fluctuations $1,764,806

Statement of Consolidated Profit and Loss:

Gain resulting from fluctuations of metal prices subsequent to production or purchase of ores including write-down of unsold metals to market prices at the end of the year (see below) .... $ 708,289

Notes to Financial Statements:

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. The net gain or loss due to metal price fluctuations for the year is included following net operating profit on page 11 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 Metal 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.

To the Stockholders:

Because of the exhaustion of economically recoverable coal in territory tributary to its line, the National Coal Railway Company, a wholly owned subsidiary, was liquidated and dissolved. The related loss, in the amount of $545,568, was charged to a special reserve for contingencies previously provided out of consolidated income.

Property Purposes

BIGELOW-SANFORD CARPET COMPANY, INC.

DR.—$2,500,000—*"Earnings Retained and Employed in the Business*: Provision for Estimated Losses and Costs of Plant Consolidation (Note 6)."

Consolidated Balance Sheet:

Within Plant and Equipment Section

Less—Reserve for Estimated Losses and Costs of Plant Consolidation (Note 6) $2,200,000

Within Current Liability Section

Reserve for Estimated Costs of Plant Consolidation (Note 6) 300,000

Notes to Financial Statements:

Note 6: As explained on page 7 of the accompanying report, the Company is in process of consolidating all woven carpet manufacturing operations at its Thompsonville, Connecticut plant and is vacating its Amsterdam, New York plant except for a few non-carpet operations. At December 31, 1954 reserves were provided from Earnings Retained and Employed in the Business to revalue all woven carpet fixed properties being vacated or inactivated to estimated disposable values as determined by outside appraisers, and to provide for estimated special non-operating costs related to this program. These reserves aggregated $2,500,000 after giving effect to estimated income tax savings to be realized.

To the Stockholders:

Consolidation of Woven Carpet Operations—The Annual Report to Stockholders for 1953 pointed out the increasing volume of tufted carpets and the substantial changes in recent years in the relative yardage volume of different types of carpets. 1954 witnessed the further decline in the total yardage of the woven carpet industry and the further increase in the total yardage of tufted carpets, as discussed later in this Report. As mentioned above, selling prices of woven carpet and the yardage produced and sold in 1954 were insufficient satisfactorily to absorb the fixed overhead costs of the Company's two woven carpet plants located at Amsterdam, New York, and Thompsonville, Connecticut. After extensive studies of this situation it was determined that the best means to bring about substantial reduction in manufacturing overhead costs was to consolidate all woven carpet manufacturing operations at the Thompsonville plant and to vacate the Amsterdam plant except for some non-carpet operations. Announcement of this decision was made in our February 1, 1955 letter to stockholders. All efforts are now being directed to carrying out this consolidation program as rapidly as possible. Its completion is scheduled for the early part of the fourth quarter of 1955. By that time anticipated substantial savings below present levels in woven carpet manufacturing costs should begin to be realized.

There has been provided in the December 31, 1954 balance sheet a special reserve through a charge to surplus for revaluation of the Amsterdam land and buildings and such equipment as will not be retained for use elsewhere to estimated disposable values as determined by outside appraisers. Reserve provision has also been made in the same way for estimated costs related to this plant disposal that are considered not to be normal operating charges. The net amount of these two reserves, after deducting anticipated Federal income tax savings applicable thereto, is $2,500,000. Of this amount, $2,200,000 appears as a reserve against plant accounts and the balance of $300,000 in current liabilities. Our objective will be to dispose of the Amsterdam land and buildings and equipment not to be retained for use elsewhere by December 31, 1955. This will be done in a manner that is expected to enable the Company to use liquidation losses realized thereon (reserved for by the above mentioned charge to surplus) as Federal income tax deductible items against earnings realized subsequently to January 1, 1955.

BUFFALO-ECLIPSE CORPORATION

CR.—$10,665.18—"Retained Earnings Used in the Business: Accelerated depreciation adjustment (Note E)."

Within Stockholders Equity:

Appropriated retained earnings—For accelerated depreciation (Note E)

Note E: Accelerated Depreciation—

During the period from January 1, 1949 to July 31, 1953, the Company followed a policy of appropriating a portion of its net income for accelerated depreciation on current year plant and equipment additions, excluding such additions covered by certificate for amortization as emergency facilities. The amount appropriated each year, together with depreciation provided at the regular normal rates for a five-year period, will reduce the net book value of each year's additions to fifty per cent of original cost at the end of a five-year period.

Also under this policy, a portion of the accelerated depreciation will be reversed each year after the end of the applicable five-year period so that the net book value will not be reduced to less than fifty per cent of original cost until midway in the normal life of the asset. This adjustment for the year ended July 31, 1954 was $9,381.80; the reversal for retirements totaled $1,283.38.

To Our Stockholders:

Depreciation and accelerated amortization last year totaled $373,000, compared with $416,000 in the preceding year. In the period from January 1, 1949, through July 31, 1953, the book value of all capital expenditures was reduced by appropriating net income in an amount which, together with depreciation at regular rates, will write off 50% of the original cost in five years. Such accelerated depreciation, which was not allowable as a deduction in computing taxes, was not taken last fiscal year, because the recently enacted tax laws provide accelerated depreciation on capital expenditures made after January 1, 1954, as an allowable deduction.

CANADA DRY GINGER ALE, INCORPORATED

DR.—$94,898.06—*"Earned Surplus*: Increase in reserve for cases, for balance sheet purposes, to amount equal to 50% of ledger value of cases."

With Property, Plant and Equipment: Containers—including estimated quantities in hands of customers: Cases (less reserve, for balance sheet purposes, provided from earned surplus and equal to 50% of ledger value of cases) $3,240,479

Notes to Financial Statements: Note A—The practice of the companies with respect to containers is to charge to income the cost of containers retired from service together with cost of containers which, it is estimated, will not be returned by customers, less customers' deposits thereon; and, for balance sheet purposes only, to provide a reserve for cases (equal to 50% of the ledger value thereof) from earned surplus. Container costs (net) so charged to income were $1,370,610 and $1,476,896 for the years ended September 30, 1954 and 1953, respectively.

CENTURY ELECTRIC COMPANY

CR.—$300,000—"Accumulated Earnings Used in the Business: Restoration of earnings appropriated for excessive costs of new plants and equipment."

NILES-BEMENT-POND COMPANY

CR.—$580,000—"Earnings Employed in the Business: Transfer of earnings appropriated in prior years as a reserve for plant rearrangement expense, etc."

PITTSBURGH PLATE GLASS COMPANY

CR.—$26,644,633—"Unappropriated Earnings Retained for Use in the Business: To increase charges for wear and exhaustion of facilities to a replacement cost rather than an original cost basis."

Financial Review:

Depreciation Policy—As a result of changes incorporated in the Internal Revenue Code of 1954, several methods of depreciation, approved for both accounting and tax purposes, were made available to business concerns. The Company has adopted the sum-of-the-years'-digits method of accounting for depreciation of property additions for 1954 and subsequent years. This method results in writing-off as depreciation approximately three-fourths of the cost of new facilities during the first half of their useful lives. The additional amounts charged to income under this revised depreciation policy were nominal in 1954; however, it is anticipated that charges in succeeding years, as a result of this change in policy, will be more significant.

Since partial relief from inadequate depreciation allowances has been provided by this change in depreciation accounting procedure, and since no further substantive changes may be expected in the immediate future, the practice of appropriating amounts for replacement of obsolete and worn-out facilities at current prices has been discontinued. The amounts previously set aside under this procedure have been returned to unappropriated earnings retained for use in the business.

THE SAFETY CAR HEATING AND LIGHTING COMPANY, INC.

CR.—$100,000—"Accumulated Earnings Unappropriated: —transfers from reserves for higher replacement cost of machinery and equipment."

ALEXANDER SMITH, INCORPORATED

DR.—$2,563,622—*"Earned Surplus (Deficit)*: Charges incident to discontinuance of operations at Yonkers (exclusive of the loss, if any, that may be sustained upon disposition of remaining facilities at that location) and charges in closing down and disposing of other facilities (Note 1)."

On Balance Sheet:

Non-operating property, plant and equipment, at cost, less $9,919,237 accumulated depreciation; and excess maintenance supplies at estimated realizable amount of $363,930 (Note 1) $7,790,192

Notes to Financial Statements:

Note 1: During 1954 the Company discontinued operations at its principal manufacturing plant in Yonkers, New York. Some of the equipment at this location has been transferred or sold. The land, buildings and the remainder of the manufacturing equipment at Yonkers, included in the accompanying balance sheet at $7,426,262, net of accumulated depreciation, has been offered for sale. It is not possible to ascertain the loss, if any, that may be sustained upon disposition thereof.

Aside from the possible loss on disposition of the remaining facilities at Yonkers, the Company considers that it has made adequate provision for the costs which may be incurred incident to discontinuance of operations at Yonkers. Such provision, together with the pension allowances and severance pay for employees retired, other closing down costs and charges in disposing of other facilities, have been charged directly to earned surplus (deficit).

To Our Shareholders:

Disposition of Yonkers Property—The Company discontinued operations at its Yonkers plant in November and has offered it for sale. An agreement is under discussion with a buying syndicate under the terms of which the Company would receive a minimum of $4,000,000 (25 per cent of which would be a cash payment and the balance represented by a 10-year note secured by a mortgage) for the land and plant, and would share with the purchasers in any proceeds from the re-sale of the plant which exceed $4,000,000. The book value of the Yonkers plant is approximately $2,050,000.

We are currently negotiating for the sale to buying groups in foreign countries of machinery at the Yonkers plant which has not been transferred to our new plants. The book value of this machinery is approximately $5,000,000 and it is expected that the Company will receive approximately half of this amount for it.

UNITED FRUIT COMPANY

CR.—$35,000,000—"Earnings Retained in the Business Not Specifically Appropriated: Amounts transferred from appropriated Earnings—Abnormal construction and increased replacement costs."

WEYERHAEUSER TIMBER COMPANY

CR.—$866,795—"Earned Surplus (Income Retained in the Business): Realization in 1954 of March 1, 1913 increase in timber value."

Renegotiation Purposes

ACF INDUSTRIES, INCORPORATED

DR.—$1,823,891—*"Retained Earnings*: Provision for price redetermination and other charges relating to prior years."

AMERICAN LOCOMOTIVE COMPANY

CR.—$2,000,000—"Net Income Retained in the Business (Earned Surplus): Provision for taxes on income and renegotiation in prior years, no longer considered necessary (Note 6)."

Note 6—The Company's Federal income and excess profits tax returns have been examined through 1952 and final assessments have been made to December 31, 1949. A substantial portion of the Company's sales in 1954, 1953 and 1952 and a lesser portion in 1951 and 1950, consisted of defense products which are subject to price redetermination and renegotiation. Final billing prices have been determined for the major portion of these sales, and settlement of renegotiation through the year 1952 was effected subsequent to December 31, 1954 with no refund of profits required. Based on such examinations and determinations, the portion of estimated income taxes and renegotiation for 1951 and 1952 which appear excessive have been credited to net income retained in the business. It is believed that adequate provision has been made for such adjustment as may result from final determination of the remaining unsettled matters."

(Refer also to American Locomotive Company—example under "Appropriation of Retained Earnings—Tax Purposes.)

GRUMMAN AIRCRAFT ENGINEERING CORPORATION

DR.—$710,000—*"Earnings Retained for Use in the Business*: Provision for refund under renegotiation (Note 2)."

Within "Current Liabilities":

Liability under renegotiation (Note 2) $710,000

Note 2—Proceedings under renegotiation have been concluded to December 31, 1950. A refund related to 1951 has been determined by the Renegotiation Board and provided for by the Company. Substantially all of the sales for the years 1952, 1953 and 1954 are subject to the Renegotiation Act of 1951. Management believes that profits for these years are not excessive and therefore has made no provision for a refund.

Tax Purposes

AMERICAN LOCOMOTIVE COMPANY
CR.—$2,000,000—"Net Income Retained in the Business (Earned Surplus): Provision for taxes on income and renegotiation in prior years, no longer considered necessary (Note 6)."

(Refer also to American Locomotive Company—example under "Appropriations of Retained Earnings—Renegotiation Purposes"; this section.)

ANDERSON, CLAYTON & CO.
CR.—$1,572,594—"Earned Surplus—Unappropriated: Transferred from . . . Surplus Appropriated for Contingent Tax Liability (Note 4)."
Within Capital Stock and Surplus:
Earned Surplus—Appropriated for contingent tax liability $6,844,176

Note 4—The Company and its subsidiaries have made full provision as of July 31, 1954, for all known liabilities in respect of U. S. and local foreign income taxes to which they are subject. In addition, there has been appropriated from Earned Surplus a provision 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. This appropriation is adjusted annually through Earned Surplus. 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. As of July 31, 1954, this appropriation for theoretical tax liability amounted to $6,844,176 as compared with $8,416 as of July 31, 1953, a decrease of $1,572,594 for the current year.

ARMOUR AND COMPANY
CR.—$3,507,000—"Earnings Employed in the Business: Adjustment of reserve for Federal income taxes as a result of final settlement of 1941-1945 liability."
Within Current Liabilities:
Reserve for Federal income taxes $6,607,989

HEYWOOD-WAKEFIELD COMPANY
CR.—$150,000—"Earnings Retained in the Business: Amount transferred from Federal income tax liability representing excess provision in prior years."

To the Stockholders: In the year 1952 the amount of $150,000 was added to our Tax Reserves to cover contingent liabilities arising from renegotiation of Defense contracts. Government review of renegotiable business for the years 1952-1953 has been completed and cleared, with no liability for refund. The amount of $150,000 was, therefore, transferred from Tax Reserves to Earnings Retained in the Business.

MOORE DROP FORGING COMPANY
CR.—$101,887—"Earnings Since January 31, 1925 Retained for Use in the Business: Balance of reserve for federal and state income taxes of prior years not required."

NATIONAL CYLINDER GAS COMPANY
CR.—$531,000—"Reinvested Earnings: Restoration of appropriation for additional federal taxes on income—no longer required."

NATIONAL DAIRY PRODUCTS CORPORATION
CR.—$3,281,954—"Earned Surplus: Reduction of reserve for prior years' Federal income taxes."

(Refer also to National Dairy Products Corporation—example under "Adjustments re Estimated Expenses, Section 462 of 1954 I.R.C."; this section.)

REVERE COPPER & BRASS INCORPORATED
CR.—$1,500,000—"Earnings Retained and Employed in the Business: Portions of reserves, created in prior years, no longer required."

President's Letter: During 1954 a number of pending matters were settled, so that it has been possible to review the financial statements and eliminate or correct reserves no longer needed. As shown on the statements of surplus, there have been added to earned surplus the reserves, created by charges in previous years against earned surplus or earnings, for inventories, customers' accounts receivable (part), federal taxes (part), and compensation insurance. Of these, the reserves for inventories and compensation insurance were no longer required. The reserve for customers' accounts receivable was too large in the light of current conditions, and the balance of the reserve remaining after the adjustment is believed to be ample. As stated in the report for 1953, settlement has been made of claims filed under the provisions of Section 722 and, based on settlements of federal taxes on income and of renegotiation for all years through 1951, the provision for taxes was believed to be excessive and has been reduced by $1,500,000.

(Refer also to Revere Copper & Brass Incorporated—examples under "Appropriations of Retained Earnings—Inventory Purposes, Insurance Purposes, and Other"; this section.)

UNITED CARBON COMPANY
CR.—$1,000,000—"Income Reinvested in the Business: Transferred from Reserve for taxes and contingencies."

(Refer also to United Carbon Company—example under "Appropriations of Retained Earnings—Contingency Purposes"; this section.)

Other Purposes

ANDERSON, CLAYTON & CO.
CR.—$7,000—"Earned Surplus Unappropriated: Reserves previously established from Earned Surplus no longer required."

BUTLER BROTHERS
CR.—$360,543—"Earned Surplus: Net adjustments of other reserves applicable to prior years."

GENERAL ANILINE & FILM CORPORATION
CR.—$556,225—"Earnings Retained in the Business: Special items—Renegotiation and other reserves of prior years no longer necessary."

S. S. KRESGE COMPANY
CR.—$4,050,105—"Income Retained for Use in the Business."

Notes to Financial Statements:
Note C—Reserves: Of the reserves of $4,362,000 for fire and casualty losses, public liability and compensation claims, shown on the balance sheet at December 31, 1953, $4,050,105 was returned in 1954 to income retained for use in the business (earned surplus). This transfer has been made retroactively to January 1, 1953 in the accompanying financial statements.

The Kresge Financial Story:
Reserves—At December 31, 1953, reserves for fire and casualty losses, public liability and compensation claims, were carried on the records in the amount of $4,362,000. With current accounting practice dictating that the income account must be charged with the costs of all such items for the year, these reserves no longer served the purpose for which they were provided. We have for this reason added $4,050,105 to the stockholders' equity and have included in current liabilities our estimate of the cost to settle pending claims for public liability and workmen's compensation.

REVERE COPPER AND BRASS INCORPORATED
CR.—$406,376—"Earnings Retained and Employed in the Business: Portion of reserves, created in prior years, no longer required—For Accounts Receivable."

(Refer also to Revere Copper and Brass Incorporated—example under "Appropriation of Earned Surplus—Tax Purposes"; this section.)

UNCLASSIFIED SURPLUS—ADJUSTMENTS

CHESAPEAKE INDUSTRIES, INC.
CR.—$125,000—"Surplus (Unclassified)."

Note 12: Retroactive Adjustments—
. . . in part offset by a reduction in the reserve for claims and guarantees of $125,000.

PULLMAN, INCORPORATED
CR.—$25,266,429—"Unclassified Surplus: Amount transferred from general reserve."

Within Non-Current Liabilities:		
General Reserve (Note B)		$1,000,000

Consolidated General Reserve for the Year Ended December 31, 1954

General Reserve, January 1, 1954		$22,380,309
Add (deduct):		
Portion of tax anticipation deposit which reverted to Pullman Incorporated—		
Tax anticipation deposit	$15,000,000	
Less: Federal income and excess profits tax deficiencies of The Pullman Company for the years 1938 through 1945, $7,613,264, plus interest thereon, $1,693,383	9,306,647	
		5,693,353
Federal income and excess profits tax deficiencies of Pullman Incorporated and Subsidiaries, exclusive of The Pullman Company, for the years 1938 through 1949, $4,038,192, plus interest thereon, $832,641	$(4,870,833)	
Less: Portion of the interest equal to the 1954 tax savings thereon, included as a charge to income in the 1954 Federal income tax provision	550,422	
		(4,320,411)
Additional State income tax payments, plus interest, resulting from adjustments arising from the Federal income tax settlement		(61,520)
Net increase in the carrying value of buildings, machinery and equipment to reflect adjustments resulting from the tax settlement and to conform the book accounts to the Federal income tax (cost) basis		4,078,951
Payment of claims of the Railroad Purchasing Group in connection with transactions of The Pullman Company prior to January 1, 1946		(1,504,253)
		$26,266,429
Portion of reserve transferred to surplus account		25,266,429
General Reserve, December 31, 1954		$ 1,000,000

See Note B to the financial statements.

Notes to Financial Statements:

Note B: General Reserve—

During 1954, after a prolonged period of negotiations, an agreement was reached with the Internal Revenue Service covering the Federal income and excess profits tax liabilities of Pullman Incorporated and its subsidiaries for the tax years 1938 through 1949 (tax returns for the years 1950 to date are still subject to review). The liabilities attributable to The Pullman Company, a former subsidiary, for the years 1938 through 1945 were included in the settlement.

When The Pullman Company was sold to the Railroad Purchasing Group in 1947, a $15,000,000 deposit was placed with the Collector of Internal Revenue in Chicago to provide for possible Federal tax deficiencies of the Company through 1945. It was agreed that any excess of the deposit over finally determined tax liabilities would revert to Pullman Incorporated, which carried its contingent interest in the deposit at the nominal value of $1.

The tax deficiencies assessed against the Corporation and its subsidiaries, plus the interest thereon, are shown in the accompanying statement of consolidated general reserve. The reserve was credited with the excess of the $15,000,000 deposit over the liabilities attributed to The Pullman Company, and charged with the net tax deficiencies, and interest, applicable to the Corporation and its other subsidiaries.

The settlement of the Federal tax dispute resolved one of the major contingencies for which the general reserve has been maintained. There are still other unsettled matters, however, arising from transactions of The Pullman Company prior to January 1, 1946. During the current year Pullman Incorporated paid $1,504,253 to the Railroad Purchasing Group for claims resulting from such transactions. Additional amounts will undoubtedly be payable in future years, although the amount of such payments is not determinable at this time. In view of these contingencies, the Board of Directors has approved retention of $1,000,000 in the general reserve. The excess of $25,266,429 has been credited to the surplus account.

APPROPRIATIONS OF CAPITAL SURPLUS

Contingency Purposes

UNITED STATES RUBBER COMPANY
CR.—$65,000—"Capital Surplus: Reserve for contingencies of Canadian subsidiaries applicable to the 1938 reorganization no longer required."

Sinking Fund Purposes

INTERCHEMICAL CORPORATION
CR.—$33,522—"Capital Surplus."

Note 8: Excess of amounts restored to capital surplus over amounts set aside from capital surplus under said sinking fund provisions.

NONRECURRING LOSSES AND GAINS

Retained Earnings

AMERICAN WRINGER COMPANY, INC.
DR.—$459,017.99—*"Earned Surplus."*

Loss on sale of land, buildings and equipment (Note 3)	$893,080.40
Less: Portion of U. S. tax per income statement, eliminated by above loss	368,000.00
	$525,080.40
Reduction of U. S. tax on 1952 income resulting from carry-back provisions of Internal Revenue Code	66,062.41
	$459,017.99

Note 3: On September 30, 1954, American Wringer Company, Inc. sold all of the inventories and fixed assets of its Roll Division which were located on the premises of Chamberlain Corporation, subsidiary company, at Waterloo, Iowa. The assets were sold at book value.

On the same date, Chamberlain Corporation (name since changed to Alton Corporation) sold its business and assets located at Waterloo, Iowa, including the right to use the name "Chamberlain" or "Chamberlain Corporation" and its goodwill and other intangible assets. The sale resulted in a loss of $893,080.40, which amount is charged direct to earned surplus in the accompanying financial statements. This loss has the effect of offsetting the liability for payment of income taxes of approximately $368,000 which otherwise would have been incurred respecting 1954 income, and also results in a claim, under the loss carry-back provisions of the Internal Revenue Code, for refund of $66,062.41 of taxes paid on 1952 income.

BUTLER BROTHERS
DR.—$534,996—*"Earned Surplus*: Loss on disposal of

Eastern department store and Floorcovering divisions, net of profit on leasehold, less applicable Federal income taxes."

The President's Report: Divisional Changes—

The net loss incurred in liquidating the investment in floor covering and in the Eastern department stores was $796,664, or about 9% of the total investment involved. This loss was charged directly to earned surplus. It was partially offset by a net profit of $261,668 realized on the sale of a leasehold interest, which was credited directly to earned surplus. These and other surplus adjustments made at the 1954 year end are shown in the accompanying statements.

CITIES SERVICE COMPANY

CR.—$16,673,077—"Earnings Retained and Employed in the Business: Excess of sales proceeds, over carrying value (including undistributed earnings) of investments in public utility subsidiary companies sold."

To the Stockholders:

Disposition of Utilities—Cities Service Company registered under the Public Utility Holding Company Act of 1935 on January 29, 1941. In compliance with orders issued under the Act, your Management undertook the orderly liquidation of the Company's investment in public utilities. This liquidation extended over the period 1943 through 1954. Concurrently, a more extensive development of the oil and natural gas operations was undertaken.

With sale of its stock interest in the Arkansas Louisiana Gas Company in December, your Company completed the disposition of all of its domestic utility holdings. The only remaining utility, Dominion Natural Gas Company, Ltd., operates in the Province of Ontario, Canada. Application is now pending before the Securities and Exchange Commission for exemption from the Holding Company Act, except with respect to Dominion Natural Gas Company, Ltd.

Earnings—Consolidated gross income in 1954 was $826,325,984, as compared with $845,940,982 in 1953. These amounts reflect the elimination of the gross earnings of utilities sold in 1954.

During the year consolidated profits of $16,673,077 were realized from the sale of remaining domestic utility interests. These profits were credited directly to surplus in accordance with the Company's policy in handling such transactions. Total earnings for the year including such profits were $60,397,240, equivalent to $15.23 per share. Exclusive of these profits, consolidated net income, as reported, was $43,724,163, compared with $50,720,779 in 1953. The per share equivalents were $11.02 in 1954 and $12.79 in 1953 on shares outstanding December 31, 1954.

Twenty-five utilities were sold. The following table shows the proceeds from the sales, and the earnings applicable to Cities Service, which were eliminated as the result of such sales:

Company	Year of sale	Proceeds of sale	Gross Operating Income*	Net Income applicable to Cities Service*
Public Service Co. of Col.	1943	$ 20,453,000	22,355,000	2,453,000
Durham Pub. Service Co.	1943	1,752,000	2,271,000	347,000
Danbury & Bethel Gas & Electric Light Co.	1944	1,450,000	1,321,000	108,000
Empire District Electric Co.	1944	4,711,000	5,149,000	630,000
City Light & Traction Co.	1945	1,257,000	595,000	135,000
East Tenn. Lt. & Power Co.	1945	3,342,000	2,568,000	293,000
St. Joseph Lt. & Power Co.	1945	2,126,000	3,240,000	204,000
Public Service Co. of N. M.	1948	4,181,000	5,124,000	501,000
Ohio Public Service Co.	1949	44,377,000	30,308,000	4,850,000
Toledo Edison Co.	1950	32,889,000	25,121,000	3,540,000
Republic Light, Heat and Power Co., Inc.	1953	4,971,000	6,597,000	108,000
Gas Service Co.	1954	32,955,000	23,539,000	2,431,000
Arkansas Louisiana Gas Co.	1954	24,651,000	41,241,000	1,210,000
Other companies		6,160,000	2,571,000	242,000
Total		$185,275,000	172,000,000	17,052,000

*As included in consolidated accounts for the twelve month periods ending at the approximate date of sale.

Proceeds of Sales—The sale of the properties for $185,275,000 resulted in a corporate profit exceeding $100,000,000, equivalent to $25 for each share of stock outstanding at December 31, 1954. This profit was not reported in the income account during the years that the properties were sold, but was credited direct to the corporate surplus of the Company. Furthermore, because the sales were mandatory and in compliance with orders of the Securities and Exchange Commission under the Public Utility Holding Company Act, no income tax was payable on the resulting profit.

Funds received from the sale of the properties were utilized as follows:

Retirement of Cities Service Company debentures	$ 86,300,000
Retirement of debentures of a subsidiary	36,275,000
Investment in non-utility subsidiaries	62,700,000
Total	$185,275,000

THE CUDAHY PACKING COMPANY

DR.—$14,790,085—*"Earned Surplus*: Net loss for the year, including certain costs incurred in closing plants

Net loss for the year, including certain costs incurred in closing plants		$ 7,162,254
Special charges in connection with plant closings:		
Provision for estimated losses and costs on disposition of plants	5,000,000	
Severance payments to employees	2,176,421	
Loss on supply inventories, etc.	451,410	
		7,627,831
		$14,790,085

Note: In September and October, 1954, the Company closed a number of plants and branches which had been unprofitable during recent years. Segregation of all plant closing costs and losses is impractical. The Company estimates that closing costs included in the net loss for 1954 may approximate $1,000,000. Plant closing costs and reserves to cover estimated disposition losses of $7,627,831, which could be segregated, have been charged directly to earned surplus.

The closed plants and branches accounted for $179,606,390, or 39% of the total net sales and operating revenues for 1954.

To the Stockholders: Your management believes there is no justification for continuing the operations of any part of the business, unless satisfactory profits can be realized. Consequently, those units of our business which we felt could not be made profitable have been closed. Included among these units were the four meat processing plants referred to above, 26 distributing branches and 6 egg and poultry plants. While one plant and two departmental units in the continuing operations have not been profitable in recent years, we believe the major adjustments made possible by the changes outlined herein will result in consistently profitable operations in the future. A reserve of $5,000,000 was established to cover possible losses and certain costs that would be incurred in the disposition of the closed facilities. The management believes this reserve is adequate and should proceeds in excess of the reserve be realized from sales of the closed properties, such excess amounts will be returned to the capital surplus account. An additional charge aggregating $2,627,831 was absorbed to cover severance payments to personnel in the amount of $2,176,421 and other costs and expenses incident to the closing of the units. These special charges together with the operating loss for the year were charged to the earned surplus account and the deficit that resulted therefrom was transferred to the capital surplus account. Capital surplus at the close of the year amounted to $7,665,540 after a credit to that account of $7,711,065 in connection with a reduction in par value of the Company's Common Stock.

(For further discussion, refer to Section 2—Fixed Assets, and Section 5—Standards of Reporting.)

THE HOBART MANUFACTURING COMPANY

CR.—$974,809—"Unappropriated Earned Surplus: Increase as of January 1, 1954 in valuation of work in process and finished product inventories at manufacturing plants (Note 1)."

Note 1—As of January 1, 1954, the Company changed its allocations of manufacturing expenses in determining the costs of several products. This change, although not considered to be significant in the determination of income in any one year, had the cumulative effect of increasing by $974,809 the valuation of inventories of work in process and finished products at manufacturing plants at the beginning of the year.

THE OHIO MATCH COMPANY

CR.—$799,276—"Earnings Retained in the Business: Gain on special sales of timber and securities—Less Federal Capital gains tax, 1954, $280,827."

Financial Facts: Profit from sale of securities and from nonrecurring timber sales totalled $1,080,103. After provision for Federal Taxes thereon the amount of $799,276 was credited directly to Earnings Retained in the Business, inasmuch as it was a non-operating profit.

FOREIGN EXCHANGE ADJUSTMENT

Capital Surplus

AMERICAN AIR FILTER COMPANY, INC.
CR.—$261—"Other Capital in Excess of Par Value of Shares: Monetary fluctuation of investment in American Air Filter of Canada Limited."

PRIOR YEAR ADJUSTMENTS—FIXED ASSETS AND DEPRECIATION

Retained Earnings

CENTURY ELECTRIC COMPANY
CR.—$447,758—"Accumulated Earnings Used in the Business: Net credit arising from adjustments to LIFO inventories and depreciation expense for prior years—Notes A and B."

Note B—A settlement was reached during the year with representatives of the Internal Revenue Service with regard to provisions for depreciation for the years 1944 through 1950. The property accounts have been adjusted to conform to the basis agreed to in the settlements, which result in a credit to accumulated earnings used in the business for the years through December 31, 1953 of $361,107, less applicable taxes on income.

(Refer also to Century Electric Company—example under Prior Year Adjustments—Other.)

DOUGLAS AIRCRAFT COMPANY, INC.
CR.—$653,185—"Earnings Retained in the Business: Adjustment of provision in 1945 for amortization of war facilities—Note B."

Note B: Property, Plant and Equipment—

Changes in accumulated allowance for depreciation and amortization are summarized as follows:

Balance at December 1, 1953		$19,443,742
Addition—charged against current operations		5,074,449
		$24,518,191
Deductions:		
Related to retirements, etc.	$846,303	
Adjustment of provision in 1945 for amortization of war facilities	653,185	1,499,488
Balance at November 30, 1954		$23,018,703

KENNECOTT COPPER CORPORATION
CR.—$4,324,123—"Earned Surplus (without deduction for depletion of now operating metal mines): Adjustment of property accounts, depreciation reserves and prior years development charges to accord with the federal income tax basis and related federal income tax basis and related federal income tax accruals—net credit."

Notes to Financial Statements: Consolidated Income Account—

Note 2—For 1954, taxes of $16,975,896 included in costs or other accounts and $54,322,787 separately deducted for taxes on income, make a total current provision for taxes of $71,298,683, compared with a total of $108,867,705 charged to Consolidated Income Account in 1953. The above amounts are exclusive of a credit of $1,742,159 for prior years' United States taxes on income included in the credit adjustment to Earned Surplus in 1954 and additional Chilean income tax assessment of $3,798,051 charged to Earned Surplus in 1953.

Financial Review:

Earned Surplus Adjustment—During the year 1954 final determination of 1948 Federal taxes on income was made by the Internal Revenue Service. The principal issue settled was the amount allowable for tax purposes for depreciation and amortization of various assets serving three of the company's western properties. Appropriate adjustment of the various accounts and related Federal taxes on income to the beginning of the current year consistent with such determination was made and reflected in Earned Surplus. This adjustment resulted in a net credit to Surplus applicable to prior years of $4,324,123.

NAUMKEAG STEAM COTTON COMPANY
DR.—$826,847.10—*"Earned Surplus*: Reduction in value of Salem, Massachusetts properties."

Note C—Property, Plant and Equipment:

The property, plant and equipment are stated at cost after elimination of fully depreciated items against the Reserve for Depreciation, except as to idle plant at Salem, Massachusetts. In accordance with a vote of the Board of Directors on December 22, 1954, the Real Estate and Machinery and Equipment at Salem are stated at reduced values of $705,000.00 and $235,762.40 respectively resulting after a write-down of $826,847.10, charged to earned surplus. Depreciation charged to operations for the year ended November 27, 1954 amounted to $292,046.78.

The Company ceased operations at the Salem plant about November 28, 1953 and the Board of Directors has authorized the offering of the plant for sale. The Company's agreement with The Prudential Insurance Company of America dated July 10, 1950, requires its prior approval of the disposal or lease by the Company of all or any substantial part of its property or assets other than in the ordinary course of business. Such approval has been granted in respect to the Salem, Massachusetts properties. In this connection, the Company has agreed to deposit the net proceeds from the sales of these properties in a restricted cash account, withdrawal from which is subject to prior approval by The Prudential Insurance Company of America. As at November 27, 1954, the Company held restricted funds totaling $164,197.10 which comprised cash on deposit in the amount of $157,217.44 and accounts receivable in the amount of $7,979.66.

Subsequent to November 27, 1954, the Company has leased portions of the Salem properties and has also disposed of machinery and equipment having a net book value of approximately $42,000.00.

THE SELBY SHOE COMPANY
CR.—$466,588—"Earnings Reinvested in the Business: Adjustment of building depreciation reserve, Note 1."

Note 1—Depreciation on Building: On March 3, 1955, the Board of Directors authorized the adjustment of depreciation on the Company's principal building to conform to the federal income tax basis. The resulting decrease in the reserve for depreciation as at April 30, 1954, credited to earnings reinvested in the business, amounted to $466,588. The effect of this change in depreciation policy was to reduce depreciation taken for the year ended April 30, 1955, in the amount of $14,194, as compared with depreciation computed on rates previously used.

Unclassified Surplus

PULLMAN, INCORPORATED
DR.—$4,486,879—*"Unclassified Surplus*: Net write down of carrying values of land to cost (Note C)."

Note C—Adjustment of Fixed Assets: During the current year Pullman-Standard Car Manufacturing Company, a consolidated subsidiary, adjusted the carrying value of its fixed assets to cost. In reflecting this adjustment a net amount of $4,486,879 was charged to capital surplus to eliminate amounts which arose from appraisals of land in connection with the 1927 reorganization (and prior years) and which were applicable to tracts still owned at December 31, 1954.

PRIOR YEAR ADJUSTMENTS—TAXES

Retained Earnings

ADAM HAT STORES, INC.
CR.—$3,930.34—"Earned Surplus: Earned Surplus—January 1, 1954—Prior Period Tax Adjustments."

THE DRACKETT COMPANY
DR.—$1,254.67—*"Retained Earnings*: Additional Canadian Income Taxes—Prior Years."

THE FEDERAL MACHINE AND WELDER COMPANY
DR.—$261,460—*"Earned Surplus*: Deduct—Additional provision for proposed deficiencies of Federal income taxes for prior years plus interest—Note A."

Consolidated Balance Sheet: Within Current Liabilities—Estimated Federal income taxes—Note A—
Prior years $1,500,000

Notes to Financial Statements:

Note A—Due to operating losses in prior years, which have been carried forward, the Company has materially reduced the Federal income tax liability for the current year.

During the past fiscal year the Company and Tax Counsel have continued negotiations for a settlement of the proposed deficiencies for the fiscal years 1942, 1943, 1944 and 1945. As of the date of this report, November 15, 1954, it appears that the said deficiencies will total approximately $1,045,000, after credit for post-war refunds, plus estimated interest of $455,000. Additional provision, in the amount of $261,459, has been made by a charge to Earned Surplus to set the total provision at $1,500,000.

M. H. FISHMAN CO., INC.

CR.—$2,285.67—"Earned Surplus: Refund of Federal Income Taxes—Prior Years."

O'SULLIVAN RUBBER CORPORATION

DR.—$53.41—*"Earned Surplus*: State income taxes—prior years."

DR.—$73,885.10—*"Earned Surplus*: Federal income taxes—prior years."

DR.—$9,982.57—*"Earned Surplus*: Interest on Federal income taxes—prior years."

Notes to Financial Statements:

Note 7—Federal income and excess profits tax returns for all years prior to and including the calendar year 1953 have been examined by the Department of Internal Revenue. The correct amount of all liabilities on these returns has been determined and the full amount is reflected in the balance sheet.

To the Stockholders: Finances—

The financial position of the Company at the year-end was the strongest in its history. Long-term debt consisted solely of $850,000 of first mortgage bonds maturing serially in eleven years, of which $77,000 was due within twelve months. There were no bank loans outstanding. Net working capital was increased $168,832 to $1,519,585 despite an expenditure of $124,616 on capital improvements and despite provision for a Federal tax settlement on account of prior years amounting to $89,352 including interest. This tax liability was paid in full during February and tax returns for all years prior to and including 1953 now have been cleared by the Department of Internal Revenue.

PITTSBURGH STEEL COMPANY

CR.—$2,170,694—"Accumulated Earnings: Profit plus (in 1954) prior years' tax adjustments."

POLAROID CORPORATION

DR.—$21,534—*"Earned Surplus*: Prior years' tax adjustments—net."

RICHFIELD OIL CORPORATION

CR.—$5,550,000—"Earnings Employed in the Business: Adjustment of prior years' provision for excess profits taxes resulting from a 1954 agreement on allowable deductions under the relief provisions of the Internal Revenue Code (see note)."

Notes: During the latter part of 1954, the Corporation settled its claims for reduction in excess profits taxes for prior years under the relief provisions of the Internal Revenue Code. The settlement provided for relief from excess profits tax of $1,000,000 for 1950, $2,600,000 for 1951 and $1,600,000 for 1952. These reductions, together with $350,000 relief for 1953 estimated on the same basis, aggregating $5,550,000 were credited directly to Earnings Employed in the Business.

Unclassified Surplus

ANACONDA COPPER MINING COMPANY

CR.—$8,407,144—"Unclassified Surplus: Adjustment of United States and Chilean taxes on income for prior years—Note H."

Note H: The adjustment to surplus covers net refunds of United States taxes on income for years 1941 through 1949, principally refunds due to carry-back of unused excess profits credits (the amount of which could not, before settlement, be estimated with reasonable accuracy) and interest thereon, less additional Chilean income taxes for 1953.

CHILE COPPER COMPANY

DR.—$1,504,178—*"Unclassified Surplus*: Adjustment of United States and Chilean taxes on income for prior years."

PHELPS DODGE CORPORATION

CR.—$3,320,000—"Unclassified Surplus: Adjustment in respect of prior years' United States taxes on income (1942 to 1946)—note D."

Note D—United States Taxes on Income: During the year examinations of the Federal income and excess profits tax returns of the Corporation and its consolidated subsidiaries were completed through the year 1946. The credit to surplus, shown in the Statement of Consolidated Surplus, reflects adjustments of prior years' provisions and includes approximately $2,000,000 for relief granted of a portion of the Federal excess profits taxes for the years 1942 to 1945, inclusive, under Section 722 of the 1939 Internal Revenue Code.

PRIOR YEAR ADJUSTMENTS—OTHER

Retained Earnings

BOTANY MILLS, INC.

DR.—$212,866.03—*"Earned Surplus (Since June 3, 1937)*: Costs of engineering services deferred in the prior year—Note C."

Note C: The costs of engineering services, incurred at various dates in 1953, amounted to $252,137.50 and were deferred and amortized over a three year period in accordance with a policy adopted by management in 1953. This policy has been revised and the costs of engineering services incurred during the current year have been expensed, and the entire amount of $212,866.03 deferred as at December 31, 1953 has been charged off to Earned Surplus/Deficit as shown on the accompanying consolidated statement of surplus/deficit. If this change had not been made $70,851.39 would have been charged to current operations and $142,014.64 would have been deferred and expensed after 1954.

CENTURY ELECTRIC COMPANY

CR.—$447,758—"Accumulated Earnings Used in the Business: Net credit arising from adjustments to LIFO inventories and depreciation expense for prior years—Notes A and B."

Note A—A settlement was reached during the year with representatives of the Internal Revenue Service with regard to the last-in, first-out (LIFO) basis of pricing inventories. This settlement was applicable to all years through December 31, 1950. Inventories have been recomputed using the basis agreed to, which resulted in an increase in the inventory amounts as of December 31, 1953 of $595,806. This amount, less applicable taxes on income, has been credited to accumulated earnings used in the business.

Inventories not priced on the last-in, first-out (LIFO) basis, consisting principally of manufacturing supplies, were priced at the lower of average cost or replacement market.

(Refer to Century Electric Company—example under "Prior Years Adjustments—Fixed Assets and Depreciation"; this section.)

BUFFALO-ECLIPSE CORPORATION

DR.—$48,379.42— *"Retained Earnings Used in the Business*: Renegotiation refunds (net after taxes)—Year ended July 31, 1951	$33,348.82
Year ended July 31, 1952	15,030.60."

Note F—Regnegotiation: Certain sales of the Company for the year ended July 31, 1954 are subject to renegotiation by the Government. The Company believes that no refunds will result under such renegotiation and no privision therefore has been made in the balance sheet as of that date.

The Renegotiation Board has advised that they contemplate making no changes for the year ended July 31, 1953. Renegotiation for the years ended July 31, 1952 and 1951 resulted in a total net refund after taxes of $48,379.42 which is set forth in the Statement of Retained Earnings.

THE FAIRBANKS COMPANY

CR.—$30,184.44—"Retained Earnings: Excess provision in prior years for Federal income taxes and price adjustments on renegotiation, $130,184.44, less transfer of $100,000.00 to reserve for contingencies."

(Refer also to The Fairbanks Company—example under "Appropriations of Retained Earnings—Contingencies"; this section.)

MONTGOMERY WARD & CO., INCORPORATED
CR.—$10,247,985—"Earned Surplus: Reserve adjustments applicable to prior years."

Unclassified Surplus

CHESAPEAKE INDUSTRIES, INC.
DR.—$146,454—*"Surplus."*

Note 12: Retroactive Adjustments— . . . $146,454 for loss and expenses in connection with the sale of the studio. . . .

JONES & LAMSON MACHINE COMPANY
DR.—$46,604.04—*"Unclassified Surplus*: Prior year adjustments."

Capital Surplus

AMERICAN WRINGER COMPANY, INC.
DR.—$8,019.30—*"Capital Surplus—December 31, 1953*: Adjustment of surplus arising on consolidation of subsidiary acquired in 1953."

VARIOUS OTHER TRANSACTIONS

Retained Earnings

BIGELOW-SANFORD CARPET COMPANY, INC.
CR.—$25,020—"Earnings Retained and Employed in the Business: Sundry credits related to capital stock transactions."

THE BILLINGS & SPENCER COMPANY
DR.—$2,588.99—*"Earned Surplus*: Net miscellaneous deductions applicable to earned surplus accounts of subsidiaries."

E. I. DU PONT DE NEMOURS & COMPANY
On Balance Sheet: Investment in General Motors Corporation: 20,000,000 Shares Common Stock (Note 1-d):

Balance December 31, 1954	$609,000,000
Balance December 31, 1953	554,000,000

CR.—$55,000,000—"Surplus Arising from Revaluation of Security Investments: Adjustment resulting from revaluation of Investment in General Motors Corporation."

Notes to Financial Statements: Securities and Investments—

Note D—Investment in General Motors Corporation common stock, in accordance with a practice followed since 1925, has been revalued annually to an amount which closely corresponds to the equity indicated by the consolidated balance sheet of General Motors Corporation at December 31 of the preceding year. The net additions to surplus as a result of all such revaluations amounted to $551,378,242 at December 31, 1954, and $496,378,242 at December 31, 1953. See page 17 for comments relative to acquisition, in 1955, of an additional 1,000,000 shares of common stock of General Motors Corporation through exercise of rights received from that corporation.

To the Stockholders:

General Motors Investment. The Company has held a substantial interest in the common stock of General Motors Corporation since 1917. At the year-end, this investment consisted of 20 million shares. In February, 1955, General Motors offered all common stockholders the right to purchase one additional share at $75.00 per share for each 20 shares owned. Du Pont exercised its rights, increasing its holdings of General Motors common stock to 21 million shares. The percentage of General Motors outstanding common stock owned by du Pont remains unchanged at 22.6 per cent.

Income in 1954 from this investment amounted to $92 million after taxes, 28 per cent of total du Pont Common Stock earnings, or $2.03 per share.

FOREMOST DAIRIES, INC.
DR.—$41,662—*"Earned Surplus*: Miscellaneous."

THE MOHAWK RUBBER COMPANY
DR.—$79,650.23—*"Earned Surplus*: Renegotiation refund for the year 1951 (after credit for federal taxes of $169,256.77)."

REMINGTON RAND, INC.
DR.—$878,464—*"Earnings Retained for Use in the Business*: Payments made on Dysart judgment for damages and interest to March 31, 1954, less reduction in U. S. income taxes resulting therefrom (Note E)."

Note E—Contingent Liabilities: Contingent liabilities at March 31, 1955, for foreign drafts discounted and for guarantees of advances made by banks to non-consolidated foreign subsidiaries aggregated $1,492,639.

Litigation against the Company by the heirs and Estate of Birney Dysart in connection with the use of an adding machine device since 1924 was concluded by court decree during the year and the Company paid $1,857,725 and accrued $66,668 to cover damages and interest to March 31, 1955.

SPRAGUE ELECTRIC COMPANY
CR.—$49,810—"Retained Earnings: Cash value of life insurance policies at January 1, 1954 not previously recorded."
Within Other Assets:

Cash surrender value of life insurance policies	$55,417

DR.—$295,285—*"Retained Earnings*: Net renegotiation refunds (1951—$55,660; 1952—$239,625)."

Notes to Financial Statements:

Note 4—Renegotiation: Renegotiation proceedings have been completed for the years 1951 and 1952, resulting in net refunds to the Government of $295,285.15. Based on the experience for those two years, it is the opinion of management that no refunds will be required for the years 1953 and 1954. Accordingly, no provision has been made therefor in the financial statements.

Retained Earnings and Capital Surplus

AMERICAN CYANAMID COMPANY
DR.—$26,565—*"Capital Surplus*: Amount ($26,565) received in excess of par on sale of 12,044 shares of Cumulative Preferred Stock, Series C less equivalent amount of expenses on issuance of this series."
CR.—$26,565—"Earnings Employed in the Business: Underwriting commissions and expenses ($1,210,574) on issuance of 580,235 shares of Cumulative Preferred Stock, Series C, less amount ($26,565) charged to capital surplus, as above."

(Refer also to American Cyanamid Company—example under "Financing Expenses"; this section.)

ART METAL CONSTRUCTION COMPANY
CR.—$10,246—"Earned Surplus: Transfer from appreciation surplus."
DR.—$10,246—*"Appreciation Surplus*—Note A: Transfer to earned surplus."
Within: "Capital Stock and Surplus"

Appreciation Surplus—Note A	$228,795

Note A—Property, Plants, and Equipment: With the exception of a residual amount of $228,795 included in the net amount for land and buildings of the principal subsidiary as a result of a write-up of such assets in 1934, the amounts for property, plants, and equipment located in the United States are based on cost, less accumulated allowances for depreciation and amortization. The amounts for leasehold premises, machinery, and equipment located in Great Britain represent cost in British funds, less accumulated allowances for depreciation, translated into U. S. dollar equivalents at the rate of $2.80 per Pound Sterling.

BOTANY MILLS, INC.
DR.—$1,122,976.40—*"Deficit (Since June 3, 1937)*: Transfer to Capital Surplus of the balance of unallocated reserve for depreciation credited to Earned Surplus on June 2, 1953—Note 1."
CR.—$1,122,976.40—"Capital Surplus: Transfer from Earned Surplus of the balance of unallocated reserve for depreciation credited thereto on June 2, 1953."

Note 1: On June 2, 1953, the Board of Directors authorized the transfer of the balance of the unallocated reserve for depreciation in the amount of $1,122,976.40 to Earned Surplus. This reserve was established in 1932 and until transferred in 1953 had been reduced by charges representing the excess of the cost of property acquired prior to 1932 over the applicable accumulated reserve for depreciation at the time of retirement from 1932 to 1953. In connection with the capital reorganization of the Company as at June 3, 1937, the existing deficit as at that date was written off to Capital Surplus. Therefore, the amount of $1,122,976.40 has been transferred from Earned Surplus to Capital Surplus in 1954.

THE CUDAHY PACKING COMPANY
DR.—$3,340,241—*"Capital Surplus*: Deficit in earned surplus at October 30, 1954."
CR.—$3,340,241—"Earned Surplus Since October 30, 1939: Transfer of above deficit to capital surplus as authorized by stockholders on October 25, 1954."

(Refer also to The Cudahy Packing Company—example under "Non-recurring Gains and Losses"; this section.)

THE FEDERAL MACHINE AND WELDER COMPANY
DR.—$32,894—*"Capital Surplus."*
CR.—$32,894—"Earned Surplus: Transfer of depreciation on war emergency facilities from capital surplus."

NATIONAL CONTAINER CORPORATION
DR.—$12,216—*"Surplus from Revaluation of Assets*: Transfer to Earned Surplus."
CR.—$12,216—"Earned Surplus: Transfer from surplus from revaluation of assets included in statement of profit and loss under caption "net income from rentals."

Note 3: Real estate, plant and equipment are valued at cost, except land and buildings at Long Island City, which are carried at fair market value as determined by an independent appraisal under date of November 15, 1928 augmented by the cost of subsequent additions and improvements. Original appraisal resulted in an increase in book value of $605,951 which has been depreciated up to December 31, 1954 in the amount of $321,450.

STANDARD OIL COMPANY (INDIANA)
DR.—$41,535,545—*"Earnings Retained and Invested in the Business*: Excess of amount charged to paid-in surplus of parent company in respect of foregoing stock dividend over available balance of consolidated paid-in surplus."

Capital Surplus

ACF INDUSTRIES, INC.
DR.—$1,157,800—*"Capital Surplus."*

(Refer to ACF Industries, Inc.—example under "Conversion of Preferred Stock"; this section.)

AMERICAN METAL COMPANY, LIMITED
CR.—$18,598—"Capital Surplus: Including in 1954, adjustments relating to treasury stock, etc."

CITY STORES COMPANY
CR.—$26,393—"Capital Surplus: Miscellaneous credits—net."

HATHAWAY BAKERIES, INC.
CR.—$3—"Paid-In Surplus: Sundry adjustments of capital stock liability."

NATIONAL COMPANY, INC.
CR.—$9,625—"Capital Surplus."

PLYMOUTH OIL COMPANY
CR.—$1,745—"Capital Surplus."

A. E. STALEY MANUFACTURING COMPANY
CR.—$716,957—"Capital in Excess of Par or Stated Value of Shares: Net Increase in Capital resulting from issuance of common shares, less cost of $3.75 series cumulative preference shares acquired for treasury...... $979,047."

UNIVERSAL MATCH CORPORATION
DR.—$28,247.55—*"Capital in Excess of Par Value (Capital Surplus)*: Amortization of appreciation."

WARNER BROS. PICTURES, INC.
DR.—$972—*"Capital Surplus."*

Note E: Capital surplus has been reduced by $972 being the excess of the Company's portion of the cost to the Distribution Agent of acquiring such single shares over the par value of 85 shares of the Company's stock no longer reserved for exchange.

WHEELING STEEL CORPORATION
CR.—$24,624—"Additional Paid-In Capital."

GEO. E. KEITH COMPANY
DR.—$244,534.22—*"Unclassified Surplus*: Write down of fixed assets."

ADJUSTMENTS RE: SECTION 462, 1954 INTERNAL REVENUE CODE

The Internal Revenue Code of 1954 (Section 462) permitted accrual-basis taxpayers to deduct reasonable additions to reserves for estimated business expenses related to income taxed during the year, effective with the taxpayer's election in the first taxable year beginning after 1953. The privilege applied to items such as: cash discounts, repairs or replacements in connection with guarantees of products sold, sales returns and allowances, freight allowances, quality discounts, vacation pay, and reserves for self-insurance—provided in each case that the future expense or allowance could be estimated with reasonable certainty.

On August 16, 1954, Section 462, which was new in the 1954 Internal Revenue Code, was repealed retroactively by H. R. 4725 (84th Congress) effective as to taxable years beginning after December 31, 1953 and ending after August 16, 1954.

Tables 5 and 6 summarize respectively the balance sheet and income statement presentations used by the companies to reflect the accruals and charges for estimated expenses in connection with Section 462, 1954 Internal Revenue Code.

Of the 152 companies indicating that provisions had been made for estimated expenses, 126 companies reflected these charges through the income statement only, 22 companies presented the charges in both the income and retained earnings accounts, and 4 companies presented the charges only in retained earnings (*Co. Nos. *22, 91, 198, 357*).

Nature of "estimated expenses" disclosed:	
Unidentified ("certain estimated expenses")	105
Vacation pay	80
Cash discounts (A)	16
Sales returns and allowances (B)	11
Repairs or replacements in connection with guarantees of products sold (C)	9
Freight allowance (*Co. Nos. *8, 249*)	2
Self-insurance (*Co. Nos. *124, 335*)	2
Reconditioning of machinery (*Co. No. *5*)	1
Various other described expenses (D)	6
	232

A—*Co. Nos. *112, 122, 124, 130, 164, 166, 188, 191, 249, 295, 423, 438, 461, 466, 518, 523.*

B—*Co. Nos. *29, 102, 122, 130, 188, 191, 371, 374, 398, 438, 576.*

C—*Co. Nos. *32, 108, 295, 297, 449, 514, 518, 576, 588.*

D—*Co. Nos. *130, 238, 249, 297, 371, 594.*

*Refer to Company Appendix Section.

RETAINED EARNINGS

ADAMS-MILLIS CORPORATION

DR.—$70,772—"*Earnings Retained*: Provision applicable to prior years for estimated expense of reconditioning machinery, less Federal income taxes thereon."

Statement of Earnings and Earnings Retained

Net Earnings Before Special Item	$350,416
Special Item:	
Provision for estimated expenses in accordance with election permitted under Section 462 of Internal Revenue Code of 1954	$ 83,463
Less corresponding adjustment of Federal income tax	43,401
	$ 40,062

Accountant's Report:

"The accounting principles followed by the Company have been applied on a basis consistent with that of the preceding year except that provision has been made for estimated expenses accrued at December 31, 1954, in accordance with an election permitted under Section 462 of Internal Revenue Code of 1954. Such change had the effect of reducing net earnings for the year by $40,062.13, and of reducing earnings retained for prior years by $70,772.08, the portion of such provision applicable thereto less Federal income taxes thereon."

To the Stockholders:

In addition, provision of $89,442.16 (net of applicable income taxes) has been made for periodical reconditioning of full-fashioned knitting machinery. This is a new program recently developed by the machine manufacturers and adopted by the Company to provide more efficient and economical operation and flawless product. Provision has been made for the estimated pro-rata annual portion of the cost of such reconditioning, the portion attributed to 1954 being a part of the special item in the statement of earnings and the portion attributed to prior years being charged against earnings retained as of January 1, 1954. The new Internal Revenue Code of 1954 permits for the first time the deduction of estimated accrued expenses and it is expected that this special item consisting of the accrual of reconditioning cost, vacation pay and other expenses, should result in an immediate tax saving.

AIR REDUCTION COMPANY, INCORPORATED

DR.—$1,015,056—"*Retained Earnings*: Provision for Reserve for Estimated Expenses—Net (Note F)."

Current Liabilities:

Reserve for Estimated Expenses (Note F) .. $2,114,701

Note F: The Internal Revenue Code of 1954 permits certain estimated expenses to be taken as deductions for the computation of taxable net income in the year 1954, although such expenses are to be paid for in 1955. Effective with the year ended December 31, 1954 the Company provided a reserve for estimated expenses for vacation pay, freight on cylinders to be returned by customers, etc. The aggregate amount thereof, $2,114,701, less related estimated reduction in Federal income taxes, $1,099,645, is shown as a deduction in the accompanying statement of consolidated retained earnings.

AMERICAN BAKERIES COMPANY

DR.—$428,558—"*Balance of Earnings Retained for Use in the Business*: Accrual of vacation pay and returned products expense net of Federal taxes on income (Note 1)."

Note 1: Commencing with the year 1954 the company adopted the accrual basis for accounting for vacation pay and returned products expense, such basis now being acceptable for Federal income tax purposes. Prior thereto, these expenses were not recorded in the accounts until paid. The charge, net of Federal taxes on income, required to place such expenses on the accrual basis was made to Balance of Earnings Retained for Use in the Business and the earnings for the year have not been affected.

AMERICAN CAN COMPANY

DR.—$3,338,700—"*Earnings Retained in the Business*: Expenses not applicable to 1954 operations, less related tax reduction (Note 4)."

Notes to Financial Statements:

Note 4—In 1954 the company changed its accounting practices and provided reserves for estimated expenses payable after 1954 but permitted for the first time as current deductions for income tax purposes under the Internal Revenue Code of 1954. Operations for 1954 were charged with $7,530,000 of such estimated expenses, resulting in a related income tax reduction of approximately $3,900,000.

Prior to 1954, such expenses were deductible for tax purposes only as paid and were not accrued on the books. Expenses of this nature paid in 1954 amounted to $6,954,700 and in order to avoid the effect on net income, this amount, less the related tax effect of $3,616,000, has been charged to earnings reinvested in the business.

To the Shareowners:

Accounting procedures were adopted in 1954 to utilize an advantage available under the new Internal Revenue Code that decreases the income tax payable in 1955.

This provision permits the accrual in 1954 of certain predeterminable operating expenses which will be paid in 1955, amounting to $7,530,000. Although this change in accounting results in a reduction of $3,338,700 (net after taxes) in the working capital position as of December 31, 1954, a cash saving is effected of $3,900,000 in taxes payable in 1955 on the 1954 earnings. If this option were not exercised, the working capital at December 31, 1954, would have been $132,801,109 instead of $129,462,409. It is, of course, a one-time saving, since in the future, this part of the tax liability will accrue only on estimated expense for the ensuing year.

Expenses of a similar nature aggregating $6,954,700 were paid during 1954 but were not previously deductible on a reserve basis for income taxes and therefore had not been accrued on the books. Of these expenses, $3,338,700 was charged to earnings reinvested in the business and $3,616,000 was charged to operations to offset the related 1954 income tax benefit obtained from such expenses.

BAUSCH & LOMB OPTICAL COMPANY

DR.—$572,950—"*Earned Surplus*: Vacation and other expenses applicable to prior years, less $620,696 equivalent to reduction in federal income tax payable for 1954 (Note 5)."

Within the Income Statement:

Amount equivalent to reduction in federal income taxes payable for 1954 resulting from deduction of vacation and other expenses applicable to prior years (Note 5) $620,696

Note 5: Estimated Expenses—The new Internal Revenue Code permits deduction in 1954 of vacation and certain other expenses on an accrual basis as well as payments made for such items which

TABLE 5: ESTIMATED EXPENSES

Re: Section 462, 1954 Internal Revenue Code

Balance Sheet Presentation	
Current Liability Section:	
Combined caption and amount (inclusive of other expenses; amount not identifiable)	29 (a)
Listed as separate caption and amount	11 (b)
Combined caption, with amount of *estimated expense* identifiable	5
Total	45
Non-current Liability Section:	
Listed as separate caption and amount	2 (c)
Combined caption and amount (inclusive of other expenses; amount not identifiable)	3 (d)
Total	5
Other:	
Deducted from related asset accounts	6 (e)
Reference within report to *estimated expenses* but no related accounts shown on Balance Sheet	106
Total	162
Number of Companies indicating accrual of estimated expenses under Section 462, 1954 I.R.C.	152
Number of Companies not indicating accrual of estimated expenses under Section 462, 1954 I.R.C.	448
	600

Note: The following companies included more than one accrued estimated expense item within the balance sheet as follows: *Co. Nos. *32* (a,c); *112, 191* (e,f); *124* (d,e); *166, 518* (b,e); *371* (c,f); and *457* (a,b).

*Refer to Company Appendix Section.

related to prior years but were not previously deductible until paid. Accordingly the accounting policy of charging such expenses against income when paid has not been changed and the estimated accrued liability at December 26, 1954 has been included in the balance sheet at that date. The expenses applicable to prior years, offset by the reduction in federal income taxes payable for 1954, have been charged to surplus.

BIGELOW-SANFORD CARPET COMPANY, INC.

DR.—$126,005—"*Earnings Retained and Employed in the Business*: Adjustments for Estimated Expenses Applicable to Prior Years Under Provisions of the Internal Revenue Code of 1954."

BOOTH FISHERIES CORPORATION

DR.—$56,000—"*Earned Surplus*: Adjustment of prior-year vacation expense to reserve basis."

CENTURY ELECTRIC COMPANY

DR.—$170,374—"*Accumulated Earnings Used in the Business*: Charges equal to estimated accrued vacation pay and other expenses as of the beginning of the year, less applicable reduction in taxes on income of $190,000—Note C."

Current Liabilities:

Estimated accrued vacation pay and other expenses—Note C $363,279

Note C—During the year the Company elected to accrue estimated expenses which became deductible for income tax purposes under new provisions of the 1954 Internal Revenue Code. The Company, therefore, has accrued such estimated expenses in the amount of $363,279, consisting of vacation payments and other expenses, at December 31, 1954. The comparable amount of such estimated expenses as of the beginning of the year of $360,374, less applicable taxes on income, has been charged to accumulated earnings used in the business. As a result of this treatment the net income for the year was not materially affected by this election.

CONGOLEUM-NAIRN INC.

DR.—$246,934—"*Earned Surplus*: Provisions for vacation pay, etc., applicable to prior years, less $698,748 reduction of Federal income taxes."

President's Letter:

Special Reserves—After considerable study of the changes made in the 1954 Internal Revenue Code, we decided, at the end of 1954, to establish reserves for certain estimated expenses, such as vacation pay, which are applicable to 1954 income but payable in 1955 and subsequent years. To eliminate a double charge to 1954 income, which would have distorted our earnings for that year, similar expenses incurred in 1954, but applicable to 1953 income, were charged to earned surplus, net of taxes. The net charges totaled $247,000.

We are also availing ourselves of the new methods of accelerated depreciation permitted under the Internal Revenue Code of 1954.

DICTAPHONE CORPORATION

DR.—$243,000—"*Earnings Reinvested*: Provision for estimated expenses, less applicable United States income taxes, etc. (Note 4)."

Note 4: During the year 1954, the company adopted the practice of providing in its accounts for certain estimated future expenditures attributable to current year's income and intends to elect to deduct such expenses for federal income tax purposes as provided in the Internal Revenue Code of 1954.

ELGIN NATIONAL WATCH COMPANY

DR.—$507,500—"*Retained Earnings Invested in the Business*: Provision for vacation pay earned prior to March 1, 1954, net of applicable tax credit of $550,000 (Note 2)."

Notes to Financial Statements:

Note 2: It has been the practice of the Company to charge net income each year for the amount of vacation pay actually paid during the year. As at February 28, 1955, however, the Company made provision, by charge to net income, for vacation pay applicable to the year then ended but payable after that date. The amount of vacation pay applicable to the fourteen months ended February 28, 1954 has been charged, after deduction of the related tax credit, to retained earnings. This change had no material effect upon net income for the year.

TABLE 6: ESTIMATED EXPENSES

Re: Section 462, 1954 Internal Revenue Code

Income Statement Presentation	
Within Income Statement:	
Included among other costs and expenses:	
As a separate item (*Co. Nos. *29, 52, 132, 362, 457, 501*)	6
Combined with other expenses (*Co. Nos. *99, 130, 246, 325*)	4
Combined with other expenses, amount identifiable (*Co. No. *320*)	1
Total	11
Within a Separate Last Section:	
As a separate item (Note A)	16
As a separate item with the related tax effect shown (Note B)	7
Total	23
Other:	
Notes to Financial Statements (Note C)	74
President's Letter or Financial Review Section (Note D)	37
Accountant's Report (*Co. No. *236*)	1
Within a supplemental schedule (*Co. No. *434*)	1
Balance Sheet caption (*Co. No. *489*)	1
Total	114
Number of companies indicating charges to Income Statement	148

Notes:

A—*Co. Nos. *38, 71, 75, 122, 174, 274, 286, 309, 334, 398, 441, 507, 519, 550, 588, 594.*

B—*Co. Nos. *5, 13, 78, 140, 466, 472, 481.*

C—*Co. Nos. *8, 12, 16, 25, 34, 41, 43, 84, 85, 102, 108, 112, 116, 124, 148, 152, 164, 166, 168, 171, 188, 191, 193, 221, 222, 249, 252, 285, 295, 297, 302, 319, 322, 328, 331, 333, 335, 338, 343, 350, 358, 360, 369, 371, 374, 377, 380, 383, 388, 395, 406, 423, 430, 436, 438, 439, 443, 444, 446, 449, 451, 461, 479, 490, 502, 503, 514, 518, 524, 539, 554, 559, 576, 591.*

D—*Co. Nos. *32, 39, 60, 73, 104, 123, 142, 151, 163, 169, 172, 173, 175, 195, 219, 228, 238, 247, 269, 280, 315, 323, 347, 351, 352, 376, 402, 408, 414, 417, 420, 449, 456, 464, 508, 523, 586.*

*Refer to Company Appendix Section.

GENERAL ANILINE & FILM CORPORATION

DR.—$899,752—"*Earnings Retained in the Business*: Special items—Charge for expenses applicable to prior year less related Federal income tax benefit (Reserves for similar expenses, allowable under Section 462 of the 1954 Revenue Act, have been established in the current year)."

GENERAL BAKING COMPANY

DR.—$496,237—"*Earnings Retained in the Business*: Additional provision for estimated vacation expenses applicable to prior years to conform to proposed regulations of 1954 Internal Revenue Code."

To the Stockholders:

Earnings—Additional provision has been made for estimated vacation expenses applicable to prior years to conform to proposed regulations of the 1954 Internal Revenue Code and shown as a charge to retained earnings. This adjustment places vacation expenses on the same basis for book purposes as has been in effect for several years for tax purposes.

GENERAL CABLE CORPORATION

DR.—$556,906—"*Earned Surplus*: Provision for estimated expenses, less applicable tax."

Notes to Financial Statements:

Note 6—Vacation pay, freight, cash discount on sales, etc., not heretofore accrued, have been recorded in the accounts during 1954 as permitted under the Internal Revenue Code of 1954. The comparable amounts at December 31, 1953, less the applicable tax reduction, have been charged to Earned Surplus.

THE E. KAHN'S SONS COMPANY

DR.—$172,402—"*Earned Surplus*: Accrual of certain expenses applicable to prior years."

Accountant's Report: The Corporation, in years prior to 1954, included certain expenses in its accounts in the year in which paid. To conform to the recent changes in the Internal Revenue Code, this policy was changed, effective January 1, 1954, and such expenses are now considered accrued during the period to which attributable. Pursuant to this change in policy, those expenses incurred prior to 1954 but payable in 1954 (estimated to be approximately equal to the accrual at December 31, 1954) in the amount of $172,402 have been charged to earned surplus. However, these expenses are deductible in 1954 for Federal income tax purposes, under provisions of the Internal Revenue Code of 1954, and the 1954 Federal income tax ($75,992) has been determined accordingly. The resulting reduction in the Federal income tax amounted to $88,254.

LINK-BELT COMPANY

DR.—$788,451—"*Retained Earnings Invested in the Business*: Provision for vacation accrual applicable to prior year, less related Federal taxes on income."

President's Letter: In accordance with the provisions of the Revenue Code of 1954 management has elected to (1) provide depreciation under the sum-of-the-years' digits method on 1954 additions to property, plant and equipment, and (2) provide reserves for estimated expenses such as vacation accruals, etc., not permitted under the previous Revenue Code. Net income for the year 1954 was not significantly affected by these elections; a provision of $788,451 for vacation accrual applicable to prior year, after related federal taxes on income, is charged directly to retained earnings invested in the business.

MACFADDEN PUBLICATIONS, INC.

DR.—$29,097—"*Retained Earnings (Since January 1, 1944)*: Adjustments to conform to Internal Revenue Code of 1954:

Estimated vacations	$58,130
Less Reduction of 1954 Federal income taxes attributable thereto	29,033
	$29,097

Accountant's Report: During the year 1954, in order to avail itself of certain provisions of the Internal Revenue Code of 1954, the company provided for estimated expenses for employees' vacations. To record earnings for the year on a basis consistent with prior years, the adjustment necessary to reflect this change was charged directly to earnings retained in the business, and the adjustment of 1954 Federal income taxes resulting from this change was credited to that account.

P. R. MALLORY & CO., INC.

DR.—$387,641—"*Earned Surplus*: Adjustment to record in the accounts vacation pay and other accruals which would have been provided at December 31, 1953 if the accounting method presently permitted by the Internal Revenue Code and adopted by the Company for 1954 had been in effect last year, less applicable tax reduction of approximately $112,000 (Note 5)."

Consolidated Statement of Income:

Federal income tax, estimated (before reduction of $112,000 allocable to prior year adjustment charged to earned surplus—Note 5)	$1,325,000

Notes to Financial Statements:

Note 5—As permitted by the Internal Revenue Code of 1954, the Company has elected to accrue on the books and for tax purposes at December 31, 1954, certain estimated expenses applicable to the year but not heretofore deductible except as paid. Such expenses have been charged against income for the year. In order to avoid a doubled charge to income in 1954, however, income for the year has been credited and earned surplus charged with an amount, $216,563, equivalent to similar expense items paid or incurred during 1954 which would have been accrued at December 31, 1953 if the present method of accounting for such items had been in effect at that date; the charge to earned surplus has been reduced by the related income tax benefit, $112,000. Also included in the charge to earned surplus is $283,078 recorded in the accounts to conform with the treatment of certain vacation pay accruals deducted in prior years for income tax purposes.

McCALL CORPORATION

DR.—$2,010,193—"*Earnings Retained in the Business*: Net adjustment applicable to prior years (Note 1)."

Above Long-Term Debt:

Reserve for Pattern Discards and Returns (Note 1)	$3,727,730

Statement of Income and Earnings Retained in the Business

Above Net Income for the Year:

Deduction for Federal Income Tax Which Would Have Been Payable Before Applying Extraordinary Charge Made to Earnings Retained in Business (Note 1)	$1,321,000

Notes to Financial Statements:

Note 1—Changes in Accounting Practice—In accordance with provisions of the 1954 Internal Revenue Code the Company has provided in 1954 certain reserves for estimated expenses not previously accrued on its books, principally for credits to be allowed dealers upon eventual return of future pattern discards. In addition, the Company during 1954 has received from the Internal Revenue Service a ruling allowing deduction of certain subscription expenses in the year incurred and also permitting deduction in 1954 of such expenses previously deferred for tax purposes but charged against income for financial accounting purposes. These changes in accounting and tax practices have not had a significant effect upon net income for the year 1954 since the extraordinary adjustments have been charged to income only to the extent of the 1954 Federal income tax which would otherwise have been payable, and the balance has been charged to earnings retained in business as summarized below:

Reserves or additional reserves established as of the beginning of the year:		
For pattern discards and returns	$5,327,311	
For publication returns and other expenses	287,583	$5,614,894
Deduct:		
Portion equivalent to 1954 Federal income tax, charged to income	1,321,000	
Federal income tax for prior year refundable (and $36,000 reduction in provision for prior years' taxes)	505,918	
Estimated reduction in future years' Federal income taxes due to the deductibility of credits to be allowed with respect to pattern discards attributable to sales prior to 1954 (applied in reduction of reserve for pattern discards and returns)	1,777,783	3,604,701
Net adjustment applicable to prior years charged to earnings retained in business		$2,010,193

McGRAW-HILL PUBLISHING COMPANY, INC.

CR.—$2,391,767—"Income Retained in the Business: Adjustment of provision for 1954 income taxes (See note)."

DR.—$2,340,825—"*Income Retained in the Business*: Charges in 1954 to income retained in the business (See note)."

Note: In years prior to 1954 it was the consistent policy of the company to treat income from magazine subscriptions as earned in the year of receipt and to reflect the unearned portion of the subscriptions as a reserve created out of income retained in the business. During the year 1954, in order to avail itself of certain provisions of the Internal Revenue Code of 1954, the company decided to spread such income over the life of the subscriptions, and also to provide for estimated expenses for employees' vacations and for returned sales.

To record income on a basis consistent with preceding years, the adjustments necessary to reflect the above changes were charged directly to income retained in the business, and the adjustment of 1954 income taxes resulting from such changes was credited to income retained in the business. Therefore, the net income for 1954 shown in the consolidated statement of income remains unaffected by these changes.

NATIONAL DAIRY PRODUCTS CORPORATION

DR.—$1,605,998—"*Earned Surplus*: Expenses paid in 1954, applicable to 1953, less Federal income taxes relating thereto (See Note on "Federal Income Taxes")."

DR.—$4,977,085—"*Earned Surplus*: Accrual for vacation pay applicable to prior years (See Note on "Federal Income Taxes")."

Notes to Consolidated Financial Statements: Federal Income Taxes—In connection with satisfaction of a Tax Court judgment against a subsidiary rendered May 11, 1954 involving Federal taxes on income for the years 1934 to 1938, and an appeal from a part of such judgment, a payment of $5,130,058, including interest of $2,604,245, was made. In addition, payments covering taxes due for the years 1939 to 1949, inclusive, were made in 1954 and totaled $7,332,453, including interest of $2,848,305. The payments of interest aggregating $5,452,550 are deductible for income tax purposes and result in a reduction of $2,944,377 in 1954 Federal income taxes.

Under the Revenue Act of 1954, certain expenses aggregating $3,491,621 applicable to 1953, reflected in earned surplus in 1954, result in a reduction of $1,885,623 in 1954 Federal income taxes. Estimated reserves for similar expenses at December 31, 1954, were provided by charges to profit and loss.

The reductions of Federal income taxes amounting to $4,830,000 resulting from the deductibility of interest and accrued expenses referred to above have not been applied to reduce the provision for income taxes in the statement of consolidated profit and loss for 1954 but have been dealt with as reductions of amounts charged directly to earned surplus and the adjustment of the reserve for prior years' taxes. Further, the reduction of taxes resulting from the accrual of $4,977,085 for vacation pay through December 31, 1953 (on which a Treasury Department ruling was obtained in 1954) was reflected in the determination of the amount of the reserve for prior years' taxes transferred to earned surplus.

(Refer also to National Dairy Products Corporation—example under "Appropriation of Retained Earnings—Tax Purposes"; this section.)

FRANK G. SHATTUCK COMPANY

DR.—$212,809—*"Earned Surplus*: Charge arising from change in accounting policy with respect to the accrual of certain expenses under the provisions of the new Internal Revenue Code of 1954 (see note)."

Note to Consolidated Financial Statements—The Company and its subsidiaries, in order to take advantage of certain provisions of the Internal Revenue Code of 1954, changed their accounting policy in 1954 with respect to the accrual of certain expenses, principally vacation pay, applicable to the current year's operation although payable in 1955. Under the Internal Revenue Code in effect prior to the year 1954, such expenses had been charged to income and deducted for income tax purposes only when paid. In order to maintain a proper comparison between the income statements for 1954 and 1953, the Company has charged earned surplus with the estimated amount of similar expenses as of December 31, 1953, paid in 1954, less related taxes on income.

SIMMONS COMPANY

DR.—$1,020,000—*"Earned Surplus*: Vacation pay and other expenses (Note 6)."

Note 6: This amount represents prior year adjustments aggregating $1,680,000, resulting from the accrual of vacation pay and other expenses, less $660,000 offsetting tax benefits arising from such of these prior year expenses as were incurred in 1954 and were allowable as deductions under the Internal Revenue Code. Items similar to those accrued as above were, in prior years, charged to expense as incurred.

STANDARD BRANDS, INCORPORATED

DR.—$1,189,000—*"Earned Surplus*: Expenses paid in 1954 applicable to prior year, less related Federal income tax benefit (see Note)."

Note to Surplus Statement: In 1954, the Companies elected to establish "reserves for estimated expenses" applicable to current operations but payable in 1955, as permitted under Section 462 of the 1954 Revenue Act. Similar expenses paid in 1954 but applicable to prior year, less related tax benefit, are charged to Earned Surplus.

WAGNER ELECTRIC CORPORATION

DR.—$828,832—*"Income Retained for Use in the Business*: Extra charge to record estimated expenses on an accrual basis, less applicable reduction in income taxes (Note 1)."

Current Liabilities:

Accrued salaries, wages and vacation pay	$1,407,322
Statement of Consolidated Income	
Income from operations before income taxes and overhead reserve	2,155,251
Estimated Income taxes	(260,000)
Portion of extra charge with respect to estimated expenses equivalent to income tax reduction resulting therefrom (Note 1)	($ 897,900)

Notes to Financial Statements:

Note 1—In accordance with permissive tax treatment under the Internal Revenue Code of 1954, the company has changed certain accounting practices in order to record estimated expenses on an accrual basis instead of a cash basis. Income for the year has been charged with accruals aggregating $1,621,000 for vacation pay, product guarantees, and sales returns and allowances attributable to 1954 operations but payable in 1955. These accruals were in addition to the regular charges for similar expenses paid during 1954. In order to avoid distortion of income from current operations, the extra amount of $1,726,732 (representing the amount in excess of the accruals attributable to the current year), less the applicable reduction of $897,900 in income taxes, has been charged to unappropriated income retained in the business.

WESTINGHOUSE ELECTRIC CORPORATION

DR.—$20,203,145—*"Income Retained in the Business*: Employee vacation expense, paid in 1954, deducted in computing Federal income tax for 1953."

Notes to Financial Statements:

Note 2—Internal Revenue Code of 1954. The companies will elect, as allowed by the Internal Revenue Code of 1954: (1) to adopt new methods of computing depreciation with respect to certain assets acquired in 1954, and (2) to deduct estimated expenses to be paid in the future relating to current income. In the past, the companies had included most of such estimated expenses in their statements without benefit of current tax deduction. The elections above described and a change in computing current Federal income tax costs, have the effect of increasing the 1954 net income by about $4,500,000.

Section 5 ACCOUNTANT'S REPORT

SHORT-FORM ACCOUNTANT'S REPORT

The short-form type of report, which outlines in general terms the scope of the examination made and states concisely the opinion of the independent certified public accountant regarding the fairness of the financial statements, is now customary in published corporate annual reports. The committee on auditing procedure of the American Institute of Accountants is continuing in its efforts to encourage uniformity in the manner in which this opinion is stated. The present form, or framework upon which each report is built, has been in use since 1948 (see *Codification of Statements on Auditing Procedure*):

Recommended Short-Form

The recommended short-form of accountant's report reads as follows:

> "We have examined the balance sheet of X Company as of December 31, 19— and the related statement(s) of income and retained earnings 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 retained earnings 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."

In *Accounting Terminology Bulletins, Review and Résumé, Number 1* the committee on terminology of the American Institute of Accountants has recommended that the use of the term *surplus* be discontinued; the term *earned surplus* should be replaced by terms which will indicate source, such as *retained income, retained earnings* or *accumulated earnings*.

Modified Short-Form

The modified short-form of accountant's report usually incorporates all of the elements of the recommended short-form. It differs in physical presentation, the principal change is one of formation. The opinion and scope are usually combined in a single paragraph, with the opinion sentence appearing first. In the survey of 1954 annual reports, 82 reports were of this single-paragraph type; one additional report contained two paragraphs with the opinion stated in the first paragraph and the scope mentioned in the following paragraph.

The modified short-form is shown in the following typical example:

> In our opinion, the accompanying balance sheet and statements of income and surplus present fairly the consolidated financial position of *Anchor Hocking Glass Corporation* and subsidiary companies at December 31, 1954 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. 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.

Adoption of Recommended Short-Form

Generally speaking, the accounting profession has accepted the recommended short-form of accountant's report. As shown in Table 1, 215 of the 1954 annual reports of the survey companies contained the approved short-form without variation and an additional 274 reports included the short-form with minor wording variations. These 1954 reports, or a total of 489 survey companies included the short-form of accountant's report either exactly as recommended or substantially similar thereto. In the balance of the survey companies, a modified short-form of accountant's report was used for 82 companies, and various other forms were employed in the remaining 29 reports. The results for 1954 (as shown in Table 1) represent a departure from the trend over the past four years. There had been a continuing increase in the use of the exact recommended short-form with 260 companies using it in

TABLE 1: SHORT-FORM ACCOUNTANT'S REPORT

Number of Reports With:	1954	1953	1952	1951	1950	1949
"Recommended Short-Form of Report" with *scope* set forth in first paragraph and *opinion* stated in a following paragraph Adopted:						
In full	215	260	254	250	248	268
With minor wording variations	274	240	249	259	265	267
	489	500	503	509	513	535
"Modified Short-Form Report" with *opinion* stated in opening sentence of a single paragraph form	82	82	79	71	66	44
"Modified Short-Form Report" with *opinion* stated in first paragraph and *scope* set forth in a following paragraph	1	2	2	4	3	2
Various other forms	28	16	16	16	18	19
	600	600	600	600	600	600

their 1953 reports. In the 1954 reports, only 215 companies used this form. Since 1949 a progressive decrease was apparent in the use of the short-form with minor wording variations; in the 1953 reports there were a total of 240 companies, as against a sudden increase in 1954 to 274 companies. The use of modified or other forms of report presentation has also increased.

Minor Wording Variations

As indicated in Table 1, the 1954 survey reports show a sudden increase in the use of minor wording variations in the approved short-form of report. The variations which were most common in the 1954 survey reports included the following:

49 reports amplified the clause "in conformity with generally accepted accounting principles" to read "and were prepared in conformity with generally accepted accounting principles" (See Company Appendix Nos. *45, 52, 323, 406, 578*).

30 reports changed the first clause in the opinion paragraph by the insertion of the word "related." For example, the clause would then read, "In our opinion, the accompanying balance sheet and related statements..." (See Company Appendix Nos. *20, 109, 430, 600*).

32 reports modified the phrases "for the year then ended" in the scope and in the opinion paragraphs. The more common modifications were *"for the year," "for the year ended,"* "for the year 1954," and *"for the period* from . . . to . . ." (See Company Appendix Nos. *27, 115, 145, 321*).

29 reports shortened the last clause in the opinion paragraph to read "generally accepted accounting principles applied on a *consistent basis*" (See Company Appendix Nos. *239, 340, 403, 472*).

5 reports omitted the adjective "financial" in the phrase "financial position" in the opinion paragraph (See Company Appendix Nos. *3, 20, 151, 468*).

6 reports omitted the word "related" from the first sentence in the scope paragraph (See Company Appendix Nos. *50, 92, 596*).

TABLE 2: AUDITING STANDARDS

Accountant's Report	1954	1953	1952	1951	1950	1949
States that the examination was made in accordance with "generally accepted auditing standards"	593	593	594	592	592	587
States that the examination was made in accordance with "generally accepted auditing standards" with certain exceptions (See Company Appendix No. 102)	1	—	—	—	—	—
States that the examination was made in accordance with "generally accepted auditing standards" and includes reference to a detailed audit of the transactions and the system of internal control	—	—	—	1	1	6
States that the examination was made in accordance with "generally accepted auditing standards *applicable in the circumstances*" and includes reference to a detailed audit of the transactions and the system of internal control	3	3	3	3	3	3
States that the examination was made in accordance with "generally accepted auditing standards *applicable in the circumstances*"	1	1	1	1	1	1
Omits reference to "generally accepted auditing standards"	1	2	1	1	1	1
Omits reference to "generally accepted auditing standards" but includes reference to:						
A detailed audit of the transactions and the system of internal control	—	—	—	1	1	1
The system of internal control	1	1	1	1	1	1
	600	600	600	600	600	600

TABLE 3: AUDITING PROCEDURES

Accountant's Report	1954	1953	1952	1951	1950	1949
States that the examination "included such other auditing procedures as we considered necessary in the circumstances"	532	519	519	529	555	558
States that the examination "included such other auditing procedures as we considered necessary in the circumstances" and refers to the omission of certain normal auditing procedures (See Company Appendix Nos. 102, 570)	3	3	4	4	5	5
1. refers to the omission of certain normal auditing procedures and the employment of *alternate procedures*	55	65	66	55	26	23
2. refers to the omission of certain normal auditing procedures, the employment of alternate procedures, and *describes* such alternate procedures (See Company Appendix Nos. 10, 23)	2	4	3	3	3	3
	592	591	592	591	589	589
Indicates that the examination *included all procedures which were considered necessary* (See Company Appendix Nos. *21, 27*)	5	6	5	5	7	6
States "have examined or tested accounting records of the company and other supporting evidence by methods and to the extent deemed appropriate"	2	2	2	2	2	2
Omits reference to "such other auditing procedures" or phrase similar in meaning thereto	1	1	1	2	2	3
	600	600	600	600	600	600

In addition to the above deviations in wording, there were several instances of minor changes:

(a) Substitution of *"as at"* or *"at"* for *"as of"* in the first sentence of the *scope* paragraph (used by 75 companies) (See Company Appendix Nos. *9, 133, 186*).

(b) Substitution of *"as of"* or *"as at"* for *"at"* in the first clause of the *opinion* paragraph (Used by 49 companies) (See Company Appendix Nos. *46, 77, 157*).

(c) Omission of the word *"its"* from the phrase, "the results of its operations" in the *opinion* paragraph (Used by 6 companies) (See Company Appendix Nos. *49, 92, 464*).

(d) The insertion of *"accompanying"* or *"made an examination of,"* etc., in the first sentence of the *scope* paragraph, so that it reads, for example, "We have examined the *accompanying* balance sheet," "We have *made an examination of* the balance sheet" (Used by 8 companies) (See Company Appendix Nos. *110, 166, 321*).

'GENERALLY ACCEPTED AUDITING STANDARDS'

The extensive use of the short-form of accountant's report (in either the exact or modified form) affirms the fact that the accountant's examination has been made "in accordance with generally accepted auditing standards." Table 2 indicates that the accountant's report in 593 of the 1954 annual reports of the survey companies contained this representation. In the reports for four companies (See Company Appendix Nos. 27, 211, 294, 461) the phrase "generally accepted auditing standards *applicable in the circumstances*" was employed, as part of the form of report which was in common usage, prior to the acceptance of the short-form report recommended in 1948. Two other companies included accountant's reports which omitted reference to "generally accepted auditing standards," although one of these mentioned a review of the "system of internal control." (See Company Appendix Nos. 121, 455.)

The revision of the short-form report which was adopted in 1948 eliminated reference to a review of the system of internal control since it is implied in the reference to "generally accepted auditing standards."

'SUCH OTHER AUDITING PROCEDURES'

The scope paragraph of the recommended short-form of accountant's report contains the phraseology "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." Table 3 discloses that 592 of the accountant's reports of the 600 survey companies included the representation "such other auditing procedures" considered necessary in the circumstances. Five of the reports indicated that the examination "included all procedures which were considered necessary" (See Company Appendix Nos. 21, 27, 211, 294, 461). Two reports stated that they had "examined or tested accounting records of the company and other supporting evidence by methods and to the extent deemed appropriate" (See Company Appendix Nos. 121, 455); only one report (Johnson & Johnson) omitted the reference to "such other auditing procedures."

Omission of Auditing Procedures

Table 4 discloses that sixty of the accountant's reports of the 1954 survey companies revealed the omission of certain normal auditing procedures in 62 instances. Of these, 56 omissions pertained to the confirmation of accounts receivable, including 52 with regard to government accounts, in which it was stated that alternate auditing procedures had been applied. (See Company Appendix Nos. 70, 88, 134, 203, 254, 291, 469, 478, 518, 553). One of the reports for 1954 disclosed the omission of certain normal auditing procedures regarding inventory without reference to the application of alternate procedures and accordingly stated that such omission precluded the expression of an opinion on the statements of income and surplus/deficit for the year." (See Company Appendix No. 102) (See this section, *Expression of Opinion* for example reproduced therein).

The examples given below, selected from the 1954 reports, are representative of those indicating the omission of certain normal auditing procedures.

Confirmation of Accounts Receivable —U.S. Government

To the Stockholders, Curtiss-Wright Corporation: We have examined the consolidated balance sheet of Curtiss-Wright Corporation and Subsidiaries as of December 31, 1954 and the related statements of income and earned 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. It is not the general practice of the United States Government to confirm accounts receivable or payable; in the absence of confirmation, we followed such other audit procedures as we deemed appropriate.

In our opinion, the accompanying balance sheet and statements of income and earned surplus present fairly the consolidated financial position of Curtiss-Wright Corporation and Subsidiaries at December 31, 1954, 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.—*Auditor's Report—New York, February 23, 1955.*

Confirmation of Accounts Receivable —Various Other Debtors

To the Board of Directors and Stockholders of United States Freight Company: We have examined the consolidated balance sheet of United States Freight Company and Wholly Owned Subsidiaries as of December 31, 1954 and the related consolidated statement of income and earned surplus for the year then ended. The financial statements of International Forwarding Co. and subsidiaries (which are included in the accompanying consolidated financial statements) were examined by other certified public accountants. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records of the companies (except International Forwarding Co. and subsidiaries) and such other auditing procedures as we considered necessary in the circumstances. It was not feasible to confirm accounts receivable by correspondence with customers but we have satisfied ourselves as to such accounts by means of other auditing procedures.

In our opinion, based upon our examination and upon the report of other certified public accountants, the accompanying balance sheet and related statement of income and earned surplus present fairly the consolidated position of United States Freight Company and wholly owned subsidiaries at December 31, 1954, 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.—*Auditor's report—March 18, 1955.*

To the Board of Directors, Morrison-Knudsen Company, Inc.: We have examined the consolidated balance sheet of Morrison-Knudsen Company, Inc. and its domestic subsidiary companies, as of December 31, 1954, and the statements of consolidated income and surplus for the year then ended. The widespread operations of the parent company made it impracticable to visit the field locations where the accounts for contract expenditures are kept, but we reviewed the contract records and supporting details at the headquarters office. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The consolidated investment of $8,810,657 in joint ventures as of December 31, 1954, represents a cost of $6,883,068 plus accrued profit of $1,927,589 based upon their latest available unaudited balance sheets.

In our opinion, subject to the correctness of the amount stated for the investments in joint ventures, the accompanying consolidated balance sheet and statements of income and surplus present fairly the consolidated financial position of Morrison-Knudsen Company, Inc. and its domestic subsidiary companies at December 31, 1954, 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.—*Report of Accountants—March 12, 1955.*

Board of Directors, Whirlpool Corporation: We have examined the balance sheet of Whirlpool Corporation as of December 31, 1954, and the related statements of income and expense and of earnings retained in the business 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. It was not practicable to confirm by direct communication certain accounts receivable for defense materials and other items, as to which we have satisfied ourselves by means of other auditing procedures.

In our opinion, the accompanying balance sheet and statements of income and expense and of earnings retained in the business present fairly the financial position of Whirlpool Corporation at December 31, 1954, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles which, except for the changes (approved by us) arising in connection with the Internal Revenue Code of 1954 as explained in Note F, have been applied on a basis consistent with that of the preceding year.—*Accountant's report—February 2, 1955.*

TABLE 4: AUDITING PROCEDURES

Normal Procedures Omitted	1954	1953	1952	1951	1950	1949
Confirmation of Accounts Receivable, with report—						
Stating that alternate procedures were employed:						
For government accounts	52	61	62	51	24	21
For foreign accounts (See No. *251*)	1	2	2	2	3	2
For other accounts (See Nos. *71, 116, 223*)	3	3	2	1	1	1
Detailing the alternate procedures employed:						
For government accounts	—	1	—	—	—	—
For foreign accounts (See No. *23*)	1	1	1	1	1	1
Confirmation of Accounts Payable, with report—						
Stating that alternate procedures were employed for government accounts (See No. *187*)	1	1	1	1	1	1
Observation and Test of Inventories, with report—						
Stating that alternate procedures were employed (See No. *362*)	1	2	2	1	1	1
Detailing the alternate procedures employed (See Co. No. *10*)	1	3	3	3	1	1
Not referring to alternate procedures (See Co. No. *102*)	1	1	2	1	2	2
Verification of Investment in Subsidiary, with report—						
Detailing the alternate procedure employed	—	—	—	—	1	1
Not referring to alternate procedures	1	1	1	2	2	2
Total	62	76	76	63	37	33
Normal Procedures Explained						
Confirmation of Accounts Receivable (See Co. No. *27, 211, 253*)	4	5	5	6	6	7
Confirmation of Accounts Payable	—	—	—	1	1	1
Observation and Test of Inventories (See Co. Nos. *27, 211, 253, 559*)	10	13	15	16	15	16
Verification of:						
Cash or securities (See Co. Nos. *118, 253, 329*)	3	3	3	4	5	5
Investment in subsidiaries	0	1	1	1	1	1
Property accounts	1	1	1	1	1	1
Total	18	23	25	29	29	31
Number of Reports						
Containing no reference to the omission of auditing procedures and no explanation regarding auditing procedures employed	529	514	513	524	549	551
Containing no reference to the omission of auditing procedures with supplementary explanation of certain normal auditing procedures employed	10	14	14	15	16	17
Referring to the omission of certain normal auditing procedures	60	71	72	59	32	29
Omitting reference to "auditing procedures"	1	1	1	2	3	3
	600	600	600	600	600	600

Observation and Test of Inventories

To the Board of Directors, Alaska Pacific Salmon Company: We have examined the consolidated balance sheet of Alaska Pacific Salmon Company (a Nevada corporation) and its wholly-owned subsidiary Bristol Bay Packing Company (a California corporation) as at December 31, 1954 and the related consolidated statement of income 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, except that it was not practicable for us to make physical tests of inventories of materials and supplies located in Alaska amounting to $352,279.52, but we examined accounts and records relative thereto.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of income present fairly the financial position of Alaska Pacific Salmon Company and its wholly-owned subsidiary, Bristol Bay Packing Company, at December 31, 1954 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.—*Accountant's report—March 10, 1955.*

Warner Company: We have examined the balance sheet of Warner Company as of December 31, 1954 and the related statement of income and earned 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. Because of the manner of storing bulk materials (stone, sand and gravel) 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.

In our opinion, the accompanying balance sheet and statement of income and earned surplus present fairly the financial position of the Company at December 31, 1954 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied (except for the changes, which have our approval, explained in Notes 2 and 6 to Financial Statements) on a basis consistent with that of the preceding year.—*Accountant's Certificate—March 21, 1955.*

Explanation of Auditing Procedures

The survey of 1954 annual reports revealed eighteen instances in which the accountant's report provided explanation of certain normal auditing procedures. As indicated in Table 4, ten reports provided additional information regarding the auditing procedures applied to the observation and testing of inventories; four of these same reports also included explanation of the auditing procedures concerning accounts receivable. Other procedures discussed referred to the verification of cash or securities, and property accounts.

The following examples illustrate the methods used in the 1954 annual reports to amplify certain auditing procedures used.

Confirmation of Accounts Receivable

The Crowell-Collier Publishing Company: We have examined the consolidated balance sheet of The Crowell-Collier Publishing Company and its subsidiary companies as of December 31, 1954, and the related statements of consolidated income and earned 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 connection with the installment contracts receivable, which consist of numerous small balances carried on the books at branch sales offices, we have examined the most recent reports of the companies' internal auditors on their examinations of the accounting records at the branches and we have made a test circularization of installment contracts receivable at certain of the branches.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated income and earned surplus present fairly the financial position of the companies at December 31, 1954 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.—*Accountants' Certificate—March 10, 1955.*

Observation and Test of Inventories

To the Stockholders of Textron Incorporated: We have examined the consolidated balance sheet of Textron Incorporated and subsidiary companies as at January 1, 1955, and the related consolidated statement of profit and loss and earned surplus and the consolidated statement of paid-in surplus for the fiscal year then ended. We did not, however, examine the balance sheets and related statements of profit and loss and surplus of two subsidiaries included in the consolidated statements but accepted after review the reports of examination by other independent public accountants. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We were present at the several plants of the companies when the inventories were being physically checked 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.

In our opinion, the accompanying consolidated balance sheet and related consolidated statement of profit and loss and earned surplus and the consolidated statement of paid-in surplus, together with notes to the financial statements present fairly the consolidated financial position of Textron Incorporated and its subsidiary companies at January 1, 1955, and the consolidated results of operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountant's report—February 21, 1955.*

Verification of Other Assets

The Stockholders and the Board of Directors, General Mills, Inc.: We have examined the statement of financial position of General Mills, Inc. and subsidiaries as of May 31, 1954, and, for the year then ended, the related statements of results of operations and earnings employed 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 direct 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 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.

Data in support of expenditures charged to the land, buildings and equipment accounts during the year were tested and depreciation provisions were reviewed.

All liabilities of which we obtained knowledge in the course of our examination have received appropriate recognition.

In our opinion, the accompanying statement of financial position and statements of results of operations and earnings employed in the business present fairly the position of General Mills, Inc. and subsidiaries at May 31, 1954 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.—*Accountants' report—July 19, 1954.*

Robertshaw-Fulton CONTROLS COMPANY

HOW WE STOOD FINANCIALLY

	At December 31, 1954
WE HAD	
Cash — for payment of bills, payrolls, etc.	$ 7,773,674
Amounts due us — from customers and others	7,087,532
Materials and supplies — in process of manufacture and finished goods for shipment to customers	11,160,645
Property, buildings and equipment — which, after allowance for usage, were valued on the books at	12,537,005
Miscellaneous — including patents and items of expense that had been paid for in advance	690,954
Or a total of	$39,249,810
WE OWED	
Bills — to suppliers of materials and services, and for employees' wages, etc.	$ 3,538,382
Income taxes—to Federal and State Governments (after deducting $2,872,088 for United States Treasury Notes held for payment of taxes)	1,980,742
Borrowings — due within 15 years	9,000,000
Miscellaneous — including royalties, interest, taxes (except income taxes), etc.	700,342
Or a total of	$15,219,466
WE HAD LEFT	
The balance, representing the investment by our shareholders and past profits retained	$24,030,344

To the Directors and Stockholders of Kennecott Copper Corporation: We have made an examination of the Consolidated Balance Sheet of Kennecott Copper Corporation and its consolidated subsidiaries at December 31, 1954 and the related Consolidated Statements of Income, Earned Surplus and Capital Surplus for the year 1954. We had previously made a similar examination for the year 1953.

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.

Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, based upon our examination as outlined above for the year 1954 and similar examination for the preceding year, the accompanying Consolidated Balance Sheet of Kennecott Copper Corporation and its consolidated subsidiaries and related Consolidated Statements of Income, Earned Surplus and Capital Surplus, together with the Notes relating thereto, present fairly the consolidated position of these corporations at December 31, 1954 and December 31, 1953 and the results of their operations for the years ended on those dates, in conformity with generally accepted accounting principles appropriately applied to the respective mining, manufacturing, and other enterprises included in the consolidated statements, and applied for each year on a basis consistent with that of the preceding year.—*Auditors' certificate—February 23, 1955.*

STANDARDS OF REPORTING

In 1954 the Committee on Auditing Procedure of the American Institute of Accountants issued a special report *GENERALLY ACCEPTED AUDITING STANDARDS*—Their Significance and Scope, in which the committee set forth the following standards of reporting:

1. The report shall state whether the financial statements are presented in accordance with generally accepted principles of accounting.
2. The report shall state whether such principles have been consistently observed in the current period in relation to the preceding period.
3. Informative disclosures in the financial statements are to be regarded as reasonably adequate unless otherwise stated in the report.
4. The report shall either contain an expression of opinion regarding the financial statements, taken as a whole, or an assertion to the effect that an opinion cannot be expressed. When an over-all opinion cannot be expressed, the reasons therefor should be stated. In all cases where an auditor's name is associated with financial statements the report should contain a clear-cut indication of the character of the auditor's examination, if any, and the degree of responsibility he is taking.

PRESENTATION OF FINANCIAL STATEMENTS

In Conformity with Generally Accepted Accounting Principles

The accountants' reports in 596 of the survey reports indicated that the financial statements were presented in conformity with generally accepted principles of accounting. Four reports revealed departures from generally accepted accounting principles (See Company Appendix Nos. 7, 18, 21, 409).

Several other reports for the year 1954 included comment on similar departures as follows:

The accountants' report to the *Board of Directors, Maremont Automotive Products, Inc.*, contained the following statement: "During the year ended December 31, 1954, an abnormal inventory write-down for obsolescence with respect to certain of the company's subsidiaries in the amount of $139,981 (after credit for federal income taxes) was charged to Earned Surplus. In our opinion, under generally accepted accounting principles, such charge should have been cleared through the Statement of Income for the Year."

Accounting for Depreciation

To the Share Owners of The Stanley Works: We have examined the accompanying consolidated financial statements of The Stanley Works and its consolidated subsidiaries for the year ended December 31, 1954. 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.

Beginning in 1947, depreciation reserves have been increased by charges to earnings in excess of those computed in accordance with generally accepted accounting principles. The effect on the financial statements of these additional charges is explained in the accompanying letter to share owners.

In our opinion, these financial statements present fairly the consolidated financial position of The Stanley Works and its consolidated subsidiaries at December 31, 1954, and the consolidated results of their operations for the year then ended, in conformity, except as to the accounting for depreciation referred to above, with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Report of Independent Auditors—February 23, 1955.*

Deduction for Expenses re Warranty on Products Sold

Board of Directors: We have examined the consolidated balance sheet of *Mission Appliance Corporation* and subsidiaries as of June 30, 1954, and the related statement of consolidated profit and loss and earned 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. It was impracticable to confirm by direct communication amounts receivable from the U. S. Government, with respect to which we satisfied ourselves by means of other auditing procedures.

In computing the consolidated net profit for the year there have been deducted the costs and expenses incurred by the Company during the year in making good its warranty of products sold. Most of the costs and expenses so deducted related to products sold in prior fiscal periods but this is consistent with the accounting practice followed by the Company in prior periods. There has also been deducted, in determining consolidated net profit for the year, an additional sum of $225,719.57 for the establishment of a reserve for costs and expenses to be incurred in future years in respect of products sold prior to June 30, 1954.

In our opinion, the accompanying balance sheet presents fairly the consolidated financial position of Mission Appliance Corporation and subsidiaries at June 30, 1954, in conformity with generally accepted accounting principles. It is further our opinion that except for the deduction of both the warranty costs incurred and a provision for such costs to be incurred in future as referred to in the next preceding paragraph, the consolidated statement of profit and loss and earned surplus presents fairly the results of operations of Mission Appliance Corporation and subsidiaries for the year ended June 30, 1954, in conformity with generally accepted accounting principles. Except for the change in policy relative to product warranty (which we approve), the basis on which accounting principles have been applied in the financial statements has been consistent with that of the preceding year.—*August 20, 1954.*

Amortization of Emergency Facilities

S. D. Warren Company: We have examined the consolidated balance sheet of S. D. Warren Company and wholly owned subsidiary as at December 31, 1954 and the related statement of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As set forth in the note appended to the statement of income and retained earnings, costs include amortization of emergency facilities in the amounts allowable as deductions for federal income tax purposes, whereas generally accepted accounting principles require that the cost of such facilities be spread over the same period as would be proper if no certificates of necessity had been issued.

In our opinion, with the exception set forth in the preceding paragraph, the accompanying consolidated balance sheet and statement of income and retained earnings present fairly the consolidated financial position of S. D. Warren Company and wholly owned subsidiary at December 31, 1954 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.—*January 24, 1955.*

To the Board of Directors, Cosden Petroleum Corporation: We have examined the consolidated balance sheet of Cosden Petroleum (A Delaware Corporation) and its subsidiary company as of April 30, 1955, and the consolidated statements of income and 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.

In our opinion, the accompanying consolidated balance sheet and related statements of consolidated income and surplus present fairly the consolidated financial position of Cosden Petroleum Corporation and its subsidiary company at April 30, 1955, and the consolidated results of their operations for the fiscal year then ended, in conformity with generally accepted accounting principles, except as stated in the second paragraph in Note 2 to the financial statements. The principles of accounting employed by the company have been applied on a basis consistent with that of the preceding year.—*Auditors' Report —June 24, 1955.*

Note 2: Under Certificates of Necessity, portions of the cost of certain refinery facilities are being amortized for federal income tax purposes over a period of sixty months, whereas in the financial statements depreciation on these facilities has been accrued at normal rates. The estimated resulting temporary tax deferment of $117,000, $181,000, and $283,000 for the fiscal years ended April 30, 1953, 1954, and 1955, respectively, has not been recognized in the company's accounts.

Accounting Principles Consistently Observed

As disclosed in Table 5, the survey of 1954 annual reports revealed that there was a substantial increase in the number of accountants' reports which set forth exceptions to the consistent application of generally accepted accounting principles. A total of 126 reports contained such exceptions in 1954 as compared with 39 in 1953. In two reports, the reference to consistency was omitted (See Company Appendix Nos. 92, 102.)

The following accountant's reports exemplify the treatment of exceptions to the consistent application of generally accepted accounting principles:

Change in Basis of Certain Inventories

To the Stockholders and Board of Directors of Underwood Corporation: We have examined the consolidated balance sheet of Underwood Corporation and its wholly-owned domestic subsidiaries as of December 31, 1954 and the related statement of results of operations (including domestic and foreign subsidiaries) and accumulated employed earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The Corporation changed its basis of stating inventories of traded-in typewriters and service parts as described in Note D. The new policy is an accepted accounting practice, and is one to which we take no exception; in all other respects, in our opinion accounting principles have been applied on a basis consistent with that of the preceding year.

In our opinion, the accompanying balance sheet and statement of results of operations and accumulated employed earnings present fairly the consolidated financial position of Underwood Corporation and its wholly-owned domestic subsidiaries at December 31, 1954 and the consolidated results of operations for the year then ended, in conformity with generally accepted accounting principles. —*Report of Independent Auditors—February 8, 1955.*

Changes in Accounting for Equipment and Depreciation

To the Board of Directors of General Baking Company: In our opinion, the accompanying financial statements present fairly the financial position of General Baking Company at December 25, 1954 and the results of its operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent, except for the change explained below with which we concur, with that of the preceding year. Our examination of such statements was made in accord-

TABLE 5: STANDARDS OF REPORTING

Accountant's Report	1954	1953	1952	1951	1950
Generally Accepted Principles of Accounting					
States that the financial statements are presented in accordance with generally accepted principles of accounting	596	595	599	598	599
Sets forth exceptions to the presentation of the financial statements in accordance with generally accepted principles of accounting	4	5	1	2	1
	600	600	600	600	600
Principles Consistently Observed					
States that generally accepted principles of accounting have been consistently observed in the current period in relation to the preceding period	472	559	552	534	506
Sets forth certain exceptions to the consistent observation of generally accepted principles of accounting in the current period in relation to the preceding period	126	39	47	64	93
Omits reference to consistent observation of generally accepted principles of accounting	2	2	1	2	1
	600	600	600	600	600
Informative Disclosures					
Contains informative disclosures or explanatory remarks	20	24	20	25	21
Does not contain informative disclosures or explanatory remarks	580	576	580	575	579
	600	600	600	600	600
Expression of Opinion					
Contains an unqualified expression of opinion	444	548	538	518	486
Contains a qualified expression of opinion	155	52	61	82	114
Contains a qualified expression of opinion and a disclaimer of opinion with regard to one statement	—	—	1	—	—
Contains a disclaimer of opinion with regard to one statement	1	—	—	—	—
	600	600	600	600	600

ance 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.

Prior to 1954 the company followed the practice for financial accounting purposes of charging to income in the year of acquisition the entire cost of small equipment items such as breadboxes and pans, while for income tax purposes such costs were required to be capitalized and depreciated over a period of years. Beginning with the year 1954, the company adopted the practice of capitalizing and depreciating such costs for financial statement purposes as well as for income tax purposes. At the same time a new method now permitted by the new Internal Revenue Code of 1954 was adopted for computing depreciation on all additions after 1953 to buildings, machinery and equipment, for both financial statement and income tax purposes. The effect of these changes was to increase net earnings for the year ended December 25, 1954 by $521,000.—*Opinion of independent public accountants—January 25, 1955.*

Inclusion of Wholly-Owned Foreign Subsidiaries

Board of Directors, Chrysler Corporation: We have examined the consolidated balance sheet of Chrysler Corporation and all wholly-owned subsidiaries as of December 31, 1954, and the related consolidated statements of net earnings and net earnings retained for use in the business 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.

Wholly-owned foreign subsidiaries have been included in the consolidation in 1954; previously such subsidiaries were not included. The net assets of these subsidiaries in Canada, England and Belgium were $41,917,489 at December 31, 1954, including net current assets of $15,236,-183. Net earnings of these subsidiaries for the year were $3,674,846.

In our opinion, the accompanying balance sheet and statements of net earnings and net earnings retained for use in the business present fairly the consolidated financial position of Chrysler Corporation and all wholly-owned subsidiaries at December 31, 1954, 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, except for the inclusion, which we approve, of wholly-owned foreign subsidiaries in the consolidation.—*February 10, 1955.*

Change in Treatment of Research Expenditures

To the Shareholders, Hamilton Watch Company: We have examined the consolidated balance sheets of the Hamilton Watch Company and its wholly owned subsidiary companies as of December 31, 1954 and 1953, and the related consolidated statements of income and earnings retained and invested in the business for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements present fairly the consolidated financial position of the Hamilton

Watch Company and its subsidiary companies at December 31, 1954 and 1953, and the consolidated results of their operations for the years 1954 and 1953, in conformity with generally accepted accounting principles applied on a consistent basis, except as to the change in the treatment of research expenditures as explained in Note 1 to the financial statements, in which change we concur.—*Accountants' Report—February 7, 1955.*

(Refer also to Section 3, Cost of Goods Sold and Gross Profit, example—Hamilton Watch Company.)

Changes in Cost Allocations and Estimated Expenses

The Hobart Manufacturing Company: We have examined the consolidated balance sheet of The Hobart Manufacturing Company and consolidated subsidiaries as of December 31, 1954 and the related summary of consolidated income and unappropriated earned 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 consolidated balance sheet and summary of consolidated income and unappropriated earned surplus present fairly the financial position of the companies at December 31, 1954 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied (except for the changes, which we approve, explained in Notes 1 and 2 to the summary of consolidated income and unappropriated earned surplus) on a basis consistent with that of the preceding year.—*Accountants' Certificate—March 2, 1955.*

Note 1: As of January 1, 1954, the Company changed its allocations of manufacturing expenses in determining the costs of several products. This change, although not considered to be significant in the determination of income in any one year, had the cumulative effect of increasing by $974,809 the valuation of inventories of work in process and finished products at manufacturing plants at the beginning of the year.

Note 2: Pursuant to the Company's interpretation of certain new provisions of the Internal Revenue Code, accruals have been recorded as of December 31, 1954 for the estimated liabilities for vacation pay, product guarantees, and cash discounts on sales. Such expenses previously had been recorded on the books and deducted in income tax returns in the year of payment. These accruals, aggregating $275,712, were offset in part by a reduction in provision for Federal income tax.

Deduction for Accrued Vacation Wages

To the Stockholders and Board of Directors of Johns-Manville Corporation: We have examined the statement of investment of Johns-Manville Corporation and its Consolidated Subsidiary Companies as of December 31, 1954 and 1953, and the related statement of earnings for the respective years then ended. We were furnished with financial statements of Canadian Johns-Manville Company, Limited and its consolidated subsidiaries for the years 1954 and 1953, together with the report thereon of Canadian Chartered Accountants. 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, based upon our examination and upon the report of other accountants, the accompanying statement of investment and related statement of earnings present fairly the financial position of Johns-Manville Corporation and its consolidated subsidiary companies at December 31, 1954 and 1953, and the results of their operations for the respective years then ended, in conformity with generally accepted accounting principles applied on a consistent basis except as to the change explained in Note 10 to the financial statements, in which change we concur.—*January 24, 1955.*

Note 10: Vacation wages have heretofore been deducted from earnings as paid. In 1954, the earned vacation wages to be paid in 1955 were accrued. This accrual, after giving effect to tax benefits accorded by Revenue Act of 1954, reduces net earnings by approximately $1,700,000.

Changes in Principles of Consolidation and Method of Depreciation

To the Board of Directors of Libby, McNeill & Libby: We have examined (1) the consolidated balance sheet of Libby, McNeill & Libby and its domestic and Canadian subsidiaries at May 28, 1955 and the related statements of income and earned surplus for the fiscal year then ended and the preceding three months, and (2) the consolidated balance sheet of Libby, McNeill & Libby and all subsidiaries at May 28, 1955 and the related statement of income and earned surplus for the fiscal year then ended. Our examination, which embraced all companies other than the German subsidiary, was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of the German subsidiary (included in the financial statements consolidating all subsidiaries) are as shown by an audit report of an independent public accountant in Germany.

Based on our examination and on the report submitted to us, it is our opinion that the accompanying financial statements present fairly (1) the financial position of Libby, McNeill & Libby and its domestic and Canadian subsidiaries at May 28, 1955 and the results of their operations for the fiscal year then ended and for the preceding three months, and (2) the financial position of Libby, McNeill & Libby and all subsidiaries at May 28, 1955 and the results of their operations for the fiscal year then ended, in conformity with generally accepted accounting principles. It is also our opinion that except for the changes in principles of consolidation (see notes) and in the method of providing for depreciation (see page 5), both of which have our approval, the consolidated financial statements have been prepared on a basis consistent with that of the preceding fiscal year.—*June 30, 1955.*

Change in Basis of Accounting for Investment in Subsidiary

Board of Directors, United States Foil Company: We have examined financial statements of United States Foil Company as of, or for the year ended, December 31, 1954. 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.

During the year the Company declared a share distribution in its Common, Class B, Stock equal to 5% of the number of shares of Common Stock outstanding at the time. This distribution, the fair value of which was determined to be $2,818,780, was charged to the extent of $208,752 against available earned surplus, and to the extent of $2,610,028 against Equity in Undistributed Earnings of Reynolds Metals Company (see Note B of "Notes to Financial Statements"). Had there been sufficient earned surplus, the entire charge would have been made thereagainst according to generally accepted accounting principles.

TABLE 6: ACCOUNTANT'S OPINION QUALIFIED

Reason for Qualification	1954	1953	1952	1951	1950
Changes in or deviations from generally accepted principles of accounting:					
Lifo inventory method—initial adoption	—	3	3	25	48
Lifo inventory method—modification	—	1	1	6	15
Other methods of inventory valuation	4	5	4	5	4
Fixed assets	1	1	7	1	—
Higher plant replacement cost	—	—	—	—	1
Other assets	3	4	3	5	—
Liabilities	1	2	—	2	1
Income and Expense:					
Deferred income	2	—	—	—	—
Estimated expenses—re: Section 462 I.R.C.	72	—	—	—	—
Vacation pay deduction	15	6	2	—	—
Depreciation, depletion, amortization	67	8	9	5	4
Amortization under Certificate of Necessity	3	4	2	—	—
Other income and cost items	5	3	11	11	21
Principles of consolidation	13	8	8	10	6
Total	186	45	50	70	100
Various other reasons:					
Contingencies, litigation, etc.	13	14	14	12	15
Scope of examination	1	3	3	6	3
Miscellaneous	1	1	2	2	1
Total	15	18	19	20	19
Number of Accountant's Reports containing:					
An unqualified expression of opinion	444	548	538	518	486
A qualified expression of opinion	155	52	61	82	114
A qualified expression of opinion and a disclaimer of opinion with regard to one statement	—	—	1	—	—
A disclaimer of opinion with regard to one statement	1	—	—	—	—
	600	600	600	600	600

In our opinion, and with the foregoing explanation, the accompanying balance sheet and statement of income and earned surplus present fairly the financial position of United States Foil Company at December 31, 1954, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles, which, except for the change (in which we concur) in the basis of accounting for the Company's investment in Comson Stock of Reynolds Metals Company (see Note B of "Notes to Financial Statements"), were applied on a basis consistent with that of the preceding year.—*Accountants' Report—March 30, 1955.*

Note B—Investment in Reynolds Metals Company:

During 1954 the Company changed the accounting for its investment in Common Stock of Reynolds Metals Company from cost, to cost plus the equity in undistributed earnings of that company as shown by its books. The credit arising from the adjustment was recorded in a surplus account entitled "Equity in Undistributed Earnings of Reynolds Metals Company." For purposes of comparison, that account has been reflected in the 1953 balance sheet. Changes in that account during the year were as follows:

Balance at beginning of year (retroactively stated)	$45,400,000
Increase (net) during the year in equity in undistributed earnings of Reynolds Metals Company	7,800,000
	$53,200,000
Less distribution in Common, Class B, Stock of Company (5%—41,452 shares) at portion of fair value determined by Board of Directors, in excess of available earned surplus	2,610,028
Balance at end of year	$50,589,972

*Refer to Company Appendix Section.

Expression of Opinion

An *unqualified* expression of opinion was contained in the accountants' reports on the 1954 financial statements of 444 survey companies. A *qualified* expression of opinion was given in 155 reports and a *disclaimer* of opinion was given with regard to the income statement in one report (Botany Mills, Inc.) (Refer to Tables 5, 6, and 7).

In the 155 reports which contained qualified expressions of opinion there were 201 instances of qualification. Table 6 reveals that the principal reasons for qualifying the accountant's opinion in 1954 concerned charges in accounting for estimated expenses (with regard to Section 462 of the Internal Revenue Code); depreciation, depletion and amortization; and vacation pay (given in the order of frequency of occurrence).

Table 7 reviews the changes in or deviations from generally accepted accounting principles which formed the basis for a qualification of opinion and indicates whether the accountant approved, disapproved or failed to approve or disapprove the change or deviation. Disapproval was noted by the accountant in only two instances (*Co. Nos. 18, 409). Approval was given in 165 instances and no comment in 19 instances.

Examples of Qualified Opinions—1954

The examples which follow illustrate the presentation of qualified opinions given in the 1954 annual reports.

To the Stockholders of Blair Holdings Corporation: In our opinion, subject to the reservation in the succeeding paragraph, the accompanying consolidated financial statements together with the notes thereto present fairly the position of Blair Holdings Corporation and subsidiary companies at December 31, 1954 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. Our examination of such financial 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.

As stated in Note 2 to the financial statements a claim and legal actions have been filed against the Corporation in connection with the acquisition of shares of Stanwell Oil & Gas Limited, and as stated in Note 7 the Corporation was contingently liable with respect to two libel suits which have been filed against the President of the Corporation. It is not presently possible to determine the effect of the outcome of these matters on the consolidated financial position of the Corporation and its subsidiaries.—*March 11, 1955.*

To the Board of Directors, Collins Radio Company: We have examined the balance sheet of Collins Radio Company (an Iowa corporation) as of July 31, 1954 and the related statement of profit and loss and earned 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. It was not practicable to confirm by correspondence amounts due from the United States Government, with respect to which we satisfied ourselves by means of other auditing procedures.

In our opinion, subject to adjustments, if any, which may be required on renegotiable business (see Note 2), the accompanying balance sheet and statement of profit and loss and earned surplus present fairly the financial position of Collins Radio Company at July 31, 1954 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, except that related partial payments have been deducted from Government receivables.—*Auditors' Report—October 1, 1954.*

Note 2—Federal Taxes on Income:

Many of the Company's Government contracts are subject to some form of price revision. The receivables include estimated net price changes under contracts as to which revisions have not been finally determined. The Treasury Department has ruled that price-increase estimates (included as income in tax returns filed for fiscal years 1952 and 1953) become taxable income in the year they are finally determined. Tax adjustments relating to such price revisions are shown in Profit and Loss and Earned Surplus.

A substantial amount of the Company's business for years 1951 through 1954 is subject to renegotiation by the U. S. Government. Its effect upon the financial statements cannot be determined at this time but the management is of the opinion that no significant changes will result therefrom. Determination of the liability for 1950 and prior years has been made and settled.

TABLE 7: ACCOUNTANT'S APPROVAL OR DISAPPROVAL
of Changes in or Deviations from Generally Accepted Principles of Accounting

	1954*			1953*			1952*			1951*			1950*		
Nature of Change or Deviation	A	D	N	A	D	N	A	D	N	A	D	N	A	D	N
Lifo inventory method—initial adoption	—	—	—	3	—	—	3	—	—	24	—	1	42	—	6
Lifo inventory method—modification	—	—	—	1	—	—	1	—	—	6	—	—	14	—	1
Other methods of inventory valuation	3	—	1	1	1	3	3	1	0	3	1	1	3	—	1
Fixed assets	—	—	1	—	—	1	6	—	1	1	—	—	—	—	—
Higher plant replacement cost	—	—	—	—	—	—	—	—	—	—	—	—	1	—	—
Other assets	1	—	2	2	—	2	2	1	—	3	—	2	—	—	—
Liabilities	1	—	—	1	—	1	—	—	—	1	—	1	—	—	1
Income and Expense:															
Deferred income	2	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Estimated expenses—re: Section 462 I.R.C.	61	—	11	—	—	—	—	—	—	—	—	—	—	—	—
Vacation pay deduction	14	—	1	6	—	—	2	—	—	—	—	—	—	—	—
Depreciation, depletion, amortization	65	—	2	7	—	1	8	—	1	5	—	—	3	1	—
Amortization under Certificate of Necessity	2	1	—	3	1	—	2	—	—	—	—	—	—	—	—
Other income and cost items	4	—	1	3	—	—	8	2	1	9	1	1	17	2	2
Principles of consolidation	12	1	—	7	1	—	7	—	1	9	—	1	3	—	3
Total	165	2	19	34	3	8	42	4	4	61	2	7	83	3	14

*Summary of accountant's approval or disapproval	1954	1953	1952	1951	1950
A—Approved	165	34	42	61	83
D—Disapproved	2	3	4	2	3
N—Neither approved nor disapproved	19	8	4	7	14
	186	45	50	70	100

To the Board of Directors, The Cudahy Packing Company: We have examined the consolidated balance sheet of The Cudahy Packing Company (a Maine corporation) and Subsidiaries as of October 30, 1954, and the related statements of income and 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. We had previously made a similar examination for the preceding fiscal year.

On October 25, 1954, the stockholders authorized a reduction in the par value of the common stock from $10 to $5 per share and approved the transfer of the accumulated deficit in the earned surplus account as of October 30, 1954, to capital surplus, including surplus arising from this reduction in common stock. A requirement of a corporate readjustment of this type is that the assets of the company be stated at their value as of the date of the readjustment. Present values of the plants and equipment applicable to the units which will continue in operation are, of course, dependent principally on realization through future earnings of the various units, a few of which have operated at a loss during recent years. These assets are stated in the accompanying balance sheet at their previously existing net book values ($20,737,663), which the Board of Directors believes fairly reflect their present values.

Subject to the comments in the foregoing paragraph, in our opinion, the accompanying balance sheet and statements of income and surplus present fairly the financial position of The Cudahy Packing Company and its subsidiaries as of October 30, 1954, and the results of their 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.—*Report of Auditors—December 14, 1954.*

Jonas & Naumburg Corporation: We have examined the balance sheet of Jonas & Naumburg Corporation and the combined balance sheet of its wholly-owned foreign subsidiary companies as of October 31, 1954, and the related condensed summaries of loss and earned surplus (deficit) 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, subject to the final determination of the proposed additional income tax assessments for prior years against the Belgian subsidiary mentioned in Note 1 to the combined financial statements of the wholly-owned foreign subsidiary companies, as to which we are not in a position to express an opinion, the accompanying balance sheets and condensed summaries of loss and earned surplus (deficit), with their footnotes, present fairly the financial position of the companies at October 31, 1954 and, in condensed form, 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.—*January 10, 1955.*

Note 1: The Belgian tax authorities have proposed additional income tax assessments for prior years against the Belgian subsidiary in the amount of approximately B. fcs. 4,000,000 ($80,000). The Company is contesting these assessments and believes that its ultimate liability, if any, in connection therewith will be substantially less than the amount assessed.

The Board of Directors and Stockholders of Marquardt Aircraft Co.: We have examined the balance sheet of Marquardt Aircraft Co. at December 31, 1954 and the related statements of income and stockholders' equity 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. It was not practicable to confirm by direct correspondence certain receivables from the United States Government; however, we satisfied ourselves as to the substantial accuracy of such receivables by other auditing procedures.

As set forth in Note 4, the provision for prior years' excess profits tax may prove to be excessive and if so the Company's financial position is better by approximately $150,000 than that shown in the accompanying balance sheet. In our opinion, except for such possible over-provision for taxes, the above-described statements present fairly the financial position of Marquardt Aircraft Co. at December 31, 1954 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.—*Report of Certified Public Accountants—March 1, 1955.*

Marquardt Aircraft Co.
Balance Sheet
Current liabilities:

Federal income and excess profits taxes less U. S. Certificates of Indebtedness, $301,092 (Note 4)	$599,765

Statement of Income

Provision for Federal Income Taxes (Note 4)	$286,000

Note 4: A material part of the sales recorded in 1953 is of such a nature that it is believed that, for Federal income tax purposes, such sales are taxable income in 1954 rather than 1953. However, pending final determination of this question, taxes have been accrued and reflected in the accompanying financial statements in the amounts which will be required if these sales are taxable in 1953. If the Company sustains its position in regard to these sales, the effect will be the elimination of excess profits tax for 1953 and (by carry-back) for 1952 and a resulting increase in stockholders' equity of approximately $150,000.

The Board of Directors, Safeway Stores, Incorporated: We have examined the statements of financial position of Safeway Stores, Incorporated and of its subsidiaries as of December 31, 1954 and the related statements of profit and loss and net income retained in the business 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, subject to the current asset classification of properties described in the note to financial statements "Properties for Sale Under the Company's Real Estate Program," the accompanying statements of financial position and statements of profit and loss and net income retained in the business present fairly the financial position of Safeway Stores, Incorporated and its subsidiaries at December 31, 1954 and the results of their operations for the year then ended. Generally accepted accounting principles have been employed on a basis consistent with that of the preceding year.—*Accountants' Report—February 23, 1955.*

Notes to Financial Statements: *Properties for Sale Under the Company's Real Estate Program*—Under the Company's "buy-build-sell-lease" program these properties are for development, sale in due course, and lease-back.

To the Board of Directors, A. O. Smith Corporation: We have examined the consolidated balance sheet of A. O. Smith Corporation and subsidiary at July 31, 1954, and the related consolidated statement of income and earned 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.

Sales under certain uncompleted defense contracts providing for retroactive redetermination of the selling prices during or at the end of the contract period and termination claims unsettled at the year end have been recorded in the accounts at cost. No profit on these contracts and claims has been reflected in the statement of income pending review of the costs by the appropriate authorities and final determination of the selling prices and profits. Management is of the opinion that substantially all costs charged to these defense contracts and termination claims will be recovered, and that a profit will be realized, however, it is impracticable at this time to estimate the amount of such profit.

In our opinion, subject to such adjustments as may be necessary in connection with the matters referred to in the preceding paragraph, the above-described financial statements present fairly the consolidated financial position of A. O. Smith Corporation and subsidiary at July 31, 1954, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent in all material respects with that of the preceding year.—*October 4, 1954.*

To the Board of Directors and Stockholders of Alexander Smith, Incorporated: We have examined the balance sheet of Alexander Smith, Incorporated and its Consolidated Subsidiary as of December 31, 1954, and the related statements of income, earned surplus (deficit) and paid-in surplus on capital stock 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.

Except for the loss, if any, that may be sustained upon disposition of the non-operating property, plant and equipment referred to in Note 1, in our opinion, the accompanying balance sheet and related statements of income, earned surplus (deficit) and paid-in surplus on capital stock present fairly the financial position of Alexander Smith, Incorporated and its consolidated subsidiary at December 31, 1954, 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.—*Auditors' Report—March 22, 1955.*

(Refer also to Section 4, Appropriations of Retained Earnings—Property Purposes, example—Alexander Smith, Incorporated.)

To the Board of Directors of Standard Milling Company: In our opinion, with reservation as to the possible effect of the matter referred to in Note 2 of the notes to the financial statements, the attached balance sheet and the related statement of profit and loss and earnings retained for use in the business, together with the notes thereto, fairly present the financial position of Standard Milling Company and its subsidiary company at May 31, 1954 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. This opinion is based upon an examination of such statements which 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. —*Accountants' Report—July 9, 1954.*

Note 2: On June 12, 1953 operations at the Minneapolis Flour Mill were discontinued. The building is to be used for warehousing purposes and the machinery and equipment (carrying amount less accumulated depreciation at May 31, 1954 approximately $390,000) are being dismantled and disposed of on a piecemeal basis. No provision has been made in the accompanying financial statements for the ultimate loss that will be sustained on disposition of the machinery and equipment as the amount of the loss cannot be determined at this time.

To the Board of Directors, Thermoid Company: We have examined the consolidated statement of financial condition of Thermoid Company and Subsidiaries as of December 31, 1954 and the related statements of earnings 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.

We had previously made annual examinations, similar in scope to that indicated above, of the consolidated financial statements of Thermoid Company and Subsidiaries for the years 1951, 1952 and 1953. As more fully set forth in Note 1 to the financial statements it developed during the year 1954 that there had been extensive manipulations in the accounts of Thermoid Company and its subsidiary companies during the three preceding calendar years, for the purpose of evading Federal income and excess profits taxes. The improper accounting related principally to the intercompany accounts between Thermoid Company and its subsidiaries; to that extent it did not affect the consolidated income before taxes but did affect the tax liabilities reported since the companies file separate tax returns.

We reviewed the transactions in the intercompany accounts in detail. In view of the widespread collusion within the company and its subsidiaries which brought about these manipulations and made possible their concealment, we made an intensive investigation of the documentary evidence available in support of the principal items for the purpose of correcting entries which were improperly recorded. We also made investigations to uncover intercompany transactions which had not been recorded but should have been. We believe that our investigation has uncovered all major discrepancies; however, the Internal Revenue Service was requested by the Company to make an immediate audit of the tax returns and this investigation, which includes the taking of testimony under oath, is still in progress.

In our opinion, with the above observations and with the reservation that we are not in a position to express an opinion as to the possibility of tax penalties being asserted, the accompanying statement of financial condition at December 31, 1954 and 1953, the consolidated statement of earnings for the four years ended December 31, 1954, and the consolidated statements of surplus for the year ended December 31, 1954, together with notes thereto, present fairly the financial position of Thermoid Company and its subsidiaries at December 31, 1954 and 1953 and the results of their operations for the four years ended on December 31, 1954, in conformity with generally accepted accounting principles applied on a consistent basis.—*Accountants' Report—April 8, 1955.*

Notes to Consolidated Financial Statements:

1. Adjustments to income of prior years—Federal income taxes: As a result of disclosures in 1954 by employees of the company of irregularities in the accounts, the auditors were instructed to make a detailed re-examination of intercompany transactions for the years 1951, 1952 and 1953 to make a determination of the character of the transactions and the amounts involved. It has been determined that the accounts of the parent company and its subsidiaries during these years were manipulated for the purpose of diverting profits from the parent companies to the subsidiaries (or vice versa) thereby improperly reducing income and excess profits taxes.

These manipulations were participated in by certain members of the management and employees of the company and its subsidiaries to an extent not yet finally determined. Such manipulations did not, of themselves, affect the consolidated net income before taxes. They consisted principally of transfers of material without charge, charges for materials when no deliveries were made, incorrectly stating quantities transferred, incorrect pricing, etc. The manipulations, in general, were accomplished by the preparation of fictitious and incorrect documents.

In addition, the examination disclosed that inventory of a divisional plant in transit at December 31, 1951 and in storage at December 31, 1953 had been omitted from the physical inventories, and that a writedown by a subsidiary of certain inventory classified as obsolete or scrap at December 31, 1953, was excessive in view of the subsequent sale of a substantial portion thereof in 1954.

Revised statements of earnings for the years 1951, 1952 and 1953 reflect the following adjustments:

(A) Earnings from operations for the year 1951 have been increased $27,223 for omitted inventory and those for 1952 reduced in the same amount.

(B) 1953 earnings from operations have been increased $56,508 for omitted inventory and by $152,018 for the excessive writedown of inventory classified as scrap or obsolete.

(C) Additional provision for taxes on income in the net amount of $620,000 has been made in respect of the foregoing adjustments. The amount of $620,000 is after applying tax benefits of $150,000 to the years 1951 and 1952 arising from increased excess profits credits and other adjustments applicable to these years which were occasioned by the final determination of returns for prior years.

(D) The tax provision on the books has been further increased by $265,000 to cover other items of a debatable character raised by the Internal Revenue Service in the course of their current examination of the returns for these years.

The aggregate additional tax provision, $885,000, has been allocated in the revised statements as follows: 1951, $183,800; 1952, $65,300; 1953, $635,900.

No provision has been made for interest on these tax deficiencies as it is estimated that such interest will be offset by interest accruing to the company on an approved claim for refund of 1940-1945 excess profits taxes. No provision has been made for penalties which may be asserted.

The income tax returns of the companies for the years 1950 to 1953, inclusive, are now under examination by the Internal Revenue Service. While this examination has not been completed, the important matters at issue are known and the provision made for additional assessments, as discussed above, is believed to be reasonably adequate. During the year 1954 final settlement was made of the income taxes of Thermoid Company for the years 1946-1949, inclusive. The unused provision for 1949 and prior years in the amount of $235,000 has been transferred to earned surplus.

Disclaimer of Opinion

A *disclaimer* of opinion with regard to the income statement was given in the *accountants' report* to the *Board of Directors and Stockholders of Botany Mills, Inc.*:

We have examined the consolidated balance sheet of Botany Mills, Inc. and wholly-owned subsidiary companies as at December 31, 1954 and the related consolidated statements of income and surplus/deficit 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, except as stated hereinafter.

The Company has revised its accounting policies with respect to (1) costs of engineering services, (2) costs of pensions and retirement allowance and (3) accrual of certain other expenses, as described in Notes C, F and E, respectively, of the notes to financial statements. These changes in accounting policy have our approval.

Inasmuch as this is our first examination of the accounts of Botany Mills, Inc. and wholly-owned subsidiary companies, we were not able to make an observation of the procedures followed in the taking of the physical inventories at December 31, 1953, including physical tests of inventory quantities, nor have we made any other tests of the inventories as at that date. The omission of the aforementioned auditing procedures precludes our expressing an opinion on the consolidated statements of income and surplus/deficit for the year ended December 31, 1954.

In our opinion, the accompanying consolidated balance sheet, together with the notes to financial statements, presents fairly the consolidated financial position of Botany Mills, Inc. and wholly-owned subsidiary companies at December 31, 1954, in conformity with generally accepted accounting principles.—*February 28, 1955.*

The example of *disclaimer of opinion* which follows is given in the report of the independent public accountants which accompanied the financial statements of *Surface Transportation Corporation of New York* for the year ended December 31, 1954:

We have examined the balance sheet of Surface Transportation Corporation of New York at December 31, 1954 and the related statements of income and unrestricted earned 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.

We call particular attention to the following items in the balance sheet and to the comments in the related notes to the financial statements:

(1) *Reorganization of the Corporation under Chapter X of the Bankruptcy Act*

See Notes 1 and 19 to the financial statements with respect to reorganization proceedings, existing events of default under mortgage indentures and the effect thereof on the financial statements.

(2) *Omnibus repair parts and supplies*

As explained in Note 3 to the financial statements, omnibus repair parts and supplies consist primarily of new and reconditioned bus repair parts. Reconditioned parts included therein are valued at approximately $322,000 which represents the value of these parts if they were new.

(3) *Operating income*

As explained in Note 16, no charge has been made by the Corporation's parent, Third Avenue Transit Corporation, for the use of certain routes covered by franchises owned by Third Avenue Transit Corporation.

(4) *Pensions*

As explained in Note 18 to the financial statements, no provision has been made in the financial statements for any liability at December 31, 1954 under the pension plan of Third Avenue Transit Corporation and its major subsidiaries, including Surface Transportation Corporation of New York.

In view of the uncertainties as to the final disposition of the foregoing very material items, it is not possible for us to express any overall opinion as to the financial statements. As a result of our examination, however, it is our opinion that current assets, cash and securities on deposit, fixed assets, equipment obligations due within one year, notes payable—trade, accounts payable—trade, wages payable, retroactive wages payable, accrued taxes (except Federal income taxes), injury and damage claims, compensation claims, amounts due to affiliated companies, long-term debt, and capital stock as shown in the attached balance sheet fairly reflect these items at December 31, 1954 and, subject to the effect thereon, if any, of the final disposition of items (1) to (4), inclusive, referred to herein, that the attached statement of income fairly reflects the results of operations for the year ended December 31, 1954 and the attached statement of unrestricted earned surplus fairly reflects the 1954 transactions included therein, in conformity with generally accepted accounting principles applied on a basis consistent in all material respects with that of the preceding year.—*May 13, 1955.*

Informative Disclosures

Informative disclosures or explanatory remarks were included in 20 of the accountants' reports accompanying the 1954 financial statements of the survey companies. The following examples have been selected from the accountants' reports of various companies:

Aeroquip Corporation: (Re: September 30, 1954) ... In our opinion, the accompanying consolidated balance sheet and consolidated statements of earnings and surplus present fairly the financial position of Aeroquip Corporation and subsidiaries as of September 30, 1954, and the results of their operations for the year then ended, after including in net earnings a Federal income tax benefit of approximately $300,000 resulting from the application to a subsidiary of the loss carry-over provisions of the Internal Revenue Code, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*November 17, 1954.*

Board of Directors, American Motors Corporation: We have examined the consolidated balance sheet of American Motors Corporation and consolidated subsidiaries as of September 30, 1954, and the related statements of net loss, earnings retained for use in the business, and additional paid-in capital 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.

On May 1, 1954, Hudson Motor Car Company was merged into Nash-Kelvinator Corporation, and the name Nash-Kelvinator Corporation, the continuing company, was changed to American Motors Corporation. The accompanying financial statements include operations of the Hudson Motor Car Division from May 1, 1954, and do not include operations of Hudson Motor Car Company prior to the date of merger.

The Corporation has adopted a declining balance method of determining depreciation with respect to additions to plant and equipment after January 1, 1954, while continuing the straight-line method with respect to additions prior to that date. This change, which we approve, did not have a material effect on the depreciation charge for the year. In other respects accounting principles, in our opinion, have been applied by the Corporation on a basis consistent with that of Nash-Kelvinator Corporation in the preceding year.

In our opinion, the accompanying balance sheet and statements of net loss, earnings retained for use in the business, and additional paid-in capital present fairly the consolidated financial position of American Motors Corporation and consolidated subsidiaries at September 30, 1954, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles.—*December 9, 1954.*

Anaconda Copper Mining Company: (Re: December 31, 1954) . . . The practice of the Company and its subsidiaries in computing their 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, zinc, lead, silver and gold, and is in agreement with long established and consistently maintained accounting practices and procedures of this Company and its subsidiaries and others similarly situated, and the Company is advised by counsel that such procedure is in accordance with legal requirements. . . . —*March 7, 1955.*

The Cuban-American Sugar Company: (Re: September 30, 1954) . . . Refined sugar on hand or in process at September 30, 1954 has been valued at the lower of cost or market. Raw sugar on hand and in liquidation has been valued at contract sales prices or approximate present market prices, except for 58,787 short tons of the raw sugar segregated in 1952 for sale over a five-year period under Law-Decree No. 224 of the Republic of Cuba, which have been valued at $3.08 per hundred pounds, f.o.b. Cuba. Blackstrap molasses has been taken into the accounts at an estimated realizable price of 4 cents net per physical gallon.

The cost of cane purchased from cane growers has been based on an estimated promedio price of approximately $3.80 per hundred pounds of sugar for the 1954 crop, and is subject to adjustment when the final official average price of the crop is published. . . . —*November 29, 1954.*

Ingersoll-Rand Company: (Re: December 31, 1954) ... The company's equity in the earnings for the year 1954 of foreign subsidiary companies not consolidated, as shown by their books, converted at rates of exchange in effect at December 31, 1954 was substantially in excess of the dividends received from those companies and credited to other income in 1954. The remittance of earnings from certain foreign countries is, however, subject to exchange restrictions. . . . —*March 24, 1955.*

McGraw-Hill Publishing Company, Inc.: (Re: December 31, 1954) . . . No attempt is made in the balance sheet to reflect actual present value of fixed assets, publication titles, copyrights, subscription lists and goodwill.

In years prior to 1954 it was the consistent policy of the company to treat income from magazine subscriptions as earned in the year of receipt and to reflect the unearned portion of the subscriptions as a reserve created out of income retained in the business. During the year 1954, in order to avail itself of certain provisions of the Internal Revenue Code of 1954, the company decided to spread such income over the life of the subscriptions, and also to provide for estimated expenses for employees' vacations and for returned sales.

To record income on a basis consistent with preceding years, the adjustments necessary to reflect the above changes were charged directly to income retained in the business, and the adjustment of 1954 income taxes resulting from such changes was credited to income retained in the business. Therefore, the net income for 1954 shown in the consolidated statement of income remains unaffected by these changes.

In our opinion, subject to the above, the accompanying consolidated balance sheet and the related statement of income present fairly the position of McGraw-Hill Publishing Company, Inc. and subsidiary companies at December 31, 1954 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.

Studebaker-Packard Corporation: (Re: December 31, 1954) . . . On September 30, 1954, Packard Motor Car Company consummated a purchase agreement with the Studebaker Corporation and the name of Packard Motor Car Company was changed to Studebaker-Packard Corporation. The accompanying financial statements include Studebaker operations from October 1, 1954, to the year-end, but do not include operations of The Studebaker Corporation and its subsidiaries for the period prior to October 1, 1954. . . . —*March 1, 1955.*

The Superior Oil Company: (Re: August 31, 1954) . . . 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. . . . —*November 5, 1954.*

RELIANCE UPON OTHERS

Table 8 reveals that 60 of the accountants' reports in the 1954 survey companies contained reference to reliance upon others in connection with the examination of the accounts as follows:

Reliance upon other accountants	53 reports
Reliance upon other accountants and the client	2 reports
Reliance upon the client	3 reports
Reliance upon an independent appraiser	2 reports

The reliance upon other accountants occurred most frequently in the examination of the accounts of domestic or foreign subsidiaries, consolidated or unconsolidated. (Refer to Company Appendix Nos. 21, 93, 152, 404, 463, 594.) Reliance upon the client was mentioned in certain of the 1954 survey reports (Refer to Company Appendix Nos. 63, 138, 234, 329, 354). The accountant's reports in two of the survey companies in-

TABLE 8: RELIANCE UPON OTHERS

	Scope Paragraph					Scope and Opinion Paragraphs				
Reliance	1954	1953	1952	1951	1950	1954	1953	1952	1951	1950
Upon Other Accountants for Examination of:										
Consolidated domestic subsidiary	3	5	5	6	5	12	11	12*	10	12
Consolidated foreign subsidiary	8	9	9	8	9	18	16	18	16	16
Consolidated domestic and foreign subsidiaries	—	—	—	—	—	2	2	2	2	1
Unconsolidated domestic subsidiary and affiliated company	—	1	1	1	1	—	—	—	—	—
Unconsolidated foreign subsidiary and affiliated company	1	1	1	3	3	6	7	7	5	5
Unconsolidated domestic and foreign subsidiaries and affiliated company	—	1	1	1	1	1	1	1	1	1
Domestic branch or division	—	—	—	—	—	1	1	1	—	—
Foreign branch or division	1	1	1	1	1	4	4	4	3	2
Foreign accounts	—	—	—	—	—	1	1	1	1	1
Subsidiaries merged or liquidated	—	—	—	—	—	1	2	—	—	—
Beginning of the year inventory	—	—	—	—	—	—	2	—	—	—
Total	13	18	18	20	20	46	47	46	38	38
Upon Client Re:										
Consolidated foreign subsidiary	3	3	3	4	6	1	1	1	1	1
Unconsolidated domestic subsidiary and affiliated company	1	1	1	1	1	1	—	—	—	—
Total	4	4	4	5	7	2	1	1	1	1
Upon Independent Appraiser	2	2	2	2	2	—	—	—	—	—
	19	24	24	27	29	48	48	47	39	39

Number of Reports Expressing:	1954	1953	1952	1951	1950
Reliance upon other accountants	53	54	55	49	47
Reliance upon other accountants and client	2	9	8	8	9
Reliance upon client	3	2	2	2	3
Reliance upon independent appraiser	2	2	2	2	2
Total	60	67	67	61	61
Not expressing reliance upon others	540	533	533	539	539
	600	600	600	600	600

*Including 1 set forth in opinion paragraph only.

dicated reliance upon independent appraisers for the verification of inventories (Refer to Company Appendix Nos. 41, 179).

The following examples are illustrative of disclosures of reliance upon other accountants and an independent appraiser.

Reliance Upon Other Accountants

Domestic Subsidiary—Consolidated

To the Board of Directors of Shoe Corporation of America: We have examined the consolidated balance sheet of Shoe Corporation of America and Subsidiaries Consolidated as of December 31, 1954, and the related statement of consolidated income and earned 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.

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.

In our opinion, based on our examination and on the report of other public accountants referred to above, the accompanying consolidated balance sheet and statement of consolidated income and earned surplus present fairly the financial position of Shoe Corporation of America and Subsidiaries Consolidated at December 31, 1954, 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 has our approval) of method of calculating provision for depreciation and amortization as explained in Note 6 of the notes to financial statements.—*Report of Independent Public Accountants—March 4, 1955.*

To the Stockholders of Childs Company: We have examined the consolidated balance sheet of Childs Company and subsidiaries at December 31, 1954 and the related statements of consolidated income, capital surplus and deficit in earned surplus for the year then ended. We were furnished with financial statements of certain major subsidiaries together with reports thereon of other firms of independent accountants, which financial statements are included in the accompanying consolidated statements. The assets and net sales of these subsidiaries constitute 39% and 22%, respectively, of the consolidated totals. 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, based upon our examination and upon such reports of other independent accountants, the accompanying consolidated balance sheet and statements of consolidated income, capital surplus and deficit in earned surplus present fairly the financial position of Childs Company and subsidiaries at December 31, 1954 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. —*March 31, 1955.*

To the Board of Directors of Warren Brothers Company: We have examined the consolidated balance sheet of Warren Brothers Company and subsidiary companies as of December 31, 1954 and the related consolidated statements of income and earnings retained in the business for the year then ended. Our examination, which included the financial statements of the parent company, ten of the fourteen consolidated subsidiary companies and two of the three unconsolidated subsidiary companies, was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records of these companies and such other auditing procedures as we considered necessary in the circumstances. The financial statements of the four consolidated and one unconsolidated subsidiary companies not examined by us (representing approximately $3,630,000 of the consolidated net assets) were examined by other independent accountants. The reports on their examinations were submitted to us for review.

In our opinion, based upon our examination and the reports of other independent accountants, the accompanying financial statements referred to above, with the notes thereto, present fairly the consolidated financial position of Warren Brothers Company and subsidiary companies at December 31, 1954 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent in all material respects (except for the change in method of providing for depreciation referred to in Note 6, which we approve) with that of the preceding year.—*Report of Independent Public Accountants—March 15, 1955.*

Foreign Subsidiaries—Consolidated

To the Stockholders of American Chicle Company: We have examined the Consolidated Balance Sheet of American Chicle Company and Wholly Owned Subsidiaries (excluding certain foreign subsidiaries) as at December 31, 1954 and the related Consolidated Statements of Income and Earned 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. We made a similar examination at December 31, 1953.

The accounts of foreign subsidiaries were examined or tested by independent public accountants in the respective foreign countries. We have reviewed the reports relating to such examinations, have no exceptions to take to the adequacy and sufficiency of the examinations and tests made by such other accountants, and have accepted such work in the same manner as if it had been done by us as a proper basis for including the financial statements of the consolidated foreign subsidiaries.

In our opinion, the accompanying Consolidated Balance Sheet and related Consolidated Statements of Income and Earned Surplus with explanatory notes present fairly the financial position of American Chicle Company and Consolidated Subsidiaries at December 31, 1954 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. —*Accountant's Report—February 21, 1955.*

The Board of Directors, Olin Mathieson Chemical Corporation: We have examined the consolidated balance sheet of Olin Mathieson Chemical Corporation (formed by merger of Mathieson Chemical Corporation and Olin Industries, Inc. which became effective August 31, 1954) and its consolidated subsidiaries as of December 31, 1954, and the related statements of consolidated 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 consolidated balance sheet and statements of consolidated income and surplus present fairly the financial position of Olin Mathieson Chemical Corporation and its consolidated subsidiaries as of December 31, 1954 and the results of their operations for the year then ended (including the eight month period prior to the merger) in conformity with generally accepted accounting principles applied on a basis consistent in all material respects with that of the preceding year.

We have made similar examinations of the financial statements of the principal non-consolidated subsidiaries (including branches) operating in countries other than United States and Canada and as to the foreign subsidiaries and branches not examined by us, we have been furnished with reports by other auditors. In our opinion, based upon our examinations and upon the reports of other auditors referred to above, the accompanying supplementary combined statements of net assets and income of non-consolidated subsidiaries operating in countries other than United States and Canada present fairly the combined financial position of such subsidiaries as of November 30, 1954 (fiscal year basis) and the results of their combined operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Report—February 18, 1955.*

To the Stockholders, H. J. Heinz Company: We have examined the consolidated balance sheet of H. J. Heinz Company and subsidiaries as of April 27, 1955 and the related statements of income and surplus for the fiscal year then ended. Our examination, which included the Company and its Canadian subsidiary but did not include the British and Australian subsidiaries (which are of major importance), 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 regards the British and Australian subsidiaries, the accounts of which are incorporated in the accompanying consolidated financial statements, as indicated in Note 1, we have been furnished the reports of other independent accountants.

In our opinion, based on our examination and on the reports of other independent accountants, the accompanying consolidated balance sheet and statements of consolidated income and surplus present fairly the financial position of H. J. Heinz Company and subsidiaries at April 27, 1955 and the results of their operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Report—June 10, 1955.*

To the Stockholders, International Telephone and Telegraph Corporation: We have examined the balance sheet of International Telephone and Telegraph Corporation (a Maryland corporation) as of December 31, 1954, the consolidated balance sheet of the Corporation and its subsidiaries consolidated as of that date, and the related statements of income and surplus for the year then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except that it was not practicable to confirm receivables from certain governments, as to which, however, we have satisfied ourselves by other auditing procedures. We had previously made a similar examination for the year ended December 31, 1953. 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.

In our opinion, based upon our examinations and upon the reports of other auditors, the accompanying balance sheets and related statements of income and surplus present fairly the financial position of International Telephone and Telegraph Corporation and of the Corporation and its subsidiaries consolidated as of December 31, 1954 and 1953, and the results of their operations for the years then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*March 11, 1955.*

The Stockholders, Chesebrough Manufacturing Company, Consolidated: We have examined the consolidated balance sheet of Chesebrough Manufacturing Company, Consolidated at December 31, 1954 and the related statements of consolidated income and surplus for the year then ended. Our examination, except as to foreign branches whose net assets represent 22% of the consolidated net assets, 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 to the foreign branches, we examined reports of other independent public accountants and the figures for such branches included in the accompanying statements are derived from such reports.

In our opinion, based upon our examination and upon the reports of other accountants as mentioned above, the accompanying consolidated balance sheet and statements of consolidated income and surplus present fairly the consolidated financial position of Chesebrough Manufacturing Company, Consolidated at December 31, 1954 and the results of its consolidated operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.—*Accountants' Report—March 4, 1955.*

To the Board of Directors of MacAndrews & Forbes Company: We have examined the consolidated balance sheet of MacAndrews & Forbes Company and its Wholly Owned Subsidiaries as of December 31, 1954 and the related statements of income and earned surplus for the year then ended. We received reports of chartered accountants upon their examinations of financial statements of the company's wholly owned subsidiaries as of December 31, 1954 and of the company's foreign branches as of September 30, 1954. We also received unaudited financial statements of the foreign branches as of December 31, 1954. 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.

In our opinion, based upon such examination, foreign branch reports and reports of chartered accountants, the accompanying balance sheet and statements of income and earned surplus present fairly the consolidated financial position of MacAndrews & Forbes Company and its wholly owned subsidiaries at December 31, 1954 and the

NATIONAL HOMES CORPORATION
AND SUBSIDIARIES

HIGHLIGHTS

COMPARATIVE RECORD (CONSOLIDATED FIGURES)

	Six-Month Periods Ended December 31,		Years Ended December 31,	
	1954	1953	1954	1953
NUMBER OF UNITS PRODUCED	12,669	6,591	20,203	12,200
REVENUES:				
Net sales of products and services	$32,367,511	$19,255,652	$52,458,575	$35,430,091
Other (financing income, interest, purchase discounts, etc.)	2,127,304	503,467	3,345,036	874,411
TOTAL REVENUES	$34,494,815	$19,759,119	$55,803,611	$36,304,502
EARNINGS BEFORE PROVISION FOR FEDERAL TAXES ON INCOME	$ 3,692,674	$ 2,321,393	$ 5,760,038	$ 4,308,040
PROVISION FOR FEDERAL TAXES ON INCOME	$ 2,075,500	$ 1,396,611	$ 3,368,500	$ 2,718,586
EARNINGS FOR THE PERIOD	$ 1,617,174	$ 924,782	$ 2,391,538	$ 1,589,454
EARNINGS PER COMMON SHARE[1]	$ 1.65	$ 0.94	$ 2.44	$ 1.62
EARNINGS AS A PERCENT OF TOTAL REVENUE	4.69%	4.68%	4.29%	4.38%
EARNINGS AS A PERCENT OF CAPITAL INVESTED	14.31%	10.76%	21.17%	18.49%
EMPLOYEE COMPENSATION AND BENEFITS	$ 5,594,255	$ 2,974,072	$ 9,224,709	$ 5,656,813
NUMBER OF EMPLOYEES AT END OF PERIOD	2,030	1,163	2,030	1,163
CURRENT ASSETS	$31,666,966	$17,515,698	$31,666,966	$17,515,698
CURRENT LIABILITIES	$24,289,875	$11,887,580	$24,289,875	$11,887,580
NET WORKING CAPITAL	$ 7,377,091	$ 5,628,118	$ 7,377,091	$ 5,628,118
RATIO OF CURRENT ASSETS TO CURRENT LIABILITIES	1.30	1.47	1.30	1.47
PLANT AND EQUIPMENT (NET)	$ 4,405,145	$ 3,155,229	$ 4,405,145	$ 3,155,229
PLANT AND EQUIPMENT EXPENDITURES	$ 1,181,251	$ 667,927	$ 1,872,457	$ 1,121,269
SHAREHOLDERS' INVESTMENT	$11,298,092	$ 8,595,715	$11,298,092	$ 8,595,715
NUMBER OF SHARES OF CAPITAL STOCK OUTSTANDING	980,694	442,409	980,694	442,409
BOOK VALUE PER COMMON SHARE[1]	$ 11.52	$ 8.76	$ 11.52	$ 8.76
NUMBER OF SHAREHOLDERS AT END OF PERIOD	1,688	1,128	1,688	1,128

1. Earnings and book value per share based on number of shares outstanding and subscribed for at December 31, 1954.

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. —*Report of Independent Certified Public Accountants—March 24, 1955.*

Reliance Upon Client

To the Board of Directors, The Firestone Tire & Rubber Company: We have examined the consolidated balance sheet of The Firestone Tire & Rubber Company and subsidiary companies as of October 31, 1954, and the related consolidated statements of income, income invested in the business and additional paid-in capital for the year then ended. As to companies located in the United States and in certain foreign countries, our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We 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.

In our opinion, based upon such examination and upon such reports and statements, the accompanying consolidated balance sheet and related consolidated statements of income, income invested in the business and additional paid-in capital, together with the information regarding foreign earnings and depreciation included elsewhere in the Company's annual report, present fairly the consolidated financial position of The Firestone Tire & Rubber Company and subsidiary companies at October 31, 1954, 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.—*Auditors' Report—December 18, 1954.*

Reliance Upon Independent Appraiser

To the Stockholders, Crown Central Petroleum Corporation: We have examined the consolidated balance sheet of Crown Central Petroleum Corporation and its subsidiaries as of December 31, 1954, and the related statements of consolidated profit and loss 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.

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 & Company and Chas. Martin & 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 profit and loss and surplus present fairly the consolidated financial position of Crown Central Petroleum Corporation and its subsidiaries at December 31, 1954, 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.—*February 7, 1955.*

IDENTIFICATION OF FINANCIAL STATEMENTS

The accountant's report usually identifies the financial statements which are the subject of his expression of opinion; the title of each statement examined is usually listed separately. However, very often the ac-

TABLE 9: IDENTIFICATION OF FINANCIAL STATEMENTS

Certified Statements Identified By:	1954	1953	1952	1951	1950
Title Listing of Customary Statements	467	458	465	461	467
Title Listing of Customary Statements and specific mention of accompanying footnotes	57	59	55	61	68
Title Listing of Customary Statements and specific mention of accompanying footnotes with:					
Title listing of additional statements	1	1	1	1	1
Group reference to additional statements	1	1	1	1	1
Title Listing of Customary Statements with:					
Title Listing of additional statements	9	16	18	18	11
Group reference to additional statements	4	6	6	9	7
Total	539	541	546	551	555
Group reference to Customary Statements	43	40	40	37	35
Group Reference to Customary Statements and specific mention of accompanying footnotes	8	9	6	6	3
Group Reference to both Customary and additional statements and specific mention of accompanying footnotes	1	1	1	—	—
Group Reference to Customary Statements with:					
Title Listing of additional statements	2	2	1	1	1
Group reference to additional statements	7	7	6	5	6
Total	61	59	54	49	45
	600	600	600	600	600
Number of Reports Referring					
To additional statements	25	34	34	35	27
To accompanying footnotes	68	71	64	69	73

TABLE 10: NAME OF COMPANY

Reference by Use Of:	1954	1953	1952	1951	1950
Corporate Name of Company supplemented with—					
Names of consolidated subsidiaries	17	21	25	28	29
Names of consolidated and unconsolidated subsidiaries	0	1	1	1	1
Consolidated subsidiaries not named	404	393	392	391	384
Consolidated subsidiaries not named and reference to:					
Unconsolidated subsidiaries named	4	4	4	3	4
Unconsolidated subsidiaries not named	12	14	12	12	12
Unconsolidated subsidiaries not named and reference to branches, divisions, etc.	1	1	1	1	1
Affiliates, branches, etc.	6	5	5	3	3
"Corporation"* and reference to consolidated subsidiaries not named	1	1	1	1	1
	445	440	441	440	435
Corporate Name of Company	148	153	151	153	159
Corporate Name of Company and reference to:					
Unconsolidated subsidiaries named	—	—	1	2	2
Unconsolidated subsidiaries not named	5	5	5	4	3
"Company"* and reference to unconsolidated subsidiaries not named	1	1	1	—	—
"Company"*	1	1	1	1	1
	155	160	159	160	165
	600	600	600	600	600
Number of Reports					
*Omitting Corporate Name of Company	3	3	3	2	2
Referring to unconsolidated subsidiaries	23	26	25	23	23
Referring to affiliates, branches, or divisions, etc.	7	6	6	4	4
Referring to consolidated subsidiaries	445	440	431	440	435

countant's report will list such statements separately in its "scope" paragraph and then refer to such statements as a group in its "opinion" paragraph, e.g., "accompanying financial statements," "financial statements," etc. In certain instances, the accountant's report specifies that certain statements have been examined although all of these statements may not appear in the annual report of the company. *Good Humor Corporation* includes only a consolidated balance sheet in its report, although the accountant's report states that "we have examined the consolidated balance sheet . . . and the related statement of income for the year then ended. . . . In our opinion, the *above balance sheet* presents fairly the consolidated financial position of *Good Humor Corporation. . . .*" (Refer also to Co. Nos. 438 and 548 for similar treatment.)

Table 9 discloses the various methods used to identify the financial statements in the accountant's report. Examples of presentation are given in the following text.

REFERENCE TO COMPANY

The accountant's report usually included the *corporate name* of the company whose financial statements were examined. The survey of the 1954 reports disclosed that only three accountant's reports failed to disclose the *corporate name* of the company (*Co. Nos. 47, 113, 583); in the text of the report the company was referred to as "the corporation" or "the company." Although reference is usually made to consolidated or unconsolidated subsidiaries, the names of such subsidiaries are seldom given. Table 10 reveals in detail the methods of reference in the accountants' reports to the company and its subsidiaries, as mentioned in the 1954 survey reports.

*Refer to Company Appendix Section.

Reference to Statements and Company

The following examples illustrate the methods used by the accountants in their reports to refer to the companies and their 1954 financial statements:

To the Shareholders of Industrial Development Corporation (Formerly Society Brand Clothes, Inc.): We have examined the consolidated balance sheet of Industrial Development Corporation (Formerly Society Brand Clothes, Inc.) and Subsidiaries as at October 31, 1954 and the related consolidated statement of income and earned 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 consolidated balance sheet and consolidated statement of income and earned surplus (together with the notes to financial statements) present fairly the consolidated financial position of Industrial Development Corporation and subsidiaries as at October 31, 1954, 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.—*Accountant's Report—December 1, 1954.*

Board of Directors, Kaiser Motors Corporation: We have examined the consolidated balance sheets of Kaiser Motors Corporation and subsidiaries and of Willys Motors, Inc., and subsidiaries as of December 31, 1954, and the related statements of results of operations and accumulated net loss 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 financial statements, together with the notes thereto, present fairly the consolidated financial position of Kaiser Motors Corporation and subsidiaries and of Willys Motors, Inc., and subsidiaries at December 31, 1954, 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.—*March 7, 1955.*

(Refer to Section 2—Consolidation of Subsidiaries—example, *Kaiser Motors Corporation,* Note A—Principles of Consolidation.)

To the Board of Directors of Libby, McNeill & Libby: We have examined (1) the consolidated balance sheet of Libby, McNeill & Libby and its domestic and Canadian subsidiaries at May 28, 1955 and the related statements of income and earned surplus for the fiscal year then ended and the preceding three months, and (2) the consolidated balance sheet of Libby, McNeill & Libby and all subsidiaries at May 28, 1955 and the related statement of income and earned surplus for the fiscal year then ended. Our examination, which embraced all companies other than the German subsidiary, was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of the German subsidiary (included in the financial statements consolidating all subsidiaries) are as shown by an audit report of an independent public accountant in Germany.

Based on our examination and on the report submitted to us, it is our opinion that the accompanying financial statements present fairly (1) the financial position of Libby, McNeill & Libby and its domestic and Canadian subsidiaries at May 28, 1955 and the results of their operations for the fiscal year then ended and for the preceding three months, and (2) the financial position of Libby, McNeill & Libby and all subsidiaries at May 28, 1955 and the results of their operations for the fiscal year then ended, in conformity with generally accepted accounting principles. It is also our opinion that except for the changes in principles of consolidation (see notes) and in the method of providing for depreciation (see page 5), both of which have our approval, the consolidated financial statements have been prepared on a basis consistent with that of the preceding fiscal year.—*June 30, 1955.*

The Board of Directors and Share Owners of Philip Morris & Co. Ltd., Incorporated: We have examined the consolidated balance sheet of Philip Morris & Co. Ltd., Incorporated and its Subsidiary, Benson and Hedges, as of December 31, 1954 and March 31, 1954 and the related consolidated statements of earnings and surplus for the nine months' and twelve months' periods ended December 31, 1954 and for the fiscal year ended March 31, 1954. 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 related statements of earnings and surplus present fairly the consolidated financial position of Philip Morris & Co. Ltd., Incorporated and its subsidiary, Benson and Hedges, at December 31, 1954 and March 31, 1954 and the consolidated results of their operations for the nine months' and twelve months' periods ended December 31, 1954 and for the fiscal year ended March 31, 1954, in conformity with generally accepted accounting principles applied on a consistent basis.—*January 21, 1955.*

To the Board of Directors, National-U. S. Radiator Corporation (formerly The National Radiator Company): On April 1, 1955, United States Radiator Corporation, which had a fiscal year ending on January 31, was merged into The National Radiator Company, which had a fiscal year ending on March 31, and the name of the surviving corporation was changed to National-U. S. Radiator Corporation. Pertinent information concerning this merger is contained in Note 1 of the notes to the financial statements of National-U. S. Radiator Corporation.

We have examined (a) the balance sheet of The National Radiator Company as of March 31, 1955, and the related statements of capital surplus, earnings and re-invested earnings for the year then ended, (b) the consolidated balance sheet of United States Radiator Corporation and its subsidiary company as of March 31, 1955 and the related consolidated statements of earnings and re-invested earnings for the year ended January 31, 1955 and the two months ended March 31, 1955, and (c) the consolidated balance sheet and the consolidated statements of capital surplus and re-invested earnings of National-U. S. Radiator Corporation and its subsidiary company as of April 1, 1955. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements of The National Radiator Company and the consolidated financial statements of United States Radiator Corporation and its subsidiary company present fairly (a) the financial position and the consolidated financial position of the companies at March 31, 1955, respectively, (b) the results of operations of The National Radiator Company for the year ended March 31, 1955 and (c) the consolidated results of operations of United States Radiator Corporation and its subsidiary company for the year ended January 31, 1955 and the two months ended March 31, 1955, in conformity with generally accepted accounting principles applied on a basis consistent (except as disclosed in Notes 5, with which changes we concur) with that of the preceding periods. Also, in our opinion, the accompanying consolidated balance sheet and consolidated statements of capital surplus and re-invested earnings of National-U. S. Radiator Corporation present fairly the consolidated financial position of the company at April 1, 1955, in conformity with generally accepted accounting principles and the Articles of Merger and the Certificate of Consolidation of The National Radiator Company and United States Radiator Corporation.—*Auditor's Report—May 20, 1955.*

Notes to the Financial Statements:

Note 1: On March 2, 1955, the stockholders of United States Radiator Corporation (hereafter called United States Radiator) and on March 15, 1955, the stockholders of The National Radiator Company (hereafter called National) approved the Articles of Merger of United States Radiator (a New York corporation) into National (a Maryland corporation) and the Certificate of Consolidation of United States Radiator and National into National. On April 1, 1955, the date when the merger became effective, the name of National was changed to National-U. S. Radiator Corporation (hereafter called National-U. S.).

Under the Articles of Merger, National-U. S. is authorized to issue 1,500,000 shares of common stock, par value $1 per share. Each of the outstanding shares of common stock of National, par value $4 per share, including 10,500 shares held in the treasury which are reserved for issuance under options (but excluding another 1,000 shares held in the treasury which were cancelled) were converted into 1⅝ shares of common stock of National-U. S. Except for shares held by dissenting stockholders of United States Radiator, each of the outstanding shares of common stock of United States Radiator, $1 par, will be converted into ½ share of common stock of National-U. S. and each of the outstanding shares of preferred stock of United States Radiator, $50 par, will be converted into $50 principal amount of Subordinated Cumulative Income Debentures, due May 1, 1975, of National-U. S. No certificates for fractions of a share of National-U. S. will be issued, but the Company will pay the cash equivalent thereof based upon $11.50 per share, representing the fair market value at the merger date determined in accordance with the Articles of Merger. Also, no fractions of a debenture of National-U. S. will be issued, but the Company will pay $25 in cash with respect to any one-half share of preferred stock so converted. The amount of the cash equivalents has not been determined and, therefore, is not reflected in the accompanying financial statements, but such amount is not considered to be material.

Stockholders of United States Radiator dissenting to the merger have the right to have their holdings appraised and paid for. Stockholders holding 187 shares of common stock and 3101½ shares of preferred stock have so dissented. National-U. S. has offered to buy the shares of common and preferred stocks held by such dissenting stockholders at $7.50 per share and $40.00 per share, respectively, and certain stockholders have accepted this offer. Shares owned by dissenting stockholders have been reflected as converted and outstanding in the accompanying financial statements.

To the Shareowners and Directors, Lukens Steel Company: We have examined the balance sheets of Lukens Steel Company as of October 23, 1954, and October 24, 1953, and the related statements of income and surplus for the periods of fifty-two weeks ended on such dates. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

TABLE 11: PERIOD OF EXAMINATION

Accountant Refers To:	1954	1953	1952	1951	1950
One year in *scope and opinion* paragraphs	408	413	415	430	444
One year in *scope and opinion* paragraphs, with reference to examination of prior year contained in *scope* paragraph	46	49	48	39	29
One year in *opinion* paragraph					
No period mentioned in scope paragraph (*Co. Nos. *110, 218, 312*)	3	5	6	5	4
Modified short form of report	76	67	67	66	61
Modified short form of report, with additional comment referring to examination of prior year (*Co. Nos. *87, 119, 129*)	3	3	3	2	2
One year in *scope* paragraph, with balance sheet date only in *opinion* paragraph (opinion not given on income statement, *Co. No. *102*)	1	—	—	—	—
One year in *scope* paragraph, two years in *opinion* paragraph	—	1	1	1	1
One year, with reference to *examination of prior year*, in *scope paragraph;* two years in *opinion* paragraph	12	12	13	15	13
Two or **three years in *scope and opinion* paragraphs (**Co. No. *515*)	18	20	20	20	21
Two years in *opinion* paragraph only (*Co. No. *496*); in modified short form of report (*Co. Nos. *146, 181, 195, 308, 489, 526*)	7	7	5	4	3
Six to ten years in *opinion* (*Co. No. *320*)	1	1	1	1	1
Period of 52 or 53 weeks in *scope and opinion* paragraphs (*Co. Nos. *44, 66, 145*)	12	16	14	13	13
Period of 52 or 53 weeks in *opinion* paragraph (modified short form of report) (*Co. Nos. *78, 369, 393, 432*)	4	3	4	3	3
Period of 52 or 53 weeks with two periods referred to in *scope and opinion* paragraph (*Co. No. *356*)	1	1	1	1	1
Period of 367 days stated simply as "period January 1, 1954 to January 2, 1955 with *examination of prior year* referred to in scope paragraph; *as of January 2, 1955* . . . and . . . *period then ended* in *opinion* paragraph	1	—	—	—	—
Changes in Fiscal Years:					
Period of 13 months (1954) in opinion paragraph (modified short form of report) (*Co. No. *185*)	1				
Period of 13 months (1954) in *scope and opinion* paragraph, with *examination of prior year* referred to in scope paragraph (*Co. No. *364*)	1	2	2	0	4
Periods of one year and three months in scope and opinion paragraphs (*Co. No. *347*)	1				
Concurrent periods of nine months and twelve months in scope and opinion paragraphs (*Co. No. *450*)	1				
Period of less than 12 months in scope and opinion paragraphs (*Co. Nos. *64, 98, 430*)	3				
	600	600	600	600	600

In our opinion, the accompanying balance sheets and statements of income and earned surplus present fairly the financial position of Lukens Steel Company at October 23, 1954, and October 24, 1953, and the results of its operations for the fiscal years ended such dates, in conformity with generally accepted accounting principles applied on a consistent basis.—*Certified Public Accountants' Letter—December 16, 1954.*

Period of Examination

Table 11 discloses the terminology used in the accountants' reports to indicate the periods of examination pertaining to the survey companies. Generally, the period of examination is given as "year" although in many instances, the actual period of examination may be a period of fifty-two or fifty-three weeks, or a period from one date to another, e.g.—"period January 1, 1954 to January 2, 1955," (a total of 367 days).

In conjunction with the preparation of Table 11, a study was made of the accountants' reports contained in the 1954 annual reports of 39 survey companies which were known to use a fifty-two or fifty-three week fiscal period. Twenty-one accountants' reports referred to the fiscal periods of these companies simply as *year* then ended in conjunction with the balance sheet date. One additional report used the same method of reference and also mentioned an examination of the prior *year.* Two reports referred only to the *period* from one date to another (*Co. Nos. 214, 540). Twelve reports specifically mentioned either *52 weeks* or *53 weeks.* (*Co. Nos. 44, 145, 154, 158, 233, 286, 337, 359, 376, 393, 471, 548). Three reports in 1954 reflected changes in fiscal years and referred only to "months," or "year and three months," or "seven month period" (*Co. Nos. 64, 347, 430).

In certain instances, reference to a 52 (or 53) week period was contained only in the *President's Letter* (*Co. Nos. 22, 288, 316). Several reports disclosed this information only in the heading of the income statement (*Co. Nos. 61, 69, 76, 235, 247). There is an apparent lack of uniformity from one year to the next in the disclosure of such information in the reports of *each* company.

TABLE 12: TERMINOLOGY IN TITLE OF REPORT

Title Used to Identify Accountant's Report	1954	1953	1952	1951	1950
Accountant's (or accountants') report	136	135	123	119	117
Accountant's (or accountants') certificate	65	69	69	70	64
Auditor's (or auditors') report	62	55	50	50	46
Auditor's (or auditors') certificate	44	44	43	40	44
Report of independent public accountants	16	15	15	16	13
Opinion of independent public accountants	16	12	9	10	7
Certificate of independent public accountants	7	8	10	10	11
Report of independent certified public accountants	11	12	12	11	10
Opinion of independent certified public accountants	4	4	4	4	4
Report of certified public accountants	6	4	5	4	5
Independent auditor's (or auditors') report	9	9	10	11	7
Report of independent auditors	4	2	2	3	3
Report of auditors	8	9	10	10	8
Report of independent accountants	6	5	6	6	6
Opinion of independent accountants	4	2	1	1	1
Accountant's (or accountants') opinion	8	6	5	5	3
Various other	30	30	31	26	27
Total	436	421	405	396	376
No title shown	164	179	195	204	224
	600	600	600	600	600

1954 Reference to Accountant:	Report	Certificate	Opinion	Other Terms	1954 Total
	1954 REFERENCE TO REPORT				
Accountant's (s')	136	65	8	—	209
Certified public accountant's (s')	6	—	—	—	6
Independent certified public accountant's (s')	11	—	4	—	15
Independent public accountant's (s')	16	7	16	—	39
Independent accountant's (s')	6	—	4	—	10
Auditor's (s')	70	44	—	—	114
Independent auditor's (s')	13	—	—	—	13
Various other	—	—	—	30	30
Total	258	116	32	30	436
No title shown					164
					600

*Refer to Company Appendix Section.

Title of Accountant's Report

The most common title given to the accountant's report within the 1954 annual reports of the survey companies was "accountant's (or accountants') report." The word *report* was the usual term of reference to the opinion of the accountant. Table 12 discloses the many variations in the titles assigned to the accountant's report section of the 1954 survey reports.

Number of Accounting Firms Represented

There were 73 public accounting firms represented among the 600 companies included in the survey. Changes in accounting firms were reflected in the reports of 11 companies; one of these changes was incident to a merger of accounting firms.

Post Balance Sheet Disclosures

The accountant's report contained in the annual report of *Bell & Gossett Company* was the only one among the 1954 survey companies which disclosed an event occurring subsequent to the balance sheet date. The following comment was given:

"In our opinion also, the accompanying pro forma balance sheet at November 30, 1954 presents fairly the position of Bell & Gossett Company after giving effect to the subsequent sale of 300,000 common shares in the following month and application of the net proceeds to increase cash resources and to pay obligations to insurance companies."

Addressee of Accountant's Report

The various addressees mentioned in the accountants' reports included in the survey are summarized in Table 13 in comparative form for the years 1950 through 1954. The table reveals that nearly one-half of the reports are addressed jointly to the "board of directors and the company" while the remaining reports are usually addressed either to the stockholders and the company (109 companies), to the stockholders, directors and the company (125 companies), or to the company alone (65 companies).

Signature on Accountant's Report

Table 14 discloses that there is a continuing increase in the use of a handwritten facsimile to indicate the firm name on the accountant's report. Correspondingly, there is a decrease in the use of a printed or typewritten firm name.

TABLE 13: ADDRESSEE OF ACCOUNTANT'S REPORT

Combined Addressee	1954	1953	1952	1951	1950
The Company and Its:					
Directors	292	291	292	300	305
Directors and President	6	8	9	10	10
Directors and "Stockholders"	99	96	93	93	89
Directors and "Shareholders"	22	19	17	12	10
Directors and "Shareowners"	4	4	4	2	0
"Stockholders"	74	74	77	82	87
"Shareholders"	29	29	28	24	22
"Shareowners"	6	6	5	2	0
Single Addressee					
The Company	65	68	72	72	74
No Addressee	3	5	3	3	3
	600	600	600	600	600
Frequency of Reference to:					
Company—with other addressees	532	529	525	525	523
Company—with no other addressee	65	68	72	72	74
Directors	423	418	415	417	414
President	6	8	9	10	10
"Stockholders"	173	170	170	175	176
"Shareholders"	51	48	45	36	32
"Shareowners"	10	10	9	4	—

TABLE 14: ACCOUNTANT'S SIGNATURE ON REPORT

Form of Signature	1954	1953	1952	1951	1950
Firm name—printed or typed	407	415	427	439	452
Firm name—handwritten facsimile	190	180	167	157	144
Firm name—printed and handwritten facsimile	—	2	2	—	—
Firm and individual accountant's names—printed or typed	1	1	1	1	1
Individual accountant's name—printed or typed	2	2	2	2	2
Firm and individual accountant's names—handwritten facsimile	—	—	1	1	1
	600	600	600	600	600

COMPANY APPENDIX

List of 600 Companies on Which Tabulations Are Based

1. ACF Industries, Inc.
2. Abbott Laboratories
3. Acme Steel Company
4. Adam Hat Stores, Inc.
5. Adams-Millis Corporation
6. Addressograph-Multigraph Corporation
7. Ainsworth Manufacturing Corporation
8. Air Reduction Company, Incorporated
9. Alan Wood Steel Company
10. Alaska Pacific Salmon Company
11. Allegheny Ludlum Steel Corporation
12. Allen Industries, Inc.
13. Allied Chemical & Dye Corporation
14. Allied Mills, Inc.
15. Allied Stores Corporation
16. Allis-Chalmers Manufacturing Company
17. Alpha Portland Cement Company
18. Aluminum Company of America
19. The Amalgamated Sugar Company
20. The American Agricultural Chemical Company
21. American Air Filter Company, Inc.
22. American Bakeries Company
23. American Bank Note Company
24. American Box Board Company
25. American Can Company
26. American Chain & Cable Company, Inc.
27. American Colortype Company of New Jersey
28. American Cyanamid Company
29. The American Hardware Corporation
30. American Hide and Leather Company
31. American Home Products Corporation
32. American-LaFrance-Foamite Corporation
33. American Locomotive Company
34. American Machine and Metals, Inc.
35. American Maize-Products Company
36. The American Metal Company, Limited
37. American Metal Products Company
38. American Optical Company
39. American Radiator & Standard Sanitary Corporation
40. American Safety Razor Corporation
41. American Seating Company
42. The American Ship Building Company
43. American Smelting and Refining Company
44. American Stores Company
45. The American Sugar Refining Company
46. The American Tobacco Company
47. American Viscose Corporation
48. American Window Glass Company
49. American Woolen Company (Incorporated)
50. American Wringer Company, Inc.
51. American Writing Paper Corporation
52. Ampco Metal, Inc.
53. Anaconda Copper Mining Company
54. Anchor Hocking Glass Corporation
55. Anderson, Clayton & Co.
56. Anderson-Prichard Oil Corporation
57. Archer-Daniels-Midland Company
58. Arden Farms Co.
59. Argo Oil Corporation
60. Armco Steel Corporation
61. Armour and Company
62. Armstrong Cork Company
63. Art Metal Construction Company
64. Artloom Carpet Co., Inc.
65. The Arundel Corporation
66. Associated Dry Goods Corporation
67. The Atlantic Refining Company
68. Atlas Powder Company
69. Automatic Canteen Company of America
70. Avco Manufacturing Corporation
71. Avon Products, Inc.
72. The Babcock & Wilcox Company
73. Baldwin-Lima-Hamilton Corporation
74. Barber Oil Corporation
75. Barker Bros. Corporation
76. Bates Manufacturing Company
77. Bath Iron Works. Corporation
78. Bausch & Lomb Optical Company
79. The Bay Petroleum Corporation
80. Bayuk Cigars Incorporated
81. Beatrice Foods Co.
82. Beaunit Mills, Inc.
83. Beech Aircraft Corporation
84. Beech-Nut Packing Company
85. Belding Heminway Company, Inc.
86. Bell Aircraft Corporation
87. Bell & Gossett Company
88. Bendix Aviation Corporation
89. The Best Foods, Inc.
90. Bethlehem Steel Corporation

91. Bigelow-Sanford Carpet Company, Inc.
92. The Billings & Spencer Company
93. The Black & Decker Manufacturing Company
94. Blaw-Knox Company
95. Bliss & Laughlin, Inc.
96. Boeing Airplane Company
97. Bohn Aluminum & Brass Corporation
98. Bond Stores, Incorporated
99. Booth Fisheries Corporation
100. The Borden Company
101. Borg-Warner Corporation
102. Botany Mills, Inc.
103. E. J. Brach & Sons
104. Bridgeport Brass Company
105. Briggs Manufacturing Company
106. Briggs & Stratton Corporation
107. Bristol-Myers Company
108. Brockway Motor Company, Inc.
109. Brown & Sharpe Manufacturing Company
110 Brown Shoe Company, Inc.
111. The Brunswick-Balke-Collender Company
112. Bucyrus-Erie Company
113. The Budd Company
114. Buffalo-Eclipse Corporation
115. Burlington Mills Corporation
116. Burroughs Corporation
117. Butler Brothers
118. The Byrndun Corporation
119. Byron Jackson Co.
120. California Packing Corporation
121. Calumet & Hecla, Inc.
122. A. S. Campbell Co. Inc.
123. Canada Dry Ginger Ale, Incorporated
124. Cannon Mills Company
125. Capitol Records, Inc.
126. Carnation Company
127. Carrier Corporation
128. J. I. Case Company
129. Caterpillar Tractor Co.
130. Celanese Corporation of America
131. Central Soya Company, Inc.
132. Century Electric Company
133. Certain-Teed Products Corporation
134. The Cessna Aircraft Company
135. Chain Belt Company
136. The Champion Paper and Fibre Company
137. Cherry-Burrell Corporation
138. Chesapeake Industries, Inc.
139. Chicago Pneumatic Tool Company
140. Chicago Railway Equipment Company
141. Chile Copper Company
142. Chrysler Corporation
143. Cities Service Company
144. City Products Corporation
145. City Stores Company
146. Clark Equipment Company
147. The Cleveland Builders Supply Company
148. Clevite Corporation
149. Climax Molybdenum Company
150. Clinton Foods, Inc.
151. The Coca-Cola Company
152. Colgate-Palmolive Company
153. Collins & Aikman Corporation
154. Colonial Stores Incorporated
155. The Colorado Fuel and Iron Corporation
156. The Colorado Milling & Elevator Company
157. Colt's Manufacturing Company
158. Columbia Broadcasting System, Inc.
159. Columbia River Packers Association, Inc.
160. Columbian Carbon Company
161. Combustion Engineering, Inc.
162. Commercial Solvents Corporation
163. Congoleum-Nairn Inc.
164. Consolidated Cigar Corporation
165. Consolidated Laundries Corporation
166. Consolidated Paper Company
167. Container Corporation of America
168. Continental Baking Company
169. Continental Can Company, Inc.
170. Continental Motors Corporation
171. Continental Oil Company
172. Continental Steel Corporation
173. Copperweld Steel Company
174. Corn Products Refining Company
175. Cory Corporation
176. Craddock-Terry Shoe Corporation
177. Crane Co.
178. The Creamery Package Mfg. Company
179. Crown Central Petroleum Corporation
180. Crown Cork & Seal Company, Inc.
181. Crown Zellerbach Corporation
182. Crucible Steel Company of America
183. The Cuban-American Sugar Company
184. The Cudahy Packing Company
185. The Cuneo Press, Inc.
186. The Curtis Publishing Company
187. Curtiss-Wright Corporation
188. Cutler-Hammer, Inc.
189. Daystrom, Incorporated
190. The Dayton Rubber Company
191. Decca Records Inc.
192. Deere & Company
193. Dennison Manufacturing Company
194. Devoe & Raynolds Company, Inc.
195. The Diamond Match Company
196. Diamond T Motor Car Company
197. Diana Stores Corporation
198. Dictaphone Corporation
199. The Di-Noc Company
200. Walt Disney Productions
201. Dixie Cup Company
202. The Dobeckmun Company
203. Douglas Aircraft Company, Inc.
204. The Dow Chemical Company
205. The Drackett Company
206. Dragon Cement Company, Inc.
207. Dresser Industries, Inc.
208. Allen B. DuMont Laboratories, Inc.
209. The Duplan Corporation
210. E. I. du Pont de Nemours & Company
211. Durez Plastics & Chemicals, Inc.
212. The Eagle-Picher Company
213. Eastern Corporation
214. The Eastern Malleable Iron Company
215. Eastern Stainless Steel Corporation
216. Eastman Kodak Company
217. Eaton Manufacturing Company
218. Elastic Stop Nut Corporation of America
219. The Electric Auto-Lite Company
220. The Electric Storage Battery Company
221. Elgin National Watch Company
222. Elliott Company
223. Ely & Walker Dry Goods Company
224. Emerson Radio & Phonograph Corporation
225. Endicott Johnson Corporation
226. Eversharp, Inc.
227. Ex-Cell-O Corporation
228. The Fairbanks Company
229. Fairbanks, Morse & Co.
230. Fairchild Engine and Airplane Corporation
231. Falstaff Brewing Corporation
232. The Federal Machine and Welder Company
233. Federated Department Stores, Inc.
234. The Firestone Tire & Rubber Company
235. First National Stores Inc.
236. M. H. Fishman Co., Inc.
237. The Flintkote Company

238. Food Machinery and Chemical Corporation
239. Foremost Dairies, Inc.
240. Freeport Sulphur Company
241. Fruehauf Trailer Company
242. Gar Wood Industries, Inc.
243. The Garlock Packing Company
244. Gaylord Container Corporation
245. General American Transportation Corporation
246. General Aniline & Film Corporation
247. General Baking Company
248. General Box Company
249. General Cable Corporation
250. General Cigar Co., Inc.
251. General Dynamics Corporation
252. General Electric Company
253. General Mills, Inc.
254. General Motors Corporation
255. General Plywood Corporation
256. General Railway Signal Company
257. General Refractories Company
258. General Shoe Corporation
259. The General Tire & Rubber Company
260. Giddings & Lewis Machine Tool Company
261. The Gillette Company
262. Gimbel Brothers, Inc.
263. Gleaner Harvester Corporation
264. The Glidden Company
265. Godchaux Sugars, Inc.
266. Goebel Brewing Company
267. Goldblatt Bros., Inc.
268. Good Humor Corporation
269. The B. F. Goodrich Company
270. The Goodyear Tire & Rubber Company
271. Granite City Steel Company
272. W. T. Grant Company
273. The Great Western Sugar Company
274. The Griess-Pfleger Tanning Co.
275. The Gruen Watch Company
276. Grumman Aircraft Engineering Corporation
277. Gulf Oil Corporation
278. W. F. Hall Printing Company
279. The Haloid Company
280. Hamilton Watch Company
281. Harbison-Walker Refractories Company
282. Harnischfeger Corporation
283. The Harshaw Chemical Company
284. Harvill Corporation
285. Haskelite Manufacturing Corporation
286. Hathaway Bakeries, Inc.
287. Hayes Manufacturing Corporation
288. Hazel-Atlas Glass Company
289. Hearst Consolidated Publications, Inc.
290. Hercules Motors Corporation
291. Hercules Powder Company
292. Hershey Chocolate Corporation
293. Heywood-Wakefield Company
294. Higgins, Inc.
295. The Hobart Manufacturing Company
296. Hoffman Electronics Corporation
297. Holland Furnace Company
298. Holly Sugar Corporation
299. Hooker Electrochemical Company
300. Geo. A. Hormel & Company
301. Houdaille-Hershey Corporation
302. Howell Electric Motors Company
303. Hudson Pulp & Paper Corp.
304. Hunt Foods, Inc.
305. Hygrade Food Products Corporation
306. Industrial Rayon Corporation
307. Ingersoll-Rand Company
308. Inland Steel Company
309. Interchemical Corporation
310. International Business Machines Corporation
311. International Harvester Company
312. The International Nickel Company of Canada, Limited
313. International Paper Company
314. International Shoe Company
315. The International Silver Company
316. Interstate Bakeries Corporation
317. Iron Fireman Manufacturing Company
318. Jantzen Knitting Mills Inc.
319. Johns-Manville Corporation
320. Johnson & Johnson
321. Jones & Lamson Machine Company
322. Jones & Laughlin Steel Corporation
323. Joslyn Mfg. and Supply Co.
324. Joy Manufacturing Company
325. The E. Kahn's Sons Company
326. Geo. E. Keith Company
327. Kellogg Company
328. The Kendall Company
329. Kennecott Copper Corporation
330. Keystone Steel & Wire Company
331. Walter Kidde & Company, Inc.
332. Kimberly-Clark Corporation
333. G. R. Kinney Co., Inc.
334. Koppers Company, Inc.
335. S. S. Kresge Company
336. S. H. Kress & Company
337. The Kroger Co.
338. Kuhlman Electric Company
339. Kuner-Empson Company
340. The Lamber Company
341. Lear, Incorporated
342. Lehigh Portland Cement Company
343. Lerner Stores Corporation
344. Leslie Salt Co.
345. R. G. LeTourneau, Inc.
346. Libbey-Owens-Ford Glass Company
347. Libbey, McNeil & Libby
348. Liberty Products Corporation
349. Liggett & Myers Tobacco Company
350. Lily-Tulip Corporation
351. Link-Belt Company
352. Lockheed Aircraft Corporation
353. Loew's Incorporated
354. Lone Star Cement Corporation
355. P. Lorillard Company
356. Lukens Steel Company
357. Macfadden Publications, Inc.
358. Mack Trucks, Inc.
359. R. H. Macy & Co., Inc.
360. P. R. Mallory & Co., Inc.
361. Marthon Corporation
362. Marchant Calculators, Inc.
363. Marmon-Herrington Company, Inc.
364. Marshall Field & Company
365. The Glenn L. Martin Company
366. The Master Electric Company
367. The W. L. Maxson Corporation
368. The May Department Stores Company
369. Oscar Mayer & Co., Inc.
370. The Maytag Company
371. McCall Corporation
372. McCormick & Company, Incorporated
373. McGraw Electric Company
374. McGraw-Hill Publishing Company, Inc.
375. McKesson & Robbins, Incorporated
376. The Mead Corporation
377. Medusa Portland Cement Company
378. Melville Shoe Corporation
379. The Mengel Company
380. Merck & Co., Inc.
381. Metal & Thermit Corporation
382. Mid-Continent Petroleum Corporation
383. The Midvale Company
384. Midwest Rubber Reclaiming Company
385. Miller and Hart, Inc.
386. Miller Manufacturing Co.
387. Minneapolis-Honeywell Regulator Company
388. Mohawk Carpet Mills, Inc.
389. The Mohawk Rubber Company
390. Monsanto Chemical Company
391. Montgomery Ward & Co., Incorporated

392. Moore Drop Forging Company
393. John Morrell & Co.
394. Motor Products Corporation
395. Motor Wheel Corporation
396. Motorola Inc.
397. Mullins Manufacturing Corporation
398. Munsingwear, Inc.
399. G. C. Murphy Company
400. The Murray Corporation of America
401. National Biscuit Company
402. The National Cash Register Company
403. National Company, Inc.
404. National Container Corporation
405. National Cylinder Gas Company
406. National Dairy Products Corporation
407. National Distillers Products Corporation
408. National Gypsum Company
409. National Lead Company
410. National Presto Industries, Inc.
411. The National Roll & Foundry Company
412. National Steel Corporation
413. The National Sugar Refining Company
414. The National Supply Company
415. Naumkeag Steam Cotton Company
416. The New Britain Machine Company
417. The New York Air Brake Company
418. J. J. Newberry Co.
419. Newport News Shipbuilding and Dry Dock Company
420. Niles-Bement-Pond Company
421. North American Aviation, Inc.
422. Northrop Aircraft, Inc.
423. The Ohio Match Company
424. The Ohio Oil Company
425. The Oliver Corporation
426. O'Sullivan Rubber Corporation
427. Otis Elevator Company
428. Outboard, Marine & Manufacturing Company
429. Owens-Illinois Glass Company
430. Pacific Mills
431. Panhandle Oil Corporation
432. Paramount Pictures Corporation
433. Park & Tilford Distillers Corporation
434. Parke, Davis & Company
435. The Parker Pen Company
436. Parkersburg-Aetna Corporation
437. The Patterson-Sargent Company
438. Peden Iron & Steel Co.
439. J. C. Penney Company
440. Penn-Texas Corp.
441. Peoples Drug Stores, Incorporated
442. Pepsi-Cola Company
443. The Permutit Company
444. Pet Milk Company
445. Pfeiffer Brewing Company
446. Chas. Pfizer & Co., Inc.
447. Phelps Dodge Corporation
448. Philadelphia Dairy Products Company, Inc.
449. Philco Corporation
450. Philip Morris & Co. Ltd., Incorporated
451. Phillips Petroleum Company
452. Pillsbury Mills, Inc.
453. Piper Aircraft Corporation
454. Pitney-Bowes, Inc.
455. Pittsburgh Brewing Company
456. Pittsburgh Plate Glass Company
457. Pittsburgh Screw and Bolt Corporation
458. Pittsburgh Steel Company
459. The Pittston Company
460. Plymouth Oil Company
461. Polaroid Corporation
462. H. K. Porter Company, Inc.
463. Pratt & Lambert, Inc.
464. Pullman, Incorporated
465. The Pure Oil Company
466. Purolator Products, Inc.
467. The Quaker Oats Company
468. Quaker State Oil Refining Corporation
469. Radio Corporation of America
470. Ralston Purina Company
471. The Rath Packing Company
472. Raybestos-Manhattan, Inc.
473. Rayonier Incorporated
474. Read Standard Corporation
475. Reliance Manufacturing Company
476. Remington Arms Company, Inc.
477. Remington Rand, Inc.
478. Republic Aviation Corporation
479. Republic Steel Corporation
480. Revere Copper and Brass Incorporated
481. Rexall Drug, Inc.
482. Reynolds Metals Company
483. R. J. Reynolds Tobacco Company
484. Rheem Manufacturing Company
485. Rice-Stix, Inc.
486. Richfield Oil Corporation
487. Ritter Company, Inc.
488. H. H. Robertson Company
489. The Ruberoid Co.
490. Jacob Ruppert
491. The Ryan Aeronautical Co.
492. Saco-Lowell Shops
493. The Safety Car Heating and Lighting Company, Inc.
494. Safeway Stores Incorporated
495. Schenley Industries, Inc.
496. Scott Paper Company
497. Scovill Manufacturing Company
498. The Scranton Lace Company
499. Sears, Roebuck and Co.
500. The Selby Shoe Company
501. Servel, Inc.
502. Sharon Steel Corporation
503. Frank G. Shattuck Company
504. Shell Oil Company
505. The Sherwin-Williams Company
506. Signode Steel Strapping Company
507. Simmons Company
508. Simonds Saw and Steel Company
509. Sinclair Oil Corporation
510. Skelly Oil Company
511. A. O. Smith Corporation
512. Alexander Smith, Incorporated
513. Socony-Vacuum Oil Company, Incorporated
514. Sonotone Corporation
515. Southern Advance Bag & Paper Co., Inc.
516. A. G. Spalding & Bros. Inc.
517. Spencer Kellogg and Sons, Inc.
518. The Sperry Corporation
519. Spiegel, Inc.
520. Sprague Electric Company
521. Square D. Company
522. Stahl-Meyer, Inc.
523. A. E. Staley Manufacturing Company
524. Standard Brands Incorporated
525. Standard Oil Company of California
526. Standard Oil Company (Indiana)
527. Standard Oil Company (Kentucky)
528. Standard Oil Company (New Jersey)
529. The Standard Oil Company (Ohio)
530. J. P. Stevens & Co., Inc.
531. Stewart-Warner Corporation
532. Stokely-Van Camp, Inc.
533. Struthers Wells Corporation
534. Studebaker Packard Corporation
535. Sun Oil Company
536. Sunshine Biscuits, Inc.
537. The Superior Oil Company
538. Superior Steel Corporation
539. Sutherland Paper Company
540. Swift & Company
541. The Texas Company
542. Texas Gulf Sulphur Company
543. Textron Incorporated
544. Thompson Products, Inc.
545. Tide Water Associated Oil Company

546. Time Incorporated
547. The Timken Roller Bearing Company
548. Twentieth Century-Fox Film Corporation
549. Union Bag & Paper Corporation
550. Union Carbide and Carbon Corporation
551. Union Oil Company of California
552. Union Tank Car Company
553. United Aircraft Corporation
554. United Can & Glass Company
555. United Carbon Corporation
556. United Cigar-Whelan Stores Corporation
557. United Drill and Tool Corporation
558. United Elastic Corporation
559. United Engineering and Foundry Company
560. United Fruit Company
561. United Merchants and Manufacturers, Inc.
562. The United Piece Dye Works
563. United Shoe Machinery Corporation
564. United States Gypsum Company
565. United States Potash Company
566. United States Rubber Company
567. United States Smelting Refining and Mining Company
568. United States Steel Corporation
569. Universal-Cyclops Steel Corporation
570. Universal Leaf Tobacco Co., Inc.
571. Universal Match Corporation
572. Utah-Idaho Sugar Company
573. Vanadium-Alloys Steel Company
574. Veeder-Root Incorporated
575. Verney Corporation
576. Wagner Electric Corporation
577. Waitt & Bond, Inc.
578. Walgreen Co.
579. Walker Manufacturing Company of Wisconsin
580. Walworth Company
581. Ward Baking Company
582. Warner Bros. Pictures, Inc.
583. The Wayne Pump Company
584. Wesson Oil & Snowdrift Co., Inc.
585. West Virginia Pulp and Paper Company
586. Western Auto Supply Company
587. Westinghouse Air Brake Company
588. Westinghouse Electric Corporation
589. Weston Electrical Instrument Corporation
590. Weyerhaeuser Timber Company
591. Wheeling Steel Corporation
592. The White Motor Company
593. Wilson & Co., Inc.
594. F. W. Woolworth Co.
595. Worthington Corporation
596. Wm. Wrigley Jr. Company
597. The Yale & Towne Manufacturing Company
598. York Corporation
599. The Youngstown Sheet and Tube Company
600. Zenith Radio Corporation

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